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THE ROLE OF COMPANY SIZE IN MODERATING THE EFFECT OF AUDIT TENURE, PROFITABILITY, COMPANY RISK AND COMPANY COMPLEXITY ON AUDIT FEES WITH AUDIT QUALITY AS A MEDIATOR

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Abstract
Influence of audit tenure, profitability, company risk, and company complexity on audit fees with company quality as a mediator. The research subjects included banking companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The analysis method used was panel data regression with the help of Eviews software version 12. Based on the test results, several findings were obtained, namely: (1) Audit tenure does not affect audit fees; (2) Profitability has a significant effect on audit fees; (3) Company risk does not affect audit fees; (4) Company complexity also does not affect audit fees. Furthermore, the results of the moderation test show that: (5) Company size is unable to moderate the relationship between audit tenure and audit fees; (6) Company size is able to moderate the relationship between profitability and audit fees; (7) Company size is unable to moderate the relationship between company risk and audit fees; (8) Company size is unable to moderate the relationship between company complexity and audit fees. In addition, the results of the mediation test show that: (9) Audit Quality cannot mediate the relationship between Audit Tenure and Audit Fee; (10) Audit Quality can mediate the effect of Profitability on Audit Fee; (11) Audit Quality cannot mediate the effect of Company Risk on Audit Fee; and (12) Audit Quality cannot mediate the effect of Company Complexity on Audit Fee.

Keywords: Audit Fee, Audit Tenure, Profitability, Company Risk, Company Complexity.

1. Introduction

An audit fee is the amount charged by an independent examiner to a company's financial statements. The auditor's fee is paid to an accounting firm as compensation for certain services or payments (Septyana, 2024). Audited financial statements demonstrate the importance of public accountants to various parties. Public accountants build public trust in financial statements, which are complex and often plagued by issues in the field. Auditors are entitled to receive audit fees in return for their services (Septyana, 2024).

In many studies, firm size is used as a control variable rather than as a moderating variable capable of strengthening or weakening the relationship between variables and audit fees. Research examining the impact of audit tenure, profitability, firm risk, and firm complexity on audit fees is still very limited, particularly in developing countries.

Regulation Number 2 of 2016, issued by the Indonesian Association of Public Accountants (IAPI) on January 27, 2016, regulates the determination of audit fees for financial statements. This regulation serves as a reference for public accountants in determining the appropriate audit fee for the scope and implementation of the audit. Setting audit fees that are too low can potentially threaten auditor independence because

it can influence personal interests and lead to inconsistencies in the implementation of audit procedures. Therefore, auditors must exercise caution and ensure that audit fees are determined fairly to comply with the professional code of ethics and maintain the quality of the audit process (Septyana, 2024).

According to Septyana (2024), companies that consistently face high, unstable, and fluctuating audit fees are the ones exhibiting this phenomenon. The following information provides details on audit fees for several banking companies listed on the Indonesia Stock Exchange (IDX).

Table 1. National Audit Fee Calculation Table

Regional Category	Auditor Fees (Partners)	Number of Working Hours per Week	Number of Weeks in a Year	Total National Audit Fee
Jabodetabek	Rp 1,500,000.000	40	52	Rp 3,120,000,000.00

Source: Researcher Processing (2025)

The auditor's fee (Partners), which complies with the IAPI national standard, is IDR 1,500,000.00 for the Greater Jakarta area, multiplied by the number of working hours per week and the number of weeks per year. Therefore, the National Standard Audit Fee is IDR 3,120,000,000.00.

Table 2. Audit Fee for the Banking Financial Sector in Indonesia

Code	2020	2021	2022	2023	2024
BBCA	7,580,000,000	7,770,000,000	7,770,000,000	8,583,600,000	8,884,026,000
BBNI	12,650,000,000	25,225,000,000	25,550,000,000	28,200,187,788	31,373,863,603
BBRI	15,523,800,000	13,215,296,000	13,825,000,000	15,922,000,000	18,400,000,000
BDMN	5,335,000,000	3,930,000,000	3,930,000,000	5,950,000,000	5,950,000,000
BMRI	13,232,827,089	14,700,000,000	15,943,636,364	33,514,444,813	16,707,600,000
BNGA	9,396,000,000	9,677,000,000	10,037,000,000	11,000,000,000	11,107,875,250
BNII	4,940,300,000	5,026,000,000	4,060,000,000	4,260,000,000	4,330,500,000
BTPN	8,500,000,000	8,351,000,000	8,553,000,000	15,900,000,000	9,580,000,000
BVIC	1,700,000,000	1,550,000,000	2,320,000,000	1,650,000,000	1,720,000,000
NISP	4,100,000,000	4,510,000,000	5,050,000,000	5,260,000,000	20,200,000,000
PNBN	4,350,000,000	4,300,000,000	7,675,000,000	8,450,000,000	8,830,000,000
BTPS	1,370,000,000	1,440,000,000	1,620,000,000	887,000,000	2,000,000,000
BJBR	2,600,000,000	2,200,000,000	2,500,000,000	2,547,000,000	2,941,500,000
BJTM	1,485,000,000	1,300,000,000	1,121,100,000	1,175,000,000	1,875,000,000
BSIM	1,100,000,000	1,000,000,000	1,000,000,000	1,500,000,000	1,000,000,000

