



## Jurnal ASET (Akuntansi Riset)

**ASET**  
JURNAL AKUNTANSI RISET

Journal homepage: <http://ejournal.upi.edu/index.php/aset/>

# Analysis of Factors Affecting the Fee Audit at Indonesian State-Owned Enterprises

*Agus Widarsono, Lita Natalia\**

Accounting Master Program, Faculty of Economic and Business Education, Universitas Pendidikan Indonesia, Bandung, Indonesia.

\*Correspondence: E-mail: [litanataliaaa@upi.edu](mailto:litanataliaaa@upi.edu)

### ABSTRACT

The objective of this study is to examine the variables that impact the fees charged for audits conducted at Indonesian State-Owned Enterprises. These variables include the size and complexity of the firm, the reputation of the auditor, and the length of the audit tenure. The used in this study is quantitative, employing a causal associative design. The study utilized a purposive sampling technique to choose 36 state-owned companies (SOEs) from various industrial clusters over a period of 4 years (2018-2021). This study utilizes descriptive statistical analysis and panel data regression analysis methodologies, after doing various classical assumption tests. After doing an analysis and debate, it can be stated that Company Complexity and Auditor Reputation have a substantial impact on Audit Fees at Indonesian State-Owned Enterprises. However, Company Size and Audit Tenure do not have a major effect on audit fees. Agency Theory and the findings of this study can assist corporations in accurately forecasting the audit fees that will be charged by KAP. This research can serve as a valuable resource for auditors when seeking audit assignments, ensuring that they are compensated appropriately. No prior research has specifically examined the audit fee policy for State-Owned Enterprises.

© 2023 Kantor Jurnal dan Publikasi UPI

### ARTICLE INFO

**Article History:**

*Submitted/Received 19 Jan 2024*

*First Revised 22 Feb 2024*

*Accepted 08 May 2024*

*First Available online 10 May 2024*

*Publication Date 01 Jun 2024*

**Keyword:**

*Size,*

*Complexity,*

*Auditor reputation,*

*Audit tenure,*

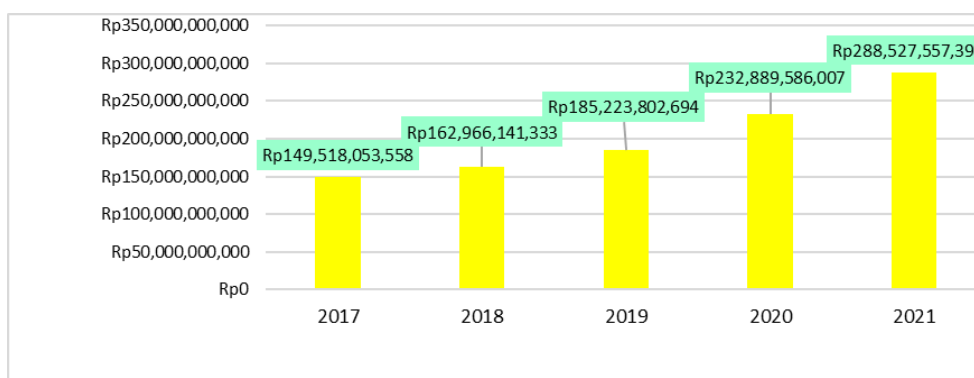
*Audit fees,*

*State-owned enterprises.*

## 1. INTRODUCTION

The occurrence of economic globalization which causes all forms of economic activity that shows market integration between countries to be without territorial boundaries in regional and regional boundaries, so that the concept of economic globalization symptoms appears in the production, finance, investment and trade sectors which affect relations between countries. This causes frequent errors in the delivery of information, hence the need for an audit of financial statements from Accounting. So that the result of accounting is recording, analyzing, and reporting financial transactions and preparing financial statements, then an independent examination and evaluation of the organization's financial statements, internal controls, and processes must be carried out to provide assurance of their accuracy and compliance. The public accounting profession is responsible for fostering confidence and trust among company owners by offering audit opinions on the company's financial statements (Godfrey et.al, 2010). Arens (2015: 168) states that the purpose of an audit is to offer financial statement users the auditor's evaluation on the accuracy of the financial statements in all significant aspects, following the relevant financial accounting framework. This is important because financial statements are valuable to both internal and external stakeholders. In order to demonstrate the competence of quality auditors, it is necessary to consider audit fees incurred during various procedures, including operational activities and the search for audit evidence. This is particularly important when professional expertise is required, such as when auditing an information system implemented by a company.

Audit fees at State-Owned Enterprises over the past 5 years (2017-2021) have increased significantly. The following is a graph of the increase in total audit fees received by Public Accounting Firm after conducting audits at SOE companies in **Figure 1**. In addition, SOE companies have different characteristics and industrial sectors, The audit fee is typically determined through a mutual agreement between the Public Accounting Firm and the company. Consequently, the process of determining this price is highly varied. Based on the financial records of State-Owned Enterprises (SOEs), PT Taspen had the lowest audit fee of IDR 159,000,000 in 2018, while PT Telekomunikasi Indonesia, Tbk. had the highest charge of IDR 70,590,000,000 in 2021. The results reveal a significant disparity in average values, which can be attributed to the diverse composition of state-owned companies (SOEs) and the numerous factors that influence the audit fee amount. The variation in mean values and the discrepancy in audit fees in 2021 can be attributed to the existence of diverse categories of enterprises within this state-owned organization, as well as the impact of numerous factors that determine the magnitude of audit fees.



