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Audit Quality Audit Fee On Audit Risk

Ratu Munawarah [1]Enggar Diah Puspa Arum[2]

[1,2]University of Jambi

Email: ratumunawarah068@gmail.com

Abstract

This study is a Systematic Literature Review (SLR) of SINTA-indexed articles from 2023–2025 that discuss the relationship between audit quality, audit fees, and audit risk in Indonesia. Articles were collected through Google Scholar and the SINTA portal using selection and content analysis methods. The results indicate that audit fees have a positive effect on audit quality, but this relationship can change depending on the level of audit risk. Audit risk also acts as a moderating or mediating variable in improving audit effectiveness. This study highlights the limited number of studies that combine these three variables in a single research model.

Keywords: audit quality, audit fee, audit risk

INTRODUCTION

Audit quality is a crucial aspect in maintaining the credibility of a company's financial reports because it ensures that the reports are free from material misstatements and are credible to stakeholders (Siahaan, 2024). Auditors act as independent parties who provide objective assurance on the fairness of financial reports. Therefore, audit quality is a key indicator of the effectiveness of financial oversight systems in both the public and private sectors (Hartaty & Dianawati, 2024).

One factor often associated with audit quality is the audit fee. Audit fees reflect the compensation received by auditors for their professional services, which can also indicate the level of effort, time, and resources expended in the audit process (Yanti & Mediawati, 2023). Empirical studies show that higher audit fees, greater auditor commitment to producing a quality audit, as adequate fees allow for the use of expertise and more thorough audit procedures (Hartaty & Dianawati, 2024). However, several studies have

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found mixed results; excessively high audit fees can also create economic dependence between the auditor and the client, potentially compromising auditor independence (Wijaya et al., 2023).

Besides audit fees, audit risk is a significant factor influencing audit quality. Audit risk is the possibility that the auditor will issue an inappropriate opinion on financial statements containing material misstatements (Siahaan, 2024). High audit risk requires auditors to increase professional skepticism, expand audit procedures, and conduct more in-depth testing of audit evidence. If audit risk is not managed properly, audit quality can decline, even if audit fees are high (Poluan et al., 2025).

In the Indonesian context, the issue of audit quality is increasingly relevant due to the growing demand for transparency and good corporate governance. Regulations issued by the Indonesian Institute of Certified Public Accountants (IAPI) and the Financial Services Authority (OJK) also emphasize the importance of independence, competence, and audit quality control in maintaining the quality of financial reports (OJK, 2024). However, research that simultaneously combines audit fees, audit risk, and audit quality is still limited in Indonesia, particularly for the 2023–2025 period.

Several recent studies, such as Hartaty & Dianawati (2024), found a positive relationship between audit fees and audit quality, while Poluan et al. (2025) showed that financial distress —which represents client audit risk—can moderate this relationship. Meanwhile, Yanti & Mediawati (2023) emphasized that the relationship between audit fees and audit quality can differ depending on auditor independence and the size of the public accounting firm (KAP). Therefore, a systematic review is needed to map recent research findings, identify gaps in findings, and provide direction for further research on the relationship between audit fees, audit risk, and audit quality in Indonesia

SLR method

- **Inclusion criteria**:
  - Publication of empirical articles published between 2023, 2024, and 2025.
  - Journals indexed in SINTA (at least listed on the SINTA portal) or relevant reputable national journals.
  - Studies that focus on one or a combination of variables: audit quality, audit fees, audit risk (or related variables such as auditor competence, professional skepticism, independence, audit rotation, tenure, KAP size, client complexity).
  - Research context: companies in Indonesia or auditors/KAP in Indonesia.
- **Exclusion criteria**:

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- Non-empirical studies (conceptual, review only) unless they provide significant insights for the SLR.
- Studies that do not report empirical results for the targeted primary variables.
- Studies whose data period is far from the main timeframe (e.g. before 2018) if there is no recent analysis.

- **Data source**:
  - Google Scholar for journal searches.
  - SINTA Portal (to check journal indexation).
  - Search keywords: “audit fee”, “audit risk”, “audit quality”
- **Selection process**:
  1. Initial identification with keywords.
  2. Screening based on title and abstract to see if it meets the theme and time span.
  3. Eligibility: download full-text, check variables used, analysis methods, data period.
  4. Inclusion: finally included in the literature summary table.
- **Analysis techniques**:
  - Content analysis of each study: variables, research design (cross-sectional, panel, meta-analysis), variable measures (e.g. discretionary accruals as a proxy for audit quality), empirical results, implications.
  - Group studies based on the combination of variables: (1) audit fee → audit quality, (2) audit risk → audit quality, (3) audit fee + audit risk → audit quality.
  - Identify time trends, methods used, and identify research gaps.

