

## **Factors influencing audit quality: A systematic literature review**

**Angel II P. Esmeralda**

Nusa Putra University, Sukabumi, Indonesia

### **Abstract**

This systematic literature review synthesizes empirical research on factors influencing audit quality, examining studies published between 2019 and 2024. The review aims to identify key determinants of audit quality and their relative importance across different contexts. Following the PRISMA 2020 guidelines, this review analyzed 92 peer-reviewed articles from Scopus, Web of Science, and Google Scholar. Studies were categorized based on factor type: auditor-level factors, audit firm-level factors, and external/contextual factors. The review identifies auditor independence, Big 4 affiliation, audit committee effectiveness, and audit tenure as the most consistently studied factors. Big 4 auditors generally demonstrate higher audit quality, though this effect is moderated by client characteristics. Audit committee financial expertise positively influences audit quality through enhanced oversight. Time budget pressure and low audit fees negatively affect audit quality. Emerging themes include the impact of technology adoption and regulatory changes on audit quality. This review provides a comprehensive framework integrating input, process, and output factors affecting audit quality. It offers practical implications for regulators, audit firms, and corporate governance stakeholders while identifying gaps for future research.

### **Keywords:**

Audit Quality, Auditor Independence, Big 4, Audit Committee, Audit Tenure, Corporate Governance, Systematic Literature Review

### **Article History:**

Received: January 2, 2025. Revised: July 10, 2025. Accepted: July 25, 2025. Published: July 30, 2025

### **\*Corresponding Author:**

[aesmeraldaii@gmail.com](mailto:aesmeraldaii@gmail.com)

### **DOI:**

<https://doi.org/10.60036/7rbh4po8>

## INTRODUCTION

Audit quality is a cornerstone of financial reporting integrity and capital market efficiency. High-quality audits provide stakeholders with assurance that financial statements are free from material misstatement, thereby reducing information asymmetry and facilitating informed decision-making. The importance of audit quality has been underscored by high-profile corporate failures and accounting scandals that have eroded public trust in financial reporting and the auditing profession.

The concept of audit quality, while intuitively understood, remains challenging to define and measure. DeAngelo (1981) provided a foundational definition, characterizing audit quality as the market-assessed joint probability that an auditor will both discover and report a breach in the client's accounting system. This definition emphasizes two critical dimensions: the auditor's competence (ability to detect misstatements) and independence (willingness to report discovered misstatements).

Understanding the factors that influence audit quality is essential for multiple stakeholders. Regulators seek to establish standards and oversight mechanisms that promote high-quality audits. Audit firms aim to implement practices that enhance the quality of their services while remaining competitive. Corporate boards and audit committees require insight into factors affecting audit quality to fulfill their oversight responsibilities effectively. Investors and other financial statement users benefit from understanding audit quality determinants to assess the reliability of audited information.

Despite extensive research, the literature on audit quality determinants remains fragmented across multiple disciplines and journals. Previous reviews have focused on specific aspects, such as audit firm characteristics or regulatory effects, without providing a comprehensive integration of factors across different levels of analysis. This systematic literature review addresses this gap by synthesizing empirical research on factors influencing audit quality, organizing findings within a comprehensive conceptual framework.

The remainder of this paper is organized as follows: Section 2 presents the theoretical background and develops a conceptual framework for understanding audit quality determinants. Section 3 describes the systematic review methodology. Section 4 presents findings organized by factor category. Section 5 discusses implications and proposes a research agenda. Section 6 concludes with limitations and recommendations.

## THEORETICAL BACKGROUND

### Defining Audit Quality

Audit quality is a multidimensional construct that has been conceptualized in various ways. The foundational definition by DeAngelo (1981) focuses on the probability of detecting and reporting material misstatements. The Public Company Accounting Oversight Board (PCAOB) defines a quality audit as one performed in accordance with professional standards to provide reasonable assurance that the financial statements are free from material misstatement.

