The Effect of Size, Profitability, Risk, Complexity, and Independent Audit Committee on Audit Fee

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Abstract
Research on audit fees is important because it relates to professional services provided by public accountants. Whereas the transparency of information about audit fees in the company's financial statements in Indonesia openly and apart from other service fees has only been done in the last few years, so there has not been much research related to this. Therefore, this study aims to examine the effect of size, profitability, company risk, company complexity, and independent audit committee on audit fees. A sample of 136 manufacturing companies listed on the Indonesia Stock Exchange in 2014-2016. Multiple regression analysis is used to test the hypothesis. The results of this study indicate that the size of the company, profitability, complexity of the company has a positive effect on audit fees. Company risk and an independent audit committee have no effect on audit fees.

Keywords: audit fees; size, profitability; risk; complexity; audit committee independence

How to cite (APA 6th Style)

INTRODUCTION
Companies (auditee) when requesting audit services to external auditors (public accountants) must pay an audit fee for the services they receive. The amount of audit fee depends on the agreement between the public accountant and the auditee (Immanuel and Nur 2014). The amount of audit fees is an interesting object to be examined because the disclosure of the amount of corporate audit fees in Indonesia in annual reports can be said is still lacking. Companies reveal more on the amount of professional fees, where professional fees are fees for all services paid by companies to professional supporting institutions such as KAP, Securities Administration Bureau, Notary, and Legal Counsel. Therefore, disclosure of the amount of professional fees in annual reports cannot be used as a reference to determine the amount of audit fees received by auditors and KAP in a company.

Determination of audit fees by public accountants is based on the risks that exist in each auditee. The amount of the audit fee depends on assignment risk. The assignment risk that is always faced in the audit is that the auditor fails to find material misstatement, so that the opinion given can be wrong (IAI 2013). The determination of audit fees in Indonesia has been regulated in Decree Number 2 of 2016 by the Indonesian Institute of Certified Public Accountants (IAPI).
IAPI members determine audit fees based on the risks faced in audit assignments.

The internal factors of the company predicted influence the amount of audit fees, among others size, profitability, company risk, complexity of the company, independent audit committee. Immanuel and Nur (2014) examined ownership, company size, subsidiaries, KAP size, and earnings management for the manufacturing companies in Indonesia in 2011-2013. Andriyani and Laksito (2017) examined various ownership (managerial, foreign, government) with control variables of profitability, complexity, risk, leverage, and KAP status for the manufacturing companies in 2015. Naser and Hasan (2013) examined company size, profitability, company risk, complexity, type of industry, KAP status, audit report lag, and independent audit committee in non-financial companies listed in Dubai for 2011, while Hasan and Naser (2016) examined the same factors as Naser and Hasan (2013) but for financial companies.

The larger the company, the greater the risk faced by the auditor because of many and complex transactions. High profitability of a company shows that the company's operations are large too, so that audit risk is also high. The result of Hasan's research (2017) shows a significant effect while the research of Naser and Hassan (2016) as well as Hassan and Naser (2013) are not significant.

Companies that experience sustained losses indicate companies that are at risk for the sustainability of their business, thus the auditor needs to be more careful in predicting the company's going concern. Andriyani and Laksito's research (2017) shows that leverage has a significant positive effect, while Naser and Hassan (2016) and Hassan and Naser (2013) the results are not significant.

Companies with many segments have a higher risk than companies that have fewer segments. The results of research by Hasan (2017), Immanuel and Nur (2014), Hassan and Naser (2013) showed a significant positive effect, while the results of Naser and Hassan (2016) showed a negative influence.

The existence of an independent audit committee can help company supervision, so that it is expected to reduce company's risk and audit fees to be small (Hassan and Naser 2013). Research by Naser and Hassan (2016) showed a significant positive result.

