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THE ROLE OF COMPANY SIZE ON THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY, AUDIT QUALITY AND FIRM PERFORMANCE

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ABSTRACT

This study explores how company size affects CSR topics and audit quality and how they affect the performance of companies in the industrial and basic materials sectors listed on the Indonesia Stock Exchange from 2018 to 2021. There are 58 basic materials and industrial businesses that meet the sampling requirements, and they are the subjects of this quantitative study. Regression with moderate analysis is used in this study. According to this study, a company's size cannot mitigate the impact of CSR topics and audit quality on profitability. In the meantime, only the CSR topic substantially impacts profitability if audit quality and the CSR theme are only partially handled. The results of this study contribute to the body of literature on trade-off theory, which explains why businesses typically consider the trade-offs associated with a given activity. This study employs an innovative approach to quantifying the audit quality variable, using an index derived from the Indonesian Institute of Certified Public Accountants 2019. It seeks to investigate audit quality using dummy values or metrics used by public accounting firms, as well as the application and operations of these firms in delivering audit services to customers.

Keywords: Performance, CSR Theme, Audit Quality, IFAC, IAPI, Size

INTRODUCTION

The business owner has a conflict of interest in striving to satisfy the requirements of all stakeholders, particularly in fulfilling the corporation's triple bottom line goals. (Yadav et al., 2017). Revenue-generating companies aim to grow into major enterprises by optimizing their wealth through asset acquisition. It requires the development of business plans that cater to the diverse needs of various stakeholders. The aim of maximising profits for the company's shareholders underlies the formation of a corporate organization. Environmental challenges impact a company's operations both directly and indirectly. Companies' pursuit of increased profits creates complex social and environmental challenges. Public awareness of waste, pollution, resource depletion, and product safety issues is increasing significantly. According to (Mariani, 2017), firms own a triple bottom line instead of a singular one. It indicates that, in addition to creating profit, a company's goals should include environmental sustainability and the well-being of its employees and society.

Environmental pollution in Indonesia has attained unprecedented levels. Waste produced by corporate activities is progressively polluting the environment. Numerous companies disregard environmental conservation by discarding waste without utilizing suitable waste management practices. As a result, the local ecosystem and the human population will have adverse repercussions. Data from the Central Statistics Agency (BPS) in 2018 revealed a reduction in the management of hazardous and toxic (B3) waste in Indonesia from 2015 to 2018. In terms of waste management, the mining sector retained its dominant position from 2015 to 2017. Data indicates that the mining industry, part of the industrial and basic materials sectors, is under examination due to its detrimental environmental effects. It is deemed beneficial. The environmental audit, the final phase of this process, assesses the effectiveness and efficiency of the environmental care program.

Disclosure is the release of information intended for interested parties. Corporate social responsibility disclosure aims to enable companies to convey the social responsibility initiatives

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implemented within a specific period. Companies can disclose the implementation of Corporate Social Responsibility (CSR) in their annual reports, which typically contain a report on corporate social responsibility for one year (Sari, 2012). The Association of Chartered Certified Accountants (ACCA) states that corporate social responsibility is disclosed in a Sustainability Reporting annual report. Sustainability Reporting involves reporting on economic, environmental, and social policies and the influence and performance of the organization and its products within the context of sustainable development. Sustainability Reporting encompasses reporting on the economy, environment, and social impact on organizational performance. The Sustainability Report must be a high-level strategic document that addresses sustainable development issues, challenges, and opportunities relevant to its core business and industrial sector (Kristi, 2013).

