

Audit Fee: Evidence from Indonesia after Adopting International Standards on Auditing (ISAs)

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— *Review of* —
**Integrative
Business &
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— *Research* —

ABSTRACT

To achieve convergence with international standards widely accepted on a global basis, Indonesia has started to adopt the International Standards on Auditing (ISAs) in 2013. This reflects the international best practice and is expected to maintain public confidence in the integrity and quality of audits. For any audit engagement, the total audit costs typically reflect the nature and extent of audit work undertaken. We assume that fundamental factors, such as complexity, profitability, company risk, and types of company ownership, contribute to the determination of audit fee. This study investigates the impact of these factors on the audit fee. We studied 75 companies listed at Indonesia Stock Exchanges (IDX) for 3 years after the adoption of ISAs (2013-2015), using regression analysis to investigate the empirical data. The results show that complexity increases the audit fee, while profitability, company risk, and institutional ownership have significant impact on the decrease of audit fee. It implies that in determining audit fee, these factors are considered in the negotiations between CPA firms and their clients. Thus, the results obtained may increase the competitiveness among CPA firms in order to achieve maximum integrity and quality of audits in Indonesia.

Keywords: audit fee, complexity, profitability, company ownership

1. Introduction

Financial statement is a report reflecting the results of a company's operation and the financial situation during a certain period of time. It is used by various stakeholders as the basis for economic decision making. The challenge for corporate internal party is how company is able to report its business outcome through financial report to stakeholder including shareholder (investor) honestly and trustworthy in order not to mislead its users (Evana and Dewi, 2017). In order to improve its credibility and quality, requires auditing service performed by a public accountant as a competent and independent third party for financial statement.

Public accountant is a professional service, thus it is an obligation for the company to give a fee to public accountant providing auditing service for their financial statement (Sudarno and Hazmi, 2013). Audit fee is the honorarium charged by public accountants to their clients for the auditing service of their financial statement (Iskak, 1999 in Suharli and Nurlaelah, 2008). Audit fee is determined based on the contract between public accountants and the clients in accordance with time spent for auditing process, requested services, and the number of staffs required to perform the audit (Al-Matarneh, 2012). Thus, audit fee is determined in subjective manner, which means that it is determined by one of the parties or by the bargaining power between public accountant and the company amidst competitive situation among public accountants. This allows the fee determined for the service offered to be either too low or too high, depending on the side of bargaining power (Suharli and Nurlaelah, 2008).

Indonesian Institute of Certified Public Accountants (IAPI) issued a regulation (Peraturan Pengurus Nomor 2 Tahun 2016) regarding Financial Statement's Audit Service Rewards. This serves as the guidelines for public accountants in determining audit fee or service rewards for auditing practice. Based on the rules, audit fee has to be determined adequately. However, audit fee in Indonesia is still considerably low. The Head of IAPI stated that public accountants needed to raise their audit fee. This was due to the low CPA's per capita income which made it difficult for the profession of public accountant to grow. CPA's per capita income was USD 4,167 which was only 1.2 times higher than the national per capita income. This is a very low number considering public accountant is a professional service that plays a crucial part in economy (www.iapi.or.id). CPA's total fee in 2008 was 1.5 trillion rupiah and it rose to 2.3 trillion rupiah in 2013, which means that the fee only had a 3% increase (www.iapi.or.id).

Low audit fee may cause the application of auditing procedures to be below standards, which may affect the quality of auditing service and eventually tarnish the image of public accountant as a profession itself (www.iapi.or.id). Inadequate auditing procedures may increase the possibility of giving inaccurate opinion. A reasonable fee would give enough freedom to public accountant to perform adequate auditing procedures so the opinion formed is correct and compatible with the condition underlying the financial report.

Audit fee has been the center of attention for both public accountants and companies. Audit fee is a cost for the companies, so they need to know whether the audit fee charged is on an acceptable level (Kwong, 2011). On the other hand, public accountant needs to charge audit fee in a reasonable amount to be able to provide adequate service according to the auditing standards in effect. Thus, knowing the determinants of audit fee is useful for both parties. Companies receive the benefit of fee negotiation and on the other hand, this helps public accountant in determining the right price for their auditing service (Al-Harshani, 2008).

Since the publication of Simunic's article (1980), a number of audit researches have been conducted in order to test the factors assumed to be affecting audit fee. The main purpose of the research was to identify the factors that caused the variations in the amount of audit fee (Al-Harshani, 2008). Audit fee is still a prolonged discussion due to

numerous factors affecting it (Sudarno and Hazmi, 2013). Therefore, we are interested to do a research on the factors affecting audit fee in Indonesia.

