

## The Influence Of Firm Size, Audit Delay, And Audit Committee On Audit Quality In Indonesian Energy Sector Companies

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### ABSTRACT

*This study examines the effects of firm size, audit delay, and audit committee on audit quality within energy sector companies listed on the Indonesia Stock Exchange (IDX) over the 2022–2024 period. The energy sector was selected due to its high operational complexity and substantial asset base, making audit quality critically important. The research population comprises all energy firms listed on the IDX, with a final sample of 102 firm-year observations obtained through purposive sampling. Audit quality is proxied by discretionary accruals using the Modified Jones Model. Firm size is measured by the natural logarithm of total assets, audit delay is calculated as the number of days between the fiscal year-end and the audit report date, and audit committee effectiveness is captured by meeting frequency. Data analysis employs multiple linear regression after satisfying classical assumption tests. The results reveal that firm size has a significant negative effect on audit quality. Meanwhile, audit delay and audit committee show no significant influence. These findings suggest that the complexity inherent in larger firms poses challenges for auditors, while the role of audit committees remains largely symbolic. This research contributes to the auditing literature and offers insights for regulators and corporate management.*

**Keywords:** Firm Size, Audit Delay, Audit Committee, Audit Quality, Energy Sector, Discretionary Accruals

### INTRODUCTION

Accountable and transparent financial reporting is essential for stakeholders to make sound economic decisions (Putri et al., 2021). In modern capital markets, investors, creditors, and other users rely heavily on the credibility of financial statements to allocate resources efficiently. Without reliable financial information, the risk of misallocation increases, potentially leading to market failures and loss of public confidence. Audit quality plays a crucial role in ensuring the integrity of financial statements, as auditing represents an independent verification process of corporate financial information (Sinaga et al., 2021). An

effective audit not only guarantees compliance with accounting standards but also mitigates earnings management practices that could mislead investors (Gaol & Duha, 2021). Furthermore, high-quality audits contribute to lowering the cost of capital, enhancing corporate transparency, and promoting good corporate governance.

Nevertheless, instances of financial statement manipulation and suboptimal audit quality persist in Indonesia's capital market, including in strategic sectors such as energy. Several high-profile accounting scandals in recent years have highlighted the vulnerability of investors when audit quality is compromised. Auditor failures to detect material misstatements or accounting violations not only harm investors financially but also damage the overall credibility of the public accounting profession. Audit quality is defined as the probability that an auditor will both discover and report breaches in a client's accounting system (Shafa & Rina, 2024). Given its significance, a deeper understanding of the factors affecting audit quality is urgently needed. Moreover, regulators such as the Financial Services Authority (OJK) continue to refine auditing and corporate governance regulations, making empirical research on this topic timely and relevant.

The academic literature has identified several potential determinants of audit quality. These include auditor characteristics (e.g., tenure, specialization, and firm size), client characteristics (e.g., firm size, complexity, and profitability), and governance mechanisms (e.g., audit committee effectiveness, board independence, and ownership structure). Among these, firm size, audit delay, and audit committee have received substantial attention. However, prior studies report inconsistent findings regarding these determinants. For instance, Yuliana and Minarso (2025) found that firm size positively and significantly affects audit quality, whereas Meliatikasari and Saputra (2025) and Nope and Sudarmadi (2024) observed no significant effect. Similarly, audit delay showed a significant negative impact in Meliatikasari and Saputra (2025) but no effect in Shafa and Rina (2024). Audit committee results are also mixed: Lailatul and Yanthi (2021) reported a positive significant influence, while Yuliana and Minarso (2025) and Sinaga et al. (2021) found no significant relationship. These contradictory findings suggest that the relationship between these variables and audit quality may be context-dependent, varying by industry, time period, and regulatory environment.

