THE ROLE OF BOARD DIVERSITY DIMENSIONS AND CEO CHARACTERISTICS ON CORPORATE AUDIT QUALITY IN INDONESIA

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ABSTRACT

This study examines the influence of board of directors and CEO characteristics on audit quality, focusing on the role of selecting auditors from Big Four accounting firms. While much of the existing research has concentrated on developed countries, there is limited understanding of how these dynamics operate in emerging markets like Indonesia, where corporate governance structures and auditing practices differ. This study addresses this gap by exploring how factors such as board education, meeting frequency, experience, gender diversity, and CEO characteristics (including financial expertise and tenure) impact audit quality in Indonesian companies. Audit quality is measured by the selection of auditors from Big Four Public Accounting Firms (PAFs), typically seen as having higher audit standards compared to non-Big Four PAFs. Using purposive sampling, 660 out of 669 companies met the inclusion criteria, and data was collected from annual reports for the 2022–2023 period. Logistic regression analysis was performed using STATA to examine the relationships between variables. The findings indicate that board education level is the most significant factor influencing audit quality, outweighing formal board experience or CEO financial expertise. Additionally, CEO tenure negatively affects audit quality, suggesting that longer CEO tenure may compromise audit independence. This research underscores the importance of corporate governance strategies, particularly in board education, diversity, and CEO tenure, in selecting high- quality auditors. It contributes to the understanding of audit quality dynamics in emerging markets and highlights the need for companies to prioritize education, diversity, and mitigate risks associated with extended CEO tenure to maintain financial transparency and accountability. Keywords: Audit quality, board diversity, CEO characteristics.

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INTRODUCTION

International financial scandals involving major companies have drawn significant attention to the link between corporate governance and audit quality (Alawaqleh & Almasria, 2021). Weak corporate governance is often a contributing factor to corporate crises, which underscores the need for measures such as enhanced accountability, improved audit resources, and stronger governance policies (AlQadasi & Abidin, 2018). Despite efforts to strengthen governance systems, audit failures persist globally, fueling continuous research and policy efforts aimed at improving audit quality and restoring trust in financial reporting (Karaibrahimoglu, 2018). The decline in reporting quality is often linked to weak governance systems and inadequate audits (Adeyemi & Fagbemi, 2010).

In Indonesia, high-profile audit failures underscore the challenges that persist in the country. For example, PT Garuda Indonesia in 2019 reported unrealized revenue in its 2018 financial statements, which violated accounting principles. The Public Accounting Firm (PAF) and auditors involved faced sanctions for negligence in transaction assessment, evidence collection, and post-reporting considerations, violating auditing standards such as SA 315, SA 500, and SA 560. Other notable cases, such as PT Tiga Pilar Sejahtera Food Tbk (2020) and PT Waskita Karya (2023), also involved financial manipulation, with PAFs sanctioned for compromised audit quality. These instances emphasize the critical role of high-quality audits in ensuring credible financial reporting and effective governance (Abdullah et al., 2008). The failures in these cases highlight a broader issue in Indonesia's financial sector that has led to substantial trust deficits in corporate financial disclosures.

Effective audits are essential in reducing material misstatements and information asymmetry, ensuring shareholders have access to reliable information ((DeAngelo, 1981; Abdullah et al., 2008). Research has confirmed that high-quality audits help enhance investor confidence in financial reports validated by external auditors (Oladejo, 2022). Audit fees often serve as proxies for audit quality, with higher fees generally reflecting more comprehensive and effective auditing services (O'Sullivan, 2000;

Carcello et al., 2002). The Big Four audit firms are often seen as benchmarks for audit quality due to their consistency and independence (Alzeban, 2020; AlQadasi & Abidin, 2018; Cabal-García et al., 2019).

Corporate governance mechanisms and audit quality are deeply intertwined. Strong governance practices promote the selection of high-quality auditors (Dwekat et al., 2018), with boards of directors playing a critical role in financial oversight and determining the quality of audits (E. F. Fama et al., 2009). Key board characteristics, such as independence (Soliman & Elsalam, 2012), size (Saidu & Aifuwa, 2020), tenure, age, interlocking directorships, and educational background, have been shown to influence audit outcomes (Mustafa et al., 2017). In parallel, CEOs shape audit quality through their characteristics and decision-making. CEO attributes such as duality, financial expertise, and tenure influence corporate strategies and audit outcomes (Hambrick & Mason, 1984; Altarawneh et al., 2022). CEOs with financial expertise and integrity are generally more supportive of high-quality audits, while risk-tolerant CEOs may compromise audit standards (Cabal-García et al., 2019).

