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AUDIT QUALITY: FEES, TENURE, AND THE ROLE OF FIRM SIZE MODERATION

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Abstract**:** *The audit aims to assurance of financial statements made by management. Agency theory states that management as a party that has more information than the principal is considered able to carry out moral hazard actions. Therefore, the audit results can be used by the principal to help assess the performance of the agent. The audit results are also considered as a positive information signal for the financial statements.* Audit quality can be positive information for shareholders regarding management performance and integrity. Therefore, This study *is credited with determining the influence of audit fees and tenure audits on audit quality by moderating by company size. The research uses a positive paradigm quantitative method. The research population is real estate companies listed on the IDX in 2018-2023, a total of 85 sampling techniques using purposive sampling, a sample of 45 was obtained with 225 observation data. Data analysis uses logistic regression. The results showed that audit fees had a positive effect on audit quality, audit tenure had no effect on audit quality and company size did not modify the influence of audit fees on audit quality and did not moderate the influence of audit tenure on audit quality. Quality audits can be the basis for decisions to assess management performance and reduce conflicts of interest.*
Keywords : Audit Fee, Audit Tenure, Audit Quality, and Company Size

INTRODUCTION

Financial reports are a communication tool between management and its stakeholders, and contain information regarding the amount of assets, liabilities, equity, and notes to the financial reports (Muslim et al., 2020). However, financial statements prepared by management have risks of bias, error, or manipulation. Agency theory explains that management has more information related to the company than principals, so it is feared that moral hazard will occur (Jensen & Meckling, 1976; Stoelhorst & Vishwanathan, 2024). Overcoming this asymmetry requires an independent third party to check and verify the accuracy of financial statements through audits of financial statements. The opinion of the independent auditor is believed to add credibility and quality to financial statements. A quality audit should produce a trustworthy audit opinion. Quality audits can also be measured by the type of public accounting firm (KAP) (Sitohang & Susiani, 2023). KAP affiliated with the Big Four are considered more qualified, professional, and independent (Kim et al., 2024). However, in some cases, a lack of audit quality can lead to inaccurate or erroneous audit opinions and ultimately harm stakeholders such as investors, creditors, and regulators. The phenomenon of failure in auditing financial statements carried out by KAP big4 is the case of Delloite and SNP Finance audits. KAP Satrio, Bing, Eny, and Partners affiliated with KAP Bigfour Deloitte received sanctions from the Ministry of Finance due to the absence of skepticism in auditing SNP Finance, so that the opinions that had been generated were canceled by the Ministry of Finance. (OJK, 2018). Another case includes the modification of financial statements, namely PT Bank Bukopin, where PT Bank Bukopin Tbk revised its financial statements in 2016. The scandal case shows that auditor violations have exceeded the limit, where the auditor has not provided an opinion in accordance with the actual conditions, the auditor's failure to detect fraud, and the lack of ability of the auditor to meet the qualifications of auditing standards, so the quality of the audit has decreased (Ardhityanto, 2020). In addition, audit failures also occurred in Kasner Sirumapea Public Accountant, which is indicated to have made a misstatement in the recognition of revenue from the cooperation agreement (PT Garuda Indonesia, Tbk) with PT Mahata Aero Teknologi, which is inconsistent with accounting standards. However, KAP Tanubrata, Sutanto, Fahmi, Bambang, and Rekan failed to detect misstatements or issue an unqualified opinion. This has the potential to have a significant impact on error/bias of opinion in an Independent Auditor's report. Opinion bias can cause investor loss and damage the integrity of financial statements.

Agency theory explains that audit costs are a form of agency cost that becomes a "bridge" to overcome the asymmetry of principal and agent information. The higher the quality of a financial audit report, the narrower the information gap and the reduction in agency conflicts that may occur. Signal theory also states that a quality audit can be a positive signal for a company. However, not all managers conduct budget audits. Audit fees can improve audit quality. Large audit fees will expand the scope of audit procedures and involve more competent auditors, which increases the likelihood of finding various frauds and improves the credibility and quality of financial statements (Puspaningsih & Syarifa, 2021; Tonekaboni et al., 2022). The opposite results show that the size of the audit fee has a negative effect on audit quality (Carson et al., 2022; Hossain & Wang, 2023) because the audit fee is the result of an agreement between the auditor and the auditee, so it does not determine the scope or independence of the audit. The longer the audit engagement, the more the auditor understands the client's business environment and finds it easier to find the client's gaps/weaknesses. However, the longer the audit engagement, the lower the quality, because it reduces the independence of the auditor.

