RESEARCH ARTICLE

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The Role of Gender Diversity in Corporate Governance for Quality Assurance of Financial Reports with Audit Fees as Moderating Variables

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ABSTRACT

This study used audit fees as a moderating variable to examine how gender diversity on the board of directors, board of commissioners, and audit committee affects the quality of financial statements. In this study, financial statements for a sample of LQ 45 companies listed on the Indonesia Stock Exchange from 2019 to 2021 were employed to collect the data, which were then analyzed using Eviews 9. Gender diversity of the board of commissioners, board of directors, committee board audit, employed the percentage of the number of the board of directors, board of commissioners, female audit committee compared to the total number, audit fee to logarithmic audit fee, and quality of financial statements to proxy for Discretionary Accrual modified by Jones model. The findings demonstrate that gender and women play a key role in the Corporate Governance process, particularly on the board of directors, board of commissioners, and audit committee. The role of women in supervision, such as the board of commissioners and audit committee, was able to enhance the quality of the company's financial statements, despite the inability of the board of directors' to increase the quality of financial statements when examined. The role of women in supervision, such as the board of commissioners and audit committee, was able to improve the quality of the company's financial statements, despite the board of directors' ability to increase the quality of financial statements in their function not being examined. The role of audit fees also appeared to be pivotal in overseeing the quality of the presentation of the financial statements of the company. Service fees are procured for carrying out financial statement audit services and detecting the possibility of fraud committed by the board of directors. If the audit fee is compensated highly, it tends to be more professional, therefore minimizing Discretional Accrual and strengthening the supervision carried out by the board of commissioners and female audit committee. Similarly, it can enhance the quality of financial reports. The findings of this study will: (1) give investors, professionals, and stakeholders' information about the factors that affect gender diversity; (2) give capital market authorities guidelines for taking into account gender diversity on corporate boards of directors, commissions, and audit committees while taking into account the effect on the quality of financial reports; and (3) help accountants in developing countries like Indonesia develop more suitable accounting guidelines. This study contributes to the gender diversity literature. Additionally, this study adds to and broadens the literature by presenting empirical data from a single emerging market, such as Indonesia, on the impact of audit fees and gender diversity between gender diversity and financial reporting quality, as this relationship has not previously been studied.

Keywords: Audit Committee, Board of Directors, Board of Commissioners, Gender Diversity, Quality of Financial Reports.

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I. INTRODUCTION

Financial statements are reports that show the financial condition of a company for a certain period. Detailed financial reports will be needed as a company evaluation tool so the preparation process must be closely supervised. Financial statements show how the company's performance in one period. With the availability of financial information, the state of profit and loss generated by the company can be identified. Additionally, financial statements also serve as the basis for making investment decisions. Therefore, understanding financial statements are important and so are accurate financial reports. The preparation of good financial statements according to the applicable regulations allows a positive response from investors to the company's market value. The preparation of good financial reports according to the rules reflects the quality of financial reports.

This decade, the quality of the financial reports is rather perceived as perplexing; the principle of understanding the quality of reports is seen from two sides. First, interpreting the financial statements' quality reflects the company's overall performance implied in the company's revenue. This opinion implies that profit or revenue with high quality is mirrored in profits that are sustainable over a long period. The establishment of a company aims to earn profits, increase sales, and optimize the value of the company. This infers that if the value of the company is high, it will be equal to the increased profit, and vice versa. Therefore, high enterprise value corresponds to increased profits and vice versa. Likewise, investors will expect an increase in the company's value as well.

Various factors affect the company values, e.g. the element of Good Corporate Governance (GCG). Good corporate governance describes the connection between various stakeholders responsible for administering the company's performance. Implementing good corporate governance, appropriately and according to the applicable regulations will allow investors to give a positive response to the company's performance, especially market value. Several surveys show that the value for the implementation of GCG remains low, compared to other Asian countries.

