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KAP Reputation, Audit Fee, Audit Tenure, and Audit Quality of IDX-Listed Companies

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Abstract

Background: Audit quality forms the foundation of the credibility and transparency of corporate financial statements, yet the recurrence of restatements and of sanctions against public accounting firms (KAP) in Indonesia shows that it remains a persistent issue.
Objective: This study examines how KAP reputation, audit fee, and audit tenure relate to the audit quality of firms listed on the Indonesia Stock Exchange (IDX) over 2021–2025.
Methods: A quantitative associative design was applied to secondary panel data drawn from audited annual financial statements. Purposive sampling produced 119 listed firms and 595 firm-year observations. The data were examined through binary logistic regression in EViews 12.
Results: The binary logistic regression on 595 firm-year observations indicates that KAP reputation significantly lowers the probability of restatement (coefficient −0.9063; p = 0.0268), consistent with higher audit quality, whereas audit fee significantly raises it (coefficient +0.9152; p < 0.001), implying that larger fees accompany a greater likelihood of restatement. Audit tenure is not significant (coefficient −0.1809; p = 0.2025). The McFadden R^2 of 0.6706 reflects a substantial improvement in fit over the null model, and the Hosmer–Lemeshow test (p = 0.1194) points to adequate goodness of fit.
Conclusion: Firms audited by internationally affiliated (Big Ten) KAP show a lower likelihood of restatement, signaling higher audit quality, whereas higher fees accompany a greater likelihood of restatement a direction in line with the economic-bonding perspective while audit tenure does not determine audit quality.

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INTRODUCTION

Auditing serves as a key mechanism that renders an entity's financial statements more credible, transparent, and accountable (Arens et al., 2023). Independent audits are needed to confirm that such statements are free of material misrepresentation and have been compiled in line with the prevailing accounting standards (Arens et al., 2023; Knechel & Salterio, 2016). Because investors, creditors, and other external users rely heavily on audited statements when making economic decisions, the quality of the audit becomes a critical concern (Bosman & Zimmerman, 2026; Hayes et al., 2014). DeAngelo (1981) and Tran et al. (2025) characterizes audit quality as the likelihood that an auditor will both detect and disclose material misrepresentations in an independent manner. When professional skepticism, independence, and audit quality control are weak, the credibility of the statements deteriorates and shareholder welfare is diminished (Dasmaran, 2018; Lasari et al., 2026).

From a theoretical standpoint, the links among KAP reputation, audit fees, audit tenure,

and audit quality can be interpreted through the lenses of agency theory and signaling theory. Agency theory frames the contractual bond between the principal (shareholders) and the agent (management) as a source of potential conflicts of interest rooted in information asymmetry (Jensen, 2022; Jensen & Meckling, 1976). Within this framing, independent audits operate as a monitoring device that curbs such conflicts, so that stronger audit quality contributes meaningfully to lowering agency costs (DeFond & Zhang, 2020; Georgiou et al., 2024). Engaging a reputable KAP, setting appropriate audit fees, and managing a suitable audit tenure may therefore be regarded as forms of principal investment aimed at narrowing information asymmetry and mitigating agency conflicts.

Signaling theory extends this reasoning by positing that better-informed parties (signal senders) can narrow information asymmetry by transmitting signals to parties with less information (signal receivers) (Blair & Chung, 2025; Spence, 1973). Appointing highly reputable external auditors constitutes one such signal, conveying management's dedication to transparent and reliable financial reporting (Choudhury, 2024). In the same vein, a firm's readiness to pay adequate audit fees and to govern the auditor's engagement period sensibly can strengthen the confidence of investors and creditors in the quality of the financial information disclosed (Gu & Zhao, 2022).

Audit quality can be defined as the likelihood that auditors will independently uncover and disclose material misstatements in the financial statements DeAngelo (1981) and Tran et al. (2025) it is manifested in the auditor's independence, competence, and adherence to the applicable auditing standards (Arens et al., 2023; Tandiontong, 2022). Since audit quality is a multidimensional construct that cannot be observed directly, the present study adopts financial statement restatement as an inverse proxy for it. Restatements that arise from prior-period errors can signal that material misstatements went undetected in the preceding audit, making a correction of the statements necessary. On this basis, a greater incidence of qualifying restatements is treated in this study as evidence of weaker audit quality.

