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Research paper



Audit Quality Determinants and The Moderating Role of Going Concerns and Opinions in Indonesia's Manufacturing Sector

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Abstract

This study aims to analyze the determinants of audit quality and their impact on client satisfaction, with the going con-cern opinion serving as a moderating variable. The research focuses on Indonesia's manufacturing industry, where audit quality plays a crucial role in ensuring the integrity of financial reporting and strengthening stakeholder trust. The pro-posed model examines seven independent variables: audit experience, client industry understanding, mastery of accounting standards, audit team independence, prudence, field audit implementation, and compliance with ethical standards. The study involves 120 respondents representing manufacturing firms listed on the Indonesia Stock Exchange (IDX) during 2014–2024. Using a purposive sampling method, 21 sample firms were selected from data obtained via the IDX website (www.idx.co.id). Data were analyzed quantitatively using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method with SmartPLS software. The analysis tested instrument validity and reliability, direct relationships among variables, and the moderating effect of the going concern opinion. Findings indicate that six of the seven independent variables significantly and positively influence audit quality, with audit team independence emerging as the most dominant factor, followed by audit experience and client industry understanding. Prudence shows no significant effect, although the relationship remains positive. Audit quality strongly enhances client satisfaction ($\beta = 0.42$; $p < 0.001$), and the going concern opinion positively moderates this relationship, suggesting that a high-quality audit process strengthens clients' perceptions of auditor professionalism. The results reinforce agency theory and quality theory, em-em-phasizing competence, independence, and professional ethics as the core pillars of audit quality. Practical implications include the devel-opment of audit quality enhancement guidelines, independence policy reinforcement, industry-specific training programs, and constructive communication strategies for going concern opinions.

Keywords: *Audit Quality; Client Satisfaction; Going Concern Opinion; Independence; Manufacturing Industry.*

1. Introduction

The assumption of going concern is foundational in accounting and auditing: it presumes that an entity will continue its operations into the foreseeable future, without the intention or necessity to liquidate or significantly curtail its scale (International Standard on Auditing, ISA 570). In the auditing context, a going concern opinion (GCO) signals that the auditor has significant doubt about the client's ability to continue as a going concern, thereby acting as a warning mechanism to users of financial statements. Because such an opinion may have substantial economic consequences—impacting investor confidence, credit terms, and corporate reputation—understanding its determi-nants is critical for both theory and practice.

Over the decades, research on going concern opinions has primarily focused on financial indicators such as profitability, liquidity, leverage, and firm size (e.g., Averio, 2020; Hartanto, Prajanto, & Nurcahyono, 2023). For instance, a study of Indonesian manufacturing firms found that leverage is positively associated with the likelihood of a going concern opinion, while profitability and liquidity tend to have inverse relations (Thomas Averio, 2020). Similarly, Hartanto et al. (2023) found that audit quality, profitability, liquidity, and firm size significantly influence going concern opinions in mining firms listed in Indonesia. Despite this body of work, empirical findings are often mixed and context-sensitive, especially in emerging markets where institutional settings, regulatory oversight, and auditor practices vary substantially (e.g., Arief Bahtiar, Meidawati, Setyono, & Putri, 2021).

Beyond financial metrics, non-financial and auditor-related factors have also been posited to shape the issuance of going concern opinions. Auditor attributes—such as experience, reputation, and industry specialization—can influence the auditor's risk assessment and profes-sional judgment (Geiger & Raghunandan, 2002). Likewise, auditor independence, adherence to ethical standards, professional skepticism, and field audit rigor may affect the threshold at which auditors express doubt. In Indonesia, prior studies have alluded to the role of auditor tenure, audit lag, and prior audit opinion in going concern judgments (Arief Bahtiar et al., 2021; Dura & Nuryatno, 2015). However, few studies simultaneously combine a broad set of auditor and firm factors while contextualizing them in a volatile period such as 2014–2024,

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when the Indonesian manufacturing sector was subject to external shocks like global trade tensions, the COVID-19 pandemic, and supply-chain disruptions. The COVID-19 pandemic significantly affected the issuance of going concern opinions (GCOs) during 2020–2022, as auditors faced heightened uncertainty regarding firms' operational continuity and financial resilience. Many companies experienced liquidity pressures, supply-chain disruptions, and declining revenues, leading auditors to increase their scrutiny of going concern assumptions (OECD, 2021). In response, auditing standard-setters also issued guidance emphasizing the need for enhanced professional judgment and disclosure quality when evaluating going concern risks during the pandemic (IAASB, 2020).

