

The Effect of Audit Tenure, Audit Committee, Audit Rotation, and Audit Fee on Audit Quality Based on the Literature Review of Two Journals Indexed by Sinta in 2021 and 2023

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ABSTRACT

This study explores the impact of key variables namely audit tenure, the presence of audit committees, audit rotation, and audit fees on the quality of audits. Utilizing a descriptive method with a qualitative lens, the analysis draws upon findings from two Sinta-indexed journals published in 2021 and 2023. The review reveals that prolonged audit tenure may negatively affect audit quality, while the role of an active audit committee appears to enhance it. Interestingly, divergent perspectives emerge between the two journals concerning audit rotation and audit fees. One journal suggests that audit rotation does not significantly influence audit quality, whereas the other indicates a detrimental effect. Similarly, while one source argues that higher audit fees could potentially improve audit quality, the other finds no meaningful relationship between audit fee levels and audit quality. These contrasting interpretations highlight the nuanced and sometimes conflicting views within academic literature. Overall, the study offers critical reflections for auditors, scholars, and regulatory bodies seeking to better understand the multifaceted nature of factors shaping audit quality.

Keywords: Audit Tenure, Audit Committee, Audit Rotation, Audit Fee, Audit Quality

INTRODUCTION

Quality audits are essential for fostering corporate transparency and reinforcing accountability. When conducted independently and professionally, audits provide a comprehensive evaluation of a company's financial records, which significantly boosts stakeholder confidence in the credibility and clarity of reported information (1). Several elements influence audit quality, including audit tenure, the presence of an effective audit committee, auditor rotation, and the structure of audit fees. High-quality audits have the capacity to uncover discrepancies and potential misstatements in financial reporting systems (2).

Achieving consistent audit quality requires strict adherence to auditing principles, ethical standards, and regulatory frameworks.

Auditors must remain independent and uphold professional conduct throughout the engagement (3). The International Standards on Auditing (ISA), developed by the International Auditing and Assurance Standards Board (IAASB), provide a global benchmark that guides Public Accounting Firms (PAFs) in enhancing the integrity and effectiveness of their audit practices (4).

Reliable and precise audit outcomes are critical for producing trustworthy financial statements (5). In today's competitive environment, the sustainability of PAFs hinges on their ability to attract clients while preserving a strong reputation built on credibility and ethical performance (6). Gaining public trust and investor confidence is a strategic priority for any business, and robust financial reporting underpinned by

quality audits plays a vital role in achieving this (7).

Audits serve as a mechanism to enhance the relevance and reliability of financial information. They validate the accuracy of disclosures, helping shareholders and other stakeholders assess organizational performance more effectively. As audit quality improves, so does the perceived reliability of financial reports, reinforcing user trust in the data presented (8).

Audit tenure is a metric that shows how long PAF has been working with its clients in the audit process (9). A long-term relationship between auditors and auditees has the potential to undermine the independence of auditors, so that auditors risk losing their objectivity in the audit process which affects audit quality (10). On the other hand, even overly brief relationships have negative consequences, as auditors do not have enough time to deeply understand the scope and complexity of the company. It is important to maintain a balance in the relationship between auditors and auditors, where the auditor maintains his independence and has enough time to conduct a thorough audit. There are differing findings regarding the effect of the audit period on audit quality (11). Audit tenure has a significant influence on audit quality (12). Audit tenure does not have a significant impact on audit quality (13). This difference in findings shows that there is still uncertainty regarding the relationship between audit tenure and audit quality (14).

The audit committee has an important role in supervising and evaluating the effectiveness of the implementation of external audits by internal auditors and Public Accounting Firms (PAF). The more frequently the audit committee meets, the better the audit performance and quality (15). Audit meetings allow the audit committee to discuss with internal auditors and PAF about the audit process, audit findings and risks faced by the company. Open discussion and communication during audit meetings can help improve audit quality and ensure that all important aspects are considered. The research findings suggest that the frequency of audit committee meetings does not significantly impact audit quality (16). These differences in findings indicate that there is still uncertainty about the effectiveness of audit committee meetings (17).

Audit rotation is one of the efforts to maintain audit quality and increase confidence in financial statements. In Indonesia, regulations limit the duration of partnerships between Public Accounting Firms (PAF) and clients in the audit process to maintain the independence of auditors (18). Based on the Regulation of the Minister of Finance of the Republic of Indonesia Number 17/PMK.01/2008, PAF is only allowed to audit the company's financial statements consecutively for a maximum of 6 years, while public accountants can only audit for a maximum of 3 consecutive years. This aims to maintain the independence and objectivity of auditors in the audit process. The rotation of

the PAF has a significant impact on audit quality (19). Regular replacement of PAF has been proven to improve the quality of the company's financial statement audits. Conversely, studies indicate that the rotation of public accountants does not significantly affect audit quality (20). Although there are inconsistencies in the findings of the study regarding the impact of public accountant rotation, periodic rotation of PAF is still recommended (21).

