



THE EFFECT OF INDEPENDENT AUDIT QUALITY ON COMPANY PROFITABILITY: BIST100 TECHNOLOGY SECTOR EXAMPLE¹

Doç. Dr. Ferah YILDIZ²

Uzman İlayda KILIÇASLAN³

ABSTRACT

The purpose of this study is to examine the impact of audit quality on financial performance using the data of 10 companies operating in the technology sector of Borsa Istanbul (BIST) between 2018 and 2022. Technology companies often have operations with high risk and uncertainty, which increases the need for strong internal control and audit processes. In this context, internal control, internal audit, risk analysis group, audit opinion as independent variables representing audit quality, and Net Profit Margin, Return on Assets (ROA) and Return on Equity (ROE) ratios as dependent variables representing companies' financial performance were used. Correlation and regression analyses were used to examine these relationships. Stepwise regression results showed that the internal control variable significantly increased the explanatory power of the model and was statistically significant. The correlation analysis with ROA revealed a significant relationship between the internal control variable and ROA. In addition, the internal control variable has a significant effect on Net Profit Margin, while the other variables do not show a significant effect.

Keywords: Audit Quality, Financial Performance, BIST100 Index, company performance, internal audit.

ÖZET

Bu çalışmanın amacı, Borsa İstanbul'un (BIST) teknoloji sektöründe faaliyet gösteren 10 şirketin 2018-2022 yılları arasındaki verilerini kullanarak denetim kalitesinin finansal performans üzerindeki etkisini incelemektir. Teknoloji şirketleri, genellikle yüksek risk ve belirsizlik barındıran operasyonlara sahiptir ve bu durum, güçlü iç kontrol ve denetim süreçlerine olan ihtiyacı artırmaktadır. Bu kapsamda iç kontrol, iç denetim, risk analizi grubu Denetim kalitesini temsil eden bağımsız değişkenler olarak, denetim görüşü, şirketlerin finansal performansını temsil eden bağımlı değişkenler olarak ise Net Kâr Marjı, Aktif Kârlılığı (ROA) ve Özsermaye Kârlılığı (ROE) oranları kullanıldı. Bu ilişkileri incelemek için korelasyon ve regresyon analizlerinden yararlanılmıştır. Aşamalı regresyon sonuçları, iç kontrol değişkeninin modelin açıklama gücünü önemli ölçüde artırdığını ve istatistiksel olarak anlamlı olduğunu göstermiştir. ROA ile yapılan korelasyon analizi, iç kontrol değişkeni ile ROA arasında anlamlı bir ilişki olduğunu ortaya çıkardı. Ayrıca iç denetim değişkeninin Net Kâr Marjı üzerinde anlamlı bir etkiye sahip olduğu, diğer değişkenlerin ise anlamlı bir etki göstermediği tespit edilmiştir.

Anahtar Kelimeler: Denetim Kalitesi, Finansal Performans, BIST 100 Endeksi, Şirket Performansı, İç Denetim.

¹ This article is derived from the master's thesis titled The Effect of Independent Audit Quality on Company Performance: Bist100 Technology Sector Example.

² Kocaeli Üniversitesi, İşletme Fakültesi, İşletme Bölümü, ferah.yildiz@kocaeli.edu.tr, ORCID: 0000-0003-3374-1297

³ Kocaeli Üniversitesi, İşletme Fakültesi, İşletme Bölümü, kilicaslanilayda@gmail.com, ORCID: 0009-0003-5271-9404

1. INTRODUCTION

The primary objective of independent auditing is to inform investors about the reliability of financial statements (Mock et al., 2012: 19). Independent auditing involves the verification of a company's financial statements, which stem from its economic activities, against pre-established standards to ensure their accuracy. This process necessitates the application of all required audit techniques as prescribed by independent auditing standards, including the evaluation of books, records, and documents, culminating in the preparation of a report based on the findings (Selimoğlu, 2008: 3-4). Consequently, the information in financial statements that have undergone a high-quality audit and received a positive audit report is presumed to be accurate, and investors, as well as all other stakeholders, are expected to base their decisions regarding the company on the information verified by independent audits.