From a theoretical standpoint, agency theory (Jensen & Meckling, 1976) and quality theory (DeAngelo, 1981) provide a compelling rationale for examining both firm and auditor determinants of going concern opinions. Agency theory posits that auditors act as monitoring agents, mitigating information asymmetry between principals (shareholders) and agents (management). In this role, going concern opinions can serve as a disciplinary signal when management's forecasts or disclosures are optimistic. Quality theory emphasizes that audit quality is influenced by the auditor's ability to detect misstatements, professional competence, and incentives such as reputation and litigation risk. Under this view, auditors with greater competence, independence, and ethical commitment are more likely to issue a going concern opinion when warranted by the client's condition—even when such an opinion carries reputational costs.

This study aims to advance the literature by investigating the determinants of going concern audit opinions in Indonesia's manufacturing sector, with particular emphasis on both auditor and firm attributes. Our conceptual model includes seven hypothesized determinants: audit experience, client industry understanding, mastery of accounting standards, audit team independence, prudence (or conservatism), field audit implementation, and adherence to ethical standards. In doing so, we respond to two key gaps in the extant research: (1) the omission of behavioral and procedural auditor variables in many existing models; and (2) limited empirical evidence from the Indonesian manufacturing context during a period of economic volatility.

Moreover, we extend the analysis by positing going concern opinion is not only a dependent outcome but also a moderator of the relationship between audit quality and client satisfaction. We argue that when clients receive a going concern opinion grounded in transparent and rigorous audit processes, their perception of auditor professionalism is enhanced, thereby strengthening satisfaction with audit services. This moderating perspective is underexplored in the literature but has important implications for how audit firms communicate and manage client expectations.

The contributions of this study are threefold. First, it enriches the theoretical discourse on going concern by integrating technical, behavioral, and ethical auditor factors beyond traditional financial predictors. Second, it empirically validates these relationships in the Indonesian manufacturing sector during a turbulent decade, offering fresh insights for emerging markets. Third, it informs practitioners—audit firms, regulators, and clients—by identifying levers to enhance audit quality, anticipate going concern judgments, and foster client trust.

The remainder of the paper is structured as follows. Section 2 reviews the relevant literature and develops hypotheses. Section 3 describes the research methodology, including sampling, measurement, and analytical techniques. Section 4 presents the empirical results and discussion. Finally, Section 5 offers concluding remarks, theoretical contributions, practical implications, limitations, and directions for future research.

2. Research Method

2.1. Research design

This study adopts an explanatory research design utilizing a survey method to empirically examine the causal relationships among audit quality, going concern opinions, and client satisfaction. Data were collected through structured questionnaires distributed to respondents using postal mail. The explanatory design was chosen because the research aims to test hypotheses and confirm theoretical relationships among variables within the positivist paradigm (Creswell & Creswell, 2018). This design is appropriate for identifying causal relationships, where the primary objective is to explain how variations in audit quality and going concern opinions influence client satisfaction in Indonesia's manufacturing sector.

2.2. Population and sample

The population of this study consists of all internal auditors working in manufacturing companies across Indonesia. The role of internal auditors has evolved significantly beyond the verification of financial information to encompass broader responsibilities such as ensuring operational efficiency, assessing internal controls, and maintaining organizational integrity (Al-Twaijry et al., 2003; Arena & Azzone, 2009).

Internal auditors act as both advisors to management and assurance providers to stakeholders, maintaining a delicate balance between consulting and monitoring roles (Sarens & De Beelde, 2006). The selection of manufacturing companies as the research setting was based on several considerations: (1) to maintain homogeneity in measurement by focusing on a single industry type, (2) the relative scarcity of audit-quality-related studies in Indonesia's manufacturing sector, (3) the industry's competitive environment and dependence on client trust, and (4) the high demand for management reforms to ensure long-term sustainability.

The respondents were the heads of internal audit departments, who were chosen because of their strategic role in ensuring the reliability of internal control systems and in sustaining audit quality (Adams, 1994; Gramling et al., 2004). Each manufacturing company was assumed to have one chief internal auditor who serves as the key decision-maker for audit-related processes.

This study employed a probability sampling technique, specifically simple random sampling, to ensure that every element of the population had an equal chance of selection (Sekaran & Bougie, 2019). The use of probability sampling enhances the generalizability of the findings. Based on a population of 144 manufacturing firms listed on the Indonesia Stock Exchange (IDX), the minimum required sample size was calculated to be 59 firms. Using a purposive sampling approach, the study specifically targeted manufacturing companies that met the predetermined criteria, resulting in the selection of 21 IDX-listed manufacturing firms. From these firms, 120 internal auditors were identified as eligible respondents and subsequently received the questionnaires. Distributing a larger number of questionnaires was intended to anticipate potential non-responses, a common challenge in postal surveys (Dillman et al., 2014). This procedure ensured that the final sample achieved adequate statistical power for the quantitative analysis.

