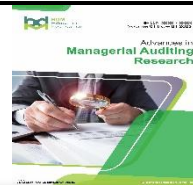


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Analysis of the Impact of Audit Fee Reduction on Audit Quality and Stakeholder Trust



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KEYWORDS	ABSTRACT
<p>Keywords:</p> <p>Audit Fee, Audit Quality, Stakeholder Trust, Corporate Governance.</p> <p>Conflict of Interest Statement:</p> <p>The author(s) declares that the research was conducted without any commercial or financial relationships that could be construed as a potential conflict of interest.</p> <p>Copyright © 2025 AMAR. All rights reserved.</p>	<p>Purpose: This study analyzes the impact of audit fee reductions on audit quality and stakeholder trust, exploring the broader implications of constrained resources and their effects on corporate governance, financial reporting reliability, and stakeholder perceptions.</p> <p>Research Design and Methodology: Employing a qualitative approach through a systematic literature review (SLR), this study synthesizes findings from recent academic research across diverse contexts. Theoretical frameworks, particularly agency theory, are integrated to comprehensively understand the relationship between audit fees, audit quality, and stakeholder trust.</p> <p>Findings and Discussion: The findings reveal that reduced audit fees significantly impact the allocation of resources such as time, professional expertise, and technology, leading to diminished audit quality. This compromises the auditors' ability to detect material misstatements and affects their independence and professional skepticism. Lower audit quality, in turn, erodes stakeholder trust in financial statements, creating long-term reputational risks and market instability. Contextual factors, including regulatory frameworks and cultural dimensions, are identified as moderators that influence these dynamics. The study highlights the need for adequate audit fees to maintain transparency, accountability, and trust in financial reporting.</p> <p>Implications: This research contributes to the academic discourse by extending agency theory to include the financial and ethical challenges auditors face under cost constraints. Practically, it provides actionable insights for regulators, audit firms, and stakeholders, emphasizing the importance of balancing cost efficiency with audit quality. Recommendations include setting minimum audit fee standards, adopting advanced technologies, and enhancing auditor training to sustain trust and accountability in financial reporting systems.</p>

Introduction

Auditing is a fundamental mechanism for upholding the integrity of financial reporting and ensuring transparency within corporate governance frameworks. It is a process that assures stakeholders, including investors, creditors, and regulators—of the accuracy and fairness of financial statements, fostering trust and confidence in organizational accountability (Ayogu, 2023). High-quality audits safeguard against financial misstatements, fraud, and other irregularities, which can destabilize financial markets and undermine stakeholder confidence (Campa et al., 2025). The importance of

auditing has become increasingly evident in a global economy characterized by complex corporate structures and rapid technological advancements. Nevertheless, economic pressures and intensified competition among audit firms have sparked significant debates surrounding audit practices' sustainability and financial viability in recent years. Among these debates, the issue of audit fee reduction has gained prominence as a contentious phenomenon with far-reaching implications. Advocates argue that lower audit fees reflect enhanced efficiencies from technological innovations, streamlined processes, and competitive market dynamics. On the contrary, critics raise concerns that fee reductions may compromise the ability of audit firms to allocate sufficient resources, including personnel and time, necessary for high-quality audits (Saleh Aly et al., 2023). This duality highlights the tension between cost management strategies and the imperative to preserve audit reliability. The challenge lies in balancing these opposing forces, mainly as stakeholders increasingly demand greater transparency, accountability, and assurance in financial reporting. This context sets the stage for understanding how, while economically appealing, audit fee reductions could potentially erode the trust and confidence essential to maintaining the integrity of financial markets.

Reducing audit fees has emerged as a phenomenon warranting focused attention due to its implications for audit quality and stakeholder trust. The relationship between audit fees and quality is tied to the resources allocated for conducting comprehensive and rigorous audit procedures. Reduced fees often translate into constrained resources, such as fewer audit hours, smaller teams, or the involvement of less experienced personnel (Hoitash et al., 2007). These limitations can diminish the depth and scope of audit activities, leading to a higher likelihood of oversight or errors in detecting material misstatements. Consequently, financial statements audited under such conditions may lack the reliability necessary to instill stakeholder confidence. Additionally, fee reductions may create ethical dilemmas for auditors, as pressures to meet client demands within reduced budgets could compromise their professional independence and objectivity (Shailer, 2020). This issue becomes even more pressing in an era of heightened financial accountability and transparency expectations. Economic uncertainty, competitive pricing among audit firms, and increased client bargaining power have exacerbated the prevalence of audit fee reductions, amplifying their potential impact on audit quality (Widmann et al., 2021). This growing trend raises critical questions about the trade-offs between cost efficiency and the preservation of audit standards. Moreover, it underscores the need to explore how such cost-driven dynamics influence stakeholder trust, as diminished confidence can have cascading effects on corporate reputations, investor decisions, and market stability. Examining these dynamics provides a crucial foundation for understanding the broader implications of audit fee reductions in today's interconnected financial ecosystems.