Francis (2011) proposed a framework identifying six interrelated elements affecting audit quality: (1) audit inputs, including partner and staff expertise; (2) audit process, encompassing planning, testing, and review; (3) accounting firms, their incentives and governance; (4) audit industry and markets; (5) institutions, including regulation and standard-setting; and (6) economic consequences of audit outcomes. This framework acknowledges that audit quality results from complex interactions among multiple factors operating at different levels.

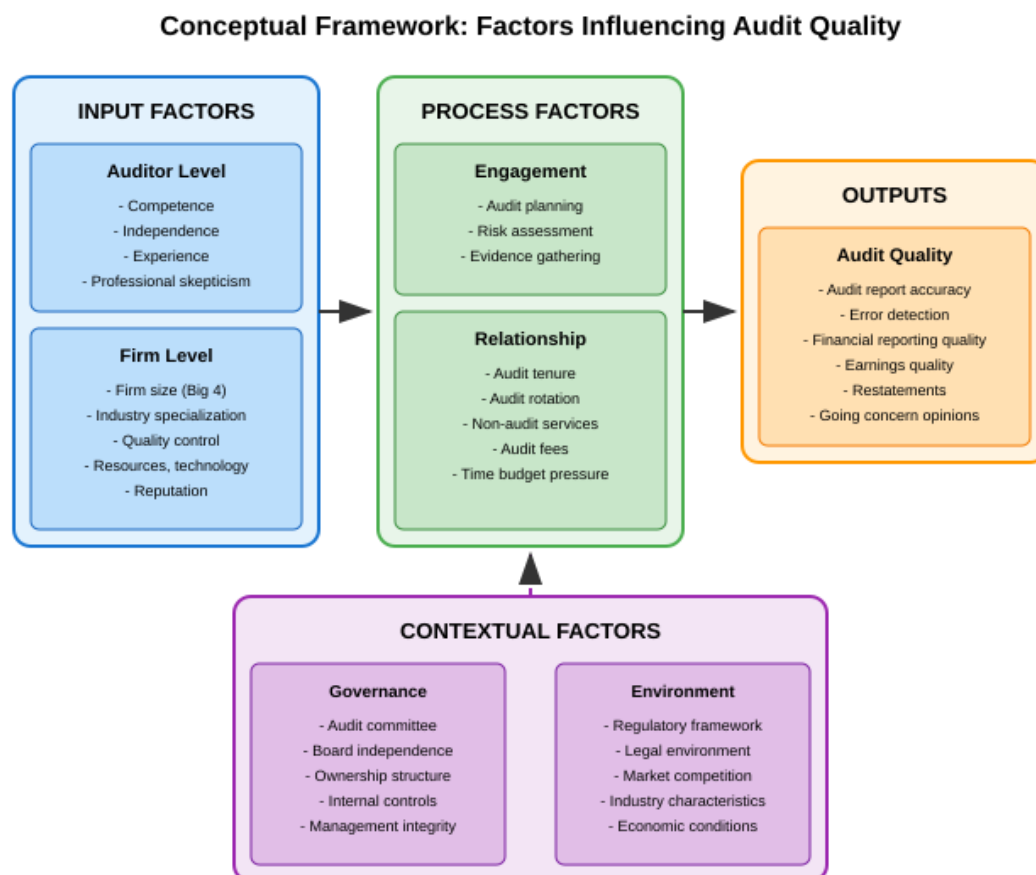
### Theoretical Perspectives

Several theoretical perspectives inform research on audit quality determinants:

- a. **Agency Theory:** Agency theory posits that auditing serves as a monitoring mechanism to reduce agency costs arising from the separation of ownership and control. High-quality audits constrain managerial opportunism and enhance the credibility of financial reports. From this perspective, factors that strengthen auditor independence and competence should improve audit quality.
- b. **Reputation Theory:** Reputation theory suggests that auditors have incentives to provide high-quality services to protect their reputation capital. Large audit firms, having more reputation capital at stake, are expected to deliver higher quality audits. This perspective explains the persistent Big 4 premium observed in audit markets.
- c. **Resource-Based Theory:** This perspective emphasizes the role of resources and capabilities in delivering quality services. Audit firms with greater resources—including human capital, technology, and methodological tools—are better positioned to conduct high-quality audits.
- d. **Institutional Theory:** Institutional theory highlights how regulatory environments, professional norms, and institutional pressures shape audit practices and quality. Changes in auditing standards, regulatory oversight, and legal liability influence audit quality through their effects on auditor behavior.