Source: Secondary Data Process (2023)

**Figure 1.** Graph of Increase in Total Audit Fees in SOEs in 2017-2021.

The Indonesian Institute of Certified Public Accountants (IAPI) has released a set of guidelines regarding the remuneration of audit fees. Regulation Number 2 of 2016 provides explicit instructions on the precise fees that must be levied for the purpose of auditing financial statements. The guidelines are applicable to all members of IAPI, who are certified public accountants. This rule sets the minimum rate for the Audit Fee or the hourly audit fee per audit process that the Public Accounting Firm will bill the auditee. The rate is set according to the tiered categorization or level of staff involved in the audit process. The IAPI regulation grants the Public Accounting Firm the authority to establish the value of hourly service fees that exceed the predefined amount based on certain conditions and features. However, the actual audit fees paid by firms differ. The current research on factors that can impact the costs of corporate financial statement audit services has been found to be fascinating to study. Moreover, the widespread involvement of corporations implicated in financial reporting incidents leads to renowned Public Accounting Firms being incapable of detecting fraud or mistakes in the company's financial statements. This implies that the significant audit fees received by these businesses may not accurately indicate their degree of competency. On October 8, 2018, the Financial Services Authority imposed administrative fines on Public Accountants (PA) Marlinna, PA Merliyana Syamsul, and PA Satrio, Bing, Eny, and Partners, who are partners of Deloitte Indonesia. The regulator implemented this measure in reaction to the examination findings of SNP Finance. In addition, it was uncovered in June 2019 that Garuda Indonesia had made erroneous reports on revenue recognition, leading to a substantial impact on Garuda's Profit and Loss Statement. The Ministry of Finance has imposed fines on Public Accountant Kasner Sirumapea and Public Accounting Firm (PAF) Tanubrata, Sutanto, Fahmi, Bambang & Partners for committing audit errors in PT Garuda Indonesia Tbk's financial statements for the fiscal year 2018. The incidents involving Garuda airline have shown challenges faced by State-Owned Enterprises (SOEs), such as the reported failure of Asuransi Jiwasraya to meet its obligations and allegations of corruption at Krakatau Steel, Waskita, and Bank Tabungan Negara (BTN). These cases are regarded as an initial step in revealing issues within state-owned enterprises (SOEs). Public Accounting Firms (PAFs), including the big Four and big 10, have faced several lawsuits as a result of their participation in auditing the financial statements of various companies, despite their excellent reputation.

According to [Pradana's \(2016\)](#) study, the size of the audit fee is determined by three factors: 1) the auditee/client, 2) the auditor, and 3) the parameters of the agreement. This supports the findings of [Hay's](#) study in [2010](#). In his book "Auditing Practical Guidelines for Accountant Examination by Public Accountants," [Sukrisno \(2014\)](#) asserts that the client aspect can be measured using the audit risk indicator. As the level of risk associated with the audit assignment rises, the amount of effort needed to provide an appropriate audit opinion also increases, while considering the agreed-upon audit expenses ([Pertwiwi, 2019](#)). [Simunic \(1996\)](#) and [Sari \(2021\)](#) seek to ascertain the factors that impact audit fees in relation to financial risk. They construct a model that posits that the magnitude of the audited company is a decisive element, where greater assets and income result in more comprehensive audits. The expanding number of examinations will lead to a rise in the auditor's workload. Increasing the number of hours worked by auditors will unavoidably result in higher audit fees ([Attya, 2013](#)). Aside from the company's size, the existence of subsidiaries indicates a substantial inherent risk for non-financial enterprises ([Nisak, 2020](#)). According to [Beams \(2000\)](#), firms that have a large number of subsidiaries in a country encounter more intricate transactions. These organizations are required to create consolidated reports, which leads to auditors having to work longer hours and higher audit fees. The assessment of audit fees can also be evaluated from the auditor's standpoint, particularly in

terms of their reputation. Auditors with a good reputation have more advanced knowledge in auditing and are more inclined to provide audits of superior quality. Consequently, corporations have the ability to allure potential investors and bolster public confidence in the organization (Rahman, et al., 2022). Previous study suggests that auditors with a good reputation have higher levels of audit competence and are more likely to provide better audit quality. As a result, the corporation can entice potential investors and bolster public confidence in the organization (Nugrahani & Sabeni, 2013). The volume of audit costs is significantly influenced by the engagement factors (Adminardi, 2019). Adminardi (2019) suggests that the evaluation of this engagement feature can be ascertained by analyzing either the duration of an auditor's involvement in the audit (audit tenure) or the practice of rotating auditors. Audit tenure is the length of time that auditors from a public accounting firm and the auditee have been in a professional relationship, as described by Werastuti (2013). Stewart et al. (2016) found that audit fees increase solely in the year when there is a mandatory rotation or change of engagement with a Public Accounting Firm that is different from the previous year. This concerns the substitute partner's insufficient understanding of the specific aspects of the client's business environment. The partner replacing the original individual must quickly gain a thorough understanding of the client's company environment and activities due to their inadequate awareness. At first, the replacement spouse is faced with a greater amount of effort compared to the following years. Therefore, in the year when the partner is substituted, the client will still be invoiced with a higher audit expense.