Recent studies have explored the complex relationship between audit fees, quality, and stakeholder trust. For instance, Su & Huang (2024) found that higher social trust in China enhances audit efficiency and reduces audit fees without compromising audit quality. On the other hand, through a meta-analysis, Li & Liu (2024) revealed that abnormally high audit fees are associated with a decline in financial reporting quality. These findings underscore the intricate dynamics between audit fees and quality, emphasizing the contextual factors that mediate their interaction. Wahyuni et al. (2024) further identified firm-specific attributes, such as size and complexity, alongside industry-specific factors, as critical determinants of audit fees. Additional research has examined how social trust, advanced auditing techniques, and regional contexts influence audit outcomes. For example, Kuo et al. (2023) observed that social trust can improve audit efficiency, lower audit fees, and reduce reliance on Big 10 auditors in China while maintaining quality standards. In Egypt, Aly et al. (2023) demonstrated a positive relationship between audit fees, audit quality, and firm value, with audit tenure moderating these effects. Similarly, Ditkaew & Suttipu (2023) highlighted the role of cybersecurity in Thailand, showing that advanced data analytics positively impact audit quality and continuity, with cybersecurity acting as a moderating factor. These studies collectively suggest that social trust and sophisticated audit techniques can enhance audit quality and reduce costs. However, their effects are contextually dependent and influenced by regional laws, enforcement mechanisms, and organizational characteristics.

Despite the expanding body of research on audit fees, audit quality, and stakeholder trust, critical gaps remain in understanding the intricate relationships between these elements, particularly

regarding the broader implications of audit fee reductions. Most studies have concentrated on the direct connection between audit fees and audit quality, often neglecting the equally important dimension of stakeholder trust. Su & Huang (2024) underscored the role of social trust in enhancing audit efficiency and reducing costs without compromising quality. However, their findings are highly context-specific, limiting their generalizability to regions with different cultural norms or regulatory frameworks. Similarly, Li & Liu (2024) revealed that abnormally high audit fees negatively impact financial reporting quality but did not explore the potential ramifications of reduced fees, leaving an essential area of inquiry unaddressed. While studies such as those by Aly et al. (2023) and Ditkaew & Suttipun (2023) have advanced knowledge by considering moderating variables like audit tenure and cybersecurity, these investigations do not fully capture the long-term effects of audit fee reductions on stakeholder perceptions. These studies are limited in scope, often focusing on specific factors without comprehensively understanding how cost efficiency may intersect with audit quality and trust. Consequently, the literature lacks empirical insights into the trade-offs between cost management strategies and preserving audit integrity necessary for sustaining stakeholder confidence. This research aims to address these critical gaps, providing a nuanced exploration of the implications of audit fee reductions in contemporary financial ecosystems.

The novelty of this study lies in its comprehensive exploration of the intersection between audit fee reductions, audit quality, and stakeholder trust, approached through a nuanced and integrative lens that has been largely overlooked in prior research. Unlike existing studies that predominantly focus on direct correlations between audit fees and audit quality, this research delves into the broader implications of audit fee reductions on stakeholder perceptions of transparency and accountability, which are pivotal for corporate sustainability. Moreover, this study uniquely addresses the contextual variability of these dynamics by examining how regulatory frameworks, cultural dimensions, and firm-specific attributes mediate the relationship between cost efficiency and audit reliability. Another significant contribution is the integration of both theoretical and empirical dimensions to analyze not only the financial and operational trade-offs of fee reductions but also their socio-psychological impact on stakeholder trust. By employing a Systematic Literature Review (SLR) methodology, this research synthesizes diverse findings across regions, industries, and methodological approaches, offering a holistic understanding that transcends the limitations of single-context studies. Furthermore, the study emphasizes the long-term implications of audit fee reductions, particularly their potential to undermine auditors' ethical standards and professional independence, thereby jeopardizing the credibility of financial reporting systems. This study advances the academic discourse on audit fee dynamics by addressing these gaps. It provides actionable insights for policymakers, regulators, and practitioners seeking to balance cost efficiency and audit quality in an era of heightened financial complexity and stakeholder expectations.