2.3. Type and source of data

The study utilized primary data, obtained directly from respondents through structured questionnaires. The primary data comprised the perceptions, experiences, and professional judgments of internal auditors working in the sampled manufacturing firms. The data reflect subjective assessments on various dimensions of audit quality, going concern opinions, and client satisfaction, all quantified using Likert-scale measurements. This approach aligns with the standard practice in behavioral accounting and auditing research (Hair et al., 2021).

2.4. Data collection method

Data were collected primarily via postal surveys to reach geographically dispersed respondents. The postal method was chosen due to its cost efficiency and ability to ensure confidentiality, which can enhance response accuracy (Dillman et al., 2014). Several strategies were implemented to improve response rates:

1) The questionnaire was designed with a concise and user-friendly layout.
2) Where possible, direct delivery was conducted for companies located in Medan.
3) pre-paid return envelopes were enclosed;
4) respondents were assured of data confidentiality;
5) a formal research authorization letter was included; and
6) follow-ups were conducted via email and telephone for incomplete responses.

These procedures aimed to ensure high-quality, complete, and representative data.

2.5. Research variables

The research model includes ten key variables:

1) Audit Experience – the extent of auditors' practical and professional exposure.
2) Client Industry Understanding – the auditor's ability to comprehend the client's business environment.
3) Mastery of Accounting Standards – auditors' technical competence in applying accounting principles.
4) Audit Team Independence – the absence of bias and external influence in audit judgment.
5) Professional Prudence – auditors' degree of caution and diligence in executing tasks.
6) Field Audit Execution – procedures and supervision conducted during on-site audit activities.
7) Ethical Standards – adherence to professional codes of conduct and integrity.
8) Audit Quality – the reliability and credibility of the audit process and its outcomes.
9) Client Satisfaction – the degree to which clients' expectations are met through audit services.
10) Going Concern Opinion – auditors' assessment of the client's ability to continue operations in the foreseeable future.

Each construct was operationalized into measurable indicators using established instruments from prior research (Francis, 2011; Knechel et al., 2013; DeFond & Zhang, 2014).

2.6. Operational definitions and measurement

Each variable was measured using a five-point Likert scale, ranging from 1 ("strongly disagree") to 5 ("strongly agree"), to quantify respondents' attitudes and perceptions (Sekaran & Bougie, 2019). The operational definitions were developed based on theoretical and empirical literature to ensure construct validity. Audit experience, for instance, was defined as the degree to which an auditor develops professional expertise through repeated engagement in auditing tasks (Bonner & Lewis, 1990). Audit quality, on the other hand, was conceptualized as the probability that an auditor will both detect and report a material misstatement (DeAngelo, 1981).

2.7 Data analysis techniques

2.7.1. Descriptive statistical analysis

Descriptive statistical analysis was employed to provide an overview of (1) the general characteristics of respondents participating in the study and (2) the overall profile of the research variables. The demographic characteristics of respondents were analyzed using frequency distribution tables illustrating their educational background, tenure within the organization, and firm age.

To describe the characteristics of each variable, measures of central tendency and dispersion—such as mean, median, standard deviation, variance, and range (minimum and maximum values)—were computed. The use of absolute frequency distributions enables a more accurate identification of the dominant tendencies within each variable, providing insights into respondent response patterns and underlying data structures.

Descriptive statistics serve not only as preliminary analysis but also as a foundation for verifying data normality and identifying potential outliers that may bias subsequent inferential analyses (Hair et al., 2021; Sekaran & Bougie, 2020). These initial findings facilitate a deeper understanding of variable distributions and ensure the robustness of model estimation.

2.7.2. Quantitative analysis

To test the study hypotheses, quantitative analysis was conducted using both descriptive statistics and the Structural Equation Modeling (SEM) approach, specifically employing the Partial Least Squares (PLS) technique through SmartPLS software (Hair et al., 2019; Latan & Ghozali, 2017).

PLS-SEM is a variance-based multivariate technique designed to analyze complex relationships among multiple independent and dependent variables simultaneously (Henseler et al., 2015). The evaluation of the PLS model involves two primary components: the outer model (measurement model) and the inner model (structural model).

The outer model assesses the reliability and validity of the constructs, ensuring that indicators accurately measure the latent variables. In contrast, the inner model evaluates the causal relationships among latent constructs to test the theoretical framework proposed in the study (Hair et al., 2019).

2.7.3. Outer model analysis

The outer model analysis aims to confirm the validity and reliability of the measurement instruments. Construct validity ensures that the instrument measures the intended concept, while reliability assesses the internal consistency of responses across items (Hair et al., 2021). Convergent validity is typically confirmed when indicator loadings exceed 0.70, the Composite Reliability (CR) exceeds 0.70, and the Average Variance Extracted (AVE) surpasses 0.50 (Fornell & Larcker, 1981). Discriminant validity is established when the square root of each construct's AVE is greater than the correlations between constructs, indicating that the constructs are empirically distinct.
Reliability testing, often through Cronbach's Alpha and Composite Reliability, evaluates the consistency and stability of measurement indicators. The results ensure that the model captures reliable information across respondents and across constructs (Hair et al., 2019; Sarstedt et al., 2014).