### Conceptual Framework

Building on Francis (2011) and subsequent literature, this review organizes audit quality determinants into three main categories: (1) Input factors, including auditor-level and firm-level characteristics; (2) Process factors, encompassing engagement characteristics and auditor-client relationships; and (3) Contextual factors, including corporate governance and environmental influences. Figure 1 presents the conceptual framework guiding this review.



**Figure 1:** Conceptual Framework – Factors Influencing Audit Quality

## METHODOLOGY

### Review Protocol

This systematic literature review follows the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020 guidelines. A review protocol was developed a priori to ensure transparency and minimize selection bias. The protocol specified search strategies, inclusion/exclusion criteria, and data extraction procedures.

### Search Strategy

A comprehensive literature search was conducted across three major academic databases: Scopus, Web of Science, and Google Scholar. The search was limited to peer-reviewed journal articles published in English between January 2019 and December 2024.

The search strategy combined keywords related to audit quality and its determinants using Boolean operators. Primary search terms included: ("audit quality" OR "audit effectiveness" OR "audit performance") AND ("determinant\*" OR "factor\*" OR "influence\*" OR "effect\*") AND ("auditor independence" OR "audit firm" OR "Big 4" OR "audit committee" OR "audit tenure" OR "audit fee\*" OR "corporate governance").

### Inclusion and Exclusion Criteria

#### 1. Inclusion criteria:

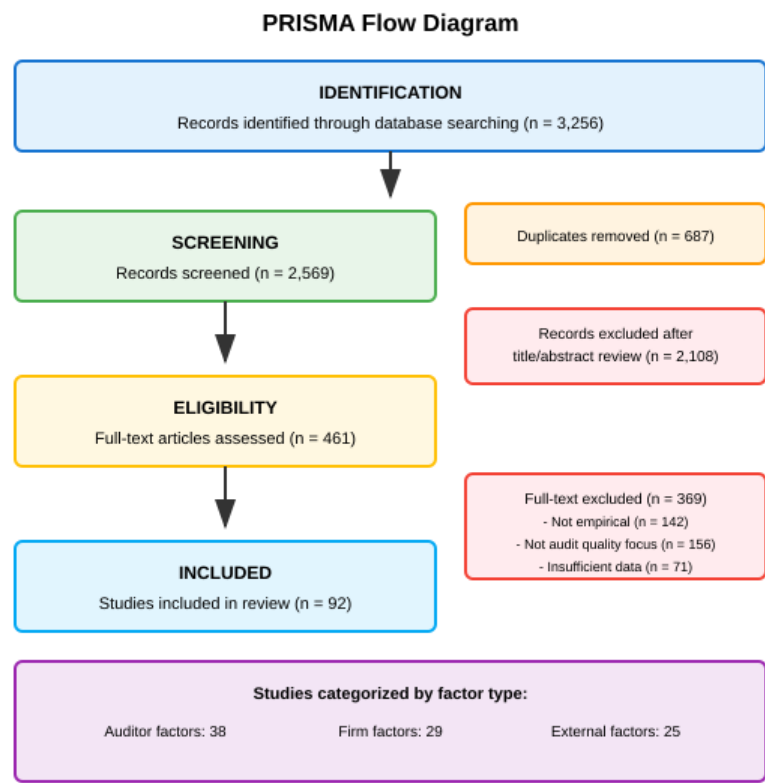
- Empirical studies examining factors influencing audit quality
- Studies with clearly defined measures of audit quality
- Peer-reviewed journal articles
- Studies published between 2019 and 2024

#### 2. Exclusion criteria:

- Purely theoretical or conceptual papers without empirical analysis
- Studies focusing exclusively on internal audit quality
- Conference papers, dissertations, and working papers
- Non-English publications

### Study Selection Process

The initial database search yielded 3,256 records. After removing 687 duplicates, 2,569 records were screened based on titles and abstracts. Following this screening, 461 articles were assessed for eligibility through full-text review. The final sample comprised 92 studies meeting all inclusion criteria. Figure 2 presents the PRISMA flow diagram illustrating the selection process.



