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4 The Effect of Company Size, Audit Complexity, Audit Risk and Company Risk on Audit Fee 10 (Empirical Study on Companies of Trading, Service and Investment Listed on the Indonesia Stock Exchange 2017–2021)

Dewi Indriasih^(✉), Budi Susetyo, Sumamo, Ibnu Muttaqin,
and Nuzul Ihya Ulummudin^(✉)

Universitas Pancasakti Tegal, Tegal, Indone32
dewi.indriasih@gmail.com, ihya.nuzul@gmail.com

Abstract. This research's aim is to figure out the impact of company size, audit complexity, audit risk, and3 company risk on audit fee in companies of trading, service and investment that listed on the Indonesia Stock Exchange in 2017–2021.3 The variables in this research are Company Size, Audit Complexity, Audit Risk, and Company Risk as Independent Variables while Audit Fee as Dependent Variable. The population that used are companies of trading, service, and investment that registered on the Indonesia Stock Exchange in 2017–2021. Purposive sampling method used to determine the sample of this research and the sample is 16 companies for five34 years of research. Multiple regression analysis as the analytical method in testing the independent variables that affecting the dependent variable. The results of the research indicate variables that23 have effect on audit fee are company size and company while audit complexity and audit risk have a negative effect on audit fee.

Keywords: Company Size · Audit Risk · Audit Complexity · Company Risk · Audit Fee

1 Introduction

Public accountants, especially auditors, have a very large role in disclosing financial statements to the public. The responsibility of an auditor is not only to companies that use audit services, but also to the wider community. So that an auditor is required to be objective and professional in providing his services [1]. One of the things related to an auditor is audit fees.

The amount of the audit fee until now there is no regulation that is given by the client to the auditor for their services. In the company's financial statements, not all companies include the payment of audit fee for auditing services. Even so, the amount of audit fees can be known by looking at the amount of professional fees listed in the

financial statements. Professional fees can be referred to as rewards given to experts for the services they have done. The increasing number of stakeholders who are in direct contact with public accountants and audit activities, makes the amount of audit fees an interesting discussion, including the factors that influence it [2].

Since audit fees might influence an auditor's impartiality, the audit fee problem phenomena is still susceptible. The problem of audit fees has developed. On the one hand, the auditor must make their own decisions, but on the other side, they are paid by the customer for their efforts. Companies must pay a public accountant (external auditor) who performs an audit on their financial statements since public accounting is a professional service. [3].

8 is still relatively uncommon for trading, service, and investment organizations that are listed on the Indonesia Stock Exchange (IDX) to disclose the amount of audit fees in annual reports. Due to the dearth of data on audit fees in Indonesia, which is still common, many businesses do not include the information in their annual reports. The variables will be measured using the audit fee or professional fee's natural logarithm. The discrepancy between values that are too far from the data gathered as a study sample is reduced by using natural logarithms. [4]. 24

Previous research examines several factors that affect the audit fee value. These factors include company size, audit complexity, audit risk and company risk. However, these studies found inconsistent results. Regarding the company size factor, for example, [5, 6], indicate that company's size has positive relation on audit fees. Meanwhile, research by [7] reveals that company size have a negative effect on audit fees. For the audit complexity factor, [5, 8, 9] suggest that audit complexity has a positive effect on external audit fees. Meanwhile, [10, 11] found that audit complexity give a negative effect on audit fees. For audit risk factors, research by [7], [10], [9] shows that audit risk has a positive impact on audit fees, while [8] find audit risk has a negative effect on audit fees. Regarding company risk, the other research states that company risk has a positive effect on audit fees, while [5, 6] concludes that company risk has a negative effect on audit fees.

According to background described above, the problems that will be discussed in this study are as follows: 1) Does the company size affecting the audit fee? 2) Does the complexity of the audit affecting the audit fee? 3) Does audit risk affecting audit fees? 4) Does the company's risk affecting the audit fee? Meanwhile, the purpose of this research is to obtain real evidence that there is an impact of company size, audit complexity, audit risk, and company risk on audit fees.