Research result

No	Author & Year	Title	Research Focus	Method	Findings / Results
1	Eldi Puji Resza, Poppy Sofia Koeswayo, Sony Devano (2023) (Polgan Owner)	The Influence of Audit Fees and Audit Engagement Period on Audit Quality	Testing the influence of audit fees and audit tenure on audit quality. (Polgan Owner)	Quantitative, descriptive & verification approach; sample of 39 partners in a public accounting firm; multiple linear	Audit fees partially have a significant positive effect on audit quality; audit tenure has no effect partially; simultaneously, audit fees + audit

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No	Author & Year	Title	Research Focus	Method	Findings / Results
				regression analysis. (Polgan Owner)	tenure have a significant positive effect on audit quality. (Polgan Owner)
2	Yana Maulana, Dikdik Maulana, Jaka Maulana (2024) (ULBI Journal)	Audit Quality: Audit Fees and Public Accounting Firm Size	Testing the effect of audit fees and the size of the public accounting firm (KAP) on audit quality. (ULBI Journal)	Quantitative, secondary data from the financial reports of 78 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2021-2023 period; purposive sampling; multiple linear regression analysis. (ULBI Journal)	Audit fees do not affect audit quality; audit firm size does. (ULBI Journal)
3	Diana Puspitasari, Yeni Kuntari, Triani Triani (2023) (journal.widyamanggala.ac.id)	Analysis of Audit Quality Determinants of Public Accounting Firms (KAP) in Semarang City	Examining the influence of audit tenure, audit fees, professional ethics, and auditor competence on audit quality at Semarang City Public Accounting Firms. (journal.widyamanggala.ac.id)	Quantitative survey using a questionnaire; population of 80 Semarang Public Accounting Firm auditors; saturated sampling; multiple regression	Audit tenure and audit fees significantly influence audit quality; professional ethics and auditor competence do not. (journal.widyamanggala.ac.id)

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No	Author & Year	Title	Research Focus	Method	Findings / Results
				analysis. (journal.widyamanggala.ac.id)	
4	Thetty Surienty Rajagukguk (2023) (ejournal.polraf.ac.id)	The Influence of Audit Risk and Client Business Risk on Client Acceptance Decisions at Public Accounting Firms in Jakarta	Examining the influence of client business risk, audit risk, and auditor business risk on the client acceptance decision of a public accounting firm. (ejournal.polraf.ac.id)	Quantitative with questionnaire; KAP population in Jakarta; saturated sampling; multiple linear regression analysis. (ejournal.polraf.ac.id)	Client business risk has no significant effect on client acceptance decisions; auditor business risk has a negative effect on client acceptance decisions (higher auditor risk → lower client acceptance rate). (ejournal.polraf.ac.id)
5	Lilik Pujiati & Liya Rizkiyah (2023) (journal.laaroiba.com)	The Influence of Audit Opinion, Financial Distress, and Management Change on Auditor Switching: A Study of State-Owned Enterprises in 2020-2022	Examining the influence of audit opinions, financial distress, and management changes on auditor switching in state-owned companies. (journal.laaroiba.com)	Quantitative: Registered state-owned enterprises (SOEs) in 2020-2022, purposive sampling of 10 companies over 3 years; logistic regression analysis. (journal.laaroiba.com)	There is no significant influence of audit opinion, financial distress, and management turnover on auditor switching; R^2 value = 7.9% (other variables outside the study explain the remainder). (journal.laaroiba.com)

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No	Author & Year	Title	Research Focus	Method	Findings / Results
6	Ika Sasti Ferina & Dicky Pratama (2023) (Journal of Pasundan University)	THE EFFECT OF AUDITOR CHARACTERISTICS AND GENDER DIVERSITY ON FRAUD DETECTION	Analyzing the influence of auditor characteristics and gender diversity on the detection of financial statement fraud in mining companies listed on the Indonesian Stock Exchange (IDX) for the 2016-2020 period. (Journal of Pasundan University)	Quantitative, panel data from mining companies on the Indonesian Stock Exchange (IDX) for the 2016-2020 period, totaling 205 observations; panel data regression model. (Journal of Pasundan University)	Auditor independence and audit report lag have a positive effect on fraud detection; audit tenure and gender diversity have a negative effect on fraud detection; auditor rotation, auditor industry specialization, and audit firm size have no significant effect. (Journal of Pasundan University)

Based on the literature selection using the PRISMA inclusion criteria, six relevant articles were obtained, published in the 2023–2024 period, all from SINTA-indexed journals. The main focus of this research is the relationship between audit fees, audit risk, audit quality, and other factors such as audit tenure, public accounting firm (KAP) size, and financial distress.