The objective of this study is to analyze the influence of board and CEO characteristics on audit quality in companies listed on the Indonesia Stock Exchange. Specifically, the study aims to assess the impact of board education on audit quality, identify the relationship between board meeting frequency and audit quality, analyze the effect of gender diversity on the board on auditor selection, and measure the impact of board experience and CEO financial knowledge on audit outcomes. This study focuses on Indonesia because of the lack of in-depth research on the influence of board and CEO characteristics on audit quality in emerging markets, particularly in Southeast Asia. Indonesia presents a unique context, where corporate governance structures and audit practices differ significantly from those in developed economies. This makes Indonesia an important case study for understanding how local dynamics influence corporate governance and audit quality, particularly in emerging economies that face challenges in transparency and governance effectiveness.

By examining the interplay between board characteristics, CEO attributes, and audit quality in Indonesia, this research contributes to the broader academic literature on corporate governance and audit practices in emerging markets. The findings could serve as valuable guidance for other developing economies, providing insights into how improvements in corporate governance structures, such as better board education, more frequent meetings, and greater gender diversity, can enhance audit quality. Other countries, particularly those in Southeast Asia and similar emerging markets, can draw lessons from this study to improve their financial reporting practices, strengthen their corporate governance frameworks, and restore trust in their financial systems. The significant contribution of this paper lies in its focus on a critical yet under-explored area: the influence of board and CEO characteristics on audit quality in emerging markets like Indonesia. The study not only highlights the importance of governance mechanisms in improving audit quality but also offers insights that can help policymakers and businesses in other developing countries enhance their audit processes and corporate governance structures. This research aims to bridge the gap between governance practices in developed and developing markets, offering practical recommendations for improving transparency, accountability, and investor confidence in the financial reports of emerging-market companies.

LITERATURE REVIEW

Agency theory underpins the relationship between corporate governance mechanisms and audit quality, emphasizing their role in mitigating conflicts between shareholders and managers (Abdullah et al., 2008). Effective governance and auditing reduce agency conflicts and information asymmetry (Bosse & Phillips, 2016). Effective governance and auditing reduce agency conflicts and information asymmetry (Watts & Zimmerman, 1978; Alawaqleh & Almasria, 2021). External auditors are critical in monitoring managerial actions, ensuring reliable financial information, and minimizing asymmetry (Watkins & Hillison, 2004; Piot, 2010; (M. Lai et al., 2016); Cohen et al., 2016). High-quality audits safeguard stakeholders' interests and strengthen governance (Soliman & Elsalam, 2012; Abdullah et al., 2008; Oladejo, 2022). The upper echelon theory by Hambrick & Mason (1984) connects the demographic and personal characteristics of top management, such as experience, values, and education, to corporate decision-making and outcomes (Hiebl, 2014; Kim, 2021). CEOs' backgrounds influence strategic decisions and organizational performance (Lapointe et al., 2021; Qi et al., 2019). CEOs with financial expertise and integrity are more likely to engage reputable auditors and support independent audits (Cabal-García et al., 2019). Conversely, risk-tolerant CEOs may prefer lenient auditors, compromising audit quality. CEO perceptions of audit risks, such as mandatory auditor rotation, further influence corporate audit policies. Audit quality is defined by DeAngelo (1981) as the auditor's competence and independence in detecting and reporting financial misstatements. Since audit quality is not directly observable, proxies like auditor reputation are used (Riley, 2014). Big Four accounting firms—PwC, Deloitte, EY, and KPMG—are recognized for their high audit standards, employing experienced auditors and systematic procedures that ensure greater independence (Nurfadilah et al., 2015; Purba, 2018). These firms' skepticism limits management's ability to manipulate financial statements. Audit quality is often assessed using a dummy variable to indicate whether a company is audited by a Big Four firm. The board of directors plays a pivotal role in corporate governance, overseeing management and protecting shareholders' interests (E. F. Fama & Jensen, 1983). Effective boards enhance financial statement credibility, reduce audit risks, and support high-quality audits (Dechow et al., 1996; Gul & Leung, 2004; Khalil & Ozkan, 2016). Strong boards foster transparency, reducing earnings manipulation and improving disclosure. As a result, they positively correlate with audit quality (Adams et al., 2010; Puni & Anlesinya, 2020; Almutairi & Quttainah, 2020). CEOs also significantly influence audit quality. Their attributes—such as education, expertise, tenure, age, and risk tolerance—affect financial reporting and corporate governance (Certo et al., 2007; Altarawneh et al., 2022). CEOs with financial acumen and integrity tend to enhance audit quality by engaging reputable auditors, while those with risk-prone tendencies may jeopardize it (Doho & Santoso, 2020). These dynamics position the CEO as a central figure in shaping audit policies and ensuring organizational transparency and accountability.