2 Development of Research Hypotheses

According to [12] that "Differences in interests and imperfect knowledge (asymmetry of information) between business owners (principals) and agents (agents) are characteristics of agency difficulties. These issues result in agency costs, which include: (1) bonding expenses; (2) monitoring expenses; and (3) residual loss resulting from different preferences (residual loss). Bonding expenses are what an agent pays to set up and maintain safeguards that guarantee they behave in the client's best interest. The expense incurred and borne by the principal to keep an eye on the agent's activity is known as the

monitoring cost. Last but not least, residual losses are sacrifices in the form of lowering the principal's prosperity because the agent's decision and the principal's decision vary.

2.1 Company Size

Company size is size of company's client that is being audited by the auditor. Determination of size of this company is according to the company's total assets. A big company with a high number of assets makes the audit process carried out by the auditor more complicated so that the costs to be charged to the client are even greater. Previous research including [5, 10, 13] found that firm size showed a positive effect on audit fees. According to the explanation above, the first hypothesis of the research can be formulated as follows:

H1: Company size has a positive effect on audit fees

2.2 The Audit Complexity

Complexity can be assessed based on the subsidiaries owned by the entity, both at home and abroad. The complexity of the company's operations can bring out to higher audit fees because the audit effort required and the time required is also more which causes a higher hourly fee to be charged to the client. The greater the number of subsidiaries owned by the client company, the greater the number of employees deployed to audit the company because the scope of the audit is getting bigger and more complicated. Research by [5, 8, 9] shows that audit complexity has a positive influence on external audit fees. According to the explanation above, the second hypothesis of research can be formulated as follows:

H2: Audit complexity has a positive effect on audit fees

2.3 The Audit Risk

Audit risk is the risk will be liable by an auditor for a business failure or misstatement in the financial statements. Companies that experience losses will be considered by the auditor to assess higher risk because it reflects the company's condition is not good [14]. The audit process with companies experiencing losses will have an impact on the number of audit objects carried out and there are many significant problems that must be considered in the audit. The current ratio is also a consideration of audit risk, a company with a high current ratio reflects the condition of a liquid company. This condition is more convincing to the auditor that the company is in good condition so that in carrying out the audit process, the auditor will find it easier because there are no significant problems. [7-9] explain that the audit risk showed a positive effect on audit fees. According to the explanation above, the third hypothesis can be stated as shown in Table 1.

H3: Audit risk has a positive effect on audit fees

Table 1. Descriptive Statistics Table

	N	Min	Max	Mean	Std Dev
Company Size	80	25.30	32.39	29.3263	1.63220
Complexity	80	.00	1.00	.8750	.33281
Audit Risk	80	.00	1.00	.9875	.11180
Company Risk	80	.12	43.47	2.2090	7.33111
Audit Fee	80	18.58	25.61	21.7305	1.71119

2.4 Company risk

Company risk is widely seen as one of the important factors in setting audit fees. All companies are certainly not free from risk, where the higher the company's risk, the higher the external audit fee. Previous research showed that company risk give a positive effect on audit fees. According to the explanation, the fourth hypothesis of research can be formulated as follows:

H4: Company risk has a positive effect on audit fees

3 Method

This study is a descriptive research with quantitative approach to test hypotheses using statistical analysis tools. Quantitative Research Method uses data in the form of numbers or qualitative numbers [15].

The population of this are 154 companies of trading, service and investment that registered on the Indonesia Stock Exchange in 2017–2021. This research applies purposive sampling technique in taking samples. The sampling criteria are: trading, service and investment companies that include audit fees for 5 consecutive years. Based on these criteria, a research sample of 16 companies was obtained with a research period of 5 years, so the total research data was 80 companies. The research applies multiple linear regression analysis method as a method in analyzing data. Furthermore, data analysis techniques were carried out using SPSS software. This study also applies several tests, namely: 1) Descriptive Statistical Test, 2) Classical Assumption Test, 3) Multiple Regression Analysis, 4) T Statistical Test and 5) Coefficient of Determination Test.

4 Results and Discussion

4.1 Descriptive Statistical Analysis

Descriptive statistics that describe the amount of data, minimum, maximum, average and standard deviation appear as follows:

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Table 2. t-test results

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.496	4.785		2.194	.031
	Company Size	.402	.162	.383	2.480	.015
	Complexity	-.136	.664	-.026	-.205	.839
	Audit Risk	-.596	1.829	.039	-.326	.754
	Company Risk	.069	.035	.298	1.999	.049

4.2 Classical Assumption Test

The normality test of the data with the One-Sample Kolmogorov-Smirnov Test state the Asymp value. Sig. (2-tailed) of 0.200. These results greater than 0.05 so that the data is normal, which has a significance value > 0.05. The results of the multicollinearity test with VIF for the four variables yielded values for firm size of 2.001, complexity of 1.395, audit risk of 1.195 and firm risk of 1.855, while the tolerance value for firm size was 0.500, complexity was 0.717, audit risk was 0.837 and firm risk was 0.539.. Because all VIF values < 10 and tolerance values > 0.01, it shows that there's no multicollinearity problems (Table 2).