Several theoretical explanations may account for these inconsistencies. From the perspective of agency theory, larger firms face more severe information asymmetry and agency conflicts, which could either increase or decrease the demand for high-quality audits. On one hand, larger firms have more resources to invest in sophisticated internal controls and hire reputable auditors. On the other hand, their operational complexity may overwhelm even the most competent auditors, leading to undetected errors or fraud. Similarly, audit delay could be interpreted either as a sign of thoroughness (leading to higher quality) or as a symptom of problems (leading to lower quality). The role of the audit committee also varies: some committees actively monitor financial reporting, while others exist merely to fulfill regulatory requirements. These nuances justify further investigation.

These inconsistencies warrant further empirical investigation. This study focuses on energy sector firms listed on the Indonesia Stock Exchange (IDX) from 2022 to 2024. The energy sector was chosen for several compelling reasons. First, it is capital-intensive with highly complex financial reporting. Energy companies typically engage in exploration, extraction, refining, and trading activities, each involving distinct accounting treatments.

Revenue recognition from long-term contracts, asset retirement obligations, impairment of exploration assets, and derivative instruments for commodity price hedging are just a few examples of complex accounting issues faced by these firms. Such complexity directly affects audit procedures and audit quality. Second, the financial performance of energy firms is volatile due to global commodity prices and environmental regulations. This volatility increases the risk of earnings management, as managers may be tempted to smooth reported earnings to meet market expectations. Consequently, the need for high-quality audits is particularly acute in this sector. Third, the post-pandemic observation period (2022–2024) captures recent corporate governance dynamics and the implementation of OJK's latest regulations regarding mandatory auditor rotation and audit committee composition. Therefore, findings from this period will be more relevant to current policy debates.

Based on this background, the research questions are: (1) Does firm size affect audit quality? (2) Does audit delay affect audit quality? (3) Does the audit committee affect audit quality? The primary objective is to empirically test the influence of these three independent variables on audit quality in the Indonesian energy sector. Additionally, this study aims to contribute to the ongoing debate on the effectiveness of corporate governance mechanisms in emerging markets. By focusing on a single industry, we control for industry-specific factors that might confound cross-industry studies. The findings are expected to provide practical guidance for companies, auditors, and regulators in enhancing audit quality.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Agency Theory

This study is grounded in agency theory as proposed by Jensen and Meckling (1976). The theory describes the relationship between principals (owners) and agents (managers). Managers, as agents, possess more complete information about the firm's condition than owners, creating information asymmetry. This asymmetry may encourage opportunistic managerial behavior, such as earnings management, excessive risk-taking, or suboptimal investment decisions. External auditors serve as independent parties who verify financial statements to reduce information asymmetry and protect principals' interests. High audit quality thus acts as an effective monitoring mechanism within agency theory.

Agency theory also explains why firms voluntarily demand high-quality audits. When ownership and management are separated, principals incur agency costs, including monitoring expenditures (e.g., audit fees), bonding costs (e.g., managerial guarantees), and residual losses. A credible, high-quality audit reduces these costs by assuring principals that the financial statements fairly represent the firm's performance and position. Conversely, when audit quality is low, agency costs rise because principals cannot trust the reported numbers, leading to higher required rates of return and lower firm value. Therefore, understanding the determinants of audit quality is essential from an agency perspective.

### Definitions and Measurements of Audit Quality

DeAngelo (1981) defines audit quality as the probability that an auditor will both discover and report material misstatements in a client's accounting system. This two-dimensional concept includes competence (ability to discover) and independence (willingness to report). Over the years, researchers have developed various proxies for audit quality. These include auditor size (Big N versus non-Big N), audit fees, audit firm industry specialization, discretionary accruals, and restatements. Each proxy has strengths and weaknesses. For

example, using Big N auditors as a proxy assumes that larger audit firms always provide higher quality, which may not hold in all contexts. Discretionary accruals, on the other hand, capture the outcome of the audit process (i.e., the extent of earnings management remaining after audit). This study adopts discretionary accruals as the measure of audit quality because it directly reflects the auditor's success in constraining managerial opportunism. The Modified Jones Model (Jones, 1991; Dechow et al., 1995) is widely used and validated in emerging market settings.

