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ANALYSIS OF THE FACTORS DETERMINING THE AUDIT FEE

Kusharyanti
UPN Veteran Yogyakarta
E-mail: kusharyanti03@yahoo.com
SWK 104 Street, Ringroad Utara, Sleman, 55283, DIY, Indonesia

ABSTRACT

There are some factors considered to have an effect on the audit fee amount. These are important for the researchers to analyze. This research aimed to test the determinants of audit fee in companies that are listed on Indonesian Stock Exchange (ISE). The samples of this study were 60 companies in period 2010-2011. The data was taken from annual report of the company. The hypothesis was tested by linier regression which consisted of two variables. First variable was dependent variable that was audit fee. The second variables were independent variables which consist of client size, audit complexity, audit risk, company size, client financial condition, audit committee characteristic, and auditor tenure. The result of the study shows that there are three significant independent variables influencing the audit fee i.e. client size, audit complexity, and audit risk. The rest of independent variables are not significant.

Key words: *audit fee, client size, audit complexity, audit risk, company size, client financial condition, audit committee characteristic, auditor tenure.*

ANALISIS FAKTOR-FAKTOR DETERMINASI *AUDIT FEE*

ABSTRAK

Ada beberapa faktor yang bisa mempengaruhi imbalan jasa audit (audit fee) yang terjadi di beberapa perusahaan. Perusahaan yang menggunakan jasa auditor pasti memberikan jasa audit fee kepada auditor. Dalam hal ini besaran atau jumlah audit fee bisa bervariasi. Penelitian ini menguji determinan variabel yang berpengaruh pada besaran audit fee yang dibayarkan oleh klien kepada auditor. Data diambil dari 60 perusahaan dalam periode 2010-2011 yaitu perusahaan yang tercatat di bursa efek Indonesia (BEI). Regresi linier dipakai untuk menguji variabel yang mempengaruhi audit fee. Variabel tersebut misalnya ukuran perusahaan klien, kompleksitas audit, risiko audit, kondisi keuangan klien, karakteristik komite audit, dan audit tenor. Hasilnya menunjukkan bahwa ada tiga variabel yang secara signifikan berpengaruh pada besaran audit fee, yaitu ukuran perusahaan klien, kompleksitas audit, dan risiko audit.

Kata Kunci: *audit fee, client size, audit complexity, audit risk, company size, client financial condition, audit committee characteristic, auditor tenure.*

INTRODUCTION

Audit fee is generally referred to as audit service, audit remuneration or audit cost. In fact, audit fee is the amount of compensation for services provided by the client for the independent auditor. Its amount is due to some factors such as the size of the client company, the complexity of audit services imposed on auditors. Besides that, it also includes audit risks faced by the auditor, the popularity of public accountant office (PAO) which does the audit services (DeAngelo 1981, Dye 1991).

Other factors affecting the audit fee can be the financial condition of the client, the client company size, auditor size or PAO, the expertise of the auditor of the industry, the efficiency of technology owned by the auditor (Sankaraguruswamy and Whisenant 2003). Hay (2010) asserted that the factors determining the amount of audit fee is the client attributes, auditor attributes, and attribute assignments. In this case, Simunic (1980) also argues that there are several factors affecting variations in the level of audit fees such as the size of the client company, clients and the complexity of the client's risk. Craswell and Francis (1999), the factors that determine the amount of audit fee in the U.S. is the size of the client, the complexity of the audit, audit risk, the popularity of PAO, and opinions given by the auditor, the financial condition of the client, and the initial audit engagement.

Since there are some large public accounting company practicing in Indonesia and the various services provided by the, it is necessary to standardize the tariffs. This standardization is aimed at maintaining the quality of the services they provide. By doing so, each public accounting company did not perform the tariff war one another when they are trying to find clients. Institute of Certified Public Accountants (ICPA) as a forum for public accounting professional organizations, has established rules on audit fee rates set forth in the decree by Indonesian Institute of Certified Public Accountants (ICPA) numbers recently.

The policy of ICPA number Kep.024/IAPI/VII/2008 provides regulation on audit fees. The decision states that the rate of audit fee must be paid attention especially concerning the needs of clients, duties, and responsibilities under the law, independence, skill levels (levels of expertise), and the responsibilities given for the work performed. Beside, attention should also be given to the level of complexity of the work, the amount of time required and effectiveness spent by the public accountant and his staff when doing the job as well as an agreed fee basis agreement.