2.8. Hypothesis testing

Hypothesis testing was conducted by analyzing the path coefficients and their corresponding t-statistics and p-values obtained through the bootstrapping procedure. A hypothesis is accepted when the t-statistic exceeds 1.96, and the p-value is less than 0.05, reflecting a 5% significance level (Hair et al., 2017).
In PLS-SEM, path coefficients represent the strength and direction of relationships among latent variables, while the R^2 value indicates the explanatory power of the model. According to Chin (1998), R^2 values of 0.67, 0.33, and 0.19 can be categorized as substantial, moderate, and weak, respectively.
Additionally, the effect size (f^2) assesses the relative impact of an exogenous construct on an endogenous construct, with values of 0.02, 0.15, and 0.35 indicating small, medium, and large effects, respectively (Cohen, 1988). The cross-loading analysis and HTMT ratio (Heterotrait–Monotrait ratio) are also examined to strengthen discriminant validity evaluation (Henseler et al., 2015).
Overall, PLS-SEM is considered a robust and flexible analytical method—often termed a "soft modeling" approach—because it does not require multivariate normality and can handle complex models with relatively small sample sizes (Hair et al., 2021). This makes it particularly suitable for exploratory research contexts such as this study, which investigates multiple latent constructs simultaneously.

Table 1: Criteria for PLS Model Evaluation

Criteria Structural Model Evaluation	Description
Coefficient of Determination (R^2)	R^2 values of 0.67, 0.33, and 0.19 indicate substantial, moderate, and weak explanatory power.
Path Coefficient	Must be statistically significant; significance assessed via bootstrapping.
Effect Size (f^2)	0.02 (small), 0.15 (medium), 0.35 (large).
Measurement Model Evaluation (Reflective Indicators)	
Factor Loadings	> 0.70
Composite Reliability (CR)	> 0.70
Average Variance Extracted (AVE)	> 0.50
Discriminant Validity (Fornell–Larcker Criterion)	√AVE > inter-construct correlations
Cross Loadings	Each indicator loads higher on its own construct than on others.

3. Result and Discussion

3.1. Result

3.1.1. Outer model analysis

The outer model assessment serves to evaluate the validity and reliability of the indicators in representing their respective latent constructs. In Partial Least Squares Structural Equation Modeling (PLS-SEM), the outer model evaluation is an essential preliminary step that ensures the quality of the measurement model before proceeding to the structural analysis. It determines whether each observed indicator adequately reflects the intended latent variable and whether the constructs are distinct from one another (Hair et al., 2021). A valid and reliable measurement model ensures that subsequent findings on structural relationships are both meaningful and interpretable (Sarstedt et al., 2022).

3.1.2. Convergent validity

Convergent validity assesses the degree to which indicators of a specific construct are correlated. This study evaluates convergent validity using loading factors and Average Variance Extracted (AVE). As shown in Table 1, all indicators exhibit loading values greater than the minimum threshold of 0.70, ranging from 0.77 to 0.86, indicating that each indicator contributes strongly to its respective construct. The AVE values for all constructs exceed 0.50, suggesting that more than 50% of the variance of each indicator is captured by its latent construct. These results demonstrate that the measurement items used in this study have strong convergent validity and adequately represent the conceptual domains they are intended to measure (Hair et al., 2021; Fornell & Larcker, 1981).

3.1.3. Discriminant validity

Discriminant validity ensures that constructs are empirically distinct from one another. This study evaluates discriminant validity using two widely recognized criteria: the Fornell–Larcker criterion and the Heterotrait–Monotrait ratio (HTMT). Based on the Fornell–Larcker criterion, the square root of each construct's AVE is greater than its correlations with other constructs, confirming that each construct captures unique aspects of the conceptual model. Additionally, the HTMT values for all construct pairs are below 0.90, satisfying the threshold suggested by Henseler et al. (2015). This indicates the absence of multicollinearity and measurement overlap, confirming adequate discriminant validity across all constructs (Hair et al., 2021; Henseler et al., 2015).

3.1.4. Construct reliability

Construct reliability was examined using Composite Reliability (CR) and Cronbach's Alpha. The CR values for all constructs range between 0.82 and 0.94, surpassing the recommended threshold of 0.70. Likewise, Cronbach's Alpha values exceed 0.70 for all constructs, suggesting strong internal consistency among indicators. High CR and Alpha values reflect the stability and dependability of the measurement instrument, confirming that the indicators consistently measure their respective constructs across observations (Nunnally & Bernstein, 1994). Consequently, all constructs in this study can be deemed both valid and reliable, making them suitable for inclusion in the structural model analysis.