### **Firm Size and Audit Quality**

Firm size is one of the most frequently examined determinants of audit quality. Theoretically, larger firms have more complex operations, diversified business lines, and greater numbers of transactions. This complexity increases inherent risk and control risk, requiring more extensive audit procedures. At the same time, large firms are more visible to regulators, investors, and the media. This public visibility pressures them to demand higher audit quality to protect their reputation and market value (Saputra & Agustin, 2021). Moreover, larger firms typically have greater financial resources to pay for premium audit services from top-tier audit firms (Big Four). They also tend to have stronger internal control systems, which can facilitate the audit process.

However, empirical evidence is mixed. Several studies (e.g., Yuliana & Minarso, 2025) report a positive relationship between firm size and audit quality, supporting the reputation and resource arguments. Other studies (e.g., Meliatikasari & Saputra, 2025; Nope & Sudarmadi, 2024) find no significant relationship or even a negative one. Potential explanations for negative or null results include: (1) in very large and complex firms, even the best auditors may struggle to detect all material misstatements; (2) large firms may exert greater bargaining power over auditors, reducing auditor independence; (3) the relationship may be non-linear, with audit quality first increasing then decreasing as firm size grows beyond a certain threshold. These possibilities warrant further investigation, especially in the energy sector where firm sizes vary widely and complexity is exceptionally high.

Additionally, the measurement of firm size matters. Studies often use total assets, total sales, or market capitalization. Total assets reflect the scale of resources controlled, which is relevant for audit complexity because more assets usually mean more accounts, transactions, and locations to audit. This study uses the natural logarithm of total assets to normalize the distribution and reduce skewness. Based on the predominant theoretical expectation (positive influence), we propose:

**H1:** Firm size has a positive effect on audit quality.

### **Audit Delay and Audit Quality**

Audit delay, also known as audit report lag, is defined as the number of days from the fiscal year-end date to the date of the audit report. Timely financial reporting is a key qualitative characteristic of useful accounting information. Delays reduce the relevance of information, potentially harming investors' decision-making (Sudjono & Setiawan, 2022). From an audit quality perspective, longer delays could indicate that the audit process encountered difficulties, such as complex transactions, disagreements with management, or insufficient auditor resources. These difficulties might lead to lower quality if auditors cut corners to meet deadlines. Conversely, longer delays could also reflect thoroughness, where auditors take the time needed to perform all necessary procedures, resulting in higher quality.

Prior empirical evidence is contradictory. Meliatikasari and Saputra (2025) found a significant negative effect, meaning longer delays were associated with lower audit quality. In contrast, Shafa and Rina (2024) and Nope and Sudarmadi (2024) found no significant effect, suggesting that delay alone does not determine quality. Several contextual factors may influence this relationship. For example, in highly regulated industries or during economic crises, delays might be unavoidable without necessarily impairing quality. Also, the institutional environment matters: in jurisdictions with strong enforcement and professional standards, auditors may maintain quality regardless of time pressure. Indonesia's audit environment has undergone significant regulatory changes in recent years, including mandatory audit rotation and stricter oversight by the Financial Services Authority (OJK). These changes may have made auditors more disciplined, reducing the likelihood that delay compromises quality.

Furthermore, the relationship between audit delay and audit quality may be moderated by other variables such as auditor industry specialization, client internal control effectiveness, and the use of technology. Given the mixed evidence, this study does not assume a directional effect but rather tests the null hypothesis of no effect against the alternative of a negative effect. The following hypothesis is proposed:

**H2:** Audit delay has a negative effect on audit quality.

### **Audit Committee and Audit Quality**

The audit committee is a subcommittee of the board of directors (or board of commissioners in a two-tier board system like Indonesia's). Its primary functions include overseeing the financial reporting process, monitoring internal controls, and liaising with external and internal auditors. The effectiveness of an audit committee depends on several attributes: independence (majority of members should be independent directors), financial expertise, size, meeting frequency, and charter provisions. Regulatory frameworks such as the OJK regulation No. 55/POJK.04/2015 require audit committees to meet at least four times per year, with members possessing accounting or finance backgrounds.