On the international stage, audit quality continues to be an unsettled issue. Inspections conducted by the Public Company Accounting Oversight Board (PCAOB) flagged at least one Part I.A deficiency in 46% of the engagements reviewed in 2023 an increase from 40% in 2022 and 34% in 2021 while the deficiency rate among the largest (Big Four) firms climbed from 16% in 2021 to 26% in 2023 (Board, 2024). Over the same span, restatements of financial statements by firms registered with the U.S. Securities and Exchange Commission totaled 1,470 in 2021, 458 in 2022, and 430 in 2023 (Analytics, 2024). Such evidence indicates that lapses in detecting and reporting material misstatements endure even within well-established audit markets, which provides the impetus for studying the drivers of audit quality in emerging markets like Indonesia.

A number of audit cases in Indonesia demonstrate that audit quality is still beset by challenges. The audit of PT Hanson International Tbk was judged to have failed to portray the company's financial position accurately (Keuangan, 2019; Pansariang & Sembiring, 2026), whereas the PT Sunprima Nusantara Financing (SNP Finance) case exposed breaches of the Public Accountant Professional Standards (SPAP) by accountants affiliated with international networks (Keuangan, 2019; Pansariang & Sembiring, 2026). During 2025, the Ministry of Finance of the Republic of Indonesia imposed administrative sanctions freezing and revoking the practice licenses of two public accountants for violations of SPAP and professional ethics (Ministry of Finance of the Republic of Indonesia). The restatement phenomenon reinforces this concern: across the 2022–2023 period, 77 restatement cases involving public companies were recorded, predominantly driven by changes in accounting policies (37 cases), corrections of prior errors (22 cases), and revisions to accounting estimates (18 cases) (Heru et al., 2025). Although a restatement is not invariably a sign of fraud, an auditor's failure to uncover material misrepresentation is frequently read as an indicator of low audit quality (DeAngelo, 1981; Tran et al., 2025). These developments bear directly on the variables investigated here. Because the Hanson International and SNP Finance cases both involved internationally affiliated auditors, they cast doubt on whether KAP reputation by itself can guarantee audit quality. The presence of prior-period error corrections further underscores the need to assess whether audit fees as a proxy for audit resources and engagement characteristics relate to audit outcomes. Moreover, recurring engagements with the same auditor raise questions about the familiarity effects that may accompany audit tenure.

Conceptually, audit quality is shaped by a KAP's reputation, which mirrors how the public perceives the auditor's competence, experience, and integrity. A firm with a strong reputation typically commands more capable personnel and a more robust quality management system (Arum & Pamungkas, 2025). Nonetheless, Nurzahra and Budiantoro (2026) reported that KAP reputation exerts no significant influence on audit quality, so the empirical evidence surrounding this variable remains mixed.

Beyond reputation, audit fees are likewise regarded as a determinant of audit quality, since they capture the complexity of the engagement, the level of risk, and the resources that auditors commit (Arens et al., 2023; Musfiroh, 2021). Conversely, fees that are excessively high may foster economic bonding between auditor and client and thereby jeopardize independence (Frankel et al., 2002; Siregar, 2022). Indeed, the study by Dewi and Iskandar (2024) found that audit fees bear no significant relationship to audit quality once other factors, such as auditor reputation, are taken into account.

Audit tenure the duration of the auditor's engagement with a given client also exerts a two-sided effect on audit quality. On one side, a longer tenure deepens the auditor's grasp of the client's characteristics and risk profile (the knowledge effect) (Arens et al., 2023; Sakti et al., 2022). On the other, an overly prolonged relationship can give rise to a familiarity threat that erodes the auditor's objectivity (Arens et al., 2023; Musfiroh, 2021). The prior literature is similarly divided, with some studies reporting a positive effect Hartanti and Zenira (2025), Aurelia and Haq (2025) and others detecting no significant effect (Abbas et al., 2023; Dewi & Iskandar, 2024; Fauziyah & Amiranto, 2025). Collectively, these Indonesian and international studies vary in sample composition (single-sector versus cross-sector), observation windows, and the proxies used for audit quality differences that likely account for their divergent conclusions and point to the need for current, cross-sector evidence.

