

Factors Affecting External Audit Fee: A Survey of Mining Sector Companies in Indonesia

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Abstract

The purpose of this research is to examine the effect of Profitability, Company Complexity, Audit Committee, Public Accounting Firm Size, Company Risk, and Company Size on External Audit Fees. The sample used in this study was 23 mining companies listed on the Indonesia Stock Exchange (IDX) from 2016 to 2020. The sampling technique used was the purposive sampling method. The secondary data in this study is based on the Annual Report published on the IDX official website and the official website of the sample companies. Hypothesis testing in this study uses multiple linear regression analysis with the help of IBM SPSS 26 software and a significant level of 5%. The results of this study indicate that (1) Profitability has no effect on External Audit Fees, (2) Company Complexity has a significant positive effect on External Audit Fees, (3) Audit Committee has no effect on External Audit Fees, (4) Public Accounting Firm size has a significant positive effect. On External Audit Fees, (5) Company risk does not affect External Audit Fees, and (6) Company size has a significant positive effect on External Audit Fees.

Keywords

profitability; company complexity; audit committee; company size; financial accounting



I. Introduction

The users of financial statements, especially direct stakeholders of the company, must obtain genuinely accurate and reliable information from the information presented in the financial statements. Thus, they have sufficient confidence in making decisions or making additional policies for the company. Confidence in the financial statements presented is accurate. Of course, it does not come by itself. Activity is needed to gain confidence in a financial statement that is presented as a fair financial statement evaluating an entity's financial statements to obtain a belief that the values presented are fair is called an audit of financial statements. Financial statements containing assertions from management need to be verified by a party sourced from outside the company and are independent, and can also be accounted for by the test results. This is to ensure that the financial statements presented are accurate. The public accounting firm, from now on, referred to in Indonesia as abbreviated as "KAP," has one division that focuses on providing services to assure users of financial statements that the reports presented are free of misstatements or other material matters. The division is usually called the assurance division or audit division, whose main task is to audit the financial statements and then provide an opinion on the financial statements presented by the company's management. KAP will perform a series of procedures to prove management's assertions in the financial statements. The fee for audit services paid by the company as a fee to the KAP, of course, varies. The Indonesian Institute of Public Accountants (IAPI) is an association that houses professional public accountants in Indonesia and has issued a regulation that sets a lower

limit indicator for the rate of fees for audit services that will be paid by client entities. However, often other factors are taken into account by accounting firms—the public in determining the fees to be billed. Financial statements are basically a source of information for investors as one of the basic considerations in making capital market investment decisions and also as a means of management responsibility for the resources entrusted to them (Prayoga and Afrizal 2021). Financial performance is a measuring instrument to know the process of implementing the company's financial resources. It sees how much management of the company succeeds, and provides benefits to the community. Sharia banking is contained in the Law of the Republic of Indonesia No.21 of 2008 article 5, in which the Financial Services Authority is assigned to supervise and supervise banks. (Ichsan, R. et al. 2021)

From several previous research results, there are several factors, including profitability, number of subsidiaries, audit committee members, and company size, that can affect external audit fees. According to news on online news media www.inilah.com, a coal mining company, PT Toba Bara Sejahtera Tbk. posted a net profit of 68.08 million US Dollars annually in 2018. This net profit increased when compared to the same period in the previous year, which was 41.3 million US Dollars. From this news, it is also known that the total assets of PT Toba Bara Sejahtera Tbk. in 2018 it was US\$ 501.88 Million and US\$ 348.33 Million in 2017. Thus, the company's profitability ratio was 13.57% in 2018. This ratio increased compared to the company's profitability ratio in 2017, which was 11.88%. However, when referring to the 2018 annual report, the audit fees paid by PT Toba Bara Sejahtera Tbk. the KAP that provides audit services on the company's financial statements, is US\$ 91,882. The cost of auditing the financial statements decreased compared to the fees paid in 2017, which amounted to US\$ 164,485. In fact, according to prior research, the higher the profitability, the higher the audit fee because the auditor will need more time to test the reported income and expenses. There is a phenomenon that shows that the results of previous studies are different from the facts that occur, so further research is needed on what exactly are the variables that affect the number of external audit fees.