Based on the existence of a phenomenon, which shows that the transparency of audit fees that are separate from other consulting fees has not been recently carried out by companies listed on the exchange, causing there has been little research on audit fees. Research by Immanuel and Nur (2014) in the period of 2011-2013, Andriyani and Laksito (2017) in the period of 2015 for the manufacturing companies in Indonesia, while the research of Hasan and Naser (2013) and Naser and Hasan (2016) were conducted in Dubai with an observation period of 2011. In addition, the existence of inconsistency from previous research (Hasan and Naser 2013; Immanuel and Nur 2014; Naser and Hasan 2016; Andriyani and Laksito 2017) above, then the purpose of this study is to analyze and provide empirical evidence about the effect of size, profitability, risk, company complexity and independent audit committee on the amount of audit fees determination. This research continues from previous research for manufacturing companies with a period of observation from 2014-2016. The contribution of this study to the development of agency theory from the perspective of potential risks and forms of supervision to reduce agency costs. Benefits for Public Accountants provide an overview about the factors of the company that actually become a consideration in determining audit fees.

**Literature Review**

Agency theory provides an overview when a company becomes large, the owner can delegate his authority to professionals people, in this case management. Management given the authority is required to make an accountability report to the owner. Jensen and Meckling (1976) also stated that there are two main problems that often occur in agency relationships, namely the existence of information asymmetry and the occurrence of conflicts of interest. Conflict of interest results in agency costs. Costs incurred to ensure that agents or managers act in the interests of
principals (company owners or company shareholders) are often referred to as agency costs. As a form of supervision to reduce company risk, the financial statements made by management must be audited by an independent party.

Financial statements are the responsibility of management which must be examined by an independent party as evidence that the financial statements are free from the interests of any party. Auditing activities have an important role to reduce information asymmetry and conflicts that occur between managers and company shareholders (Beatty 1989). In addition, audits are carried out as an effort to improve the quality of corporate financial statements (Beasley and Salterio 2001).

Audit is the process of assessing whether financial statements made by the company are presented in accordance with accounting standards. In audit activities, there is audit risk, namely the risk of auditor failure in giving opinions because he cannot find material misstatement (Mulyadi 2009). To prevent this, the auditor must use a risk based auditing approach.

Risk based auditing is used to improve the quality and effectiveness of audits by determining areas that are likely to have risks. By recognizing the risks faced by management, auditors in conducting audits focus on high-risk transactions. The risks faced by companies differ from one another.

In conducting audits, according to Audit Standards 315 (IAPI 2013), auditors must understand the entity and environment. Risks can arise from (IAPI 2013):
1. entities and their environment include: industry factors, regulations, nature of entity (operations, ownership structure, governance), nature of financing, type of investment done, selection and application of accounting policies, objectives, strategies and business risks.
2. entity's internal control.

According to Mulyadi (2009), audit fees are rewards of money given by clients to auditors for the services they provide. The amount of audit fee is determined by the workload, time, costs incurred by auditor in carrying out his expertise. In determining the audit fee, in accordance with the decision of the Indonesian Institute of Certified Public Accountants (IAPI) number 2/2016 must be reasonable in accordance with the professional services provided. Audit fees paid by the client are an agreement between the two parties (client-auditor). A lot of auditor burden that requires a long time, a large number of auditors, an experienced auditor's qualifications are the factors that determine the amount of the audit fee.

The amount of audit fee is influenced by the risk that is willing to be borne by the public accountant. Operational risk comes from the company, for example, company size (eg the size of the asset) and profitability. When the Public Accountant Office (KAP) accepts an agreement from a company with large assets, the KAP assigns experienced auditors, so that the audit fee offered to the auditee is also large. Companies that have high profitability indicate many transactions that occur. To provide good audit quality, the auditor must examine supporting evidence for transactions that become the sample of the audit, so that more time is needed in conducting audits. Because the time required for the audit is long, the audit fee charged to the auditee is large.