Disclosure of data on audit fee in Indonesia is still in the form of voluntary disclosures, so there are not many companies that include the data in the annual report (Sudarno and Hazmi, 2013). Voluntary disclosure is a non-mandatory choice for management to provide accounting and another information that are considered relevant and can support the decision making process performed by the user of the financial statement, while the disclosure is mandatory if it is required by a prevailing convention/standard (Agustiningih et al, 2017). Generally, they include an audit fee in a professional fees account that includes fees for other professional services. Only some of the public companies include audit fees separately from professional fees accounts. In addition, some companies do not include consistent audit fees per financial reporting period.

Our motivation to do a research on audit fee is the existence of *research gap*. Conflicting results are found on previous researches on the effect of complexity, profitability, company risk, and institutional ownership toward audit fee. Some researches found that these variables had positive effect or were significant toward audit fee, while the others found the opposite results. Therefore, this research is still interesting to be done and the result of this research is hoped to be able to strengthen the confidence over the result of previous researches similar to this one. The conflicting results are shown in Table 1.

Table 1. Research Findings on the Factors Affecting Audit Fee

No	Variable	Researcher	Results
1	Complexity	Anderson and Zeghal (1994)	Significantly related to audit fee.
		Joshi and Al-Bastaki (2000)	Had positive impact significant to audit fee.
		Al-Harshani (2008)	Did not significantly affect audit fee.
		Suharli and Nurlaelah (2008)	Had no significant correlation to audit fee.
		Sabeni and Nugrahani (2013)	Had positive impact significant to external audit fee.
		Urhoghide and Emeni (2014)	Had positive impact significant to audit fee.
		Urhoghide and Isedonmi (2015)	Had positive impact significant to audit fee.
		D'Silva et al (2016)	Did not significantly correlate to audit fee.
2	Profitability	Joshi and Al-Bastaki (2000)	Positively related to audit fee.
		Moradi et al (2012)	Had positive impact significant to audit fee.
		Urhoghide and Emeni (2014)	Had negative impact significant to audit fee.
		Urhoghide and Izedonmi (2015)	Had positive impact insignificant to audit fee.
3	Company Risk	Besacier and Schatt (2007)	Had positive impact and significant to audit fee.
		Al-Harshani (2008)	Negatively correlated to audit fee.

		Zaman and Jaravee (2014)	Had no significant correlation to audit fee.
		D'Silva and Isaacs (2016)	Positively correlated to audit fee level.
4	Institutional Ownership	Azadi and Mohammadi (2014)	No significant correlation to audit fee.
		Rianauli and Fatima (2014)	Had negative impact significant to audit fee determination.
		Kiamehr et al (2015)	Had positive correlation significant to audit fee.
		Oktorina and Wedari (2015)	Had no impact to audit fee.
		Wedari (2015)	Had no impact to audit fee.

2. Literature Study

2.1 Complexity

Complexity can be measured from the number of subsidiaries owned by the company. Subsidiaries are companies half or fully controlled by a higher company as a parent company. Companies with a lot of subsidiaries are considered more complex compared to companies with less or no subsidiaries.

Complexity in this research is measured by observing the number of subsidiaries. This relates to the availability of consolidation reports published by the company and the different locations if the company has any subsidiary. The scale used is ratio scale, in which 0 point is given if the company doesn't have any subsidiary, and higher points (1, 2, 3, etc.) according to the number of subsidiaries a company owns. Therefore, complexity is measured as follows

$$\text{complexity} = \text{the number of subsidiaries}$$

2.2 Profitability

Profitability is the ability of the companies to gain profits related to sales, total assets, and the equity itself (Sartono, 2010:122). Profitability in this research is measured with *return on asset* (ROA) ration. As stated by Kasmir (2013:198), ROA is used to measure the effectiveness of the overall operations of the company, in which the company assets is used to gain profit. Using ROA ratio, we may find out whether the company has managed its assets efficiently for their operational activities so that it gains profit. ROA is measured as follows:

$$\text{ROA} = \frac{\text{gross profit}}{\text{total assets}}$$

2.3 Company Risk

Risk derives from conditions, events, situations, actions or even "no action" which may negatively impact the ability of a company to achieve their goals and perform their strategies (Tuanakotta, 2014:313). Risk is the possibility of losses due to an event (Widyatini, 2017). Company risk is measured using debt to equity ratio (DER). This ratio measures the ability of a company to pay any existing debt. If the DER ratio is high, the company tends to be at risk of having liquidity difficulties and unable to pay its debts. Company risk in this research is measured using the following formula:

$$\text{Debt to equity ratio} = \frac{\text{total debts}}{\text{total equity}}$$

2.4 Institutional Ownership

Institutional ownership is the percentage of stock owned by institutions such as insurance companies, banks, investment companies, and other institutional ownerships (Tarjo, 2008 in Susanti, 2014). Stock owned by institutions is related to the interest of shareholders under the supervision of management. Institutional ownership is acquired as follows (Prajitno and Christiawan, 2013):

$$\text{Institutional ownership} = \frac{\text{the amount of institution-owned shares}}{\text{total outstanding shares of the company}}$$

3. Research Method

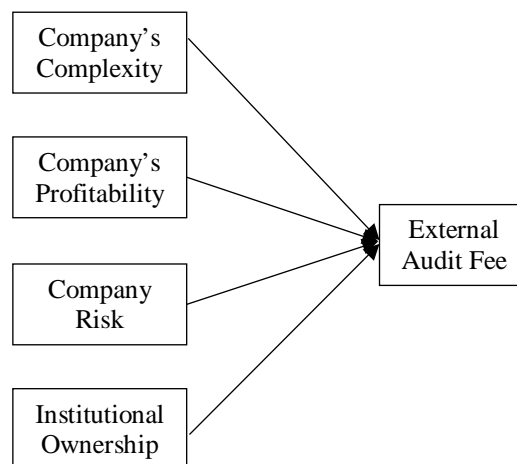
This research is an explanatory research using the method of survey. The variables in this research consist of complexity, profitability, company risk, and institutional ownership as the independent variables, as well as audit fee as the dependent variable. The indicators used include the number of subsidiaries, return on assets, debt to equity ratio, institutional ownership percentage, and the amount of audit fee.

The population used in this research include companies listed at the main board index and the development board in Indonesia Stock Exchange. Samples obtained are those which fulfil the requirements or purposive sampling.

This research used secondary data obtained from yearly reports of the companies listed at Indonesia Stock Exchange in 2013-2015. These are panel data, which combine cross-sectional and time series data. The data is then processed using panel data regression analysis with fixed effect model.

Research Hypothesis

Picture 1. Research Framework



Based on the research framework above, the hypothesis of this research is as follows:

1. Company's complexity has positive and significant impact to audit fee.
2. Company's profitability has positive and significant impact to audit fee.
3. Company risk has positive and significant impact to audit fee.

4. Institutional ownership has positive and significant impact to audit fee.

4. Findings

4.1 Descriptive Statistics

Descriptive analysis is used to find brief description of the condition and characteristics of the data and is not meant to test hypothesis. Through this analysis it is possible to find out the tendency of the condition of used research variables.

4.1.1 Company's Complexity

Table1. Company's Complexity Descriptive Statistics in 2013-2015

	Complexity (X_1)		
	2013	2014	2015
Minimum	0.0000	0.0000	0.0000
Maximum	89.0000	92.0000	86.0000
Mean	7.8267	8.3200	8.6267
Standard Deviation	15.6726	16.3931	16.5723

Table 1 describes the number of subsidiaries (X_1) of all companies listed at Indonesia Stock Exchange in 2013-2015. The minimum value of the number of subsidiaries is 0, meaning that the number of subsidiaries owned by a company has at least 0 companies or no subsidiaries. The maximum number of subsidiaries is 89 subsidiaries in 2013, 92 subsidiaries in 2014, and 86 subsidiaries in 2015. The average number of subsidiaries is 7.8267 in 2013, 8.3200 in 2014, and 8.6267 in 2015 which means that the average company has 7 to 9 subsidiaries. Complexity has an average value lower than the standard deviation value. This shows that the distribution of data on the number of subsidiaries is spread and varied.