3.1.5. Inner model analysis

Following the validation and reliability assessment of the outer model, the next step involves analyzing the inner model, which examines the relationships among the latent constructs. The primary objective of inner model evaluation is to assess the model's predictive power and the strength of the hypothesized relationships among variables. This evaluation is conducted through several key statistical indicators: the coefficient of determination (R^2), the effect size (f^2), and hypothesis testing through the significance of path coefficients.
The R^2 value indicates the proportion of variance in the endogenous variable that can be explained by its predictor variables. An R^2 value closer to 1.0 suggests a stronger explanatory capability of the independent variables. The f^2 value, on the other hand, measures the magnitude of the effect of an exogenous variable on an endogenous variable within the model. Values of 0.02, 0.15, and 0.35 are commonly interpreted as small, medium, and large effect sizes, respectively (Cohen, 1988).

3.2. Hypothesis testing

Finally, hypothesis testing is conducted to evaluate the significance of the path coefficients. The statistical significance is assessed through p-values ($p < 0.05$), which indicate whether the relationships among constructs are supported empirically. This combined evaluation of R^2, f^2, and significance testing allows for a comprehensive understanding of the model's explanatory power and the robustness of the hypothesized relationships (Hair et al., 2021; Sarstedt et al., 2022).
Collectively, these assessments provide empirical evidence that the proposed structural model is well-specified, predictive, and theoretically consistent, making it suitable for testing the determinants of going concern audit opinions and their implications for audit quality and client satisfaction within Indonesia's manufacturing sector.

3.2.1. Coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2)

a) Coefficient of Determination (R^2)
The coefficient of determination (R^2) was used to assess the explanatory power of the independent variables in predicting the dependent variables. The R^2 value ranges between 0 and 1, where values approaching 1 indicate that the independent variables provide a strong explanation for variations in the dependent variable (Hair et al., 2021).

Table 2: Coefficient of Determination Results

Endogenous Variable	R^2	R^2 Category	Q^2	Q^2 Category
Audit Quality	0.68	Strong	0.45	Good
Client Satisfaction	0.55	Moderate	0.39	Good

As shown in Table 2, the R^2 value for Audit Quality is 0.68, indicating a strong explanatory power. This means that 68% of the variance in Audit Quality is explained by the combined influence of Audit Experience, Client Industry Understanding, Mastery of Accounting Standards, Audit Team Independence, Professional Prudence, Field Audit Execution, and Ethical Standards. Meanwhile, Client Satisfaction shows an R^2 of 0.55, which represents a moderate level of explanation, implying that 55% of the variance in Client Satisfaction is explained by Audit Quality and the interaction between Audit Quality and Going Concern Opinion.
This level of explanatory power demonstrates that the structural model has substantial predictive capability, as values above 0.50 are generally considered acceptable for social science research using PLS-SEM (Chin, 2010; Hair et al., 2021).
b) Effect Size (f^2)
The effect size (f^2) measures the relative contribution of each exogenous construct to an endogenous construct within the model. According to Cohen (1988), f^2 values of 0.02, 0.15, and 0.35 indicate small, medium, and large effects, respectively. This statistic complements R^2 by quantifying the practical significance of each predictor variable (Henseler et al., 2015).

Table 3: Effect Size (f^2) Results

Relationship (Predictor → Endogenous)	f^2	Category
Audit Experience → Audit Quality	0.22	Medium
Client Industry Understanding → Audit Quality	0.15	Medium
Mastery of Accounting Standards → Audit Quality	0.08	Small
Audit Team Independence → Audit Quality	0.28	Medium
Professional Prudence → Audit Quality	0.05	Small
Field Audit Execution → Audit Quality	0.12	Medium
Ethical Standards → Audit Quality	0.14	Medium
Audit Quality → Client Satisfaction	0.36	Large
Audit Quality × Going Concern Opinion → Client Satisfaction	0.18	Medium

As presented in Table 3, Audit Team Independence ($f^2 = 0.28$) and Audit Experience ($f^2 = 0.22$) demonstrate medium to large contributions to Audit Quality, highlighting the critical role of independence and experience in shaping audit outcomes. Conversely, Professional Prudence ($f^2 = 0.05$) and Mastery of Accounting Standards ($f^2 = 0.08$) show relatively smaller effects, suggesting that these factors alone are insufficient to substantially enhance audit quality. Notably, the relationship between Audit Quality and Client Satisfaction ($f^2 = 0.36$) exhibits a large effect, indicating that improvements in audit quality directly lead to higher levels of client trust and satisfaction.

c) Predictive Relevance (Q^2)

Predictive relevance (Q^2) was assessed through the blindfolding procedure, which evaluates the model's predictive accuracy for endogenous constructs (Geisser, 1974; Stone, 1974). Q^2 values greater than zero indicate that the model has meaningful predictive relevance.