Companies financed from high debt are more at risk than those with little debt. When the source of funding comes from debt, then there is a form of supervision demanded by the lender. KAP that accepts audits of companies with high debt has a greater burden of responsibility in assessing company's going concern. Therefore, KAP tends to assign senior and experienced auditors. Because those who are given the assignment are experienced auditors resulted in the audit fees to be paid by the auditee to be large.

KAPs that receive audits for companies with a large number of subsidiaries are certainly more at risk than those with fewer subsidiaries are. Therefore, in the assignment, KAP tends to assign more auditors, so that the audit fees offered to the auditee are large.

A good corporate governance one of which is the existence of an independent audit committee. The duty of the audit committee is to oversee the operations of the company.
committees from outside the company work more independently, so it is expected that the form of supervision conducted will be optimal. If the company has a large independent audit committee, then the audits made by KAP do not take long. Accordingly, audit fees charged to the auditee are small.

Development of Hypotheses

Company Size - Audit Fee

Agency conflict arises because of the different interests between management and company shareholders (Jensen and Meckling, 1976). Large companies have a high potency for conflict between management and stakeholders and are more vulnerable than small companies due to public visibility. To reduce the conflict, an independent party is needed, in this case, auditors. Auditors in carrying out their audit activities bear a variety of risks, namely default risk, control risk, detection risk and audit risk (Mulyadi 2009).

Auditors when auditing large-scale companies have a high default risk of transaction complexity compared to small companies, so there is a possibility of many material misstatements. Large-scale companies have large assets and transactions, causing auditor workload and audit risk to be large. To reduce detection risk, auditors must look for more audit evidence in supporting the opinions given, so auditors require a longer time (El-Gammal, 2012). Public Accounting Company that accepts large company commitments has also greater responsibility, so that to maintain the audit quality and professionalism, it assigns experienced auditors. When the time needed to carry out an audit is longer or the auditor is experienced, then the audit fee to be paid by the client / auditee becomes even greater. The Result of research conducted by Hasan (2017), Naser and Hassan (2016), Immanuel and Nur (2014), as well as Hasan and Naser (2013) provide empirical evidence that the size of the company has a positive effect on audit fees.

The size of the company can be measured by total assets, income / sales or number of employees owned by the company (El-Gammal 2012). Hasan (2017), Immanuel and Nur (2014) use a measure of total assets. On the basis of the explanations and the results of previous studies, the hypothesis is:

H1. Company size has a positive effect on audit fees

Company Profitability - Audit Fee

Managers always want to show their performance well, for example shown by good profitability. Profitability is an indicator that gives an overview about company’s ability which is managed properly. High profitability shows companies are efficient in managing assets and resources they have (El-Gammal 2012; Hasan 2017). However, in the agency perspective, there is an assumption that management is likely to deliberately make good financial statements for stakeholders, namely by increasing the total net income and total assets of the company. Jensen and Meckling (1976) stated to reduce agency cost by conducting supervision, one of which is an audit of financial statements by independent parties and internal control within the company.

High profitability shows an increase in income and expenditure transactions. An auditor must have a nature of scepticism, which is not easy to believe in the information received. This scepticism is an auditor’s effort to prevent the occurrence of default risks. To believe that the income and expenditure transactions are not fictitious, the auditor must examine the evidence of the transaction. High profitability has a high risk in agency perceptions. Therefore, the auditor must examine more audit evidence to believe the transactions. When the amount of audit evidence must be examined a lot, then the time needed to conduct the audit also becomes longer, as a result the fee that must be paid by the auditee becomes large.