II. Review of Literature

2.1 Agency Theory

The theory that forms the basis for explaining external audit fees is agency theory. Agency theory states an agreement relationship where one party (the owner) uses another party (management/agent) to carry out or provide certain services to achieve the owner's primary goal. The owner will delegate some decision-making authority to management, also known as an agent, to act as and in the interests of the owner.

Based on the research of Eisenhardt and Eisenhardt (2018), Agency theory has a link to overcoming two agency problems. First, agency problems arise when the goals or desires of the owner and management (agent) conflict. It is expensive or difficult for the owner to verify what the agent is doing. In the case of this first problem, the owner cannot verify whether the agent is appropriate or appropriate in carrying out his duties. The second agency problem is the risk-sharing problem that arises when the owner and agent have different actions on risk.

The second problem is that the owner and agent may have different actions towards risk because each party has a different preference for risk. The thing that characterizes the occurrence of information asymmetry is when there is an economic situation where there

are several parties in a business transaction who may have an information advantage over other parties. Both adverse selection and moral hazard are two types of information asymmetry. This means that one or more parties in a business transaction, or parties who have the potential to conduct a business transaction, can observe their actions in the transaction. However, the other party does not have the ability and information advantage.

This information asymmetry can be minimized with agency costs in the form of bonding costs. Bonding costs are costs incurred to create a guarantee from the management or agents that they have carried out actions and policies in line with the interests of shareholders, one of which is the cost of auditing financial statements. To minimize agency conflicts and information asymmetry that occurs, costs are needed to reduce this by issuing audit fees that will be provided as compensation for audits carried out by independent parties (auditors) of the company for the sake of gaining confidence from the company owners on a good performance, reported by management (agent) to them. The audit fee is the number of service fees or costs incurred by the company for the audit activities carried out by independent auditors on the company (client).

The low agency conflict makes the interests of shareholders and management aligned and impacts low audit fees and vice versa, based on research by Andriyani and Laksito (2017). So audit fees have a relationship in reducing conflicts of interest and information asymmetry between owners and agents because the owner as the principal requires assurance of the quality of the financial statements presented by the management (agent). An assurance of the quality of these financial statements will give the owner (principal) confidence in setting future company policies and appropriately evaluating the performance of the agent (management) as a party that has been delegated authority by the owner. The determination of the audit fee is not only based on the considerations made by the company but also on the assessment by the auditor and other factors. Several variables that can affect the number of audit fees are profitability, company complexity, audit committee, and company size. However, in some conditions, this may not have a significant effect because it is constrained by a dilemma, namely the problem of independence. As we know, external auditors get rewards from clients. However, on the one hand, the auditor must also be independent, both independent in fact and independent in appearance.

2.2 Prior Research Analysis

The research results by Hasan (2017) show that profitability has a positive and significant effect on external audit costs. Companies with a high level of profit will tend to incur higher audit fees because companies with a high level of profit require testing the validity of revenue and expense recognition so that the audit will take longer. The results of this study are supported by Hafiza (2017). The results of (Kanakriyah (2020) show that profitability harms external audit fees. Meanwhile, the research results of Naser and Nuseibeh (2008) reveal that although there is a positive relationship between profitability and audit fees, the results are insignificant.

The results of research conducted by Mohammed and Saeed (2018) show that company complexity has a positive effect on external audit fees. This is due to the complexity of the activities carried out by machinery and equipment companies, thereby increasing the audit fees of these companies. The results of this study are in line with the results of research conducted by Sinaga and Rachmawati (2018). The results of Waresul Karim and Hasan's (2012) research state a significant negative relationship between audit complexity and audit fees, while the research results of Rusmanto and Waworuntu (2015) show that company complexity does not affect external audit fees.

The results of research conducted by Sukaniasih and Tenaya (2016) show that the audit committee harms external audit fees. The more members of the audit committee will make the company demand high audit quality so that the audit committee will choose auditors from large KAPs. In comparison, the research results by Adelopo, Jallow, and Scott (2012) show that the audit committee does not affect the external audit fee.