A well-functioning audit committee can enhance audit quality by: (1) ensuring management does not pressure auditors to accept questionable accounting treatments; (2) reviewing audit plans and findings; (3) monitoring auditor independence and objectivity; (4) facilitating communication between the board and external auditors; and (5) recommending the appointment and dismissal of auditors. Thus, the audit committee acts as a crucial governance mechanism that aligns the interests of auditors and shareholders. Empirical studies in developed markets generally support a positive association between audit committee effectiveness and audit quality. However, evidence from emerging markets, including Indonesia, is less consistent. Lailatul and Yanthi (2021) found a positive effect, but Yuliana and Minarso (2025) and Sinaga et al. (2021) found none.

Possible reasons for non-significant findings in Indonesian contexts include: (1) many audit committees exist only as a regulatory formality without real power or engagement ("compliance" mentality); (2) members may lack sufficient accounting and auditing expertise to challenge management or auditors effectively; (3) meeting frequency, while mandated, may be superficial without substantive discussion; (4) cultural factors such as deference to management may inhibit critical questioning. This study measures audit committee effectiveness through meeting frequency normalized by the regulatory minimum (four meetings per year). Meeting frequency is a commonly used proxy because active committees

tend to meet more often. However, it is not a perfect measure because quality of meetings matters more than quantity. Nevertheless, given data availability, it remains a practical choice. We propose:

**H3:** The audit committee has a positive effect on audit quality.

### **Additional Theoretical Perspectives: Signaling and Resource Dependency**

Beyond agency theory, signaling theory and resource dependency theory offer complementary insights. Signaling theory suggests that firms use high-quality audits as signals to the market about their trustworthiness. A firm that chooses a reputable auditor and maintains an active audit committee sends a positive signal, reducing information asymmetry and lowering the cost of capital. Conversely, firms that avoid high-quality audits may be perceived as having something to hide. Resource dependency theory posits that audit committees provide valuable resources—expertise, networks, and legitimacy—that help the firm navigate complex regulatory and financial environments. These resources can indirectly improve audit quality by enhancing the overall governance framework.

### **Empirical Gaps and This Study's Contribution**

Despite extensive research on audit quality determinants, several gaps remain. First, most prior studies in Indonesia use broad samples across all industries, potentially masking industry-specific effects. The energy sector, with its unique characteristics (high asset intensity, commodity price volatility, environmental risks, and long-term contracts), deserves dedicated attention. Second, the post-pandemic period (2022–2024) represents a new regulatory and economic landscape. Changes in work patterns (remote auditing), increased use of technology, and updated OJK rules may have altered the relationships found in earlier studies. Third, few studies have examined the simultaneous effects of firm size, audit delay, and audit committee on audit quality in a single model within the energy sector. This study fills these gaps by focusing on a homogeneous industry, using recent data, and applying a robust methodology.

### **Conceptual Framework**

Based on the theoretical foundations and hypothesis development, the conceptual framework positions audit quality (Y) as the dependent variable, with three independent variables: firm size (X1), audit delay (X2), and audit committee (X3). The framework posits that each independent variable may influence audit quality individually (partial effects), and collectively they explain a portion of the variation in audit quality (simultaneous effect). Control variables such as leverage, profitability, and auditor type are not included in the main model due to data limitations but are acknowledged as potentially important. The framework guides the empirical analysis presented in Section 4.

## **RESEARCH METHOD**

### **Research Design**

This study employs a quantitative approach with a causal-comparative design to analyze relationships among variables. This design enables the identification and measurement of independent variables' effects on the dependent variable for hypothesis testing (Mutawaqila & Oktariza, 2022).

### **Population, Sample, and Sampling Technique**

The population consists of all energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. Purposive sampling was applied with the following

criteria: (1) energy firms continuously listed on the IDX from 2022 to 2024; (2) companies consistently publishing annual reports and audited financial statements on the IDX website or their corporate websites. These criteria yielded 38 companies, resulting in 102 firm-year observations after outlier elimination.