4.1.2 Company's Profitability

Table2. Company's Profitability Descriptive Statistics in 2013-2015

	Profitability (X_2)		
	2013	2014	2015
Minimum	-0.0906	-0.3198	-0.1845
Maximum	0.3183	0.3052	0.3332
Mean	0.0572	0.0442	0.0323
Standard Deviation	0.0698	0.0785	0.0736

Table 2 reflects the profitability (ROA) of all companies listed at Indonesia Stock Exchange in 2013-2015. This shows that there are positive and negative ROA values. Negative ROA means the company does not generate earnings in the current period (a loss), while positive ROA means the company generates profits in the current period. The minimum value of ROA is -0.0906 or -9.06% in 2013, -0.3198 or -31.98% in 2014, and -0.1845 or -18.45% in 2015. The maximum ROA value is 0.3183 or 31.83% in 2013, 0.3052 or 30.52% in 2014, and 0.3332 or 33.32% in 2015. The average ROA in

2013 is 0.0572 which means that on average the companies generate a profit of 5.72% from its total asset. The average ROA in 2014 is 0.0442 or on average the companies generate profit of 4.42% from its total assets. The average ROA in 2015 is 0.0323 or on average the companies generate profit of 3.23% from its total assets. A lower mean value than the standard deviation indicates that the distribution of ROA data is spread and varied.

4.1.3 Company Risk

Table3. Company Risk Descriptive Statistics in 2013-2015

	Company Risk (X_3)		
	2013	2014	2015
Minimum	0.0075	0.0112	0.0122
Maximum	11.0825	13.0015	18.2075
Mean	2.0822	2.1780	2.1106
Standard Deviation	2.3861	2.6569	2.8117

Table 3 reflects the company risk measured with debt to equity ratio (DER) of all companies listed at Indonesia Stock Exchange in 2013-2015. It can be seen that the minimum value of DER is 0.0075 or the company has total debt of 0.0075 times its share capital in 2013, 0.0112 or the company has total debt of 0.01 times its share capital in 2014, and 0.0122 or 0.01 times its share capital in 2015. The maximum DER value is 11.0825 or total debt of the company is 11.08 times its share capital in 2013, 13.0015 or 13 times its share capital in 2014, and 18.2075 or 18.21 times its share capital in 2015. The average DER value is 2.0822 in 2013, 2.1780 in 2014, and 2.1106 in 2015. Lower mean compared to standard deviation shows that the DER data was spread and varied. A minimum DER value below 1 means that the company stock equity is higher than its obligation. A maximum DER value above 1 means that the company stock equity is lower than its obligation. Therefore, there is a higher risk for the company to face liquidity shock or be unable to pay its obligation.

4.1.4 Institutional Ownership

Table4. Institutional Ownership Descriptive Statistics in 2013-2015

	Institutional Ownership (X_4)		
	2013	2014	2015
Minimum	0.1913	0.1768	0.1768
Maximum	0.9800	0.9692	0.9692
Mean	0.6099	0.5976	0.6060
Standard Deviation	0.1936	0.1848	0.1821

Table 4 shows the institutional ownership (institutional ownership percentage) of all companies listed at Indonesia Stock Exchange in 2013-2015. The minimum value of institutional ownership is 0.1913 indicates that the shareholding of 19.13% is owned by the institution in 2013, 0.1768 indicates that the shareholding of 17.68% is owned by the institution in 2014 and 2015. The maximum value of institutional ownership is 0.9800 or 98% of ownership is owned by the institution in 2013, 0.9692 or 96.92% of ownership is owned by the institution in 2014 and 2015. The average institutional

ownership is 0.6099 or 60.99% in 2013, 0.5976 or 59.76% in 2014, and 0.6060 or 60.60% in 2015. A higher mean score than the standard deviation score indicates that the spread of institutional ownership data is approximately average. Higher mean compared to standard deviation shows that the institutional ownership data is spread around its average.

4.1.5 Audit Fee

Table5. Audit Fee Descriptive Statistics in 2013-2015

	Audit Fee (Y)		
	2013	2014	2015
Minimum	18.1975	17.7668	18.4695
Maximum	22.7531	22.7488	22.8207
Mean	20.1386	20.1803	20.3198
Standard Deviation	1.0437	1.0696	1.0285

Table 5 describes the audit fee of all companies listed at Indonesia Stock Exchange in 2013-2015. The value of audit fees is obtained by looking at the amount of audit fees stated by the company in the annual report. Furthermore, the value of this audit fee is changed to a form of natural logarithm. The minimum value of audit fee charged by public accountant to the company is 18.1975 or Rp 80,000,000 in 2013, 17.7668 or Rp 52,000,000 in 2014, 18.4695 or Rp 105,000,000 in 2015. The maximum value of audit fee charged by public accountant to the company is 22.7531 or Rp 7,612,958,500 in 2013, 22.7488 or Rp 7,579,879,305 in 2014, 22.8207 or Rp 8,145,299,135 in 2015. The average company pays an audit fee of 20.1386 or Rp 1,021,135,168 in 2013, 20.1803 or Rp 1,067,351,369 in 2014, and 20.3198 or Rp 1,149,078,377 in 2015. Higher mean than standard deviation value shows that the audit fee data is spread around its average.