The results of research conducted by Lai and Chang (2013) resulted in the size of KAP having a positive effect on audit fees. The big four KAPs will try their best to maintain their good name and avoid actions that harm the good name of the KAP.

The results of research conducted by Sanusi and Purwanto (2017) showed that company risk has a positive effect on external audit fees. With a considerable company risk, auditors need more time and effort to audit the company. Mohammed and Saeed (2018) found an insignificant negative relationship between audit fees and company risk.

The results of research conducted by Tang and Karim (2019) show that firm size has a positive effect on external audit fees. The larger the company's size, as measured by total assets, the longer the time spent by the auditor to examine audit evidence. The research results by Sanusi and Purwanto (2017) show that company size does not affect external audit fees.

2.3 Hypothesis Development

The level of the company's profitability ratio indicates that it has succeeded in generating high profits from the utilization of the company's assets obtained. In agency theory, the owner as the principal has information asymmetry on the income earned by the company. The sample for testing revenues and expenses at companies with higher profitability ratios will undoubtedly be more than companies with low profitability ratios. The number of tests on the sample income to the time burden of the auditor's work is more so that the KAP will provide more imbalance to the auditor because of the high working hours and the impact on the audit fees charged by the KAP to the client. The first hypothesis proposed in this study is that Profitability affects External Audit Costs.

The complexity of the company can be measured by the number of branches and subsidiaries of the company. A large number of subsidiaries also affects the parent company's consolidated statements. Total assets and total net income of the parent company are also affected by it. According to agency theory, the owner as the principal will have less information than the management as the party who directly handles the entity to the subsidiary. A large number of subsidiaries also causes information asymmetry experienced by the owner (principal) of the parent company because usually, the subsidiary is only determined by the key management (agent) of the parent company. The second hypothesis proposed in this study is that the company's complexity affects External Audit Costs.

The audit committee from outside the company is considered to be more trusted by the company owner (principal) to appoint an objective and appropriate public accountant to carry out the audit. Based on agency theory, the principal will reduce the discontinuity of the information disclosed by incurring agency costs, one of which is by forming an audit committee. With a more significant number of audit committee members, of course, company owners expect high audit quality results as well as financial reports made by management (agents). Then the third hypothesis proposed in this study is that the Audit Committee affects External Audit Costs.

Larger Public Accounting Firms (Big Four) have the characteristics of a level of professionalism and better audit quality so that companies as clients of KAPs do not burden them to pay more for services provided by Big Four KAPs. Theory-Based on

agency, the more qualified the supervisor, in this case, the KAP, the lower the level of assertion held by the stakeholders. Shareholders will pay high to get higher quality company reports and company management. With a higher quality report, it is hoped that the losses caused by failure can be minimized. The fourth hypothesis proposed in this study is that the size of KAP affects External Audit Costs.

The leverage ratio describes the company's ability to use assets to pay its obligations. Companies with a high risk indicate that the financial condition experienced by the company is terrible. Hence, the auditor needs to be more observant in auditing financial statements. This can make the auditor need a lot of energy and time in carrying out audit procedures. The fifth hypothesis is that the company's risk affects External Audit Costs.

Companies with large company sizes will pay higher agency costs because the potential for conflict between management and stakeholders is also high. The company's owner, as the principal, delegates his authority to the management as an agent to manage the net worth of the owner invested in the company. Companies with significant total assets also indicate a more incredible wealth of owners (principals). Under these conditions, of course, the principles that require very relevant information about assets managed by management (agents) and auditors are assigned to examine transactions related to asset management, both assets to generate profits, increase assets, assets and write off assets. As a result, it takes more time to carry out audit procedures on firms with more significant assets than on smaller firms. The sixth hypothesis proposed in this study is that the company's size affects the cost of external audits.

