

AUDIT FEE, TENURE, REPUTATION, AND AUDIT QUALITY: THE ROLE OF AUDIT COMMITTEE

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Abstrak

Background: To preserve stakeholder trust in corporate financial information, study into audit quality variables is needed due to the frequency of poor audit quality instances in the financial industry.

Objective: This study aims to examine the effect of external factors, including audit fees, audit tenure, and auditor reputation, on quality and audit committees as moderators in BEI-indexed financial sector companies.

Research Methods: Quantitative and statistical data analysis. The secondary data are from IDX-indexed financial and annual reports for 2022–2024.

Research Results: Audit fees improve audit quality, while tenure and reputation do not. Audit committees may reduce the influence of audit fees on audit quality, but not tenure. Audit committees may boost auditor credibility and audit quality.

Originality/Novelty of Research: This study adds new features such as assessing audit fees using pure audit costs, audit quality using the earnings surprise benchmark, which focuses on profit quality, and studying the financial industry.

Keywords: Audit Quality; Audit Fees; Audit Tenure; Auditor Reputation; Audit Committee.

Introduction

Every organization requires financial statements to assist internal decision-making and satisfy stakeholders (Astuti et al., 2022). According to SFAC No. 2, financial statements must provide specific, accurate, and objective information about a company's financial condition for a given period to help stakeholders make informed economic decisions (Sari et al., 2023). Auditors ensure financial accounts are accurate (Normasyhuri & Suhaidi, 2022). They check financial records for irregularities and guarantee a high-quality audit report (Fadhlan et al., 2023). Higher audit quality means better financial information for decision-making (Krisnia & Rochayatun, 2024).

Poor audit quality is common, making audit quality research important. In the financial sector, PT. Sunprima Nusantara Pembiayaan (PT. SNP) began with a credit issue to creditors, requesting a debt payment deferral and using uncollectible receivables as collateral. However, management fabricated this

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(Harianja & Sinaga, 2022). The Financial Services Authority (OJK) revoked KAP Satrio, Bing, Eny, Partners' registration because the KAP didn't provide an opinion on the company's manipulation, only an unqualified opinion.

Financial data users who distrust auditor reliability. Auditors are solely accountable for audit quality. Audit quality determines how successfully the auditor can discover and disclose management irregularities in financial statements (Sari et al., 2023). Since internal and external variables impact audit quality, auditors cannot easily provide audit views that guarantee it (Permatasari & Astuti, 2018). Audit fees, tenure, and reputation may affect audit quality, thus this research will examine them. This research uses the audit committee to examine how external influences affect audit quality. Discrepancies in preceding study findings and the combination of factors from earlier studies determined these variables.

The first outside factor is audit fees. Company funds auditor services (Normasyhuri, 2023). Astuti et al. (2022) say greater audit fees mean a more comprehensive audit. The second external factor is audit tenure, or how long an auditor has worked for the same company without interruption. Pamungkas et al. (2022) revealed that auditors learn more about a company's character the longer an audit relationship lasts. The third external aspect impacting audit quality is auditor reputation. Good auditors are generally members, who are recognized for their knowledge and independence when delivering conclusions that match the company's real situation. Client firm, therefore their audit reports are good (Christy et al., 2021).

The audit committee may also moderate external impacts on audit quality. A company's audit committee helps the board of directors supervise external auditors. The audit committee may minimize the impact of audit expenses and reputation on audit quality by evaluating auditor performance compared to fees paid and checking that respected auditors fulfill their jobs successfully, according to Normasyhuri (2023). Through effective monitoring that maintains auditor independence throughout the audit assignment time, the audit committee may reduce audit duration and provide high-quality audits (Fauzi & Priono, 2024).

This study complements Astuti et al. (2022) previous study in several ways. Specifically, it aims to produce more relevant results by measuring audit fees using only pure audit fees, excluding non-audit service fees. Furthermore, this study covers financial sector companies listed on the Indonesia Stock Exchange (IDX) from 2022 to 2024 and adds the role of the audit committee as a moderating variable. This addition addresses the limitations of previous studies that only measured audit fees using professional fees, which represent all fees received by the auditor (including non-audit services fees). Furthermore, these previous studies focused on the manufacturing sector, an area where considerable research has already been

conducted. Furthermore, previous studies have not utilized the role of the audit committee as a moderating variable.

Literature Review

Agency Theory

Agency Theory by Jensen & Meckling (1976) explained principal-agent contracts. In this arrangement, principals let agents choose and act. This theory defines the connection between the principle, the owner or interested party, and the agent, who operates the firm, executes duties, and reports to the principal (Christy et al., 2021). Because principal and agent interests don't always align, conflicts might arise. This is known as the agency problem. To address this issue, companies can generate precise financial reports and hire an independent auditor to conduct an audit, thereby bolstering public trust (Normasyhuri, 2023).

