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The Determinants of Audit Quality with Audit Committee as a Moderating Variable

Theresia Florentina[1], Temy Setiawan[2*], Danu Pradipta Putra[3], Kezia Josephine[4]

[1,2,3,4] Faculty of Social Sciences and Humanities, Accounting Study Program, Universitas Bunda Mulia Indonesia.

KEYWORDS: Audit quality, audit fees, audit tenure, company size, audit committee.

Corresponding Author:
Temy Setiawan

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ABSTRACT

This study aims to examine the effect of audit fees, audit tenure, and company size on audit quality, with the audit committee as a moderating variable in property companies listed on the Indonesia Stock Exchange during the 2023 - 2025 period. This study used a quantitative approach with secondary data obtained from company annual reports. The sample was selected using a purposive sampling technique, resulting in 174 data observations for analysis. The results indicate that audit fees and company size have a positive and significant effect on audit quality, while audit tenure has no significant effect. Simultaneously, all variables in the model have a significant effect on audit quality. Furthermore, the audit committee was unable to moderate the relationship between audit fees, audit tenure, and company size on audit quality. These findings suggest that audit quality is determined more by audit fees and company characteristics than by the length of the auditor-client relationship or audit committee oversight.

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INTRODUCTION

Audit quality plays a critical role in ensuring that a company's financial statements are presented fairly, accurately, and in accordance with applicable accounting and auditing standards. High audit quality reflects the auditor's competence and independence in detecting and reporting material misstatements, including potential fraudulent activity, thereby enhancing the credibility and reliability of financial information (Cristie & Kurniawati, 2026; Falisah et al., 2025; Patricia et al., 2024). Through high-quality audits, stakeholders can obtain reliable information regarding the company's financial condition and use it as a basis for making informed economic decisions (Hivianto & Kurniawati, 2025; Yuliana & Minarso, 2025).

In recent years, audit quality in the property and real estate sector has become a concern. This is evident in PT PP Properti Tbk (PPRO) and PT Bliss Property Indonesia (POSA), which have faced dynamic performance and financial conditions in recent years, requiring auditors to be more careful in assessing the fairness of financial statements and the risk of material misstatement. This situation demonstrates the importance of audit quality in ensuring the reliability of the financial information presented by companies.

Audit fees are an indicator of the resources allocated by auditors to conduct audits. Increasing audit fees can improve audit quality. However, research findings show discrepancies, as higher audit fees do not always improve audit quality and can even decrease it (Ananda & Faisal, 2023; Averina & Hastuti, 2024). Audit tenure also has an inconsistent relationship with audit quality, because a longer engagement period can increase the auditor's understanding of the client's characteristics and risks, but also has the potential to reduce the auditor's independence and skepticism (Oktavia & Ermian Challen, 2022; Sugiono & Martajaya, 2026).

Company size is also considered to influence audit quality because larger companies tend to have better internal control systems and receive greater public and regulatory oversight, but this does not rule out the possibility of finding results. In this relationship, the audit committee can act as a governance mechanism that oversees audit quality (Azmi & Trisnawati, 2024; Intan et al., 2026; Putri & Estrini, 2024; Widjaja et al., 2026).

Therefore, this study aims to analyze the influence of audit fees, audit tenure, and company size on audit quality and examine the

role of the audit committee as a moderating variable. This research is expected to provide academic benefits, such as increasing insight and serving as a reference for further research, and practical benefits, such as providing information and considerations for companies, auditors, and related parties in improving audit quality and maintaining the reliability of financial reports.

LITERATURE REVIEW

Agency Theory

Agency theory was first proposed by Jensen and Meckling (1976), who explained the contractual relationship between the agent, the company owner, and the party authorized to manage the company. Differing interests and information asymmetry between the two parties can lead to agency conflicts, necessitating a monitoring mechanism to reduce opportunistic management behavior and increase information transparency. One such mechanism is the external audit, where an independent auditor acts as a third party, providing assurance on the fairness of financial reports and helping to reduce information gaps. Furthermore, the audit committee also serves as a monitoring mechanism by monitoring the financial reporting process, internal controls, and auditor independence (Al & Rochayatun, 2026; Christian Winardi et al., 2025; Danatungga et al., 2026; Tabsyir et al., 2025).

