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Research Article

The Effect of Time Budget Pressure and Auditor Rotation on Audit Quality with Company Size as A Moderating Variable (An Empirical Study on Non-Banking Financial Sector Companies Listed on the Indonesia Stock Exchange in 2019–2023)

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Abstract: Audit quality is defined as the likelihood or probability that an auditor will detect and report any violations or misstatements in a client's financial statements. This study aims to empirically examine the effect of time budget pressure and auditor rotation on audit quality, with firm size as a moderating variable. The research was conducted on non-bank financial companies listed on the Indonesia Stock Exchange during the 2019–2023 period. The study sample consisted of 50 companies selected using purposive sampling, and the data were analyzed using Moderated Regression Analysis (MRA). The results reveal that time budget pressure and auditor rotation do not have a significant effect on audit quality. Furthermore, firm size does not moderate the relationship between time budget pressure and audit quality, but it does moderate the relationship between auditor rotation and audit quality. These findings underscore the importance of effective time management and auditor rotation policies in maintaining audit quality, particularly for large-scale companies. This study may serve as a useful reference for various stakeholders in understanding the significance of managing time pressure and appropriately implementing auditor rotation to preserve and enhance audit quality.

Keywords: Audit Quality, Time Budget Pressure, Auditor Rotation, Firm Size

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1. INTRODUCTION

The increasing complexity of Indonesia's capital market dynamics has raised the demand for higher quality financial information. According to Andriani et al. (2020), audited financial statements provide assurance to users that the information presented is suitable for decision-making purposes. Audit reports are essential for various stakeholders, including the public, banks, financial analysts, governments, non-profit organizations, creditors, and shareholders, all of whom rely on this information when making lending or investment decisions. The growing number of investors and the increasing sophistication of financial instruments necessitate assurance that published financial statements have undergone high-quality audit processes.

Rapid developments in the business world, coupled with the emergence of various new financial instruments, have further complicated the challenges faced by auditors. Auditors must constantly adapt to changes in regulations and technologies that affect audit procedures. However, resource constraints and limited training often hinder auditors from effectively adapting to these changes. The public and investors are also becoming more aware of the importance of transparency and accountability in financial reporting, especially in the wake of

financial scandals that have caused significant losses. As a result, auditors are under increasing pressure to maintain audit quality while navigating operational and regulatory complexities. This highlights the urgent need to strengthen oversight, enhance training, and ensure that auditors are equipped with adequate tools and expertise to carry out their responsibilities effectively. To gain stakeholder trust, high audit quality is crucial to ensure that financial statements are reliable for decision-making and respected by the public and other stakeholders. From the auditors' perspective, audit quality is achieved when auditors comply with auditing standards, maintain professional competence and independence, and exercise professional judgment in conducting audits and preparing audit reports (Arista et al., 2023). A decline in audit quality may erode public trust in the accounting profession, especially auditors, ultimately damaging the profession itself (Arman et al., 2020).

DeAngelo (1981) defines audit quality as the probability that an auditor will both detect and report material misstatements. The auditor's reporting behavior is influenced by their motivation to disclose such violations. Auditors contribute to audit quality by fulfilling their responsibilities in accordance with proper auditing practices (Ardillah & Angelina, 2021). This motivation depends heavily on the auditor's level of independence. Arista et al. (2023) describe audit quality as the auditor's ability to detect and report accounting system violations in financial statements. Audit quality is determined by a range of interrelated factors, including auditor expertise, independence, operational pressures, and the complexity of client businesses. In today's increasingly complex and dynamic business environment, these challenges frequently test the integrity and effectiveness of the audit process in Indonesia.