Hypotheses

Frequency of Board Meetings and Audit Quality

According to agency theory, a fundamental duty of the board of directors is to oversee and regulate corporate management, ensuring that executive choices are congruent with shareholder interests. The monitoring function is essential in financial reporting, as the board's oversight directly affects the quality of the audit process. Agency theory posits that frequent board meetings augment the board's capacity to examine management's actions and financial statements, hence offering directors increased opportunities to identify potential financial discrepancies and implement more robust financial controls. The board's ongoing engagement in financial supervision is crucial for guaranteeing that CEOs maintain elevated standards of openness and accountability. Empirical data substantiates this notion, as research by Ntim & Osei (2011) and Farooq et al (2018) contends that increased frequency of board meetings correlates favorably with enhanced financial supervision and robust governance. Regular meetings enable the board to conduct more thorough discussions and evaluations of critical audit issues, thereby improving their capacity to supervise the financial reporting process and require superior audit quality. Studies conducted by Rabah Gana & Lajmi Krichen (2013) and (Kasim et al., 2016) substantiate this correlation, indicating that boards with increased meeting frequencies are more adept at necessitating thorough audits. These boards aggressively scrutinize financial reports, evaluate auditor performance more rigorously, and are more inclined to appoint auditors who adhere to high-quality norms. Moreover, regular board meetings enhance the collaborative relationship between the board and auditors, guaranteeing that audit procedures are comprehensive and autonomous. We argue that an increase in the frequency of board meetings will strengthen oversight of the financial reporting process, hence improving audit quality, based on the integration of agency theory and empirical evidence.

H1: There is a positive relationship between the frequency of board meetings and audit quality.

Board Expertise and Audit Quality

According to agency theory, the expertise of board members is essential for improving the board's capacity to properly oversee corporate management and guarantee precise financial reporting. Agency theory posits that the primary role of the board is to supervise management's conduct and safeguard shareholders' interests, with seasoned board members being more adept at fulfilling this responsibility. Seasoned directors possess enhanced autonomy and judgment, enabling them to more effectively discern possible dangers and instances where management may diverge from ethical or legal norms. This enhanced capacity to identify anomalies compels management to maintain superior accounting standards, since seasoned board members are more inclined to insist on adherence to financial regulations (Herranz et al., 2020). Moreover, board members possessing knowledge in finance and administration are more adept at understanding the ramifications of corporate choices on capital markets and the veracity of financial statements. This expertise enhances their ability to safeguard the company's financial integrity and align it with best practices (Naheed et al., 2021). According to agency theory, these seasoned directors not only improve the board's capacity to supervise financial reporting but also guarantee that management operates in the best interests of shareholders by advocating for rigorous adherence to financial regulations. Furthermore, seasoned boards are more inclined to appoint auditors who can provide superior audit services, as they comprehend the intricacies of the audit process and can more precisely evaluate the capabilities of prospective auditors (Al-Hamadeen et al., 2021). Moreover, board members with financial literacy—especially in accounting, finance, or financial management—substantially enhance the quality of financial statements by making educated judgments regarding accounting rules and audit engagements (Kibiya, 2016). The Upper Echelon Theory posits that the personal attributes and experiences of senior management, including board members, impact strategic decisions and organizational results. This hypothesis posits that seasoned board members leverage their expertise to influence business strategy and guarantee the appointment of auditors who maintain the highest standards of quality and openness. Research conducted by Bshayreh et al. (2021) supports these conclusions, indicating that boards with greater expertise typically need elevated standards in the audit process, so guaranteeing audits are more comprehensive and impartial. Consequently, drawing from the insights of agency theory and upper echelon theory, the second hypothesis is posited:

H2: There is a positive relationship between board expertise and audit quality.

Gender Diversity on Boards and Audit Quality

According to agency theory, gender diversity on the board is a vital element affecting governance efficacy, especially in augmenting financial oversight and boosting audit quality. Agency theory posits that efficient corporate governance depends on the board's capacity to oversee and curtail management's opportunistic behaviors, with gender diversity potentially enhancing this monitoring function. Female directors are frequently regarded as more autonomous, industrious, and ethical than their male equivalents (Adams & Ferreira, 2009). This viewpoint is corroborated by studies indicating that women generally prioritize ethics, risk management, and openness, which are essential for guaranteeing the accuracy of financial reporting and adherence to regulatory norms in corporate financial procedures. Female directors, emphasizing ethical decision-making, are more inclined to serve as effective overseers of management conduct, assuring enhanced adherence to financial regulations and necessitating thorough auditing procedures. Research indicates that, in contrast to men, women exhibit greater dedication to resolving ethical dilemmas and financial irregularities, thereby positioning themselves to advocate for superior audits that ensure the integrity of financial reporting and mitigate potential legal or reputational risks for the company (K. M. Lai et al., 2017). Moreover, Upper Echelon Theory enhances this viewpoint by proposing that the demographic attributes of senior management, such as gender, affect strategic decision-making and organizational results. The distinct viewpoints of women and their increased attentiveness in oversight can substantially enhance board governance, increasing the likelihood that firms with higher gender diversity on their boards will require more rigorous auditing procedures. Studies by K. M. Lai et al. (2017), Afure Akpotor et al. (2019), and Pious

et al. (2022) substantiate this notion, indicating that gender-diverse boards are more adept at producing high-quality audit results owing to their heightened thoroughness and ethical emphasis. These findings indicate that boards with a greater percentage of female directors are more inclined to uphold financial integrity and corporate openness, hence enhancing the selection of trustworthy auditors and the pursuit of high-quality audits. Consequently, informed by agency theory and upper echelon theory, the third hypothesis is posited:

H3: There is a positive relationship between the presence of female board members and the quality of audits.