In this research, agency theory stresses audit quality, where auditors must give quality audit findings to present financial reports to principals honestly and openly (Wicaksono & Purwanto, 2021). Companies using external auditors might run into agency issues, such as auditor independence in judging agent performance, which can affect audit findings. Thus, the audit committee, an internal business party, must supervise auditors (Watts & Zimmerman, 1983).

Audit Quality

Tandiontong (2015) states that an auditor's ability to identify and disclose problems determines audit quality. The audit increases financial information reliability and management and shareholder information uniformity (Christy et al., 2021). Audit findings will be published, enabling stakeholders to keep auditors responsible. Thus, auditors must customize their financial statement opinions to the company's condition (Jessica et al., 2021). Therefore, auditors must properly undertake their audit methods to guarantee credible findings and maintain stakeholder and firm management confidence.

Audit Fee

Arens et al. (2017) define audit fees as corporate payments to auditors. Audit costs may be considerable depending on a company's complexity, size, and audit firm size (Murdiansyah et al., 2021). Auditors naturally aim to earn income in carrying out their duties, so auditors must determine fees commensurate with the services provided (Astuti et al., 2022). Supriyanto & Cesilia (2023) suggest that a

high honorarium can encourage auditors to perform audit tasks in greater detail, thus maximizing audit effectiveness.

Audit Tenure

Audit tenure is the time management and auditors collaborate to deliver audit services (Campbell & Houghton, 2005). The maximum period of successive audits and auditee engagements is regulated to avoid auditor independence impairments owing to close client ties (Normasyhuri & Suhaidi, 2022). Financial Services Authority Regulation Number 9 of 2023 limits auditor engagements to 7 years for commercial banks, issuers, and other firms and 5 years for other organizations (Financial Services Authority, 2023).

Auditor Reputation

Auditor reputation is defined as the image or good name held by the auditor, which serves as a guarantee for companies using audit services when establishing professional contractual relationships (Campbell & Houghton, 2005). Reputable auditors are more trusted because their reputation ensures they consistently strive to perform their duties to the best of their ability to maintain that reputation (Permatasari & Astuti, 2018). High-profile auditors work for Big Four firms (Irma et al., 2020). Due to their peer review, training, and worldwide recognition have good reputations (Christy et al., 2021). Additionally are thought to prepare well and complete audits on schedule (Murdiansyah & Lestari, 2023).

Audit Committee

Legodi & Coetzee (2025) claim that an audit committee of the board of commissioners guarantees corporate governance and internal and external auditors work well. Agency theory states that poor auditor independence may cause agency conflicts between external auditors and agents, requiring an audit committee (Watts & Zimmerman, 1983). An effective audit committee supervises external auditors and ensures that audit quality matches organisational costs (Dewi & Eriandani, 2022). To guarantee audit quality, the audit committee maintains auditor independence, especially throughout lengthy engagement durations (Arizki et al., 2025). Additionally, the audit committee controls auditors' work, including those affiliated with the Big Four, to ensure they have carried out their duties effectively and have produced high-quality audits (Normasyhuri & Suhaidi, 2022).

Hypotesis

Auditors obtain audit fees for their skills in auditing companies' financial accounts (Pangaribuan, 2023). Agency theory explains audit fees by arguing that principal-agent conflicts may cause agency issues. External auditors, whose fees serve as compensation, can help mitigate and prevent such conflicts of interest. Hiring outside, which is part of the costs of running an agency, specifically monitoring costs. Companies will pay auditors more to ensure they perform their job professionally, objectively, and independently, thereby ensuring the audit results are of the best quality (Harianja & Sinaga, 2022). Companies want the quality of the audit to match the costs, so they believe the fees are fair because they get good benefits and audit quality (Astuti et al., 2022).

Fadhlan et al. (2023) found that increased audit fees improve audit quality. Auditors may detect more comprehensive financial statement changes. Auditors also use funds received for audits to cover expenses incurred during the audits. In other words, the more money the company gives the auditor, the better they will be able to perform their job and do good audits (Pamungkas et al., 2022). This makes us think of the following research hypothesis:

H1: Audit fees have a positive effect on audit quality.

Audit tenure refers to auditors' continuous involvement with the same business (Supriyanto & Cesilia, 2023). The Financial Services Authority Regulation Number 9 of 2023 governs Indonesian audit length. Public accountants are limited to auditing yearly historical financial accounts for commercial banks, issuers, and public enterprises for seven years (Financial Services Authority, 2023). Explain audit tenure using agency theory. When the principal and agent lack knowledge, the agent will operate in their own best interest, hence an independent auditor is essential (Andriani & Nursiam, 2018). The agency and external auditor agree on the engagement duration. The auditor may better grasp the company's status by extending the contract.