There have been studies related to the audit fee to audit market settings in Indonesia which have also been done. These are viewed from the standpoint of PAO and company factors. Based on the PAO survey in East Java, Titis Nurhayati (2007) found that the factors of the most significantly affecting the size of the audit fee is audit working hours (the learning process) and efforts to retain clients. Research on audit fees in Indonesia conducted by Michell Suharli and Nurlaelah (2008) indicates that the ratio of the concentration, company size has a significant effect on audit fee while Company size and the number of subsidiaries have no significant relation to the audit fee.

Another example of study on this matter is by Nurul Fachriyah (2011) who also found the size of the company as a major factor affecting audit fees, in addition to complexity, profitability, and auditor reputation. Again, Esti Widiasari and Prabowo (2009) investigated the effect of internal control and corporate governance structure for the audit fee. The results indicate that both these variables affect the audit fee. Factors like company characteristics, ownership type (private and government) in fact do not affect the probability of audit fees while the size of earnings management affects the amount of audit fee probability (Tirta Luhur Pambudi and Imam Ghozali).

However, this research attempts to draw the research conducted by Simunic (1980), Michell Suherli and Nurlaelah (2008), Hay

et al. (2010) and Nurul Fachriyah (2011). For example, a study by Simunic (1980) was a research novice in the field of audit fee while that by Hay (2010) developed a research audit fee by adding the factors of internal auditors and corporate governance. It was found that from several previous studies, the determinants of audit fees are by grouping clients into attributes, the attributes of auditors, and the audit assignment.

As argued above and referred to the previous studies, the study tries to investigate whether the client attributes, attribute assignment of auditors and audit affect significantly the amount of audit fee in companies listed on the Indonesia Stock Exchange (ISE).

THEORETICAL FRAMEWORK AND HYPOTHESIS

Audit fee is revenue or fee received by the auditors due to doing their jobs related to their profession. Therefore, it is a fee model which was first studied by Simunic (1980). He made a model which states that the audit fee is determined by some factors such as the large-size companies to be audited, audit risk, and audit complexity. The model is then employed as a reference to look at the phenomenon surrounding the audit service offering.

The amount of audit fee is affected by several factors. According to Hay et al. (2010) amount of audit fee is influenced by the attributes of the clients and attribute assignment of the auditor. Attributes of the clients include company size (total assets) which has the greatest impact on audit fee. Its complexity (in terms of number of subsidiaries and import-export activities) and the risk of default (i.e. items that require special audit procedures such as stocks and receivables) positively related to audit fee, while the audit profitability is negatively related to audit fee. Leverage generally has a positive effect on the cost of the audit, but more recent evidence suggests that the high leverage has effect on audit fee in the United States and Britain before 1990.

Due to the case for the audit fee, the client size (in terms of total assets or sales) is an important factor that affects the amount used in the assignment of auditors (O'Keefe et al. 1994; Stein et al .. 1994), Davis et al. (1993); Davidson and Gist (1996), Bell et al. (2001); Johnstone and Bedard (2001); Bedard and Johnstone (2004); Blokdijk et al. (2006), Bell et al. (2008); Caramanis and Lennox (2008); Knechel et al. (2009); Schelleman and Knechel (2010). The investigation on the effect of the size of the client associated with an increased number of auditors (Dopuch et al. 2003), and the number of staff working portions is larger than the manager and partner (O'Keefe et al. 1994; Stein et al. 1994).

For example, Bell et al. (1994) studied the effect of client size on audit working hours. The results showed that the size of the company is positively related to working hours of auditors. Large companies tend to take more time to audit the financial statements more than a small company. Thus, this will affect the size of the audit fee. Hackenbrack and Knechel (1997) argue that the proportion of the number of auditors in each activity is different. Financial statement audits for large companies generally cause more substantive audit fee.

Mostly the audit job is conducted by staff and senior auditor, audit planning by managers, review and communication with client audit done by the manager and partner. In general, this big job indicates that the number of hours for working and the number of auditors will depend on the size of the client. Therefore, such a condition affects the amount of audit fee. Based on such arguments, the hypotheses to be tested in this study are as the following.

H1: Company size affects the audit fee.
H2: Audit complexity affects the audit fee.
H3: The financial condition of the client affects the audit fee.

It is common that clients who have a risk associated with internal control cause the amount of time and extensive testing by the auditors. This risk can be measured in several ways such as (1) composite risk

which is measured from the measurement of the actual auditor, (2) leverage, liquidity and debt, (3) the ownership of shares by the public, (4) the value of the stocks or account receivable, (5) profitability, (6) the quality of earnings, (7) the age of the client, and (8) industrial clients.