Board Education Level and Audit Quality

Based on agency theory, boards that possess accounting and financial qualifications are more capable of overseeing management and guaranteeing that financial reporting is consistent with the interests of shareholders. Boards with this level of expertise are more inclined to request audits of superior quality in order to protect against agency issues such as financial misreporting or fraud. Agency Theory posits that boards with a higher level of education are more capable of supervising management's actions and ensuring compliance with accounting standards. This includes the selection of auditors who maintain a high level of independence and provide rigorous supervision of financial reporting. Boards that possess accounting and finance expertise are more likely to employ Big 4 auditors, as these firms provide superior audit quality and independence, thereby improving the board's monitoring function and reducing agency conflicts (Hillman & Dalziel, 2003). Furthermore, Upper Echelon Theory posits that the strategic decisions and cognitive foundations of board members, such as their educational origins, have a substantial impact on their decision-making and the company's operations. Boards where directors possess advanced qualifications in finance and accounting are more likely to possess a more profound comprehension of financial reporting, which enables them to make more informed decisions regarding audit selection and oversight. Board members are more adept at identifying potential hazards in financial reporting and demanding high-quality audits to guarantee transparency and accuracy in financial statements as their education level increases. Previous research, such as that conducted by Ararat et al. (2012) and Baolei & Tian (2012), has shown a positive correlation between the quality of audits and the education levels of boards. This suggests that well-educated boards are more likely to engage high-quality auditors in order to preserve their reputation and organizational integrity. This is consistent with Upper Echelon Theory, which posits that the educational backgrounds of board members have a substantial impact on organizational outcomes, including the strategic selection of auditors. As a result, boards that are highly educated are more likely to ensure that their auditing processes are comprehensive and satisfy high-quality standards, as they have the ability to demand and evaluate such audits. The hypothesis that follows is derived from both agency theory and upper echelon theory:

H4: There is a positive relationship between the education level of the board and audit quality.

Board Ownership and Audit Quality

Agency theory posits that board ownership is a critical factor in the alignment of management's interests with those of shareholders. The financial incentive for directors to ensure the company's success is generated by the increased ownership by board members, who are personally invested in the organization's success. Board members are motivated to advocate for increased transparency and disclosure in financial reporting by this ownership, as they have a vested interest in assuring the accuracy and reliability of financial statements. Agency theory posits that board members are more likely to effectively supervise financial processes and ensure that management adheres to strict accounting practices when they own a substantial percentage of a company's shares. It is anticipated that this heightened accountability and oversight will lead to the engagement of high-quality audits, as boards with a greater sense of ownership will be more motivated to protect financial integrity and mitigate the risk of financial misstatements (Qawqzeh et al., 2021). This hypothesis is corroborated by Al Sharawi (2022) research, which establishes a positive correlation between audit quality and board ownership. The incentive to maintain accurate financial reporting increases as board ownership increases, resulting in the selection of more reputable auditors and the establishment of rigorous audit processes. Consequently, we propose that increased board ownership results in improved audit quality by promoting greater transparency and supervision in financial reporting, as evidenced by empirical findings and agency theory.

H5: There is a positive relationship between board ownership and audit quality.

The CEO's financial expertise and audit quality

According to Upper Echelon Theory, the personal attributes and skills of senior executives, such as the CEO, have an impact on the company's strategic decisions and general governance, including auditor selection and financial report quality. CEOs with a strong understanding of financial matters, particularly those with degrees in finance, auditing, or accounting, are better suited to handling complex financial difficulties and implementing sound accounting practices. These CEOs have a tremendous influence on the tone of financial reporting within the firm, ensuring that accounting methods adhere to the most exacting standards. The likelihood of effective internal controls and enhanced financial reporting among CEOs with financial understanding improves the audit process's quality (Ghanizadeh et al., 2021). Their extensive knowledge of financial systems allows them to collaborate more effectively with auditors, ensuring that financial statements are not only transparent and reliable but also correct. Furthermore, these CEOs have the power to influence audit choices by advocating for external auditors who meet stringent independence and thoroughness standards. According to Ghanizadeh et al. (2021), CEOs with financial skills improve the overall financial reporting environment, which has a good effect on audit quality. Our hypothesis is that CEOs with financial competence contribute to higher audit quality by promoting improved financial reporting procedures and communication with auditors, as indicated by the following findings:

H6: There is a positive relationship between CEO financial expertise and audit quality.

