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The Influence of Audit Committee Chairman Characteristics on Auditor Choice

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Abstract

Purpose – This study aims to examine the impact of audit committee chair characteristics on auditor choice in healthcare, infrastructure, and transportation & logistic companies listed on the Indonesian Stock Exchange (IDX) from 2021 to 2023.

Design/methodology/approach – This research uses purposive sampling, resulting in 86 companies. The study utilizes from company annual reports were analyzed using logistic regression.

Findings – The results show that the business education of the audit committee chairman has a positive effect on the choice of Big 4 auditors. Meanwhile, other characteristics such as gender, professional qualifications, work experience, and tenure of the audit committee chairman do not affect the choice of Big 4 auditors. Therefore, the results of this study indicate that the business education of the audit committee chairman is the most influential factor in the choice of Big 4 auditors

Originality/value – Previous studies have overlooked the role of audit committee chairs, focusing instead on audit committees in general. As audit committee leadership matters more, research examining the impact of audit committee chair characteristics on auditor choice remains limited. This study provides contributions to the existing literature by offering a novel perspective on the role of audit committee chairs as corporate governance representatives in auditor choice decisions within emerging market.

Research limitations/implications – Research on the impact of audit committee chair characteristics remains limited. Furthermore, this study also has several limitations, such as the measurement of auditor choice, which is only measured by Big 4 and Non-Big 4 audit firms, thereby limiting its ability to provide insight into auditor choice. Additionally, the measurement of gender is limited to physical appearance or individual gender, without considering and understanding the complexity of values and characteristics of femininity and masculinity. The results of this study provide a significant contribution to the existing literature on the impact of audit committee chair characteristics on auditor choice.

Keywords: Auditor choice; audit committee chair; audit committee chair characteristics, gender proportion, audit quality.

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Introduction

Auditors are seen as an important part of information collection so that the selection of quality auditors is one of the efforts to overcome information barriers (Free et al., 2021). Auditor selection is a very important strategic decision for companies. The decision to choose an external auditor has implications for the company's reputation and business sustainability. Auditor choice is a crucial process for companies in selecting external auditors to audit financial statements (Azizkhani et al., 2023). Auditor choice is the first step in the audit process that can affect the overall audit results. Auditor choice is a strong foundation in building good corporate governance, through the selection of the right auditor can optimize the quality of financial statements and company value

External auditors will observe and control management decisions that cannot be monitored by stakeholders (Eriandani & Dewi, 2022). High quality auditors can ensure that managers will not manipulate their financial statements (Qomariyah, 2019). This shows that the role of external auditors is very important in providing confidence to stakeholders in the fairness of the company's financial statements for their opinions. The selection of an external auditor that meets the established audit standards can ensure that the audit is carried out appropriately, independently, and in accordance with the relevant audit principles.

It is important for companies to ensure that the auditors selected are qualified auditors to obtain high-quality and reliable audit results. However, cases of failure to select the right auditor still occur which results in serious problems. Such as the cases of PT Garuda Indonesia Tbk., PT Indofarma Tbk. and PT Waskita Karya Tbk. which have been in the public spotlight recently where auditors failed to detect fraud and were even involved in the fraud. These cases have triggered concerns among regulators and the public regarding the quality of audit performance, the integrity of financial statements, and the extent to which audit committees are effective in overseeing financial and external audit functions (Eriandani & Dewi, 2022).

The audit committee is regulated in OJK regulation No. 55 /POJK.04/2015 on the establishment and guidelines for the implementation of the work of the audit committee. This regulation emphasizes that the audit committee is responsible for ensuring that the company's financial statements are submitted accurately. OJK Regulation Number 30/POJK.05/2014 states that the audit committee is tasked with assisting the board of commissioners in monitoring the duties of the external auditor. The audit committee is authorized to communicate with the auditor to ensure high audit quality. This is supported by the opinion of Azizkhani et al. (2023) that the audit committee is responsible for appointing external auditors, overseeing the audit process and ensuring audit quality.

The key to audit committee success lies with the audit committee chair (Compernolle & Richard, 2018). The audit committee chair plays an important role in the overall effectiveness of the audit committee (Alsayani et al., 2023). The audit committee chairman is more responsible than other audit committee members and has the authority to make decisions (Alsayani et al., 2023; Azizkhani et al., 2023). Alsayani et al. (2023) revealed that in agency theory, the role of the audit committee chairman can facilitate the relationship between management and external auditors in reducing conflicts. Thus, the chairman of the audit committee can ensure that the audit committee performs its functions effectively, improves audit quality, builds public trust, and improves the effectiveness of corporate governance. The presence of the audit committee chair as a leader plays an important role in the overall effectiveness of the audit committee, making it important to identify the characteristics of the audit committee chair (Inaam & Khamoussi, 2016 in Alsayani et al., 2023). However, most literature tends to generalize the role of all committee members, without paying special attention to the audit committee chair (Khemakhem & Fontaine, 2019).