The accuracy of stakeholder decisions depends on the reliance on information used, both financial and non-financial; therefore, inaccurate information increases the possibility of misjudgment. Investors tend to expect financial information, which includes details on the company's accountability for the funds it manages on behalf of investors. A financial report's profit or loss data serves as a yardstick for evaluating an organization's operational success. It facilitates using profit data as a benchmark for forecasting or other operations based on stakeholders' requirements. To mitigate information risk, investors must analyze earnings data to assess a company's performance quality. Inferior profit data is not what investors expect, indicating inefficient resource allocation. Creditors and investors employ income statements to assess managerial effectiveness, ascertain earning capacity, and forecast future profits (Mollah et al., 2019). The cases of financial report manipulation persist in Indonesia. The 2022 ACFE fraud report indicated that financial statement fraud incurred the highest average loss of $593,000, accompanied by the lowest incidence rate of 9%. The report reveals that 61% of managers falsified evidence, whereas 48% of executives destroyed evidence. The extent of the deception is closely correlated with the criminal's degree of authority, as evidenced by the research. Merely 23% of the fraud detected in the study, as reported by the ACFE, was committed by owners or executives. Nevertheless, the median loss in these instances (USD 337,000) far surpassed the losses attributed to the manager. It demonstrates how CEOs can exploit their power to intimidate and silence staff, hindering them from reporting or investigating misbehavior charges that breach standards and result in substantial losses.

The (Association of Certified Fraud Examiners (ACFE), 2022) reveals a correlation between organizational size and the probability of fraud inside a firm. The ACFE investigation contrasts the incidence of schemes in small firms, characterized as having fewer than 100 employees, with larger organizations that employ more than 100 individuals. The principal difference is that corruption is more prevalent in small and large firms, impacting 24% and 54%, respectively. It suggests that small firms exert less influence than large corporations. Research indicates that only 53% of small enterprises implement formal codes of conduct and external audits of financial reporting, compared to 90% of major corporations. It is fascinating to analyze this claim. This research suggests that major corporations often exhibit inadequate oversight in managing activities that adversely impact environmental, social, and economic domains, as well as in their operational practices related to the disclosure of reliable financial information.

This study aims to investigate the impact of CSR topic disclosure and audit quality on company performance, with company size acting as a moderator in the basic materials and industrial sectors. This study differs from previous studies in that it employs different measurement indicators for the variables under investigation. This study uses a different measurement of audit quality from earlier studies, where previous studies measured audit quality by referring to the use of Big Four public accounting firm services in the audit process (Rahman et al., 2019), while in this study, we propose a novelty by using content analysis that refers to the decision of the board of directors of the Indonesian Institute of Public Accountants (IAPI) Number 4 of 2018 concerning the Guidelines for Audit Quality Indicators in Public Accounting Firms and IFAC 2015. With the difference in measurement, we hope to contribute to the development of new measurements of this audit quality variable. Selain itu penelitian ini juga melakukan pengembangan pengukuran pada variabel CSR theme. This study compares the indicators proposed by two studies, namely Kansal and Singh (2012) and Sembiring (2005), and formulates a complementary checklist based on both. We do the merging by comparing each statement in the checklist of the two studies. If there are similarities in statement items, we still refer to the same statement. If there are statement items that are missing, we add them. The number of statements listed from research (Sembiring, 2005) is 78 items, and from research (Kansal & Singh, 2012) is 96 items. From this merging process, the number of checklist statement items is 131 items.

This research has a writing structure, namely: the first section reviews the literature and hypothesis development, the second section discusses the research methodology, the third section explains the discussion of statistical test results, and the fourth section discusses the conclusions, the contribution of this research in the form of implications for related parties and explains the limitations and suggestions for further research.

LITERATURE REVIEW

Agency Theory

Agency theory has emerged as a significant domain of inquiry in accounting and finance. Agency theory elucidates the interaction between the principal and agent, two individuals with divergent personal interests (Jensen & Meckling, 1976). Agency theory posits that an agency relationship emerges when one or more principals (shareholders) engage as agents to render a service and subsequently confer decision-making authority upon the agent. Due to the limited information available to shareholders, management may engage in actions that serve their interests, including potentially manipulating financial results.

Agency theory posits that human nature is risk-averse and self-interested, exhibiting limited ability for rational thought (Eisenhardt, 1989). This anthropological hypothesis guides the endeavors of agents and principals in optimizing their interests. Shareholders seek to maximize their investment returns as principals. Managers expect to receive high pay or performance bonuses as the principal designates them as agents to manage the business. Managers ultimately diverge from the desires of shareholders. The corporation has two conflicting interests that may lead to agency conflicts.