Validity testing of profits owned by the company can lead to higher auditor workloads and risks borne by auditors, so the audit fees that must be paid by the auditee are getting bigger. Hasan's research (2017), Andriyani and Laksito (2017) showed that profitability has a significant positive effect on audit fees. Based on the explanation and from some of the research results above, the hypothesis is:
H2. Profitability has a positive effect on audit fees

Corporate Risk-Audit Fee

The definition of risk is the opportunity and likelihood of a loss because of uncertainty about the expected results with different actual results (Vaughan and Vaughan 2008). Agency costs arise because of an agency problem with the company. If there is a problem, the auditor is the mediator between the interests of the agent and the interests of the principal by reducing opportunistic actions that may be carried out by the manager and owner of the company. In conducting the audit process, the auditor needs to understand the risks faced by company management, one of which is regarding financial risk in the company. Companies that use debt as capital for the company's operations have a high risk. The risks faced are business sustainability risks. Corporate going concern is the main focus of funders, therefore auditors need to prove the operational transactions of companies that they are not wrong in predicting the company's going concern. The auditors face the default risk that there is a possibility of material misstatement in the balance statement of the total debt and total assets in the company, so that a longer audit time is needed and results in the amount of audit fees that must be charged to the auditee. Andriyani and Laksito's research (2017) provide results that audit fees are influenced by leverage. From this explanation the hypothesis examined is:

H3. Company risk has a positive effect on audit fees

Company Complexity-Audit Fee

Accounting for Investments in Associate Company (PSAK No. 15) defines: “subsidiary company is a company controlled by another company (called parent company) because part or all of its capital is owned by the parent company”. Company complexity can be measured by the number of subsidiary companies both within country and abroad (El-Gammal, 2012). Companies that have many subsidiary companies indicate a high risk due to the diversity of their businesses. The risk according to agency theory must be minimized by asking an independent party to conduct an audit. In this condition, because of the complexity of the business, KAP tends to assign more auditors and has a lot of audit experience. This condition causes the audit fee charged to the auditee to be high (Hasan, 2017).

The research conducted by Hasan (2017), Immanuel and Nur (2014), and Hassan and Naser (2013) give evidence that audit fee is influenced by the complexity of the company. This is because, the more complex the company's operations make the scope of the audit wider and the auditor takes a long time to audit. Thus, the company must pay a large audit fee. For this explanation, the hypothesis is proposed:

H4. The complexity of the company has a positive effect on audit fee

Independent Audit Committee

Jensen and Meckling (1976) audit said that to reduce agency costs that occur from the existence of different interests between management and owner, an audit committee can be formed. According to the Financial Services Authority Regulation No. 55 / POJK.04 / 2015, the definition of an independent audit committee is a committee formed by and responsible to the Board of Commissioners in assisting carrying out the duties and functions of the Board of Commissioners. Guidelines for Establishing an Effective Audit Committee based on Good Corporate Governance dated 30th May 2002 by the National Committee with the aim of among others:

1. Conducting independent supervision on the process of financial statements and external audits.
2. Conducting out independent supervision on the process of risk management and internal control systems in the company.
3. Conducting independent supervision on the corporate governance process.

Blue Ribbon Committee (1999) recommended that the composition of audit committee should have a large number of independent audit committees. Independent audit committee comes from outside the company, so that the work is truly independent. Independent audit committee
is expected to be able to improve company’s internal control. Internal control is considered good if the accounting process is reliable so that it can produce accountable financial statements. A good control can minimize the risks that might occur to the company. Internal controls that have been running well and risks in the company that can be minimized can reduce the risks borne by auditors.

The more independent audit committees owned by the company, it is expected to improve the quality of financial statements. Good financial statements can reduce the auditor’s workload so that the auditor is easier to conduct audit activities with a shorter time. With these conditions, it is expected to make audit fee charged to companies are getting smaller. The study of Hassan and Naser (2013) provides evidence that audit fee is influenced by independent audit committee. Based on this explanation, the hypothesis is:

**H5. Independent audit committee has a negative effect on audit fees**

**METHOD**

**Sample and Data**

The population of this study was the manufacturing companies registered in the IDX in 2014-2016. The sample was all companies that have variable information needed. The data used came from annual reports and company’s financial statements published by the official website on the Indonesia Stock Exchange (IDX). The results are shown in table 1.