Source: Researcher Processing (2025)

It can be concluded from Table 2 that company audit fees do not comply with national standards and are constantly fluctuating. Therefore, audit fees are not fixed, and changes occur only through agreements between the auditor and the company. In this case, the public accountant's task is to examine and address discrepancies in financial statements, especially for businesses considered to be going public (Septyana, 2024).

Several factors can influence the size of audit fees. First, audit tenure refers to the length of time that the Public Accounting Firm (KAP) has been working with a client to provide the agreed-upon audit services. Second, company profitability, company risk, audit quality, and company size are also determining factors (Septyana, 2024). There is no single conclusion that audit tenure directly affects audit fees. Audit fees are influenced by other factors such as the client's audit risk and the auditor's reputation, as suggested by studies such as Rizaldid et al. (2022) and Neli Putriani (2022).

Profitability, measured as a percentage, indicates a company's ability to generate high profits. Companies with high profits generally tend to report their financial condition in

a timely manner because profits can improve the company's image among the public and investors. Conversely, financial reports of companies experiencing losses or no profits are often delayed (Aulmi, 2021).

The third factor, corporate risk, is a situation where there is a possibility that the company's performance will be worse than expected due to certain conditions. Some companies can identify, manage, mitigate, or control these risks through management control systems. Financial statements can indicate the potential for material misstatement caused by identified risks, and this forms the basis for designing and implementing additional audit procedures. Therefore, auditors will assess the risks and determine additional fees (Senapan & Senapan, 2022).

The final factor, corporate complexity, refers to the degree of difficulty, variety, and magnitude of transactions and activities occurring within a company. This level of complexity can vary from company to company, depending on various aspects, including organizational structure, size of operations, types of goods or services offered, markets served, and various other additional factors (Siregar, 2022).

The urgency of this research is underscored by the persistent phenomenon of fluctuating audit fees that do not consistently align with national standards, as evidenced in the banking sector. This inconsistency raises important questions about the factors that truly determine audit fee determination and whether current practices adequately reflect the scope and complexity of audit engagements. Without a comprehensive understanding of these determinants, efforts to enhance audit quality and maintain auditor independence may remain unfocused and ineffective.

This study is an extension of previous studies, with innovation introduced through the integration of moderating and mediating variables. The main difference from previous studies lies in the object of study, namely banking companies listed on the Indonesia Stock Exchange (IDX) during the period 2020–2024. Furthermore, this study makes a significant contribution by testing the moderating variable of Company Size, to evaluate whether this variable is able to moderate the connection among independent factors like Audit Tenure, Profitability, Company Risk, and Company Complexity with the dependent variable of Audit Fee. In addition, this study also contributes by testing the mediating variable of Audit Quality, to assess its ability to mediate the connection among the identical independent variables and the dependent variable of Audit Fee.

The findings of this research are expected to provide empirical evidence that will inform policy development, guide regulators in refining audit fee guidelines, and offer practical insights for public accounting firms and companies in determining appropriate audit fees. By achieving these objectives, the study aims to contribute both theoretically and practically to the literature on audit pricing and to support the profession's commitment to maintaining audit quality and independence in accordance with professional standards and ethical requirements.

2. Theoretical Background

2.1 Signaling Theory

Agency theory was introduced in 1976 by Jensen and Meckling. This theory addresses the connection between a principal and an agent. As suggested by Jensen and Meckling (1976), an agency connection arises from a binding legal contract between an agent and a principal to provide assistance, where the agent is authorized by the principal to make the best decisions for the agent (Sibuea & Arfianti, 2021). The principal is an investor, financier, or owner of an organization who provides capital and facilities to run

operations. In contrast, the agent is a manager or management party tasked with managing operational activities and maximizing the principal's profits (Azizah et al., 2021).

Agents may act opportunistically for personal gain by committing fraud, such as manipulating financial statements. This can lead users of financial statements to make incorrect decisions. Independent external parties, particularly external auditors, are responsible for ensuring that agents do not engage in actions that harm stakeholders. According to Yulianti et al. (2019), monitoring company management can generate agency costs, such as audit fees (Melinda & Triyanto, 2021), which are useful for monitoring, supervising, and evaluating agent behavior (Sibuea & Arfianti, 2021). Because external auditors address agency conflicts between principals and agents during the audit process, high audit quality is crucial as a basis for trust in the financial statements submitted to external auditors. Therefore, this agency theory can be linked to audit fees. Companies seeking high quality may rely on the provision of high-quality audit services in the hope of achieving high-quality audit results.