A financial report's profit or loss data serves as a metric to assess an organization's operational performance. Management will selectively reveal earnings to serve their interests due to agency conflict. It enables earnings data to serve as a reference for forecasting or other activities according to the stakeholders' needs. To enhance profitability, management reveals the deceptive circumstances of the organization through profit manipulation. By manipulating profits, the firm cultivates a favorable perception among stakeholders and showcases its robust performance. Managers driven by profit ambitions may overlook sound business practices. As a result, the quality of outcomes and financial reporting diminishes. (Adiputri Singal & Wijana Asmara Putra, 2019) explain that quality profits, derived from accrual and cash flow components, can signify future sustainable profits (sustainable earnings). In theory, earnings do not contravene pertinent principles. Oktayanti and Murtanto (2016) argued that profit quality is contingent upon eliminating factual discrepancies during the purchase process, hence averting bias in user decisions. By employing qualified auditors, shareholders can express concerns over the ambiguity of financial reporting and propose methods to mitigate agency conflicts inside the firm.

Signaling Theory

Signaling theory was initially proposed by (Spence, 1973), who stated that the sender, possessing information, conveys a signal that represents a company's status, thereby benefiting the recipient, the investor. Business professionals and investors should regard management's disclosure of both financial and non-financial firm performance information as the principal indicator when making investment decisions (Brigham & Houston, 2015). Signal theory was formulated in economics and finance to address the reality that firm insiders typically possess superior and more timely information compared to external investors. Managers must, consequently, furnish shareholders with insights concerning the company's condition. Financial reports and other accounting information may be disclosed to convey signals.

CSR Theme and ROE

Positive and uplifting information is the basis upon which the social environment assesses the company's image. Profit is a key criterion by which society evaluates a corporation's resource management. A company's public perception is enhanced, and its management is regarded as more proficient when revenues increase. By disclosing its corporate social responsibility efforts, a firm demonstrates its commitment to both profitability and social and environmental concerns, which it considers essential information to communicate to the public. Prior studies (Andrian, 2019; Homayoun et al., 2023; Qiu et al., 2021; Servaes & Tamayo, 2013) have demonstrated that the disclosure of a company's CSR initiatives positively influences its financial performance. The subsequent statement presents the formulation of the study's initial hypothesis:

Hypothesis 1 : CSR theme influences firm performance

Audit Quality and ROE

The role of independent auditors in a corporation is to verify and ensure that financial reports comply with applicable accounting standards. The Office of Public Accountants' audit quality indicator guidelines stipulate that public accountants are responsible for their opinions or assertions regarding financial reports or information (IAPI, 2018). Consequently, by striving to enhance transparency and the integrity of information within the financial sector, public accountants play a crucial role in bolstering the credibility and quality of financial information and reports, making the public accounting profession vital for maintaining a robust and efficient national economy. The financial report process can be audited by competent auditors (Craswell et al. 1995). The public's perception of employing auditors from large public accounting firms with international connections may influence readers of financial reports, including investors (Saleh et al., 2020), to utilize financial data for decision-making purposes. It illustrates that auditors from prominent accounting firms exert considerable effort during the audit process to maintain the profession's reputation and avoid actions that may damage the sector or its clients. With the monitoring function, independent auditors should be able to lessen unequal knowledge between managers and shareholders (Arens et al., 2012). Prior studies explain that audit quality influences company performance (Dakhli, 2021; Muneer et al., 2023). The following is the formulation of the study's second hypothesis:

Hypothesis 2: Audit quality influences company performance

Company Size moderates the relationship between CSR theme and ROE

The size of a firm is one of its most significant elements. The size of a firm may reflect its credibility if it consistently maintains a favorable public image and disseminates accurate and relevant information about its operations. The objective is to enhance the company's visibility inside society to elevate its perception. (Cho et al., 2010) This indicates that a large corporation's annual report will reveal greater social responsibility than a smaller enterprise. It is anticipated how prominent firms are about relatively less important others. It suggests that size positively impacts the transparency of social responsibility. (Oyelere et al., 2003; Richardson et al., 2013) The larger a corporation, the more it will attract the attention of stakeholders. In these situations, firms should make greater effort to obtain stakeholder legitimacy to align their operations' social values with societal behavioral standards. Larger firms often provide more comprehensive CSR information in their annual reports to enhance public perception of their performance. Thus, a larger firm will be more inclined to provide more comprehensive information. The subsequent formulation pertains to the study's third hypothesis:

Hypothesis 3: The size of the company strengthens the relationship between the CSR theme and ROE

Company Size moderates the relationship between audit quality and ROE

A company's requirement for quality monitoring to guarantee that financial report disclosures align with applicable accounting standards increases with its size. Selecting a reputable external auditor is expected to boost a large company's profitability, as it is believed that choosing a reputable public accounting firm will uphold the company's reputation and increase public trust. (Ayu et al., 2019) explains that the larger a company is, in terms of the complexity of its operational activities, the more likely it is to choose a large public accounting firm that is believed to have extensive auditing techniques. Based on the theory and research that has been explained, the second hypothesis is formulated as follows:

Hypothesis 4: The company's size strengthens the relationship between audit quality and ROE

The following is the framework for this research:

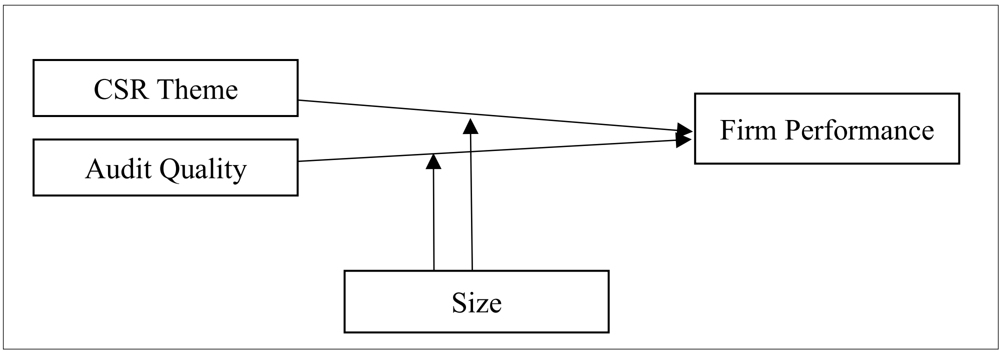

Figure 1. Research Framework

RESEARCH METHOD

This research examines firms in the industrial and raw materials industries continually listed on the IDX from 2018 to 2021. Only 58 of the 151 industrial and raw materials companies satisfy the selection criteria. During the research period, 32 companies were inconsistently listed, six had incomplete data, and 55 had losses between 2018 and 2021. These parameters constituted most of the data removal process. This research employs a moderated regression analytical approach using SPSS.

This document presents the measurements of the variables utilized in this investigation. This study employs content analysis metrics, as per the decision of the Board of Directors of the Indonesian Institute of Public Accountants (IAPI) No. 4 of 2018, concerning the Guidelines for Audit Quality Indicators in Public Accounting Firms, as well as the IFAC 2015 standards. The Indonesian Institute of Public Accountants (IAPI) or the Indonesian Institute of Certified Public Accountants (IICPA) is the entity authorized to conduct the Public Accountant Professional Examination, establish Professional and Ethical Standards for Public Accountants, administer Continuing Education Programs, and perform Public Accountant Quality Reviews, as outlined in Minister of Finance of The Republic of Indonesia regulation no. 443/KMK.01/2011.

Table 1. Operationalization Variables

No	Variables	Proxy	Source
1.	Company performance	ROE = Total Net Income / Total Equity	
2.	CSR Theme	CSR index: CSRD = V / M Description: V: Total items disclosed by the company M: Overall index items (131 items) 1.Environment: 17 items 2.Energy: 11 items 3.Human Resources: 41 items 4.Product, Service, Safety & Innovation: 12 items 5.Community development: 24 6.Other CSR Activities: 7 7.Carbon emissions: 10	Combination of Research (Kansal & Singh, 2012; Sembiring, 2005)
3.	Audit quality	Disclosure of Audit Quality indicators with a total disclosure of 29 items	(IAPI, 2018) and (IAASB, 2015)
4.	Size	Ln (Total Assets)	(Gutiérrez-Ponce & Wibowo, 2023)(Velte, 2017)