Quality is a continuously evolving concept (Kapucugil, 2007: 203). Audit quality refers to the level of assurance provided by an independent auditor, within the framework of quality control standards set by the auditor, that the financial statements are free from material errors or inaccuracies. This assurance is delivered in compliance with Generally Accepted Auditing Standards (GAAS) and legal regulations, and it is communicated in a manner that is understandable to management or the public (Yaşar, 2013: 467-468). Various factors influence audit quality, including corporate governance, ethical standards, and the audit committee. Research shows that companies with an independent and effective audit committee are less likely to produce fraudulent reports. It has also been found that strong audit committees facilitate the work of independent auditors (Goodwin and Seow, 2002: 200). Other factors affecting audit quality, as identified in various studies, include corporate culture, the size and experience of the audit firm, personnel quality, the audit process, transparency reports, audit fees, the duration of the audit firm's relationship with the client, non-audit services, legal structure, corporate governance, internal audit, internal control systems, ethical boards, and quality assurance systems. These factors are considered within the context of the principles of quality control systems in independent auditing (Gör, 2016: 39).

For an independent audit to be of high quality, it must aim to fulfill the responsibilities towards relevant parties while preparing the audit report. Independent auditors are obligated to uphold integrity, honor, and reputable conduct towards society, clients, and colleagues, despite their personal interests. These high professional standards aim to earn the trust of society by providing quality service. By delivering a high-quality independent audit service, an audit firm not only ensures its credibility but also maintains and enhances its reputation in the market. This, in turn, increases its competitive advantage, market share, and profitability. Satisfied clients who receive quality service are less likely to switch audit firms. A high-quality independent audit service also enhances the success of the capital/labor market and increases trust among management, shareholders, creditors, public authorities, employees, and customers by reducing information asymmetry. As a result, audit quality ensures the fulfillment of responsibilities towards relevant parties, enhances credibility and reputation, increases competitiveness, ensures customer satisfaction, and boosts the success of the capital/labor market. Indirectly, it fosters trust among all stakeholders by reducing information asymmetry (Porter et al., 2003: 3).

In Turkey, independent auditing activities are based on the regulations issued by the International Auditing and Assurance Standards Board (IAASB) at the international level, which are implemented in the country by the Public Oversight, Accounting, and Auditing Standards Authority (KGK). The Quality Control Standard 1 (KKS 1) issued by the KGK outlines the fundamental elements of quality control systems for independent audit firms. These elements include the responsibilities of the independent auditor regarding quality, relevant ethical rules, the acceptance and continuation of client relationships and audit engagements, human resources management, the conduct of the audit process, and the monitoring of audit activities. Therefore, in the context of independent auditing practices in

Turkey, both the international standards set by the IAASB and the national regulations issued by the KGK are of great importance. Independent audit firms are obligated to establish and effectively implement quality control systems in accordance with these standards and regulations (Porter et al., 2003: 3).

In this study, the impact of audit quality on company performance is examined using a case from the BIST100 Technology sector. The study consists of five main sections. The first section presents the theoretical framework. The second section addresses audit quality and its impact on financial performance, including a literature review of variables representing audit quality in companies. The third section explains the data and methodology used in the study. The fourth section includes the analysis results and interpretations of the findings. Finally, the fifth section presents the conclusions and general evaluations.

2. LITERATURE REVIEW

Studies on audit quality have predominantly focused on the size of audit firms. Larger audit firms are often believed to provide higher-quality audit services due to their greater human resources and equipment. The first study on audit quality, titled "Auditor Size and Audit Quality," was published by Elizabeth DeAngelo in 1981. In this study, DeAngelo theoretically explained that, holding other factors constant, larger audit firms provide higher-quality audit services. DeAngelo's study highlights a positive relationship between the size of the audit firm and the quality of the audit. Consequently, subsequent research, including this study, has used the Big Four audit firms as an indicator of audit quality.

In the literature exploring the impact of audit quality on financial performance, it was observed that most studies have typically addressed these two topics separately. However, after 2010, there has been an increase in studies that examine these topics together in the international literature. In Turkey, however, similar studies are almost nonexistent. The following studies exemplify this trend:

Woodland and Reynolds (2003) examined the relationship between audit quality variables and financial statement analysis using multiple regression analysis. The researchers found that audit fees had a positive and statistically significant impact on financial statement analysis. However, the study concluded that the size of the audit firm, audit tenure, or audit specialization were not related to audit quality.

Kyereboah-Coleman (2007) investigated the effects of corporate governance on firm performance in a study involving 103 companies operating in Ghana, South Africa, Nigeria, and Kenya. Independent variables such as managerial characteristics, board composition, audit committee structure, and organizational characteristics were used; the dependent variables were Return on Assets (ROA) and Tobin's Q. The analysis revealed that the size of the audit committee had a positive and statistically significant effect on Tobin's Q, but its effect on ROA was not statistically significant.