Previous studies have yielded inconclusive results regarding the influence of factors such as Company Size, Company Complexity, Auditor Reputation, and Audit Tenure on Financial Statement. Audit fees are the charges incurred for performing an audit. In the context of 2023, these fees are calculated using verifiable data collected in the field. State-Owned Enterprises (SOEs) consist of 12 separate economic clusters, which are further divided into two primary groups: Industry and Services. The industrial cluster includes the health sector, manufacturing, minerals and coal, food and fertilizers, plantations and forests, energy services, and oil and gas. State-owned enterprises (SOEs) with business clusters span multiple industries, such as financial services, telecommunications and media services, infrastructure services, logistical services, tourism services, insurance services, and pension funds. The magnitude and intricacy of state-owned enterprises (SOEs) directly influence the amount of audit costs. Only 12 Public Accounting Firms, which are affiliated with reputable global Public Accounting Firms, including both the "big 4" and non-"big 4" firms, will be responsible for conducting audits of State-Owned Enterprises (SOEs), their subsidiaries, and affiliated companies consolidated into SOEs. The criteria for this decision are determined by adherence to applicable legislation and regulations. The information is included in the attachment to the Public Accounting Firm Data tabulation letter, identified by the SOE Number S-199/MBU/DKU/08/2021, dated August 31, 2021. This research can provide a foundation for developing evidence-based policies that state-owned enterprises can use to make informed decisions about setting auditor fees. Moreover, this study can be employed to predict the audit fee that will be proposed by Public Accountant Offices, considering variables such as Company Size, Company Complexity, Auditor Reputation, and Audit Tenure. This research can be utilized as a benchmark for Public Accountant Offices and auditors. It empowers them to make well-informed decisions on the acceptance of audit assignments and the setting of audit fees. The research considers various aspects, including the company, the auditor, and the engagement, enabling a professional approach. Therefore, given the aforementioned assertions, it is imperative to do research within the stated subject matter "Analysis of Factors Affecting the Fee Audit at Indonesian State-Owned Enterprises".

## 2. METHODS

The selected research methodology is quantitative research, employing a research design known as Causal Associative. This study aims to clarify the relationship between the variables being studied by using statistical analysis of research data and measuring the variables using numerical measures. The study employs firm size, company complexity, auditor reputation, and audit tenure (represented by variable X) as the independent variables. The audit fee, denoted as variable Y, is the outcome variable in this study. Firm Size (X1\_SIZE) is a statistic used to measure the scale of a firm by taking into account the entire value of its owned assets (Adminardi, 2019). This analysis employs the Natural Logarithm of the organization's Total Assets. Company Complexity (X2\_CMPLX) is evaluated based on individuals' subjective perception of the level of difficulty or intricacy associated with a company. An indicator utilized in the study to measure the level of complexity of a corporation is the aggregate count of subsidiaries or associated entities of the state-owned enterprise (SOE). Auditor Reputation (X3\_REPTN) is the acknowledgement and trust that the auditor has gained as a result of their distinguished position in the industry. Investors are more likely to have confidence in accounting data produced by reputable auditors (Pertwi, 2019). This study used a multilevel dummy variable to evaluate the data. In **Table 1** The variable comprises three distinct categories: Category (2) corresponds to the Big Four public accounting firms, Category (1) corresponds to the Big Ten public accounting firms minus the Big Four, and Category (0) corresponds to public accounting firms that are not part of the Big Ten. Audit tenure is the length of time that auditors from a public accounting firm and the auditee have been in a professional relationship. The study determines the audit tenure (X4\_TENR) by estimating the duration of the auditor's affiliation with the company. An "Audit Fee" is the monetary payment for the provision of an audit service. An audit fee is the payment charged by the auditor to the auditee for performing the audit procedure. According to Yuniarti (2021), the determination of audit fees usually takes place prior to initiating the audit process. The assessment of audit fees is performed by calculating the natural logarithm of the audit fee amount. The natural logarithm is used to reduce the discrepancy between values that are significantly far from the collected data.