Research on the characteristics of the audit committee chair on important decisions in the audit process and improving audit quality is still relatively minimal which causes a lack of a clear understanding of the relationship between the characteristics of the audit committee chair and audit quality (Alsayani et al., 2023; Azizkhani et al., 2023). By identifying audit committee chairpersons with the right capabilities, it can help improve audit committee performance and audit quality, which is a sustainable business goal (Khemakhem & Fontaine, 2019). Identifying characteristics can help in

understanding how corporate governance is affected by the role of the audit committee chair and companies can make better decisions so as to ensure the audit process is effective. It can also minimize the selection of non-ideal auditors, which can prioritize management interests that can lead to conflicts of interest and reduce audit quality, taking into account that audit committee characteristics can influence auditor selection decisions (Abbott & Parker, 2000). Previous research Alsayani et al. (2023) and Azizkhani et al. (2023) show that audit committee chair characteristics such as expertise, busyness, and tenure affect auditor choice in Malaysia and Australia. This study contributes to understanding the role of the audit committee chairman in corporate governance and audit quality and opens up opportunities for research in Indonesia given the scarcity of literature that discusses the effect of audit committee chairman characteristics.

Referring to the research of Azizkhani et al. (2023), this study focuses on the specific influence of gender, financial expertise and tenure of the audit committee chairman. In Indonesia, the role of women in business leadership is very small, by examining the gender of the audit committee chairman, it can prove whether the small proportion of women will affect the auditor selection decision. The expertise of the chairman is also considered important because the audit committee chairman who has expertise in finance can affect the chairman's ability to understand financial statements and monitor auditor performance to ensure audit quality with careful auditor selection. In addition, the length of tenure of the audit committee chairman can affect the experience and ability to increase the effectiveness of monitoring so as to ensure high audit quality by selecting the right auditor. In this study, it seeks to fill the void in the existing literature regarding the influence of the characteristics of the audit committee chairman in Indonesia.

Gender diversity on the audit committee is considered as one of the factors that increase the effectiveness of the audit committee (Oradi & Izadi, 2020). Previous research only focuses on its effectiveness, however, few have examined the impact of audit committee gender diversity on external audit outcome proxies (Aldamen et al., 2018). Audit results are influenced by audit quality and one way to measure it is by looking at the auditor selection made. According to Lai et al. (2017) the presence of women on the audit committee can result in a demand for higher audit quality which results in higher audit fees than men who tend to reduce potential legal liability. Consistent with that, Azizkhani et al. (2023) argue that the presence of a woman as chair will increase audit committee oversight. This results in demands for higher quality auditor appointments as evidence from previous studies generally supports the idea that the participation of female members in audit committees is associated with higher quality financial statements, and demand for higher quality audits. Furthermore, Li & Li (2020) state that female audit committee chairs not only improve audit quality, but also directly improve the quality of the company's financial statements. Thus, female audit committee chairpersons tend to select qualified auditors to improve audit quality, resulting in accurate and relevant financial statements.

The expertise of the audit committee chairman is also a factor that influences auditor selection. Financial expertise is the ability required by the audit committee chairman to carry out his duties effectively and the company's accountability. In the Indonesian context, in accordance with OJK regulation No. 55 /POJK.04/2015, the audit committee must include at least one member who has expertise in accounting and finance. This indirectly places the audit committee chair in a strategic position, as it provides a strong foundation for the audit committee in carrying out its duties. Eriandani & Dewi (2022) found that financial and accounting expertise on the audit committee has a positive influence on audit quality. Expertise in finance and accounting can increase the capacity of the audit committee chair in monitoring financial statements and ensuring audit quality (Alsayani et al., 2023; Azizkhani et al., 2023). Alsayani et al. (2023) also added that the expertise of the audit committee chairman can help in determining the choice of quality auditors. Kim et al. (2017) state that the accounting and financial expertise of the Audit committee significantly hires high-quality auditors such as Big 4 auditors. Audit committee chairmen who have sufficient expertise tend to hire Big 4 auditors by paying high audit fees (Azizkhani et al., 2023).

