

DO FIRM SIZE AND LEVERAGE AFFECT AUDIT QUALITY? EMPIRICAL FINDINGS FROM ENERGY SECTOR

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ABSTRACT

Audit quality is an important element in maintaining the transparency and credibility of financial information in the capital market. The results of previous research showed inconsistent findings related to the influence of company size and leverage on audit quality, so further empirical testing is still needed. This study aims to empirically examine the influence of company size and leverage on audit quality in the energy sector, both partially and simultaneously. The research uses an explanatory quantitative approach with secondary data in the form of audited financial statements of companies listed on the Indonesia Stock Exchange for the period 2020–2024. The sampling technique uses purposive sampling. Data analysis was carried out using logistic regression with model feasibility testing through the Hosmer and Lemeshow Test, Nagelkerke R Square, Omnibus Test and multicollinearity test. The results of the study show that company size has a positive and significant effect on audit quality. Leverage also has a positive and significant effect on audit quality. Simultaneously, the size of the company and leverage had a significant effect on audit quality with the model's explainability of 60.3%. Companies with large asset sizes and high levels of leverage tend to use high-quality auditors to maintain the credibility of financial statements and meet the supervisory demands of stakeholders. This study was limited to the use of two independent variables, a specific observation period, and audit quality measurement that only used proxy affiliated with the Public Accounting Firm. Further research suggests adding other variables such as corporate governance, profitability, and business risk.

Keywords : Company Size; Leverage; Audit Quality

ABSTRAK

Kualitas audit merupakan elemen penting dalam menjaga transparansi dan kredibilitas informasi keuangan di pasar modal. Hasil penelitian sebelumnya menunjukkan temuan yang tidak konsisten terkait pengaruh ukuran perusahaan dan leverage terhadap kualitas audit, sehingga pengujian empiris lebih lanjut masih diperlukan. Penelitian ini bertujuan untuk mengkaji secara empiris pengaruh ukuran perusahaan dan leverage terhadap kualitas audit di sektor energi, baik sebagian maupun simultan. Penelitian ini menggunakan pendekatan kuantitatif eksplanasi dengan data sekunder berupa laporan keuangan perusahaan yang diaudit yang tercatat di Bursa Efek Indonesia periode 2020–2024. Teknik pengambilan sampel menggunakan purposive sampling. Analisis data dilakukan dengan menggunakan regresi logistik dengan pengujian kelayakan model melalui Uji Hosmer dan Lemeshow, Nagelkerke R Square, Omnibus Test dan uji multikolinearitas. Hasil penelitian menunjukkan bahwa ukuran perusahaan memiliki pengaruh positif dan signifikan terhadap kualitas audit. Leverage juga memiliki efek positif dan signifikan pada kualitas audit. Secara bersamaan, ukuran perusahaan dan leverage memiliki efek yang signifikan pada kualitas audit dengan penjelasan model sebesar 60,3%. Perusahaan dengan ukuran aset yang besar dan tingkat leverage yang tinggi cenderung menggunakan auditor berkualitas tinggi untuk menjaga kredibilitas laporan keuangan dan memenuhi tuntutan pengawasan para pemangku kepentingan. Penelitian ini terbatas pada penggunaan dua variabel independen, periode observasi tertentu, dan pengukuran kualitas audit yang hanya menggunakan proxy yang berafiliasi dengan Kantor Akuntan Publik. Penelitian lebih lanjut menyarankan untuk menambahkan variabel lain seperti tata kelola perusahaan, profitabilitas, dan risiko bisnis.

Kata Kunci : Ukuran Perusahaan; Leverage; Kualitas Audit

INTRODUCTION

An efficient and integrity capital market ecosystem requires transparent, accurate, and reliable financial information for all market participants. Financial statements serve as the main instrument to reduce information asymmetry between management as agents and investors, as well as creditors as principals. Accounting information must meet the characteristics of relevance and proper representation in order to be used as a basis for rational economic decision-making (Olimsar, 2023). The separation of ownership and control in modern corporate structures increases the risk of moral hazard and agency costs, so the existence of an independent external audit is needed as a monitoring mechanism to reduce the risk of material misinformation and minimize conflicts of interest (Hasanuddin, 2024).