Literature Review

Agency Theory

Agency theory provides a robust framework for examining the potential conflicts of interest between principals, such as shareholders and stakeholders, and agents, namely a company's management (Jensen & Meckling, 1979). This theory emphasizes the divergence in objectives between these parties, where principals seek accurate and transparent financial reporting, while agents may prioritize personal or organizational interests, often creating information asymmetry (Elmarzouky et al., 2023). Audits play a pivotal role as a control mechanism in mitigating these conflicts. Independent auditors examine financial statements to ensure accuracy, reduce uncertainty, and foster stakeholder trust (Adams, 1994). However, the efficacy of audits in reducing agency conflicts is significantly influenced by the availability of resources. For example, Velte (2023) highlights that audit quality is contingent upon the auditors' independence and capacity to execute comprehensive evaluations. Adequate resources, such as time and expertise, are essential for auditors to address potential misstatements or manipulations effectively. Furthermore, audits bridge the information gap between management and stakeholders and enhance the audited entity's reputation, as evidenced in studies linking high-quality audits with increased market confidence (Kasbar et al., 2023). While agency conflicts cannot be eliminated, strong oversight mechanisms ensure that the adverse impacts of such

conflicts are minimized, thereby addressing the growing demands of stakeholders for corporate accountability and transparency.

One of the critical challenges in auditing today is the growing trend of audit fee reductions, which poses significant implications for the effectiveness of control mechanisms outlined in agency theory. Economic pressures, intense competition among audit firms, and client-driven fee negotiations often contribute to this trend (Hollingsworth et al., 2020). While fee reductions may appear economically advantageous for companies, they frequently result in constrained resources for audit engagements. These constraints often include reduced time allocation for auditors to conduct in-depth examinations, smaller professional teams, and limited access to advanced audit technologies (MohammadRezaei et al., 2024). Such limitations impair the thoroughness of audits and elevate the risk of errors or omissions in detecting material misstatements. Lower audit fees can compromise auditor independence, a cornerstone of agency theory. Krauß et al. (2015) observed that abnormal fee arrangements often place auditors in ethically challenging situations, particularly when maintaining long-term client relationships becomes a higher priority than professional integrity. This dynamic creates an environment where moral hazard thrives, as management can exploit weaknesses in the audit process for personal or organizational gain. Kaawaase et al. (2021) emphasized that these vulnerabilities not only erode stakeholder trust but also threaten the stability of financial markets. Therefore, examining the impact of audit fee reductions on agency conflicts and the consequences for accountability and transparency remains a critical area of study in contemporary auditing practices.

Audit Fee

Audit fees represent companies' costs to obtain independent audit services, reflecting their commitment to transparency and accountability. These fees are influenced by several factors, including the time required to complete the audit and the complexity of audit procedures (Ahmad & Muslim, 2023). Gerrard et al. (1994) highlight that companies with more complex organizational structures demand extensive audit procedures, which naturally increase costs. Additionally, the expertise and experience of the audit team play a significant role. For instance, highly skilled auditors with specialized knowledge tend to command higher fees. The use of advanced technologies in auditing also adds to the overall cost, but it enhances efficiency and accuracy. The nature of the industry further impacts audit fees, particularly in sectors with stringent regulations, such as finance and healthcare, where additional scrutiny is required (Florou et al., 2020). Companies operating in high-risk industries or with a history of financial misstatements often face higher audit fees due to the increased need for thorough examination. However, economic pressures and market competition among audit firms can drive down fees, challenging auditors to maintain quality under financial constraints (Chen et al., 2020). As Elswah et al. (2024) suggest, this creates a dynamic where firms must balance cost efficiency with the need to allocate sufficient resources for effective audits. These multifaceted influences underscore the complexity of audit fee determination and its implications for audit quality and reliability.