The Enron Corporation case is one of the cases that led to the discovery of modified financial statements losing up to USD 11 billion. Several State-Owned Enterprise cases in Indonesia are PT KAI losing IDR 6.9 billion, which was stated as a profit of IDR 63 billion. The value-added tax assessment of Rp 95.2 billion was presented as receivables. The controversy of PT Garuda Indonesia, which caused an error in presentation resulted in a fine of IDR 100 million. This affected the board of directors and the board of commissioners who signed the financial statements. This displays that corporate governance plays a role in determining quality financial reports. The mechanism of corporate governance can be seen from the first two aspects, namely internal and external mechanisms. The internal mechanism consists of a board of directors, board of commissioners, audit committee, managerial ownership, and executive compensation. While the second aspect is external mechanisms such as the level of debt financing and market control. Corporate governance practices can also be proxied by institutional ownership, the composition of the board of commissioners, and management ownership (Boediono, 2005).

Empirically, this study analyzed the effect of the succession of Chief Executive Officer (CEO), audit committee, and board of commissioners with male-to-female gender change (hereinafter referred to as female CEO succession) on the financial statement quality. The board of directors, board of commissioners, and audit committee are in the strategic leadership positions (Palvia *et al*., 2015) and the CEO's authority to decision making have a strong influence on organizational outcomes (Kaplan *et al*., 2012; Behr & Fehre, 2019; Schepker *et al*., 2017;). Under this context, the male leader is the preferable choice for the top position. Women are less likely than men to be nominated as leaders because such positions are regarded as “unconventional strategic options”. (Knippen *et al*., 2018; Gao *et al*., 2016; Byrne *et al*., 2019). Women are traditionally regarded as unsuited for top positions due to their differing viewpoints, including leadership qualities (Powell & Butterfield, 2002); moreover, this is proven in the largest US company, in which less than 100 women have been selected to take the top position over the last two decades (Dwivedi *et al*., 2018). Several works of literature acknowledge that female leaders reduce information ambiguity, improve monitoring mechanisms, and decrease audit delays and the quality of financial reports (Harjoto *et al*., 2015; Atif *et al*., 2020; Garcia-Sanchez *et al*., 2017;).

According to agency theory, gender diversity tends to diminish information asymmetry and has a major impact on the quality of a company's financial statements and company results. It is perceived that women's leadership can affect audit fees and audit report lag in two different ways. On the other hand, gender diversity may increase the efficiency of corporate governance and requires more audit efforts from auditors to ensure high monitoring, which accumulates audit fees (Miglani & Ahmed, 2019; Lai *et al*., 2017). Moreover, increased audit effort and potential additional audit procedures can improve the quality of financial statements. Besides, increasing governance efforts as a result of gender diversity will reduce control and audit risk, leading to a decrease in audit effort and audit fees (Nekhili *et al*., 2020)

This research will contribute to the quality of financial reporting and corporate leadership literature. Provide empirical evidence on the relationship between female boards of directors, commissioner boards, and audit boards as well as audit fees and quality of financial reports.

II. Literature Review

A. Agency Theory

The agency relationship between the principal and the agent is described by agency theory as a connection that occurs as a result of a contract agreed upon by both parties to administer assignments in the principal's best interests. The principal is the company's owner, whereas the agent is the company's manager, who is in charge of the company's operations. Both parties' agency connection does not rule out the potential of a conflict of interest with each other (Jensen & Meckling, 1976).

1) Gender diversity

Psychological research provides several findings that men and women think differently (Kling *et al*., 1999; Johnson & Whisman, 2013). Business related builds on that perspective and explores gender diversity influencing decision making, as risk-averse women (Zalata *et al*., 2019) are more conservative (Zeng *et al*., 2015) and show greater ethical sensitivity to various situations (Cohen *et al*., 1998). Women can also build relationships that are more trust-building (Klenke, 2003), show a greater orientation, are more ambitious to achieve proven performance results, and are more aggressive in pursuing results (Collins, 2001) than men. Hence, it can significantly influence behavior and results.

2) Board of directors

The primary responsibilities of the board of directors have a long-term impact on the organization's effectiveness (Hermalin, 2005; Schepker *et al*., 2017; Gergakakis & Ruigrok, 2017; Hermalin & Weisbach, 2003). Given the importance of this position, the board should have succession planning in place to replace the existing CEO. Because of the substantive and symbolic importance linked to the CEO role, these events become significant in the life cycle of a company (Berns & Klarner, 2017; Zhang & Rajagopalan, 2004).