Besides gender and financial expertise, tenure is also one of the audit committee characteristics that need to be considered (Alsayani et al., 2023) Longer tenure of the audit committee is more likely to acquire company-specific knowledge, greater expertise and monitoring experience, allowing them to deal with complicated committee issues, such as fraudulent financial reporting (Beasley, 1996). The knowledge and experience gained by audit committees during their tenure is beneficial in enhancing a more effective monitoring function. Long-tenured audit committee chairs have higher governance quality, which allows them to demand greater audit effort from auditors (Chan et al., 2013). Audit committees with long tenure acquire higher monitoring capabilities and thus hire quality auditors (Sultana et al., 2019). Years of experience increase understanding of the company's business and risks, requiring auditors to provide high audit quality. Long-serving audit committee chairs understand the importance of the role of quality auditors such as the Big 4 in improving the financial reporting process to protect the interests of shareholders (Alsayani et al., 2023; Azizkhani et al., 2023).

This study examines the effect of gender, financial expertise and tenure of the audit committee chairman on auditor choice using a sample of Healthcare, Infrastructure, and Transportation & logistics sector companies listed on the IDX in 2021-2023. The selection of the Healthcare, Infrastructure, and Transportation & Logistics sectors as research samples is based on the phenomenon of fraud involving external auditors in these sectors in recent years. The Healthcare sector has experienced significant profit growth and ranks first, especially during and after the COVID-19 pandemic. Meanwhile, the Infrastructure and Transportation sectors play a strategic role in supporting national development programs. These sectors have a significant impact on public interests, such as the quality of healthcare services, safe infrastructure, and efficient transport systems. Fraud in these sectors can cause huge financial losses to the public, as well as damage the trust of stakeholders, especially shareholders, in the company, which can worsen the value of the company. Therefore, it is a question for the public, especially shareholders, regarding the performance of the audit committee in monitoring the company's financial statements and dealing with the influence of auditor selection decisions

Literature Review

Agency Theory

Agency theory was first introduced Jensen & Meckling (1976). This theory explains the agency relationship as an agreement between a party called the principal and the agent to carry out certain tasks on behalf of the principal, and gives the agent the right to make decisions (Jensen & Meckling, 1976). Agency theory says that both principals and agents will pursue their own version of best interests so that the difference in interests causes conflict. Sometimes company managers seek to maximise their wealth in unethical ways and this is certainly very detrimental to shareholders who need accurate information to make decisions. So this shows that there is a conflict between the difference in personal goals of managers and shareholders in the principal-agent relationship (Alsayani et al., 2023).

Audit committees play an important role in mitigating agency conflicts and improving the quality of corporate financial reporting (Habib et al., 2019). The chairman of the audit committee plays an important role in the overall effectiveness of the audit committee (Alsayani et al., 2023). The audit committee chair is more responsible than other audit committee members and has the authority to make decisions (Alsayani et al., 2023; Azizkhani et al., 2023). With this authority, the audit committee chairman can carry out his responsibilities in influencing decisions in the selection of independent auditors. The chairman of the audit committee expects auditors to dare to convey company problems honestly even though they differ in opinion with management, and is expected to work well with the audit committee and management (Free et al., 2021). According to agency theory, the role of the audit committee chairman can also facilitate the relationship between management and

auditors in maintaining the integrity of the company's financial information and protecting the interests of shareholders (Alsayani et al., 2023).

Ethical Judgement from a Gender Perspective

The increasing number of women holding important positions in business is generating interest in issues relating to the role of women in business organizations, including male and female differences in ethical behavior. Akaah (1989) examined differences in ethical judgement between men and women. Psychology, sociology and economics literature suggest that women have higher ethical judgements than men. Ferrell & Skinner (1988) assumed that women exhibit higher ethical behavior than men, which may help improve ethical decision-making in business organizations as the ratio of women in executive positions increases .

Although the theoretical basis of the assumption is still not established, literature evidence suggests possible differences in ethical behavior. Broverman et al. (1972) and Freeman & Giebink (1979) show differences in moral reasoning and development between men and women. Correspondingly, the results reveal overall female professionals show higher ethical judgement than male counterparts which means ethical decision-making in organizations will improve as the ratio of women in important positions increases. However, this is also influenced by cultural factors as men and women enter the business world with gender roles predetermined by society.