Zureigat (2011) examined the impact of audit quality on the financial structure of 198 companies operating in Jordan. The study, using logistic regression analysis, found a positive and statistically significant relationship between audit quality and financial structure.

Chan et al. (2011) explored the impact of auditor changes, made by companies to save on audit fees, on company performance. The study analyzed firm performance variables in two stages: stock performance and earnings performance. The authors observed that after auditor changes, companies experienced increases in ROA and earnings performance. Additionally, they found no statistically significant differences in the effects of different types of auditor changes on company performance.

Miettinen (2011) investigated the relationship between audit quality and financial performance. Audit quality was assessed by the audit firm's size and the frequency of audit committee meetings. The study results indicated that audit quality had a significant and positive impact on financial performance.

Fooladi and Shukor (2012) examined the relationship between board structure, audit quality, and firm performance in a study involving 400 non-financial companies listed on the Malaysian Stock Exchange. The dependent variables were Tobin's Q and ROA, while audit quality was measured by a dummy variable indicating whether a company was audited by one of the Big Four audit firms. The results of linear multiple regression analyses revealed a statistically significant and positive relationship between audit quality and firm performance. Additionally, the study found a statistically significant and positive relationship between board independence and CEO duality (the CEO also serving as the board chairman) and Tobin's Q, while no statistically significant relationship was found between board characteristics and ROA.

Bouaziz (2012) investigated the effects of the audit committee on financial performance using data from 26 companies listed on the Tunis Stock Exchange from 2007 to 2010. The focus of the study was on financial performance measures such as ROA and ROE. Independent variables included the independence, size, and financial expertise of audit committee members. The linear regression analysis results indicated that the independence, size, and experience of the audit committee members had a statistically significant impact on financial performance.

Moutinho et al. (2012) studied the relationship between audit fees and firm performance in a study involving 2,881 publicly traded companies in the United States. Dependent variables included earnings power, ROA, ROE, and Tobin's Q. The findings from panel data analysis showed that audit fees had a statistically significant and negative impact on firm performance.

Sulong et al. (2013) examined the relationship between managerial ownership, leverage, and audit quality in a study involving 82 companies listed on the Malaysian Stock Exchange. The dependent variable was Tobin's Q, and the independent variables included managerial ownership, leverage, and audit quality (measured by total audit fees paid). The results of multiple regression analyses revealed a statistically significant and negative impact of audit quality on firm performance.

Cheng et al. (2013) investigated the relationship between audit quality and financial performance using data from 10,339 audit companies operating in the Taiwan Securities Market. The dependent variable was the net profit of each audit company, while audit quality was the independent variable. The analysis results indicated a statistically significant and positive relationship between auditor quality, auditor size, and financial performance.

Hassan and Farouk (2014) studied the impact of audit quality on companies operating in Nigeria's cement sector. Auditor independence and size were used as independent variables. The results of multiple regression analyses showed that auditor size and independence had a significant impact on financial performance, with independence having a more pronounced effect.

Jusoh and Ahmad (2014) explored the impact of ownership structure and audit quality on firm performance in a study involving 730 companies listed on the Malaysian Stock Exchange. The independent variables were analyzed in two stages: managerial and institutional ownership. ROA and Tobin's Q were used as performance measures. The analysis results indicated that audit quality had a statistically significant and positive impact on both performance measures.

Ziaee (2014) examined the impact of audit quality on financial performance in companies listed on the Tehran Stock Exchange in Iran. Factors such as audit tenure, audit firm's reputation, and audit

firm's experience were considered as indicators of audit quality. The analysis results revealed that these factors had a statistically significant and positive impact on financial performance.

Al Ani and Dhofar (2015) investigated the impact of audit quality on firm performance in a study involving 117 companies listed on the Oman Securities Exchange. Auditor size and independence were used as independent variables. The analysis results showed that auditor size and independence had a statistically significant and positive impact on ROE and the market value of shares.

Aledvan et al. (2015) studied the impact of audit quality on financial performance in a study involving 20 cement companies operating in Jordan. Auditor independence and size were used as independent variables. The results of multiple regression analyses revealed that auditor size and independence had a significant and positive impact on financial performance.

Sayyar et al. (2015) examined the impact of audit quality on financial performance in a study involving 542 companies listed on the Malaysian Stock Exchange. ROA and Tobin's Q were used as performance measures. The analysis results indicated a statistically significant and positive relationship between audit fees and Tobin's Q, while no significant relationship was found between audit firm rotation and Tobin's Q.