The results of previous studies by Puspaningsih and Syarifa (2021), Tonekaboni et al. (2022), and Hossain and Wang (2023) are still inconsistent, so further explanation of the variables studied is needed. This study adds the novelty of company size as a moderating variable. Large-scale companies have more resources and disclose more information than small companies do, so the audits carried out are believed to be of higher quality because of their ability to pay for professional services. Agency conflicts for large-scale companies are believed to be more complex than those for small-scale companies, so the supervision or rules provided force the use of auditors with certain criteria compared to small companies. This research provides empirical evidence for the development of type two agency theory with management and agent conflicts of interest.

THEORETICAL FRAMEWORK AND HYPOTHESES

Agency Theory

Jensen and Meckling (1976) define agency theory as a contract/agreement between the company owner (principal) and the manager (agent) to carry out tasks or interests involving various parties in decision-making. Agency theory has been proven for various agency conflicts in business. Management, as the driver of the company, is considered to have more information about the company than the principal, as the owner of capital. Information asymmetry is feared to cause moral hazard management, so a third party is needed to bridge the principal-agent conflict of interest. An audit is a form of agency cost that can reduce conflicts of interest because it increases transparency and ensures that management acts in accordance with shareholders' interests (Indriani & Hariadi, 2021). An audit as a process with a systematic form to collect and evaluate evidence objectively (Normasyhuri et al., 2022) can prove that management performance is in accordance with the agreement. Mauliana and Laksito (2021) stated that audit quality refers to the level of confidence that audited financial statements are free from material errors and are presented in accordance with generally accepted accounting principles. Good audit quality ensures that financial statements provide a true and fair view of a company's financial position, performance, and cash flows. A quality audit can help address issues arising from the principal-agent relationship, increase transparency, and ensure that management acts in the best interests of shareholders (Indriani & Hariadi, 2021).

Signaling Theory

Spence (1973) developed the signaling theory, which is the second theory in this study. Signaling theory has been proven in various businesses and countries. Information owners (companies) can provide signals in the form of positive or negative information that is useful for information recipients such as investors, creditors, and even the government (Bafera & Kleinert, 2023). Signals from the company are needed to prevent information asymmetry between the management and stakeholders (Conte et al., 2023). Information asymmetry can occur when company management provides more complete and detailed information than owners do. Uncertainty in management performance can be reduced by overcoming or preventing information asymmetry. According to Connelly et al. (2024), the two signals in the signal theory provided by the company include direct and indirect signal theories. Direct signals are theories sent by parties claiming to provide information of a certain quality such as management. In contrast, indirect signals are signals from third parties that support the truth of direct signals. Signals about a company can be good news or bad news. Investors use these signals to create a perspective on a company when making decisions. Signals regarding the company's economic results are an important consideration for every investor, while the company's nonfinancial performance is also one of the added values that every investor needs to pay attention to. For example, a company provides signals or information to investors through the quality of its audit. In this case, it provides added value. Information published by a company can be considered as good news and is expected to increase credibility. Company information is not only narrowly contained in the annual report but also in the audit report. The audit report reveals the company's performance and responsibility for economically worrying aspects and operational sustainability over a certain period (Alfiana et al., 2023).

Audit Quality

An audit is a process with a systematic form to collect and evaluate evidence objectively statements about various economic actions and events that aim to improve conformity with established criteria. Economic actions and events aim to improve conformity with established criteria, and are communicated to users and interested parties (Normasyhuri et al., 2022). Audit quality is the probability that an auditor finds and reports an error or fraud that occurs in a client's accounting system, reflected in KAP's commitment, independence, compliance with audit standards, audit control, auditor competence, auditor performance, acceptance and continuation of cooperation with clients, and professional care (Luvena et al., 2022). Audit quality refers to whether an auditor is able to detect misstatements and has a professional skeptical attitude. To properly and correctly detect misstatements, an auditor must have a good understanding of the industry type of his audit client. Audit quality can be proxied by KAP's reputation to assess the high and low quality of the audit (Lizara & Subiyanto, 2022).