The result shows that, in overall, higher risk requires more number of auditors in the assignment. It will certainly affect the amount of audit fee given by the client. However, the majority of studies suggest that the company's internal control did not significantly affect the quality of the company's internal control (Bell et al. 1994; O'Keefe et al. 1994; Hackenbrack and Knechel 1997; Bedard and Johnstone 2004; Bell et al. 2008; Knechel et al. 2009).

The other hypothesis to be tested in this study is as the following.

H4: Audit risk affects the audit fee.

The fact that the auditor attributes include quality auditor and auditor specialization. An audit carried out by the auditors in the largest public accounting company on an international scale will require a higher fee due to their experience and professional jobs. Specialized auditors also have a positive influence on audit fee. This is due to the fact that they have specialization which is to have longer experience in their field. This will take more time allocated to testing.

Another strategy used by the company to attract new clients is through industry specialization (Mathew and Wilkins 2003). Differentiation is often defined as the provision of higher quality (more effective) for audit services (Low 2004) that meet client and investor demand for better financial reporting (Dunn and Mathew 2004). One of the advantages in this strategy is by increasing demand by clients. As such, they can gain greater audit fees compared to PAOs with no specialization. This leads to an increase in reputation for higher quality audits (DeAngelo 1981). As referred to this argument, the next hypotheses to be tested in this study are as follows.

H5: Company (PAO) size affects the audit fee.

H6: Specialization of the auditor affects the audit fee.

The attribute of assignment also affects the auditor fee, including the involvement of the client in preparing documentation, auditor tenure, and the presence of non-audit services, the number of published reports, financial reporting period, the type of auditor's opinion, and extensive work. Johnstone and Bedard (2001) found that the risk of fraud does not affect the number of hours spent by the auditors. However, this factor affects the mix of the number of hours allocated for the use of auditors who specialize on high-risk issues and the allocation of time to do a review. The example is the audit on the financial statements in financial services in which the company requires a number of auditors and auditors working fewer hours because the industry had better control compared with companies in other industries (Hackenbrack and Knechel 1997; Knechel et al. 2009).

Clients replacing their auditors will also affect the amount of audit fee. This is dut to the condition that when auditors perform a new assignment, they will require a longer time to gain knowledge of the business client and the client's financial reporting system. On the other hand, when the auditors have done the audit of financial statements on the client in a longer time, they will be more effective in testing because they understand operating and financial reporting systems clients. Thus, it will take a relatively shorter than if they were first-time audits (Blokdijk et al. 2006; Caramanis and Lennox 2008; Knechel et al. 2009; Schelleman and Knechel 2010).

The attribute of assignment audit also includes audit issues, and the existence of non-audit services. Problems related to audit are measured by means of opinions provided by the auditor. The companies that get the auditor's opinion will provide higher audit fee. This is because the auditor will require additional audit procedures in testing to obtain evidence to support his opinion. The involvements of an independent auditor to

provide non-audit services do not significantly affect the audit fee.
H7: Auditor tenure affects the audit fee

The existence of audit committee also determines the amount of audit fee. The main duty of the audit committee is to assist the Board of Commissioners in conducting monitoring the performance of the company. This is chiefly related to the review of the internal control systems of the company, ensuring the quality of financial reporting, and increasing the effectiveness of the audit function. In this case, the financial statements will be audited by an independent accountant. When the financial statement is qualified, it will not incur problems that are faced by independent auditors. In this condition, the audit fee will also be lower.
H8: The audit committee affects the audit fee.

Research Contribution

Studies on audit fees in Indonesia are still rarely done due to the limitation of data. The lack of information related to audit fee in Indonesia can lead to the tariff war among public accounting companies. For that reason, this condition can influence the quality of auditing and auditor independence. This study is expected to provide more information about the importance of disclosure of audit fees for companies in Indonesia Stock Exchange (ISE).

RESEARCH METHOD

This is an empirical research using secondary data with the population consisting of all companies listed on the ISE from 2010 to 2011. The data was collected by means of purposive sampling. The criteria required for the sample cover the availability of data and the availability of audit fee and the data required by the study. The secondary data were from the annual data reports of the companies listed on the ISE in 2010-2011. This is taken from the annual reports (www.idx.co.id.)