**Table 1.** Variable definition

Variabel	Measurement	Source
<b>Independent:</b>		
1. Company Size (X1_SIZE)	Natural logarithm of Total Asset	Financial Report
2. Complexity Company (X2_CMPLX)	Total number of subsidiaries owned	Financial Report
3. Reputation of Auditor (X3_REPTN)	Public Accounting Firm with Big 4, Big 10, or Non big 10 categories	Financial Report
4. Audit Tenure (X4_TENR)	Calculates the length of the auditor's relationship from Public Accounting Firm with the company	Financial Report
<b>Dependent:</b>		
5. Fee Audit (Y_FEE)	Natural logarithm of the audit fee amount	Financial Report

The investigation covered all State-Owned Enterprises in Indonesia in 2023, with a total of 48 organizations. The methodology used in this investigation was purposive sampling. To obtain a representative sample of firms that meet the above criteria, 36 enterprises were chosen over a period of 4 years (2018-2021), resulting in a study sample size of 144. The study employs secondary data, as evidenced by the source. The data sources included in this study consist of annual financial reports obtained from the official website of the Indonesia Stock Exchange and the individual websites of each company. The study utilizes the Panel Data Regression method with the E-Views 12 software for data analysis. Panel data provides a more extensive and varied range of information in comparison to other forms of data, as it merges both time series and cross-section data. As a consequence, there is a decrease in the correlation between variables, an increase in the degrees of freedom, and an enhancement in efficiency.

### 3. RESULTS AND DISCUSSION

#### 3.1. Analysis of Potential and Problem

The audit fees of State-Owned Enterprises in Indonesia were subjected to a descriptive statistical analysis in **Table 2**. This study considered the aspects of company size, company complexity, auditor reputation, and audit tenure. The research spanned from 2018 to 2021:

**Table 2.** Descriptive statistics of variables

Variable	Obs.	Mean	Sum	Min.	Max.	Std.Dev.
X1_SIZE	144	31.54813	4542.930	28.240	35.080	1.814427
X2_CMLPX	144	7.006944	1009.000	0.0000	34.000	6.579792
X3_REPTN	144	1.305556	188.0000	0.0000	2.0000	0.692394
X4_TENR	144	1.965278	283.0000	1.0000	5.0000	1.040530
Y_FEE	144	21.58750	3108.600	18.890	24.980	1.307027

Source: Secondary Data Process (2023)

The **Table 2** presented above exhibits the results of descriptive statistical analysis, revealing that there are 144 data points for each valid variable. The Company Size variable, evaluated based on the total value of company assets, was determined using 144 data samples. In 2018, the company PT Indonesian Tourism Development (Persero) recorded the lowest value of 28.24, which corresponds to a natural logarithmic value of IDR 1,846,873,018,886. Conversely, the highest value was recorded in 2021 by PT Bank Mandiri Tbk, reaching 35.08 or IDR 1,725,611,128,000,000. The standard deviation for Company Size is more than the mean value, suggesting a substantial level of variability in the data. The complexity of a firm is assessed by the quantity of its subsidiaries. The minimum value for business complexity is 0, which signifies that there exist companies, like Perum LPPNPI, that do not have any subsidiaries. However, in 2019, PT Telekomunikasi Indonesia (Persero), Tbk possessed the largest number of subsidiaries, which was 34, making it the most complicated corporation. The study results for the Audit Tenure variable indicate that the minimum value is 1, suggesting that there are several organizations that have been audited by the Auditor since the first year of their employment. The maximum number is 5, which signifies that State-Owned Enterprises (SOE) are audited by auditors for a maximum duration of 5 years. The examination of the Audit Fee variable indicates that the minimum amount recorded by PT Taspen in 2018 is 18.89 or IDR 159,500,000 (converted to natural logarithm). Conversely, the highest value recorded in 2021 is 24.98 or IDR



70,590,000,000, which was issued by PT Telekomunikasi Indonesia (Persero), Tbk. The audit fees charged by state-owned enterprises (SOEs) differ greatly due to the wide range of company kinds and several factors that affect the amount of audit fees.

The analysis results in **Table 3** provide descriptive statistics for the Auditor Reputation variable. This variable uses a multilevel dummy variable approach, The number 0 indicates firms that were audited by a Non-big 10 Public Accounting Firm. The value 1 indicates companies that were audited by the big 10 Public Accounting Firm. The value 2 indicates State-Owned Enterprises (SOE) companies that were audited by the Big 4 Public Accounting Firm. Among the research samples collected between 2018 and 2021, 19 of them originated from State-Owned Enterprises (SOE) and underwent audits conducted by Non-big 10 Public Accounting Firms.

**Table 3.** Descriptive statistics of auditor reputation (x3\_rptn)

		Frequency	Percent
Valid	0	19	13.2
	1	62	43.1
	2	63	43.8
	Total	144	100.00

Source: Secondary Data Process (2023)

These samples accounted for roughly 13.2% of the total. Approximately 43.1% of the remaining 62 research samples underwent auditing by the top 10 Public Accounting Firms. The highest frequency observed in the research samples of State-Owned Enterprises in Indonesia, which were audited by the Big 4 Public Accounting Firm, is 63. This frequency represents approximately 43.8% of the total. After analyzing the data, the equation for the Audit Fee Panel Data Regression for State-Owned Enterprises in Indonesia, using equation (a), is formulated as follows:

$$\text{Fee*it} = 9.539226 + 0.379439 * X1\_SIZE - 0.066542 * X2\_CMLPX + 0.408757 * X3\_REPTN - 0.005235 * X4\_TENR \text{ (a)}$$

**Table 4** presents a detailed examination of the factors that were investigated in the findings of the panel data regression analysis. According to this formulation, the amount of money charged for an audit can be determined by the size of the firm, the complexity of the organization, the reputation of the auditor, and the length of time the audit has been conducted.