Audit fees

Public accountants and accounting firms that provide their services are entitled to receive service fees based on their agreement. In the draft guidelines issued by the Indonesian Institute of Public Accountants (IAPI), the service fee policy is one of the indicators of audit quality at the KAP level within the scope of the audit engagement for financial statements. The IAPI issued Management Regulation Number 2 of 2016 concerning the Determination of Financial Statement Audit Service Fees, which clearly explains the determination of the value of service fees, method of determining service fees, and lower limit of audit service rates (Rizaldi et al., 2022). KAP members are not permitted to accept clients using fee offers that can damage the image of the profession as auditor (Susanto & Khairudin, 2024). Audit fees also affect audit quality, especially in the negotiation process between management and KAP regarding the amount of fees (Andriani et al., 2020). (Lailatul & Yanthi, 2021) stated that audit fees are money paid to fulfill the implementation of audit procedures according to Management Regulation Number 2 of 2016 concerning Determination of Compensation for Financial Statement Audit Services. This aims to ensure that auditors can fulfill audit engagements according to the code of ethics of professional standards and applicable legal provisions, KAP and Public Accountants deserve appropriate service fees (IAPI, 2016)

Audit Tenure

Audit Tenure is the Engagement Period (involvement) between the Public Accounting Firm (KAP) and the client regarding the agreed audit services or can also be interpreted as the number of years of the auditor and client relationship in audit engagement (Effendi & Ulhaq, 2021). Audit Tenure refers to the length of time the auditor has offered services to the client at the KAP. There may be problems with auditor independence and audit quality if the auditor becomes too close to the auditee during a long period of work with the client (Daoust and Malsch, 2020). Article 11, paragraph 1 of the revised Regulation Number 20 of 2015 of the Government of the Republic of Indonesia concerning Public Accounting Practices stipulates that a public accountant can only provide audit services on the financial records of an entity for a maximum of five consecutive financial years. The purpose of implementing this regulation is to reduce the auditor-client relationship that can lead to fraud (Heflin & Wallace, 2024). The length of the auditor's involvement is another factor that can affect audit quality. When an auditor and client work together for a long time, the auditor's objectivity and independence can be compromised. By providing independent confirmation of the financial statements provided by management, an audit increases confidence in financial information, thereby reducing investor information risk (Effendi & Ulhaq, 2021).

Company size

Company size refers to the various measures or parameters used to assess and measure the size, scale, or size of a company. Larger companies usually have more complex transactions, accounting, and financial reporting; therefore, the risk of errors and fraud is higher. In addition, large companies usually have a more complex organizational structure consisting of more than one branch, business unit, or subsidiary, which can be an audit because the auditor must examine the relationship between companies and ensure the accurate consolidation of financial statements (Lizara & Subiyanto, 2022). Large companies that have many resources and extensive experience are better at building good internal controls than small companies (Effendi & Ulhaq, 2021). Large companies are usually better able to handle financial problems than small companies because of the complexity of their operational controls and the higher possibility of agency conflicts. Consequently, a good audit quality is essential (Luvena et al. 2022). The existence of a good internal control system in a large company will improve the quality of the audit produced, and a good internal control system will provide convenience for auditors in obtaining the required information. On the other hand, a weak internal control system reduces the quality of the audit produced because the weakness of the internal control system makes the auditor work harder (Indriyani & Meini, 2021).

Audit fees and Audit Quality

Agency theory explains the contractual relationship between the management and company owners. This theory is related to the transaction cost theory in audit theory, and efforts to overcome information asymmetry between management and company owners are closely related to the cost of the audit process. Audit costs are part of reducing information asymmetry because the purpose of an audit is to ensure that the reports provided by management to internal companies and external parties are accurate and consistent. Quality is part of the professionalism component that must be maintained by professional public accountants. Independent means that public accountants must prioritize the interests of clients over their own interests or management in preparing audit financial reports (Kamal, 2023). According to audit theory, auditors must follow predetermined procedures to collect and evaluate evidence. Audit quality increases proportionally with the amount of evidence collected, which in turn increases audit costs owing to high procedural costs (Lailatul & Yanthi, 2021).