The capital market regulatory framework, accounting standards, and professional standards of public accountant place audit quality as one of the important issues and is the main concern. The quality of the audit is influenced by the characteristics of the client's company, in particular the size of the company and leverage. The size of a company reflects the level of operational complexity, diversity of businesses, and the amount of resources managed by the company. Leverage indicates the level of financing pressure and solvency risk of the company that can affect management behavior as well as the possibility of auditors in detecting material fraud. Audit practice in Indonesia shows that there is a gap between theoretical expectations and empirical reality. Theoretically, large companies that are overseen by regulators, analysts, and the public have stronger reporting systems and are able to use highly reputable KAPs. High leverage is also assumed to increase creditor scrutiny. But empirically, large companies with high leverage remain vulnerable to audit failures and manipulation of financial reporting.

The case of PT Waskita Karya (Persero) Tbk shows this representation. Companies with large assets and high leverage are suspected of manipulating financial reporting by displaying positive profit performance despite operating cash flows indicating liquidity pressures. The company recorded a loss of IDR 1.83 trillion in 2021 and IDR 1.67 trillion in 2022. Operating cash flow was recorded positive at IDR 192.78 billion in 2021 and negative IDR 106.58 billion in 2022 (Ramadhani, 2023). The company's financial statements are audited by KAP Crowe Indonesia with a Fair Opinion Without Exception. The failure to warn of going concern triggered the intervention of the Finance and Development Supervisory Agency and the Indonesia Stock Exchange until the company underwent debt restructuring after default in 2023.

Another case occurred in PT Garuda Indonesia (Persero) Tbk in the 2018 financial statement, where the company admitted revenue prematurely so that profits increased artificially. The Financial Services Authority and the Ministry of Finance imposed administrative sanctions of IDR 100 million on the Board of Directors and Commissioners of PT Garuda Indonesia

(Persero) Tbk (Binus University School of Accounting, 2021). OJK also found 32 cases of stock manipulation with a total fine of IDR 542 billion. In addition, the IDX noted that 130 companies received a Written Warning I due to delays in submitting the 2024 audited financial statements, and 78 companies received a Written Warning III and a fine of IDR 150 million in May 2025. The OJK also froze the registration of public accountants through Letter SR-24/PD.11/2025, while the Ministry of Finance froze the licensing of the public accountant profession until 2026. This fact shows that large company size and high leverage do not always guarantee good audit quality.

The empirical literature shows that there are differences in research results related to the influence of company size on audit quality. Mardiyanti and Praptiningsih (2022) as quoted in Abigail (2024) found a positive and significant influence because large companies face reputational pressure and tend to use high-reputation KAP. Fahrani, et al (2024) found a negative influence because operational complexity makes it easier for management to hide manipulation. Kurniawan (2016) as cited in Anggraeni, Lutfiana, Widati, & Listyorini, (2022) did not find a significant influence between company size and audit quality. The empirical literature on leverage also shows polarized results. Ming, Li, Wijoyo, & Amin, (2025) found that the negative influence due to debt covenant pressure encourages management to manipulate profits. Tessa and Harto (2016) as quoted in Damayani & Fitri, (2017) concluded that leverage increases the risk of fraud. Pratomo & Dudi, (2021) found a positive influence because institutional creditor supervision limits manipulation.

Previous research has shown inconsistent results regarding the influence of company size and leverage on audit quality. Some studies found a positive effect, while some studies found a negative or insignificant effect. The inconsistency of these results shows that there is a research gap because there are no firm empirical conclusions regarding the influence of company size and leverage on audit quality in companies listed on the Indonesia Stock Exchange. Agency Theory explains that the separation of ownership and control creates a conflict of interest and increases monitoring costs. Signal Theory explains that companies that perform well use high-quality audits as a means of communicating credibility to the market. The Financial Constraint Theory explains that high leverage pressure encourages management to manipulate to avoid covenant violations. These three theories provide a conceptual basis for analyzing the relationship between company size and leverage on audit quality. This study aims to empirically examine the influence of company size and leverage on audit quality in companies listed on the Indonesia Stock Exchange.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Audit Quality

Audit quality is a concept that has many aspects and is an important indicator in assessing how reliable third-party guarantees are for the financial information presented (Fawziah & Intan, 2025). Linda Elizabeth DeAngelo in 1981 formulated the classic definition that states that audit quality is the possibility that independent auditors have the technical ability to find material violations or misrepresentations in the client's accounting system, as well as have the independence and courage to report those findings honestly to the public (DeAngelo & Linda, 1981). The audit process can be categorized as quality if the auditor strictly adheres to procedures based on the framework of the Professional Standards for Public Accountants (SPAP) and quality control standards that do not tolerate compromise on the materiality of fraud.