The results show that Audit Quality achieved a Q^2 value of 0.45, while Client Satisfaction reached 0.39. Both values exceed the threshold, suggesting that the proposed model possesses strong predictive accuracy and external validity. This finding confirms that the research model not only fits the data well but also has meaningful predictive capacity for real-world scenarios in the context of audit practices.

3.2.2. Hypothesis testing

The hypotheses were tested using the bootstrapping procedure in SmartPLS. A hypothesis is supported when the p-value is less than 0.05, indicating a statistically significant relationship between variables (Hair et al., 2021).

Table 4: Hypothesis Testing Results

Relationship (Path)	β	t-statistic	p-value	Decision
H1: Audit Experience → Audit Quality	0.24	4.85	0.000	Accepted
H2: Client Industry Understanding → Audit Quality	0.18	3.42	0.001	Accepted
H3: Mastery of Accounting Standards → Audit Quality	0.12	2.11	0.035	Accepted
H4: Audit Team Independence → Audit Quality	0.29	5.02	0.000	Accepted
H5: Professional Prudence → Audit Quality	0.09	1.95	0.052	Rejected
H6: Field Audit Execution → Audit Quality	0.15	2.68	0.008	Accepted
H7: Ethical Standards → Audit Quality	0.17	3.01	0.003	Accepted
H8: Audit Quality → Client Satisfaction	0.42	6.12	0.000	Accepted
H9: Audit Quality × Going Concern Opinion → Client Satisfaction	0.21	2.45	0.015	Accepted

The structural model results demonstrate that most hypothesized relationships are statistically significant. Audit Team Independence ($\beta = 0.29$, $p < 0.001$) emerged as the strongest predictor of Audit Quality, underscoring the necessity of maintaining auditor objectivity and freedom from conflicts of interest. Audit Experience ($\beta = 0.24$, $p < 0.001$) and Client Industry Understanding ($\beta = 0.18$, $p = 0.001$) also significantly enhance audit quality, aligning with prior studies emphasizing experiential learning and industry knowledge as key determinants of professional judgment (Christensen et al., 2016).

Conversely, Professional Prudence ($\beta = 0.09$, $p = 0.052$) was not statistically significant, suggesting that caution alone—without adequate technical competence or contextual insight—does not guarantee superior audit performance. Field Audit Execution ($\beta = 0.15$, $p = 0.008$) and Ethical Standards ($\beta = 0.17$, $p = 0.003$) significantly influence audit quality, indicating that procedural rigor and adherence to ethical codes are essential components of credible audits.

Finally, Audit Quality significantly predicts Client Satisfaction ($\beta = 0.42$, $p < 0.001$), reinforcing that high-quality audits enhance clients' trust and perceived value of assurance services (Francis, 2011). Moreover, the moderating role of the Going Concern Opinion ($\beta = 0.21$, $p = 0.015$) demonstrates that when auditors issue well-supported going concern opinions within the framework of quality audits, clients perceive such opinions as professional and credible rather than as a negative signal.

3.2. Discussion

3.2.1. The effect of audit experience on audit quality

The results indicate that audit experience has a positive and significant effect on audit quality ($\beta = 0.24$; $t = 4.85$; $p < 0.001$). This finding suggests that auditors with extensive field experience possess stronger analytical judgment and procedural discipline in detecting material misstatements, planning audit strategies, and evaluating evidence. Experience enhances professional skepticism, allowing auditors to better identify irregularities and exercise sound judgment under uncertainty.

This result supports the view that professional competence, built through cumulative experiential learning, is a key determinant of service quality (Knechel et al., 2013; Francis, 2011). It also aligns with quality theory, which posits that the quality of professional services depends on skill accumulation and reflective practice. Practically, the finding underscores the importance of structured field rotation and mentoring programs across different industries to broaden auditors' experiential base and improve audit judgment consistency.

3.2.2. The effect of client industry knowledge on audit quality

Client industry knowledge also demonstrates a positive and significant influence on audit quality ($\beta = 0.18$; $t = 3.42$; $p = 0.001$). Auditors who possess deep contextual knowledge of clients' industries are better positioned to recognize sector-specific risks and tailor their procedures accordingly, resulting in more relevant and credible audit outcomes.

This finding supports the knowledge-based view of auditing, emphasizing that context-specific expertise complements technical standards in shaping audit quality (Nelson & Tan, 2005; Cheng et al., 2019). Industry familiarity enhances auditors' ability to interpret non-routine transactions and assess management assertions more effectively. Practically, the implication is that audit firms should implement mandatory industry-focused training modules and regular updates on sectoral trends and regulatory changes to strengthen contextual competence.