Auditor Choice

External auditor selection is an important process in the company (Azizkhani et al., 2023). Auditor choice is important because it is the basis for the audit process that can affect the overall audit results. Credible auditor choice is considered to signify the quality of management's representation of financial performance (Abbott & Parker, 2000). Other evidence shows that auditor choice is closely related to the quality of financial information (Bley et al., 2019; Dong et al., 2021; Wang & Xin, 2011). Choosing the right auditor is very important for the sustainability of the company.

In selecting auditors, companies need to consider various factors such as auditor reputation and its use as a reflection of audit quality is used in many studies (Alsayani et al., 2023; Bley et al., 2019; Nagy et al., 2023; Wang & Xin, 2011). DeAngelo (1981) reveals that the more qualified the auditors of a particular public accounting firm, the higher the quality of the resulting audit. Auditors from reputable audit firms such as Big 4 affiliates have proven to have gained international recognition which can increase investor confidence so that the Big 4 are seen as more capable of providing good audit quality (Alsayani et al., 2023; Christy & Se Tin, 2021) . This is achieved through rich experience, in-depth expertise, and rigorous methodologies in the audit process which shows that Big 4 tend to have high-quality human resources to provide the best audit and consulting services to their clients (Nagy et al., 2023). Therefore, Big 4 auditors can reduce the conflict of interest between management and shareholders by providing high quality audits (Alsayani et al., 2023)

Audit Committee

The audit committee is a sub-committee of the entire board of commissioners responsible for overseeing financial reporting and is widely recognized as an important mechanism in corporate governance (Free et al., 2021). The audit committee also plays an important role in assisting the board in discharging its responsibilities related to corporate governance and oversight in the aspects of corporate reporting, as well as internal and external audit. The main responsibilities of the audit committee include appointing external auditors, overseeing the audit process, and ensuring audit quality (Azizkhani et al., 2023).

The chairman of the audit committee is an independent commissioner who has an important role in leading the audit committee. The chairman is more responsible than other audit committee members, he plays an important role in ensuring the quality of financial statements (Azizkhani et al., 2023). To ensure the quality of financial statements, the auditor as an independent party can assist the chairman of the audit committee. Therefore, the chairman of the audit committee plays a role in leading the selection of external auditors who are expected to oppose managers to ensure audit

quality (Free et al., 2021). This is supported by the statement of Azizkhani et al. (2023) that the chairman of the audit committee has the authority to nominate external auditors so that audit quality is highly dependent on the auditors selected.

Gender of Audit Committee Chair and Auditor Choice

Akaah (1989) says that in psychology, sociology and economics literature shows that there are differences in moral reasoning between men and women where women have higher ethical judgements than men. In the context of audit committees, the presence of women can make ethical decisions that help reduce potential conflicts of interest. From an agency theory perspective, it explains that including female members on audit committees not only adds diversity, but also strengthens monitoring efforts so as to identify conflicts of interest (Aldamen et al., 2018). In general, agency theory does not provide strong support for the financial benefits of board diversity, but this theory does not rule out the possible benefits of board diversity in companies (Carter et al., 2010). According to Lai et al. (2017) the presence of women on the audit committee encourages increased demand for higher audit quality and leads to paying higher audit fees. Furthermore, research by Lai et al. (2017) found that female audit committee members demand more audit effort and tend to choose industry-specialized auditors as the choice of quality auditors. Aldamen et al. (2018) revealed that the presence of women on the audit committee demands high audit quality and requires many services from external auditors.

Research Li & Li (2020) shows that female audit committee chairs tend to be more effective in carrying out this role. Women, tend to think independently and are less tolerant of opportunistic behavior thus encouraging more objective decision making. With these abilities, female audit committee chairs are more effective in carrying out their role to address conflicts of interest, by selecting qualified independent auditors. The importance of the role of the audit committee chair and previous evidence that shows the importance of the presence of women on the audit committee, it can be concluded that the presence of women as audit committee chairs can tend to appoint quality and reputable auditors to produce high audit quality. Big 4 auditors affect audit quality so that they can mitigate conflicts of interest between management and shareholders by providing high quality audits (Alsayani et al., 2023). Based on the explanation above, the first hypothesis is proposed as follows:

H_1: Female audit committee chair has a positive effect on the selection of Big 4 auditors

Financial Expertise Audit Committee Chair and Auditor choice

Agency theory says that the role of the board of commissioners is to monitor management who may have incentives to increase their wealth at the expense of shareholders and to reduce differences in interests, the board of commissioners is required to monitor the quality of financial reporting through the audit committee (Azizkhani et al., 2023). Agency theory also says that audit committees that have members with knowledge in finance will increase their capacity to ensure that the role of external auditors is carried out skillfully (Alsayani et al., 2023). Eriandani & Dewi (2022) found that the accounting and financial expertise of the audit committee has a positive effect on audit quality, which means that the audit committee's expertise in overseeing financial aspects allows it to encourage external auditors to expand the scope of the audit. Kim et al. (2017) added that accounting experts demand a more thorough audit process and are influential in involving high-quality external auditors such as the Big 4.