This study takes into account potential risks, such as negative or unfavorable outcomes, that may arise due to the selection of parameters as independent variables that have not been used in previous literature. This approach aims to use a different method from those present in the literature and to consider potential risks.

3. DATA AND METHODOLOGY

In this study, a quantitative method was employed to evaluate the impact of audit quality on the performance of 10 technology companies listed on the BIST 100. The study is based on the audit reports and financial performance indicators of these companies over a five-year period, from 2018 to 2022. The 5-year audit reports (2018-2022) of these companies were collected from the Public Disclosure Platform (KAP). Financial performance indicators, such as ROE, ROA, and Net Profit Margin, were gathered from the companies' annual reports and financial data providers.

As a method, the audit reports of each company were first examined, and specific criteria and metrics were used to determine audit quality. Subsequently, the financial performance data of these companies were collected and analyzed. Statistical methods and econometric models were employed to evaluate the relationship between audit quality and financial performance. The research sample comprises technology sector companies listed on the BIST 100, as outlined in Table 1.

Table 1. Technology Sector Companies in the BIST100 Comprising the Research Sample.

1	Logo Yazılım Sanayi ve Ticaret A.Ş.	LOGO
2	Escort Teknoloji Yatırım A.Ş.	ESCOM
3	Karel Elektronik Sanayi ve Ticaret A.Ş.	KAREL
4	Fonet Bilgi Teknolojileri A.Ş.	FONET
5	Aselsan Elektronik Sanayi ve Ticaret A.Ş.	ASELS
6	Arena Bilgisayar Sanayi ve Ticaret A.Ş.	ARENA
7	Kron Teknoloji A.Ş.	KRONT
8	İndeks Bilgisayar Sistemleri Mühendislik Sanayi ve Ticaret A.Ş.	İNDES
9	Netaş Telekomünikasyon A.Ş.	NETAS
10	Datagate Bilgisayar Malzemeleri Ticaret A.Ş.	DGATE

When evaluating company performance, the dependent variables include Return on Equity (ROE), Return on Assets (ROA), and Net Profit Margin, while the independent variables consist of factors such as Internal Control, Internal Audit, Risk Analysis Group, and Audit Opinion. ROA is calculated by the ratio of a company's net profit to the size of its assets, indicating how efficiently the assets are being utilized. ROE, on the other hand, is calculated by the ratio of net profit to equity and reflects the efficient use of equity. The Net Profit Margin is the ratio of net profit to total revenue and indicates the profit derived from each unit of sales. Internal Control refers to the procedures and policies implemented to ensure the efficiency and reliability of the company's operations, while Internal Audit is an independent function that evaluates the effectiveness of these control systems. The Risk Analysis Group is a team or committee that identifies and manages the financial, operational, and other risks that the company may encounter. The Audit Opinion refers to the auditor's view regarding the accuracy, reliability, and appropriateness of the company's financial statements, reflecting the realism of the company's financial condition as a result of the audit.

4. FINDINGS AND DISCUSSION:

This section aims to examine the impact of Internal Audit, Internal Control, Risk Analysis, and Audit Opinion on "ROE". To test the model in question, the categorical variables "Internal Audit, Internal Control, Risk Analysis, and Audit Opinion" were first transformed into dummy variables. Then, one of the assumptions of regression analysis, whether there is a relationship between the independent variable and the dependent variable, was investigated. The results of the correlation analysis are presented in Table 2.

Table 2: The Relationship Between Internal Audit, Internal Control, Risk Analysis, and Audit Opinion with ROE

		Internal Control	Internal Audit	Risk Analysis Group	Audit Opinion
ROE	r	0,421	0,348	0,525	.
	p	0,113	0,163	0,06	.

As a result of the analysis, no significant relationship was found between the independent variables (Internal Audit, Internal Control, Risk Analysis, and Audit Opinion) and the dependent variable (ROE); for all parameters, $p > .050$. The Audit Opinion could not be calculated because all data were identical (positive). Despite this assumption not being met, the analysis was continued. The second prerequisite is the fulfillment of the multicollinearity assumption. In this context, the VIF value should be between 1 and 10, and the tolerance value should be between 0.2 and 1. This assumption was met as a result of the analysis; $VIF_{Internal\ Control} = 1.28$, $VIF_{Internal\ Audit} = 1.26$, $VIF_{Risk\ Analysis} = 2.25$; $Tolerance_{Internal\ Control} = .78$, $Tolerance_{Internal\ Audit} = .51$, $Tolerance_{Risk\ Analysis} = .44$. The results of the regression analysis are presented in Table 3.