Pamungkas et al. (2022) studied. The research found that auditors learn more about a company's features during repeated engagements, improving audit quality and efficiency. Therefore, auditors having a longer engagement duration likely to generate more accurate audit quality than those who recently became engaged. The constant involvement connection helps auditors understand the client company's situation better, making the audit process more successful (Jessica et al., 2021). Thus, the research hypothesis is:

H2: Audit tenure has a positive effect on audit quality.

One of the Big Four Public Accounting Firms employs reputable auditors (Normasyhuri & Suhaidi, 2022). Auditor reputation is described by agency theory, which highlights external auditors' role in reducing moral hazard between principals and agents by reviewing management's financial statements (Asih, 2021). People feel that reputed public accounting firms reduce agency concerns since they are impartial and less likely to be persuaded when offering financial statement assessments (Sukmawati et al., 2024).

Sari et al. (2023) argue that well-known accounting companies, notably Big Four firms, are seen as professional and have stronger quality control systems, which helps them undertake audits and provide favorable outcomes. Trustworthy accounting organizations are also skilled in auditing. They will provide impartial financial statement views. Competence is thought to increase audit quality (Christy et al., 2021). Thus, the research hypothesis is:

H3: Auditor reputation has a positive effect on audit quality.

High audit fees allow auditors to do their best job, and the audit committee's rigorous scrutiny by outside auditors ensures the audit fulfills expectations (Normasyhuri, 2023). The audit committee also ensures that the auditor distributes audit fees properly and extensively to support the audit process and ensure audit quality (Dewi & Eriandani, 2022). Thus, the research hypothesis is as follows :

H4: The audit committee strengthens the positive influence of audit fees on audit quality.

Arizki et al. (2025) found that a company's audit committee is vital to auditors' optimum performance throughout long engagement periods, improving audit outcomes. Research by Fauzi & Priono (2024) reveals that the audit committee may supervise corporate and auditor performance to improve audit quality. Therefore, an audit committee may assist retain auditor independence, particularly during protracted engagements. The resultant research hypothesis is as follows :

H5: The audit committee strengthens the positive influence of audit tenure on audit quality.

Normasyhuri & Suhaidi (2022) found that the audit committee must supervise independent auditors from Big Four public accounting firms to ensure audit quality. Despite these public accounting firms' excellent reputations and rigorous peer review standards, the audit committee's function is vital in guaranteeing auditor performance and accurate financial information. Because it allows companies to work with Big Four public accounting firms to get correct financial statement audit findings, the audit committee is crucial (Normasyhuri, 2023). Thus, the research hypothesis is :

H6: The audit committee strengthens the positive influence of auditor reputation on audit quality.

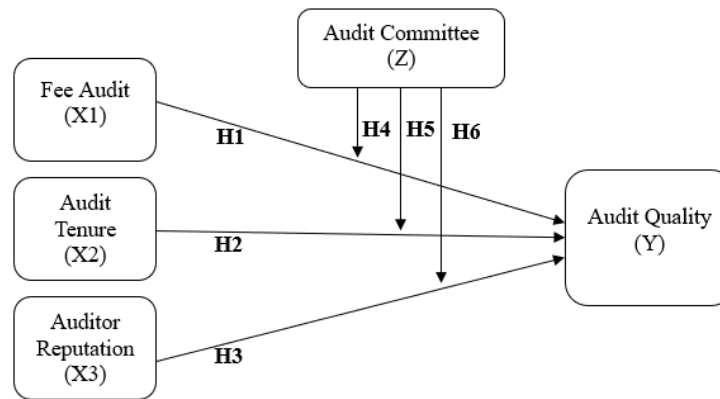


Figure 1 Research Model

Research Methods

This study is a quantitative research type that analyzes components using numerical data, tables, and statistic analysis. Descriptive statistics, logistic regression, and moderated regression, and moderated regression were used as analytical methods. Data were extracted from the financial statements and annual reports of financial institutions listed on the Indonesia Stock Exchange (IDX) from 2022 to 2024. Secondary data were collected from the IDX website (www.idx.co.id) and the websites of each sample company.

The study population consisted of 107 financial sector companies listed on the Indonesia Stock Exchange (IDX) between 2022 to 2024. Puposive sampling was used to select the companies based on the following criteria: (1) Financial sector companies listed on the IDX between 2022 to 2024, (2) Companies that have not been delisted, (3) Companies that consistently disclose financial statements and annual reports, and (4) Companies that include audit fees in their annual reports. Therefore, a total of 180 observations were obtained by multiplying the 60 sample selected companies by three-year observation period.