**Table 4.** Panel regression of fee audit in soe

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	9.539226	7.190563	1.326631	0.1875
X1_SIZE	0.379439	0.229186	1.655595	0.1008
X2_CMLPX	-0.066542	0.016454	-4.044057	0.0001
X3_REPTN	0.408757	0.110544	3.697671	0.0003
X4_TENR	0.005235	0.040916	0.127945	0.8984
R-squared	0.927750			
Prob (F-Statistic)	0.0000			
F Statistic	34.24238			

Source: Secondary Data Process (2023)

Agency theory pertains to the mechanism of ensuring that the principal and agent involved in a contractual agreement possess congruent objectives, hence reducing conflicts of interest where one party pursues personal benefits to the detriment of others. To resolve the conflict of interest between the principal and the agent, it is crucial to engage an impartial third party, such as an external auditor, to perform monitoring procedures on the agents. One consequence of this is the presence of agency costs, such as the expenses incurred for monitoring activities carried out by external parties, which are reflected in the form of audit fees (Jensen and Meckling, 1976). According to Hay's study conducted in 2010, the determination of the audit fee is influenced by three main factors: 1) the magnitude and intricacy of the auditee/client, 2) the standing of the auditor, and 3) the duration of the audit tenure.

### 3.2. The Influence of Company Size on Audit Fees

The panel data regression analysis reveals that the t count value is 1.6555, while the t table value is 0.67620. Given that the t count value is lower than the t table value at a significance level of 0.05, namely 0.1008, we can infer that the size of the company does not have a statistically significant effect on audit fees. This suggests that in Indonesian State-Owned Enterprises, there is a direct relationship between the overall size of the company, as determined by the natural logarithm of its total assets, and the absence of a growth in the audit fees required by the company. The findings of this study contradict the principles of agency theory as proposed by Nisak (2020), which posits that each party involved will act in their own self-interest. Conflicts of interest may arise due to the principal's inability to constantly supervise the agent's daily operations. The monitoring conducted by the Public Accountant is beneficial in ensuring that the agent complies with the desires of the principal. Due to the company's extensive size, the principal is unable to constantly oversee the agent's operations. The Public Accountant predicts that the auditor will face increased audit tasks when the risk and level of complexity are elevated. This will impact the compensation that the auditor will receive for doing the audit. According to empirical data from Indonesian State-Owned Enterprises, PT Indonesian Tourism Development (Persero) had the lowest total asset value in 2018, amounting to Rp1,846,873,018,886. However, PT Taspen had the lowest audit fee in 2018, which was Rp. 159,500,000. Similarly, PT Bank Mandiri Tbk holds the highest total assets in 2021, totaling to Rp1,725,611,128,000,000. However, it is not the firm that paid the highest audit fee. The company that paid the highest audit fee is PT Telekomunikasi Indonesia (Persero), Tbk. The total sum reached IDR 70,590,000,000.

Moreover, variations in the analytical tools or procedures employed can also result in firm size having no impact on audit fees. This study's findings further support the notion that the size of a corporation, as gauged by its total assets, does not influence the audit fees imposed by auditors. This conclusion specifically applies to State-Owned Enterprises in Indonesia. This finding is consistent with prior studies, specifically indicating that the financial stability variable, which serves as a substitute for the extent of change in asset wealth, does not have any impact on accounting fraud. This is due to the corporation seeing a moderate fluctuation in its overall assets. Companies refrain from making substantial overall modifications as they will be reflected in the company's financial position report. In order to uphold the company's reputation, it is imperative that the corporation refrains from engaging in fraudulent activities in its official financial accounts, including any alterations to the total assets (Deliana & Oktalia, 2022). In order to prevent the auditor from categorizing this as a high-risk situation.



### 3.3. The Influence of the Complexity of a company on Audit Fees

The panel data regression analysis data panel t count of -4.044057 and a t table value of 0.67620. Since -t count is less than -t table, with a significance value of 0.0001 being less than 0.0, it can be concluded that the partial test results indicate a significant impact of Company Complexity on Audit Fees at Indonesian State-Owned Enterprises. Consequently, the more the number of subsidiaries a firm has, the higher the audit fees it will be required to pay to the auditor. The findings of this study are consistent with the current theory, save for the fact that [Halim \(2005\)](#) and [Hay et al., \(2006\)](#) argue that subsidiary entities have a favorable impact on audit fees. The presence of subsidiaries adds complexity to the audit process, resulting in companies raising their audit fees. This result is also in line with [Beams \(2000\)](#) that when companies have subsidiaries, the transactions that occur in the company become more complex because they have to prepare consolidated reports which require higher audit fees.