**Variable Operationalization**

**Dependent Variable: Audit Quality**

Audit quality is proxied by discretionary accruals (DA) using the Modified Jones Model (Jones, 1991; Dechow et al., 1995). The calculation steps are:

Total Accruals (TAC) = Net Income (NI) – Cash Flow from Operations (CFO)

Then, the following OLS regression is estimated:

$$\frac{TA_{it}}{A_{it-1}} = \beta_1 \left( \frac{1}{A_{it-1}} \right) + \beta_2 \left( \frac{\Delta Rev_{it}}{A_{it-1}} \right) + \beta_3 \left( \frac{PPE_{it}}{A_{it-1}} \right) + \varepsilon$$

Non-discretionary accruals (NDA) are computed as:

$$NDA_{it} = \beta_1 \left( \frac{1}{A_{it-1}} \right) + \beta_2 \left( \frac{\Delta Rev_{it}}{A_{it-1}} - \frac{\Delta Rec_{it}}{A_{it-1}} \right) + \beta_3 \left( \frac{PPE_{it}}{A_{it-1}} \right)$$

Finally, discretionary accruals are:

$$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$$

**Independent Variables**

1. Firm Size (X1) = Natural logarithm of total assets
2. Audit Delay (X2) = Audit opinion date – Balance sheet date (in days)
3. Audit Committee (X3) = Number of audit committee meetings per year / 4 (based on OJK Regulation No. 55/POJK.04/2015)

**Data Analysis Technique**

Multiple linear regression analysis is employed with the following equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Prior to regression, classical assumption tests are conducted: normality (Kolmogorov-Smirnov), multicollinearity (VIF & Tolerance), heteroscedasticity (Glejser), and autocorrelation (Durbin-Watson). Hypothesis testing uses the t-test (partial), F-test (simultaneous), and coefficient of determination (Adjusted R<sup>2</sup>) with a significance level of  $\alpha = 0.05$ .

**RESULTS AND DISCUSSION**

**Descriptive Statistics**

Table 1 presents descriptive statistics for the 102 observations.

**Table 1. Descriptive Statistics**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Quality Audit	102	2,66	7,98	5,4513	,91827
Firm Size	102	1,66	1,86	1,7757	,03802
Audit Delay	102	1,85	2,55	2,2915	,13597
Audit Comittee	102	-,86	2,18	,9806	,45365
Valid N (listwise)	102				

Source: Secondary data processed with SPSS (2025)

The standard deviations for all independent variables are smaller than their respective means, indicating that the data tend to cluster without extreme variations.

**Classical Assumption Tests**

**Normality Test:** The Kolmogorov-Smirnov test yielded an Asymp. Sig. (2-tailed) value of 0.061 > 0.05, indicating that the residuals are normally distributed.

**Multicollinearity Test:** All independent variables have Tolerance values > 0.10 and VIF < 10 (Firm Size: Tolerance 0.787, VIF 1.271; Audit Delay: Tolerance 0.925, VIF 1.081; Audit Committee: Tolerance 0.808, VIF 1.238), so no multicollinearity is present.

**Heteroscedasticity Test:** The Glejser test shows significance values for Firm Size (0.061), Audit Delay (0.098), and Audit Committee (0.202), all > 0.05, indicating no heteroscedasticity.

**Autocorrelation Test:** The Durbin-Watson statistic is 1.889, which lies between dU (1.7383) and 4-dU (2.111), so no autocorrelation exists.

Having satisfied all classical assumptions, the regression model is suitable for hypothesis testing.