III. Research Method

3.1 Sample

The sample in this study is mining sector companies listed on the Indonesia Stock Exchange from 2016-2020. The sample selection for the last five years is because the data trend for five years is strong enough to estimate figures for the following year. The mining sector was chosen because the phenomena found in this study came from mining sector companies. According to online news media www.kontan.co.id, The mining sector recorded the highest performance with an increase of 25.23% since the beginning of 2020; this proves that the mining sector companies mining is not negatively affected by the COVID-19 pandemic so that this sector can be used as a reference in audit fee research.

3.2 Variable Measurement

a. Dependent Variable

External audit fees are measured by the natural log of the number of external audit fees disclosed in the company's annual report. In the company's annual report, audit fees can be disclosed in the corporate governance section, company information, or other sections. In this study, the external audit fee was measured using a formula:

$$LNAUDFEE = \ln(\text{Auditfee})$$

b. Independent Variable

Profitability

In this study, profitability is measured using the ratio of return on assets (ROA).

$$ROA = \frac{\text{Net Income}}{\text{Total Asset}}$$

Company Complexity

In this study, the company's complexity is measured by the number of subsidiaries.

$$SUBSDR = \text{Number of Subsidiaries}$$

Audit Committee

The audit committee in this study is measured by the number of audit committee members.

$$ACSize = \text{Number of Audit Committee Members}$$

Public accounting firm size

In this study, the size of KAP is measured by a dummy variable. The formula used is as follows:

$$1 = \text{Big4}$$
$$0 = \text{non Big4}$$

Company Risk

In this study, the company's risk is measured by the leverage ratio.

$$\text{Leverage} = \frac{\text{Total Liabilities}}{\text{Total Asset}}$$

Company Size

In this study, company size is measured using the natural log of the company's total assets.

$$LNSIZE = \ln(\text{Total Asset})$$

IV. Result and Discussion

4.1 Sample Selection

Based on the sample selection process, the sample for this study was obtained from as many as 23 companies. The following is a list of the names of companies that are sampled in this study:

Table 1.

NO.	IDX CODE	COMPANY NAME
1	ANTM	Aneka Tambang Tbk.
2	ARII	Atlas Resources Tbk
3	BIPI	PT Astrindo Nusantara Infrastruktur Tbk.
4	BSSR	Baramulti Suksessarana Tbk
5	BUMI	Bumi Resources Tbk
6	BYAN	Bayan Resources Tbk
7	CITA	Cita Mineral Investindo Tbk
8	DKFT	Central Omega Resources Tbk
9	DOID	Delta Dunia Makmur Tbk

10	DSSA	Dian Swastatika Sentosa Tbk
11	ELSA	Elnusa Tbk
12	GEMS	Golden Energy Mines Tbk
13	INCO	Vale Indonesia Tbk
14	INDY	Indika Energy Tbk
15	ITMG	Indo Tambangraya Megah Tbk
16	KKGI	Resource Alam Indonesia Tbk
17	MDKA	PT Merdeka Copper Gold Tbk.
18	MEDC	PT Medco Energi Internasional Tbk
19	PTBA	Bukit Asam Tbk
20	PTRO	Petrosea Tbk
21	RUIS	Radiant Utama Interinsco Tbk
22	TINS	PT Timah Tbk.
23	TOBA	PT TBS Energi Utama Tbk

The sample is counted as only 59% of the existing population because 16 companies did not disclose the number of audit fees in the 2016-2020 annual report either on the company's internal website or the IDX website. This study uses an observation period from 2016-to 2020, so the amount of data that can be used is 115.

4.2 Descriptive Statistical Analysis

Table 2

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
LNAUDFEE	115	18.75715298	23.26069429	21.06443386	.8914105364
ROA	115	-.140471672	.4555788718	.0531070137	.0954005279
SUBSDR	115	0	117	22.13	26.874
ACSize	115	1	5	3.20	.516
BIG	115	0	1	.51	.502
LEV	115	.1264212521	1.897679216	.5393152826	.2489187045
LNSIZE	115	27.49349701	32.05432888	29.95753961	1.192736545
Valid N (listwise)	115				

Judging from the 115 research samples, it is known that the average value of the natural log of external audit fees is 21.0644 or in rupiah of Rp. 1,406,589,554,-. Meanwhile, the highest value from the natural log data for external audit fees is 23,2607 or Rp. 12,647,106,547,-. The lowest data from the natural log of external audit fees is 18.7572 or Rp. 140,000,000,-.