Audit quality issues are not limited to companies in developing countries; they also occur in developed nations, affecting both small audit firms and large companies (Triani & Yanthi, 2020). Audit failures in Indonesia highlight the significant challenges of maintaining adequate audit quality. Awaluddin et al. (2022) cited the 2018 financial statements of PT Garuda Indonesia as an example where management prematurely recognized revenue, leading to widespread debate about the auditor's role and responsibilities in preventing such misstatements. Another case involves PT Asuransi Jiwasraya, a non-bank financial institution, which manipulated financial statements in its "JS Saving Plan" investment product, causing trillions of rupiah in losses to the state. Jiwasraya's Q3 2019 financial report showed liabilities of IDR 49.6 trillion, more than double its total assets of IDR 25.68 trillion, with negative equity of IDR 23.92 trillion (Monica et al., 2023). Similar issues were found in PT Sunprima Nusantara Financing (SNP Finance), where public complaints accused several public accounting firms—including Marlinna, Merliyana Syamsul, and Satrio Bing, Eny & Partners (Deloitte Indonesia)—of audit violations between 2012 and 2016. These firms allegedly failed to comply with Public Accountant and Professional Audit Standards (Kirana, 2020). The recent case of PT Indofarma in 2022–2023 exposed alleged financial fraud amounting to IDR 371.8 billion. Despite the audit being conducted by an independent auditor, the failure to detect such a large fraud raises serious concerns about the effectiveness of applied audit procedures. This suggests possible weaknesses in risk assessment, inadequate substantive testing, or a lack of professional skepticism. The case underscores the importance of improving auditor competence and conducting more in-depth audits, especially for state-owned enterprises (BUMN) and highly complex firms. Poor audit quality not only undermines public trust but also harms stakeholders and compromises the integrity of financial markets.

One major factor influencing audit quality is time budget pressure. This pressure arises when auditors are required to complete audits within a tight schedule. Auditors facing such deadlines may skip important procedures or compress audit stages, thereby increasing the risk of undetected material misstatements. The situation is worsened by client demands for quick audits at minimal cost, which creates an imbalance between auditor workload and available resources, negatively impacting audit quality. Conversely, auditors not constrained by strict deadlines can perform more thorough audits, allowing for better focus and higher audit quality (Gizta & Pembangunan Tanjungpinang, 2023). Studies by Budiari et al. (2022), Hikmah et al. (2023), and Rosadi & Barus (2022) indicate that time budget pressure positively affects audit quality. However, contrary findings from Zaputra (2022), Gizta & Hasnarika (2023), Utami & Mimba (2023), and Yanti & Dwipa (2024) suggest that time budget pressure has no significant effect on audit quality, implying that tight deadlines do not necessarily compromise audit quality.

Auditor rotation regulations also play a key role in ensuring audit quality. The length of engagement between an auditor and a client may influence audit outcomes (Sitorus et al., 2020). Mandatory rotation rules are governed by Ministry of Finance Regulation No. 154/PMK.01/2017 and reaffirmed by OJK Regulation No. 9/POJK.04/2023, which require audit firms to rotate every six consecutive years for the same client. Audit partners must rotate after three consecutive years and observe a two-year cooling-off period before resuming the same engagement. These regulations aim to prevent over-familiarity between auditor and client, which could compromise independence and objectivity. While mandatory rotation promotes auditor independence, it may also reduce efficiency during the transition period as new auditors familiarize themselves with the client. This policy—Mandatory Auditor Rotation (MAR)—is intended to improve auditor independence and audit quality by minimizing bias from long-term client relationships. Dayanandan & Kuntluru (2023) found that MAR improves perceptions of independence. Research by Luvena et al. (2022), Hidayati & Djamil (2024), and Yuliani & Nurdyastuti (2022) shows that auditor rotation has a positive but statistically insignificant effect on audit quality.

Firm size is another critical factor that influences audit quality. Firm size is commonly measured by total assets, total sales, and number of employees (Effendi & Ulhaq, 2021). Large firms listed on the IDX typically have complex operations and large transaction volumes, which require advanced audit skills and technological expertise. Auditors lacking competence in these areas may fail to identify errors or fraud. However, large firms often possess more robust internal controls and infrastructure, creating a more conducive environment for auditors. Consequently, firm size can shape how auditors respond to challenges and pressures. Research shows that larger firms tend to adopt stronger corporate governance and engage reputable audit firms (e.g., Big Four) to enhance credibility (Santosa et al., 2021). Other studies show that firm size moderates the relationship between capital structure and firm value (Zahrani et al., 2023), and that large firms face greater scrutiny from regulators and shareholders, further reinforcing audit quality (Sorialam et al., 2022).