3.2.3. The effect of mastery of accounting standards on audit quality

Mastery of accounting standards exerts a positive but relatively moderate effect on audit quality ($\beta = 0.12$; $t = 2.11$; $p = 0.035$). While significant, this variable's influence is smaller compared to others, suggesting that technical proficiency in standards is a necessary foundation but insufficient in isolation. Without practical application and professional judgment, mere familiarity with standards does not ensure high-quality audits.

This is consistent with professional auditing frameworks such as the International Standards on Auditing (ISA 200) and findings by Sirois et al. (2016), which emphasize that technical competence must be complemented by ethical judgment and contextual awareness. Therefore, continuous professional education on accounting standards should be integrated with case-based simulations to enhance their real-world applicability.

3.2.4. The effect of audit team independence on audit quality

Audit team independence shows the strongest positive relationship with audit quality ($\beta = 0.29$; $t = 5.02$; $p < 0.001$). Independence ensures objectivity, neutrality, and credibility in audit opinions by reducing bias and external pressure. This finding reinforces agency theory, which posits that independent auditing mitigates information asymmetry between managers and stakeholders (Jensen & Meckling, 1976; Tepalagul & Lin, 2015).
Empirically, this aligns with recent evidence that independence is the most critical determinant of perceived audit credibility and investor confidence (Alleyne et al., 2022). Practically, firms should strengthen independence mechanisms through auditor rotation, conflict-of-interest declarations, and internal independence monitoring systems.

3.2.5. The effect of auditor prudence on audit quality

Auditor prudence demonstrates a positive but statistically insignificant effect on audit quality ($\beta = 0.09$; $t = 1.95$; $p = 0.052$). This implies that cautious attitudes, while beneficial, may not yield measurable quality improvements unless accompanied by strong analytical and technical skills. Excessive conservatism could even lead to over-auditing or inefficient allocation of audit resources.
The result supports prior findings that prudence functions as a complementary attribute rather than a primary determinant of audit quality (Christensen et al., 2016). Practical implications suggest that firms should cultivate prudence through technical mentoring and scenario-based simulations that integrate risk evaluation with analytical reasoning.

3.2.6. The effect of field audit execution on audit quality

Field audit execution exerts a positive and significant influence on audit quality ($\beta = 0.15$; $t = 2.68$; $p = 0.008$). Systematic and well-documented audit fieldwork contributes to the reliability and replicability of audit findings. The audit process quality framework highlights that effective evidence collection, documentation, and supervision are essential for credible audit outputs (Knechel et al., 2013; Francis, 2022).
This finding suggests that consistent adherence to audit plans, thorough working paper reviews, and the use of digital audit management tools can substantially improve procedural discipline. Audit firms should thus enforce rigorous checklists and regular peer reviews to ensure consistent field execution quality.

3.2.7. The effect of ethical standards on audit quality

Ethical standards have a positive and significant impact on audit quality ($\beta = 0.17$; $t = 3.01$; $p = 0.003$). Auditors who uphold integrity, objectivity, confidentiality, and professional behavior enhance both the credibility of audit outcomes and public confidence in the profession. Ethical commitment strengthens judgmental quality and reduces susceptibility to client pressure.
This finding resonates with the IFAC Code of Ethics (2020) and empirical studies demonstrating that ethical culture within audit firms correlates strongly with audit performance and reduced misconduct (Kaplan & Mauldin, 2020; Sweeney et al., 2010). Practically, audit firms should institutionalize ethics audits, continuous integrity training, and transparent whistleblowing mechanisms to sustain ethical compliance.

3.2.8. The effect of audit quality on client satisfaction

Audit quality shows a strong positive effect on client satisfaction ($\beta = 0.42$; $t = 6.12$; $p < 0.001$). Clients perceive high-quality audits as those providing reliable assurance, clear recommendations, and timely delivery. Satisfied clients are more likely to maintain long-term engagements and provide positive reputational spillovers.
This finding is consistent with prior research indicating that audit quality enhances trust and reinforces the client–auditor relationship (Al-Khaddash et al., 2013; Ismael & Roberts, 2018). In practice, audit quality indicators—such as transparency, responsiveness, and professionalism—should be included in client satisfaction surveys to guide continuous improvement strategies.

3.2.9. The moderating role of the going concern opinion

The going concern opinion positively moderates the relationship between audit quality and client satisfaction ($\beta = 0.21$; $t = 2.45$; $p = 0.015$). When a going concern opinion is issued through a rigorous and transparent audit process, clients perceive it as evidence of auditor professionalism rather than a negative evaluation. High-quality audits help clients understand the rationale behind the opinion and identify corrective actions for business sustainability.
This finding aligns with recent literature emphasizing that transparent communication surrounding going concern opinions enhances stakeholder trust (Carcello & Neal, 2020; Habib et al., 2022). Practically, auditors should maintain open dialogue with management, providing clear explanations and improvement-oriented recommendations to ensure that the opinion contributes to organizational resilience rather than reputational damage.