The findings of this study align with the principles of agency theory as proposed by [Nisak \(2020\)](#), which posits that all parties involved are expected to prioritize their own self-interest. Conflicts of interest may arise due to the principal's inability to constantly supervise the agent's daily operations. The monitoring conducted by the Public Accountant is valuable in ensuring that the agent adheres to the principal's instructions. Principals are unable to consistently oversee agent activities due to the company's extensive size and the multitude of subsidiaries and branches, which contribute to the company's complexity. The auditor's level of risk and difficulty rises in direct correlation with the complexity of the client business, as it requires a larger number of audit work. This will impact the compensation that the auditor will receive for doing the audit. The relationship between audit fees (FEE) and audit quality is determined to be both negative and without statistical significance. This implies that higher audit fees may be a sign of heightened audit risk, and vice versa. ([Budiatmaja, R., & Ramadhan, Y, 2022](#)).

Auditing Standard 550 (Revised 2021) defines a linked party as an individual or organization that has a financial stake in the firm and is actively involved in its governance or key management. This encompasses those in managerial roles who possess the power and accountability to make choices. Hence, a subsidiary of a firm is regarded as a linked party. When evaluating the materiality of a misstatement, the audit procedure must consider the magnitude, intricacy, and characteristics of the error, together with the particular circumstances in which it occurred. The significance of the transaction for users of the financial statements is not solely decided by the recorded value of the transaction, but also by other specific relevant attributes, such as the nature of the relationship with the associated party. The existence of affiliated entities, such as subsidiaries, is likely to have an effect on both the amount of time spent working and the expenses incurred for conducting an audit. Moreover, the empirical data substantiates the idea that the company's influence on audit fees can be illustrated by examining the case of Indonesian State-Owned Enterprises, particularly PT Telekomunikasi Indonesia (2021). This business, which possesses 11 subsidiary companies, faces an audit fee of IDR 70,590,000,000, surpassing the average amount. In contrast, corporations such as Perum LPPNPI and PT Bank Tabungan Negara (Persero) Tbk, which do not have subsidiaries, have audit fees that are below the average. Specifically, Perum LPPNPI has audit fees of IDR 1,156,897,500 and PT Bank Tabungan Negara (Persero) Tbk has audit fees of IDR 4,050,000,000. The relationship between the complexity of a firm and the audit fee is in line with previous research conducted by [Tat \(2020\)](#), [Gull et al. \(1998\)](#), [Sinaga and Rachmawati \(2018\)](#), and [Nugrahani and Sabeni \(2013\)](#). The results of this study offer

more proof that the degree of intricacy of a firm, as measured by the quantity of subsidiaries it possesses, affects the fees charged by auditors for conducting audits. This study specifically examines state-owned businesses (SOEs) in Indonesia.

### 3.4. The Influence of Auditor Reputation on Audit Fees

The panel data regression analysis a t count of 3.697671 and a t table of 0.67620. Since t count > t table with a significance value of  $0.0003 < 0.05$ , it indicates that Auditor Reputation has a statistically significant positive impact on Audit Fees. This implies that as the size of the public accounting firm conducting audits for Indonesian State-Owned Enterprises (SOE) increases, the amount of audit fees charged by the company also increases. These results are consistent with agency theory, which posits that each party will pursue their own self-interest. To minimize each party's pursuit of interests, the agent will convince the principal that the company will use a highly reputable and better quality auditor. KAP big Four is considered to have better quality than KAP non big Four, this is influenced by several factors such as having more clients, higher flight hours, and better effectiveness (Immanuel & Yuvetta, 2014). The reputation of a Public Accounting Firm) will undeniably influence the magnitude of audit fees that the company is obligated to pay (Tat & Murdiawati, 2020).

The superiority of the big four Public Accounting Firm over the non big four Public Accounting Firm is attributed to various variables, including a larger customer base, increased workload, and enhanced efficiency (Immanuel & Yuvetta, 2014). The principal, who is the owner of the firm, aims to enhance the company's performance. To do this, engaging a highly esteemed Public Accounting Firm can enhance the performance and reliability of the company's financial statements. The influence of audit reputation (REP) on audit quality is favorable and significant. This is because it may be anticipated that Big Four companies adhere to higher standards in order to uphold their position and reputation in the industry. (Budiatmaja, R., & Ramadhan, Y, 2022). The reputation of a Public Accounting Firm has a direct impact on the agency expenses, specifically the audit charge that a corporation must pay (Tat & Murdiawati, 2020). In 2018, PT Taspen paid at least IDR 159,500,000 to the Public Accounting Firm Mirawati, Sensi & Idris, which is a member of Moores Stephen International, for the purpose of conducting a financial statement audit. It is important to mention that this accounting business does not rank among the top 10 largest firms. PT Telekomunikasi Indonesia (Persero), Tbk disbursed a sum of IDR 70,590,000,000 in 2021 to engage the services of Public Accounting Firm Purwantono, Sungkoro & Surja (a member of Ernest & Young), which is associated with the prominent group of four accounting firms, for the purpose of conducting an audit on its financial statements. This represents the largest sum disbursed for audit fees in that particular year. Moreover, previous study conducted by Pertiwi (2019) and Yulianti et al. provides supporting evidence on the impact of Auditor Reputation on business audit fees. The cited writers are Tat & Murdiawati (2020), Sari (2021), Adminardi (2019), Rahman et al. (2022), and Nisak (2020). The results of this study further confirm the idea that the reputation of auditors, specifically the big four, big ten, or non-big four and big ten public accounting firms, significantly and positively influence the audit fees imposed on auditors in Indonesian state-owned enterprise (SOE) corporations.