Operational Definition of Variables

Table 1. Scale and Measurement of Variables

Variable Name	Variable Types	Measurement Indicators
Audit Quality	Dependent	Using dummy variables, the high audit category is assigned a value of 1 if $\mu - \sigma < ROA < \mu + \sigma$, whereas the low audit category is assigned a value of 0 if $ROA > \mu + \sigma$ (indicating

Variable Name	Variable Types	Measurement Indicators
Fee Audit	Independent	<p>window dressing practices) or $ROA < \mu - \sigma$ (taking a bath practices).</p> <p>(Astuti <i>et al.</i>, 2022; Cahyati <i>et al.</i>, 2021)</p> <p>Natural Logarithm = \ln (Pure Audit Fee).</p> <p>(Dewi & Eriandani, 2022; Fadhlani <i>et al.</i>, 2023; Sari <i>et al.</i>, 2023)</p>
Audit Tenure	Independent	<p>The first engagement period between the auditor and the company is assigned a value of 1, then increases by 1 for the following year, and is recalculated to 1 if there is a change of auditor.</p> <p>(Dewi & Eriandani, 2022; Fadhlani <i>et al.</i>, 2023; Sari <i>et al.</i>, 2023)</p>
Auditor Reputation	Independent	<p>Using a dummy variable, if audited by a Big-Four KAP it is given a score of 1, while a non-Big-Four is given a score of 0.</p> <p>(Christy <i>et al.</i>, 2021; Fadhlani <i>et al.</i>, 2023; Permatasari & Astuti, 2018).</p>
Audit Committee	Moderation	<p>Audit Committee = \sum Audit Committee Members.</p> <p>(Cahyati <i>et al.</i>, 2021; Jessica <i>et al.</i>, 2021; Pamungkas <i>et al.</i>, 2022)</p>

Data Analysis Method

Using Eviews 12, descriptive statistical analysis, logistic regression, and moderated regression were performed. The primary goal of the data was to inform data analysis, which was subsequently used as a foundation for issue solutions (Ghozali, 2021).

Descriptive Statistical Analysis

Descriptive statistics provide an overview or presentation of data by summarizing information using average, standard deviation, minimum values, and maximum values (Ghozali, 2021).

Logistic Regression Analysis

Logistic regression analysis tests the regression model's feasibility, the overall model, the coefficient of determination, the projected outcomes' percentage value, and the hypothesis. These tests have the following objectives:

Table 2. Stages of Logistic Regression Analysis

Logistic Regression Test	Criteria
Hosmer and Lemeshow's Goodness of Fit Test	<ul style="list-style-type: none"> a) H_0 is rejected if the test value < 0.05 indicates a significant difference between the model and the data, indicating the model fails to predict the observation. b) H_0 is accepted if the test value > 0.05, which means the model fits the data and can predict observations accurately (Ghozali, 2017).
Overall Model Fit	The model is considered fit if the probability value (LR statistic) < 0.05 (Ghozali, 2017).
McFadden R-Squared	<ul style="list-style-type: none"> a) Values close to 0 indicate low goodness of fit b) Values approaching 1 indicate high goodness of fit, meaning that the independent variable can almost completely predict the variation in the dependent variable (Ghozali, 2017).
Hypothesis Test	<p>Comparing p-value and significance level $\alpha = 0,05$ (Ghozali, 2021).</p> <ul style="list-style-type: none"> a) p-value $> 0,05$ then H_0 is accepted, and H_a is rejected (the independent variable does not affect the dependent variable) b) p-value $< 0,05$ then H_0 is rejected, and H_a is accepted (independent variables influence dependent variables).

Moderated Regression Analysis

Moderating variables influence the relationship between dependent and independent variables and interact with the independent variable (Ghozali, 2021).

Results and Discussion

Results

Descriptive Statistical Analysis

Table 3. Descriptive Statistical Test Results

Statistic	Audit Quality (Y)	Fee Audit (X1)	Audit Tenure (X2)	Auditor Reputation (X3)	Audit Committee (Z)
Minimum	0.000000	17.76675	1.000000	0.000000	2.000000
Maximum	1.000000	23.72895	5.000000	1.000000	6.000000
Rata-Rata	0.894444	20.53580	2.033333	0.394444	3.344444
Standar Deviasi	0.308125	1.282154	1.029726	0.490094	0.687658
Observation	180	180	180	180	180

Source : Data processing results

The statistical test for audit quality shows that 161 of 180 data items have good audit quality (value = 1) and 19 have bad quality (value = 0). With a mean of 0.894 (89.4%), most organizations had good audit outcomes. While the standard deviation of 0.308 suggests a narrow data distribution, audit quality variances across IDX-listed financial sector businesses in 2022-2024 are reasonably homogenous.

Panca Global Kapital Tbk.'s lowest audit fee for 2022-2024 was 17.766, based on IDR 52.000.000. However, Bank OCBC NISP Tbk. had the greatest value in 2024 at 23.728 based on IDR 20.200.000.000. An average of 20.535 and a standard deviation of 1.28 indicated a narrow distribution since the standard deviation was less than the average. This suggests audit costs were similar among organizations.

Audit tenure varied from 1 (71 businesses) to 5 (Charnic Capital Tbk) in 2024. The involvement periods of 71 firms ranged from 1 year to 5 years. The standard deviation was 1.029 and the mean 2.033. Because the standard deviation is less than the mean, auditors' involvement times with IDX financial sector sample businesses for 2022-2024 were comparable.