<table>
<thead>
<tr>
<th>Explanation</th>
<th>Number of Samples</th>
</tr>
</thead>
<tbody>
<tr>
<td>The companies were listed on the Indonesia Stock Exchange in 2014-2016</td>
<td>436</td>
</tr>
<tr>
<td>The annual report was not on the IDX website in 2014-2016</td>
<td>(30)</td>
</tr>
<tr>
<td>The companies do not disclose audit fees at annual reports in 2014-2016</td>
<td>(260)</td>
</tr>
<tr>
<td>Data Outlier</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Number of Research Sample</strong></td>
<td>136</td>
</tr>
</tbody>
</table>

Source: Data processed, 2018

**Operational Definition of Variables**

**Audit Fee**

Audit fee is the amount of audit fees paid by the company. Audit fee was measured by Ln audit fees (Naser and Hassan 2016). This audit fee variable was represented by LnAUFEF.

**Company Size**

The variable of company size is the total assets of the company in the annual report or the financial statements of the manufacturing company. Company size was measured by corporate total assets (Hasan 2017; Naser and Hassan 2016; Immanuel and Nur 2014; Hasan and Naser 2013.

**Corporate Profitability**

Profitability variable shows the business of the company earns profit. ROA is used as a proxy for company profitability because it describes management efficiency in using company assets (Hasan 2017; Naser and Hassan 2016; Hasan and Naser 2013; Hanafi and Halim 2012). The ROA formula is:

**Corporate Risk**

Corporate risk variable is funding used by the company in the form of debt to third parties. DAR is used as a proxy of corporate risk because it shows the percentage of company assets obtained from debt (Hanafi and Halim, 2012).

**The company’s risk is symbolized by DAR.**

Corporate complexity
The complexity of the company is the operational diversity of the company’s subsidiaries. The complexity of the company is measured by the number of subsidiaries (Hasan 2017; Naser and Hassan 2016; Immanuel and Nur 2014; Hasan and Naser 2013). The number of subsidiaries is represented by SUBSIDRS.

Independent Audit Committee

An independent audit committee is an audit committee appointed from outside the company. The independent audit committee is measured by the number of independent audit committees in the company (Naser and Hassan 2016; Hasan and Naser 2013). This independent audit committee is symbolized by ADCOM.

The Result of Classical Assumption Test

Kolmogorov Spirnov value is 0.94, so it can be concluded that it is normally distributed. Multicollinearity test shows that all independent variables show VIF number <10, so the data is free from multicol (Ghozali 2013). The result of Durbin-Watson test is 1.80 <2.16 <2.20 and it is concluded that there is no autocorrelation. The result of gletser test shows all the dependent variables show a value of > 0.05 so there is no hetero (Ghozali 2013)

Research Model

The regression model equation is as follows:

Explanation:

\[
\ln(AUFEE) = \text{audit fees paid by the company} \\
\ln(ASET) = \text{Company Size} \\
ROA = \text{Company profitability} \\
DAR = \text{Company risk} \\
\text{SUBSIDRS} = \text{Company complexity} \\
\text{ADCOM} = \text{Independent audit committee} \\
e = \text{Error}
\]

RESULTS AND DISCUSSIONS

Table 2. Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUFEE</td>
<td>136</td>
<td>95,000,000</td>
<td>4,550,765,000</td>
<td>725,748,114.74</td>
<td>891,684,383.18</td>
</tr>
<tr>
<td>ASET</td>
<td>136</td>
<td>174,157,547,015</td>
<td>53,157,435,639,000</td>
<td>5,145,349,931,437.1</td>
<td>9,754,759,606,816.20</td>
</tr>
<tr>
<td>ROA</td>
<td>136</td>
<td>-0.18</td>
<td>0.25</td>
<td>0.04</td>
<td>0.07</td>
</tr>
<tr>
<td>DAR</td>
<td>136</td>
<td>0.04</td>
<td>1.03</td>
<td>0.44</td>
<td>0.23</td>
</tr>
<tr>
<td>SUBSIDRS</td>
<td>136</td>
<td>0</td>
<td>14</td>
<td>3.08</td>
<td>3.79</td>
</tr>
<tr>
<td>ADCOM</td>
<td>136</td>
<td>2</td>
<td>4</td>
<td>3.00</td>
<td>0.27</td>
</tr>
</tbody>
</table>