Given the importance of the audit committee chair's role in audit committee effectiveness, a chair with specialized expertise can make him or her competent to perform oversight duties (Compernolle & Richard, 2018). The audit committee chair has deeper financial expertise, making the chair more knowledgeable than committee members (Free et al., 2021). Khemakhem & Fontaine (2019) highlight the importance of audit, accounting and financial expertise in the audit committee chair to ensure the audit process. Azizkhani et al. (2023) found that financial expertise is positively related to the selection of Big 4 auditors. Financial expertise can be proven by educational

background, certification and practical experience relevant to finance (Eriandani & Dewi, 2022). Based on this explanation, the second hypothesis is proposed as follows:

H_{2a}: The professional qualifications of the audit committee chairman have a positive effect on the selection of Big 4 auditors

H_{2b}: The business education of the audit committee chairman has a positive effect on the selection of Big 4 auditors

H_{2c}: Work experience of the audit committee chairman has a positive effect on the selection of Big 4 auditors

Tenure of Audit Committee Chairman and Auditor choice

Agency theory explains the relationship between principals and agents, the audit committee as a supervisory mechanism plays a role in reducing conflicts of interest that arise in the principal and agent relationship (Habib et al., 2019). Audit committees that serve for a long time have knowledge related to the company's business and greater expertise (Beasley, 1996). This allows the audit committee to identify potential conflicts of interest.

Research results Sultana et al. (2019) shows that audit committees with long tenure gain higher monitoring capabilities so that they hire quality auditors and provide higher audit quality. Research Alsayani et al. (2023) shows that the tenure of the audit committee chairman has a positive effect on auditor selection, the chairman with a long tenure in the company understands the company's operations in depth and also understands the role of Big 4 auditors in improving the financial reporting process to protect the interests of shareholders. Azizkhani et al. (2023) found that audit committee chairmen with long tenure tend to hire Big 4 auditors. Based on the explanation above, the third hypothesis is proposed as follows:

H_3: The tenure of the audit committee chairman has a positive effect on the selection of Big 4 auditors.

Methods

Sample

This research focuses on 140 companies in healthcare, infrastructure, and transportation & logistics sector listed on the Indonesia Stock Exchange (IDX). Table 1 presents the sample selection.

Table 1. Sample selection

Criteria	Total
Healthcare, infrastructure, and transportation & logistics sector companies listed in IDX	140
Companies listing after 2021	(31)
The companies that do not publish annual reports during 2021-2023 and do not have complete data	(23)
Total sample companies	86
Total observations (sample companies * 3 years)	258

The purposive sampling technique was used in this study based on criteria, (1) healthcare, infrastructure, and transportation & logistics sector companies listed on the Indonesia Stock Exchange (IDX) in 2021-2023, (2) companies listed on the Indonesia Stock Exchange (IDX) before 2021, (3) companies that publish *annual reports* during the observation period, namely 2021-2023 and have complete data related to the research variables. There are 86 companies with an observation period of 2021-2023. The type of data used in the study is secondary data in the form of company annual reports obtained by accessing the official IDX website (www.idx.co.id) and related company websites.

Research Variables

Auditor choice is a crucial process for companies in selecting external auditors to audit financial statements (Azizkhani et al., 2023). In choosing an auditor, companies need to consider the auditor reputation factor. Auditor reputation is an indicator of audit quality that cannot be observed directly (Alsayani et al., 2023). Auditors from Big 4 audit firms are considered to have a high reputation and are able to provide good audit quality (Christy & Se Tin, 2021). In this study, Auditor_Choice is measured if the auditor is a Big 4 auditor, it is coded 1 and if not or Non-Big 4 is coded 0.

The measurement of independent variables refers to Azizkhani et al. (2023), this study measures the gender of the audit committee chair or AC_CHAIR_FEMALE with a dummy variable coded 1 if the audit committee chair is female, and 0 if not. financial expertise is measured by professional qualifications (AC_CHAIR_PROF), business education (AC_CHAIR_BUS) and work experience (AC_CHAIR_EXPT) of the audit committee chair. Meanwhile, tenure (AC_CHAIR_TENURE) is measured by calculating the number (years) of individuals who serve as chairman of the audit committee in the company. This study also uses company size as a control variable which includes company-specific factors that can influence the selection of the audit committee chairman and auditor choice. Company size (LnTA) is measured by the natural logarithm of the company's total assets.