The divergence in the empirical findings outlined above particularly following the introduction of the auditor-rotation policy under Regulation of the Minister of Finance Number 154/PMK.01/2017 (Ministry of Finance of the Republic of Indonesia, 2017) signals a research gap that warrants closer investigation. Accordingly, this study sets out to examine and test how KAP reputation, audit fees, and audit tenure relate to audit quality among firms listed on the Indonesia Stock Exchange (IDX) over the 2021–2025 period, guided by the following hypotheses: H_1, KAP reputation affects audit quality; H_2, audit fee affects audit quality; and H_3, audit tenure affects audit quality. The study's novelty lies in jointly modeling the three determinants, in using an observation window (2021–2025) that fully captures the auditor-rotation regime under PMK No. 154/PMK.01/2017, in employing the Big Ten rather than the Big Four classification as a broader proxy for KAP reputation in an emerging market, and in using financial statement restatement as a directly observable proxy for audit quality.

On the theoretical side, the study advances agency theory and signaling theory by identifying which audit attributes serve as effective monitoring mechanisms and as credible signals of financial-reporting reliability. On the practical side, the results are expected to assist public accounting firms in reinforcing quality control, companies in choosing auditors and calibrating fees to engagement risk, investors and creditors in judging the reliability of audited statements, and regulators such as OJK, PPPK, and IAPI in refining their policies on auditor rotation, fee oversight, and audit-quality supervision.

METHOD

This research employed a quantitative associative research design to examine the relationships between KAP reputation, audit fees, and audit tenure (the independent variables) and audit quality (the dependent variable) among firms listed on the Indonesia Stock Exchange (IDX) during the 2021–2025 period (Sugiyono, 2022). The data took the form of a panel combining time-series and cross-sectional observations (Basuki & Prawoto, 2017; Salim et al., 2025), drawn from audited annual financial statements retrieved from the official IDX website (www.idx.co.id) and the respective companies' websites.

Financial statement restatements were used as a proxy for audit quality, following the provisions on the restatement of prior-period errors set out in PSAK 25 (Indonesian Institute of Accountants, 2015) and the principle of correcting financial statements that deviate from applicable standards, as affirmed by the Audit Board of the Republic of Indonesia (2024). In

accordance with PSAK 25, only restatements resulting from the correction of prior-period errors were coded as 1. Reclassifications, changes in accounting estimates, and voluntary changes in accounting policies unrelated to the correction of errors were excluded as indicators of audit failure.

Restatement was selected as a proxy because it provides a directly observable, outcome-based indication of an undetected material misstatement. Unlike input- or process-oriented measures, such as discretionary accruals, going-concern accuracy, or audit fees, this measure does not depend on estimation models. However, because it captures only detected failures, it represents a conservative, single-dimensional measure of audit quality (Christensen et al., 2022; Palmrose et al., 2004; Prakash & Yogesh, 2025).

The population comprised 956 companies listed on the IDX throughout the 2021–2025 observation period, from which the sample was selected using purposive sampling (Ghozali et al., 2024; Nuryaman & Christina, 2015). To qualify for inclusion, companies had to remain listed throughout the observation period, publish complete audited annual reports, and disclose sufficient information to operationalize the study variables, namely audit fees, auditor identity and network affiliation, audit tenure, and financial statement restatements. Applying these criteria yielded a final sample of 119 companies, corresponding to 595 firm-year observations.

Table 1
Criteria and Results of Sample Determination

Remarks	Quantity
Population: Tbk companies listed on the IDX 2021–2025	956
Companies not meeting the purposive sampling criteria	(837)
Number of company samples	119
Number of observations (119 × 5 years)	595

Source: Data processed by the author (2026)

The study variables were operationalized to facilitate empirical measurement and analysis (Bougie & Sekaran, 2025; Sekaran & Bougie, 2020), as presented in Table 2. Audit quality (Y) was measured using a financial statement restatement dummy (DeAngelo, 1981; Tran et al., 2025). KAP reputation (X_1) was represented by a Big Ten affiliation dummy (Arens et al., 2023; DeAngelo, 1981; Knechel & Salterio, 2016). Audit fees (X_2) were measured based on the total audit fees paid by the company (Christensen et al., 2022; Hayes et al., 2014), while audit tenure (X_3) was measured as the number of consecutive years the same KAP had audited the company (Arens et al., 2023; Eilifsen et al., 2020; Knechel & Salterio, 2016). In this context, audit fees also served as a proxy for audit effort, reflecting the intensity of the work undertaken by auditors to obtain reasonable assurance that the financial statements were fairly presented (Botha et al., 2026; Hayes et al., 2020; Knechel et al., 2013).