The average value of the level of profitability as measured by the ROA ratio is 5.31%, and the largest ROA ratio from the existing sample is 45.56%. Meanwhile, the smallest value of the ROA ratio is -14.05%. The ROA figure is still in line with the average reference interest rate of Bank Indonesia (BI), which is in the range of 3.75-6.00% per year in 2016-2020, so the average performance of the mining companies that are the

research sample. This is satisfactory because it is in the BI benchmark interest rate range for 2016-2020.

From the observations on 115 research samples, it was found that the average value of the number of subsidiaries from the entire sample was 22 companies. The highest subsidiary value from the sample is 117 subsidiaries.

The average value of the number of members of the audit committee is three people. This means that the average company sampled in this study has complied with the provisions made by the OJK (Indonesian financial services authority) regarding the audit committee, which requires a minimum of 3 members of the audit committee, so that the average company sampled in this study has complied with these regulations. While the lowest value of the number of audit committee members is one person and the highest value of the number of audit committee members is five people.

In the 115 research samples resulting, the average sample company uses a big4 affiliated KAP; to be more precise, 51% of the research sample uses a big4 KAP. For details, see the following table:

Table 3

No.	Public Accounting Firm	Type	Year					Total (%)
			2020	2019	2018	2017	2016	
1	PricewaterhouseCoopers	Big4	6	6	4	4	4	21%
2	EY	Big4	3	4	5	5	5	19%
3	Deloitte	Big4	2	2	2	2	2	9%
4	KPMG	Big4	0	0	1	1	1	3%
5	Baker Tilly	Non Big4	1	1	1	1	1	4%
6	BDO	Non Big4	1	1	1	1	1	4%
7	Crowe	Non Big4	1	0	0	0	0	1%
8	Kreston HHES	Non Big4	1	1	1	0	0	3%
9	Mazars	Non Big4	2	2	2	2	2	9%
10	Moore	Non Big4	3	3	3	3	3	13%
11	Praxity	Non Big4	1	1	1	1	1	4%
12	Rödl & Partner	Non Big4	1	1	1	1	1	4%
13	RSM	Non Big4	1	1	1	2	2	6%

Judging from the 115 research samples, the average value of the leverage ratio is 53.93%. At the same time, the highest value of the leverage ratio is 189.77%. In comparison, the lowest value of the leverage ratio is 12.64%—in the research sample.

The average value of the natural log of total assets is 29.9575 or Rp. 10,242,221,048,962. Meanwhile, the highest value of the natural log of total assets is 32,0543, or equivalent to Rp. 83,371,603,062,938,-. the minimum value of the natural log of total assets is 27,4935, equivalent to Rp. 871,513,339,763. When viewed from the

company size criteria in the regulations of the financial services authority in Indonesia, which states that small and medium companies are companies that have total assets of less than Rp. 100,000,000,000, - (one hundred billion rupiah). Because the lowest value of the sample is 800 billion Rupiah and the average value of the sample is 10 trillion rupiahs, it can be concluded that all samples in this study are not small and medium companies but large companies.

4.3 Classical Assumption Test

a. Normality

Table 4
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		115
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.63943816
Most Extreme Differences	Absolute	.051
	Positive	.041
	Negative	-.051
Test Statistic		.051
Asymp. Sig. (2-tailed)		.200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Based on the table above, it can be said that statistically, the value of Asymp. Sig (2-tailed) shows a number greater than 0.05, where this value (0.200 0.05) means that the residual data is usually distributed.

b. Multicollinearity

Table 5

		Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	15.518	2.101		7.386	.000		
	ROA	.930	.700	.100	1.328	.187	.848	1.179
	SUBSDR	.007	.003	.203	2.269	.025	.594	1.683
	ACSize	-.097	.126	-.056	-.769	.444	.896	1.116
	BIG	.852	.151	.480	5.652	.000	.661	1.512
	LEV	.366	.297	.102	1.233	.220	.692	1.444
	LNSIZE	.168	.074	.224	2.264	.026	.485	2.061

a. Dependent Variable: LNAUDFEE

The test results are shown in the figure, knowing that the value of the Variance Inflation Factor (VIF) of each independent variable, namely profitability, company complexity, audit committee, and company size is at the VIF value of < 10, and the