Based on a previous study by Mauliana and Laksito (2021), audit fees have a positive impact on audit quality, and the provision of high fees by companies for services provided by auditors automatically has a greater influence on the quality of the audit produced. These results are in line with the research by Indriani and Hariadi (2021), who state that audit fees have been proven to have a significant positive effect on audit quality. An increasing audit fee means that auditors can expand the scope and procedures of the audit so that the quality of the audit produced will be high. High fees can encourage auditors in their preparation to improve audit quality when they receive high compensation. High fees are also considered to be related to the auditor’s efforts to find sufficient evidence before giving opinions (Ayuni & Handayani, 2023).

H1: Audit fees have a positive effect on audit quality

Audit tenure and audit quality

Agency theory explains that a longer auditor's relationship with the client will result in higher audit quality because the auditor understands the client's business better (Affifah & Susilowati, 2021). Audit tenure affects audit quality because the auditor becomes less independent and honest due to the longer relationship between the auditor and the client. A shorter audit duration can result in higher audit quality (Fernandez et al., 2024). Audit tenure is related to the length of time an auditor or audit firm works with a client. An audit tenure that is too long can affect auditor independence, which has the potential to reduce audit quality because the auditor may become too familiar with the client. Conversely, too short an audit tenure may reduce the auditor's understanding of the client's business, which can also affect audit effectiveness. The closeness between the auditor and auditee in conducting an audit is only a routine, without updating the audit procedure strategy in the audit process. Therefore, there is no relationship between audit tenure and audit quality (Luvena et al., 2022).

According to Condrowati and Nursiam (2024), audit tenure has a positive effect on audit quality. The longer the auditor's tenure, the better is his/her understanding of the design of good audit procedures. This shows that the length of the relationship between the auditor and client affects audit quality based on the auditor's professionalism

and professional responsibility. The results are in line with those of Ananda and Faisal (2023), who stated that audit tenure has a positive effect on audit quality: the longer the auditor's tenure (audit tenure), the better the audit quality.
H2: Audit tenure has a positive effect on audit quality

Firm size moderates the effect of audit fees on audit quality

Agency theory states that the larger the company size, the more complex the transaction will be, so the auditor will need more time and the audit fee paid by the company will be higher. Buchori and Budiantoro (2019) explain that the relationship between company size and audit fees is very complex and can be influenced by many internal and external factors. Larger and more complex companies may require more detailed audits, resulting in higher fees. This is in accordance with agency theory, which states that greater transaction complexity causes the auditor to need more time and higher audit fees. Lizara and Subiyanto (2022) state that the more assets a company owns and manages, the larger is its size.

The larger the company, the less likely it is to pay attention to audit fees. Large companies tend to ignore the efficiency of their audit spending because they believe that their size and reputation are sufficient to provide quality assurance to shareholders and other parties. Therefore, company size may not be an effective moderating factor for the amount of audit fees relative to actual performance or needs. This can lead to a waste of resources and may also reduce audit quality because of the lack of incentives to reduce audit fees. The risk of fraud or material errors in financial statements tends to increase with an increase in company size. Auditors may need to perform more control work, which can increase audit costs (Behbahaninia, 2024).
H3: Firm size moderates the positive effect of audit fees on audit quality

Firm size moderates the effect of audit tenure on audit quality

According to agency theory, an impartial and independent auditor is needed to evaluate a company's financial statements to account for the performance of internal and external stakeholders (Mauliana & Laksito, 2021). The organization is a contractual network between the agent and the principal in terms of the agent's decision-making authority. Soroushyar 2023) states that company size is often associated with higher levels of operational complexity and risk; large companies tend to choose auditors who are more experienced in the financial statement audit process. Large companies tend to have more complex operational structures that require auditors to have a deep understanding of the company's business and industry. In the case of large companies, a longer audit tenure allows auditors to better understand this complexity, resulting in a higher-quality audit. However, auditors who work with one large client for too long can also face the risk of reduced independence due to a relationship that is too close.
H4: Firm size moderates the positive effect of audit tenure on audit quality.

RESEARCH METHODS

Research Design

The research paradigm used was a positive one with quantitative research. Data analysis was performed using logistic regression and MRA. Logistic regression was used in the study because dummy variables were used as the dependent variable. Logistic regression was used to determine the independent effect of the dependent variable. MRA was used to determine the role of moderation. This regression analysis method is suitable for research with categorical dependent variables (nominal or non-metric) and a combination of metric and non-metric variables as independent variables (Indriyani & Meini, 2021).