Table 2
Operationalization of Research Variables

Code	Variable	Definition	Indicators/Measurements	Scale
Y	Audit Quality	Probability of auditors finding and reporting material misrepresentations independently	Dummy: 1 = restatement; 0 = no restatement	Nominal
X_1	KAP Reputation	The auditor's level of credibility reflects resource capacity and quality control	Dummy: 1 = Big Ten CAP; 0 = non-Big Ten	Nominal
X_2	Audit Fee	Remuneration for services received by the auditor for the implementation of the audit of financial statements	Natural logarithm (Ln) of the total audit fee paid by the company	Ratio
X_3	Audit Tenure	Length of the engagement relationship between KAP and	The same number of consecutive years the KAP	Ratio

Code	Variable	Definition	Indicators/Measurements	Scale
		the client company	audited the company	

Source: Processed by the author (2026)

The data were analyzed using descriptive statistics and binary logistic regression in EViews 12, given the dichotomous nature of the dependent variable. Binary logistic regression was selected because audit quality was operationalized as a dichotomous outcome (1 = restatement; 0 = no restatement). Ordinary least squares (OLS) regression was considered unsuitable because its standard assumptions, including linearity, homoscedasticity, and normally distributed residuals, are generally not satisfied by a binary response. In contrast, the logit model expresses the probability of restatement through a logistic link function (Dash, 2024; I. Ghozali & Ratmono, 2017; Hosmer et al., 2013).

$$Ln\ (p\ /\ (1 - p)) = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + \varepsilon$$

in which P denotes the probability of restatement, b_0 is the constant, b_1–b_3 are the regression coefficients of the respective independent variables, and ε is the error term. The parameters were estimated by Maximum Likelihood Estimation (Dash, 2024; Gujarati & Porter, 2009; Hosmer et al., 2013). Partial hypothesis testing relied on the z-test and the simultaneous test on the Likelihood Ratio (LR) test at the 5% significance level, while the model's explanatory capability was assessed with McFadden (1974) R-squared, Ouattara et al. (2022) and its goodness of fit was examined using the Hosmer–Lemeshow test Hosmer et al. (2013) and Dash (2024).

RESULTS AND DISCUSSION

Results

Overview of Research Objects

The units of analysis are public firms listed on the IDX across 2021–2025. Applying the purposive sampling criteria yielded 119 companies and 595 firm-year observations. These firms were classified by KAP affiliation: 54 companies (45.39%) engaged internationally affiliated KAP (the Big Ten: EY, PwC, Deloitte, KPMG, BDO, RSM, Crowe, GT, PKF, and Nexia), whereas 65 companies (54.61%) used local KAP, as shown in Table 3.

Broadly, KAP are sorted into four tiers according to their number of professional staff, total revenue, and the geographic spread of their offices: the Big Four (EY, PwC, Deloitte, and KPMG), National firms (those with national networks outside the Big Four), and Regional and Large firms (sizeable regional practices that typically serve MSMEs) (Arens et al., 2023). As the audit market grows more complex and globally integrated, this typology has been widened to encompass the Big Ten large, internationally affiliated firms possessing substantial audit capacity (Arens et al., 2023; Knechel & Salterio, 2016). The Big Ten classification is deemed a more fitting proxy for KAP reputation in this study because it portrays the audit market's structure more fully than the Big Four alone, especially in developing economies such as Indonesia. As applied here, the Big Ten combines the Big Four (EY, PwC, Deloitte, and KPMG) with the next six largest international networks (BDO, RSM, Crowe, Grant Thornton, PKF, and Nexia); each sampled firm's auditor was assigned on the basis of the global network affiliation disclosed in its audited annual report for the relevant year, in keeping with international audit-market classifications (Arens et al., 2023; Knechel & Salterio, 2016).