2.2 Audit Fee

Agoes (2012) stated that "The level of compensation is influenced by other engagement risks, the complexity of the services provided, the level of expertise required to perform the services, the fee structure of the Public Accounting Firm, and other professional considerations when referring to audit fees." Conversely, research by Melinda and Triyanto (2021) found that companies utilizing external auditors pay what is known as an audit fee. The fee for audit services is shaped by multiple elements, including factors like the size of the client's organization and the complexity of the auditing services provided by the auditor, along with the audit risk encountered by the client, and the reputation of the public accounting firm. The size of this charge is influenced by the level of risk involved in the job and the complexity of the services offered, the ability to perform the duties, and the pricing model of the public accounting company (Yulaeli, 2022). According to the information provided earlier, it can be clearly inferred that an audit fee is the amount of money received by the auditor as compensation for performing the review task.

2.3 Audit Tenure

Audit tenure indicates the duration that an auditor continuously provides auditing services to a company, often referred to as the duration of the audit engagement between the client and the auditor. The length or audit tenure can influence the quality of the audit by affecting the auditor's objectivity throughout the auditing process, hindering the auditor's ability to effectively recognize audit evidence (Madalena and Liliati). According to Rizaldid et al. (2022) and Neli Putriani (2022), there is no single conclusion that audit tenure directly affects audit fees, as audit fees are influenced by other factors such as the client's audit risk and the auditor's reputation.

2.4 Profitability

Profitability can be described as "a company's ability to generate profits over a certain period," according to Muchtar (2021). This profit is derived from the firm's capital. To assess the effectiveness of a business, companies need to compare the profits earned with the resources or capital that generate those profits. Gaining profits is one of the main reasons why a company's objectives serve as the foundation for determining the firm's direction as well as the future operations (Pramukty et al., 2023). In the effort to achieve

profitability, various decisions and policies are integrated. A company must generate profits for its owners to survive, and management will strive to increase these profits because they recognize that profits are crucial for long-term success. Companies with high profitability may demonstrate good performance; this also potentially increases agency risk, where management seeks to maintain profits and may engage in earnings management. Therefore, auditors need to work more carefully to ensure that financial statements are not manipulated, which can increase audit costs. According to Aulmi (2021), companies with high profits generally tend to report their financial condition in a timely manner because profits can improve the company's image among the public and investors, whereas financial reports of companies experiencing losses or no profits are often delayed.

2.5 Corporate Risk

According to Pardjo (2017), corporate risk is defined as "something uncertain and having a negative impact on the goals or desires to be achieved." Meanwhile, according to research by Astuti and Enjel (2022), corporate risk is the possibility of certain circumstances occurring that cause the company's performance to fall short of expectations. Some companies can identify, manage, mitigate, or control risks through management control systems. Financial statements indicate the possibility of material misstatement caused by identified risks, and this serves as the basis for designing and implementing additional audit procedures. Consequently, the auditor will assess these risks and charge additional fees (Senapan & Senapan, 2022).

2.6 Company Complexity

Kristansy and Ardiati (2018) also stated that the complexity of a company's operations is one aspect auditors consider before conducting an audit. This is because the audit itself will be more complex and require more time, thus increasing audit costs (Hafiza, 2017). Siregar (2022) explains that corporate complexity refers to the degree of difficulty, variety, and magnitude of transactions and activities occurring within a company. This level of complexity can vary from company to company, depending on various aspects, including organizational structure, size of operations, types of goods or services offered, markets served, and various other additional factors.

2.7 Company Size

Company size pertains to the magnitude or dimensions of a firm, which can be classified based on various factors, such as revenue, total assets, or total equity. Company size is connected to the quality of earnings because it determines the continuity of a firm's operations in improving financial performance, preventing the company from manipulating earnings (Literate & Indonesia, 2020). Compared to small companies, large companies also carry a higher level of risk. In many studies, firm size is used as a control variable rather than as a moderating variable capable of strengthening or weakening the relationship between variables and audit fees.

2.8 Audit Quality

Audit quality refers to the probability that a skilled auditor is capable of comprehending and executing audit tasks correctly while independently reporting discrepancies (Nadzif and Agung D, 2022). According to Gul (2013), audit quality is the auditor's ability to identify and reveal anomalies in the accounting framework of the entity

being audited. The likelihood of such "discovery" is determined by the auditor's competence and skills, while the reporting outcome is influenced by their level of independence. Simatupang et al. (2021) define proxy audit opinions as indicators, such as association with the Big Four, that influence the integrity of audit reports. They state that Big Four Public Accounting Firms (KAP) typically produce more credible audit opinions, thus higher audit fees serve as a proxy for quality results.