The non-bank financial sector—comprising insurance companies, financing institutions, and investment firms—plays a vital economic role. This sector differs from banking in its operational and regulatory frameworks, introducing unique risks and audit challenges. Unlike prior research, which has largely focused on banking institutions, this study enriches the audit quality literature by examining non-bank financial firms. The diverse business models in this sector, such as insurance and leasing, require specialized audit approaches due to estimation uncertainties, weak documentation, and external risks like market volatility and policy shifts. Auditors must be able to assess going concern assumptions and deliver accurate opinions under these conditions. The pandemic and macroeconomic fluctuations further complicate audit responsibilities in this sector.

Given this background and the gaps in previous studies, further investigation into audit quality remains highly relevant. The issue affects not only the auditing profession but also regulators, companies, and other stakeholders committed to enhancing financial reporting and corporate governance in Indonesia. Inconsistencies in prior findings provide a rationale for re-examining the effects of time budget pressure and auditor rotation on audit quality, using firm size as a moderating variable. This study focuses on non-bank financial companies listed on the Indonesia Stock Exchange between 2019 and 2023. The research is expected to provide empirical evidence regarding the relationship between time budget pressure, auditor rotation, firm size, and audit quality.

2. METHOD

This study adopts a quantitative approach with an associative research design, aiming to examine the relationship between time budget pressure and auditor rotation on audit quality, with firm size as a moderating variable. This design is grounded in contingency theory, which posits that situational factors—such as firm size—can influence the strength of the relationship between variables. The study focuses on non-bank financial sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period, using documentation as the data collection technique. Time budget pressure is measured using audit report lag, auditor rotation is captured using a dummy variable, firm size is measured by the logarithm of total assets, and audit quality is proxied by discretionary accruals using the Modified Jones Model (Sugiyono, 2019; Ghozali, 2016; Putri & Pohan, 2022).

The population consists of all non-bank financial sector companies listed on the IDX over the five-year observation period, selected using purposive sampling based on the criteria of complete and consistently published financial statements. A total of 50 companies met the criteria, yielding 250 observations from 2019 to 2023. The data used in this research are secondary and quantitative in nature, obtained from companies' financial statements through the official IDX website. All variables in this study are operationally defined and measured using appropriate methods to ensure the validity and reliability of the analysis (Sugiyono, 2019; www.idx.co.id, 2024).

Data analysis was conducted using multiple linear regression with the assistance of SPSS software to assess both direct and moderating effects among the variables.

Descriptive statistics were used to describe data characteristics, while classical assumption tests included tests for normality, multicollinearity, and heteroscedasticity. The regression model was evaluated using the F-test, the adjusted coefficient of determination (Adjusted R^2), and the t-test for partial hypothesis testing. The regression model is considered valid if it is statistically significant at the 5% level ($\alpha = 0.05$). This analytical process aims to produce valid results that can serve as a basis for decision-making in audit practice (Ghozali, 2016; Farandy, 2018; Hartono, 2016).

3. RESULTS AND DISCUSSION

Research Data Analysis Results

Classical Assumption Test

1) Normality Test

Table 1. Normality Test Results

Equality	Asymp. Sig. (2-tailed) Kolmogorov-Smirnov Z
Sub-structural 1	0.062

Source: Processed data, 2025

After data transformation using Logarithm 10 or LN and normality test using Sample Kolmogorov-Smirnov Text test obtained a value of 0.062 which indicates that the value is greater than the alpha value of 0.05. This indicates that the data used in this study is normally distributed, so it can be concluded that the model meets the normality assumption.