Table 3

Sample Characteristics Based on KAP Classification

Category KAP	Number of Companies	Percentage
Foreign KAP (Big Ten)	54	45,39%
Local KAP	65	54,61%
Total	119	100,00%

Source: Secondary data processed (2026)

Descriptive Statistics

Descriptive statistics are calculated based on 595 company-year observations during 2021–2025, as presented in Table 4.

Table 4

Descriptive Statistics of Research Variables

Statistics	Y	X_1	X_2	X_3
Mean	0,7479	0,4538	742.937.857	1,9966
Median	1,0000	0,0000	270.000.000	2,0000
Maximum	1,0000	1,0000	11.573.410.558	5,0000
Minimum	0,0000	0,0000	0,0000	0,0000
Std. Dev.	0,4346	0,4984	3,5376	1,5667
Skewness	−1.1418	0,1789	−1.3874	0,3946
Kurtosis	2,3037	1,0320	3,0251	2,0707
Jarque-Bera	141,3063	99,1920	190,8874	36,8539
Probability	0,0000	0,0000	0,0000	0,0000
Observations	595	595	595	595

Source: Results of EViews 12 (2026) data processing

For the audit quality variable (Y), the 2021–2025 window contains 445 observations in which financial statements were restated and 150 in which they were not. The KAP reputation variable (X_1) indicates that 271 observations involved Big Ten services and 324 involved non-Big Ten services, so non-Big Ten engagements outnumbered Big Ten ones over the study period. Audit fee (X_2) averages IDR 742,937,857 and ranges from 0 to IDR 11,573,410,558 on a ratio scale, reflecting substantial variation in audit costs across firms. Audit tenure (X_3) has a mean of 1.9966 years and a median of 2 years, suggesting that the sampled firms tended to change KAP over relatively short intervals, consistent with the auditor-rotation policy under PMK No. 154/PMK.01/2017. The preponderance of restating firm-years, coupled with the prevalence of non-Big Ten auditors (324 of 595 observations) and the comparatively brief average tenure, anticipates the regression finding that auditor reputation rather than engagement length is the attribute most strongly tied to audit quality in this sample. For readability, the descriptive statistics express audit fee in nominal rupiah; in the regression, however, the variable enters as its natural logarithm, Ln (audit fee), to temper scale and skewness, and it is this transformed form that underpins the coefficient reported in Table 6.

The sizeable share of restating firm-years (445 of 595; 74.79%) stems from the broad operational definition employed and from the cross-sector makeup of the sample. To curb measurement error, only restatements traceable to the correction of prior-period errors under PSAK 25 were coded as signs of low audit quality, while reclassifications and changes in accounting estimates or policies were left out. Even so, the scale of this proportion is recognized as a limitation that could bear on the external validity of the findings.

The Jarque–Bera normality test returned a probability of 0.0000 for every variable, which statistically signals that the data depart from a normal distribution. This does not breach the study's assumptions, however, because the logistic regression model does not require the independent variables to follow a multivariate normal distribution, given that the dependent variable is dichotomous and the independent variables combine metric and non-metric data (Ghozali & Ratmono, 2017; Imam & Ratmono, 2022). The skewness and kurtosis figures likewise point to an asymmetric data distribution most notably for audit quality (Y) and audit fee (X_2), which lean to the left (negative skewness) consistent with the predominance of observations recording restatement and medium-to-high audit fees within the sample.

Multicollinearity Test

Multicollinearity was assessed through a correlation matrix among the independent variables, with the model judged free of multicollinearity provided no correlation coefficient

surpassed the 0.80–0.90 range (Gujarati & Porter, 2009; Ijeh, 2023). The corresponding results appear in Table 5.

Table 5
Multicollinearity Test Results

Variable	X_1	X_2	X_3
X_1 (KAP Reputation)	1,0000	0,1234	0,1270
X_2 (Audit Fee)	0,1234	1,0000	0,6575
X_3 (Tenure Audit)	0,1270	0,6575	1,0000

Source: Results of EViews 12 (2026) data processing

All pairwise correlations among the independent variables fell below 0.80, the strongest being 0.6575 between audit fee and audit tenure. These figures indicate that the model is untroubled by multicollinearity, so the three independent variables can be used jointly in the logistic regression.