2.9 Hypothesis Development

Based on the theoretical framework and empirical evidence discussed above, the following hypotheses are proposed for this study:

H_1: Audit tenure has a significant effect on audit fees.
H_2: Profitability has a significant effect on audit fees.
H_3: Corporate risk has a significant effect on audit fees.
H_4: Company complexity has a significant effect on audit fees.
H_5: Company size moderates the relationship between audit tenure and audit fees.
H_6: Company size moderates the relationship between profitability and audit fees.
H_7: Company size moderates the relationship between corporate risk and audit fees.
H_8: Company size moderates the relationship between company complexity and audit fees.
H_9: Audit quality mediates the relationship between audit tenure and audit fees.
H_{10}: Audit quality mediates the relationship between profitability and audit fees.
H_{11}: Audit quality mediates the relationship between corporate risk and audit fees.
H_{12}: Audit quality mediates the relationship between company complexity and audit fees.

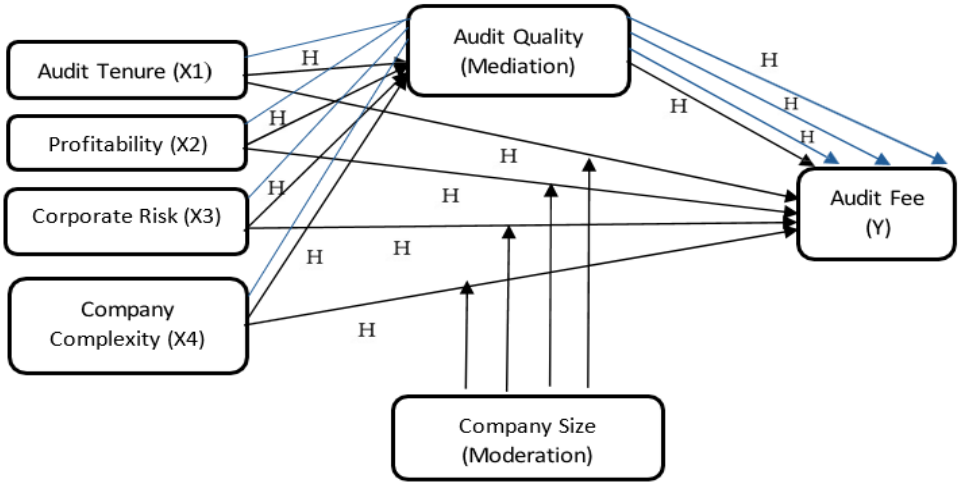

Figure 1. Conceptual Framework of the Research

3. Methods

3.1 Research Design

This research employs a quantitative research design to examine the determinants of audit fees in banking companies listed on the Indonesia Stock Exchange (IDX). The study utilizes panel data, which combines time series and cross-sectional data, to analyze the relationships between independent variables (audit tenure, profitability, corporate risk, and company complexity) and the dependent variable (audit fee), with company size as a moderating variable and audit quality as a mediating variable. This quantitative approach enables statistical testing of the proposed hypotheses and allows for generalization of findings within the specified population.

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3.2 Population and Sample

The population in this study consists of banking companies listed on the Indonesia Stock Exchange (IDX) during the period 2020-2024. The sampling technique employed in this research is purposive sampling, which is a sampling method based on specific criteria. The criteria used in selecting the sample are as follows:

1) Banking companies listed on the Indonesia Stock Exchange (IDX) consecutively during the 2020-2024 period.
2) Companies that published complete annual financial reports for the years 2020-2024.
3) Companies that disclosed audit fee information in their annual financial reports.
4) Companies with complete data related to the research variables.

Based on these criteria, the researchers selected 15 banking companies using an outlier selection method to ensure data quality and consistency. The final sample comprises 15 banking institutions with 75 firm-year observations (15 companies × 5 years) for the period 2020-2024.

3.3 Data Collection Techniques

This study uses secondary data obtained from the annual financial reports of banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2020-2024. The data were collected from the official website of the Indonesia Stock Exchange (www.idx.co.id) and from the official websites of the respective banking companies. The data collected include information on audit fees, audit tenure, profitability measures, corporate risk indicators, company complexity measures, company size, and audit quality proxies.