Because of variations in leadership styles between new and existing CEOs, succession can result in major changes in corporate strategy (Tao & Zhao, 2019; Fitza, 2014). Previous research has demonstrated that CEOs have a major effect on their firms' strategic results through decision-making (Schepker *et al*., 2017; Bromiley & Rau, 2016; Hambrick & Quigley, 2014; Fitza, 2014). Such strategic decision-making can be related to variances in senior executives' demographic profiles, values, and personal attributes (Elsaid & Ursel, 2011).

3) Board of commissioners

Law no. 40 of 2007 concerning Limited Liability Companies describes the functions, powers, and responsibilities of the board of commissioners. The Board of Commissioners is a board accountable for supervising and providing advice to the directors of a limited liability company. In Indonesia, the Board of Commissioners is appointed by the GMS. The board of commissioners is an important component in the implementation of good corporate governance. The board of commissioners has an essential role in the management of the company. The higher the diversity of the board of commissioners can increase confidence in the decisions taken by the board of commissioners, thus the company will be able to maximize its company value (Rose, 2007). The corresponding opinion was also proposed by Alvares & McCaffery (2000); it is possible that the board of commissioners can produce more optimal decisions if they have less diversity.

4) Audit committee

The formation and guidelines for the implementation of an Audit Committee's work have been regulated in the Decision of the Chairman of Bapepam No. Kep-29/PM/ 2004. The Board of Commissioners established an Audit Committee whose duties are to assist and ensure the consistency of the implementation of good corporate governance principles in order to increase transparency. The task of the audit committee is also to coordinate and communicate with the company's internal auditors and external auditors to produce quality company financial reports. Financial reports that reflect good governance (Azibi *et al*., 2008). Formal communication carried out by the audit committee, internal auditors, and external auditors can ascertain that the audit process runs accordingly (Roswita, 2010).

5) Audit fee

One of the factors that can affect the quality of financial reports is audit fees. The amount of the fee allocated sometimes prompts dilemmas for auditors. There are two sides to the coin; the auditor is obliged to be independent in giving an opinion on the fairness of the financial statements for the benefit of many parties, meanwhile, the auditor must fulfill the wishes of clients who have paid fees for the services provided. This dilemma position leads the auditors to obscure state, thus affecting audit quality (Nuridin & Widiasari, 2016). The amount of the audit fee varies depending on the risk of the assignment, the level of expertise of the auditor to perform the services, the complexity of the services provided, the fee structure at the public accounting firm (PAF), and other professional considerations. PAF members are prohibited to suggest clients by offering contingent fees, which can damage the image of the profession and can reduce independence (Mulyadi, 2002).

6) Quality of financial reporting

What is a quality financial report? Quality financial reports are those that can describe the extent to which financial statements can produce honest and fair information regarding the presentation of the company's financial position which is the basis for evaluating the performance of a company. It can be said that the quality of financial reports is a report that can represent a qualitative characteristic as governed by the institute of Indonesia Chartered Accountants (IAI) contained in the basic framework of financial statements. These characteristics include (1) reliable, (2) relevant, (3) comparable, and (4) understandable; if the information contained in the financial statements is easily comprehended and read by users despite having adequate knowledge. Financial statements provide true and unbiased information about the Financial Accounting Standards Board's (FASB) core. Therefore, understanding the quality of financial reporting is beneficial for investors, who need to evaluate investment risks effectively in international capital markets (Tang *et al*., 2016).

The value of accounting earnings is thought to determine the quality of financial statements (Herath & Albarqi, 2017). As a result, it is critical to provide high-quality financial reporting to safeguard customers from making poor investment decisions and to improve market efficiency. Thus, audit quality is a continual paradigm that assures financial reporting quality since adequate audit quality gives greater assurance of higher quality financial reporting (DeFond & Zhang, 2014).