**Multiple Linear Regression Results**

**Table 2. Multiple Linear Regression Results**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	24,882	4,671		5,327	.000
	Firm size	-10,123	2,394	-.423	-4,228	.000
	Audit Delay	-.519	.617	-.077	-.841	.402
	Audit Committee	-.269	.198	-.134	-1,359	.177

a. Dependent Variable: Quality Audit

Source: Secondary data processed with SPSS (2025)

The resulting regression equation is:

$$Y = 24.882 - 10.123X_1 - 0.519X_2 - 0.269X_3 + \epsilon$$

**Hypothesis Testing**

**t-test (Partial):**

- Firm Size (X1): Sig. = 0.000 < 0.05 → H1 is rejected (significant negative effect, not positive).
- Audit Delay (X2): Sig. = 0.402 > 0.05 → H2 is rejected (no significant effect).
- Audit Committee (X3): Sig. = 0.177 > 0.05 → H3 is rejected (no significant effect).

**F-test (Simultaneous):** The significance value is 0.000 < 0.05, meaning all independent variables together significantly affect audit quality. The model is fit.

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19,605	3	6,535	9,769	.000 <sup>b</sup>
	Residual	65,560	98	.669		
	Total	85,166	101			

a. Dependent Variable: Quality Audit  
b. Predictors: (Constant), Audit Committee, Audit Delay, Firm Size

**Coefficient of Determination (R<sup>2</sup>):** The Adjusted R Square is 0.207, indicating that 20.7% of the variation in audit quality is explained by the three independent variables, while the remaining 79.3% is explained by other factors outside the model.

**DISCUSSION**

### **The Negative and Significant Effect of Firm Size on Audit Quality**

The finding that firm size exerts a significant negative influence on audit quality (coefficient - 10.123,  $p < 0.001$ ) contradicts the positive relationship hypothesized based on agency theory and prior studies such as Yuliana and Minarso (2025). Instead, it aligns with the results of Meliatikasari and Saputra (2025) and Nope and Sudarmadi (2024), who also found no positive effect, and extends those findings by revealing a statistically significant negative association in the energy sector.

Several explanations can be offered for this counterintuitive result. First, energy sector companies are characterized by exceptionally high operational and transactional complexity. They engage in upstream activities (exploration and production), midstream (transportation and storage), and downstream (refining and marketing). Each segment involves specialized accounting treatments, including successful efforts versus full cost methods for exploration costs, asset retirement obligations, impairment of long-lived assets, commodity derivatives hedging, and revenue recognition under long-term contracts. As firm size increases, the number and variety of these complex transactions multiply exponentially. Even highly competent auditors may struggle to design and execute audit procedures that detect all material misstatements across a vast and diverse set of accounts. Consequently, larger firms may exhibit higher discretionary accruals (i.e., lower audit quality) simply because the audit task becomes more difficult.

Second, large energy firms often have multiple subsidiaries, joint ventures, and associates spread across different geographic locations, including remote and high-risk areas. Auditing such entities requires coordination among multiple audit teams, dealing with different accounting systems, local regulations, and potential translation issues. The risk of undetected errors or fraud increases with organizational complexity. Moreover, large firms may have more sophisticated earnings management techniques, making it harder for auditors to distinguish between legitimate accruals and manipulative ones. Managers in large corporations face intense pressure to meet earnings targets, and they have more tools (e.g., complex valuation models, related-party transactions) to manipulate reported numbers without leaving obvious traces.

Third, from a bargaining power perspective, very large companies may exert significant influence over their auditors. If the client represents a substantial portion of the audit firm's fee revenue, the auditor may be reluctant to issue a qualified opinion or to challenge aggressive accounting treatments. This "economic bonding" can impair auditor independence, leading to lower audit quality. In the Indonesian context, the audit market is relatively concentrated, but energy giants may still have leverage over mid-tier audit firms. This dynamic could explain why larger firm size is associated with higher discretionary accruals.

Fourth, the measurement of firm size using total assets might capture not only scale but also age and complexity. Older, larger firms may have accumulated legacy issues, such as outdated internal controls, poor documentation, or a history of earnings management. These factors could persist despite the firm's current size, contributing to lower audit quality. Additionally, the natural log transformation of total assets reduces skewness but does not eliminate the fundamental relationship between asset complexity and audit difficulty.