The Effect of Audit Fees on Audit Quality

The Influence of Audit Fees on Audit Quality The amount of audit fees can reflect the level of complexity, risk and resources required by the auditor in carrying out audit procedures(Ananda & Faisal, 2023). Higher audit fees allow auditors to perform more in-depth audit procedures, thereby improving audit quality (Averina & Hastuti, 2024). Thus, the higher the audit fee paid by a company, the higher the expected audit quality. Therefore, the research hypothesis is formulated as follows:

H1: Audit Fees have a positive effect on Audit Quality

The Effect of Audit Tenure on Audit Quality

Long audit tenure can enhance the auditor's understanding of the client's characteristics and operational activities, thus supporting more effective audit implementation. A longer relationship allows the auditor to gain more in-depth knowledge of the company's conditions and risks (Aini et al., 2024; Budiantoro et al., 2022). Thus, the longer the audit tenure, the higher the resulting audit quality. Therefore, the research hypothesis is formulated as follows:

H2: Audit Tenure has a positive effect on Audit Quality

The Effect of Company Size on Audit Quality

Companies typically require the services of more professional and independent auditors, as larger companies increase the complexity of their activities and the agency costs they face. Larger companies also have more data sources and a higher level of public scrutiny, which encourages them to achieve better audit quality (Aptafaiqna et al., 2026; Syah & Mayangsari, 2024). Thus, the larger the company size, the higher the resulting audit quality. Therefore, the research hypothesis is formulated as follows:

H3: Company Size has a positive effect on Audit Quality

The Moderating Effect of Audit Committees on Audit Quality

The audit committee acts as an oversight mechanism that ensures the appropriate use of audit fees to support quality audit implementation. Adequate audit fees enable auditors to provide more optimal procedures and data sources, while audit committee oversight ensures the audit process is running according to expected objectives (Al & Rochayatun, 2026; Normasyhuri & Natalelawati, 2022). Thus, the higher the audit fee supported by audit committee supervision, the higher the resulting audit quality, so the research hypothesis is formulated as follows:

H4: The Audit Committee strengthens the positive influence of Audit Fees on Audit Quality

The influence of the Audit Committee in moderating Audit Tenure on Audit Quality

The audit committee acts as a supervisory mechanism that can maintain auditor independence and increase the effectiveness of the audit process (Helmi et al., 2024). A longer audit tenure can enhance the auditor's understanding of the client's characteristics and operational activities, but it also has the potential to create closeness with management, which can reduce auditor independence. The existence of an audit committee can strengthen the auditor's oversight function, thereby enhancing the positive impact of audit tenure on audit quality (Normasyhuri & Natalelawati, 2022). Therefore, the stronger the audit committee's oversight, the stronger the positive influence of audit tenure on audit quality. Therefore, the research hypothesis is formulated as follows:

H5: The Audit Committee Strengthens the Positive Influence of Audit Tenure on Audit Quality

The Moderating Effect of the Audit Committee on Company Size on Audit Quality

A strong and effective audit committee can leverage the company's resources, expertise, structure, and governance to ensure a better audit process, resulting in higher audit quality. Large companies generally have complex operations, a broad business scope, and higher risk exposure. Therefore, adequate oversight mechanisms are needed to ensure the smooth running of the audit reporting process (Syah & Mayangsari, 2024). Thus, the stronger the audit committee's oversight, the stronger the positive influence of company size on audit quality. Therefore, the research hypothesis is formulated as follows:

H6: The Audit Committee strengthens the positive influence of Company Size on Audit Quality.

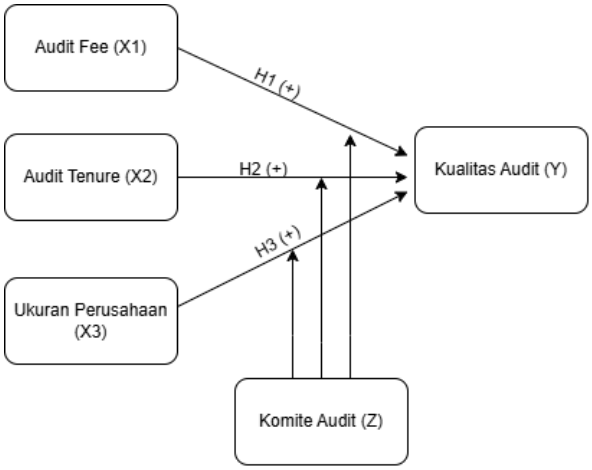


Figure 1. Research Method

RESEARCH METHOD

This study uses company data from property and real estate companies listed on the Indonesia Stock Exchange (IDX) for the period 2023-2025. Purposive sampling was used, selecting samples based on specific criteria, using secondary data obtained from the companies' annual reports and financial statements. The research data was processed using IBM SPSS Statistics 27 software. Data analysis techniques included descriptive statistics and Moderated Regression Analysis (MRA) using a durametric moderation model approach to examine the effect of independent variables on audit quality and the role of the audit committee in moderating this relationship.