Tolerance value is at the Tolerance value > 0.10. This shows that the regression model in this study is free from multicollinearity.

c. Autocorrelation

Table 6

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.697 ^a	.485	.457	.6569602550	1.857

a. Predictors: (Constant), LNSIZE, ROA, ACSize, LEV, BIG, SUBSDR
 b. Dependent Variable: LNAUDFEE

Based on the picture above, it is known that the Durbin-Watson number is 1.857. This value will be compared with the DW table with the criteria for the number of observations (N) 115, the number of independent variables (k) = 6, and a significance level of 0.05 in which the value $dL = 1.5878$ and the $dU = 1.8068$. It can be concluded that $dU < d < 4-dU$ or $1.8069 < 1.857 < 2.1932$ so that a decision can be made from the results of this test that in the regression model, there is no positive or negative autocorrelation; in other words, there is no autocorrelation problem.

d. Heteroscedasticity

The heteroscedasticity test in this study was carried out through the Spearman rank test. Based on the picture above, it can be seen that all independent variables have a significance value (2-tailed) of more than 0.05 or 5%. This shows that there is no heteroscedasticity problem in the regression model in this study.

4.3 Hypothesis Testing

a. Coefficient of Determination Test

Table 7

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.697 ^a	.485	.457	.6569602550	1.857

a. Predictors: (Constant), LNSIZE, ROA, ACSize, LEV, BIG, SUBSDR
 b. Dependent Variable: LNAUDFEE

Based on the picture above, the test results show that the adjusted R square (R^2) value is 0.457 or 45.7%. So this shows that the percentage of the influence of the independent variable on the dependent variable is 45.7%, and the remaining 54.3% is influenced by other factors not included in this study.

b. Simultaneous Test (F test)

Table 8

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.973	6	7.329	16.981	.000 ^b
	Residual	46.612	108	.432		
	Total	90.586	114			

a. Dependent Variable: LNAUDFEE

b. Predictors: (Constant), LNSIZE, ROA, ACSize, LEV, BIG, SUBSDR

Judging from the picture above, the significance value is 0.000, which means it is smaller than 0.05 ($0.000 < 0.05$), and the calculated F is greater than the F table ($16.981 > 2.1837$), so it can be concluded that simultaneously or together the independent variables (profitability, complexity) firm, audit committee, KAP size, firm risk, and firm size) have a significant effect on the dependent variable (external audit fee).

c. Partial Test (t-Test)

Table 9

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.518	2.101		7.386	.000
	ROA	.930	.700	.100	1.328	.187
	SUBSDR	.007	.003	.203	2.269	.025
	ACSize	-.097	.126	-.056	-.769	.444
	BIG	.852	.151	.480	5.652	.000
	LEV	.366	.297	.102	1.233	.220
	LNSIZE	.168	.074	.224	2.264	.026

a. Dependent Variable: LNAUDFEE

Using the t distribution table and a significance level of 0.05, the t-table value is 1.982.

According to the picture above, ROA, which is a proxy for profitability, has a tcount of 1.328 so that $t_{count} < t_{table}$ and a significance value of $0.187 > 0.05$, so it can be concluded that profitability has no significant effect on external audit costs.

The results of the partial test for the company complexity variable, namely tcount of 2.269, so that $t_{count} > t_{table}$ and a significance value of $0.025 < 0.05$, so it can be concluded that the company's complexity has a significant positive effect on external audit costs.

The results of the partial test for the audit committee variable are tcount of -0.769 so that $t_{count} < t_{table}$ and a significance value of $0.444 > 0.05$, so it can be concluded that the audit committee does not affect external audit fees.