Table 2. Research Variables

Variables	Measurement	Source
Auditor Choice	Auditor_Choice is measured if the Big 4 auditor is coded 1 and if not coded 0.	(Alsayani et al., 2023; Azizkhani et al., 2023; Bley et al., 2019; Wang & Xin, 2011)
Gender	AC_CHAIR_FEMALE is measured by giving code 1 if the audit committee chair is female, code 0 if male	(Azizkhani et al., 2023)
Expertise Finance	a. Professional qualifications: AC_CHAIR_PROF is coded 1 if it has CA/CPA certification, 0 otherwise. b. Business education: AC_CHAIR_BUS is coded 1 if it is a business-related bachelor's or master's degree, 0 otherwise. c. Work experience: AC_CHAIR_EXPT is coded 1 if experienced in finance, 0 otherwise.	(Alsayani et al., 2023; Azizkhani et al., 2023)
Tenure	AC_CHAIR_TENURE is measured based on the number (years) served as chairman of the audit committee	(Azizkhani et al., 2023)
Company Size	LnTA = Ln Total Assets	(Alsayani et al., 2023; Azizkhani et al., 2023)

This study uses logistic regression which can be formulated as follows:

$$\text{Auditor_Choice} = \beta 0 + \beta 1 \ \text{AC_CHAIR_FEMALE} + \beta 2 \ \text{AC_CHAIR_PROF} + \beta 3 \ \text{AC_CHAIR_BUS} + \beta 4 \ \text{AC_CHAIR_EXPT} + \beta 5 \ \text{AC_CHAIR_TENURE} + \beta 6 \ \text{LnTA} + \varepsilon$$

Results

Descriptive Statistics

Table 3 presents the descriptive statistics which show the 258 observation data (n). The dependent variable (Auditor_Choice) has a minimum value of 0, namely the company does not choose a Big 4 auditor, a maximum value of 1, namely the company chooses a Big 4 auditor to audit its company's financial statements, mean of 0.32 which indicates that around 32% of companies choose Big 4 auditors. This means that around 68% of companies do not choose Big 4 auditors, but choose non-Big 4 auditors. The standard deviation is 0.468 which indicates that the data distribution is quite wide on this variable

As shown in Table 3, only 8% of audit committee chairpersons in companies are women and the remaining 92% are men. Among the audit committee chairpersons, about 3% of audit committee chairpersons in companies are CA/CPA certified, 58% of audit committee chairpersons in companies have a business education, and 36% of audit committee chairpersons in companies are experienced in finance. In addition, the average tenure of the audit committee chairman is around 3 years, which indicates that the tenure of the audit committee chairman tends to be relative. While LnTA as a control variable shows that the minimum value is 237562, the maximum value is 332906, the average is 285610.09 which indicates that the average total assets of the company are quite large, and the standard deviation is 19871.770.

Table 3. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Auditor_Choice	258	0	1	0,32	0,468
AC_CHAIR_FEMALE	258	0	1	0,08	0,268
AC_CHAIR PROF	258	0	1	0,03	0,174
AC_CHAIR_BUS	258	0	1	0,58	0,494
AC_CHAIR_EXPT	258	0	1	0,36	0,48
AC_CHAIR _TENURE	258	1	11	3,24	2,07
LnTA	258	237562	332906	285610,1	19871,77
Valid N (listwise)	258				

This study uses a series of data statistical tests, namely overal model fit, Hosmer and Lemeshow's goodness of fit, and Nagelkerke R-square which aim to evaluate the quality and accuracy of the logistic regression model. The test results show that the logistic regression model proposed is in accordance with the data used and this study is assumed to be feasible because it has the ability to predict the value of observations well. Nagelkerke R-square also shows that auditor choice can be explained by gender, financial expertise and tenure of the audit committee chairman and the contribution of control variables by 0,310 or 31%, while the remaining 69% (100% - 31%) is explained by other factors outside the variables studied.