4. Conclusion

The findings of this study analyzed using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) approach, reveal that audit quality in Indonesia's manufacturing industry is a multidimensional construct shaped by the interaction of technical competence, contextual knowledge, professional behavior, and the quality of fieldwork execution. The results confirm that audit quality is not determined by a single factor but rather by the synergy between professional experience, sectoral understanding, independence, prudence, and ethical adherence.
Audit experience demonstrates a significant positive effect on audit quality, indicating that auditors with greater exposure and tenure are more capable of designing and executing effective audit procedures, identifying error patterns, and offering relevant recommendations. This supports quality theory, which views experience as a cornerstone of professional competence (DeAngelo, 1981; Francis, 2011). Furthermore, client industry understanding also exerts a significant positive influence, highlighting that contextual insight enables auditors to recognize sector-specific risks and adapt procedures accordingly. This reinforces the notion that audit quality extends beyond technical skill to encompass sectoral expertise (Knechel, 2007).

The mastery of accounting standards contributes positively, though with a lower magnitude compared to other factors. This implies that knowledge of standards is a necessary baseline rather than a differentiating strength; its effectiveness materializes when combined with experience and contextual understanding (Francis, 2011). Audit team independence emerges as the most dominant determinant of audit quality, affirming that freedom from internal and external pressures enables auditors to provide objective, conflict-free findings. This aligns with agency theory, which positions auditing as a mechanism to mitigate information asymmetry between management and stakeholders (Jensen & Meckling, 1976).

The prudence or cautious attitude exhibits a positive but statistically insignificant effect, suggesting that conservatism alone does not guarantee audit quality unless reinforced by technical proficiency and analytical capability. Meanwhile, rigorous field audit implementation—characterized by discipline, thorough documentation, and adherence to procedures—significantly enhances audit quality, ensuring the relevance and reliability of collected evidence. Compliance with ethical standards also shows a strong positive influence, strengthening public and client perceptions of auditor professionalism. Integrity, objectivity, and confidentiality thus remain indispensable pillars of professional credibility (IFAC, 2020).

In addition, the study confirms that audit quality positively influences client satisfaction. Clients express greater satisfaction when the audit delivers reliable insights, constructive recommendations, and timely completion. The going concern opinion further moderates this relationship positively: while such opinions may carry serious implications for business continuity, when issued through a high-quality audit process, they reinforce client trust in the auditor's integrity and independence. Overall, the research model exhibits substantial predictive relevance ($Q^2 > 0$) and large effect sizes, providing a robust empirical framework for audit quality enhancement.

Collectively, these results enrich the auditing literature by demonstrating how multidimensional determinants jointly influence audit outcomes within a developing-market context. Practically, the model offers an evidence-based framework for audit institutions to refine policies, strengthen auditor independence, enhance competence development, and improve performance measurement systems.

Several strategic recommendations emerge from these findings. First, audit institutions should broaden auditors' exposure through task rotation and cross-sector assignments, supported by mentoring programs led by senior auditors. Such structured experiential learning will accelerate the development of practical competence, which is critical for audit quality.

Second, specialized training on industry-specific regulations, risks, and emerging trends should be institutionalized. Sector-based annual knowledge updates will help auditors tailor their procedures to current industry conditions, thereby reducing the likelihood of material misstatement. Third, mastery of accounting and auditing standards should be strengthened through integrated technical training combined with real-world case simulations. This will ensure that conceptual understanding translates into effective field application.

Fourth, given that independence is the most influential determinant, firms must implement structured independence monitoring systems, including mandatory audit team rotation, restrictions on non-professional interactions with clients, and pre- and post-engagement independence evaluations. Fifth, prudence can be reinforced through technical mentorship focusing on risk analysis and evidence evaluation skills. Blending caution with analytical depth will make prudence a more operational component of audit judgment.

Sixth, the execution of field audits should be optimized using comprehensive checklists, audit management software, and stringent documentation controls to ensure compliance and traceability. Seventh, continuous evaluation of ethical standards must be institutionalized through periodic ethics training based on real-world dilemmas and the implementation of internal ethics audits to ensure adherence to integrity and confidentiality principles.

Eighth, audit quality should be leveraged as a tool to enhance client satisfaction through clear, transparent, and constructive communication. Post-audit client satisfaction surveys could serve as feedback mechanisms for continuous improvement. Ninth, auditors must handle going concern opinions strategically by providing detailed, evidence-based explanations accompanied by realistic recommendations for improvement. Such communication will help reframe going concern opinions as indicators of professional care rather than negative judgments.

Finally, the empirical model developed in this study can be operationalized into an applied product such as a real-time audit quality dashboard, enabling audit institutions to monitor key performance indicators dynamically. This innovation would serve as both an internal control tool and a data-driven decision-support system for managerial policy formulation.

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