Source: Author

ANALYSIS

Statistical Descriptive Results

Table 2 explains the descriptive statistics of all variables

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CSR_TH	236	0.01	0.79	0.399	0.18179
AUDIT_Q	236	0.14	0.79	0.463	0.21295
SIZE	236	26.08	33.54	28.918	1.78562
ROE	236	0.00	0.58	0.103	0.091
Valid N (listwise)	236				

Source: SPSS data processing results

The data presented in Table 2 reveal that the average audit quality is 46.3%, suggesting that public accounting firms' disclosures on the IAPI (2018) and IFAC 2014 audit quality metrics remain only marginally transparent. Researchers utilized the public accounting firm's website and its audit reports. This study's findings reveal a scarcity of publicly accessible data from accounting firms. The data reveals that the mean value of the CSR theme variable is 39.9%, signifying that the disclosure of CSR-related activities remains relatively low.

Table 3. Total Disclosures Per Item

	2018	2019	2020	2021	Total
Environment	345	417	496	551	1.809
Energy	185	229	251	323	988
Worker Health and Safety	230	260	288	295	1.073
Human Resources	733	815	942	949	**3.439**
Product	396	440	464	463	1.763
Community Involvement	564	604	511	545	2.224
Other CSR activities	180	183	201	201	765
Carbon emissions and harmful gases	96	106	119	178	**499**
Total	2728	3054	3272	3505	

Source: data processed by the author

Table 3 illustrates that the three lowest total disclosures are to environmental factors: carbon emissions and hazardous gases, other CSR efforts, and energy consumption, encompassing renewable energy usage. Human resources encompass extensive information regarding HR management, including insights on employee self-development, comprehensive details on staff characteristics, activities to enhance career progression and performance, and employee rights.

MODERATED REGRESSION ANALYSIS

This study uses a multiple linear regression test method to analyze several independent variables' simultaneous and partial influence on the dependent variable. The multiple linear regression test was chosen because it can accommodate more than one independent variable and provide a comprehensive understanding of the complex relationships between variables in the study. Before the regression analysis was carried out, this study also underwent important stages, including testing the classical assumptions. These assumptions were assessed through normality, multicollinearity, heteroscedasticity, and autocorrelation tests. This classical assumption test aims to ensure that the data used meets the basic prerequisites of regression so that the analysis results can be interpreted validly and reliably. All the results of the classical assumption test in this study indicate that the data has met all the necessary requirements so that the regression model used can be considered feasible and appropriate for further analysis. The following are the results of the classical assumption test and this study's hypothesis test.

Table 4. Moderated Regression Analysis Result

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		Glesjer Test	
Variable	B	Std.Error	Beta			Tol	VIF	t	Sig
(Constant)	.160	.176		.914	.362				
CSR_TH	-.188	.069	-.262	-2.744	.007	.455	2.196	.116	.908
AUDIT_Q	.049	.041	.082	1.180	.239	.849	1.178	-1.529	.128
SIZE	.006	.007	.089	.956	.340	.481	2.078	-1.687	.093
CSRSIZE	.090	.030	4.068	2.996	.003				
AUDITQSIZE	-.025	.021	-1.303	-1.220	.224				
F Sig	0.030								
R square	0.038								
Adj R square	0.025								

Dependent Variable: ROE

ROE = Return on Equity, CSR_ TH: CSR Theme, AUDIT_ Q: Audit Quality, SIZE: Company size, e: error