Table 4. Result of Logistic Regression

Variable	B	S.E.	Wald	df	Sig.
AC_CHAIR_FEMALE	-0,736	0,635	1,342	1	0,247
AC_CHAIR PROF	-0,746	0,776	0,925	1	0,336
AC_CHAIR_BUS	0,918	0,386	5,652	1	0,017
AC_CHAIR_EXPT	0,386	0,367	1,103	1	0,294
AC_CHAIR _TENURE	-0,094	0,089	1,117	1	0,291
LnTA	0,000	0,000	35,311	1	0,000
Constant	-17,076	2,814	36,815	1	0,000

Table 4 shows the logistic regression results. The regression equation is:

Auditor_Choice = -17.076 - 0.736AC_CHAIR_FEMALE -0.746AC_CHAIR_PROF + 0.918AC_CHAIR_BUS + 0.386AC_CHAIR_EXPT - 0.094AC_CHAIR_TENURE + 0.000LnTA + ε

Wald Test

The Wald test results in Table 4 show that the gender of the audit committee chairman has a t-count value of 1.342 less than the t-table 1.969. The p-value of 0.247 is greater than the significance value of 0.05. The Wald test results on the professional qualifications variable show a t-count of 0.925 smaller than the t table 1.969. The p-value of 0.336 is greater than the significance value. The Wald test results on the business education variable show a t-count of 5.652 greater than the t table 1.969. The p-value of 0.017 is smaller than the significance value. The Wald test results on the work experience variable show a t-count of 1.103 smaller than the t table 1.969. The p-value of 0.294 is greater than the significance value. The Wald test results on the audit committee chairman tenure variable show a t-count of 1.117 smaller than the t-table 1.969. The p-value of 0.291 is greater than the significance value. The Wald test results on the control variable (LnTA) show a t-count of 35.311 greater than the t table 1.969. The p-value of 0.000 is smaller than the significance value. The conclusion is that the business education of the audit committee chairman has a positive effect on the selection of Big 4 auditors so that hypothesis 2b is accepted, while the other hypotheses are rejected.

Omnibus Test of Model Coefficients

Based on Table 5, it shows that the f count of 64.694 is greater than the f-table of 2.135 and the p-value of 0.000 which is smaller than the significant value of 0.05. The conclusion is that gender, financial expertise, and tenure of the audit committee chairman accompanied by company size as control simultaneously affect auditor choice.

Table 5. Omnibus Test of Model Coefficients

Chi-square	df	Sig.
64,694	6	0,000
64,694	6	0,000
64,694	6	0,000

Sensitivity Analysis

In this study, we conducted a sensitivity analysis by using alternative measurement of the AC_CHAIR_TENURE variable from a category to a dummy, this aims to see whether this change has a significant effect on the results of previous studies. AC_CHAIR_TENURE or audit committee chair tenure is calculated based on the average tenure of the audit committee chair and codes it as 1 if the audit committee chair tenure is greater than or equal to the average and 0 otherwise (Azizkhani et al., 2023). The results of the sensitivity test show that AC_CHAIR_TENURE shows a significance of 0.774, which means that the tenure of the audit committee chair has no effect on the selection of Big 4 auditors. The results of the sensitivity test are consistent with the results reported in Table 4, indicating that the results of this sensitivity test are reliable and not affected by changes in variable measurements.

We also use alternative measurement on the dependent variable, auditor choice, categorizing auditors into non vs mid-tier accounting firms. Mid-Tier refers to auditors who have good capabilities and experience in conducting audits, but are not included in the Big-4 category. The results of the sensitivity test reveal that all characteristics of the audit committee chair, namely gender, financial expertise (professional qualifications, education and work experience) and tenure each have a significance value greater than 0.05. Thus, all independent variables tested have no effect on the selection of mid-tier auditors.

Discussion

The Effect of Audit Committee Chair Gender on Auditor Choice

Based on testing the first hypothesis (H1) addressed in Table 4, no significant effect was found between gender and selection of Big 4 auditors. Descriptive statistics show that only 8% of audit committee chairs are women and the remaining 92% are dominated by men. This shows that there are relatively few women who serve as audit committee chairmen in companies, which is the reason why gender roles appear to have less influence on auditor selection decisions in this study. Our findings contradict some previous studies, such as Lai et al. (2017) and Oradi & Izadi (2020) which state that female audit committees demand high audit quality and thus appoint quality auditors such as the Big 4.

Gender differences in the audit committee have no significant effect on audit quality, where the presence of women as an audit committee cannot affect the improvement of audit quality in a company (Gozali et al., 2023). Eriandani & Dewi (2022) also show that the presence of women on the audit committee does not affect audit quality which indicates that there is no difference between men and women in improving audit quality which will have an impact on suboptimal decisions in selecting the right auditor. This finding is consistent with the research of Azizkhani et al. (2023) which shows that the female audit committee chair does not affect the selection of Big 4 auditors.