Reducing audit fees often has direct implications on the resources allocated for audit processes, such as working hours, professional staff, and the use of technology. According to Widmann et al. (2021), constrained budgets frequently result in reduced audit scope, limiting the thoroughness of procedures and increasing the likelihood of undetected material misstatements. This issue becomes more pronounced in high-risk environments where auditors require additional resources to identify potential misstatements. Elmarzouky et al. (2023) emphasize that limited audit budgets often lead to compromises in staff expertise and time allocation, significantly affecting the quality of the audit process. Empirical research consistently demonstrates the critical link between reasonable audit fees and audit quality. Appelbaum et al. (2017) argue that auditors are better positioned to perform comprehensive and independent assessments when audit fees adequately reflect the complexity and risks associated with the engagement. Conversely, excessively low fees may create constraints that hinder auditors from effectively addressing emergent risks (Chung & Kim, 2024). Moreover, the lack of sufficient resources not only undermines the effectiveness of the audit but also erodes stakeholder trust in the reliability of financial statements. Ensuring that audit fees are appropriately balanced is

therefore essential, not merely for operational effectiveness but also for safeguarding transparency and maintaining the confidence of investors and other stakeholders.

Audit Quality

Audit quality is defined as the ability of audit procedures to detect and report material misstatements or irregularities in financial statements. This concept encompasses various dimensions, including the rigor of methodologies applied, adherence to international auditing standards, and the professional skepticism exercised by auditors (Abrar et al., 2023). Sulaiman (2023) highlights that audit quality is a cornerstone for ensuring financial reporting reliability and strengthening stakeholders' confidence in the company's transparency. A high-quality audit not only assures accuracy in reporting but also promotes corporate accountability. Several key factors influence audit quality. The competence of auditors, including their education level, experience, and technical expertise, plays a significant role in assessing and addressing audit risks (Salehi, Fakhri Mahmoudi et al., 2019). Independence is critical; auditors must remain free from client influence to deliver unbiased and reliable results. Liu et al. (2024) emphasize the importance of situational and dispositional factors, such as ethical decision-making, in maintaining audit quality under challenging circumstances. Beyond individual auditor traits, organizational factors such as resource allocation—time, staffing, and technological tools—are equally critical. As Alareeni (2019) notes, resource adequacy enhances the effectiveness and thoroughness of audit procedures, ensuring compliance with global auditing principles. Regulatory frameworks and international auditing standards provide consistent benchmarks to uphold audit quality across jurisdictions. This alignment fosters global accountability and ensures that the audit process adheres to principles of transparency and reliability, reinforcing stakeholder trust in financial systems worldwide.

Reductions in audit fees often have significant implications for audit quality, primarily by restricting the resources available for conducting thorough audits. Kyriakou (2022) highlights that constrained budgets frequently lead to insufficient time for examining high-risk areas, potentially increasing the risk of undetected material misstatements. This issue becomes more pronounced when auditors cannot engage professionals with the necessary expertise due to financial limitations. Salehi et al. (2019) further note that fee reductions can shift auditors' focus from rigorous testing to prioritizing time efficiency, which diminishes the application of professional skepticism—an essential component of high-quality audits. These constraints on audit quality impact the comprehensiveness of audit procedures and erode stakeholders' trust in the reliability of financial disclosures. Alzeban (2020) emphasizes that diminished audit quality undermines the confidence of investors and regulators, potentially tarnishing the company's reputation. Simamora & Hendarjatno (2019) argue that the erosion of trust caused by lower audit quality can destabilize financial markets, reflecting the broader economic consequences of compromised audits. Conversely, sufficient audit fees enable auditors to allocate the resources required for high-quality audits, bolstering stakeholder confidence in financial reports and supporting business sustainability. Balancing cost efficiency with audit quality remains a critical challenge for organizations aiming to maintain financial integrity and long-term market confidence. These findings underline the importance of strategic resource allocation in ensuring effective audit processes and reinforcing public trust.

Research Design and Methodology

Study Design

This research employs a qualitative systematic literature review (SLR) method. The SLR design is intended to synthesize and analyze existing literature on stakeholder trust in financial reporting. By integrating findings from various studies, the SLR provides a comprehensive understanding of how audit quality and other factors influence stakeholder trust. The systematic approach ensures that the literature included is rigorously selected and evaluated to minimize bias and enhance the reliability of findings.

Sample Population or Subject of Research

This research comprises peer-reviewed journal articles, books, and reports published between 2018 and 2024 focusing on stakeholder trust in financial reporting, audit quality, and corporate

transparency. The sample population is drawn from credible academic databases, including Elsevier, Emerald, Wiley, and Springer, ensuring the inclusion of high-quality and relevant studies. Articles were selected based on specific criteria such as relevance to the research question, publication in reputable journals, and use of qualitative or mixed-method approaches.