### 3.5. The Influence of Audit Tenure on Audit Fees

The panel data regression analysis shows that the t count value is 0.127945 and the t table value is 0.67620. Since the t count value is less than the t table value with a significance level of 0.8984, which is greater than 0.05, it can be concluded that the Audit Tenure does not have a significant impact on Audit Fees at Indonesian State-Owned Enterprises. The length of time that auditors from a public accounting firm spend working with the same auditee, regardless of whether it is a lengthy or short period, does not impact the required payment for audit fees.

The results of this investigation are in direct opposition to the current theory. Nevertheless, the potential of such an event cannot be completely dismissed. Multiple variables contribute to its potentiality. Firstly, the rise in audit fees is only observed during the year of mandated rotation or when there is a shift in involvement with a Public Accounting Firm that is different from the prior year. Nevertheless, the initial two years following mandated rotation do not result in any significant rise in audit fees, as indicated by [Stewart et al. \(2016\)](#). After the rotation, the substitute partner has gained a deep understanding of the company's special knowledge, both in the beginning and in the following years. As a result, the new partner that takes over may not increase the audit cost for the customer because they have a lower level of risk compared to the previous year of rotation.

Based on the sample utilized in this study, which exclusively examines Indonesian State-Owned Enterprises in 2023, there are a total of 12 unique industrial clusters. Consequently, the regulations and length of engagement with auditors or public accountants would differ. The calculation of the audit year is tied to the public accountant. This means that if the public accountant switches firms but continues to do audits for the same customer, the audit year calculation remains the same. According to Government Regulation Number 20 of 2015 on Public Accountant Practices, a public accountant is restricted to offering audit services for a maximum of 5 consecutive financial years for a certain organization. This entity include sectors in the capital market sector, pension funds, insurance/reinsurance companies, and State-Owned Enterprises.

Limits regarding the providing of audit services exclusively pertain to individual public accountants, while Public Accounting Firms are not subject to any such limits when giving audit services. In Indonesia, the majority of regulations stipulate that State-Owned Enterprises (SOEs) must switch their audit service providers every 5 years. However, the banking sector's SOEs are subject to distinct requirements established by the Financial Services Authority. As to Regulation No. 13/POJK.03/2017, the minimum duration for engaging a public accountant or AP is 1 year, while the maximum duration is 3 years. Hence, the diverse laws that depend on business clusters in Indonesian state-owned enterprises (SOEs) may influence the duration of audit tenure, but they do not affect the audit fees imposed.

The study's empirical evidence demonstrates significant variation in the duration of the engagement time at Indonesian State-Owned Enterprises, spanning from 1 to 5 years. In 2020 and 2021, PT Perkebunan Nusantara III (Persero) had audits in the second and third years. The audits were conducted by the Public Accounting Firm Purwantono, Sungkoro & Surja (EY), with the same public accountant, Damestar Hutagalung. Remarkably, the company disbursed a same sum of audit fees in both years, amounting to IDR 5,190,900,000. Hence, it can be deduced that the length of the audit engagement, referred to as the audit tenure, does not have a negative effect on the audit fees received by the auditor in Indonesian State-Owned Enterprises.

#### 4. CONCLUSION

The objective of this study is to examine the variables that impact the costs associated with audits conducted at Indonesian State-Owned Enterprises, based on the results of the analysis with Data Panel regression and discussion that has been carried out, it is concluded that Company Complexity, and Auditor Reputation have a significant effect on Audit Fees while Company Size, and Audit Tenure have no significant effect on audit fees.

Recommendations for future research are expected to use other proxies to measure company risk in future studies, such as Political Connections or Gender board diversity as in research. In addition, future research is expected to use a longer time span and be added to the latest financial statements, namely 2022 so that the research results can better reflect the real situation and produce a larger number of units of analysis. The scope of this study is restricted to State-Owned Enterprises (SOEs) without industry categorization. Therefore, future research can focus on analyzing and comparing individual industries within the SOE sector in Indonesia.