4.2 Choosing Regression Model

Statistics method used to test the hypothesis is panel data regression analysis. There are three different approaches to panel data regression, including common effect model, fixed effect model, and random effect model. Chow test and Hausman test were performed in order to determine the right model for this research, and both test concluded that the better approach used for panel data regression is *Fixed Effect Model*.

4.2.1 Panel Data Regression

To see the impact of complexity (X_1), profitability (X_2), company risk (X_3), and institutional ownership (X_4) toward audit fee (Y), regression analysis with the following equation was used:

$$\hat{Y} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

In which:

- \hat{Y} = Audit fee natural logarithm
- X_1 = Complexity
- X_2 = Profitability
- X_3 = Company risk
- X_4 = Institutional ownership

β_0 = Constants
 $\beta_1, \beta_2, \beta_3, \beta_4$ = Regression Coefficient
 ε = Standard error

Based on calculation results from *Eviews* software, the following double linear regression equation was obtained:

$$Y = 20,21299 + 0,050499 X_1 - 1,012875 X_2 - 0,034915 X_3 - 0,492646 X_4.$$

From the above regression equation, we obtained the constants value at 20.21299. This means that if audit fee variable (Y) is not affected by the four independent variables including complexity (X_1), profitability (X_2), company risk (X_3), and institutional ownership (X_4) (equal to zero), then the average value of audit fee (Y) would be 20.21299. The regression coefficient of independent variable X_1 is positive, meaning that there is a positive correlation between complexity (X_1) and audit fee (Y). The regression coefficient of variable X_1 at 0.050499 means that for every rise in complexity (X_1) by one number, the audit fee (Y) would increase for 0.050499.

4.4.2 F Test

F test is used to find out the significance of the impact of overall independent variables towards dependent variable. The level of significance used (α) is 5%. Hypothesis determined is as follows:

$$H_{01} : \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$$

There is no significant impact between complexity, profitability, company risk, and institutional ownership towards audit fee.

$$H_{a1} : \text{at least one } \beta_i \neq 0 \text{ in which } i = 1, 2, 3, 4$$

There is a significant impact between complexity, profitability, company risk, and institutional ownership towards audit fee.

Since the value of Prob. F (0.000000) was < 0.05 , H_0 is rejected. Thus, we can conclude that simultaneously there is a significant impact between complexity, profitability, company risk, and institutional ownership towards audit fee.

4.4.3 t-Test

To find out whether the impact of independent variables is significant partially towards dependent variable, t-Test was performed.

Hypothesis:

$$H_{02} : \beta_1 \leq 0 \text{ There is no positive impact of complexity towards audit fee.}$$

$$H_{a2} : \beta_1 > 0 \text{ There is a positive impact of complexity towards audit fee.}$$

$$H_{03} : \beta_2 \leq 0 \text{ There is no positive impact of profitability towards audit fee.}$$

$$H_{a3} : \beta_2 > 0 \text{ There is a positive impact of profitability towards audit fee.}$$

$$H_{04} : \beta_3 \leq 0 \text{ There is no positive impact of company risk towards audit fee.}$$

$$H_{a4} : \beta_3 > 0 \text{ There is a positive impact of company risk towards audit fee.}$$

$H_{05} : \beta_4 \geq 0$ There is no negative impact of institutional ownership towards audit fee.

$H_{a5} : \beta_4 < 0$ There is a negative impact of institutional ownership towards audit fee.

Significance level (α) = 5%

Statistics Test:

$$t_{hit} = \frac{b}{Se(b)}, \text{ degrees of freedom} = n-k-1$$

t table with $n = 225$ at 1,971

Test Criteria: 1. H_0 accepted if $-t \text{ table} \leq t \text{ count} \leq t \text{ table}$

2. H_0 rejected if $t \text{ count} < -t \text{ table}$ or $t \text{ count} > t \text{ table}$

Based on the output from *Eviews* software, the results are as follows:

1. The value of t count for complexity (X_1) was 6.281816. Since t count (6.281816) > t table (1,971), then H_0 is rejected. Therefore, it can be concluded that complexity (X_1) partially has positive impact significant to audit fee (Y).
2. The value of t count for profitability (X_2) was -6.948152. Since t count (-6.948152) < -t table (-1.971), then H_0 is rejected. Thus, it can be concluded that profitability (X_2) partially has negative impact significant to audit fee (Y).
3. The value t count for company risk (X_3) was -4.165258. Since t count (-4.165258) < -t table (-1.971), then H_0 is rejected. Therefore, it can be concluded that company risk (X_3) partially has negative impact significant to audit fee (Y).
4. The value of t count for institutional ownership (X_4) was -4.617509. Since t count (-4.617509) < -t table (-1.971), then H_0 is rejected. Thus, it can be concluded that institutional ownership (X_4) partially has negative impact significant to audit fee (Y).