Valid N (listwise) 136

Source: Data processed, 2018

Descriptive statistics in Table 2 show the AUFEE, ASET, ROA, DAR, SUBSIDRS and ADCOM variables having a low average. Table 3 shows that there are 21 companies with average total assets above Rp. 5,145,349,931,463.71 paid a higher audit fee than companies with total assets below the average. Table 5 shows companies with a number of subsidiaries above the average of 42 companies paid audit fees greater than companies that have a number of subsidiaries below the average. Table 4 shows that there are 63 companies that have ROA above the average of 0.04.
paying a higher audit fee than companies with ROA below the average.

Table 3. Crosstab of Company Size

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Frequency</th>
<th>Mean AUFEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; Rp 5,145,349,931,463,71</td>
<td>21</td>
<td>Rp 2,124,485,810</td>
</tr>
<tr>
<td>&lt; Rp 5,145,349,931,463,71</td>
<td>115</td>
<td>Rp 470,326,449</td>
</tr>
</tbody>
</table>

Source: Secondary data processed, 2018

Table 4. Crosstab of Company Profitability

<table>
<thead>
<tr>
<th>ROA Criteria</th>
<th>Frequency</th>
<th>Mean AUFEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 0.04</td>
<td>63</td>
<td>Rp 1,003,899,155</td>
</tr>
<tr>
<td>&lt; 0.04</td>
<td>73</td>
<td>Rp 485,699,957</td>
</tr>
</tbody>
</table>

Source: Secondary data processing, 2018

Table 5. Crosstab of Company Complexity

<table>
<thead>
<tr>
<th>SUBSIDRS Criteria</th>
<th>Frequency</th>
<th>Mean AUFEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 3.08</td>
<td>42</td>
<td>Rp 1,392,037,602</td>
</tr>
<tr>
<td>&lt; 3.08</td>
<td>94</td>
<td>Rp 428,044,301</td>
</tr>
</tbody>
</table>

Source: Secondary data processing, 2018

Table 6 shows the regression result of the t-test. Hypothesis 1, which examines company size for audit fee, shows a coefficient of 0.35 (positive) with a value of $\alpha = 0.00 (<0.05)$, hypothesis 1 is accepted. Positive influence is evidenced by the average value in table 2 for size (ASET) is 5,145,349,931,437.1 and audit fee is (AUFEE) 725,748,114.74 in a low position. In addition, positive value can also be explained from table 3, which shows companies with assets above average pay a larger audit fee amounted to Rp. 2,124,485,810 while companies with asset values below the average only pay an audit fee of Rp. 470,326,449. The result of this study supports agency theory that auditors in auditing large companies face a large risk, so the audit fees that must be paid by the auditee are also high. Audit is conducted in order to reduce information asymmetry between management and stakeholders. The results of this study support the research of Hasan (2017), Naser and Hassan (2016), Immanuel and Nur (2014) and Hasan and Naser (2013).

Hypothesis 2: profitability has a positive effect on audit fee also supported. This result is proven in table 6 which shows a positive profitability coefficient with a value of 3.11 at a significance level of 0.00. Table 4 also supports the direction of the positive coefficient of profitability, namely the company with ROA above the average must pay a larger audit fee that is equal to Rp. 1,003,899,155 while the company with ROA below the average, audit fee paid is only Rp. 485,699,957. In accordance with agency theory, auditing is one of the ways to reduce agency cost. The companies with high profitability have more transactions, so the auditors need to examine more evidence which causes the audit fee paid by the auditee is large. This research strengthens the findings of Hasan (2017), Andriyani and Laksito (2017), but is contrary to the results of Naser and Hassan (2016) and Hassan and Naser (2013).