This finding has important implications for regulators and standard-setters. It suggests that simply being large does not guarantee high audit quality; indeed, large firms may need even more intensive and specialized audit procedures. Mandatory audit firm rotation, increased oversight by the audit committee, and enhanced audit documentation requirements may be particularly important for large energy firms. Future research should explore the non-linear relationship between firm size and audit quality, possibly using different size proxies (e.g., number of subsidiaries, geographic spread, transaction volume) to capture complexity more directly.

### **The Insignificant Effect of Audit Delay on Audit Quality**

The result that audit delay does not significantly affect audit quality ( $p = 0.402$ ) indicates that, among Indonesian energy sector firms, the length of the audit process is not a reliable predictor of

audit quality. This finding supports Shafa and Rina (2024) and Nope and Sudarmadi (2024) but contrasts with Meliatikasari and Saputra (2025), who found a negative effect.

A plausible interpretation is that auditors in Indonesia, particularly those auditing large energy companies, adhere to professional standards regardless of the time taken. Even when delays occur—due to client-related issues (e.g., incomplete records, complex transactions, slow provision of information) or auditor-related issues (e.g., staff shortages, scheduling problems)—they do not necessarily compromise the quality of audit procedures. Auditors may extend their working hours, redeploy staff, or perform additional substantive tests to ensure that the audit opinion is properly supported. In other words, time pressure does not lead to corner-cutting; instead, it may lead to more intensive work during the extended period.

Furthermore, audit delay in the Indonesian context may be influenced by factors unrelated to audit quality, such as the client's internal reporting deadlines, the timing of the annual general meeting, or administrative processes. The COVID-19 pandemic has also affected audit timelines, with remote auditing and travel restrictions causing delays that had nothing to do with the thoroughness of audit procedures. The observation period (2022–2024) includes the tail end of the pandemic, so some delays in the sample may be pandemic-related. Once these exogenous delays are controlled for, the remaining variation may not correlate with quality.

Another angle is that the relationship between audit delay and audit quality might be moderated by auditor characteristics. For instance, Big Four auditors might be more efficient, achieving both short delays and high quality, while non-Big Four auditors might take longer but still produce acceptable quality. This study did not differentiate between auditor types, which could mask such interactions. Similarly, firms with strong internal controls might experience shorter delays and higher quality, while firms with weak controls experience both longer delays and lower quality—but if both types are present in the sample, the overall correlation could be washed out.

The insignificance of audit delay has practical implications. Investors and regulators should not automatically assume that a late audit report signals poor quality. Conversely, a timely report does not guarantee high quality. Other indicators, such as auditor reputation, industry specialization, and audit committee effectiveness, may be more informative. For management, the finding implies that efforts to reduce audit delay (e.g., improving internal systems, providing timely information) are still valuable for timeliness but may not directly improve audit quality. Future research could explore the interaction between audit delay and other variables, such as auditor tenure or client complexity, to uncover conditional effects.

### **The Insignificant Effect of Audit Committee on Audit Quality**

The finding that the audit committee does not significantly affect audit quality ( $p = 0.177$ ) is consistent with Yuliana and Minarso (2025) and Sinaga et al. (2021) but contradicts Lailatul and Yanthi (2021). This result suggests that, in Indonesian energy sector companies, the mere existence of an audit committee and even the frequency of its meetings are not sufficient to enhance audit quality.

Several factors may explain this lack of influence. First, the “compliance mentality” is prevalent in many emerging markets. Companies form audit committees because regulations require them, not because they believe in the value of active oversight. Consequently, audit committee meetings may be perfunctory, lasting only long enough to fulfill the minimum requirements. Members may not ask probing questions or challenge management's accounting choices. The minutes of meetings might be prepared in advance, and discussions may be superficial. Under such conditions, the audit committee adds little value to the audit process.

Second, the competency of audit committee members matters. While OJK regulations require that at least one member have an accounting or finance background, this minimum may be insufficient for the complex accounting issues faced by energy companies. Understanding exploration asset valuation, impairment testing, derivative accounting, and revenue recognition under long-term contracts requires specialized expertise. If committee members lack this expertise, they cannot

effectively oversee the external audit. Moreover, audit committees often meet only four times per year (the regulatory minimum), which may be inadequate for continuous monitoring. The mean meeting frequency in the sample was 0.98 (normalized by 4), meaning that on average, committees met slightly less than four times per year. Some even had negative normalized values, indicating fewer than four meetings, which is below the regulatory requirement and raises concerns about compliance.