Audit quality describes the auditor's ability to identify and disclose material misrepresentations contained in financial statements prepared by the client entity. This ability is not only influenced by the auditor's competence in carrying out audit procedures, but also by the level of independence they have in delivering the results of their audits. Therefore, the high quality of audits reflects the auditor's effectiveness in providing adequate confidence regarding the fairness of the financial information presented by the company.

Quality audits play an important role in increasing the credibility and reliability of financial statements as a source of information for stakeholders. Adequately audited financial statements provide a higher level of confidence to investors in assessing the condition and performance of the company. Thus, the information generated can be used as a basis for more accurate economic decision-making, thereby reducing uncertainty and risks that may arise in investment activities (Panjaitan, 2018).

Company Size

Company size is generally seen as a reflection of a firm's resource base and its ability to compete in the industry. Firms with large asset holdings often have greater operational capacity, which can translate into stronger market confidence if these assets are efficiently utilized. Conversely, inefficient use of large assets may lead to undervaluation by the market (Hidayat, 2019). In general, investors tend to perceive larger firms more favorably due to their presumed financial stability and growth potential.

According to Arens & Loebbecke (2005), the size of a company can be measured based on the number of assets owned by an entity. Assets are economic resources that are under the company's control as a result of transactions or events that occurred in the past and are expected to be able to provide economic benefits in the future period. The source of funding for these assets can come from the capital invested by the owner or from obligations to other parties.

Therefore, the size of the company's assets is often used as an indicator to describe the scale of the company's operations.

In the context of audits, the size of a company can affect the complexity and duration of the audit. Companies with a relatively small scale generally have a simpler number of transactions and organizational structure, so the audit process can be completed in a shorter time. In contrast, large-scale companies typically have more complex operational activities, high transaction volumes, and the possibility of having multiple subsidiaries. This condition requires auditors to carry out a broader and more in-depth audit procedure, so that the time required to complete an audit is longer compared to smaller companies.

Leverage

The leverage ratio is usually used to describe a company's ability to use fixed cost assets or funds to increase the level of income (return) for the company owner (Syamsuddin, 2009). Companies that can manage the company's leverage properly can be assumed that the company's management runs effectively and efficiently. The use of debt that is too high will harm the company because the company will fall into the category of extreme leverage, namely the company is trapped in a high level of debt and it is difficult to release the debt burden.

Kasmir (2013) explains that leverage is used to assess the level of funding of a company's assets derived from liabilities. This ratio shows the proportion of assets financed through debt compared to other sources of funding. The higher the level of leverage, the greater the company's dependence on loan funds in carrying out the company's operations and investments.

In addition, leverage, which is often referred to as the solvency ratio, serves to measure a company's ability to meet all its financial obligations, both in the short and long term. This ratio provides an overview of the company's level of financial security when faced with conditions that require the repayment of all obligations, including in a liquidation situation. Therefore, leverage analysis is important to assess the level of financial risk and business continuity of a company.

Agency Theory

Agency Theory according to Michael C. Jensen and William H. Meckling 1976 is a corporate structure as a set of contracts (nexus of contracts) between the owner of economic resources (principal) and the party who receives the delegation of management authority (agent or manager) (Triuwono, & Edwin, 2018). Agency relationships cause information asymmetry because agents have greater access to information and operational control than principals, so this condition has the potential to create conflicts of interest and requires a supervisory

mechanism in the form of independent audits to minimize the risk of irregularities and improve the reliability of financial statements.

Signaling Theory

Signal Theory is a theoretical framework that explains that companies send signals to external stakeholders to reduce information asymmetry in the market (Amanda & Annisa, 2019). The management of a well-performing company actively conveys positive signals to differentiate itself from a poorly performing company. The company demonstrates quality and good governance through financial reporting that obtains an unmodified audit opinion from the top KAP as a credible and high-cost signal. Public companies that use external auditors from the Big Four group send a message that their internal control systems are robust and fraud-free. Quality audit signals can lower information asymmetry and lower capital costs as investors ask for lower risk premiums. In Signal Theory, large companies that depend on the capital market must maintain their reputations through the use of premium audit services to maintain capital flows (Bilondatu & Nikma, 2025).