B. Research Hypothesis

1) Relationship between gender of the board of directors, board of commissioners, audit committee, and quality of financial reporting

Gender has a substantial impact on top executives' decision-making, ethical inclinations, and leadership style. Women-led businesses may also use different internal control systems than male-led businesses. Female audit committee members, according to Parker *et al*. (2017), are more likely to critically and completely assess the internal control system to discover any weaknesses. Female directors also enhance the outcomes of governance activities and minimize the occurrence of financial infractions (Wahid, 2019). Gupta *et al*. (2020) discovered that businesses with female leaders had a lower chance of financial mistake than firms with male executives, and that these gender disparities were larger when the governance framework was inadequate. Similarly, Gull *et al*. (2018) discovered that female CEOs were less likely to be involved in profits management. Formal communication between the audit committee, internal auditors, and external auditors will guarantee that the audit process is carried out correctly (Roswita, 2010).

H1: Gender of the Board of Directors affects the quality of financial reporting

H2: Gender of the Board of Commissioners affects the quality of financial reporting

H3: Gender of the Audit Committee affects the quality of financial reporting

2) Relationship of audit fee, diversity gender corporate governance, and quality of financial reporting

Duties and responsibilities according to law, level of expertise and responsibility and level of complexity of work, the amount of time required by the public accountant to complete the work, and basis for regulating the agreed fee. It can be concluded that the audit fee is one of the important indicators related to the examination of financial statements. Public accountants deem that the audit fee is regulated based on the decision of the general chairman of the Institute of Indonesia Chartered Accountants based on Decree No: kep.024/IAPI/VII/2008 which contains client needs and independence, Auditors can act more in-depth, detail, and broad when carrying out the process of examining irregularities. If any irregularities are detected, it illustrates that the quality of the audit process is high or good, namely by applying audit and accounting standards (Agoes., 2012). If the audit fee paid is higher, it will be able to produce high audit quality since the wider audit procedures will produce trusted and accurate audit results (Chrisdinawidanty *et al*., 2016). Audit fee in one period and the estimated operational costs is needed to carry out the audit process to increase audit quality (Kurniasih and Rohman, 2014).

H4: Audit fees moderate the effect of gender diversity of the board of directors on the quality of financial reporting

H5: Audit fees moderate the effect of gender diversity of the board of commissioners on the quality of financial reports.

H6: Audit fees moderate the effect of gender diversity of audit committees on the quality of financial reports.

III. Methodology

A. Research Methods

This research was an associative quantitative study and a This is a quantitative research method in which data were presented numerically and then analyzed using statistical analysis tools to draw findings (Sugiyono, 2013). The effect of the independent variable on the dependent variable was investigated in this study. This study's sample consists of LQ 45 businesses registered on the Indonesia Stock Exchange (IDX) between 2018 and 2021. The data structure used in data analysis in this study is to utilize panel data, so it depends on the continuity of the data and the periodic order of the data. The samples used in this study were 20 companies of LQ 45 that had continuous audit fee reports in the period 2018-2021. Panel data was used for data analysis, hence in total, it obtained $4 \times 20 = 80$ observational data.

The quality of financial reporting served as the independent variable in this study. The equation used to calculate non-discretionary is the Jones modification model developed by Dechow, *et al*. (1995). Discretional Accrual value was obtained from the calculation of financial reporting quality with the measurement proxy of Discretional Accrual multiplied by negative. This value establishes that the positive value indicates a higher quality of financial reporting.

Meanwhile, this study used four dependent variables, they were the diversification of the board of commissioners, the board of directors, the audit committee, and the audit fee. Gender division of the board of directors, the audit committee by the number of the board of directors, commissioners, and the company's audit committee were employed to measure the gender diversification of the board of commissioners, the board of directors, and the audit committee.

In the descriptive analysis of this research, data were taken from 2018 to 2021, namely the initial data as many as 80 observational data. Descriptive statistical distribution data are shown in Table I for each variable.

This variable proportion of female directors gets an average of 0.1548. This implies that the average proportion of female directors of the sample companies was 15.48%. The average proportion of female directors of the sample companies was 10.47%. As for the variable proportion of the female audit committee, the average was 0.2238. This determines that the average proportion of female audit committees in the sample companies was 22.38%. The audit fee value in the natural logarithm transformation shows the average LnAUDFEE of 22.2738. The lowest Ln AUDFEE value was 19.5993 and the highest Ln AUDFEE value was 25.2559. The standard deviation value was 1.4238. The value of the quality of financial statements which is calculated using the value of discretional accrual based on the modified Jones model obtained an average of -0.0011. A high value of discretional accruals indicates poor quality reports. The lowest financial statements quality had a score of -0.1010, while the best had a value of 0.1475.