Big Four accounting firms audited 39.4% (71) of the dataset's enterprises, according to the auditor reputation variable's mean of 0.394. The remaining 60.56% (109) were audited by non-Big Four companies. Auditors' reputation statistics for IDX financial-sector enterprises in 2022–2024 vary greatly, as the standard deviation 0.490 surpasses the mean of 0.3944.

In 2023 and 2024, Bank Permata Tbk. has 2 audit committee members, while Mizuho Leasing Indonesia Tbk. has 6. The mean, 3.344, surpasses the standard deviation, 0.687, showing that financial sector businesses on the IDX for 2022-2024 have comparable audit committee numbers.

Hosmer and Lemeshow’s Goodness of Fit Test

Table 4. Hosmer and Lemeshow’s Goodness of Fit Test Result

H-L Statistic	Prob. Chi-Sq (8)
14.3938	0.0721

Source : Data processing results

The regression model feasibility test shows that the H-L Statistic is 14.3938 and the probability is 0.0721, both of which are less than 0.05, showing that the model can predict data successfully and allow further investigation.

Overall Model Fit

Table 5. Overall Model Fit Result

Prob(LR Statistic)	0.009294
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Source : Data processing results

Based on the overall model test, the Prob(LR Statistic) value obtained was less than 0.05, namely 0.009294, meaning that the model used was suitable for the research data.

McFadden R-Squared

Table 6. McFadden R-Squared Result

McFadden R-squared	0,094783
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Source : Data processing results

The coefficient of determination test shows that audit fees, tenure, and reputation explain 9.48% of audit quality variations (coefficient = 0.094783). The remaining 90.52% comes from non-model elements.

Presently Correctly Predicted

Table 7. Presently Correctly Predicted Result

	Dep=0	Dep=1	Total	Dep=0	Dep=1	Total
P(Dep=1) <=C	3	0	3	0	0	0
P(Dep=1) >C	16	161	180	19	161	180
Total	19	161	180	19	161	180
Correct	0	161	161	0	161	161
% Correct	0.00	100.00	89.44	0.00	100.00	89.44
% Incorrect	100.00	0.00	10.56	100.00	0.00	10.56
Total Gain*	0.00	0.00	0.00			
Percent Gain**	0.00	NA	0.00			

Source : Data processing results

The prediction accuracy test showed that the regression model predicted high audit quality (100% accuracy) and bad audit quality (0% accuracy). Overall, the model predicted data 89.44% accurately.

Hypothesis Test

Table 8. Hypothesis Test Result

No	Variabel	Coefficient	Prob.	Results
	C	-11.94606	0.0326	
1	Fee Audit (X1)	0.731849	0.0095	Reliable
2	Audit Tenure (X2)	-0.207578	0.3836	Unreliable
3	Auditor Reputation (X3)	-0.667670	0.3836	Unreliable

Source : Data processing results

The audit fee variable (X1) has a significance level of 0.0095, below 0.05. This finding rejects the null hypothesis and accepts the alternative. The positive regression coefficient of 0.731894 shows that “greater audit fees improve audit quality. Second, auditor tenure (X2) exceeds 0.05 with 0.3836 significance. Thus, the null hypothesis is accepted and the alternative hypothesis is rejected, indicating that auditor engagement duration does not affect audit quality. This variable's regression coefficient is -0.207578. Third, auditor reputation (X3) has a significance value of 0.3836, above 0.05. Thus, the null hypothesis is accepted and the alternative rejected. A regression coefficient of -0.667670 suggests that Big Four auditors do not substantially impact audit quality.

Moderated Regression Analysis

Table 9. Moderated Regression Analysis Result

No	Variabel	Coefficient	Prob.	Results
	C	-100.4824	0.0083	
1	Fee Audit (X1) * Committee Audit (Z)	-1.280149	0.0223	Reliable
2	Audit Tenure (X2) * Committee Audit (Z)	-0.038136	0.9365	Unreliable
3	Auditor Reputation (X3) * Committee Audit (Z)	2.817722	0.0146	Reliable

Source : Data processing results

First moderation result (audit committee on audit fees and quality) was significant ($0.0223 < 0.05$) with a negative coefficient (-1.280149). H_0 is denied and H_a is allowed, indicating that good audit committee monitoring mitigates the positive impact of audit fees on audit quality. In the second moderation result, audit tenure and quality committee reported a significant value of $0.9365 > 0.05$ and a negative

coefficient of 0.038136. Since H_0 is denied and H_a is accepted, the audit committee's participation does not materially alter audit quality throughout the engagement period.

Moderation result 3 (audit committee on auditor reputation and quality) showed a significant value of $0.0146 < 0.05$ and a positive coefficient of 2.817722. Therefore, H_0 is rejected and H_a is approved, showing that the audit committee may enhance the role of respectable auditors in generating excellent audits.