Financial Constraint Theory

Financial Constraint Theory describes management's manipulative behavior in compiling reporting, this theory is rooted in the analysis of operational cash flow pressures and access to external financing (Azril & Monica, 2025). Companies operating under a high leverage regime face an absolute schedule of debt and interest principal payment obligations without considering profitability conditions in the field (Kurniawan, 2016). Limited liquidity in fulfilling these contractual obligations makes the company financially constrained. Companies that have high debt levels and are close to debt covenant violations will face great pressure, both psychologically and professionally, to maintain the company's solvency image. This high pressure can encourage management to carry out profit management, asset overstatement, delay in cost recognition, and engineering operational cash flow.

Hipotesis

The Effect of Company Size on Audit Quality

Research conducted by Mardiyanti and Praptiningsih (2022) and Setiawan (2017) found a positive and significant causal relationship between company size and audit quality selection. Companies with very large total assets are usually the main concern of stock exchange regulators, economic media, and institutional shareholders. To maintain its reputation and maintain its legitimacy, large companies need to build a strong and well-structured internal control and governance system. Based on Signaling Theory, large companies generally try to maintain their credibility by using reputable auditors. Therefore, the first hypothesis is formulated as follows.

H1: The size of the company has a significant effect on the quality of the audit.

The Effect of Leverage on Audit Quality

Research conducted by Pratomo & Dudi, (2021) shows that there is a strong positive influence on the company's encouragement to obtain good audit quality. The basis of this argument refers to the debt supervision hypothesis in Agency Theory. When a company obtains a large loan from a bank or issues bonds to the public, the lender will usually increase supervision to protect its interests. In contrast, research conducted by Ming, Li, Wijoyo, & Amin, (2025) shows that leverage has a negative effect on the integrity of financial reporting. Too high a debt level can pressure a company's financial condition and increase the risk of debt agreement violations. This condition can encourage management to manipulate profits, so that companies tend to avoid auditors with strict standards, or reputable auditors choose to resign due to the high risks faced. Therefore, the second hypothesis is formulated as follows.

H2: Leverage has a significant effect on audit quality.

RESEARCH METHODS

Method is a method of work that can be used to obtain something. While the research method can be interpreted as a work procedure in the research process, both in searching for data or disclosing existing phenomena (Zulkarnaen, W., et al., 2020). The design of this study uses an explanatory quantitative approach. This approach aims to test and explain the cause-and-effect relationship between independent variables and dependent variables through empirical proof using statistical analysis (Hatemi, 2012). This study uses secondary data as the primary source. Data is obtained from the audited annual report and the Independent Auditor's Report published through the Indonesia Stock Exchange and can be accessed through the official website of the Indonesia Stock Exchange (www.idx.co.id) and the Financial Services Authority repository.

Sample and Data Collection

This research examines energy sector firms that are listed on Bursa Efek Indonesia or IDX from 2020 to 2024. The overall population includes 89 companies. A purposive sampling approach was employed with defined criteria to ensure the data's reliability and applicability. The selection process eliminated: 160 data points from energy sector not consistently listed during the study period.

After applying these exclusion criteria, the final sample consisted of 285 observation points, derived from selected company meeting all conditions.

Measurement

This study consists of one dependent variable and two independent variables. The details are as follows.

Audit Quality (Y)

The objectivity and professionalism of audit results in capital market research are generally proxied through the size of the Public Accounting Firm (KAP). These variables are categorical and are measured using dummy variables (Claudia & Cindy, 2023). The dichotomous categorization assessment is based on the determination:

A score of 1 is given if the client entity's financial statements are examined and legitimized by KAP which is networked and officially affiliated with The Big Four International in Indonesia (Umiah, et al., 2026). A score of 0 is given when the client's audit assignment is handled by a medium-sized domestic (national) KAP that is not under the jurisdiction of the Big Four (Non-Big Four KAP).

Company Size (X1)

The large scale of a company is measured through Total Assets (Assets) on the annual balance sheet. Because the absolute value of assets between companies on the stock exchange fluctuates greatly from billions to hundreds of trillions of rupiah raw data must be leveled, this transformation is carried out to stabilize the data, reducing the influence of extreme value (outlier). Mathematically, the measurements are formulated as follows:

$$\text{Firm Size} = \ln(\text{Total Aset})$$

Leverage (X2)

Leverage indicates how much a company finances its assets with debt as well as reflects the level of funding risk the company bears. In this study, leverage is measured using the Debt to Asset Ratio (DAR), which is a ratio that shows the comparison between total debt and total company assets.