IV. Result and Discussion

A. Regression Analysis

This research model was conducted using a regression model. The models were analyzed using a panel data model so that each of them will also be tested for the form of the common effect, random effect, and fixed effect models and choose the best model. To test the best model was conducted through several tests.

The test results using 3 data panel models, consisting of common effects, random effects, and fixed effects, show the comparison of common effects with random effects. The results of the Lagrange Multiplier Tests for Random Effects test show that the random effects model was more favorable than the common effect.

TABLE I: Variable Description

	Femdir	Femcom	Femcomaud	Lnaudfee	Quality
Mean	0.1548	0.1047	0.2238	22.2738	-0.0011
Median	0.1340	0.1250	0.2500	22.4081	-0.0007
Maximum	0.6000	0.2857	0.6667	25.2559	0.1475
Minimum	0.0000	0.0000	0.0000	19.5993	-0.1010
Std. Dev.	0.1659	0.0946	0.1581	1.4238	0.0453
Observations	80	80	80	80	80

Source: Processed secondary data, 2022

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Also, the comparison of the random effect model with the fixed effect as the result of the Breusch-Pagan test shows that the random effect model was greater than the fixed effect (p-value = 0.754 > 0.10). The level of significance in this study used a standard error of 10% (Gujarati, 2012). Based on the best model testing, it shows that the random effect model was the most appropriate model to be used in testing the influence of the hypothesized variables.

B. Classic Assumption Test

1) Normality test

The normality test aims to determine whether the confounding or residual variables in the regression model have a normal distribution. The Jarque Bera test was used to complete the normality test. 80 final data results were tested in Fig. 1. Fig. 1 shows that the Jarque Bera test value shows a significance value of 0.167 > 0.10. This signifies that the residuals from the random effects model have a normal distribution.

C. Multicollinearity Test

The multicollinearity test is used to determine the correlation between independent variables in a regression model. The correlation value between independent variables can be used to determine multicollinearity, as shown in Table III regression model is said to be multicollinear if the correlation between variables is low (below 0.90). According to the table, all independent variables had a low correlation value of less than 0.90. As a result, there is no multicollinearity in the regression model.

D. Heteroscedasticity Test

To detect whether a regression model has variance inequality using the heteroscedasticity test. An adequate regression model if there is no heteroscedasticity. Using the Glejser test, the results of heteroscedasticity testing are given in Table IV.

From Table IV, it was obtained that the Glejser model test had a significance value (p > 0.10). This shows that the panel model does not have a heteroscedasticity problem.

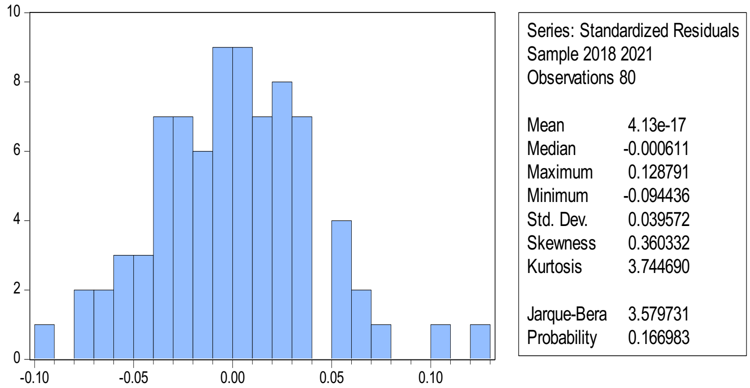

Fig. 1. Normality Test Model.

TABLE II: TEST RESULTS OF 3-PANEL REGRESSION MODELS

	Lagrange Multiplier Tests for Random Effects		Redundant Fixed Effects Tests		Hausman Test	
Dep Variable	Breusch-Pagan	Prob.	Chi-square	Prob.	Chi-square	Prob.
LnQUALITY	0.098	0.754	27.751	0.088	6.567	0.475

Source: Processed secondary data, 2022.