Data and Analysis

Secondary data were used in this study. The data comes from financial reports and annual reports of property and real estate sector companies in the period 2018-2023 listed on the Indonesia Stock Exchange (IDX) and can be accessed at www.idx.com or from the official website of each company. The method used in this study is quantitative, with descriptive statistical tests and analysis, logistic regression analysis, overall model fit, Goodness of Fit Test, Nagelkerke R Square, Classification Matrix, and hypothesis testing consisting of Omnibus Tests of Model Coefficients, Wald Test and Moderated Regression Analysis.

Population And Sample

The population of this study comprised all Property and Real Estate companies listed on the Indonesia Stock Exchange in the 2018-2023 period totaling 85. The sample selection method was carried out using purposive sampling to obtain a sample of 45 with 225 observation data points. The sampling criteria were as follows: (1) companies listed consecutively on the IDX during 2018-2023 and (2) publishing audited financial reports.

Variables And Measurements

Table 1. Summary of Operational Variables

Type of Variable	Name	Variable Definition	Measurement	Source of Data
Dependent	Audit Quality	Audit quality refers to the extent to which an audit meets relevant standards and expectations free from material errors (Ardhityanto, 2020).	measurement of audit quality with a dummy variable, namely giving a value of 1 if the KAP is Big Four, while a value of 0 will be given if the KAP is Non Big Four Indriyani & Meini, (2021)	Published Annual Reports from each company's website
Independent	Audit Fees	Audit fee is a reward/money received by the auditor from the client entity in connection with the provision of audit services (Lailatul & Yanthi, 2021).	LN (Fee) = Fee Audit Indriyani & Meini (2021)	Published Annual Reports from each company's website
	Audit tenure	Audit tenure is the time/period between the auditor and the client in providing audit services (Basworo et al., 2021; Mauliana & Laksito, 2021; Normasyhuri et al., 2022).	Audit tenure can be measured by calculating the number of years or audit periods that have elapsed since the audit firm first assumed audit responsibility for a particular client. (Ardhityanto, 2020).	Published Annual Reports from each company's website
Moderating	Firm Size	Company size is the scale of the company's size which can be classified based on one of them, total asset (Indriyani & Meini, 2021; Mauliana & Laksito, 2021)	Measured based on the total assets owned by the company (Mauliana & Laksito, 2021).	Published Annual Reports from each company's website

RESULT AND DISCUSSIONS

Descriptive Statistics

The sample data for audit fees (X1) show a minimum value of 17.50 PT. Jababeka Industrial Estate Tbk with an audit fee of 17,247,322,124 in 2019 and a maximum value of 33.35 at PT. Paza Indonesia Realty Tbk with an audit fee of 33,207,823,577,995 in 2019. From the 2018-2022 period, the mean value for audit fees at PT Modernland Realty Tbk was 23.4845, with an audit fee of 21,197,627,779 in 2020, and a standard deviation value of 3.97731. This indicates that there is little variation in the data and a very even distribution of the numbers because the mean is greater than the standard deviation.

The audit tenure sample data (X2) show a minimum value of 1.00 for PT Bekasi Asri Pemula Tbk with an audit relationship of less than three years, and a maximum value of 5.00 for PT Bumi Citra Permai Tbk with an audit relationship of more than three years. From the 2018-2022 period, the mean value for audit tenure is 4.1378, with a standard deviation value of 1.25130. This shows that the mean value is greater than the standard deviation value, so that the data deviation is low and the distribution of the values is relatively even.

The sample data for audit quality (Y) shows a minimum value of 0.00 for PT Agung Podomoro Land Tbk audited by KAP Non-big Four BDO Indonesia and ShineWings, and a maximum value of 1.00 for PT Hanson Internasional Tbk audited by KAP Big Four Ernst & Young. From the 2018-2022 period, the mean value for audit quality is 1.911, with a standard deviation value of 0.39405. This shows that the mean value is smaller than the standard deviation value, so the data deviation is low, and the distribution of the values is relatively even.