**Figure 2.** PRISMA Flow Diagram

**Data Extraction and Analysis**

A standardized data extraction form was used to capture: publication details, sample characteristics, independent variables (audit quality determinants), dependent variables (audit quality measures), methodology, and key findings. Studies were coded according to the factor categories in the conceptual framework. Thematic analysis identified patterns and relationships across studies.

**FINDINGS**

**Descriptive Overview**

The 92 included studies span the period 2019-2024, with publication volume showing an increasing trend, peaking in 2023. Figure 3 illustrates the distribution of publications across years.



**Figure 3.** Publication Trends (2019-2024)

Geographically, studies originated from diverse contexts including the United States (24%), European countries (22%), Asian countries (38%), and other regions (16%). The predominance of Asian studies reflects growing research interest in emerging markets where audit quality issues have received increased attention.

**Table 1.** Distribution of Studies by Factor Category

Factor Category	Number of Studies	Percentage	Key Variables Examined
Auditor-level factors	38	41%	Independence, competence, experience, skepticism
Firm-level factors	29	32%	Big 4 status, specialization, size, resources
External/contextual factors	25	27%	Audit committee, regulation, governance
Total	92	100%	

## **Auditor-Level Factors**

### **1. Auditor Independence**

Auditor independence emerged as the most frequently examined auditor-level factor, appearing in 28 studies. Independence is conceptualized in two dimensions: independence in fact (the auditor's actual state of mind) and independence in appearance (the perception of independence by third parties).

Studies consistently find that threats to auditor independence, including economic dependence on clients, non-audit service provision, and personal relationships, are associated with lower audit quality. However, the effects of specific independence-related factors show nuanced patterns:

- a. **Non-Audit Services (NAS):** The relationship between NAS and audit quality remains contested. While some studies find that NAS provision compromises independence and reduces audit quality, others document no significant effect or even positive knowledge spillovers. The mixed findings suggest that the effect may depend on NAS type and regulatory context.
- b. **Client Importance:** Economic dependence on clients, measured by the proportion of fees from individual clients, is negatively associated with audit quality. Auditors appear more willing to accommodate client preferences when the client represents a significant revenue source.

### **2. Auditor Competence and Experience**

Auditor competence, encompassing technical knowledge, professional skills, and relevant experience, significantly influences audit quality. Studies measure competence through various proxies including educational qualifications, professional certifications, industry experience, and training hours.

Partner experience and expertise demonstrate positive associations with audit quality. Industry-specialized audit partners produce higher quality audits, as measured by lower discretionary accruals, fewer restatements, and more timely disclosure of going-concern opinions. The experience effect is particularly pronounced in complex audit engagements requiring specialized knowledge.

### 3. Professional Skepticism

Professional skepticism—the questioning mindset and critical assessment of audit evidence—has received increasing research attention. Higher levels of professional skepticism are associated with better fraud detection, more appropriate audit adjustments, and improved audit quality outcomes. However, measuring skepticism remains challenging, with studies employing various behavioral and trait-based measures.

#### Firm-Level Factors

##### 1. Big 4 Affiliation

The Big 4 effect on audit quality is among the most extensively studied phenomena in auditing research. Of the 92 reviewed studies, 24 examined Big 4 versus non-Big 4 differences. The preponderance of evidence supports the existence of a Big 4 quality premium, though findings are not uniform across all contexts.

**Table 2.** Summary of Big 4 Effect Studies

Finding	Number of Studies	Percentage	Context/Conditions
Positive Big 4 effect	16	67%	Particularly strong in weak institutional environments
No significant difference	5	21%	After controlling for client characteristics
Mixed or conditional	3	13%	Depends on specific audit quality measure
Total	24	100%	

Recent studies emphasize that the Big 4 effect may partly reflect client characteristics rather than intrinsic quality differences. Propensity score matching approaches controlling for client self-selection have produced mixed results, with some studies finding attenuated Big 4 effects. Nevertheless, the weight of evidence suggests Big 4 firms provide incrementally higher audit quality, attributable to greater resources, stronger incentives for reputation maintenance, and more rigorous quality control systems.