Logistic Regression Analysis Results

The effects of KAP reputation, audit fees, and audit tenure on audit quality were examined through binary logistic regression estimated by Maximum Likelihood in EViews 12 (Dash, 2024; Ghozali & Ratmono, 2017; Hosmer et al., 2013). Table 6 reports the estimation results.

Table 6
Results of Logistic Regression Analysis (Logit Model)

Variable	Coefficients	Std. Error	z-Statistic	Prob.
C (Constant)	−4.1076	–	–	–
KAP Reputation (X_1)	−0.9063	0,4091	−2.2151	0,0268
Audit Fee (X_2)	0,9152	0,1067	8,5758	0,0000
Audit Tenure (X_3)	- 0.1809	0,1420	−1.2746	0,2025

Model Statistics	Value
McFadden R-squared	0,6706
LR statistic	450,5590
Prob. (LR statistic)	0,0000

Source: Results of EViews 12 (2026) data processing

The logistic regression equations obtained are:

$$Ln\ (p / (1 - p)) = -4.1076 - 0.9063X_1 + 0.9152X_2 - 0.1809X_3$$

The KAP reputation coefficient (X_1) of −0.9063, significant at a probability of 0.0268 (< 0.05), shows that firms audited by Big Ten KAP carry markedly lower log-odds of restatement than those audited by non-Big Ten KAP, a pattern consistent with higher audit quality. The audit fee coefficient (X_2) of +0.9152, significant at a probability of 0.0000 (< 0.05), is positive, implying that larger fees accompany higher log-odds of restatement; since the outcome is coded 1 = restatement, this positive sign reflects a reduced rather than enhanced likelihood that material misstatements were averted. Audit tenure (X_3), with a coefficient of −0.1809 and a probability of 0.2025 (> 0.05), shows no significant effect. The McFadden R^2 of 0.6706 should be understood as the degree of improvement in fit over the null (intercept-only) model rather than as a share of explained variance, while the likelihood-ratio statistic of 450.5590 (p = 0.0000) confirms the model's joint significance.

As supporting diagnostics, the correlation matrix revealed no problematic multicollinearity among the predictors (all |r| < 0.80), the likelihood-ratio test established the model's joint significance (LR = 450.56; p < 0.001), and the Hosmer–Lemeshow test signaled

adequate fit (p = 0.1194). Together, these checks affirm the soundness of the reported logistic regression specification. Additional robustness analyses employing alternative audit-quality proxies and a Big Four rather than Big Ten classification are recommended for subsequent research.

Model Feasibility Test (Hosmer-Lemeshow Goodness of Fit)

The adequacy of the logistic regression model was evaluated with the Hosmer–Lemeshow Goodness of Fit Test, the results of which are presented in Table 7.

Table 7
Hosmer-Lemeshow Goodness of Fit Test Results

Test	Statistical Value	Prob. Chi-Square
Hosmer-Lemeshow Statistic	12,7860	0.1194 (df = 8)

Source: Results of EViews 12 (2026) data processing.

Because the Hosmer–Lemeshow probability of 0.1194 lies above the 0.05 threshold, the null hypothesis of adequate fit is retained. This outcome provides no statistically significant evidence of a mismatch between the logistic regression model and the observed data (Dash, 2024; Hosmer et al., 2013).

Hypothesis Testing Results

Table 8 summarizes the outcomes of the hypothesis tests.

Table 8
Summary of Hypothesis Test Results

Hypothesis	Coefficients	Prob.	Verdict
H_1: KAP Reputation → Audit Quality	−0.9063	0,0268	H_1 Accepted
H_2: Audit Fee → Audit Quality	0,9152	0,0000	H_2 Accepted
H_3: Audit Tenure → Quality Audit	- 0.1809	0,2025	H_3 rejected

Source: Results of EViews 12 (2026) data processing.

The Influence of KAP Reputation on Audit Quality

The analysis confirms that KAP reputation significantly affects audit quality (H_1 supported). Firms audited by Big Ten KAP exhibited a lower probability of restatement, signaling stronger audit quality than that of firms audited by non-Big Ten KAP. This result aligns with agency theory (Jensen, 2022; Jensen & Meckling, 1976), which casts independent auditors as a monitoring mechanism that tempers conflicts of interest between shareholders (the principal) and management (the agent). Highly reputable KAP typically command superior auditor competence, quality management systems, and compliance with professional standards, enabling them to perform audits more independently (Arens et al., 2023).