The autocorrelation test shows the DW value as much as 1.808. With 80 samples and 4 independent variables, it can be obtained that the number dU = 1.743, thus the value of 4-dU (4-1.743) is 2.257. Based on this value, using the formula $dU / (4-dU)$ the results obtained are 1,743 1,808 2,257, it means that it has no autocorrelation symptom in this research. Heteroscedasticity test with glejser test explains that company size has a sig value of 0.577 > 0.05, complexity has a sig value of 0.172 > 0.05, audit risk has a sig value of 0.674 > 0.05 and company risk has a sig value of 0.187 > 0.05. The results of this glejser test explain all of independent variables show a sig value > 0.05 so that it is concluded that there is no heteroscedasticity.

4.3 The Results Hypothesis Testing

4.3.1 Effect of Company Size on Audit Fee

Based on the partial test above, the firm size variable has Tcount > T table where 2.480 > 1.992 with significance level of 0.015 < 0.05. This shows that the X1 variable has a unidirectional relationship with Y, so it means that firm size has a positive effect on the audit fee variable, so the first hypothesis is accepted.

The results is in line with previous researchers, namely (Yulianti, Agustin & Taqwa (2019), and Cristansy & Ardiati (2018) which revealed that company size give a positive effect to the audit fees. Due to large company size with high total assets make the audit process more complicated which results in an increase in audit fees.

4.3.2 Effect of Audit Complexity on Audit Fee

T-statistical test indicate that the complexity variable has $T_{count} < T_{table}$ where $-0.205 < 1.992$ and a significancy $0.839 > 0$.¹¹ This shows that the X2 variable is not in the same direction as the Y variable, so it showed that the complexity has no effect on the audit fee variable, it means that the second hypothesis is rejected. This result is in line with Cristansy & Ardiati (2018) and Widyawati (2019) which stated that complexity had no effect on audit fees. Because there is a possibility that the subsidiary uses a different auditor in auditing its own company.

4.3.3 Effect of Audit Risk on Audit Fee

T-statistical test indicate that the audit risk variable has $T_{count} < T_{table}$ where $-0.326 < 1.992$ with a significancy of $0.745 > 0.05$. This shows that the X3 variable is not in the same line as the Y variable, so it means that audit risk give no effect to the audit fee variable, so the third hypothesis is rejected.¹² This research is consistent with Yusica & Sulistyowati (2020) which explain that audit risk has no effect on audit fees. Because there is no effect of additional fees or additional audit fees for an auditor who has given an audit opinion or has not provided an audit opinion.

4.3.4 Effect of Company Risk on Audit Fee

T-statistical test indicate that the company's risk variable has $T_{count} > T_{table}$ where $1.999 > 1.992$ with a significancy $0.049 < 0.05$. This shows that the X4 variable has a unidirectional relationship with Y, it means that the company risk give a positive effect to the audit fee variable, so the fourth hypothesis is accepted. This result is in line with Fahrie & Hakim (2021) which states that company risk affects audit fees. Because the higher the risk of the amount of debt will affect the scope of the audit so as to increase the audit fee requested by the KAP.

5 Conclusions

From the results, researcher can conclude that first, company size has a positive effect on the audit fee, because the number of total assets that company has tend to affect the audit fee, the more company's total assets, the higher the audit fee.²⁰ Second, the complexity of the audit does not affect the audit fee, because it is possible that the subsidiary has its own external auditor and is not with the parent company, so the number of subsidiaries does not affect the audit fee.¹⁷ Third, audit risk has no effect on audit fees, because there is no effect on audit fees or fees for auditors who provide audit opinions or do not provide audit opinions.¹² Fourth, company's risk shows a positive effect on audit fees, because the higher the risk of the company's debt will affect the scope of the audit, thereby increasing the number of audit fees.¹⁴

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