For the sample data of the company size (Z), the minimum value is 21.13, and the maximum value is 31.81 PT. Duta Pertiwi Tbk 322,185,012,261 in 2018, from the 2018-2022 period, the mean value is 26.4278, and the standard deviation value is 2.25491, which means that the mean value is greater than the standard value, so that the data deviation that occurs is low, so the distribution of the value is even.

Table 2. Descriptive Statistics

Variabel	Mean	Std.Dev	Min	Max
Fee Audit	23,4845	3, 97731	17,50	33,35
Tenure	4,1378	1, 25130	1,00	5,00
Kualitasaudit	1,911	0,39405	0,00	1,00
Ukuran	26,4276	2, 54951	21,13	31,81

Source: Data Process (2024)

Overall Model Fit

The overall test of the model is carried out based on knowing all the variables, from the independent variable (X), whether it is involved in the influence on the dependent variable (Y). Table 2 shows the initial -2 Log Likehood value at 221.082 > Chi-Squaretable 54.5722 which shows the hypothesis is accepted. The -2 Log Likelihood value is 219.524, which is smaller than the initial -2 Log Likelihood score of 221.082. An initial log-likelihood value greater than the final log-likelihood value indicated a decrease in the results. The results showing a decrease indicate that the hypothesized models matched the data. The decrease in the log-likelihood results shows that the regression model improves.

Table 3. Overall Model Fit

	-2 Log Likehood	Coefficient Constans
1	221,082	-1,236
2	219,528	-1,431
3	219,524	-1,443
4	219,524	-1,443

Source: Data Process (2024)

Goodnes Of Fit Test and Nagelker R Square

Based on Table 4, the significance value is 0.197, which means that the model can be said to be a fit because it has a significance value of > 0.05.

Table 4. Goodnes Of Fit Test and Nagelker R Square

Step	Df	Sig.	Cox & Snell R Square	Nagelker R Square
1	8	0,197	0,113	0,812

Source: Data Process (2024)

Based on Table 4, the Nagelkerker R Square value was 0.812. This indicates that the independent variables, namely audit fees, audit tenure, and company size, as moderation variables, affect the dependent variable, namely audit quality, by 18.2%. The remaining 81.2% were influenced by other variables outside this study.

Classification Matrix

This study concluded that the accuracy of the prediction was 79.6%. This prediction was considered good because it was close to 100%. Then as many as 182 samples are predicted to be audited by non-big Four KAP and as many as 43 samples are predicted to be audited by Big Four KAP

Table 5. Classification Matrix

			Predicted		
Observe			Audit Quality		
			KAP Non Big 4	KAP Big 4	Precentage Correct
Step 1	Audit Quality	Audited by Non Big 4 KAP	176	6	96,7
		Audited by Big 4 KAP	40	3	7,0
Overall Precentage					79,6

Source: Data Process (2024)

Omnibus Test Of Model Coefficients

The chi square value was 26.978, with a df of 3. Based on the table above, the significant value of the model is 0.000 < 0.05, so it can be concluded that audit fees and audit tenure simultaneously affect audit quality.

Table 6. Test Results f

		Chi-Square	Df	Sig.
Step 1	Step	26,978	3	0,000
	Block	26,978	3	0,000
	Model	26,978	3	0,000

Source: Data Process (2024)

Wald Test (Partial t)

Based on Table 7, the value of the audit fee was 9,564. The significance value was set at 0.002 < 0.05. It can be concluded that the first hypothesis is accepted, namely, that the audit fee variable affects audit quality. The increasing audit fees of a company will have an impact on the quality of audits. The value of Wald audit tenure was 0.201, with a significance of 0.654. > 0.05. Thus, the second hypothesis is rejected, and the audit tenure variable has no effect on audit quality. The auditor's engagement period or KAP in auditing financial statements does not affect the audit quality.

Table 7. Partial Test Results t

Variabel	B	S.E.	Wald	Df	Sig.	Decisions
Fee Audit	0,165	0,054	9,564	1	0,002	H1 accepted
Tenure	0,069	0,154	0,201	1	0,654	H2 rejected
Size	0,117	0,090	1,690	1	0,194	
Constant	-2,732	3,340	0,669	1	0,413	

Source: Data Process (2024)

Moderated Regression Analysis

The results of the SPSS output (Table 8) show that the influence of (Z) company size on Y on the first output, and the moderated influence ($Z*X_1$) on the second output, is not moderated (< 0.05%). The third hypothesis is rejected, and the size of the company proxied by total assets cannot moderate audit fees in terms of audit quality.