Most studies use a quantitative approach using multiple linear regression or logistic regression, while two studies employ a direct survey of auditors in public accounting firms. This indicates that current research is still dominated by quantitative empirical approaches based on secondary data from financial reports and auditor questionnaires.

Main findings per research variable

a. Audit Fees and Audit Quality

Three main studies (Resza et al., 2023; Maulana et al., 2024; Puspitasari et al., 2023) examined the relationship between audit fees and audit quality. Resza et al. (2023) found that audit fees have a significant positive effect on audit quality,

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meaning that the higher the audit fee, the greater the auditor's commitment to producing a quality audit. Puspitasari et al. (2023) supported this finding by demonstrating that audit fees and audit tenure significantly influenced audit quality at Semarang Public Accounting Firms. However, Maulana et al. (2024) showed different results—audit fees had no effect on audit quality, but Public Accounting Firm size had a significant positive effect.

Synthesis: These differences in results suggest that the effect of audit fees on audit quality is not consistent across research contexts. Factors such as accounting firm size and auditor reputation may be variables that strengthen or weaken the effect of audit fees on audit quality.

b. Audit Tenure and Audit Quality

Two studies (Resza et al., 2023; Puspitasari et al., 2023) examined audit tenure as an independent variable.

The results show that audit tenure has no partial effect on audit quality (Resza et al., 2023), while Puspitasari et al. (2023) found a significant positive effect. This indicates that the length of the auditor's working relationship with the client can improve the auditor's understanding of the client's business risks, but if it is too long, it can pose a threat to independence.

c. Audit Risk and Client Business Risk

Rajagukguk's (2023) research specifically examined audit risk and client business risk on client acceptance decisions by public accounting firms in Jakarta. The results showed that auditor business risk negatively influenced client acceptance decisions. This means that the higher the auditor's risk in accepting a new client, the less likely the auditor is to accept a new audit assignment. This finding is relevant to illustrating how audit risk influences auditors' strategic decisions, which indirectly impacts long-term audit quality.

d. Financial Distress and Audit Opinion

Pujiati & Rizkiyah's (2023) study examined the relationship between audit opinion, financial distress, and management turnover and auditor switching in state-owned enterprises. The results showed no significant influence of these three variables on auditor switching decisions. Financial distress can be an indicator of audit risk, but in the context of state-owned enterprises, regulatory factors and internal policies appear to outweigh financial risk considerations.

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e. Auditor Characteristics and Fraud Detection

Ferina & Pratama's (2023) research expands the dimensions of audit risk by examining auditor characteristics and their impact on fraud detection in the mining sector. The results show that auditor independence and audit report lag have a positive effect on fraud detection, while audit tenure and gender diversity have a negative effect. This study confirms that auditor personal dimensions and the work environment also influence audit risk and the ability to detect irregularities in audits.

DISCUSSION AND IMPLICATIONS

The Relationship Between Audit Fees and Audit Quality

Most research findings indicate that audit fees have a positive effect on audit quality (Resza et al., 2023; Puspitasari et al., 2023). This supports the theory that adequate audit fees enable auditors to devote more resources, time, and professional expertise to the audit process. Auditors with appropriate compensation tend to have higher motivation and capacity to perform audit procedures thoroughly (Hartaty & Dianawati, 2024). However, Maulana et al. (2024) found that audit fees had no significant effect on audit quality. This may be due to variations in client complexity and different audit firm policies in establishing audit fee structures. Large audit firms (the Big Four) tend to maintain a reputation for high quality standards even though fees are not always high, while smaller audit firms are more sensitive to audit fees. Implications: The relationship between audit fees and audit quality appears to be contextual, dependent on the size and reputation of the public accounting firm, as well as the auditor's independence from the client.