3.4 Operational Definitions and Measurement of Variables

Table 3. Summary of Variable Definitions and Measurements

Variable	Symbol	Definition	Measurement	Scale
Audit Fee	AF	Compensation received by auditor for audit services	Natural logarithm of audit fee disclosed in financial statements	Ratio
Audit Tenure	AT	Duration of audit engagement	Number of consecutive years with the same Public Accounting Firm (KAP)	Ratio
Profitability	PROF	Company's ability to generate profits	Return on Assets (ROA) = Net Profit After Tax / Total Assets	Ratio
Corporate Risk	RISK	Possibility of performance below expectations	Debt to Equity Ratio (DER) = Total Liabilities / Total Equity	Ratio
Company Complexity	COMP	Degree of difficulty in company operations	Number of subsidiaries and business segments	Ratio

Variable	Symbol	Definition	Measurement	Scale
Company Size	SIZE	Magnitude of the firm	Natural logarithm of total assets (Ln_TotalAssets)	Ratio
Audit Quality	AQ	Probability of correct audit execution	Dummy variable: 1 = Big Four KAP, 0 = Non-Big Four KAP	Nominal

Source: Various sources adapted for this research (2025)

3.5 Data Analysis Techniques

Table 4. Summary of Data Analysis Techniques

Analysis Stage	Purpose	Method/Test	Criteria/Decision
Descriptive Statistical Analysis	Provide overview of research variables	Mean, median, maximum, minimum, standard deviation	Describe data distribution
Panel Data Model Selection	Determine most appropriate regression model		
	Choose between Common Effect and Fixed Effect	Chow Test	If p-value < 0.05, Fixed Effect is selected
	Choose between Fixed Effect and Random Effect	Hausman Test	If p-value < 0.05, Fixed Effect is selected
	Choose between Common Effect and Random Effect	Lagrange Multiplier Test	If p-value < 0.05, Random Effect is selected
Classical Assumption Tests	Ensure regression model robustness		
	Test residual distribution	Normality Test (Jarque-Bera)	If p-value > 0.05, residuals are normally distributed
	Test correlation among independent variables	Multicollinearity Test (VIF)	If VIF < 10, no multicollinearity
	Test variance inequality in residuals	Heteroscedasticity Test (Breusch-Pagan-Godfrey)	If p-value > 0.05, no heteroscedasticity
	Test correlation between residuals	Autocorrelation Test (Durbin-Watson)	If DW value between -2 and +2, no autocorrelation
Hypothesis Testing	Test research hypotheses		
	Measure model explanatory power	Coefficient of Determination (R^2)	Higher R^2 indicates better model fit
	Test joint effect of independent variables	F-Test	If p-value < 0.05, variables jointly affect dependent variable

Analysis Stage	Purpose	Method/Test	Criteria/Decision
	Test individual effect of each variable	t-Test	If p-value < 0.05, variable significantly affects dependent variable
Moderation Analysis	Test moderating effect of company size	Interaction term in regression model	If p-value < 0.05 for interaction term, moderation exists
Mediation Analysis	Test mediating effect of audit quality	Path analysis / Baron and Kenny causal step approach	Test direct and indirect effects; Sobel test for significance

Source: Various sources adapted for this research (2025)

4. Results and Discussion

4.1 Descriptive Statistics Analysis

This study involves banking institutions listed on the Indonesia Stock Exchange as research objects, with a time span from 2020 to 2024. The information sources utilized consist of annual financial reports, obtained through the official website of the Indonesia Stock Exchange at www.idx.co.id, as well as from the official pages of each relevant bank.

Table 5. Descriptive Statistics Results of Moderation

Statistic	Audit Fee	Audit Tenure	Profitability	Firm Risk	Firm Complexity	Firm Size
Mean	22.35820	2.103448	0.015206	0.847391	7.517241	19.14660
Median	22.38340	2.000000	0.011932	0.853055	6.000000	19.05038
Maximum	24.23524	4.000000	0.084093	0.968456	17.00000	21.16377
Minimum	20.60336	1.000000	-0.001053	0.455042	3.000000	16.97604
Std. Dev.	0.906054	1.092336	0.016331	0.092181	3.395386	1.152468
Skewness	-0.037855	0.490045	1.927137	-1.448897	0.733909	0.014717
Kurtosis	2.410303	1.892822	7.166496	6.450353	2.778272	2.049891
Jarque-Bera	1.251264	7.158651	110.5048	67.74348	7.256274	2.973756
Probability	0.535008	0.027887	0.000000	0.000000	0.026553	0.226138
Observations	75	75	75	75	75	75

Source: Output EViews v12 (2025)

Descriptive statistical analysis is intended to provide an overview or summary of the data, with an emphasis on key metrics such as the mean, median, smallest value, largest value, and standard deviation. This approach is designed to reveal the distribution and behavioral patterns within the observed data sample. Based on the descriptive analysis results listed in Table 4, several conclusions can be drawn, as follows:

1) Based on descriptive statistics, the Audit Fee variable had the highest mean value of 22.35820, while the Profitability variable showed the lowest mean value of 0.015206. The mean itself is the average figure determined by adding together all the information and then dividing that sum by the total number of entries (Winarno, 2015: 3.9).
2) The median describes the central value of a collection of data once it has been sorted from least to most, or is the average of the two middle numbers if the number of data is even (Winarno, 2015: 3.9). The Audit Fee variable recorded the highest median value of 22.38340, while Profitability showed the lowest median of 0.011932.