##### 2. Industry Specialization

Industry-specialized audit firms and partners demonstrate superior audit quality in their specialized industries. Specialization benefits arise from accumulated industry knowledge, more effective risk assessment, and greater ability to identify industry-specific misstatements. Studies find that industry specialists achieve higher audit quality as measured by lower abnormal accruals, more accurate going-concern opinions, and fewer restatements.

##### 3. Audit Fees and Time Budget Pressure

Audit fees and time budget pressure represent critical resources affecting audit quality. The relationships between these factors and audit quality are complex:

- Audit Fees:** Higher audit fees are generally associated with greater audit effort and higher quality. However, fee pressure—downward pressure on fees from clients—is associated with reduced audit quality. Studies document that fee cuts during economic downturns are associated with increased misstatements, suggesting auditors reduce effort in response to fee pressure.
- Time Budget Pressure:** Excessive time budget pressure negatively affects audit quality by inducing dysfunctional auditor behaviors, including premature sign-off, reduced testing, and

acceptance of weak evidence. When actual audit hours exceed budgeted hours, the resulting stress and workload pressure impair auditor judgment and audit quality.

## External and Contextual Factors

### 1. Audit Committee Effectiveness

Audit committee characteristics significantly influence audit quality through their oversight role. Key findings include:

- a. **Financial Expertise:** Audit committees with greater financial expertise demand higher audit quality and are associated with improved financial reporting outcomes. The effect is particularly strong when expertise includes accounting specialization rather than general financial experience.
- b. **Independence:** Independent audit committees are more effective monitors, associated with the selection of higher-quality auditors and reduced earnings management.
- c. **Meeting Frequency:** More frequent audit committee meetings facilitate closer monitoring and are positively associated with audit quality, particularly in complex reporting environments.

### 2. Audit Tenure and Rotation

The relationship between audit tenure and quality has been a focus of regulatory attention, with mandatory rotation requirements varying across jurisdictions. The evidence presents a nuanced picture:

- a. **Short Tenure:** Studies find that audit quality is lower in the early years of an auditor-client relationship, attributable to learning curve effects as auditors develop client-specific knowledge.
- b. **Long Tenure:** Extended tenure may compromise independence through relationship threats, though empirical evidence for quality deterioration with very long tenure is mixed.
- c. **Mandatory Rotation:** Studies of mandatory audit firm rotation show mixed effects on audit quality. While rotation may enhance independence, the loss of client-specific knowledge can reduce audit effectiveness in the initial years following rotation.

### 3. Regulatory Environment

The regulatory environment significantly shapes audit quality. PCAOB inspections in the United States have been associated with improvements in audit quality, particularly for firms receiving inspection deficiency findings. Similarly, enhanced regulatory oversight in other jurisdictions correlates with improved audit outcomes.

## Summary of Key Findings

**Table 3.** Summary of Factors Influencing Audit Quality

Factor	Direction of Effect	Strength of Evidence	Key Moderators
Auditor independence	Positive	Strong	Regulatory environment
Big 4 affiliation	Positive	Strong	Client characteristics, country
Industry specialization	Positive	Strong	Industry complexity
Audit committee expertise	Positive	Moderate-Strong	Board independence
Time budget pressure	Negative	Moderate-Strong	Firm resources
Audit fees	Positive	Moderate	Fee pressure, competition



Factor	Direction of Effect	Strength of Evidence	Key Moderators
Professional skepticism	Positive	Moderate	Experience, training
Audit tenure (inverted-U)	Complex	Moderate	Rotation requirements
Non-audit services	Mixed	Weak-Moderate	NAS type, regulation
PCAOB inspections	Positive	Moderate	Deficiency severity

## DISCUSSION AND IMPLICATIONS

### Synthesis of Findings

This systematic review reveals that audit quality is determined by a complex interplay of factors operating at multiple levels. While individual factors have been extensively studied, the literature increasingly recognizes that their effects are interdependent and context-specific. The conceptual framework presented in this review provides a structure for understanding these relationships.