Technical Data Analysis

The data analysis technique in this study is Logistic Regression analysis to test the influence of independent variables on dependent variables that are binary. With the help of software such as SPSS version 22, this logistics regression model is used to see the extent to which company size and leverage affect the likelihood of a company choosing a Public Accounting Firm that belongs to the Big Four category.

This study uses logistic regression analysis because the dependent variables are dummy or categorical. This method is suitable for testing the influence of independent variables on dependent variables that are nonmetric and can accommodate the use of metric and nonmetric data in a single research model (Wicaksono, 2019). The model for logistic regression is as follows:

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

Y : Audit Quality

α : Intercept

β_1 - β_2 : Coefficients for the independent variables

X1 : Company Size

X2 : Leverage

E : Standard Error

Before testing a hypothesis, the model is first tested for feasibility. The model's suitability with the data was assessed through the Goodness of Fit test using the Hosmer and Lemeshow Test, where the model is declared feasible if the significance value is more than 0.05. The ability of independent variables to explain dependent variables is measured through the Nagelkerke R Square value, which shows how much variation in Audit Quality can be explained by company size and leverage. Since logistic regression does not require a normality test, assumption testing is focused on multicollinearity.

The model is declared free of multicollinearity if the Tolerance value is more than 0.10 and the Variance Inflation Factor (VIF) value is less than 10. Hypothesis testing was carried out at a significance level of 0.05. partially, the test was carried out using the Wald Test to see the influence of each independent variable, while simultaneously the Omnibus Test of Model Coefficients was used with the provision that the significance value was less than 0.05.

RESULT AND DISCUSSION

Feasibility Evaluation Analysis of the Logistics Regression Model

Multicollinearity assumption testing was carried out to ensure that there was no high correlation between independent variables. In the data processing, the Tolerance coefficient for the Company Size predictor instrument was recorded at 0.989 (above the standard minimum limit of > 0.10), accompanied by the calculation of the weighting of the Variance Inflation Factor (VIF) of 1.011 (very far below the extreme threshold of < 10). On the Leverage determinant side, the Tolerance calculation distribution recorded an absolute ratio of 0.989 with the VIF parameter touching 1.011. This statistical confirmation shows that each predictor variable stands independently and is free from multicollinearity problems that can reduce the accuracy of causal regression model results.

In measuring the degree of predictive power of the function ability of the variables proposed against the asymmetry of Audit Quality, the pseudo correlation test coefficient of the Nagelkerke R Square parameter recorded a predictive percentage equilibrium at the fantastic level, which was 0.603 or 60.3%. The formulation of the figure of 60.3% theoretically concludes that the macro-scale measurement instrument (Company Size) and the level of corporate solvency pressure (Leverage) are able to master, predict, and explain the asymmetric fluctuations in the determination of KAP quality by more than six-tenths of the real model variance capacity, while (39.7%) are charged on latent intervention variables from the macroeconomic ecosystem or other governance components outside of this research design.

Discussion

To test the direction and strength of the hypothetical relationship that has been formulated, the significance of the logistics model is analyzed through partial testing using the Wald Test against the independent variable of Company Size (X1). The results of the logistic regression output showed a positive beta coefficient value in the test result column $B = 0.716$, accompanied by a p-value calculation of asymptotic partial significance that was fixed at the level of 0.000. Since the statistical probability (0.000) is at a much smaller absolute distance than the alpha deviation of tolerance ($\alpha = 0.05$), it can therefore be concluded that the First Hypothesis (H1) is accepted. Company size has been proven to have a positive and statistically significant effect on the likelihood of companies using the Big Four KAP as an indicator of Audit Quality in Indonesia.

The direction of this ratio coefficient of 0.716 specifically represents the central thesis of signal theory. The management of public companies with total assets of hundreds of billions to trillions of rupiah is generally in a very high and sustainable level of public spotlight. All financial activities and strategic policies of large-scale companies are closely monitored by the mainstream mass media, analyzed in depth by securities analysts and credit rating agencies, monitored by tax authorities, and are of concern to regulators such as BPKP and the Financial Services Authority in various official forums including the General Meeting of Shareholders. The intensity of such extensive oversight puts management in a position that demands high prudence and accountability. In this context, independent commissioners and executive management rationally understand that one of the most effective instruments to maintain and strengthen public trust is to provide credibility signals through audit opinions from internationally reputable Public Accounting Firms. Companies with large liquidity capacity have the financial ability to pay audit fees at the premium rates generally set by the Big Four's global KAP network, such as PwC, Deloitte, EY, and KPMG, as a form of commitment to transparency and quality of financial reporting.