Audit fees are payments received by auditors in exchange for their services in auditing the company's financial statements (22). Negotiations between auditors and management regarding audit fees have the potential to reduce the quality of audit reports, there is a possibility of "reciprocal concessions" where auditors may give a softer audit opinion to get higher fees (23). There is a positive correlation between audit fees and audit quality, where an increase in audit fees paid by companies is followed by an increase in audit quality provided by auditors (24). However, in contrast to the findings that did not identify a significant relationship between audit fees and audit quality, this raises differing views regarding the influence of audit fees on audit quality (25).

Audit quality reflects the auditor's ability to identify and report material deviations in financial statements accurately, which is achieved by implementing appropriate and

relevant audit standards and public accountant codes of ethics (26).

This study will conduct an in-depth analysis of factors that have a significant impact on audit quality, by utilizing literature reviews from two Journals Indexed by Sinta in 2021 and 2023, as well as considering previous phenomena and research.

METHOD

The analysis in this study adopts a qualitative descriptive approach, grounded in an extensive literature review. This method provides a structured understanding of the research background, highlights the importance of the chosen topic, and explores the interrelationships among existing studies and scholarly perspectives. Through this review, the study identifies dominant themes, recurring concepts, and key contributors in the area of inquiry. It also helps in recognizing research gaps and formulating relevant questions for future investigation. For this purpose, the study refers to two peer-reviewed scientific articles indexed in the Sinta database, published in 2021 and 2023. The articles were selected after a careful screening process using Google Scholar, focusing on research discussing the impact of audit tenure, audit committee, audit rotation, and audit fees on audit quality (27).

RESULTS AND DISCUSSION

Here is a list of articles used:

Table 1: List of Journals Indexed by Sinta in 2021 and 2023 analyzed

No	Title	Author	Citations	Indexed
1.	Pengaruh Fee Audit, Komite Audit dan Rotasi Audit Terhadap Kualitas Audit	Ulfa Lailatul M Dwindi Yanthi (2021)	28 times	Sinta 4
	DOI: https://doi.org/10.26740/akunesa.v10n1.p35-45			
2.	Pengaruh Audit Tenure, Rotasi Audit, dan Fee Audit terhadap Kualitas Audit	Tasya Hervia Dewita Erinor NR (2023)	19 times	Sinta 4
	DOI: https://doi.org/10.24036/jea.v5i1.627			

Source: Processing result data

Based on the data presented in Table 1, the most cited article garnering 28 citations was published in a Sinta 4 journal under the title "The Influence of Audit Fees, Audit Committee, and Audit Rotation on Audit Quality." This study appeared in the Unesa Accounting Journal, Volume 10, Issue 1, in September 2021. The findings indicate that both audit fees and the presence of an audit committee have a significant positive effect on audit quality. Higher audit fees, particularly those paid to auditors with strong expertise, are often associated with more thorough and reliable audit outcomes, as expert auditors are better equipped to uncover critical issues during their examinations. These costs, generally borne by the client, reflect the value placed on quality assurance.

Additionally, the frequency of audit committee meetings was found to be a vital contributor to audit quality. Regular meetings allow the committee to perform its oversight duties more effectively, ensuring that financial reporting and internal control issues are addressed comprehensively. The study also finds that auditor rotation does not

inherently degrade audit quality. Rather, professional audit standards and ethical commitments act as safeguards that maintain quality despite personnel changes. As a result, audit quality remains consistent even when auditors are replaced periodically.

Another highly cited study cited 19 times was also published in a Sinta 4 journal, titled "The Effect of Audit Tenure, Audit Rotation, and Audit Fees on Audit Quality." This research was featured in the Journal of Accounting Exploration (JEA), Volume 5, Issue 1, February 2023, on pages 370–384. The study outlines several key findings:

[A] Audit tenure is negatively associated with audit quality. Prolonged relationships between auditors and clients may compromise auditor independence, potentially leading to biased judgments. Familiarity can blur the lines of objectivity, risking compliance with established auditing standards.

[B] Audit rotation, on the other hand, though often viewed with caution, is shown to enhance audit quality. By rotating auditors regularly, organizations introduce fresh perspectives and mitigate over-familiarity,

thus reinforcing objectivity and independence in the audit process.

[C] Audit fees, however, were found to have no significant influence on audit quality. The research suggests that the professionalism and ethical standards upheld by auditors ensure

consistent audit performance regardless of the fee amount. In essence, high audit fees do not necessarily correlate with higher audit quality, and quality must be assessed through broader evaluative criteria.