Discussion

The influence of audit fees on audit quality

The natural logarithm of pure audit fees yielded a significance value of 0.0095, below 0.05. Thus, H_a is true and H_0 is false. So the theory is correct. Audit fees significantly improve quality, as shown by the positive regression coefficient of 0.731849. Other research show that audit quality rises with audit fees. When fees rise, it motivates auditors to conduct more extensive examinations to detect and reveal financial information manipulation, resulting in higher-quality audit results (Fadhlan et al., 2023; Fauzi & Priono, 2024). This study contradicts Jessica et al. (2021) that audit fees do not affect audit quality as long as the auditor is professional and not easily influenced by external factors.

Agency theory states that agency difficulties develop when principal and agent interests conflict. For a charge, companies engage external auditors to analyze financial reports. This prevents disputes (Astuti et al., 2022). Agency theory considers audit fees costs (Godfrey et al., 2010). This includes monitoring fees. External auditors should evaluate management's financial information impartially. Paying auditors more may help them behave impartially and independently (Harianja & Sinaga, 2022). Thus, enhancing auditor performance will improve audit results, boosting shareholder confidence in the company's financial statements.

The influence of audit tenure on audit quality

The audit tenure variable the auditor's years with the company had a p-value of 0.3836, beyond 0.05. Since H_0 is accepted and H_a is rejected, the hypothesis is rejected. Audit tenure does not affect audit quality, according to the negative regression coefficient of 0.207578. This is congruent with Andriani & Nursiam (2018), who found that a lengthy engagement duration might increase the auditor's awareness of the company's health but potentially lead to excessive client trust or unprofessional conduct. This circumstance may inhibit audit method development and lower audit quality, making the engagement

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period a poor indication of audit quality. Financial Services Authority Regulation 9 of 2023 limits assignments to seven years. Auditor rotation is required (Financial Services Authority, 2023). This regulation maintains auditor independence by requiring audit rotation. Therefore, compliance with rules and standards affects audit quality more than engagement length (Arizki et al., 2025).

Agency theory suggests that external auditors should review and comment on management's financial statements to increase principal trust in agents and prevent information asymmetry that could lead to opportunistic agent behaviour (Tandiontong, 2015). This matters because principals want reliable financial statements. Longer engagements may help auditors grasp the company's peculiarities, which can increase audit quality (Pamungkas et al., 2022). However, research suggests that audit quality doesn't depend on duration. The auditor must be fair and impartial during the audit, regardless of length. Thus, assignment time cannot indicate audit quality (Fadhlan et al., 2023).

The influence of auditor reputation on audit quality

Auditor reputation is measured using a dummy variable, where firms audited by Big Four accounting firms are coded as 1, while those audited by non-Big Four firms are coded as 0. The test results show a significance value of 0.3636, which exceeds the 0.05 level, leading to the acceptance of the null hypothesis and rejection of the alternative hypothesis. The regression coefficient is negative (-0.667670), indicating that auditor reputation does not have a meaningful relationship with audit quality. This finding is consistent with Andriani & Nursiam (2018), who reported that audit quality does not differ between Big Four and non-Big Four affiliated firms. Audit results cannot be determined by auditors performing audit services within the Big Four, but non Big Four auditors can also produce quality audits as long as they possess expertise and competence. However, this result contradicts Sari et al. (2023), who argued that Big Four auditors tend to perform audits more effectively and deliver higher audit quality.

The agency theory approach explains the study's conclusions that external auditors examine business financial information to reduce conflicts of interest or moral hazard between principals and agents (Sayidah, 2022). Principals and agents depend on reliable audit quality. Non-Big Four auditors may also deliver excellent audit quality if they have the skills and competence. This shows that audit quality is more affected by the professional competence of auditors from Big Four and non-Big Four Public Accounting Firms than by the firm's reputation or affiliation (Andriani & Nursiam, 2018).

The audit committee moderates the influence of audit fees on audit quality

As a mediator of audit fees and audit quality, the audit committee variable has a p-value of 0.0223, below 0.05. Thus, H₀ is rejected and H_a accepted, proving the hypothesis. A negative regression coefficient of -1.280149 suggests that the audit committee reduces the favorable influence of audit fees on audit quality. According to agency theory, external auditors who review financial statements for audit fees as part of monitoring expenses are needed to reduce principal-agent issues (Godfrey et al., 2010). The interaction between auditors and agents might produce issues, hence an audit committee is needed to supervise them (Watts & Zimmerman, 1983). Moderation test findings show that audit committee mitigates audit fee influence on audit quality. The audit committee of the board of commissioners oversees financial reporting, external auditor performance, and audit fee negotiations. Therefore, this oversight can ensure that auditors deliver quality results even if the fees paid by agents are not excessively high.