In the perspective of Agency Theory, companies with very large asset sizes will in practice face higher agency costs and are difficult to avoid (Evalina & Evlin, 2024). Dispersion of asset operational networks that often include dozens, fictitious holding units, and subsidiary portfolios. The complexity of the company can cause information asymmetry, thus opening up opportunities for lower-level managers to carry out opportunistic actions (moral hazard) and abuse authority. In order to stem the explosion of the risk of delegation of authority and reduce residual losses, the principal requires a balance of checks and balances. Therefore, it is rational if the assets that grow are linear with the high urgency of the issuer to adopt the services of prestigious global auditors who have tactical flying hours to detect fraud independently and

accurately. This affirms the study from Mardiyanti and Praptiningsih (2022) and the research findings of Setiawan (2017).

Thus, the above study of the IDX-OJK scandal must be presented to find advanced conceptual insights. If the mathematical model states that the Quality of the Big Four Audit is rooted in the size of assets, but a massive infrastructure SOE company at the level of Waskita Karya or Garuda Indonesia is still experiencing big problems even though it has been approved by the top global KAP. This condition raises new analysis opportunities that giant size firms do not fully secure clients from audit failure, on the contrary, companies that are already very large can actually weaken the ability of auditors because they are too complex to audit. The complexity of bookkeeping with the cross-manipulation of cash flow transfer pricing in hundreds of subsidiaries often tricks the substantive test sample of prestigious auditor methodologies. This means that the direct relationship between company size and audit quality on the IDX needs to be re-understood, not as a guarantee that financial statements are always clean, but rather as a practical strategy (cost-benefit defense) that the management of large companies uses well-known public accounting firms only as administrative protection to reduce the risk of lawsuits and public reactions if scandals occur in the future.

In the structural leverage test looking at the proportion of the company's assets, the calculation of the estimated probability coefficient (B) is recorded in the position range of 3.209. This exponential direction figure is comprehensively validated by a partial p-value precision ratio of 0.002. Based on the legal limit of alpha deviation whose value remains below 5% ($0.002 < 0.05$), the data analysis proves that the Second Hypothesis (H2) is accepted; leverage has a clear and significant positive influence in influencing the choice of a high level of audit quality in companies on the Indonesia Stock Exchange.

The discovery of the positive directional binary coefficient of the DAR variable (balance sheet debt ratio) is actually precisely in line with the framework of the Debt-Monitoring Hypothesis or debt supervision theory in the great auspices of Agency Theory (Mulyani, 2025). The structure of companies with high-leveraged entities bears the highest exposure to defol (credit default risk) in monetary terms. Creditors, from banks to bondholders, will not let their money be lost to management manipulation. Therefore, creditors play the role of additional supervisors (debt stakeholders) by embedding a series of extreme restrictions in the form of Debt Covenants in credit contracts. One of the provisions of the creditor syndicate is a prohibition for management to replace auditors with accounting firms other than the Big Four, so that recorded cash flows are still thoroughly tested with strict standards (conservative audit approach). The company's fear of a delay in capital injections or the revocation of guarantees made them fully comply with creditors' requests to appoint Big Four auditors. This correlation is

clearly proven by recent research in the Journal of Accounting Technology and is in line with the modeling carried out (Pratomo & Dudi, 2021).

However, behind the façade of the optimistic 3.209 coefficient regression, lies the destructive shadow of the Financial Constraint Theory. Leverage is like a double-edged sword; When creditor restrictions and daily cash obligations pressure the company, executives tend to be encouraged to manipulate accounting excessively (Nalarreason, Kadek, Sutrisno, Mardiaty, & Endang, 2019). The phenomenon of the compliance crisis that hit the Indonesia Stock Exchange, as recorded in the PengS-00006/IDX letter. PLP/04-2025, which imposes SP-1 and SP-3 sanctions on 130 issuers that fail to submit audit results (including retail issuers such as BATA), is a tangible fruit of the conflict between Big Four auditors and high-leverage management. The debt-entangled management urged the loss-making report to be polished (window dressing), while the KAP, which was threatened by a lawsuit by the OJK, refused to approve the manipulation, which led to a months-long delay in the issuance of financial statements or what is commonly termed as asymmetry Audit Report Lag. This complicated reporting condition often has serious consequences for the accountant himself. The Financial Services Authority even intervened by sealing operations and freezing AP Heru Satria Rukmana's license through sanctions SR-24/PD.11/2025, because it was proven to have failed to prevent violations of the law when checking the cash compliance of companies that owe money in the financing services sector. From this, it can be seen that the integration of in-depth analysis of the relationship between leverage and audit quality shows a positive quantitative value, but the qualitative real results cause complicated negotiations and pressure the deadline of exchange reports.