Several overarching themes emerge from the synthesis. First, the importance of auditor independence remains paramount, with various threats to independence consistently associated with reduced audit quality. Second, the Big 4 premium persists across most contexts, though its magnitude varies with institutional and client characteristics. Third, corporate governance mechanisms, particularly audit committee effectiveness, play crucial complementary roles in promoting audit quality. Fourth, resource constraints, including time budget pressure and fee pressure, represent significant threats to audit quality that warrant continued attention.

### Implications for Practice

- For Audit Firms: The findings highlight the importance of investing in auditor competence, maintaining independence safeguards, and managing workload to prevent dysfunctional behaviors. Industry specialization strategies appear to enhance audit quality and may provide competitive differentiation. Quality control systems should address identified risk factors, including excessive fee pressure and inadequate time budgets.
- For Audit Committees: The review underscores the importance of audit committee financial expertise and active oversight. Committees should evaluate auditor independence, assess the appropriateness of audit fees, and monitor for signs of auditor workload pressure. Regular communication with auditors regarding engagement risks and resource allocation is recommended.
- For Regulators: Regulatory initiatives should continue to focus on independence requirements, particularly regarding non-audit services and economic dependence. The mixed evidence on mandatory rotation suggests that partner rotation may be more effective than firm rotation in balancing independence and knowledge retention concerns. Continued inspection and enforcement activities appear to positively influence audit quality.

### Research Agenda

Based on the gaps identified in this review, the following research directions are proposed:

**Table 4.** Proposed Research Agenda

Research Area	Priority	Key Questions
Technology and AI	High	How do AI and data analytics affect audit quality? What are the risks and opportunities?

Research Area	Priority	Key Questions
Team-level factors	High	How do team composition and dynamics influence audit quality beyond individual factors?
Emerging markets	Medium	How do institutional factors moderate audit quality determinants in emerging economies?
Non-financial audits	Medium	What factors influence quality of ESG and sustainability audits?
Interaction effects	Medium	How do different factors interact to affect audit quality? What are optimal combinations?
Long-term effects	Low	What are the long-term consequences of audit quality for client outcomes and market efficiency?

## CONCLUSION

This systematic literature review synthesized 92 empirical studies examining factors influencing audit quality. The analysis reveals a rich and evolving body of knowledge, with clear consensus on some factors and continued debate on others.

The key findings can be summarized as follows. Auditor independence remains fundamental to audit quality, with various threats—including economic dependence, non-audit services, and relationship factors—consistently associated with reduced quality. Big 4 auditors generally provide higher quality audits, though this effect is partly attributable to client characteristics and varies across institutional contexts. Corporate governance mechanisms, particularly audit committee financial expertise and independence, positively influence audit quality through enhanced oversight. Resource constraints, including time budget pressure and fee pressure, represent significant threats that can induce dysfunctional behaviors and compromise audit quality. Regulatory oversight, including PCAOB inspections, appears effective in promoting quality improvements.

The review contributes to the literature by providing a comprehensive integration of audit quality determinants within a conceptual framework distinguishing input, process, and contextual factors. This framework offers a structured approach for understanding the complex, multilevel influences on audit quality and identifies areas where research evidence is robust versus uncertain.

For practitioners, the findings offer guidance on factors to emphasize in promoting audit quality. Audit firms should invest in independence safeguards, auditor competence, and appropriate resource allocation. Audit committees should ensure adequate expertise, maintain independence, and actively oversee auditor relationships. Regulators should continue efforts to strengthen independence requirements and maintain effective inspection programs.

This review has several limitations. First, the focus on English-language publications may exclude relevant research from non-English sources. Second, the heterogeneity of audit quality measures across studies complicates direct comparisons. Third, publication bias may affect the representation of null findings. Fourth, the review period (2019-2024) may not capture all foundational studies that inform current understanding. Future reviews could address these limitations through expanded scope and meta-analytic techniques.