Data Collection Techniques and Instrument Development

Data were collected through a structured search process across multiple academic databases using predefined keywords such as "stakeholder trust," "financial reporting," "audit quality," and "corporate transparency." Boolean operators and database filters were employed to refine the search results. The inclusion and exclusion criteria were applied to ensure the relevance and quality of the selected studies. A coding framework was developed to extract data from the selected studies, focusing on key themes, findings, and methodological approaches.

Data Analysis Techniques

Thematic analysis was utilized to identify and synthesize recurring patterns and insights within the selected literature. This technique involved coding the data into categories, identifying common themes, and drawing connections to the research questions. The findings were interpreted in the context of existing theoretical frameworks, such as agency theory, to ensure a robust and coherent narrative. This systematic approach provides valuable insights into the dynamics of stakeholder trust in financial reporting.

Findings and Discussion

Findings

Audit fee reductions have a profound and multifaceted impact on the quality of audit engagements. Wahyuni et al. (2024) emphasize that reductions in audit fees often result in a significant limitation of resources allocated for audit engagements, including a decrease in audit hours, fewer skilled personnel, and restricted access to advanced audit technologies. Such constraints compromise the thoroughness of audit procedures, particularly in high-risk areas requiring a detailed analysis of complex financial transactions. Abrar et al. (2023) further highlight how insufficient resources hinder auditors' ability to apply professional skepticism, an essential element in identifying material misstatements and irregularities. Inadequate allocation of resources also forces firms to depend on less experienced staff, weakening the reliability and accuracy of audit findings. The consequences of fee reductions extend beyond technical deficiencies and affect auditors' ability to maintain independence, a cornerstone of credible auditing practices. The pressure to meet client expectations within constrained budgets may lead to compromises that undermine the integrity of audit reports. These reductions challenge the auditors' ability to adhere to rigorous methodologies and international auditing standards, leading to audits that lack the necessary depth and breadth. These findings underscore the critical need for audit fees to align with the scope and complexity of the engagement. By ensuring that fees reflect the required resources, audit firms can mitigate the adverse effects of fee reductions, safeguarding the integrity and reliability of financial reporting (Wahyuni et al., 2024; Abrar et al., 2023).

The relationship between audit fee reductions and stakeholder trust is direct and profound. Stakeholders, including investors, creditors, and regulators, rely heavily on the integrity and transparency of financial statements. Alareeni (2019) demonstrates that diminished audit quality resulting from fee reductions undermines stakeholder confidence in a company's financial disclosures. When audits are conducted with constrained resources, stakeholders perceive a higher risk of errors or misstatements, leading to skepticism about the accuracy of financial reports. Ahmad and Muslim (2023) note that low audit fees often force firms to cut corners, reducing audit scope and less comprehensive reviews. This makes stakeholders perceive that the company prioritizes cost efficiency over accountability and transparency. Over time, this perception damages the company's reputation, making attracting investments and maintaining trust in the financial markets more challenging. Aly et al. (2023) argue that stakeholder trust is closely linked to the perceived fairness and independence of the audit process. When audit fees are inappropriately low, it raises concerns about the auditors'

ability to act independently without undue influence from clients. This erosion of trust can have long-term implications, affecting the company's access to capital and its standing in the market. Addressing these challenges requires companies to balance cost management with comprehensive, high-quality audits to maintain stakeholder trust and support corporate sustainability (Alareeni, 2019; Ahmad & Muslim, 2023).

The effects of audit fee reductions are not uniform across all contexts but are influenced by factors such as regulatory frameworks, cultural dimensions, and firm-specific attributes. Salehi et al. (2019) demonstrate that countries with stringent regulatory oversight are better positioned to mitigate the adverse effects of reduced audit fees on audit quality. In jurisdictions with robust regulatory mechanisms, auditors are held to higher accountability standards, ensuring that audit quality does not significantly decline despite financial constraints. Aly et al. (2023) found that firm-specific attributes, such as the size and complexity of operations, amplify the impact of audit fee reductions. Larger firms or those with intricate operational structures require more extensive and resource-intensive audits, making fee reductions particularly detrimental. Cultural factors also play a crucial role in shaping stakeholder perceptions of audit quality. For instance, Kuo et al. (2023) highlight that societal trust levels can influence how stakeholders interpret audit outcomes under financial constraints. In societies with high levels of trust, stakeholders may be more forgiving of minor lapses, whereas in low-trust environments, even minor deficiencies can severely damage a firm's reputation. These findings suggest that the interplay between audit fees, quality, and stakeholder trust is highly context-dependent. Policymakers and practitioners must consider these contextual variables to develop strategies that ensure audit quality and stakeholder confidence, even in financially constrained settings (Salehi et al., 2019; Aly et al., 2023).