Third, cultural factors in Indonesia, such as high power distance and deference to authority, may inhibit audit committee members from actively questioning senior management or external auditors. In a hierarchical corporate culture, independent commissioners and audit committee members may feel reluctant to challenge the CEO or CFO. This social dynamic undermines the monitoring function of the audit committee. Even when meetings are held, meaningful dissent may be suppressed.

Fourth, the proxy used in this study—meeting frequency normalized by four—captures only one dimension of audit committee effectiveness. It does not capture the quality of discussions, the expertise of members, the independence of the committee, or the resources available to it. A committee that meets eight times per year but engages in rubber-stamping is less effective than a committee that meets four times but asks tough questions. Thus, measurement error could contribute to the insignificant result. Future studies should use more comprehensive measures, such as the proportion of members with financial expertise, the number of years of relevant experience, or survey-based assessments of committee effectiveness.

The insignificance of the audit committee variable has policy implications. Regulators may need to move beyond mandating meeting frequency and instead focus on competency requirements, training programs, and enforcement of active oversight duties. For companies, simply having an audit committee on paper is not enough; they should ensure that committee members are truly independent, well-trained, and empowered to challenge management. For investors, the finding suggests that they should not rely solely on the existence of an audit committee as a signal of good governance; they should look at the committee's composition, meeting intensity, and any disclosed dissenting opinions.

### **Overall Model and Unexplained Variance**

The Adjusted  $R^2$  of 0.207 indicates that the three independent variables collectively explain only about 20.7% of the variation in audit quality. The remaining 79.3% is attributable to other factors not included in this model. This is not surprising given the multifaceted nature of audit quality. Potential omitted variables include: audit fees (higher fees may attract more skilled auditors or enable more extensive procedures), auditor industry specialization (specialists may detect more misstatements), auditor tenure (very long or very short tenure may affect independence and knowledge), client profitability (loss-making firms may have greater incentives for earnings management), leverage (high debt may induce covenant-violation avoidance), and external governance factors such as institutional ownership or analyst coverage.

Additionally, discretionary accruals as a proxy for audit quality have limitations. They are noisy measures, affected by non-discretionary factors such as industry-wide economic shocks and firm-specific growth opportunities. The Modified Jones Model reduces but does not eliminate this noise. Future research could use alternative proxies such as restatements, AAERs, or audit fee premiums, or combine multiple proxies into a composite score.

### **CONCLUSION**

Based on the data analysis and statistical tests of energy sector companies listed on the IDX for the 2022–2024 period, the following conclusions are drawn:

1. Firm size has a significant negative effect on audit quality. Larger asset scales tend to be associated with lower audit quality, likely due to higher transaction complexity.
2. Audit delay does not significantly affect audit quality. The duration of audit work is not an indicator of audit quality.

3. The audit committee does not significantly affect audit quality. Its existence has not provided a tangible contribution and appears largely compliance-driven.

### RECOMMENDATIONS

**For Academics:** This study can serve as an additional reference for auditing literature, particularly regarding factors influencing audit quality in the energy sector. Future researchers are advised to include other variables such as audit fees, auditor rotation, or industry specialization, given the low Adjusted R<sup>2</sup> of only 20.7%.

**For Companies:** Large firms should enhance their internal control systems and ensure that operational complexity does not hinder the external audit process. The audit committee function should be optimized to go beyond mere regulatory compliance and actively monitor financial reporting integrity.

**For Regulators:** The Financial Services Authority (OJK) and the Indonesian Institute of Certified Public Accountants (IAPI) should consider strengthening the audit committee's role through enhanced competency requirements and accountability, while also paying special attention to audits of energy sector companies with high complexity.

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