Source: SPSS data processing results

According to Table 6, the CSR_TH variable has a significance value of 0.007, which is less than 0.05; thus, it can be inferred that the CSR theme has an adverse impact on ROE. The findings of this study align with the research conducted by(Agyapong, 2024; Ahmad & Mohamed Zabri, 2023; Meiryani et al., 2023; Nasir et al., 2023; Otero-González et al., 2021). According to (Moser & Martin, 2012), CSR which is viewed as an investment will reduce shareholder value. There are two reasons why CSR is considered to be able to reduce shareholder value, namely, the company considers that CSR will use up resources and CSR funds can be allocated to other investment activities that will generate higher returns and the net impact of all CSR activities can be profitable, but some individual CSR projects may still be unprofitable. This explanation strengthens the results of this study, which shows that CSR has a negative effect on company performance. The company's management contends that there are conflicting viewpoints regarding the correlation between the company's dedication to CSR activities and its business performance, particularly in terms of net income growth. The results of this study contradict the signal theory, which posits that a company's profitability increases with the volume of CSR disclosures, as disclosed non-financial information is perceived as more credible by the public. (Otero-González et al., 2021) It explains why certain enterprises consider society their primary obligation rather than their shareholders. Moreover (Albertini, 2013) demonstrated that stakeholders' understanding of proposed environmental initiatives constitutes a long-term investment that influences the organization's future success. The study's results align with Friedman's trade-off hypothesis, which posits that managers may forgo investments due to the belief that CSR expenditures will diminish their organizations' profitability and competitiveness. Presume that prosperous corporations participate in minimal corporate social responsibility. It may indicate that they perceive corporate social responsibility (CSR) as unprofitable due to its association with increased, more challenging-to-recover economic costs. Birt et al. (2017:333) characterize profitability as a ratio that indicates an organization's ability to convert sales revenue into profits and generate income from its asset investments. A company's productivity in utilizing its assets to generate income is positively correlated with its return on assets (ROE). During the study's observation period, companies in the industrial and basic materials sectors focused on enhancing revenue by optimizing their existing assets, while withholding further information to inflate earnings. The company's performance will deteriorate as additional firms disclose CSR information. The findings of this research contradict the assertions of (Andrian, 2019), (Hermawan & Mulyawan, 2014)which claim that CSR does not influence a business's financial performance, however the study by (Homayoun et al., 2023) indicates that CSR positively affects firm performance.

Meanwhile, the significance value of the audit quality variable is 0.239, which is greater than 0.05, indicating that audit quality does not significantly affect firm performance. The study's findings clarify that a public accounting firm of high caliber has not yet been able to affect the business's profitability (Agyei-mensah, 2018);(Nedelcu et al., 2015). Essential cases that have arisen, such as the Garuda Indonesia case, where audit errors also resulted in the involvement of Public Accounting Firms Kasner Sirumapea and Tanubrata, Sutanto, Fahmi, Bambang & Partners, demonstrate that external auditors have not been able to identify fraud or opportunistic behavior. An organization will perform better if opportunistic conduct is prevented. The company will be profitable when its performance can be improved. This study's results differ from previous researchprevious research (Al-ahdal & Hashim, 2022; Baker et al., 2015; Merawati & Hatta, 2014), which concluded that audit quality influences financial performance. According to DeAngelo (1981), audit quality refers to the likelihood that an auditor can identify and report a violation in their client's accounting system.

In this study, Size plays a role as a moderator between CSR Theme and ROE with a sig value of 0.003 < 0.05. So, it can be concluded that business size strengthens the connection between CSR theme and ROE. The market considers non-financial information essential for mitigating potential risks that may adversely affect the company's performance. Consequently, increased transparency regarding CSR themes by corporations will influence performance. The company's reputation will be enhanced, and its sustainability will be secured if it employs financial reporting to showcase its commitment to environmental, social, and economic responsibilities. Consequently, CSR disclosure is now regarded not merely about a company's size, but also as a mechanism to bolster the company's reputation. Additionally, the government required corporations to provide corporate social responsibility (CSR) data in 2021. It illustrates that those enterprises, regardless of size, must engage in fostering corporate sustainability via their CSR programs. The findings of this research align with those (Sha, 2017), which explain that company size serves as an estimator variable; larger firms typically exhibit greater public demand for information compared to smaller firms. (Fahad & Rahman, 2020; Kansal & Singh, 2012) states that the larger the company size, the wider the CSR disclosure the company needs to make.

The size of the business did not moderate the influence of audit quality on return on equity (ROE). Assume that a corporation chooses a publicly traded company with reliable human resources adept at detecting the opportunistic behaviors of self-serving management, such as the fabrication of financial reports. In such situations, a quality auditor can enhance the business's performance by providing high-quality financial information to the public. Regardless of the organization's scale, enhanced audit quality leads to greater profitability due to its ability to produce reliable financial reports.