4.4.4 Determination Coefficient (R^2)

Determination coefficient (R^2), in short, measures how far the model is able to explain the variation of dependent variables (Ghozali, 2013:397). According to the output from *Eviews*, the Adjusted R-squared value was 0.997819. This shows that the contribution of complexity (X_1), profitability (X_2), company risk (X_3), and institutional ownership (X_4) towards audit fee was 99.78% while the remaining 0.22% was the contribution of other variables than those studied in this research.

5. Discussion

The result of statistical equation shows that complexity, profitability, company risk, and institutional ownership simultaneously affected external audit fee. This shows that when companies and public accountants negotiate to determine the amount of audit fee, they take complexity, profitability, company risk, and institutional ownership into consideration as the basis of audit fee determination.

The complexity variable measured by the number of subsidiaries has positive impact significant to audit fee. It means that the higher level of complexity of a company, the higher audit fee determined to perform financial report audit. Companies that have

subsidiaries will make consolidated financial statements, so the public accountant needs to ensure the accuracy of the consolidated financial statements. The results of this research is in accordance with previous researches of Joshi and Al-Bastaki (2000), Sabeni and Nugrahani (2013), Urhoghide and Emeni (2014), and Urhoghide and Isedonmi (2015). Joshi and Al-Bastaki (2000) state that if the client's business operations are more complex, the audit work is also complex. More subsidiaries or operations require more audit work. Therefore, the CPA Firms impose a higher audit fee.

According to the result of statistical analysis, profitability as a variable has negative impact significant to audit fee. This variable is represented in Return on Asset (ROA). This means that the higher level of company's profitability, the lower audit fee charged to the company. The result of this research does not support the determined hypothesis. However, this supports the claim in previous research by Urhoghide and Emeni (2014). Oktorina and Wedari (2015) argued that high profitability of a company may reduce the cost of audit fee. This relates to the performance of the company. When a company has high level of profitability, it means that the company has a good financial performance. Therefore, the risk of the company facing financial difficulties would be low. Public accountant determines low audit fee for such company since the audit risk would also be low.

Data analysis result shows that company risk measured with debt to equity ratio has negative impact significant to audit fee. It means that companies with higher risks would pay lower audit fee. The negative relationship between corporate risk and audit fees shows that a high debt to equity ratio does not mean that audit fees will be high. Although the company's debt obligations are larger than its equity, public accountants can perform audits of financial statements with lower audit fees.

Institutional ownership as a variable has negative impact significant to audit fee. Institutional ownership is measured by the percentage of total shares owned by institutions compared to the total outstanding shares of the company. This means that the higher shares ownership, the lower audit fee determined. The result of this research is in accordance with Rianauli and Fatima (2014) and support the research hypothesis. The higher the institutional ownership of an enterprise, the institutional shareholder will oversee the decisions taken by management and the development of the company it controls. Rianauli and Fatima (2014) stated that along with the active supervision of institutional investors, the risks faced by the auditor when auditing the client also decreased, so the audit fee also decreased.

6. Conclusion

Based on the result of data analysis and interpretation on the impact of complexity, profitability, company risk, and institutional ownership towards audit fee, it can be concluded that complexity increases the audit fee, while profitability, company risk, and institutional ownership have significant impact to the decrease of audit fee. It implies that in determining audit fee, these factors are considered in negotiations between CPA firms and their clients. Thus, the results obtained may increase competitiveness among CPA firms in order to achieve maximum integrity and quality of audits in Indonesia.

7. Research Limitation

This research has the following limitations:

1. Since revelation of the amount of audit fee in Indonesia is performed voluntarily, the number of companies stating their audit fee in yearly report is still limited. Thus, the number of samples obtained in this research is still considerably low.
2. The period of observation studied here was three years. It was due to the condition in which companies were reluctant to reveal their audit fee consistently every observed year.
3. Variables studied in this research are complexity, profitability, company risk, and institutional ownership.

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