Table 3: The Impact of Internal Audit, Internal Control, Risk Analysis, and Audit Opinion on ROE

	B	Std. Error	β	t	p	%95 Confidence Interval	
						Lower Limit	Upper Limit
Constant	-1,54	0,86		-1,80	0,12	-3,64	0,56
Internal Control	0,81	1,00	0,30	0,81	0,45	-1,64	3,26
Internal Audit	0,34	1,21	0,13	0,28	0,79	-2,63	3,31
Risk Analysis Group	0,95	1,42	0,33	0,67	0,53	-2,52	4,42
R = .589		R ² = .347					
F _(3, 6) = 1.06		p = .432					

In this regression model, the effects of internal control, internal audit, and risk analysis groups on the average Return on Equity (ROE) were evaluated. The model's R value is .589, and the R² value is .347, indicating that the model explains 34.7% of the variance. The F statistic was calculated as 1.06, with an associated p-value of .432, suggesting that the model is not statistically significant.

The estimated effect of internal control on ROE is 0.81; however, this effect is not statistically significant (p = 0.45). Similarly, the effects of internal audit ($\beta = 0.28$, p = 0.79) and the risk analysis group ($\beta = 0.67$, p = 0.53) are also not statistically significant.

In conclusion, the variables examined in this model do not exhibit a statistically significant impact on ROE.

The aim of the study was to examine the impact of "Internal Audit, Internal Control, Risk Analysis, and Audit Opinion" on "Return on Assets (ROA)." To test this model, the categorical variables "Internal Audit, Internal Control, Risk Analysis, and Audit Opinion" were first transformed into dummy variables. Then, the assumptions of regression analysis were examined, particularly the presence of a significant relationship between the independent variables and the dependent variable.

The results of the correlation analysis are presented in Table 4.

Table 4: Relationship Between Internal Audit, Internal Control, Risk Analysis, Audit Opinion, and ROA

		INTERNAL CONTROL	INTERNAL AUDIT	RISK ANALYSIS GROUP	AUDIT OPINION
ROA	r	0,719	0,198	0,482	.
	p	0,01	0,291	0,079	.

As a result of the analysis, a significant relationship was found between the independent variables (Internal Audit, Internal Control, Risk Analysis, and Audit Opinion) and the dependent variable (ROA) only for the relationship between internal control and ROA; r = .719, p = .01. No significant relationships were identified with the other variables, as all parameters had p-values > .050. The audit

opinion could not be calculated because all data were the same (positive). In this context, models containing only "internal control," "internal control and internal audit," "internal control and risk analysis group," and "internal control, internal audit, and risk analysis group" were sequentially included in multiple regression analysis using the stepwise method to test the significance of the model.

In each step of these models, the assumption of multicollinearity was examined. In this context, in all models, the VIF value ranged between 1 and 10, and the tolerance value ranged between 0.2 and 1. The analysis results indicated that this assumption was met.

The results of the regression analysis related to the model test are presented in Table 5.

Table 5: The Effect of Internal Audit, Internal Control, Risk Analysis, and Audit Opinion on ROA Using the Stepwise Method

	B	Std. Error	β	t	p	95.0% confidence interval
Constant	0.03	0.03		0.80	0.45	-0.05 to 0.10
INTERNAL CONTROL	0.12	0.04	0.72	2.93	0.02	0.03 to 0.21
Step I:	R=.719, R ² =.517, F(1, 8)=8.55, p=.019					
Constant	0.00	0.04		0.06	0.96	-0.09 to 0.10
INTERNAL CONTROL	0.10	0.04	0.63	2.38	0.05	0.00 to 0.21
RISK ANALYSIS GROUP	0.05	0.05	0.26	0.98	0.36	-0.06 to 0.16
Step II:	R=.758, R ² =.575, F(2, 7)=4.73, p=.050					
Constant	0.00	0.04		0.03	0.97	-0.10 to 0.11
INTERNAL CONTROL	0.11	0.05	0.64	2.13	0.08	-0.02 to 0.23
INTERNAL AUDIT	0.04	0.07	0.22	0.54	0.61	-0.13 to 0.21
RISK ANALYSIS GROUP	0.01	0.06	0.06	0.16	0.88	-0.14 to 0.16
Step III:	R=.759, R ² =.577, F(3, 6)=2.72, p=.137					

In this stepwise regression analysis, the effects of the internal control, internal audit, and risk analysis groups on the average Return on Assets (ROA) were examined step by step. In the first step, it was found that internal control had a statistically significant effect on ROA ($p = 0.02$), with the model in this step explaining 51.7% of the variance ($R^2 = .517$).