Audit fee reductions pose significant ethical and professional challenges for auditors, affecting their ability to maintain independence and uphold professional standards. Alzeban (2020) highlights that auditors working under financial constraints often face ethical dilemmas, particularly when balancing client expectations with professional obligations. The pressure to deliver cost-efficient audits can lead to compromises in audit scope and rigor, undermining the integrity of the audit process. Velte (2023) emphasizes that these compromises have long-term implications, not just for individual audits but for the broader credibility of the financial reporting ecosystem. Reduced audit fees often force firms to prioritize efficiency over thoroughness, leading to a decline in the application of professional skepticism and adherence to international auditing standards. This erosion of ethical standards can create a ripple effect, affecting stakeholders' trust in financial reporting and destabilizing market confidence. Abrar et al. (2023) argue that regulatory interventions are necessary to address these challenges, ensuring audit fees are set at levels supporting high-quality engagements. They also recommend enhancing auditor training programs to reinforce ethical decision-making and professional integrity. The findings underscore the importance of maintaining a balance between cost efficiency and ethical auditing practices to safeguard the long-term credibility of financial reporting systems (Alzeban, 2020; Velte, 2023; Abrar et al., 2023).

Stakeholder trust in financial reporting extends beyond technical audit quality to psychological assurance. Ayogu (2023) highlights that credible audits foster confidence among stakeholders, reinforcing their belief in the reliability and transparency of financial statements. This confidence is crucial in shaping investment decisions and supporting market stability. Campa et al. (2025) note that the perception of diminished audit quality triggers a cycle of distrust, where stakeholders question the integrity of financial reporting, leading to reduced investment and market instability. This dynamic underscores the importance of maintaining high audit standards to preserve stakeholder trust. Kuo et al. (2023) argue that societal trust levels influence stakeholders' perceptions of audit outcomes. In environments with low societal trust, any indication of reduced audit quality can amplify stakeholders' concerns, further eroding their confidence in financial systems. These findings highlight the interplay between technical and psychological dimensions of trust, emphasizing the need for comprehensive strategies to enhance both. Regulatory frameworks, transparent communication, and consistent audit practices are critical for maintaining stakeholder confidence and ensuring the stability of financial markets (Ayogu, 2023; Campa et al., 2025; Kuo et al., 2023).

Balancing cost efficiency and audit quality requires targeted strategies and collaborative efforts among regulators, audit firms, and stakeholders. Elmarzouky et al. (2023) suggest that adopting advanced audit technologies can enhance efficiency without compromising audit quality, enabling firms to manage costs effectively. Jensen & Meckling (1979) emphasize the importance of fair fee negotiations that reflect the complexity and scope of audit engagements. Transparent fee-setting processes can ensure that auditors are adequately compensated for their work, reducing the risk of compromised audit quality. Wahyuni et al. (2024) advocate for enhanced regulatory oversight to establish minimum audit fee thresholds, ensuring that fees align with the resources required for high-quality audits. Additionally, improving communication between auditors and stakeholders can foster mutual understanding and trust, reinforcing the credibility of the audit process. These strategies, combined with ongoing auditor training and adherence to international standards, can help maintain the integrity of financial reporting systems while addressing cost-efficiency concerns (Elmarzouky et al., 2023; Jensen & Meckling, 1979; Wahyuni et al., 2024).

Discussion

The findings of this study reveal that reductions in audit fees significantly affect audit quality by limiting the resources available for the audit process. When audit firms face financial constraints, critical resources such as time allocated for audit engagements, the number of trained professionals, and modern audit technologies are often compromised. This resource reduction diminishes the thoroughness of audit procedures, especially in high-risk areas susceptible to material misstatements. This observation aligns with Abrar et al. (2023), who highlighted how inadequate resources caused by reduced audit fees impair auditors' ability to exercise sufficient professional skepticism. Professional skepticism is a fundamental component of high-quality audits, enabling auditors to critically evaluate evidence and detect irregularities. When constrained by limited budgets, auditors may be unable to perform detailed assessments, thereby increasing the likelihood of undetected errors in financial statements. This issue directly challenges the core principles of transparency and accountability in corporate governance. Accurate and reliable financial statements are integral to maintaining trust between companies and their stakeholders. However, as this study demonstrates, the inability to allocate adequate resources in the face of declining audit fees threatens the integrity of these statements. This, in turn, raises questions about the effectiveness of audits in ensuring corporate transparency and compliance with financial reporting standards. Without addressing these challenges, the role of audits as a safeguard against misinformation and fraud may be severely undermined, reducing stakeholders' confidence in the financial reporting process.