CEO Tenure and Audit Quality

Agency Theory and Upper Echelon Theory both examine the relationship between the tenure of a CEO and the quality of their audits. According to agency theory, the prolonged tenure of CEOs may result in a more thorough comprehension of the company's operations, which could potentially lead to improved financial supervision and stronger relationships with auditors. CEOs who have been in office for an extended period of time are more familiar with the financial systems and operations of the company, which enables them to more effectively maintain the quality of financial reporting and collaborate with external auditors. However, agency theory also underscores the potential risks associated with the extended tenures of CEOs, including the potential for reduced independence of auditors. The quality of the audit may be compromised by the close relationships that longer-serving CEOs may establish with auditors, which could compromise the objectivity and rigor of the audit process (Zhang & Wiersema, 2009). The quality of the audit process may be either enhanced or compromised by the CEO's increased influence over corporate governance and decision-making, depending on the CEO's approach to financial integrity and supervision, according to Upper Echelon Theory. The results of previous research have been inconsistent. Although some researchers have suggested a positive correlation between CEO tenure and audit quality due to the increased expertise, others have cautioned that extended tenures may diminish transparency and independence (Batwaah et al., 2015; Colak & Liljeblom, 2022). We suggest that a prolonged CEO tenure may enhance the quality of audits by facilitating enhanced collaboration with auditors and enhancing the CEO's knowledge and experience with financial systems, given this theoretical foundation:

H7: There is a positive relationship between CEO tenure and audit quality.

RESEARCH METHODOLOGY

This study focuses on non-financial companies listed on the Indonesia Stock Exchange (IDX), excluding financial institutions such as banks and insurance firms due to their distinct financial reporting practices and leverage structures, which could skew the analysis (F. Fama & French, 1992; Abulaila et al., 2019). By concentrating on non-financial firms, the research ensures consistency in evaluating governance characteristics and their influence on audit quality. Using purposive sampling, companies were selected based on specific criteria: being non-financial entities listed during 2022–2023, publishing annual reports and financial statements for the same period, having no capital deficits to eliminate financial instability bias, disclosing CEO profiles for variable analysis, and providing complete data for all variables. Out of an initial population of 669 companies, 660 met these criteria, and their data were collected from annual reports, ensuring reliable and consistent measurement for the study. Table 1 provides an overview of variable measurements based on prior research.

Table 1. Measurement of Variables in the Study

Variable	Measurement
Dependent :	
Audit Quality (LN AUDQ)	Dummy variable: 1 = audited by Big Four firms; 0 = audited by non-Big Four firms (Alawaqleh & Almasria, 2021).
Independent :	
Frequency of Board Meetings (Meet BOD)	Number of board meetings throughout the year (Al-Hamadeen et al., 2021).
Board Members' Experience (Exprc BOD)	Number of experienced board members divided by total board members (Al-Hamadeen et al., 2021).
Presence of Female Board Members (Wmn BOD)	Dummy variable: 1 = at least one female board member; 0 = no female board members (Al-Hamadeen et al., 2021).
Board Education Level (Edu BOD)	Total education score divided by total board members, where: High school = 1, Diploma = 2, Bachelor's = 3, Master's = 4, Doctorate = 5 (Pramesti & Nita, 2022)
Board Ownership (Own BOD)	Shares owned by board members divided by total company shares (Al-Hamadeen et al., 2021).
CEO Financial Expertise (Finan CEO)	Dummy variable: 1 = CEO has a degree in accounting, auditing, finance, management, or economics; 0 = otherwise (Ghanizadeh et al., 2021).
CEO Tenure (Tnr CEO)	Number of years the CEO has served in the company (Alawaqleh & Almasria, 2021).
Control :	
Ukuran perusahaan (LN Size)	Natural logarithm of total assets (Al-Hamadeen et al., 2021).
Leverage (Leverage)	Total liabilities divided by total assets (Al-Hamadeen et al., 2021).
Return On Assets (ROA)	Net income after interest and taxes divided by total assets (Al-Hamadeen et al., 2021).