This research confirms Aprilia & Kusumawati (2023), who found that robust audit committee monitoring sustains audit quality even when audit fees are modest. Audit quality is less affected by audit fee amount due to the audit committee's responsibility. An audit committee reduces the link between audit costs and quality. This contradicts Dewi & Eriandani (2022), who showed that high audit fees and audit committee monitoring of external auditors may incentivize auditors to work well and improve audit quality.

The audit committee moderates the effect of audit tenure on audit quality

The number of audit committee members was tested as a moderating variable in audit tenure and quality. The p-value surpassed 0.05 at 0.9365. Since H₀ is true and H_a is false, the hypothesis is not supported. A negative regression coefficient of 0.038136 shows that the audit committee cannot impact audit tenure and quality. In agency theory, agency problems can lead to opportunistic agent actions that harm the principal, so an external auditor with a set assignment period and an audit committee that supervises agents and external auditors are needed (Arizki et al., 2025).

The results of this study match those of Normasyhuri & Suhaidi (2022), who found that Financial Services Authority Regulation Number 9 of 2023 limits Public Accountants (AP) engagement within the same company to 7 years. Limits on the engagement time may diminish the intimacy between the AP and the firm, so the audit committee's oversight role does not impact the relationship between engagement duration-audit quality connection. This research disagrees with Fauzi & Priono (2024) that an audit committee may enhance the engagement period on audit quality by retaining auditor independence over a lengthy term so the auditor works optimally, resulting in a quality audit.

The audit committee moderates the effect of auditor reputation on audit quality

When audit committee size is used as a moderating factor in the relationship between auditor reputation and audit quality, the analysis yields a significance level of 0.0146, which is below the 0.05 threshold. Therefore, the null hypothesis is rejected and the alternative hypothesis is supported. The regression coefficient of 2.817722 suggests that an audit committee may boost auditor reputation's impact on audit quality. Agency theory states that external auditors are necessary to avoid moral hazard in financial statement audits (Sukmawati et al., 2024). Supporting audit outcomes requires choosing a Big Four affiliate external auditor, especially a very competent one. An audit committee as an internal party in the company is needed to oversee the agent's financial statements because the auditor and agent's relationship may cause agency problems, such as a lack of auditor independence" (Godfrey et al., 2010). Audit committee oversight ensures that reputable auditors associated with the Big Four auditors perform their duties to the best of their ability, rather than relying solely on their reputation, thus facilitating the achievement of high-quality audit result (Arizki et al., 2025).

This study confirms Normasyhuri (2023) findings that audit committee supervision and respected auditors, notably the Big Four public accounting firms, may increase audit quality and effectiveness. Famous auditors, especially from the Big Four, are preferred by companies. Because they feel these auditors will do better. The audit committee's oversight contributes to this (Normasyhuri & Suhaidi, 2022). These findings contradict Asih (2021), which claimed that too severe audit committee scrutiny might pressure Big Four auditors, lowering their performance and audit report quality.

Conclusion

This study explores how audit fees, auditor tenure, and auditor reputation influence audit quality, using the audit committee serving as a moderator variable. Using data from 60 financial companies listed on the Indonesia Stock Exchange (IDX) over the 2022–2024 period. The findings indicate that higher audit fees were associated with better audit quality. This is because higher fees motivate auditors to conduct more extensive audits to detect and uncover financial information manipulation, resulting in higher-quality audit results. In contrast, auditor tenure and reputation were found to have no direct, significant effect on audit quality. Given the existence of audit engagement term limits, intended to maintain the auditor's reputation and protect audit quality, means that audit quality is no longer determined by tenure but by adherence to audit rotation regulations. Furthermore, audit quality cannot be measured solely by the auditor providing

the audit service, including the Big Four accounting firms. Even auditors not affiliated with the Big Four can provide valuable audit opportunities if they possess the necessary capabilities.

The study also shows that the presence of an audit committee weakens the relationship between audit fees and audit quality. The presence of an audit committee oversees auditors, ensuring high-quality audits despite relatively low audit fees. Meanwhile, the association between audit duration and audit quality is unaffected. Due to the Financial Supervisory Service's audit term limit regulations to maintain auditor independence, the audit committee's oversight role does not influence the effect of auditor tenure on audit quality. Nevertheless, the presence of an audit committee strengthens the effect of an auditor's reputation on audit quality. Effective audit committee oversight ensures that reputable auditors perform their duties in a manner befitting their reputation, leading to high-quality audits.

The independent factors, audit fees, tenure, and reputation, explain 9.48% of audit quality, which limits this research. Further study should evaluate independent characteristics including auditor experience, competency, and independence that may impact audit quality. For more thorough findings, future study should employ non-financial items and lengthen the observation duration.