2) Multicollinearity Test

Table 2. Multicollinearity Test Results

Equality	Model	Collinearity Statistics	
		Tolerance	VIF
Sub-structural 1	Time Budget Pressure	0.999	1,001
	Auditor Rotation	0.970	1,030
	Company Size	0.971	1,030

Source: Processed data, 2025

Based on Table 2, it shows the results of the multicollinearity test. The test results show a VIF value of time budget pressure of 1.001, auditor rotation of 1.030, and company size of 1.030. While the tolerance value of time budget pressure is 0.999, auditor rotation of 0.970, and company size of 0.971. Thus, it can be concluded that there are no symptoms of multicollinearity in the regression model of this study. there are no independent variables that have a tolerance value of less than 0.10 and there are also no independent variables that have a VIF value of more than 10. Therefore, the regression model is free from symptoms of multicollinearity.

3) Heteroscedasticity Test

Table 3. Heteroscedasticity Test Results

Equality	Variables	t	Sig.
Sub-structural 1	Time Budget Pressure	-1,053	0.293
	Auditor Rotation	-0.342	0.733
	Company Size	-1,836	0.068

Source: Processed data, 2025

Based on Table 3, it is shown that each has a significance value greater than 5% (0.05). This shows that the independent variables used in this study do not have a significant effect on the dependent variable.

Moderated Regression Analysis (MRA)

Table 4. Results of Moderated Regression Analysis Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
(Constant)	-2,406	0.107		-22,500	0,000
Time Budget Pressure(X1)	0,000	0.001	-0.026	-0.121	0.904
Auditor Rotation (X2)	0.414	0.311	0.076	1,333	0.184
Company Size (Z)	0.005	0.003	1,052	1,477	0.141
Time Budget PressureX Company Size	0,000	0.001	0.440	0.623	0.534
Auditor Rotation X Company Size	-0.005	0.001	-1,030	-4,515	0,000
Adjusted R2:0.299					

Source: Processed data, 2025

Based on the results obtained from the MRA test presented in Table 4, the following regression equation was obtained:

$$Y = \alpha + \beta1X1 + \beta2X2 + \beta3Z + \beta4(X1 \cdot Z) + \beta5(X2 \cdot Z) + e \quad \text{.....(1)}$$

$$Y = -2.406 - 0.026X1 + 0.076X2 + 1.053Z + 0.440(X1 \cdot Z) - 1.030(X2 \cdot Z) + e \quad \text{....(1)}$$

The interpretation of the resulting regression equation is as follows.

1) The constant value of -2.406 has a meaning iftime budget pressure, auditor rotation and company size are equal to zero, then audit quality disclosure decreases by 2.406.
2) Regression coefficient valuetime budget pressureof -0.026 means iftime budget pressureincreases by one unit with the view that other variables are constant, then audit quality decreases by 0.026.
3) The value of the auditor rotation regression coefficient of 0.076 means that if auditor rotation increases by one unit with the view that other variables are constant, then audit quality increases by 0.076.
4) The regression coefficient value of company size of 1.052 means that if the company size increases by one unit with the view that other variables are constant, then the audit quality increases by 1.052.
5) Regression coefficient valuetime budget pressureand company size as a moderator of 0.440 means that iftime budget pressureand company size as a moderator increases by one unit with the view that other variables are constant, then audit quality increases by 0.440.
6) The regression coefficient value of auditor rotation and company size as a moderator of -1.030 means that if auditor rotation and company size as a moderator increase by one unit with the view that other variables are constant, then audit quality will

decrease by 1.030.

Coefficient of Determination Test (R2)

Table 5. Results of the Determination Coefficient Test (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.61	0.315	0.299	1.48664

Source: Processed data, 2025

Based on Table 5, the magnitude of the influence of the independent variable on the dependent variable indicated by the total determination value (Adjusted R Square) of 0.299 means that the variation of the variable is able to explain 29.9 percent of the variation in the Audit Quality variable, while the remaining 70.1 percent is explained by other factors or variables that are not included in the research model.