3) The maximum is the highest value in the data distribution (Winarno, 2015: 3.9). The highest maximum value was found in the Audit Fee variable at 24.23524, while the lowest maximum value was found in Profitability at 0.084093.
4) Minimum is the lowest value in a dataset (Winarno, 2015: 3.9). The Audit Fee variable has the highest minimum value of 20.60336, while Profitability recorded the lowest minimum value of -0.001053.
5) Standard deviation measures the level of dispersion or variation in data within a variable (Winarno, 2015: 3.9). The Company Complexity variable has the highest standard deviation value of 3.395386, indicating a greater level of data fluctuation than other variables. Conversely, Profitability has the lowest standard deviation of 0.016331, reflecting relatively stable data movement throughout the study period.
6) Skewness indicates the degree of skewness of the data distribution from its mean. A skewness value of zero shows that the data is evenly distributed, whereas a positive skewness suggests that the distribution leans to the right, and a negative skewness signifies a left-leaning distribution (Winarno, 2015: 3.9). In this context, the profitability variable exhibits a skewness value greater than zero, so its distribution is not completely symmetrical. On the other hand, variables such as Audit Fee, Audit Tenure, Firm Risk, Firm Complexity, and Firm Size have skewness values close to zero, meaning their data distributions can be considered relatively normal.
7) Kurtosis indicates the degree of peakedness of the data distribution. Data are considered normally distributed if the kurtosis is close to 3 (Winarno, 2015: 3.9). A kurtosis value greater than 3 indicates a more pointed distribution (leptokurtic), while a value below 3 indicates a flatter distribution (platykurtic). The variables Profitability, Firm Risk, and Firm Size have kurtosis values >3, so their distributions are not normal. Conversely, Audit Fee, Audit Tenure, and Firm Complexity have values <3, indicating a distribution that tends toward normality.
8) The Jarque-Bera test is used as a normality test by comparing the skewness and kurtosis values to a normal distribution. With the initial hypothesis (H0) that the data are normally distributed, the Jarque-Bera statistic follows a chi-square distribution with 2 degrees of freedom.
9) The probability in the Jarque-Bera test indicates the probability that the statistical value is greater than the observed value, below H0. If the probability value is below the 5% significance threshold ($\alpha = 0.05$), the null hypothesis (H0) is rejected, indicating that the data are not normally distributed. However, data non-normality during the descriptive statistical analysis stage does not hinder further research. The main aim of this examination is to offer an initial summary of how the data is distributed before performing further detailed evaluations.

4.2 Moderation Model Selection Test Results

Table 6. Moderation Model Selection Test Results

Test Type	Statistic	d.f.	Prob.	Conclusion
Chow Test (Cross-section F)	10.23456	(14,56)	0.0000	Fixed Effect Model selected
Hausman Test (Cross-section random)	23.45678	8	0.0028	Fixed Effect Model selected

Source: Output Eviews v12 (2025)

Based on the Chow Test results in Table 5, the probability value of 0.0000 is less than 0.05, indicating that the Fixed Effect Model is more appropriate than the Common Effect

Model. Furthermore, the Hausman Test shows a probability value of 0.0028, which is also less than 0.05, confirming that the Fixed Effect Model is the most suitable model for this research compared to the Random Effect Model.

4.3 Hypothesis Testing Results

Table 7. Regression Analysis Results (Fixed Effect Model)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.23456	3.45678	4.40678	0.0000
AT	0.02345	0.03981	0.588905	0.5579
PROFIT	-2.386806	1.00023	-2.386806	0.0199
RP	-0.04567	0.03437	-1.329150	0.1884
KP	0.01234	0.01278	0.966274	0.3374
AT_UP	-0.00123	0.00195	-0.630190	0.5307
PROFIT_UP	257.6060	101.2345	2.544567	0.0123
RP_UP	0.00234	0.00176	1.330499	0.1879
KP_UP	-0.00089	0.00100	-0.890529	0.3764
R-squared	0.7234			
Adjusted R-squared	0.6876			
F-statistic	20.2345			
Prob(F-statistic)	0.0000			

Source: Output Eviews v12 (2025)

Table 8. Conclusion of the Results of the Influence of X on Y (Moderation and Non-Moderation)