This study further highlights how declining audit quality, driven by reduced audit fees, adversely impacts stakeholders' perceptions of corporate transparency and accountability. Investors, creditors, and regulators rely heavily on audited financial statements to make informed decisions, from investment allocations to regulatory compliance assessments. When audit quality deteriorates due to insufficient fees, stakeholders question the credibility and reliability of these reports. This erosion of trust damages the company's reputation and compromises its ability to attract new investments or secure favorable credit terms. Aly et al. (2023) emphasize that diminished audit quality correlates directly with a decline in corporate reputation, further reducing stakeholders' willingness to engage with the company financially. The long-term effects of such a loss in credibility are profound. Companies may experience strained relationships with their stakeholders, reduced market confidence, and, in extreme cases, a decline in financial stability. The study also underscores how the declining quality of audits reflects broader systemic challenges within corporate governance. Transparency and accountability are pillars of stakeholder trust, and any compromise in these areas can trigger a domino effect, affecting both the company's financial standing and the stability of broader financial markets. Addressing these issues requires a concerted effort to ensure that audit fees are set at levels that allow firms to maintain high-quality audits. Such measures would mitigate risks associated with stakeholder mistrust and reinforce the role of audits as a cornerstone of corporate accountability.

This research underscores the critical importance of contextual factors in understanding the relationship between audit fees, audit quality, and stakeholder trust. Regulatory frameworks play a pivotal role in moderating the adverse effects of reduced audit fees on audit quality. For instance,

jurisdictions with stringent regulatory oversight often enforce higher accountability standards, ensuring that audit quality remains uncompromised even under financial constraints. This observation is consistent with Wahyuni et al. (2024), who found that robust regulatory environments significantly mitigate the adverse impacts of cost limitations. Additionally, firm-specific attributes such as size and operational complexity influence the degree to which audit fees affect quality. Larger organizations or those with intricate operations typically require more comprehensive audits, making them more vulnerable to the detrimental effects of reduced costs. Beyond regulatory and organizational factors, cultural dimensions also substantially shape stakeholder perceptions of audit outcomes. As Kuo et al. (2023) noted, societies with high levels of social trust are more likely to view audits positively, even in contexts of reduced audit fees. Conversely, in cultures with lower social trust, any indication of compromised audit quality can amplify concerns and erode confidence in financial statements. These findings highlight the multifaceted nature of the audit fee-quality relationship, demonstrating that it is not merely a technical issue but one deeply influenced by broader socio-economic and regulatory contexts. Understanding these variables is essential for developing effective strategies ensuring audit quality and stakeholder trust across diverse settings.

The findings of this study align with agency theory, as articulated by Jensen and Meckling (1976), which underscores the necessity of oversight mechanisms to mitigate conflicts of interest between principals (stakeholders and investors) and agents (company management). In the auditing context, these mechanisms primarily manifest as the independence and professionalism of auditors, which are critical for ensuring that financial statements accurately reflect a company's financial position and operational performance. Agency theory emphasizes that the inherent goal divergence between principals and agents necessitates robust mechanisms to reduce information asymmetry and foster accountability. This study extends the framework by demonstrating how financial constraints, such as reduced audit fees, undermine the effectiveness of these mechanisms. Specifically, limited resources restrict auditors' ability to allocate adequate time and expertise, weakening the safeguards against managerial opportunism and misrepresentation. The diminished effectiveness of auditing under financial constraints exacerbates agency conflicts and erodes stakeholder trust in financial reporting. This is particularly evident in environments characterized by economic pressures and heightened competition in the audit industry. The findings reinforce the applicability of agency theory in analyzing the complex interplay between audit fees, audit quality, and stakeholder trust. The study provides a nuanced perspective that enriches theoretical discussions on governance and accountability by illustrating the impact of cost-efficiency pressures on mechanisms designed to align principal-agent interests. Jensen and Meckling's foundational insights offer a critical lens for understanding these dynamics in modern auditing practices.