Table 8. Moderation Test 1

	B	S.E.	Wald	Sig.	Exp (B)
Audit Fee	0,202	0,041	24,175	0,000	1,224
Constant	-6,380	1,055	36,573	0,000	0,002
Audit Fee	0,159	0,052	9,564	0,002	1,173
Size	-0,113	0,089	1,587	0,208	0,893
Constant	-2,411	3,259	0,547	0,459	0,090
Audit Fee	0,189	0,708	0,071	0,790	1,208
Size	-0,083	0,707	0,014	0,906	0,920
Moderating	-0,001	0,029	0,002	0,967	0,999
Constant	-3,132	17,671	0,032	0,859	0,044

Source: Data Process (2024)

The results of the SPSS output in Table 9 show that the influence of (Z) company size on Y on the first output and the moderated influence ($Z*X_2$) on the second output have an effect (< 0.05%), and the size of the company cannot moderate the tenure audit on audit quality. The company size proxied by total assets has no moderating effect on audit quality.

DISCUSSION

Audit Fees And Audit Quality

The test results show that audit fees have a positive effect on audit quality. Audit fees are those paid by clients to auditors in return for the financial statement audit services provided. Agency theory states that the existence of information asymmetry between agents and principles causes clients to issue higher audit fees to pay for specialist auditor services in a particular industry to control moral hazard. The amount of fees paid to carry out the audit process increases audit quality, which can satisfy clients. The process incurs high costs, so the higher the audit fee, the wider the scope of the audit, which allows for a lot of evidence to be obtained, thereby increasing audit quality.

Table 9. Moderation Test 2

	B	S.E.	Wald	Sig.	Exp (B)
Tenure	-0,173	0,129	1,795	0,180	0,842
Constant	-0,743	1,539	1,900	0,168	0,476
Tenure	-0,042	0,139	0,093	0,760	0,959
Size	-0,280	0,077	13,174	0,000	0,756
Constant	-2,411	1,908	9,823	0,002	395,640
Tenure	0,712	1,477	0,232	0,630	0,491
Size	-0,389	0,254	2,348	0,125	0,678
Moderating	-0,027	0,059	0,206	0,650	1,027
Constant	-8,659	6,242	1,924	0,165	5759,648

Source: Data Process (2024)

The results of this study are in line with those of research conducted by Ardhityanto (2020), Ayuni and Handayani (2023), and Fauziyyah and Praptiningsih (2020), who stated that audit fees have a positive effect on audit quality. The higher the audit fee charged by the client company for audit services, the higher the quality of the audit. Mauliana and Laksito (2021) stated that the provision of high fees by companies for services provided by auditors has a greater influence on the quality of the audit produced. This is because high fees are needed to expand the audit implementation process and improve more detailed services so that they can detect information asymmetry.

The results are supported by 75% of the research sample that have high audit fees. This evidence can be seen from the results of descriptive statistics, which show that the average audit fee given by the company is Rp23,000,000,000 for one year of the contract. The Big Four KAPs have higher audit fees than non-Big Four KAPs. The Big Four audit results are considered to be of better quality than non-Big Four audit results.

Audit Tenure And Audit Quality

The test results show that audit tenure has no effect on audit quality. The results of this study are not in line with signal theory; the longer the engagement period, the lower the audit quality. The length of the engagement period will make the relationship between the auditor and client closer, which will result in decreased auditor independence. The closeness between the auditor and auditee does not always provide a bad signal to the audit results. Likewise, the short relationship between KAP, both Big Four and non-Big Four, and clients does not disrupt audit quality. This means that no matter how long the audit tenure is, it will produce the same audit quality regardless of which KAP conducts the audit process.

The results of this study are the same as those of Mauliana and Laksito (2021), Normasyhuri et al. (2022), and Rizaldi et al. (2022), who state that audit tenure has no influence on improving audit quality. The longer the engagement period, the lower the audit quality, because the auditors on assignment adhere to the correct code of ethics with audit implementation procedures and do not involve close relationships with their clients.