In the final test of the Omnibus Tests of Model Coefficients to see the synergy between the predictors, the SPSS results showed a very low probability level, which was 0.000. Because the interactive significance value ($p = 0.000$) was well below the baseline deviation tolerance limit ($\alpha = 0.05$), statistical analysis determined that the size of the firm and the leverage pressure simultaneously influenced the firm's decision in selecting the audit quality level of the Big Four public accounting firms.

The double pressure of the size of the company and the high level of leverage urges issuer management to be more transparent and rational. The fundamental configuration in which an entity has control of macro-national assets but is backed by the capital foundation of third-party banking loans (state-owned and blue-chip tops) creates a highly asymmetrical corporate ecosystem. Measure dominance requires legitimacy accountability to the public and resistance to agent-level corruption, while at the same time, the burden of leverage locks management into the demands of foreign creditors and banks that push for strict criteria for financing monitoring (Akram, et al., 2020). The collaboration between these two main market driving factors has

prompted companies on the IDX towards the end of 2024-2025 to seek opinions from expert independent auditors to avoid negative perceptions (going concern warning), as evidenced by the success of the research model in solving the Nagelkerke deviation of 60.3% of the logistics classification guess.

CONCLUSION

The size of the company has a positive and significant effect on the quality of corporate audits in Indonesia. The larger the company's assets, the tighter the public spotlight, tax agencies, and the risk of internal management fraud. In order to reduce information penalties, maintain credibility, and comply with corporate governance principles, management is willing to pay a high fee to have accounting audits carried out by Big Four public accounting firms.

Leverage has a positive and significant influence on determining the level of audit quality. The high debt ratio encourages strict supervision from creditors, both banks and foreign institutions. By maintaining the collateral value, the creditor sets a limit that requires management to appoint a reputable public accounting firm, so that the company's solvency is maintained without manipulation. The large size of the company and high leverage are proven to simultaneously influence the company's decision in choosing the audit quality class. The interaction between the company's scale and cash flow pressures creates conditions where the company seeks to protect its business continuity while still using prestigious public accounting firms. This is reflected in the Nagelkerke deviation which reaches 60.3%, showing the dominance of the influence of the two variables simultaneously.

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TABEL

Tabel 1. Descriptive Statistik

Variable	Maximum	Minimum	Mean	Std. Deviation
Firm Size	24.64	35.56	30.03	3.14
Leverage	0.17	0.89	0.50	0.19
Audit Quality	0	1	0.35	0.48
Observasi	285	285	285	285

Source: Data processed with SPSS application (2026)

Table 2. Multicollinearity Test

Variable	Tolerance	VIF
Firm Size	0.989	1.011
Leverage	0.979	1.012

Source: Data processed with SPSS application (2026)

Table 3. Clasification Table

	Observed		Predicted		Percentage Correct
			Audit Quality		
			0	1	
Step 1	Audit Quality	0	164	21	88.6
		1	31	69	69.0
Overall Percentage					81.8

a. The cut value is ,500

Source: Data processed with SPSS application (2026)

Table 4. Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	205.139 ^a	0.438	0.603

Source: Data processed with SPSS application (2026)

Table 5. Omnibus Test of Model Coefisient

Step		Chi-square	df	Sig.
Step 1	Step	164.214	2	0.000
	Block	164.214	2	0.000
	Model	164.214	2	0.000

Source: Data processed with SPSS application (2026)

Table 6. Variable in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 ^a	Firm Size	.716	.080	79.484	1	.000	2.046	1.748	2.394
	Leverage	3.209	1.043	9.467	1	.002	24.749	3.205	191.109
	Constant	-	2.712	79.891	1	.000	.000		

24.243

Source: Data processed with SPSS application (2026)