The findings of this study are consistent with several previous studies, reinforcing the broader understanding of the relationship between audit fees, audit quality, and stakeholder trust. For instance, Abrar et al. (2023) demonstrated that inadequate audit fees significantly weaken the effectiveness of audits, primarily by restricting the allocation of critical resources, such as time and skilled personnel, necessary for comprehensive audit procedures. Similarly, Wahyuni et al. (2024) highlighted the negative impact of resource constraints on audit quality, particularly in environments where firms face economic pressures. These findings are echoed in the work of Aly et al. (2023), who emphasized that low audit fees often undermine the credibility of financial statements by limiting auditors' ability to conduct thorough evaluations and maintain professional skepticism. Despite these parallels, contextual differences emerge compared to studies such as Kuo et al. (2023), which identified the moderating role of social trust in mitigating the adverse effects of low audit fees on audit quality. In societies with high levels of social trust, stakeholders may demonstrate greater tolerance toward perceived limitations in audit quality, thereby reducing the overall impact on financial statement credibility. Nevertheless, this study aligns with the overarching premise that audit fees should adequately reflect the complexity and scope of audit engagements to ensure quality and reliability. By reaffirming the critical role of sufficient audit fees in maintaining the integrity of financial reporting, these findings contribute to the ongoing discourse on balancing cost efficiency with accountability in corporate governance practices.

From a practical perspective, the findings of this study offer significant implications for regulators, audit firms, and stakeholders. Regulators play a crucial role in maintaining audit quality by establishing minimum standards for audit fees that align with the complexity and scope of audit engagements. Setting such benchmarks ensures that financial constraints do not compromise the resources necessary for high-quality audits, even under economic pressure. On the other hand, audit firms must adopt advanced technologies to improve efficiency without sacrificing audit quality. Innovations such as audit data analytics and automated processes can streamline operations and enhance the depth of analysis, enabling firms to deliver reliable audits despite budget constraints. It is essential to strengthen auditor training programs, particularly in addressing ethical dilemmas that often arise when fees are reduced. Adequate training equips auditors with the tools to maintain their independence and professional skepticism, even when faced with financial pressures. Transparency in communication between auditors and stakeholders is equally critical. Open and honest dialogue fosters trust and demonstrates a commitment to accountability, which is especially important when stakeholders perceive a decline in audit quality due to cost-cutting measures. By addressing these practical considerations, this study contributes to theoretical discourse and provides actionable solutions for balancing cost efficiency with audit quality. In a global economic environment characterized by intense competition and financial constraints, these recommendations serve as a roadmap for regulators and practitioners to uphold the integrity and reliability of financial reporting systems.

Conclusion

This study examines the intricate relationship between audit fee reductions, audit quality, and stakeholder trust, addressing a critical issue within corporate governance and financial reporting. By utilizing a systematic approach, the research identifies how constrained audit fees impact the allocation of resources necessary for maintaining audit quality, subsequently influencing stakeholder perceptions of transparency and accountability. The findings highlight the multifaceted dynamics between cost efficiency and the effectiveness of audit processes, emphasizing the importance of adequately balancing financial constraints with the need for comprehensive and reliable audits. This study contributes to a deeper understanding of the broader implications of audit fee reductions and their ripple effects on corporate sustainability.

The originality of this study lies in its integrative perspective, bridging theoretical frameworks and practical implications to address a research area often overlooked in prior studies. From a scientific standpoint, the research expands the applicability of agency theory by illustrating how financial pressures can undermine mechanisms designed to reduce principal-agent conflicts. The findings offer actionable insights for regulators, audit firms, and stakeholders. Regulators should establish minimum audit fee standards that reflect the complexity of engagements, ensuring quality is not compromised under economic pressure. Audit firms must adopt advanced technologies and invest in auditor training to enhance efficiency while upholding ethical and professional standards. Stakeholders are encouraged to engage transparently with auditors to rebuild trust and foster accountability. These recommendations underscore the managerial relevance of this study, providing a roadmap for sustaining audit quality amidst global economic challenges.

Despite its contributions, this study has limitations that present opportunities for future research. The findings are primarily based on secondary data, which may not capture all contextual nuances of audit fee dynamics across industries and regions. Future studies could incorporate primary data collection, such as surveys or interviews with auditors and stakeholders, to provide richer insights. Additionally, cross-country comparisons could illuminate how regulatory environments and cultural dimensions influence the interplay between audit fees and stakeholder trust. Researchers are encouraged to explore the long-term implications of audit fee reductions on auditor independence and market stability, further enhancing the discourse on balancing cost efficiency and audit reliability in an evolving corporate landscape.

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