The findings also lend support to signaling theory (Blair & Chung, 2025; Spence, 1973), under which engaging a reputable KAP can function as a credibility signal about the reliability of financial reporting. Among the 119 sampled firms, 54 (45.39%) were audited by Big Ten KAP and 65 (54.61%) by non-Big Ten KAP. More tellingly, the logistic regression coefficient for KAP reputation was negative and statistically significant (β = −0.9063; p = 0.0268), indicating that Big Ten affiliation was linked to a lower probability of restatement within the sample.

These results concur with Sari & Susanto (2022) and Kurniawati and Rahmawati (2024), who documented a positive effect of KAP reputation on audit quality in Indonesia, and are reinforced by Albitar et al. (2021) and Salehi et al. (2022), who argued that highly reputable auditors face stronger incentives to uncover material misinformation so as to safeguard their professional credibility. The findings nevertheless diverge from Nurzahra and Budiantoro (2026), who concluded that KAP reputation has no significant bearing on audit quality a discrepancy possibly attributable to differences in sample characteristics and study periods. Even so, this association should not be taken to mean that Big Ten firms always deliver superior audits;

reputation operates jointly with engagement-specific factors such as client complexity, industry specialization, and management integrity, and because studies like Nurzahra and Budiantoro (2026) find no significant reputation effect, the present result denotes a general tendency within this sample rather than a deterministic rule.

Viewed through a quality-control lens, Quality Management Standard (SMM) 1 issued by DSPAP IAPI requires every KAP to design, implement, and sustain a quality management system that ensures audits are conducted in accordance with professional and ethical standards (IAPI, 2024). Big Ten KAP generally maintain more structured systems of quality control, supervision, and review of audit output than non-Big Ten firms, which helps auditors preserve professional skepticism and independence throughout the engagement (Botha et al., 2026; Knechel et al., 2013). This reinforces the contention that a KAP's reputation is not merely a market label but reflects its genuine capacity to uphold the quality of the audits it produces.

The Effect of Audit Fee on Audit Quality

The results reveal that audit fee significantly affects audit quality (H_2 supported); the direction of the effect, however, must be interpreted carefully in view of the model's coding. Because the outcome is coded 1 = restatement, the positive coefficient (+0.9152; $p < 0.001$) signifies that higher fees coincide with a greater probability of restatement, which corresponds to lower not higher audit quality. This pattern accords with the economic-bonding argument, whereby sizeable fees relative to an auditor's total revenue may breed financial dependence that compromises independence (Frankel et al., 2002; Siregar, 2022).

A further, non-mutually-exclusive explanation is that audit fees are endogenous to client risk: auditors levy higher fees on larger, more complex, or riskier clients precisely those most susceptible to restatement so the positive association may capture risk-based fee setting rather than a causal impact of fees on quality (Alfraih, 2023; Arens et al., 2023). Fee setting must therefore weigh engagement complexity and risk without undermining independence, as SPAP stresses (IAPI, 2024). These results depart from Dewi and Iskandar (2024), who detected no significant fee effect once auditor reputation is accounted for, suggesting that the fee–quality link is sensitive to sample characteristics and model specification.

Consequently, audit fees in this sample are best read as a marker of engagement risk and complexity rather than as an assurance of better audit outcomes; a larger fee does not, on its own, yield a lower incidence of restatement. This reading reconciles the statistical significance of the fee variable with the restatement-based proxy and guards against inferring that paying more inevitably secures higher audit quality.

The Effect of Audit Tenure on Audit Quality

The tests show that audit tenure has no significant effect on audit quality (H_3 rejected). This implies that the duration of the KAP–client engagement does not, in itself, raise or lower audit quality. The median tenure in the sample was 2 years, even though 29 firms retained their Big Ten KAP and 21 firms retained their non-Big Ten KAP for five consecutive years.