The variables consist of two such as the dependent variable that is the audit fee. Audit fee is measured by the size of the amount received by the PAOs while the independent variable are the attribute of clients which include audit fee (measured by total assets), audit complexity (measured by the number of subsidiaries in Indonesia), audit risk (measured by the debt ratio, which is measured by the percentage of long-term debt to total assets , the audit committee (measured by the number of meetings, by members of the audit committee) and financial conditions (measured using the ratio of profit to total assets).

The attribute of the auditor includes Public Accounting Company (PAO) size (measured using dummy variables, when examined KAP entered the big 4 it was coded 1, and if not then be coded 0). The attribute of audit assignment includes auditor tenure (measured using dummy variables, when clients use the services of Certified Public Accountants first time in the observation was coded 1, and if not then it was coded 0) and audit specialization (measured from where specialization of the auditor is.).

There are three methods for determining the audit specialization in research as referred to Chausholli et al. (2011), namely (1) Company market share in the industry is 20% (Craswell et al. 1995), (2) a market leader in its industry (Ferguson and Stokes 2002, Ferguson et al. 2003, Hay and Jeter 2011), and (3) the concentration of expertise from public accounting companies (Hay and Jeter 2011; Neal and Riley 2004). There are 3 methods to determine the audit specialization in research Chausholi and Martinis (2011), namely (1) Company market share in the industry is 20% (Craswell et al. 1995), (2) a market leader in its industry (Ferguson and Stokes 2002, Ferguson et al. 2003, Hay and Jeter 2011), and (3) the concentration of expertise from public accounting companies (Hay and Jeter 2011; Neal and Riley 2004). In this study, auditor specialization measured KAP market share within its industry.

The analysis was done by means of linear regression. Some of the stages prior to testing by multiple linear regression method were done to test the classical assumption to

Table 1
The Sample of Research

No	Description	Year	
		2010	2011
1	Companies listed in ISE	428	428
2	Companies Issuing *annual report*.	364	338
3	Companies Disclosing *audit fee*	33	29
4	Incomplete Data	1	1
	Number of Sample	32	28

Source: Processed data in 2012.

avoid being biased. The regression equation is as follows.

$$Y = a + b_1CS_1 + b_2AC_2 + b_3DR_3 + b_4PAOS_4 + b_5FC_5 + b_6DAw_6 + b_7CC_7 + b_8Sp_8 + e. \quad (1)$$

Description:

Y = *Audit fee*
CS = Client Size
AC = Audit Complexity
DR = Audit Risk measured by *Debt Ratio*
$PAOS$ = PAO Size, the variable of *dummy* with the value of 1 when the client being audited by Big4/affiliation and the value of 0 when Not by Big4/afffiliation
FC_5 = Financial Condition measured by Profit comparison between profit towards total asset.
DAw_6 = *Auditor tenure* measured by dummy variable 1 when the client using the first PAO in the first year, given Code 1, and when Not given Code 0.
CC_7 = Committee Characteristics measured by number of meetings of audit committee members.
Sp_8 = Audit specialization measured by *dummy variable* that is the market share of PAO in the industries, with score 1, for the PAO when auditing more than 20% and score 0 when auditing less than 20%.
e = *error term.*

The independent variables are considered to have significant influence simultaneously when the significant F values are of less than 5%. On the contrary, the independent variables have a significant effect partially when the t-values is less than 5%.

DATA ANALYSIS AND DISCUSSION

From the companies listed in the Indonesia Stock Exchange (ISE) in the period of 2010 to 2011, they can be seen in Table 1, representing the number of samples.

Prior to regression testing, statistic analysis was done to determine the characteristics of the data. This descriptive statistics can be seen in Table 2: panels A and B. The number of companies are audited by a Big 4 Company has a total of 37 (61.7%) and PAO nonBig 4 by 23 (38.3%). Samples were audited by Big4 Company are in more number in terms of the amount of audit fees earned, it turns out that Company Big 4 is far bigger. This indicates the size of the PAO can be related to the amount of the audit fee.

In terms of the specialization of auditors who audit the sample company, most of the samples audited by an auditor who are not a specialist have a total of 37 (61.7%). The average amount of audit fees is also bigger than the non-specialization of auditor. Yet, the difference is not so striking. This could indicate that auditor specialization may not be related to the amount of the audit fee. Most of the sample companies are not audited by the same PAO or a continuation of their assignment totally 49 (81.7%). Only a small number of the companies is audited by the first assignment of PAO on the sample companies.