The results of the study are supported by sample data tested by researchers from 39 companies using the same audit for three consecutive years. Fortune Mate Indonesia Tbk, Jaya Real property Tbk, Metropolitan Kentjana Tbk, Maha Property Indonesia Tbk and Pakuwon Jati Tbk. Companies have an audit engagement period of three consecutive years, but audit quality is not specialized.

Moderating Effect

The test results show that company size does not moderate the effect of audit fees on audit quality. The results of this study are supported by research conducted by Sinaga et al. (2021), although large and small companies may have different audit fee structures. Other factors, such as the complexity of the financial statements, the level of company risk, and the auditor's reputation have a greater influence on audit fees than the size of the company itself. The audit fees given by the company are the result of an offer or negotiation between the KAP and the company. Large companies with stronger negotiating power receive lower audit fees than do small companies. The results of this study are supported by 99% of the sample data using four non-big KAPs, which shows that there were 44 samples using four big KAPs and 181 samples not using four non-big KAPs. The majority of large companies that can be said to be able to provide large audit fees tend to use non-big four KAPs in the financial statement audit process. The results of this study conclude that company size does not moderate audit fees on audit quality. PT Bakrieland Development is a property real estate company that is included in the line of small companies with an audit fee in 2018 of Rp20,850,346,997, while PT. Hanson Internasional Tbk, which is included in the line of large companies that have subsidiaries, has an audit fee in 2019 of Rp12,206,316,013. A low audit fee does not necessarily provide poor audit quality, and a high audit fee does not necessarily provide good audit quality. This is because the audit quality of financial statements audited by the Big Four KAP and non-Big Four KAP is the same.

The test results prove that company size does not moderate the effect of audit tenure on quality. The length of an auditor's engagement period is determined by the auditor's experience and reputation. Agency theory states that the larger the company, the higher are the potential costs between management and shareholders. This encourages shareholders to use a longer audit period as a control mechanism to monitor management and to ensure that they act for the sake of good audit quality. The results of the study are supported by sample data showing that 80% of the average audit engagement period is more than three years before conducting audit rotation in accordance with PP No. 20/2015 article 11 paragraph (1) explains that KAP (Public Accounting Firm) is not limited when conducting an audit of a company. However, this new regulation limits Public Accountants' performance. Public Accountants were allowed to conduct audits for five consecutive years. If a public accountant wants to conduct an audit, they must do (cut off) for two years (Luvena et al., 2022). The company size is not a reference for audit tenure. Audit tenure is a negotiation between the company and KAP because it has a different audit period determination strategy with the aim of ensuring a comprehensive audit regardless of the size of the company. The length of the audit period does not affect the quality of the financial statement audits conducted by the Big Four or non-Big Four KAP, because both KAPs provide good quality regardless of the duration of the audit period. PT. Maha Property Indonesia Tbk is a large real estate property sector company with an audit period of more than three years and is managed by the non-Big Four KAP Kanaka Purwadireja. Thus, large and small companies do not pay attention to KAP tenure, because the audit team is different for each assignment.

CONCLUSION

The results of hypothesis testing in the study of the influence of audit fees and tenure audits on audit quality with company size as a moderation variable stated that audit fees have a significant positive effect on audit quality, the greater the audit fee given will affect the audit quality of the company's financial statements. Tenure audits do not have a positive effect, and the auditor's involvement in auditing a company makes the auditor better able to understand the condition of the auditee's company so that the auditor knows if the auditor manipulates the financial statements. The size of the company cannot moderate the relationship between audit fees and audit quality, and the company does not determine the amount of audit fees provided by the company because the audit fees provided by the company are the result of an agreement from the offer given by KAP to the company. The company size does not moderate the influence of audit tenure on audit quality; the length of the auditor's engagement period is determined by the auditor's experience and reputation. Quality audits can be a signal of information to stakeholders regarding a company's condition. The existence of information asymmetry between agents and principles causes higher audit costs to pay for auditor services. Company management can use audit quality as a basis for decision making and business strategies related to fees and tenure in both large and small companies. Further research uses other measurements for size because using total assets on the Indonesia Stock Exchange is considered less appropriate for research on the Stock Exchange. Because the requirement for companies listed on the Stock Exchange is to use minimum total assets, it is certain that companies listed on the Stock Exchange have relatively large total assets; therefore, it tends to be difficult to distinguish between large and small companies.

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