Table 1: Operational

No.	Variable	Measurement
1	Audit Quality (Y)	1 = Local Public Accounting Firm 2 = Regional Public Accounting Firm 3 = Internationally Affiliated Non-Big 4 Public Accounting 4 = Internationally Affiliated Big 4 Public Accounting
2	Audit Fee (X1)	Ln (*Audit fee*)
3	Audit Tenure (X2)	1 year for the first year and add 1 for subsequent years
4	Company Size (X3)	Ln (Total Aset)
5	Audit Committee (Z)	Number of Audit Committee Meetings

RESULTS

Table 1: Analysis Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Audit Fee	174	18,20	21,42	19,3971	,71947
Audit Tenure	174	1	3	1,82	,805
Ukuran Perusahaan	174	26,84	32,00	29,0855	,95624
Kualitas Audit	174	1	4	2,74	,942
Komite Audit	174	1	23	5,24	2,694
Valid N (listwise)	174				

The results of descriptive statistics show that this study uses 174 observations with a minimum value of 18.20, a maximum of 21.42, an average of 19.3971, and a standard deviation of 0.71947. A standard deviation that is much smaller than the average indicates that the company's audit fee is relatively homogeneous. Audit tenure has a minimum value of 1, a maximum of 3, an average of 1.82, and a standard deviation of 0.805, which means that the average company uses the services of the same auditor for about 2 years. Company size has a minimum value of 26.84, a maximum of 32.00, an average of 29.0855, and a standard deviation of 0.95624, which indicates that the company's size in the system is relatively uniform. Audit quality has a minimum value of 1 maximum 4 average of 2.74 and standard deviation of 0.942, the average is above the midpoint of the scale so that the audit quality

in the sample companies tends to be at the middle to upper level with sufficient variation between companies while the audit committee has a minimum value of 1 maximum 2 average of 5.24 and standard deviation of 2.694, a wide range and large standard deviation compared to other variables indicate that there are quite striking differences in audit committee meetings between companies.

Table 2 t-Test Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-6,541	2,854		-2,292	,023		
	Audit Fee awal	,242	,099	,185	2,450	,015	,961	1,040
	Audit Tenure awal	-,101	,087	-,086	-1,151	,251	,977	1,024
	Ukuran Perusahaan awal	,163	,078	,165	2,088	,038	,873	1,146
	Komite Audit awal	,012	,038	,035	,320	,750	,456	2,194
	X1Z	-,155	,096	-,129	-1,607	,110	,852	1,173
	X2Z	-,042	,075	-,042	-,553	,581	,961	1,041
	X3Z	,028	,129	,023	,217	,828	,492	2,031

a. Dependent Variable: Kualitas Audit awal

The t-test results in the table show that not all tested variables have a significant influence on audit quality. Audit fees have a significant positive influence on audit quality with a β coefficient of 0.242 and a Sig of 0.015 (<0.05) so that the hypothesis related to audit fees is accepted. This finding illustrates that the higher the audit fee paid, the more optimal the audit procedures carried out by the auditor so that audit quality also increases. Company size also has a significant positive influence with a β coefficient of 0.163 and a Sig of 0.038 (<0.05). So the hypothesis related to company size is accepted, this suggests that large-scale companies that have more complex operations and higher demands for transparency tend to start with better quality. In contrast to the two variables, audit tenure does not have a significant influence with a β coefficient of -0.101 and a Sig value of 0.251 (>0.05) so that the hypothesis related to audit tenure is rejected. The audit committee as an independent variable also did not have a significant effect on the moderation test of the three interaction variables, namely X1Z (sig. 0.110), X2Z (sig. 0.581), and X3Z (sig. 0.828), all of which were insignificant. Thus, the audit committee was unable to strengthen or weaken the relationship between audit fees, audit tenure, and company size on audit quality, so the moderation hypothesis was rejected.

Tabel 3 F-Test Analysis

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14,299	7	2,043	2,438	,021[b]
	Residual	139,063	166	,838		
	Total	153,362	173			

a. Dependent Variable: Kualitas Audit awal

b. Predictors: (Constant), X3Z, Audit Fee, Ukuran Perusahaan, Audit Tenure, X2Z, X1Z, Komite Audit

The data processing results showed a value of 2.438 with a significance level of 0.021, which is below the 0.05 threshold. This finding indicates that the combination of independent, moderating, and interaction variables in the model has a significant impact on audit quality. Therefore, the regression model used in this study is deemed fit and able to explain the relationship between independent variables and audit quality in property and real estate companies.

CONCLUSION

Based on the research results, audit fees have been shown to have a positive and significant effect on audit quality. This means that the higher the audit fee paid by a company, the better the audit quality, as auditors have more time and resources to perform audit procedures. Company size also has a positive and significant effect, indicating that larger companies with more complex operations

and higher demands for transparency tend to initially have better audit quality. Conversely, audit tenure has no significant effect on audit quality, and the audit committee is also unable to moderate the relationship between audit fees, audit tenure, and company size with audit quality. These findings indicate that audit quality is determined more by audit fees and company characteristics than by the length of the relationship with the auditor/internal oversight mechanisms. This study has several limitations. Many factors outside the model influence audit quality. The sample size is limited to companies in the property and real estate sector during a specific period, so the results may not be generalizable to other sectors. Therefore, companies are advised to establish a reasonable theory and evaluate the effectiveness of their audit committees, while maintaining professional independence. Investors can consider the amount of audit fees and company size as supporting information in assessing the reliability of financial reports. Further researchers are advised to add other variables, use different audit quality proxies, and expand the sample and observation period.

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