Appendix

Result Descriptive Statistical Analysis

	Y	X1	X2	X3	Z
Mean	0.894444	20.53580	2.033333	0.394444	3.344444
Median	1.000000	20.59654	2.000000	0.000000	3.000000
Maximum	1.000000	23.72895	5.000000	1.000000	6.000000
Minimum	0.000000	17.76675	1.000000	0.000000	2.000000
Std. Dev.	0.308125	1.282154	1.029726	0.490094	0.687658
Skewness	-2.567430	-0.085564	0.641429	0.431958	1.605289
Kurtosis	7.591697	2.553947	2.358755	1.186587	5.397302
Jarque-Bera	355.8785	1.711862	15.42688	30.26111	120.4115
Probability	0.000000	0.424887	0.000447	0.000000	0.000000
Sum	161.0000	3696.445	366.0000	71.00000	602.0000
Sum Sq. Dev.	16.99444	294.2617	189.8000	42.99444	84.64444
Observations	180	180	180	180	180

Hosmer and Lemeshow's Goodness of Fit Test Result

H-L Statistic	14.3938	Prob. Chi-Sq(8)	0.0721
Andrews Statistic	49.5953	Prob. Chi-Sq(10)	0.0000

Overall Model Fit Result

Prob(LR statistic) 0.009294

McFadden R-Squared Result

McFadden R-squared	0.094783	Mean dependent var	0.894444
S.D. dependent var	0.308125	S.E. of regression	0.293099
Akaike info criterion	0.654780	Sum squared resid	15.11963
Schwarz criterion	0.725735	Log likelihood	-54.93020
Hannan-Quinn criter.	0.683549	Deviance	109.8604
Restr. deviance	121.3636	Restr. log likelihood	-60.68179
LR statistic	11.50318	Avg. log likelihood	-0.305168
Prob(LR statistic)	0.009294		

Presently Correctly Predicted Result

	Estimated Equation			Constant Probability		
	Dep=0	Dep=1	Total	Dep=0	Dep=1	Total
P(Dep=1)<=C	0	0	0	0	0	0
P(Dep=1)>C	19	161	180	19	161	180
Total	19	161	180	19	161	180
Correct	0	161	161	0	161	161
% Correct	0.00	100.00	89.44	0.00	100.00	89.44
% Incorrect	100.00	0.00	10.56	100.00	0.00	10.56
Total Gain*	0.00	0.00	0.00			
Percent Gain**	0.00	NA	0.00			

Hypothesis Test Result

Dependent Variable: Y
 Method: ML - Binary Logit (Newton-Raphson / Marquardt steps)
 Date: 01/27/26 Time: 19:02
 Sample: 2022 2024
 Included observations: 180
 Convergence achieved after 4 iterations
 Coefficient covariance computed using observed Hessian

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-11.94606	5.589422	-2.137263	0.0326
X1	0.731849	0.282097	2.594321	0.0095
X2	-0.207578	0.238241	-0.871293	0.3836
X3	-0.667670	0.766374	-0.871206	0.3836

McFadden R-squared	0.094783	Mean dependent var	0.894444
S.D. dependent var	0.308125	S.E. of regression	0.293099
Akaike info criterion	0.654780	Sum squared resid	15.11963
Schwarz criterion	0.725735	Log likelihood	-54.93020
Hannan-Quinn criter.	0.683549	Deviance	109.8604
Restr. deviance	121.3636	Restr. log likelihood	-60.68179
LR statistic	11.50318	Avg. log likelihood	-0.305168
Prob(LR statistic)	0.009294		

Obs with Dep=0	19	Total obs	180
Obs with Dep=1	161		

Moderated Regression Analysis Result

Dependent Variable: Y

Method: ML - Binary Logit (Newton-Raphson / Marquardt steps)

Date: 01/27/26 Time: 19:20

Sample: 2022 2024

Included observations: 180

Convergence achieved after 5 iterations

Coefficient covariance computed using observed Hessian

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-100.4824	38.07749	-2.638891	0.0083
X1	5.195443	1.844935	2.816057	0.0049
X2	0.077734	1.573777	0.049393	0.9606
X3	-10.43358	3.949513	-2.641737	0.0082
Z	25.46684	11.68473	2.179498	0.0293
X1Z	-1.280149	0.560340	-2.284593	0.0223
X2Z	-0.038136	0.478912	-0.079630	0.9365
X3Z	2.817722	1.153797	2.442129	0.0146
McFadden R-squared	0.176728	Mean dependent var	0.894444	
S.D. dependent var	0.308125	S.E. of regression	0.284185	
Akaike info criterion	0.643973	Sum squared resid	13.89096	
Schwarz criterion	0.785883	Log likelihood	-49.95761	
Hannan-Quinn criter.	0.701511	Deviance	99.91521	
Restr. deviance	121.3636	Restr. log likelihood	-60.68179	
LR statistic	21.44836	Avg. log likelihood	-0.277542	
Prob(LR statistic)	0.003160			
Obs with Dep=0	19	Total obs	180	
Obs with Dep=1	161			

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