TABLE III. MULTICOLLINEARITY TEST (BALANCED SAMPLE)

Correlation	FEMDIR	FEMCOM	FEMCOMAUD	LNAUDFEE	QUALITY
FEMDIR	1.000000	-	-	-	-
FEMCOM	0.277827	1.000000	-	-	-
FEMCOMAUD	0.021048	-0.057428	1.000000	-	-
LNAUDFEE	-0.359498	-0.176388	0.139020	1.000000	-
QUALITY	-0.019149	0.156670	-0.065561	-0.178909	1.000000

Source: Processed secondary data, 2022

TABLE IV GLEJSER HETEROSCEDASTICITY TEST

Variable	Coefficient	Std. Error	t-Statistic
C	0.045599	0.088510	0.515181
FEMDIR	0.473797	0.345067	1.373058
FEMCOM	-1.138517	0.684098	-1.664260
FEMCOMAUD	0.179025	0.294101	0.608720
LNAUDFEE	-0.000912	0.003970	-0.229626
FEMDIR*LNAUDFEE	-0.021339	0.016062	-1.328494
FEMCOM*LNAUDFEE	0.050573	0.030720	1.646280
FEMCOMAUD*LNAUDFEE	-0.006804	0.012757	-0.533350
R-squared	0.055319	Mean dependent var	0.030341
Adjusted R-squared	-0.036525	S.D. dependent var	0.025174
S.E. of regression	0.025630	Akaike info criterion	-4.395478
Sum squared resid	0.047296	Schwarz criterion	-4.157275
Log likelihood	183.8191	Hannan-Quinn criter.	-4.299975
F-statistic	0.602319	Durbin-Watson stat	1.664786
Prob(F-statistic)	0.752044	-	-

Source: Processed secondary data, 2022

TABLE V: REGRESSION RESULTS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.581185	0.143147	4.060051	0.0001
FEMDIR	0.362561	0.558075	0.649664	0.5180
FEMCOM	-2.758967	1.106387	-2.493672	0.0149
FEMCOMAUD	-0.767766	0.475647	-1.614151	0.0909
LNAUDFEE	-0.026369	0.006420	-4.107020	0.0001
FEMDIR*LNAUDFEE	-0.018118	0.025978	-0.697449	0.4878
FEMCOM*LNAUDFEE	0.128705	0.049683	2.590533	0.0116
FEMCOMAUD*LNAUDFEE	0.034578	0.020632	1.675967	0.0981
Variable	Coefficient	Std. Error	t-Statistic	Prob.

Source: Processed secondary data, 2022.

E. Panel Regression Analysis Results

The analysis technique applied in this study was panel regression. The data were processed using the Eviews 9 program. The results obtained were tested for the significance of the model.

The test results on the model obtained that the Audit Fee and FemCom and FemComaud variables had a negative direction, while the FemDir variable had a positive direction on the quality of the financial reports. The interaction variable (moderating) exhibits that the interaction of audit fee with FemDir had a negative direction, while the interaction of Audit Fee with FemCom and FemComaud had a positive direction.

F. Model Test (F Test)

The test results of the panel regression model are indicated by the F value from the test results exposed in Table VI.

TABLE VI: MODEL TEST RESULTS

R-squared	0.236209	Mean dependent var	-0.001104
Adjusted R-squared	0.161952	S.D. dependent var	0.045279
S.E. of regression	0.041451	Akaike info criterion	-3.433970
Sum squared resid	0.123709	Schwarz criterion	-3.195767
Log likelihood	145.3588	Hannan-Quinn criter.	-3.338468
F-statistic	3.180952	Durbin-Watson stat	1.697012
Prob(F-statistic)	0.005456	-	-

Source: Processed secondary data, 2022

In the model above, the F value is 3.181 with a research significance (p-value) of 0.10, indicating that this regression model implies meaning to the effect of Audit Fee, gender of the board of directors, gender of the board of commissioner, and gender of the audit committee as well as the interaction of audit fee with the gender of the board of directors, the gender of the board of commissioners, and the gender of the audit committee on the quality of financial reports. The table shows the adjusted R2 value of 0.1620, which entails that the variation and quality of financial statements can be explained by the audit fee, gender of the board of directors/female director, gender of the board of directors/female commissioner, and gender of the audit committee/female audit committee, as well as the interaction of audit fees with gender the board of directors/female director, gender of the board of directors/female commissioner, and gender audit committee/female audit committee by 16.10% and the remaining 83.90% the quality of financial reports can be influenced by other variables.