The Role of Audit Risk in Audit Practice

Rajagukguk's (2023) research shows that auditor business risk negatively influences client acceptance decisions, indicating that auditors are more cautious in accepting high-risk clients. These results emphasize the importance of risk management in maintaining independence and audit quality. Auditors with a high risk perception will be more selective in determining audit assignments to avoid potential material misstatements. Furthermore, Ferina & Pratama's (2023) study broadens the understanding of audit risk by emphasizing auditor characteristics such as independence, experience, and gender diversity in their ability to detect fraud. Their findings indicate that independent and experienced auditors are better able to identify indications of fraud, thereby reducing audit risk. Implications: Audit risk is influenced not only by the client's financial condition but also by the auditor's individual characteristics and the firm's strategic decisions. This

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emphasizes the importance of strengthening ethics and professional training for auditors in Indonesia.

Audit Tenure and Auditor Independence

Audit tenure, or the length of the audit engagement, has shown varying results. Puspitasari et al. (2023) stated that audit tenure has a positive effect on audit quality because auditors who have worked with a client for a long time have a better understanding of the business system and the risks faced. Conversely, Resza et al. (2023) found no significant effect, indicating that long-term relationships do not always guarantee improved audit quality. Implications: These findings reinforce the view that the duration of the auditor-client relationship must be balanced with a periodic auditor rotation policy to maintain objectivity and independence, as regulated by the Financial Services Authority (OJK) (2024).

Organizational Factors and Institutional Context

Research by Pujiati & Rizkiyah (2023) shows that financial distress and audit opinion have no effect on auditor switching in state-owned enterprises. This suggests that in state-owned enterprises, internal policy and regulatory factors are more dominant than purely economic factors. The strong institutional context in the public sector can limit the flexibility of auditors and management in deciding to switch auditors. Implications: Future research should differentiate between the company context (state-owned vs. private) because the regulatory environment influences the relationship between audit risk and audit quality.

CONCLUSION

This SLR confirms that audit fees, audit risk, and audit tenure are key determinants of audit quality, but the strength and direction of their influence are highly dependent on the organizational context and auditor characteristics. Adequate audit fees can improve audit quality because auditors have sufficient resources and time to perform thorough audit procedures. However, in certain situations, excessively high fees can actually create economic dependence on the client, thereby reducing auditor independence. This suggests that the relationship between audit fees and audit quality is not linear, but rather influenced by auditor integrity, the size of the audit firm, and internal oversight mechanisms.

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Meanwhile, audit risk plays a crucial role as a controlling factor determining the depth of audit procedures and the auditor's level of professional skepticism. Auditors facing high-risk clients tend to conduct more thorough audits, but if this risk is not offset by increased fees and resources, audit quality can decline. Similarly, audit tenure has a dual impact: a longer auditor relationship with a client can enhance understanding of the client's system, but it can also potentially diminish auditor objectivity if there is inadequate rotation.

The differences in research results found in this SLR indicate that the relationship between these three variables is unstable and remains contextual. Factors such as accounting firm size, client company complexity, auditor independence, and the regulatory environment can strengthen or weaken the relationship between the variables. Therefore, future research is recommended to develop an integrative and multidimensional model that includes audit risk as a moderating or mediating variable, and consider a longitudinal approach to understand the long-term influence of audit fees, audit risk, and audit quality across various industrial sectors in Indonesia.

Suggestion

Based on the results of the systematic study and the conclusions obtained, several suggestions can be given as follows:

1. For Further Researchers

   It is recommended to develop a more comprehensive and integrative research model by incorporating audit risk as a moderating or mediating variable in the relationship between audit fees and audit quality. Furthermore, future research should employ a longitudinal approach to capture the dynamics of long-term relationships between auditors and clients. Research could also expand the context to various industry sectors, including the public sector and non-financial companies, to strengthen the generalizability of the results.
2. For Practitioners and Public Accounting Firms (KAP)

   Public accounting firms need to establish audit fee structures commensurate with the client's risk level and complexity to ensure that audit quality is not compromised by cost pressures. Furthermore, regular auditor rotation must be consistently enforced to maintain independence. Ongoing training in risk-based auditing and strengthening professional ethics are also crucial for auditors to balance economic pressures with their professional responsibilities.

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3. For Regulators and Policy Makers (OJK and IAPI)

   Regulators are expected to strengthen transparency policies regarding the disclosure of audit fee components and audit risk assessments in public accounting firms' annual reports. Stricter oversight of auditor independence and the implementation of internal quality control systems at each public accounting firm also need to be strengthened. Furthermore, support for audit digitalization through technology-based reporting and analysis systems will help improve the effectiveness of oversight and accountability of the auditing profession in Indonesia.

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