The results of the partial test for the variable KAP size are t_{count} of 5.652 so that $t_{count} > t_{table}$ and a significance value of $0.000 < 0.05$, so it can be concluded that KAP size has a significant positive effect on external audit costs.

The results of the partial test for the company's risk variable are t_{count} of 1.233 so that $t_{count} < t_{table}$ and a significance value of $0.220 > 0.05$, so it can be concluded that the company's risk does not affect external audit fees.

The results of the partial test for the firm size variable are t_{count} of 2.264 so that $t_{count} > t_{table}$ and a significance value of $0.026 < 0.05$, so it can be concluded that firm size has a significant positive effect on external audit costs.

4.4 Discussion

The level of the company's profitability ratios that go up and down indicates the performance of management, who is trying to give the best results to the principals (shareholders) of the entity. This does not make the number of external audit fees billed also fluctuate. Stable fees are preferred by the audit committee or the company's board of commissioners as external auditor appointments. This is because stable costs tend to be easily predicted to be budgeted in the following years. So this is why profitability is not a determinant of the number of external audits issued by the entity. The results of the study are in line with the results of Adelopo et al. (2012) research which shows that profitability does not affect external audit costs.

A large number of subsidiaries also affects the parent company's consolidated statements. Total assets and total net income of the parent company are also affected by it. A large number of subsidiaries also causes information asymmetry experienced by the owner (principal) of the parent company because usually, the subsidiary is only determined by the key management (agent) of the parent company. With this complexity, KAP will assign more senior auditors with high experience to detect possible misstatements or other possibilities that can harm stakeholders, especially company owners. The results of this study are under the results of research by Mohammed and Saeed (2018), which shows that the company's complexity affects external audit fees. However, unlike the results of research and Rusmanto and Waworuntu (2015), company complexity does not affect external audit fees.

The audit committee does not affect external audit fees, perhaps because even though the audit committee consists of many people, they still have to adjust to the availability of available funds in choosing the KAP that will audit the company's financial statements. The limited budget available also limits the choice of the audit committee in determining which KAP will be the company's external auditor. Therefore, the number of members of the audit committee is fixed for several years. However, the audit can be changed every year. This is in line with the research results by Adelopo et al. (2012), which show that the audit committee does not affect external audit fees.

Large KAPs (Big4) strive to maintain their good name and avoid actions that harm their good name so that KAPs will try to report high-quality audit reports of financial statements. Larger Public Accounting Firms (KAPs) (Big Four) have a level of professionalism and better audit quality so that companies as clients of KAPs do not burden them to pay more for services provided by Big Four KAPs. With their expertise and experience, the big four KAPs will charge a higher audit fee for their services. The results of the study are in line with the results of research by Lai and Chang (2013) and Cristansy and Ardiati (2018), which show that KAP size has a positive effect on audit fees.

There are several reasons why companies have debt. One of the goals of the company's debt is to increase the company's operational activities, which leads to an

increase in company profits. Therefore, if the company can manage its debt well, then the high debt will not be a problem for the company. This happens because of the profit obtained to pay along with interest. The results of the study are in line with the results of the research by Dabor and Benjamine (2018).

It takes more time to carry out audit procedures on companies with more significant assets compared to smaller companies. The limited time for conducting the audit makes the KAP more likely to assign auditors to assist in implementing all audit procedures on time according to the time agreed between the KAP and the client. This causes firm size to have a significant positive effect on external audit fees. The results are in line with the research results of Tang and Karim (2019).

V. Conclusion

Profitability does not affect external audit fees; company complexity has a significant positive effect on external audit fees, the audit committee has no effect on external audit fees, KAP size has a significant positive effect on external audit fees, and company risk has no effect on external audit fees. Firm size has a significant positive effect on external audit fees. It is not mandatory to use the external audit fee used by the company to be launched in the company's annual report due to limited funds. Subsequent research will expand the research sample sectors, such as the manufacturing sector, property, and other sectors, so that it can be seen the factors that affect external audit costs from other sectors. In addition, further research can also consider other variables to examine the effect of audit fees, such as the independence of the external board of commissioners, managerial ownership, and audit committee expertise.

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