#### 5. REFERENCES

- Adminardi, R. (2019). *Pengaruh Atribut Klien, Atribut Auditor Dan Atribut Perikatan Terhadap Imbalan Jasa Audit*.
- Ardianingsih, A. (2013). Hubungan komite audit dan kompleksitas usaha dengan audit fee. *Jurnal Ekonomi Dan Bisnis*, 13(2), 20–28.
- Arens, A. A., Elder, R. J., & Beasley, M. S. (2015). *Auditing & Jasa Assurance*. Jakarta: Erlangga.
- Attya. (2013). *Analisis Faktor-Faktor Yang Berpengaruh Terhadap Penetapan Fee Auditor Pada Industri Otomotif, Semen Dan Logam Yang Terdaftar Di Bursa Efek Indonesia (Bei) Tahun 2009-2011*. Skripsi Sarjana, Fakultas Ekonomi, Universitas Islam Negeri Maulana Malik Ibrahim.
- Beams, Floyd A., John A. Brozovsky, Craig D. Shoulders. (2000). *Advanced Accounting*. 7 ed. New Jersey: Prentice Hall.
- Budiatmaja, R., & Ramadhan, Y. (2022). The influence of internal control, company sop and auditor professionalism on fraud prevention measures. *Jurnal ASET (Akuntansi Riset)*, 14(1), 043-062.
- Deliana, D., Rahman, A., & Oktalia, R. R. (2022). Fraud detection of financial statements with diamond fraud analysis. *Jurnal ASET (Akuntansi Riset)*, 14(1), 033-042.
- Godfrey, Jayne; Hodgson, Allan; Tarca, Ann; Hamilton, Jane; Holmes, Scott. (2010). *Accounting Theory*. 7th Edition. Wiley Publisher.
- Gul, F. A., & Tsui, J. S. L. (1997). A test of the free cash flow and debt monitoring hypotheses:: Evidence from audit pricing. *Journal of Accounting and Economics*, 24(2), 219-237.
- Hay, David. (2010). The accumulated weight of evidence in audit fee research. *Journal Accounting And Finance University Of Auckland*.

- Immanuel R, Yuyetta Etna N.A. (2014). Analisis faktor-faktor yang mempengaruhi penetapan fee audit eksternal (studi empiris pada perusahaan yang terdaftar di bursa efek indonesia tahun 2011-2013). *Diponegoro Journal of Accounting*, 3(3), 1-12.
- Institut Akuntan Publik Indonesia. (2016). *Peraturan Pengurus No 2 Tahun 2016 Tentang Penentuan Imbalan Jasa Audit Laporan Keuangan*. Retrieved January 19, 2023.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal Of Financial Economics*, 3(4), 305-360.
- Nisak, B. I. K. (2020). *Pengaruh Kompleksitas Perusahaan, Fungsi Audit Internal, Risiko Perusahaan Dan Ukuran Public Accounting Firm Terhadap Audit Fee*.
- Nugrahani, N. R., & Sabeni, A. (2013). Faktor-faktor yang mempengaruhi penetapan fee audit eksternal pada perusahaan yang terdaftar di BEI. *Diponegoro Journal Of Accounting*, 2(2), 1–11.
- Pertiwi, M. P. (2019). Pengaruh ukuran perusahaan, reputasi auditor, dan audit delay terhadap audit fee. *JASA (Jurnal Akuntansi, Audit Dan Sistem Informasi Akuntansi)*, 3(2), 315-327.
- Pradana, S., & Purwanto, A. (2016). Faktor-faktor penentu tarif biaya audit eksternal pada perusahaan yang terdaftar di bursa efek indonesia (studi empiris terhadap perusahaan yang terdaftar di bursa efek indonesia). *Diponegoro Journal Of Accounting*, 5(3), 22-32.
- Rahman, F., Adryantomo, N., Septiani, D. H., Nelly, R., Apandi, N., & Widarsono, A. (2022). Industry 4.0: Apakah aset tidak berwujud dan kualitas audit dapat memprediksi besarnya biaya jasa audit?. *SENAKOTA - Seminar Nasional Ekonomi Dan Akuntansi*, 1(1), 227–239.
- Ramadhan, I. N. &, & Laksito, H. (2018). Pengaruh reputasi kantor akuntan publik (public accounting firm), audit tenure, dan biaya audit terhadap kualitas audit. *Diponegoro Journal Of Accounting*, 7(4), 1–13.
- Sari, P. (2021). *Analisis Faktor-Faktor Yang Mempengaruhi Penetapan Fee Auditor Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia (Bei) (Studi Perusahaan SOE Periode 2016-2020)*.
- Simunic, D. A., & Stein, M. T. (1996). The impact of litigation risk on audit pricing: A review of the economics and the evidence. *Auditing: A Journal of Practice & Theory*, 15(2), 145-9
- Sinaga, E. A., & Rachmawati, S. (2018). Besaran fee audit pada perusahaan yang terdaftar di bursa efek indonesia. *Media Riset Akuntansi, Auditing & Informasi*, 18(1), 19–34.
- Stewart, J., Kent, P., & Routledge, J. (2016). The association between audit partner rotation and audit fees: Empirical evidence from the Australian market. *Auditing: A Journal of Practice & Theory*, 35(1), 181-197.
- Tat, R. N. E., & Murdiawati, D. (2020). Faktor-faktor penentu tarif biaya audit eksternal (audit fee) pada perusahaan non-keuangan. *JIA (Jurnal Ilmiah Akuntansi)*, 5(1), 177-195.

- Werastuti, D. N. S. (2013). Pengaruh auditor client tenure, debt default, reputasi auditor, ukuran klien dan kondisi keuangan terhadap kualitas audit melalui opini audit going concern. *Vokasi: Jurnal Riset Akuntansi*, 2(1).
- Yuniarti, R., Riswandi, P., & Finthasari, D. M. (2021). Analisis pengaruh koneksi politik dan gender diversity terhadap fee audit. *Jurnal Akuntansi Keuangan Dan Bisnis*, 14(1), 133–142.