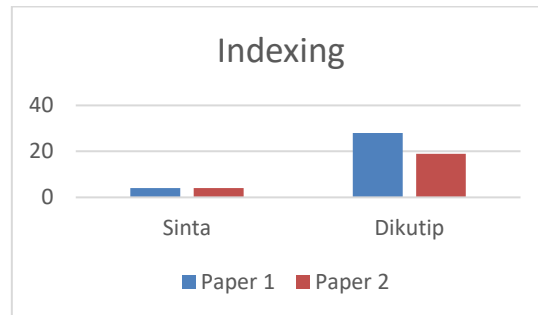


Figure 1: Sinta Indexing and Citation Count

Figure 1 shows that this research article is published in a Sinta 4-indexed journal. Journal 1 has been cited 28 times and journal 2 has

been cited 19 times in the context of the influence of audit tenure, audit committee, audit rotation, and audit fees on audit quality.

Table 2: Results of Research Article Discussion

No	Author	Title	Analysis Methods	Findings/Results
1.	Ulfa Lailatul M Dwinda Yanthi (2021)	Pengaruh Fee Audit, Komite Audit, dan Rotasi Audit Terhadap Kualitas Audit	Logistic Regression Test	<p>[A] A significant positive correlation was found between audit fees and audit quality. Higher fees often enable auditors to collect more thorough and comprehensive evidence, which leads to more accurate audit assessments. This reflects the idea that well-funded audits, supported by experienced professionals, tend to produce higher quality outcomes.</p> <p>[B] The audit committee was shown to positively impact audit quality. More frequent meetings of the committee contribute to stronger monitoring and improved governance, thereby enhancing the effectiveness of the audit process.</p> <p>[C] Audit rotation showed no significant impact on audit quality. Despite the change in personnel, auditors rely on established methodologies and ethical standards, which help maintain a consistent level of audit quality regardless of external or structural changes.</p>
2.	Tasya Hervia Dewita Erinos NR (2023)	Pengaruh Audit Tenure, Rotasi Audit, dan Fee Audit terhadap Kualitas Audit	Regression test logistics	<p>[A] Audit tenure was found to negatively affect audit quality. Prolonged engagement between auditors and clients can undermine auditor independence, leading to reduced professional skepticism and weaker audit outcomes. Extended tenures may also result in auditors becoming complacent, thereby compromising the effectiveness of audit strategies.</p> <p>[B] Audit rotation had a negative relationship with audit quality. Frequent rotation may hinder auditors' understanding</p>

No	Author	Title	Analysis Methods	Findings/Results
				<p>of client-specific risks, especially during transition periods, potentially diminishing audit performance. While rotation is aimed at preserving independence, excessive turnover can disrupt continuity and depth of analysis.</p> <p>[C] Audit fees had no notable impact on audit quality. Since fees are typically the result of mutual agreement based on workload complexity, time, expertise, and risk factors, their size does not necessarily reflect the diligence or integrity of the auditor. Therefore, high fees do not automatically equate to improved audit outcomes.</p>

The results presented in Table 2 indicate that audit tenure negatively influences audit quality. A prolonged audit engagement may foster closeness between the auditor and the client, which can undermine the auditor's objectivity. Such familiarity could lead to less critical assessment, oversight in audit procedures, and ultimately compromise the thoroughness of the audit process. Conversely, the presence of an active audit committee is shown to enhance audit quality. Specifically, more frequent audit committee meetings contribute to stronger oversight and improved audit performance. However, the impact of audit rotation and audit fees on audit quality reveals inconsistencies, with Journal 1 and Journal 2 offering differing conclusions on these variables.

CONCLUSION

A literature-based study examining the influence of audit tenure, audit committee, audit rotation, and audit fees on audit quality reveals contrasting findings, particularly concerning audit rotation and audit fees, between two academic journals. Journal 1 suggests that audit rotation does not

significantly impact audit quality, emphasizing that auditors operate within strict auditing standards and are guided by a strong professional code of ethics. These principles ensure that, despite changes in audit personnel, the quality of the audit remains consistent. The independence and objectivity of the auditor are preserved, allowing them to deliver reliable and accurate evaluations regardless of their tenure with a particular client. In contrast, Journal 2 argues that audit rotation negatively affects audit quality, citing the learning curve required for a newly appointed auditor to fully understand the client's business environment and risk profile. The initial lack of familiarity may lead to oversight or insufficiently supported conclusions. Although the primary intention of audit rotation is to prevent over-familiarity and reinforce auditor independence, excessively frequent rotations can disrupt the audit process and reduce effectiveness due to limited client-specific knowledge. Regarding audit fees, Journal 1 concludes that higher audit fees positively correlate with improved audit quality, reasoning that more financial resources enable auditors to conduct more

thorough assessments, engage additional audit staff, and gather more comprehensive evidence. A well-funded audit process tends to yield higher-quality outcomes. On the other hand, Journal 2 asserts that audit fees do not necessarily affect audit quality. From this perspective, audit pricing is more of a contractual arrangement based on various factors such as audit scope, time commitment, and complexity, rather than a determinant of audit rigor. A high or low audit fee does not inherently guarantee better or worse audit quality.

These diverging findings highlight the complexity of factors influencing audit quality and underscore the need for further research. More nuanced studies are essential to delve deeper into these variables and to develop a more unified understanding of how they interact in different organizational and regulatory contexts.

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