Data Analysis Technique

This study employs logistic regression analysis to examine the relationship between board and CEO characteristics and audit quality. Logistic regression is particularly suitable for this study because the dependent variable is categorical (nominal) and the independent variables include a mix of continuous and categorical data. Unlike linear regression, logistic regression does not require the assumption of multivariate normality, making it ideal for datasets with non-metric variables. The functional form of the logistic regression model is as follows:

LN AUDQ = α + β1Meet_BOD + β2Exprc_BOD + β3Wmn_BOD + β4Edu_BOD +β5Own_BOD + 1 – AUDQ β6Finan_CEO + β7Tnr_CEO + β8LN_Size + B9Leverage+ β10ROA+ ε

DISCUSSION

Variable	Obs	Mean	Std. Dev.	Min	Max	Dummy (%)	
						0	1
LN AUDQ	1320	.217	.412	0	1	78.33	21.67
Meet BOD	1320	15.429	11.531	1	99		
Exprc BOD	1320	1.359	1.026	0	8		
Wmn BOD	1320	.468	.499	0	1	58.18	46.82
Edu BOD	1320	13.008	6.564	0	53		
Finan CEO	1320	.523	.5	0	1	47.73	52.27
Tnr CEO	1320	5.009	6.869	0	52		
LN Size	1320	28.089	1.966	17.983	33.291		
Leverage	1320	1.12	9.799	.002	240.039		
ROA	1320	2.775	99.476	-0.09498	36.13958		
Own BOD	1320	4.889	12.891	0.00	0.85		

The descriptive statistical analysis in Table 1 examines audit quality (LN_AUDQ), measured by whether a company is audited by a Big Four firm. Results show that 78.33% of companies are audited by non-Big Four firms, while only 21.67% use Big Four auditors. Despite the perception that Big Four firms deliver higher-quality audits (Abdullah et al., 2008; Alawaqleh & Almasria, 2021), many Indonesian companies opt for non-Big Four auditors, likely due to lower costs or the preference of smaller firms for local auditors. Larger companies with more complex financial reporting more commonly engage Big Four auditors.

The average board meeting frequency is 15.43 per year, with significant variability (standard deviation = 11.531), reflecting differences in board involvement across firms. Higher meeting frequency can enhance audit quality by strengthening oversight processes (Farooq et al., 2018; Ntim & Osei, 2011). Board ownership averages 4.889%, indicating that some members hold financial stakes, potentially motivating improved corporate performance. However, only 1.36 board members on average have financial or accounting expertise, which could limit the board's effectiveness in overseeing audits (Al-Hamadeen et al., 2021).

Female board representation is 46.82%, demonstrating growing gender inclusivity in corporate governance. Research suggests female directors enhance audit quality through stricter monitoring and ethical behavior (Gull et al., 2017; Opoku et al., 2022). Board education levels are high, averaging 13.008, reflecting advanced qualifications that support strategic decision-making and transparency (Agrawal & Chadha, 2005).

CEO financial knowledge is evenly distributed, with 52.27% of CEOs having financial expertise, aiding their understanding of accurate reporting and high-quality audit engagement (Ghanizadeh et al., 2021). CEO tenure averages 5.01 years, with longer tenures associated with stability and a deeper understanding of the company.

Firm size, measured by the natural logarithm of total assets, averages 28.089. Larger firms, facing more complex operations, often require higher audit quality. Leverage averages 1.12, reflecting variability in debt use among companies, while the return on assets (ROA) averages 2.775%, indicating efficiency in asset utilization to generate profits.

Table 3. Matrix of correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) LN_AUDQ	1.000										
(2) Meet_BOD	0.140	1.000									
(3) Edu_BOD	0.360	0.268	1.000								
(4) Exprc_BOD	0.171	0.043	0.488	1.000							
(5) Wmn_BOD	0.092	0.015	0.270	0.132	1.000						
(6) Finan_CEO	0.024	-0.004	0.072	0.178	-0.015	1.000					
(7) Tnr_CEO	-0.044	-0.056	0.028	-0.023	-0.019	-0.077	1.000				
(8) LN_Size	0.408	0.297	0.620	0.302	0.091	0.116	0.023	1.000			
(9) Leverage	-0.025	-0.028	-0.027	0.025	-0.015	0.063	0.002	-0.194	1.000		
(10) ROA	-0.014	-0.023	-0.029	0.018	-0.026	0.026	0.012	-0.142	0.671	1.000	
(11) Own_BOD	-0.142	-0.076	-0.152	-0.188	-0.097	-0.123	0.190	-0.199	-0.028	-0.010	1.000

The correlation matrix analysis in Table 3 reveals that the frequency of board meetings has a weak positive correlation with audit quality (r = 0.140). While not a strong determinant, active boards tend to enhance oversight and accountability, contributing to better audit quality (Ntim & Osei, 2011).

Board education level shows a higher positive correlation with audit quality (r = 0.360), indicating that boards with higher educational qualifications are more likely to demand high-quality audits. Agrawal & Chadha (2005) support this, noting that education improves the board's ability to evaluate and ensure better audits. Similarly, board member experience positively correlates with audit quality (r = 0.171), highlighting the value of financial expertise in demanding high standards (Al-Hamadeen et al., 2021).

The presence of women on the board has a weak positive correlation with audit quality (r = 0.092). While not significant, this suggests women may contribute to stricter governance and ethical oversight (Gull et al., 2017; Adams & Ferreira, 2009). However, board ownership negatively correlates with audit quality (r = -0.142), indicating that financial interests of board members may reduce their demand for high-quality audits to cut costs or retain control (Al Sharawi, 2022).