Model Feasibility Test (F Test)

Table 6. Results of Model Feasibility Test (F Test)

Model		Sum of Square	df	Mean Square	F	Sig
1	Regression	221,326	5	44,265	20,028	0,000
	Residual	481,804	218	2,210		
	Total	703,130	223			

Source: Processed data, 2025

Based on Table 6, the F significance value is 0.000. The F test results show that the significance or p value is 0.000 ≤ 0.05, so the resulting regression model is feasible to predict the relationship between the independent variables in this study and the dependent variable.

Hypothesis Test (t-Test)

Hypothesis testing (t-test) is conducted to show the influence of all independent variables partially on the dependent variable. If the significance value of the independent variable is less than 0.05, then the independent variable partially influences the dependent variable or in other words$H0$ rejected and$H1$ is accepted. On the other hand, if the significance value is greater than 0.05 then$H0$ accepted and$H1$ is rejected. The results of the hypothesis test (t-test) in this study can be seen in Table 4 Results of the Moderated Regression Analysis Test.

Based on Table 4, the independent variable time budget pressure has a significance value of 0.904 — which is greater than 0.05. Thus, time budget pressure does not have a significant effect on audit quality at the 90 percent, 95 percent, or 99 percent confidence levels. The independent variable auditor rotation has a significance value of 0.184 — which is greater than 0.05. Thus, auditor rotation does not have a significant effect at the 90 percent, 95 percent, or 99 percent confidence levels on audit quality.

Table 4 shows that company size as a moderator of time budget pressure on audit quality with a significance value of 0.534 means that company size does not have a significant effect on moderating the relationship between time budget pressure on audit quality at a confidence level of 90 percent, 95 percent, or 99 percent. Meanwhile, company size as a moderator of auditor rotation on audit quality with a significance value of <0.001 means that company size has a significant effect on moderating the

relationship between auditor rotation on audit quality at a confidence level of 99 percent.

Discussion

The Effect of Time Budget Pressure on Audit Quality

Based on the statistical test results, the time budget pressure variable has a significance value of 0.904, which exceeds the 0.05 threshold. Therefore, it can be concluded that time budget pressure does not have a significant effect on audit quality, and thus Hypothesis H1 is rejected.

This result indicates that even though auditors work under time constraints, audit quality does not automatically decline. One main explanation for this insignificance is the presence of internal quality control mechanisms and the professionalism of auditors. Auditors are required to perform adequate audit procedures in accordance with auditing standards established by regulatory bodies such as the Indonesian Institute of Certified Public Accountants (IAPI), regardless of time pressure. Furthermore, reputational pressure, litigation risk, and stakeholder expectations also motivate auditors to maintain the quality of their work. Auditors operate within the structure of Public Accounting Firms (KAP), which allocate time based on the complexity of each client's audit engagement. Theoretically, this is supported by Agency Theory, which emphasizes the auditor's role as an independent party accountable to the owners of the company for providing an objective opinion on the financial statements. The professional code of ethics, auditing standards, and corporate governance systems, such as audit committees, reinforce the control over audit quality—even when auditors work under tight time constraints.

The Effect of Auditor Rotation on Audit Quality

Based on the statistical test results, the auditor rotation variable has a significance value of 0.184, which is greater than the 0.05 threshold. Thus, it can be concluded that auditor rotation does not significantly affect audit quality, and Hypothesis H2 is rejected.

This finding indicates that auditor changes—whether mandatory or voluntary—do not directly affect audit quality in the non-bank financial sector companies sampled in this study. Although theoretically, auditor rotation is believed to improve objectivity and reduce long-term relationships that may compromise independence, in practice, such rotation does not necessarily lead to improved audit quality. One possible reason is that successor auditors often come from the same accounting firm or apply uniform audit standards, resulting in no significant difference in audit approach or quality. Additionally, non-bank financial sector companies are generally accustomed to regulatory compliance and possess strong internal control systems, allowing them to maintain audit quality despite changes in auditors. Theoretically, these results align with Agency Theory, which views auditors as independent agents who uphold accountability between management (agents) and the company's owners (principals). This theory assumes that auditor rotation helps minimize conflicts of interest and enhances auditor independence. However, when internal and external oversight is

effective and professional standards are consistently applied, auditor rotation may not yield significant changes in audit quality.