CONCLUSION

This study examines the influence of corporate social responsibility (CSR) themes and audit quality on a firm's performance, while controlling for the impact of company size. This research indicates that corporate scale can only moderate the association between CSR themes and profitability. However, it does not affect the relationship between audit quality and profitability. Currently, only the CSR topic has a significant adverse effect on profitability. The study's findings reveal that heightened disclosure of CSR themes will decrease the return on equity (ROE). It illustrates how CSR programs are perceived as expenditures that could diminish a company's profitability. The firm assesses that its obligation lies with its shareholders rather than the public or other stakeholders, which is why it prioritizes initiatives that enhance revenue or profitability. The results of this study indicate that companies still consider CSR practices as a means to reduce their profitability rather than viewing them as an investment in the future. Industrial and basic materials sector companies face a high reputation risk if they engage in activities that harm the environment or have a negative impact on society. It will certainly give the company a bad image and have an impact on investor attraction in terms of funding sources from the stock investment side. In addition, this study has contributed to understanding the role of company size, which has been proven to be a pure moderator. Specifically, the company's size can strengthen the CSR theme's influence on profitability (ROE). When tested partially, CSR has a negative effect, but with the size of the company, it has a positive effect on ROE. It shows that, in fact, industrial and basic materials sector companies, both large and small, possess knowledge and understanding of human resource management, the environment, and society.

The substantial total asset base implies that the corporation can proficiently manage earnings to enhance its total assets, leading market participants to regard the company's size as a significant indicator. Moreover, a firm's size is regarded as a favorable sign of effective governance and operational integrity, as larger enterprises are more inclined to maintain their reputations, thereby motivating them to disseminate accurate information to the public. This study illustrates that all firms, irrespective of size, must intensify their efforts to promote the disclosure of high-quality financial and non-financial information. This research suggests that company size serves as a moderator that enhances the relationship between CSR themes and profitability. It indicates that large companies will engage in activities that enhance their reputation, where Corporate Social Responsibility (CSR) becomes a component of their marketing strategy to attract public attention. However, the most common CSR disclosures tend to focus on accountability.

This study reinforces the trade-off theory, particularly in the context of CSR, by demonstrating that increased CSR disclosure can have a negative impact on profitability. It supports the view that management often views CSR as a cost burden rather than a long-term investment, especially in the industrial and basic materials sectors. Additionally, the results indicate that high-quality audits have not significantly impacted company profitability. It highlights the limitations of external monitoring mechanisms (such as audits) in resolving agency conflicts, especially when the company's internal control structure is still weak. This study also contributes a new approach to measuring audit quality based on the IAPI 2018 and IFAC 2015 indicators, which are more complex and comprehensive than simply examining the involvement of the Big Four accounting firms. It opens up space for the development of more applicable audit quality metrics in the context of developing countries. The practical implications of this study are particularly relevant for companies where managers must carefully evaluate their CSR strategies. Although CSR is important for long-term reputation, an incorrect approach can negatively impact profitability. Large companies, in particular, must make CSR part of their reputation and marketing strategies, not just social obligations. Additionally, the results of the study indicate that audit and CSR transparency remain low for regulators. The government or regulators (such as OJK) need to encourage the implementation of more transparent CSR reporting and audits and adjust regulations so that small to large companies have clear and relevant references to good governance practices

This research possesses specific limitations that could provide valuable insights for future studies. In analyses that may provide divergent perceptions, such as the examination of CSR theme variables, the researcher's objective assessment is essential for uncovering disclosures related to the CSR variable and the quality of the audit perspective. Consequently, by amalgamating indices from many studies, future researchers can identify metrics that minimize subjectivity. by removing elements that do not provide a comprehensive rationale for the measurement. This study aims to employ novel metrics for investigating audit quality, specifically through content analysis grounded in the audit quality indicator suggestions provided by IAPI in 2017 and IFAC in 2015. The analysis is limited to data from the Public Accounting Office website. This content analysis is complex to finalize due to the limited data available from the public accounting office website. Researchers should seek audit quality measurement indicators beyond solely Big Four and non-Big Four audit indicators, ensuring that metrics derived from input, process, and output appropriately represent audit quality. Experts recommend utilizing control factors beyond company size, such as industry kinds and firm ages, if future researchers opt to include corporate sectors to ensure the consistency of financial data.

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