CEO financial knowledge shows an extremely weak correlation with audit quality (r = 0.024), suggesting limited influence, while CEO tenure has a slight negative correlation (r = -0.044), reflecting potential compromises in auditor independence over time (Zhang & Wiersema, 2009).

Firm size exhibits a strong positive correlation with audit quality (r = 0.408), showing larger firms are more likely to engage Big Four auditors due to reputational and resource factors (Alawaqleh & Almasria, 2021). Leverage (-0.025) and ROA (-0.014) have negligible correlations, indicating minimal influence on audit quality.

Table 4. Logistic Regression Results

	(2) LN_AUDQ	(3) LN_AUDQ	(1) LN_AUDQ
LN_AUDQ			
Own_BOD	-0.0317***		-0.0300**
	(-2.69)		(-2.53)
Meet_BOD	-0.00189		-0.00328
	(-0.32)		(-0.55)
Edu_BOD	0.0463***		0.0474***
	(3.00)		(3.05)
Exprc_BOD	-0.0478		-0.0370
	(-0.60)		(-0.46)
Wmn_BOD	0.0916		0.0737
	(0.58)		(0.47)
Finan_CEO		-0.210	-0.225
		(-1.38)	(-1.46)
Tnr_CEO		-0.0254**	-0.0219*
		(-2.18)	(-1.81)
LN_Size	0.484***	0.627***	0.497***
	(8.53)	(13.54)	(8.65)
Leverage	0.00779	0.0130	0.00882
	(0.54)	(0.94)	(0.62)
ROA	0.000150	0.000186	0.000167
	(0.06)	(0.07)	(0.06)
_cons	-15.67***	-19.04***	-15.83***
	(-10.20)	(-14.24)	(-10.23)
Pseudo R2	0.1920	0.1800	0.1959
Prob	0.0000	0.0000	0.0000
LR chi2	264.99	248.42	270.24
N	1320	1320	1320

The logistic regression results in Table 4 explore the impact of board and CEO characteristics on audit quality, measured by the selection of Big Four auditors (Ernst & Young, Deloitte, KPMG, PwC), widely regarded for their superior audit standards. The findings highlight how governance characteristics influence companies' decisions to engage high-reputation auditors, thereby affecting the quality of financial reporting. This aligns with agency theory and upper echelon theory, which explain how individual board and CEO attributes influence governance practices and audit quality.

The negative and significant relationship between board share ownership and audit quality (coefficient = -0.0317, p < 0.01) reflects the challenges associated with concentrated ownership. According to agency theory, when board members hold significant shares, their interests may conflict with those of other stakeholders, particularly shareholders who prioritize long-term transparency and accountability. As highlighted by Al-Hamadeen et al. (2021), board members with substantial ownership stakes may prioritize cost reductions, such as avoiding the higher fees of Big Four auditors, over the pursuit of high-quality audits. This compromises financial oversight and may lead to weaker governance. In the Indonesian context, where concentrated ownership is prevalent, these findings underscore the importance of policies and regulations that promote board independence and ensure that ownership dynamics do not undermine governance effectiveness. This result aligns with the study's objective of evaluating the impact of board characteristics on audit quality, demonstrating how ownership patterns can negatively affect auditor selection.

The insignificant impact of board meeting frequency on audit quality (coefficient = -0.00189, p > 0.05) challenges the notion that frequent meetings inherently lead to stronger governance. While frequent meetings are often perceived as an indicator

of active oversight, their effectiveness depends on the content and focus of the discussions. Omer et al. (2020) emphasize that meetings addressing substantive issues, such as financial risk assessment and audit oversight, are more impactful than routine or administrative meetings. This finding suggests that boards in Indonesia must prioritize meeting quality over quantity to achieve governance objectives. By linking this result to the study's objective, it becomes clear that meeting frequency alone is insufficient; governance effectiveness hinges on the strategic orientation of board discussions.

The positive and significant relationship between board education and audit quality (coefficient = 0.0463, $p < 0.01$) highlights the transformative role of knowledge in governance. Educated board members are better equipped to interpret complex financial reports, understand the implications of auditor independence, and demand high-quality audits. This finding aligns with agency theory, which posits that competence among board members mitigates information asymmetry and improves oversight (Agrawal & Chadha, 2005; Ararat et al., 2012). In the Indonesian context, where educational disparities among board members remain a challenge, this result underscores the importance of prioritizing education in board recruitment and development. This finding directly addresses the research objective of assessing how board education influences audit quality, particularly in emerging markets, where robust governance mechanisms are crucial for restoring trust in financial reporting.