The Effect of Time Budget Pressure on Audit Quality with Firm Size as a Moderating Variable

The statistical test shows that firm size, as a moderator of the relationship between time budget pressure and audit quality, has a significance value of 0.534. This indicates that firm size does not significantly moderate the relationship between time budget pressure and audit quality. Hence, Hypothesis H3 is rejected.

From the perspective of contingency theory, situational factors such as firm size are expected to influence the relationship between variables. However, in the context of non-bank financial sector companies during the 2019–2023 period, the high complexity of financial reporting—such as financial instrument recognition, risk provisioning, and derivative liability measurement—means that auditors still face a heavy workload. Consequently, auditors in large companies are not necessarily more efficient in managing time pressure, as they deal with more complex information systems, organizational structures, and in-depth audit procedures. Therefore, firm size alone is not sufficient to reduce the negative impact of time budget pressure on audit quality.

The Effect of Auditor Rotation on Audit Quality with Firm Size as a Moderating Variable

The statistical test shows that firm size significantly moderates the relationship between auditor rotation and audit quality, with a significance value of less than 0.001. This means that the moderating effect is significant at the 99% confidence level, and thus Hypothesis H4 is accepted.

Theoretically, this finding supports contingency theory, which posits that the effectiveness of a given action—in this case, auditor rotation—is highly influenced by situational factors such as firm size. Large firms typically have more mature internal control systems, adequate technological infrastructure, and well-trained human resources. New auditors placed in such environments can adapt more easily to complex audit processes due to the availability of comprehensive documentation and professional client staff. As a result, auditor rotation enhances objectivity, independence, and overall audit quality. Conversely, new auditors assigned to smaller firms may face adaptation challenges due to limited resources and information systems, which can diminish audit quality. Therefore, in the context of non-bank financial sector companies during the 2019–2023 period, firm size is proven to strengthen the positive effect of auditor rotation on audit quality.

4. CONCLUSION

1. Time Budget Pressure does not have a significant effect on audit quality; thus, the hypothesis is rejected. The hypothesis proposed in this study suggested that higher time budget pressure would lead to a decline in audit quality. However, the findings indicate that despite facing time constraints, auditors are still able to maintain a high standard of audit quality. This may be attributed to the presence of internal quality control systems, adherence to professional standards, and reputational concerns, as well as the potential risk of litigation.

Auditors remain committed to upholding the integrity of their work to protect the credibility of the profession.

2. Auditor rotation does not have a significant effect on audit quality; thus, the hypothesis is rejected. The hypothesis suggested that more frequent auditor rotation would improve audit quality. The results show that while auditor changes occur, they do not directly affect the quality of audits. This may be due to standardized auditing practices across auditors and the presence of robust internal supervision and control systems in non-bank financial sector companies, which help maintain consistent audit quality.
3. Firm size does not moderate the effect of time budget pressure on audit quality; thus, the hypothesis is rejected. The hypothesis stated that firm size could strengthen or weaken the effect of time budget pressure on audit quality. The findings indicate that both large and small firms face similar challenges related to time constraints. The complexity of audits in larger firms still demands sufficient time, suggesting that firm size alone is not enough to mitigate the negative effects of time pressure on audit quality.
4. Firm size moderates the effect of auditor rotation on audit quality; thus, the hypothesis is accepted. This hypothesis posited that firm size amplifies the effect of auditor rotation on audit quality. Large firms typically have more mature internal control systems, better infrastructure, and greater resources to support the audit process. As a result, new auditors are able to adapt more quickly and perform more efficiently, enhancing the positive impact of auditor rotation on audit quality.

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