The Effect of Audit Committee Chair Expertise on Auditor choice

Financial expertise can be proven by educational background, certification and experience in finance. This study focuses on the role of the chairman as the leader of the audit committee with financial expertise proxied by professional qualifications, business education and work experience. The results of hypothesis testing show that business education has a positive effect on the selection of Big 4 auditors, while professional qualifications and work experience have no effect on the selection of Big 4 auditors. Audit committee chairs who are CA/CPA certified do not directly influence this decision. On the other hand, audit committee chairs who have worked in finance may have greater confidence in assessing the audit quality of non-Big 4 firms.

Audit committee chairs with a business education background have better analytical skills in evaluating the quality and capability of Big 4 auditors. This is because business education covers various aspects related to business and financial management. Thus, audit committees with an educational background in accounting and finance have better ability to understand the complexity of finance and accounting and may engage the Big 4 to improve audit quality (Boshnak, 2021) . In addition, financial expertise proxied by business qualifications affects the selection of Big 4 auditors, which are auditors with high reputation and ability (Azizkhani et al., 2023). Previous research also shows that the tendency of audit committees with financial expertise is to select quality auditors such as Big 4 to ensure audit quality (Kim et al., 2017; Oradi & Izadi, 2020).

The Effect of Audit Committee Chairman Tenure on Auditor choice

Hypothesis testing on tenure (H3) shows that the length of tenure of the audit committee chair has no effect on the selection of Big 4 auditors. We also conducted a sensitivity test on tenure by changing the measurement of variables and the results showed no effect on the selection of Big 4 auditors, this revealed consistent results. Thus, this finding contradicts previous research which states that audit committee chairmen with long tenure gain higher monitoring capabilities so as to hire quality auditors such as Big 4 auditors and provide higher audit quality (Alsayani et al., 2023; Azizkhani et al., 2023; Sultana et al., 2019) .

The results of this study are consistent Rustiarini et al. (2025) which shows that the tenure of the audit committee chairman does not affect the choice of reputable auditors. Furthermore, Rustiarini et al. (2025) also revealed that the chairman of the audit committee served for a long time became so confident that there was no need to involve auditors from reputable audit firms. In addition, the length of the audit committee chairman is also likely to interfere with his independence, hindering his ability to conduct objective monitoring and free from management

influence. This has a significant impact on inappropriate auditor selection decisions at the expense of shareholder interests, which is inconsistent with agency theory. Therefore, the tenure of the audit committee in Indonesia is limited in OJK regulation No. 55 /POJK.04/2015 which cannot exceed the tenure of the board of commissioners which aims to improve financial supervision and prevent conflicts of interest.

Conclusion

This study aims to determine the effect of audit committee chair characteristics on auditor choice. The characteristics of the committee chair focus on gender, financial expertise (professional qualifications, business education and work experience) and tenure. Overall, our findings are in line with Azizkhani et al. (2023) which shows that gender has no effect on the selection of Big 4 auditors and financial expertise, especially on audit committee chairs who have a business education background, has a positive effect on the selection of Big 4 auditors. This is in line with agency theory which states that the financial expertise of audit committee chairs can mitigate conflicts of interest by selecting high-quality auditors. However, we do not find evidence that the tenure of the audit committee chairman affects the selection of Big 4 auditors. In addition, we also find that company size as a control variable has a positive effect on the selection of Big 4 auditors. The higher the size of a company, the higher the probability of selecting Big 4 auditors. This suggests that large companies are more likely to select high-quality auditors to ensure high audit quality. We also conduct a sensitivity test on auditor choice by using the selection of non vs mid-tier auditors and the results reveal that gender, financial expertise and tenure have no effect on the selection of mid-tier auditors

This research has implications for companies in considering audit committee chairmen who are financial experts with a business education background to increase audit committee effectiveness and improve audit quality through a more strategic auditor selection process. This study also supports the importance of the audit committee having sufficient financial expertise, as stipulated in OJK regulation number 55 /POJK.04/2015.

This study has several limitations. First, limited references related to the research topic. In addition, the measurement of the gender variable is only limited to the physical appearance listed in the annual report without understanding the complexity of feminine and masculine values and characteristics in decision making. Future research can conduct further research with broader and in-depth references needed to enrich understanding of this topic and to validate the research results. Future research can overcome the limitations of this study by using more comprehensive gender measurements to better explain the role of gender in decision making related to auditor selection.

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