Hypothesis 3 which examines the effect of company risk on audit fee is rejected. This result is based on table 6 which shows a significance value of 0.58 (> 0.05). From the data of this study, it indicates that not all manufacturing companies in Indonesia determine their audit fees based on the level of company risk. This can be shown by the research data of companies with company
risk is measured by the calculation of Debt to Total Assets Ratio (DAR) in companies with the JPRS code in 2014 which has a risk level of 4.13% paying audit fees of Rp 125,000,000, while companies with the HDTX code in 2014 which had a risk level of 85.44% paying an audit fee of Rp 115,000,000. This study supports the results of Naser and Hassan (2016), Hassan and Naser (2013).

Hypothesis 4: Company complexity has a positive effect on audit fees (H4 is accepted). Table 6 shows the coefficient number of 0.05 with a significance value of 0.01. A positive value is proven in table 5 that the average audit fee paid by the auditee which has a number of subsidiaries above the sample average is Rp 1,392,037,602 while companies with a number of subsidiaries below the sample average only pay an audit fee of Rp 428,044.301. This result supports agency theory, that in order to reduce agency costs it is needed an audit. The companies with a large number of subsidiaries need more audit time and have to assign a large number of auditors. This is because the wider scope of the audit and the more complex transactions that occur in the companies make auditors need more effort and time. This is because the level of complexity in conducting audits is higher, so the audit fees paid by the auditee are greater. This study supports the results of Hasan (2017), Immanuel and Nur (2014), Hassan and Naser (2013).

Hypothesis 5: The independent audit committee has no effect on audit fees. From table 6 shows the coefficient value of 0.26 with a significance value of 0.22 (> 0.05), so hypothesis 5 is rejected. Positive coefficient value (0.26) is contrary to the hypothesized direction (negative). In this study, 92.65% of companies has an audit committee of three people. These results indicate that the number of independent audit committees only meets the regulations of the Financial Services Authority No. 55 / POJK.04 / 2015, while its role in the implementation of supervision can still be explained in this study. The findings in this study reinforce the results of research by Naser and Hassan (2016), but are contrary to the results of Hassan and Naser (2013).

Table 6. The Result of Hypotheses Testing

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>8.87</td>
<td>0.00</td>
</tr>
<tr>
<td>LnASET</td>
<td>0.35</td>
<td>0.00</td>
</tr>
<tr>
<td>ROA</td>
<td>3.11</td>
<td>0.00</td>
</tr>
<tr>
<td>DAR</td>
<td>0.14</td>
<td>0.58</td>
</tr>
<tr>
<td>SUBSIDRS</td>
<td>0.05</td>
<td>0.01</td>
</tr>
<tr>
<td>ADCOM</td>
<td>0.26</td>
<td>0.22</td>
</tr>
</tbody>
</table>

Source: Output SPSS, secondary data processed 2018

CONCLUSIONS

This study provides evidence that company size, profitability, and the number of company segments have a positive effect on audit fees. Meanwhile, corporate risk and the independent audit committee have no effect on audit fees.

The research implications support agency theory. The practical implications of this study, especially from independent audit committees, are still lacking in its role, this is evidenced by the company having an average audit committee of only 3 people. This amount is the same as that required by OJK regulations (3 people).

The limitation of this study is that still many companies that have not included audit fees separately from other fees (there are only 260 of 436 companies) for 3 years of observation, so the number of samples in this study is still relatively small. This study only examines the company's internal factors in determining audit fees with adjusted R2 value of 0.55 so that there are still 0.45 other variables that cannot be explained in this study. Thus, it is expected that further research can add other variables such as industrial risk, the role of the audit committee seen from the frequency
of meetings conducted and adding a longer and more renewable year of observation.

REFERENCES