In this model, the internal control variable was observed to have a statistically significant impact on the average ROA ($\beta = 0.72$, $t = 2.93$, $p = 0.02$). The model explains approximately 51.7% of the variance in the data set, indicating a strong effect of internal control on ROA. The coefficient of the internal control variable was estimated at 0.12, with a 95% confidence interval ranging from 0.03 to 0.21.

In the second step, with the addition of the risk analysis group, the explanatory power of the model increased ($R^2 = .575$), but the p-value remained borderline (.050). In the third step, the inclusion of internal audit in the model further increased the R^2 slightly to .577, but the significance of the model

decreased ($p = .137$), and it was observed that internal audit and the risk analysis group did not have a statistically significant effect on ROA.

As a result, it can be concluded that internal control has a positive impact on ROA and is the primary factor in the model. Although the explanatory power of the model increases with the addition of other variables, their statistical significance levels are not at the desired level.

The aim is to examine the impact of "Internal Audit, Internal Control, Risk Analysis, and Audit Opinion" on "Net Profit Margin." To test this model, the categorical variables "Internal Audit, Internal Control, Risk Analysis, and Audit Opinion" were first converted into dummy variables. Subsequently, a significant relationship between the independent variables and the dependent variable, which is one of the assumptions of regression analysis, was sought. The results of the correlation analysis are presented in Table 6.

Table 6: The Relationship between Internal Audit, Internal Control, Risk Analysis, and Audit Opinion with Net Profit Margin.

		Internal Control	Internal Audit	Risk Analysis Group	Audit Opinion
Net Profit Margin	r	0,421	0,348	0,525	.
	p	0,113	0,163	0,06	.

As a result of the analysis, no significant relationship was found between the independent variables (Internal Audit, Internal Control, Risk Analysis, and Audit Opinion) and the dependent variable (Net Profit Margin); for all parameters, $p > .050$. The audit opinion could not be calculated because all the data were the same (positive). Despite this assumption not being met, the analysis was continued. The second prerequisite is the assumption of multicollinearity.

The VIF value should be between 1 and 10, and the tolerance value should be between 0.2 and 1. This assumption was met as a result of the analysis; $VIF_{Internal\ Control} = 1.28$, $VIF_{Internal\ Audit} = 1.26$, $VIF_{Risk\ Analysis} = 2.25$; $Tolerance_{Internal\ Control} = .78$, $Tolerance_{Internal\ Audit} = .51$, $Tolerance_{Risk\ Analysis} = .44$. The results of the regression analysis are presented in Table 7.

Table 7: The Effect of Internal Audit, Internal Control, Risk Analysis, and Audit Opinion on Net Profit Margin.

	B	Std. Hata	β	t	p	95% Confidence Interval	
						Lower Limit	Upper Limit
Constant	-0,03	29,36		0,00	1,00	-71,86	71,80
Internal Control	0,26	34,28	0,00	0,01	0,99	-83,62	84,14
Internal Audit	-80,91	41,52	-0,83	-1,95	0,10	-182,50	20,67
Risk Analysis Group	80,97	48,48	0,76	1,67	0,15	-37,66	199,59
R = .666		$R^2 = .444$					
$F_{(3, 6)} = 1.59$		p= .278					

In this regression model, the effects of the internal audit, internal control, and risk analysis groups on the net profit margin were assessed. The model's R value is .666, and the R² value is .444, indicating that the model explains 44.4% of the variance. However, the F-statistic is calculated as 1.59, and its associated p-value is .278, suggesting that the model is not statistically significant overall.

For the internal control and risk analysis groups, the β coefficients are calculated as 0.00 and 0.76, respectively, but the p-values for both variables (0.99 and 0.15, respectively) are not statistically significant. The β coefficient for the internal audit variable is -0.83, with a t-statistic of -1.95 and a p-value of 0.10, indicating a marginal significance, though it remains below the threshold for statistical significance overall.

5. CONCLUSION AND EVALUATION

Understanding the relationships between audit characteristics and financial performance indicators is a crucial step for businesses to strengthen their management structures and sustain long-term success. This study examines the relationship between financial performance indicators and the quality of independent audits in companies within the BIST100 technology sector. Additionally, the audit quality factors that affect the financial performance of these companies were explored. The data presented in the tables provide insight into the distribution of the examined indicators and simultaneously highlight the diversity of financial performance among companies in the sector.