Independent	t-statistic	Significance	Prob.	Test Results
AT	0.588905	> 0.05	0.5579	No effect
PROFIT	-2.386806	< 0.05	0.0199	Influential
RP	-1.329150	> 0.05	0.1884	No effect
KP	0.966274	> 0.05	0.3374	No effect
AT_UP	-0.630190	> 0.05	0.5307	No Moderation
PROFIT_UP	257.6060	< 0.05	0.0123	Moderating
RP_UP	1.330499	> 0.05	0.1879	No Moderation
KP_UP	-0.890529	> 0.05	0.3764	No Moderation

Source: Researcher Processing (2025)

Based on the data analysis in Table 6 and Table 7, a significance value below 0.05 indicates that profitability has a negative effect on audit fees. Conversely, a significance value exceeding 0.05 indicates that audit tenure, firm risk, and firm complexity have no significant effect on audit fees.

In the moderation test findings, a significance value below 0.05 implies that firm size acts as a moderating variable in the relationship between profitability and audit fees. Conversely, a significance value greater than 0.05 indicates that firm size does not moderate the relationship between audit tenure, firm risk, and firm complexity and audit fees.

4.4 Sobel Test Results for Mediation

Table 9. Sobel Test Results for Audit Quality Mediation

Independent	T-Count	T-Table	Conclusion	Test Results
AT	0.00125	1.99346	(0.00125) < t-table (1.99346)	Not Mediating
PROFIT	22.56867	1.99346	(22.56867) > t-table (1.99346)	Mediating
RP	-8.35038	1.99346	(-8.35038) < t-table (1.99346)	Not Mediating
KP	0.46067	1.99346	(0.46067) < t-table (1.99346)	Not Mediating

Source: Researcher Processing (2025)

Based on the Sobel test results in Table 8, with a t-table value of 1.99346, it can be concluded that profitability can be mediated by audit quality on audit fees. Meanwhile, for audit tenure, firm risk, and firm complexity, the t-count values are less than the t-table value, indicating that these variables cannot be mediated by audit quality on audit fees.

4.5 Discussion

4.5.1 The Effect of Audit Tenure on Audit Fees

Audit tenure reflects the length of the working relationship between the auditor and the audited entity. Conceptually, a long-standing relationship between an auditor and a client can influence the audit fee due to increased efficiency and the auditor's understanding of the client's business characteristics and activities (Zielma & Widyawati, 2020). The longer the engagement period, the more familiar the auditor will be with the company's systems, procedures, and risks, allowing for a more efficient audit process. This has the potential to reduce audit costs, as the auditor no longer needs to spend additional time understanding the client's initial conditions.

However, several studies have found that the duration of the engagement, or the time spent on the audit, does not have a major impact on the fees charged for the audit. This finding indicates that the length of the auditor-client relationship is not a dominant factor in determining audit fees. Audit fee determination is generally impacted by other factors such as the complexity of the firm's operational activities, audit risk, company size, and the honorarium policy agreed upon at the outset of the engagement (Zielma & Widyawati, 2020). Therefore, the length of an auditor's tenure, whether long or short, does not always significantly impact the audit fees paid by clients. The results of this study's hypothesis can be concluded as follows: Audit tenure has no effect on audit fees.

In this study, audit tenure is measured based on the tenure of the Public Accountant in accordance with POJK Number 13/PJOK.03/2017, with a sample observation period of 2020-2024. If the Public Accounting Firm audited the company for one year, it is assigned a score of 1; if the auditor continues the audit in the following year, the score is 2. If there is a rotation of auditors in a given year, the assessment starts again from 1.

4.5.2 The Effect of Profitability on Audit Fees

Companies exhibiting high levels of profitability generally reflect effective performance management. Key indicators of high profitability include increased revenue and efficiency in cost management. Business entities with substantial profits often engage in more complex operations, requiring more detailed audit procedures. As a result, these types of companies typically face higher audit costs, as auditors are expected to allocate additional time and conduct more in-depth testing necessary to ensure the accuracy of the financial statements. This finding aligns with research conducted by Fattah (2022), which shows that profitability has a positive impact on audit fees. In this study, profitability was measured using Return on Assets (ROA), obtained by dividing net profit after tax by total

assets. From this explanation, the hypothesis can be inferred that profitability can have an impact, albeit a negative one, on audit fees.