The results indicated that the women's roles in the mechanism of Corporate Governance are rather essential. Nevertheless, due to the female board of directors' role, the ability to improve the financial reports quality has not been gained. The estimation results obtained a probability value of more than 10% significance. The results of this study contrast with the opinion of Carter *et al*. (2007) that the women's presence on the board of directors will result in better financial performance (Palvia *et al*., 2015) and greatly influence organizational outcomes on account of the CEO's authority in decision-making (Schepker *et al*., 2017; Behr and Fehre, 2019; Kaplan *et al*., 2012; Parker *et al*., 2017). It conventionally indicates that women are viewed as unfit for top positions due to their perception of various problems, including leadership qualities (Powell and Butterfield, 2002), so it is assumed that they are unable to solve problems quickly.

In contrast to the role of women in supervision on the board of commissioners and the audit committee, the estimation results of the effect of the variable gender diversity on the board of commissioners and audit committee on the quality of financial statements obtained probability values of 0.051 and 0.02 < 0.10. In contrast to the role of women on the board of commissioners and the audit committee in supervision, the estimation results of the effect of the variable gender diversity on the board of commissioners and the audit committee on the quality of financial statements obtained probability values of 0.051 and 0.02 < 0.10. This suggests that female commissioners and female audit committees have a significant influence on the quality of financial statements. The direction of the negative coefficient hints that more female commissioners and female audit committee members in the company will reduce the level of discretionary accrual which equally improves the quality of financial reports. A higher diversity of the board of commissioners can increase the confidence that the decisions of the company's board of commissioners, therefore creating maximum corporate value (Rose, 2007). According to Parker *et al*. (2017), female members of audit committees are more likely to be able to critically review internal control systems to identify potential deficiencies. Firms with female executives are less likely to have financial errors (Gupta *et al*., 2020). Formal communication carried out by the audit committee, internal auditors, and external auditors can ensure that the audit process has gone well (Roswita, 2010).

Hypothesis 4 examines audit fees in moderating the effect of gender diversification of the board of directors on the quality of financial statements. The results of the estimation of the company's audit fee variable in moderating the influence of the gender of the board of directors on the quality of financial statements obtained a probability value of 0.488 > 0.10. A significance value greater than 0.10 implies that the audit fee variable does not have a moderating effect on the board of directors on the quality of financial statements. This corresponds to hypothesis 1, in which the gender diversity of the board of directors does not affect the quality of financial statements and a high audit fee does not foster the influence of the female board of directors on financial quality.

Hypothesis 5.6 examines audit fees in moderating the effect of gender diversity on the board of commissioners and audit committees on the quality of financial statements. The results of the estimation of the company's audit fee variable in moderating the influence of the gender of the board of commissioners and the audit committee on the quality of financial reports acquired a probability value of 0.012 and 0.098 < 0.10, which suggests that the audit fee variable has a moderating effect that will enforce the influence of the board of commissioners and female audit committee on quality finance report. The role of audit fees also appears to be significant in overseeing the presentation of the company's financial statements. As an external supervisor, Public Accounting Firm is paid for auditing financial statements and detecting possible fraud by the board of directors. Auditors paid highly tend to be more professional in conducting audits so as to minimize discretionary accruals. Furthermore, large audit fees can also strengthen the supervision carried out by female commissioners and audit committees in minimizing Discretional Accrual. Consequently, it can improve the quality of financial reports.

V. Conclusion

According to the findings of this study, audit fees can have a considerable impact on the quality of financial statements. Companies who pay their auditors well will have a reduced Discretionary Accrual and a higher quality financial report. In sum up, female directors had no beneficial effect on the quality of financial accounts. Meanwhile, the board of commissioners' and audit committee's gender diversity had a favourable impact on the quality of financial reports.

A. Research Limitations

The study's limitation is that only a few companies disclose audit fees. Furthermore, the quality of financial statements may not be accurately measured.

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