

ABSTRACT

Audit quality refers to the condition in which the auditor successfully identifies and reports any violations found within the client's accounting system. Auditing plays a crucial role in ensuring that financial statements are presented fairly, completely, and accurately. High audit quality can be achieved when the entire audit process is conducted with careful consideration of key areas that may significantly impact the fairness of financial reporting.

This study aims to examine the effect of key audit matters, materiality, and audit risk on audit quality, which is proxied by Abnormal Working Capital Accruals (AWCA), in manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2022–2024.

The data in this study were obtained from the financial statements and independent auditor reports of manufacturing companies from 2022 to 2024. The population consisted of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the same period, from which 226 companies were identified. A sample of 156 companies was selected using purposive sampling over three years, resulting in a total of 468 data. The data were analyzed using panel data regression with EViews 12 SV software.

The results of the study indicate that key audit matters do not have a significant partial effect on audit quality. Materiality has a negative and significant partial effect on audit quality. Audit risk has a positive and significant partial effect on audit quality. Simultaneously, key audit matters, materiality, and audit risk have a significant effect on audit quality.

The suggestions derived from this study are divided into four parts. First, future research is encouraged to explore additional independent variables not examined in this study. Second, companies are advised to strengthen their internal control systems. Third, the findings of this study may serve as a consideration for investors when making investment decisions. Lastly, auditors are recommended to consistently perform audit procedures with due care and professional judgment.

Keywords: Key Audit Matters, Materiality, Audit Risk, and Audit Quality.