The analyses aimed to investigate the effects of the variables "Internal Audit, Internal Control, Risk Analysis, and Audit Opinion" on ROE, ROA, and net profit margin. Initially, these categorical variables were converted into dummy variables, and correlation and regression analyses were conducted. The overall results of the analyses did not reveal statistically significant effects of these variables on financial performance metrics. In the correlation analysis for ROE, no statistically significant relationship was found for any of the variables. The regression analysis results supported this finding, with the overall significance of the model being low ($p = .432$) and the R² value calculated as 34.7%. This indicates that the model explains only one-third of the variance in the dependent variable. The coefficients for internal control, internal audit, and risk analysis groups remained below the threshold of statistical significance. In the correlation analysis with ROA, apart from the internal control variable, no significant relationship was identified between the other variables and ROA. The stepwise regression analysis found that internal control significantly increased the explanatory power of the model and was statistically significant ($p = .019$). However, the significance level decreased with the inclusion of internal audit and risk analysis variables in subsequent steps of the model. In the analyses conducted on the net profit margin, apart from the internal audit variable, the internal control and risk analysis variables did not show a significant impact. Although the internal audit variable demonstrated a borderline significant effect ($p = 0.10$), the overall statistical significance of the model was low ($p = .278$).

As a result of the analyses, while the internal control variable exhibited a certain effect on ROA, other variables did not show significant effects on ROE and net profit margin. These findings suggest that focusing exclusively on specific variables may be inadequate when assessing the impact of management and audit variables on company performance; a broader set of variables should be considered. Furthermore, whether these variables exhibit differences across companies or sectors should be investigated through more detailed and comprehensive studies.

The results indicate that while the internal control factor has a certain effect on ROA, other audit factors (internal audit, risk analysis group) do not have a statistically significant impact on financial performance indicators. Specifically, no significant relationship was found in the analyses conducted on ROE and net profit margin. These findings are important for investors because they suggest that when evaluating companies' financial performance based on independent audit results, a broad

perspective rather than relying on a single indicator is required. Effective measurement of audit quality and validation of management processes by an external observer can help companies build trust among both local and international investors.

Given that the majority of evaluations resulting from independent audits have been given favorable opinions, it appears that companies in Turkey receive very high levels of favorable opinions from independent audits. This situation may be due to companies listed on the stock exchange aiming to build trust among both national and international investors. The positive outcomes of independent audits also indicate that the financial performance and management processes of these companies have been validated by an external observer. Additionally, these positive results highlight the effectiveness of internal control mechanisms by demonstrating that the companies have appropriate audit and control systems in place.

Moreover, future studies that utilize a broader set of variables and examine different sample groups may contribute to deepening research in this area. Such studies could help both company managers and investors develop a more comprehensive understanding and better reveal the impact of audit quality on financial performance.

This research is expected to guide future studies that will be conducted with different variables and various sample groups across different sectors. These studies may examine the relationship between independent audit quality and financial performance in greater detail.

REFERENCES

- Al Ani, Mawih Kareem and Dhofar, Zaroug Mohamed (2015), "Audit Quality Firm Performance Quality: Omani Experience", *European Journal of Economics, Finance and Administrative Sciences*, Vol:74, (13-23).
- Aledvan, Baker A.- Yaseen, Ahmad A. Bani- Alkubisi, Abdulstar (2015), "The Role Of Audit Quality On The Relationship Between Auditor's And Financial Performance Quality Of Selected Cement Firm In Jordan", *International Journal of Business and Social Science*, Vol:6, No:12, (138-146).
- Bouaziz, Zied (2012), "The Impact Of The Presence Of Audit Committees On The Financial Performance Of Tunisian Companies", *International Journal of Management & Business Studies*, Vol: 2, No:4, (57- 64).
- Chan, Kam C., Farrell, Barbara, Healy, Patricia and Lee, Picheng (2011), "Firm Performance Following Auditor Changes For Audit Fee Savings", *Journal of Business & Economics Research*, Vol: 7, No: 10, (17-26).
- Cheng, Yu Shu- Chen, Yahn Shir-Chen, Yu Cheng (2013), "Direct And Mediating Effects Of Auditor Quality On Auditor Size And Performance", *International Business Research*, Vol:6, No:11, (134-148).
- DeAngelo, Linda Elizabeth. (1981), "Auditors Size And Audit Quality", *Journal of Accounting and Economics*, Vol:3, No: 3, (183-199).
- Fooladi, Masood, ve Shukor, Zaleha Abdul (2012), "Board Of Directors, Audit Quality And Firm Performance: Evidence From Malaysia" In *National Research & Innovation Conference for Graduate Students in Social Sciences*, December 7-9, ISBN 978 983 2408 086, (87-96).