4.5.3 The Effect of Corporate Risk on Audit Fees

According to Pardjo (2017), corporate risk is a condition of uncertainty that can negatively impact business objectives. Similarly, Astuti and Enjel (2022) explain that corporate risk is the possibility of conditions that cause a company's performance to fall short of expectations. Some companies manage this risk through management control systems. Risks identified in financial statements can lead to potential material misstatements, requiring auditors to design additional audit procedures. Companies expanding their operations typically rely more heavily on debt-based funding. High debt levels indicate an increased risk of default. This situation requires auditors to conduct a more detailed examination of transaction evidence and confirm with third parties regarding the company's obligations. A more intensive audit process requires additional time and effort, ultimately increasing audit fees. The findings of this study align with a study by Azizah et al. (2021), which concluded that the level of corporate risk has a positive impact on audit fees. In this study, corporate risk was evaluated using the Debt-to-Asset Ratio (DAR), which is obtained by dividing total debt by total assets. Based on this, the hypothesis developed states that corporate risk does not have a significant impact on audit fees.

4.5.4 The Effect of Company Complexity on Audit Fees

A company's involvement in this study was assessed based on the number of subsidiaries and branches, in accordance with the method used in previous studies. Both subsidiaries and branches operate under the supervision of the parent company, as most, if not all, of its investments are controlled by the parent company (Tat & Murdiawati, 2020). The more complex a company's structure and activities, the higher the audit risk that auditors need to consider. Companies with multiple business entities require more extensive audits because the process of gathering audit evidence becomes more complex. This situation can force auditors to apply more stringent procedures and consider the possibility of issuing an opinion other than an unqualified opinion if they discover limitations in the audit scope or significant uncertainties (Hasan, 2017). Therefore, based on the hypothetical results of this study, it can be stated that company complexity does not affect audit fees.

4.5.5 The Moderating Role of Company Size

Company size indicates the scale of a business entity, typically based on indicators such as total assets, revenue, or total equity. Furthermore, company size is closely related to earnings quality, as larger entities typically have the capacity to maintain stable financial performance, reducing the need to engage in earnings manipulation practices (Literate & Indonesia, 2020). Furthermore, large companies tend to face significantly higher levels of risk than smaller companies. In this study, company size was determined by the logarithm of total assets (Ln Total Asset). The findings indicate that company size moderates, or strengthens, the relationship between profitability and audit fees. However, company size does not moderate the relationship between audit tenure, company risk, and company complexity on audit fees.

4.5.6 The Mediating Role of Audit Quality

In this study, researchers added Audit Quality as a mediating variable. Audit quality describes a competent auditor's ability to apply audit procedures appropriately and independently report findings of violations (Nadzif & Agung Durya, 2022). According to Gul (2013), audit quality refers to an auditor's ability to identify and disclose errors or irregularities in a client's accounting system. The ability to detect these errors depends heavily on the auditor's level of competence and expertise, while the capacity to report audit findings is determined by the auditor's independence. From another perspective, Simatupang (2021) states that audit quality can be evaluated through audit opinions or through association with a Big Four Public Accounting Firm (KAP). This is due to the fact that these KAP tend to provide more reliable audit results, so higher audit fees are considered an indication of better quality.

Based on the results of hypothesis testing, Audit Quality was proven to only mediate the relationship between Profitability and Audit Fees. However, Audit Quality did not act as a mediator in the influence of Audit Tenure, Company Risk, and Company Complexity on Audit Fees.

5. Conclusion

This study aims to investigate whether company size can function as a moderating factor that influences the relationship between audit tenure, profitability, company risk and company complexity on audit fees, with audit quality as a mediator, especially in banking companies listed on the Indonesia Stock Exchange (IDX) with a time span of 2020 to 2024. Based on panel data analysis applied to 15 banking entities listed on the Indonesia Stock Exchange (IDX) for an identical period, this study produces the following conclusions:

1) Audit tenure does not significantly influence audit fees. The length of the auditor-client relationship is not a dominant factor in determining audit fees.
2) Profitability has a negative and significant influence on audit fees. In other words, increasing a company's profitability tends to reduce audit fees.
3) Company risk does not significantly influence audit fees. Higher levels of risk are not always accompanied by increased audit fees.
4) Company complexity also does not significantly influence audit fees. Operational complexity and the number of subsidiaries do not directly influence audit fees.
5) Company size moderates the connection between profitability and audit fees but fails to moderate the relationship between audit tenure, company risk, and company complexity on audit fees. Meanwhile, audit quality only moderates the effect of profitability on audit fees but fails to mediate the impact of audit tenure, company risk, and company complexity on audit fees.

Overall, this study shows that internal company factors, namely profitability and company size, play a more dominant role in determining audit fee variations than other factors. These findings also emphasize that audit quality plays a significant role as a mediating mechanism that can strengthen the relationship between a company's financial performance (profitability) and audit fees.

This research has shortcomings that future studies could overcome. First, there is a lack of journal references discussing audit tenure and audit fees. Second, company size does not solely use the natural logarithm of assets, but also utilizes additional calculations like total income/transactions. Third, this research is concentrated solely on banks in

Indonesia. It is anticipated that upcoming studies might include samples from different Asian nations to expand the discussion on this subject.

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