Agency theory offers an explanation (Jensen, 2022; Jensen & Meckling, 1976): although a longer tenure confers a stronger knowledge effect, these gains do not reliably translate into better audit quality because they can be counterbalanced by familiarity threats stemming from auditor–client closeness (Musfiroh, 2021; Sakti et al., 2022). The result is consistent with studies reporting no significant tenure effect on audit quality (Abbas et al., 2023; Dewi & Iskandar, 2024; Fauziyah & Amiranto, 2025), yet differs from those finding a positive effect driven by auditors' deeper understanding of client characteristics (Aurelia & Haq, 2025; Hartanti & Zenira, 2025). The divergence is likely tied to this study's cross-sector sample and its comparatively short average engagement, which leave the benefits of client familiarity too weak to sway the probability of restatement. The narrow spread in tenure (mean ≈ 2 years) is itself a product of the mandatory auditor-rotation regime under PMK No. 154/PMK.01/2017 and PP No. 20/2015, which shortens engagements and may dampen any observable tenure effect. At an average engagement of about two years, the knowledge effect has scant time to build while the familiarity threat has scant time to emerge, so both countervailing forces remain subdued and neither governs the probability of restatement.

From a regulatory angle, the engagement period in Indonesia is bounded by Government Regulation No. 20 of 2015, which limits audit services to certain entities to five consecutive financial years before a cooling-off interval (Government of the Republic of Indonesia, 2015). While the non-significance of tenure fits the view that mandatory rotation narrows the range of tenure and thereby curbs its effect on audit quality, this evidence alone cannot confirm that the rotation policy is effective; verifying such a claim would require a dedicated policy-evaluation design based on a before-and-after or treatment–control comparison. Within the regulated range, auditor competence, the KAP's quality-control system, and adherence to SPAP appear to be the more decisive determinants of audit quality (IAPI, 2024).

The study's findings carry practical significance for the various stakeholders engaged in the audit process and in overseeing the public accounting profession. For company management, the results inform the selection of a KAP that is not only highly reputable but also marked by integrity and professionalism, and they guide decisions on allocating audit fees in proportion to engagement complexity and risk. For auditors and KAP, the evidence underscores the value of preserving reputation by strengthening quality-control systems and objectivity during audits, given that reputation shapes public confidence in audit outcomes. For regulators and oversight bodies such as OJK, PPPK, and IAPI, the results can serve as empirical input for crafting or refining policies on auditor rotation, audit-quality supervision, and fee regulation in Indonesia. For investors and other users of financial statements, meanwhile, the findings highlight the importance of weighing KAP reputation and fee fairness as indicators of the reliability of audited statements when making investment decisions.

CONCLUSION

Drawing on binary logistic regression of 595 firm-year observations from 119 IDX-listed companies over 2021–2025, the study finds that KAP reputation and audit fee are significantly related to the probability of financial statement restatement, whereas audit tenure is not. Firms audited by internationally affiliated Big Ten KAP display a significantly lower probability of restatement, in keeping with higher audit quality. By contrast, higher fees accompany a greater probability of restatement a relationship that should not be read as proof that larger fees directly erode audit quality, since fees may also mirror client complexity and engagement risk. Audit tenure bears no statistically significant relationship to restatement within the observed sample. The model fits the data adequately, as indicated by the Hosmer–Lemeshow test ($p = 0.1194$), while the McFadden R^2 of 0.6706 signals a marked improvement in fit over the intercept-only model.

Overall, the evidence coheres with agency and signaling perspectives, suggesting that auditor reputation can act as a meaningful monitoring attribute and credibility signal, while the magnitude of the audit fee alone should not be treated as a simple indicator of audit quality. In practical terms, the results underline the importance of auditor selection, quality-control systems, and risk-commensurate fee setting for public accounting firms, companies, investors, and regulators. The study is constrained by its reliance on a single outcome-based proxy for audit quality, a binary Big Ten measure of auditor reputation, and a cross-sector IDX sample covering 2021–2025. Future work should adopt multiple audit-quality proxies, investigate auditor industry specialization along with audit-committee and broader corporate-governance attributes, and run sensitivity analyses that contrast the Big Four and Big Ten classifications.

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AUTHOR CONTRIBUTION STATEMENT

Raden Ginandjar bears responsibility for the whole research process encompassing conceptualization, data collection and processing, the analysis and interpretation of results, and the drafting of the complete manuscript and approved the final version submitted for publication.

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