In terms of the magnitude of audit fees, the average is more likely to KAP the first time on a sample audit of the company in the observations, but the difference is not too big. The average number of subsidiaries which is a proxy for the complexity of the audit was 5.4; with a minimum of 0 (does

Table 2
Descriptive Statistics

Panel A: Frequency

Variables	Frequency	Percentage	Mean of Audit Fee
Size of PAO:			
• Big 4	37	61.7%	Rp 5,138,860,478
• NonBig 4	23	38.3%	Rp 2,518,452,413
Specialization of Auditor			
• Yes	23	38.3%	Rp 3,464,493,812
• No	37	61.7%	Rp 4,550,780,689
The Initiation of Assignment			
• Not the First Assignment	49	81.7%	Rp 3,986,788,790
• The First Assignment	11	18.3%	Rp 4,791,781,136

Panel B: Descriptive

	N	Minimum	Maximum	Mean	Std. Deviation
Client Size	60	9.867	14.653	13.008	.943
Audit Complexity	60	.000	42.000	5.400	7.896
DR	60	.022	.718	.191	.163
Financial Condition	60	-.012	.353	.086	.086
Audit Committee Characteristics	60	.000	43.000	13.883	11.855
AuditFeeRp	60	112,000,000	44,503,000,000	4,130,000,000	8,728,000,000

not have any subsidiaries) and a maximum of 42. The sample companies that do not have subsidiaries have total of 11 (18.3%) from the total 60 samples. The difference between the sample complexities of audit companies is quite high, as seen from the value of 7.89 standard deviations which is higher than the mean.

Audit risk is proxied by the debt ratio (debt divided by total assets) showing an average 19.01%. This means that 19.01% of total assets are financed by debt financing. The higher number of them is interpreted as having a high risk of audit. The financial condition of the clients is proxied by the ratio of income before taxes divided by total assets; this shows an average of 0.086, which means the total assets of R1 generate profit before tax of $ 0, 086. The higher number of them is interpreted as having better financial condition. When it has a negative number, it indicates the sample of companies suffer losses in the year of observation. The average characters of audit committee are proxied by the number of audit committee meetings that is 13.88 and the maximum is 43. The minimal number of 0 does not mean any audit committee meetings, but there is no disclosure of meetings and number of meetings.

It has been found that some companies disclose the existence of audit committee meetings or gatherings qualitatively, but not to mention their meeting. The biggest audit fee is the biggest while the smallest Rp44.503.000.000 Rp 112 million. The average audit fee is USD 4.13 million. The variations of audit fee on big companies is considered moderate as seen from the standard deviation value of Rp8.728.000.000 which is higher than the average or mean.

Prior to the hypothesis testing using the multiple regressions, the researchers tested the classical assumptions to determine whether there is a problem of multicollinearity, autocorrelation, heterocedastisity, and normality. In fact, there is no multicollinearity problems found in the model. The symptoms of being absence of multicollinearity can be seen from the correlation between the variables that is less than 0.80 (Gujarati 1995). In addition, the problem of multicollinearity can also be seen from the value of tolerance levels and VIF (variance inflation factor). In this study the value of tolerance

Table 3
Results of Regression Test

Model	T	Sig
Client Size	4.417	.000
PAO Size	2.157	.036
Financial Condition	-.079	.937
Specialization	-.639	.526
Initial Assignment	.459	.648
Audit Characteristics	.966	.339
SQRTDR	.341	.735
SQRTAC	4.396	.000
Adjusted R Square		.567
F		10.647
Sig.		.000

level is not close to zero and VIF between 1.112 and 1.566 which are far below 10. The size of client, audit complexity, company size, and character of the audit committee are all significantly correlated with audit fees. The classical assumption of multicollinearity can be seen in Appendices.

Autocorrelation test is done by looking at the number of Durbin-Watson. In the study, the rate of D-W is 2.526. The DW value is higher than the upper limit (du) 1.894 (n = 60, k = 8) and less than 4 to 1.894 so that it can be generalized that there is no autocorrelation. The result of autocorrelation test can be seen in Appendices. Heteroscedasticity problems are detected by looking at the scatterplot graph between the predictive values of the dependent variable (ZPRED) with residual that is SRESID. From the graph shown below scatterplot dots spread randomly above and below the 0 on the y-axis. This can be concluded that there is no heteroscedasticity in the regression model. These heterocedastisity classical assumptions can be seen in Appendices.