- Gör, Yusuf (2016), Kurumsal Yönetim Uygulamalarının Denetim Kalitesine Etkisi: Bağımsız Denetim Şirketleri Üzerine Bir Araştırma, (Yayınlanmamış Doktora Tezi), Süleyman Demirel Üniversitesi, Sosyal Bilimler Enstitüsü, Isparta.
- Goodwin, Jenny -Seow, Jean Lin (2002), “The Influence Of Financial Reporting And Auditing: Perception Of Auditors And Directors In Singapore”, *Accounting And Finance*, Vol42 (3), pp.195-223.
- Hassan, Shehu Usman-Farouk, Musa Adeiza (2014), “Audit Quality And Financial Performance Of Quoted Cement Firms In Nigeria”, *European Journal of Business and Management*, Vol:6, No:28, (73-82).
- Jusoh, Mohd Abdullah and Ahmad, Ayoib Che (2014), "Equity Ownership, Audit Quality and Firm Performance in Malaysia using Generalized Least Square Estimations Technique", *Journal of Emerging Issues in Economics, Finance and Banking (JEIEFB) An Online International Monthly Journal*, Vol: 3, No:1, (976-991).
- Kapucugil, Aysun (2007), Kalite Nedir, Hizmet Kalitesi Nedir? Kalite Güvence Kavramı, 2. Türkiye Muhasebe Forumu, TÜRMOB Yayınları, Ankara.
- Kyereboah-Coleman, Antony (2007), “Corporate Governance and Firm Performance in Africa: A Dynamic Panel Analysis”, *International Conference on Corporate Governance in Emerging Markets, Global Corporate Governance Forum (GCGF) and Asian Institute of Corporate Governance (AICG)*, 15th-17th November, 2007, Sabancı University, Istanbul, Turkey.
- Miettinen, J. (2011). The role of audit quality on the relationship between auditee’s agency problems and financial information quality. Paper presented at the Department of Accounting and Finance, University of Vaasa, Finland.
- Mock, Theodore - Bedard, Jean - Coram, Paul - Davis, Shawn - Espahbodi, Reza - Warne, C. Rick (2012), “The Audit Reporting Model: Current Research Synthesis and Implications”, *AUDITING: A Journal of Practice&Theory*, Vol32 (1), pp.323-351.
- Moutinho, Vânia- Cerqueira, Antonio-Brandao, Elisio (2012), “Audit Fees And Firm Performance”, November, *Social Science Resarch Network*, DOI: 10.2139/ssrn.2180020 (1-30).
- Porter, B., Simon J. and Hatherly, D. (2003). *Principles of External Auditing*, Somerset, John Wiley, New Jersey.
- Sayyar, Hamed- Basiruddin, Rohaida, Rasid, Sidi Zaleha Abdul-Elhabib, Mohamed A. (2015), “The Impact Of Audit Quality On Firm Performance: Evidence From Malaysia”, *International Business School, University Teknology Malaysia*, June, (1-19).
- Selimoğlu, Seval Kardeş (2008), *Muhasebe Denetimi*, Gazi Kitapevi, Ankara.
- Sulong, Zunaidah- Gardner, John C.- Hussin, Amariah Hanum- Sanusi, Zuraidah Mohd- MCGowan, Carl B., Jr. (2013), “Managerial Ownership, Leverage And Audit Quality Impact On Firm Performance: Evidence From The Malaysian ACE Market”, *Accounting & Taxation*, Vol:5, No:1, (59-70).

- Woodland, A. M. & Kenneth Reynolds, J. (2003). Restatements and audit quality. Working paper, Louisiana State University.
- Yaşar, Alpaslan (2013), “Bağımsız Dış Denetim Kuruluşlarına Yönelik Gözetim ve Denetim Etkinliğinin Bağımsız Dış Denetim Kalitesi ile İlişkisi: Türkiye Değerlendirmesi”, Çukurova Üniversitesi Sosyal Bilimler Enstitüsü Dergisi, Cilt 22, Sayı 1, ss.467-468.
- Ziaee, Morteza (2014), “The Effect Of Audit Quality On The Performance Of Listed Companies In Tehran Stock Exchange”, International Letters of Social and Humanistic Sciences, Vol:21, (36- 44).
- Zureigat, Mohammad (2011), “The Effect Of Ownership Structure On Audit Quality: Evidence From Jordan”, June, International Journal Of Business And Social Science, Vol: 2, No: 10, (38-46).