Audit quality remains a critical concern for financial markets and the accounting profession. As the business environment evolves with technological advances, new reporting requirements (including ESG), and changing regulatory landscapes, understanding audit quality determinants becomes increasingly important. This review provides a foundation for continued research and practice improvements aimed at enhancing the quality and value of external auditing.

## REFERENCES

- Al-Najjar, B. (2018). Corporate governance and audit features: SMEs evidence. *Journal of Small Business and Enterprise Development*, 25(1), 163-179.
- Becker, C. L., DeFond, M. L., Jiambalvo, J., & Subramanyam, K. R. (1998). The effect of audit quality on earnings management. *Contemporary Accounting Research*, 15(1), 1-24.
- Christensen, B. E., Glover, S. M., Omer, T. C., & Shelley, M. K. (2016). Understanding audit quality: Insights from audit professionals and investors. *Contemporary Accounting Research*, 33(4), 1648-1684.
- DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of Accounting and Economics*, 3(3), 183-199.
- DeFond, M., & Zhang, J. (2014). A review of archival auditing research. *Journal of Accounting and Economics*, 58(2-3), 275-326.
- DeFond, M., Erkens, D. H., & Zhang, J. (2017). Do client characteristics really drive the Big N audit quality effect? New evidence from propensity score matching. *Management Science*, 63(11), 3628-3649.
- Eshleman, J. D., & Guo, P. (2014). Do Big 4 auditors provide higher audit quality after controlling for the endogenous choice of auditor? *Auditing: A Journal of Practice & Theory*, 33(4), 197-219.
- Ettredge, M., Fuerherm, E. E., & Li, C. (2014). Fee pressure and audit quality. *Accounting, Organizations and Society*, 39(4), 247-263.
- Fitriany, F., Utama, S., Martani, D., & Rosietta, H. (2016). Pengaruh tenure, rotasi dan spesialisasi kantor akuntan publik (KAP) terhadap kualitas audit. *Jurnal Akuntansi dan Keuangan*, 17(2), 85-94.
- Francis, J. R. (2004). What do we know about audit quality? *The British Accounting Review*, 36(4), 345-368.
- Francis, J. R. (2011). A framework for understanding and researching audit quality. *Auditing: A Journal of Practice & Theory*, 30(2), 125-152.
- Ghafran, C., & O'Sullivan, N. (2013). The governance role of audit committees: Reviewing a decade of evidence. *International Journal of Management Reviews*, 15(4), 381-407.
- Hwang, S., & Hong, P. K. (2022). Auditors' workload and audit quality under audit hour budget pressure. *International Journal of Auditing*, 26(3), 371-387.
- Khurana, I. K., & Raman, K. K. (2004). Litigation risk and the financial reporting credibility of Big 4 versus non-Big 4 audits. *The Accounting Review*, 79(2), 473-495.
- Knechel, W. R., Krishnan, G. V., Pevzner, M., Shefchik, L. B., & Velury, U. K. (2013). Audit quality: Insights from the academic literature. *Auditing: A Journal of Practice & Theory*, 32(Supplement 1), 385-421.
- Lawrence, A., Minutti-Meza, M., & Zhang, P. (2011). Can Big 4 versus non-Big 4 differences in audit-quality proxies be attributed to client characteristics? *The Accounting Review*, 86(1), 259-286.
- Page, M. J., et al. (2021). The PRISMA 2020 statement: An updated guideline for reporting systematic reviews. *BMJ*, 372, n71.
- Pangaribuan, H. (2024). The audit quality: A systematic review of key factors and future directions. *International Scholars Conference*, 11(3), 977-995.
- Velte, P. (2017). The link between audit committees, corporate governance quality and firm performance: A literature review. *Corporate Ownership & Control*, 14(4), 15-31.
- Zaman, M., Hudaib, M., & Haniffa, R. (2011). Corporate governance quality, audit fees and non-audit services fees. *Journal of Business Finance & Accounting*, 38(1-2), 165-197.