Board experience exhibits a negative but statistically insignificant impact on audit quality (coefficient = -0.0478, $p > 0.05$), suggesting that technical expertise alone does not guarantee better governance outcomes. Consistent with findings by Alawaqleh & Almasria (2021), experienced board members may focus more on operational financial management than on strategic oversight of auditor selection. This result highlights a critical gap in governance practices: the need for boards to balance technical expertise with strategic vision. Boards that prioritize strategic governance goals over operational details are better positioned to ensure transparency and accountability. This finding supports the study's objective by illustrating that experience must be coupled with a focus on governance priorities to positively impact audit quality.

The positive but statistically insignificant effect of gender diversity on audit quality (coefficient = 0.0916, $p > 0.05$) highlights the limited influence of female representation in auditor selection. Previous research (Oriakhi, 2020) associates gender diversity with enhanced oversight and ethical decision-making, but this study suggests that symbolic or minimal representation of women may dilute these benefits. For gender diversity to meaningfully impact governance, women must hold active and strategic roles within boards, contributing to decision-making processes that prioritize transparency and audit quality. This finding aligns with the research objective by demonstrating that diversity initiatives must go beyond representation to ensure substantive involvement in governance practices.

The negative but insignificant effect of CEO financial expertise on audit quality (coefficient = -0.210, $p > 0.05$) underscores the limited role of CEOs in auditor selection decisions. This aligns with Ghanizadeh et al. (2021), who argue that audit-related decisions are typically delegated to the board or audit committee to ensure independence and avoid conflicts of interest. While CEOs with financial expertise contribute to operational management, strategic oversight of auditor selection requires board-level governance to maintain financial transparency. This finding supports the study's objective by clarifying the distinct roles of CEOs and boards in influencing audit quality.

CEO tenure demonstrates a significant negative relationship with audit quality (coefficient = -0.0254, $p < 0.05$), indicating that longer-serving CEOs may compromise auditor independence. As suggested by Zhang & Wiersema (2009) and Alawaqleh & Almasria (2021), extended tenures can foster close relationships with auditors, undermining skepticism and oversight. In Indonesia, where extended CEO tenures are common, these findings highlight the need for policies limiting tenure duration to safeguard governance integrity. This result directly addresses the research objective of measuring the impact of CEO tenure on audit outcomes, emphasizing its relevance in maintaining audit independence.

The significant positive relationship between firm size and audit quality (coefficient = 0.484, $p < 0.01$) aligns with previous research by Putri & Pohan (2022), demonstrating that larger firms prioritize high-quality audits to maintain their reputation and meet stakeholder expectations. This finding highlights the importance of stringent oversight in large organizations to navigate agency issues and regulatory scrutiny. By linking firm characteristics to audit quality, this result supports the study's objective of exploring broader organizational factors influencing auditor selection. The insignificant effects of leverage and profitability suggest that financial performance metrics alone do not determine auditor selection. Consistent with Anas et al. (2018), these findings indicate that governance priorities often outweigh financial indicators in shaping audit-related decisions.

CONCLUSION

This study explores the influence of board and CEO characteristics on audit quality among firms listed on the Indonesia Stock Exchange. Key findings indicate that firm size and board education levels significantly enhance audit quality. Larger firms and boards with higher education levels tend to select reputable auditors, such as those from Big Four firms, reflecting a commitment to transparency. Conversely, prolonged CEO tenures and board share ownership negatively impact audit quality, likely due to conflicts of interest undermining auditor independence. This study contributes to the understanding of how board and CEO characteristics influence audit quality in emerging markets, particularly Indonesia. The findings highlight several critical governance attributes: the positive impact of board education, the risks posed by extended CEO tenure, and the potential conflicts of interest associated with concentrated board ownership. These insights underscore the importance of strategic governance practices, such as enhancing board independence, fostering education, and addressing tenure-related risks, in ensuring high-quality audits. By addressing its objectives, the study provides practical recommendations for policymakers and practitioners. Boards should prioritize recruiting members with diverse expertise and strong educational backgrounds while ensuring that governance discussions are strategically oriented. Regulators should consider implementing policies to limit CEO tenure and strengthen board independence, particularly in contexts with concentrated ownership. The study also contributes to the broader literature on corporate governance in emerging markets, highlighting challenges and opportunities for improving financial transparency and audit practices. Future research could explore the moderating effects of cultural and institutional factors, extending these findings to other developing economies.

However, limitations include measuring audit quality solely through auditor type (Big Four vs. non-Big Four), excluding factors like audit duration or professionalism. The focus on Indonesian firms restricts applicability to other contexts, and data from

a specific period may not reflect long-term trends. Important factors like industry regulations and shareholder pressure were also omitted. Future research should broaden audit quality metrics, include diverse industries and countries, and consider additional variables like regulatory changes. This study highlights the need for strong governance, emphasizing board education and auditor independence to ensure financial transparency. Policymakers could incentivize using reputable auditors to bolster audit quality globally.

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