To determine whether the data were normally distributed, nonparametric test is performed that is the Kolmogorov-Smirnov (KS) on each variable. As a result, there are two variables that are not normally distributed, namely the complexity of the audit (Asymp. Sig KS = 0.001) and the risk of audit (Asymp. Sig. KS = 0.007), while the other variables are normally distributed. Based on the histogram graph form, the complexity of the audit and risk variables are undertaken by transforming the data to the SQRT. The results of normality test data can be seen in Appendices.

The research hypothesis that states the size of the client, the complexity of the audit, audit risk, PAO size, auditor specialization, initial assignment and audit committee characteristics affect the amount of audit fee is tested by means of multiple regression. The coefficient of determination (adjusted R2) of 0.567 indicates variation of the dependent variables that is explained by the variation in the independent variables by 56.7%, while other variables outside the model that influence the dependent variable is equal to 43.3%. The value of counted-F count is 10.647 and p = 0.000 showing all the independent variables simultaneously to have a significant effect on the dependent variables.

Table 3 shows the results of multiple linear regressions test for finding the evidence of testing the research hypothesis. The variable of the size of the client is significant at (t = 4.417, p = 0.000), the complexity of the audit (t = 4.396, p = 0.000), and the size of the PAO (t = 2.157, p = 0.036). Other variables such as the audit risk, auditor specialization, initial assignment, financial condition, and the character of the audit committee have no significant effect.

Discussion

As presented in Table 3, the independent variable that influences the amount of audit fee is client size as measured by total assets. This

evidence is supported by Joshi and Al-Bastaki (2000), Michell Suharli and Nurlaelah (2008), Nurul Fachriyah (2011), which states that the company's auditor requires a longer time and greater effort to verify the company's operations. In this case, they must do their audit procedures when auditing more big companies. In addition, the companies that have more subsidiaries that is a proxy for audit complexity tend to get bigger audit fee. This is supported by Hay et al. (2010) and Nurul Fachriyah (2011). It is requested that the auditors to have more time and effort to audit many clients who have more subsidiaries.

Other variable that affect significantly the amount of audit fee is the size of public accountant office (PAO), which is by a dummy variable with the value of 1 for companies audited by Big4 and the value 0 for companies audited by nonBig4. The audit which is carried out by the auditors in the largest PAOs on an international scale will require a higher fee. This is due to the experience and professional attitude possessed by the auditors. The investment Company of Big4 technology causes good quality and higher audit fee than the NonBig 4 PAOs (Sirois and Simunic 2011).

Audit risk is measured by the ratio of debt to equity in which it has no effect on the audit fee. This is likely due to a high audit risk (debt equity ratio) just shifting the cost of agency auditors to creditors because the creditors are concerned with the downside risk that may occur. The transfer fee is likely to make agency audit fee lower. The client's financial condition is measured by income (divided by total assets) showing no effect on the audit fee. This does not support research by Fachriyah Nurul (2011) finding that there is an effect of profitability on the audit fee.

The next is related to the auditor tenure which has no effect on the audit fee. As requested by the PMK 17/2008, Bapepam-LK independence rules, they require audit partner to rotate the audit team after 3 years and PAO after 6 years. Bapepam-LK requires 3 years of "break" or cooling off after a rotation before they can return to work for the same audited client. By having this rule which is implemented by the company, the company will undergo prior periodic audits. Specialization of auditor also does not affect the audit fee. This is probably due to the number of sample companies which are audited by no specialist auditors, In addition, the possibility of measurement specialties is found to be less precise.

The audit committee is measured by the number of meetings in which it has no effect on the audit fee. Although in theory, the audit committee is to set the audit fee, the role cannot be proven in this study. This evidence might be due to the measurement of the audit committee characteristics which are less suitable because it is just by looking at the frequency of meetings.

CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Based on all the evidences above, it can be concluded that the attributes of the client, the auditor attributes, and assignment attributes affect audit fee which can be described as the following, 1. Client attributes include auditee size, complexity of the audit, audit risk, audit committees and financial condition. Among these, the size and complexity of the audit client affect significantly the audit fee; 2. The auditor attribute that affect the auditor's audit fee is the size of Public Accountant Office (PAO); 3. The assignment attribute includes auditor tenure and audit specialization. Both of these variables have no significant effect on the amount of audit fee.

The researchers admit that this study has some limitation such as (1) the sample is only 60 companies for the period 2010 and 2011. This is due to the companies which are considered not all to disclose the amount of their audit fee, (2) the testing was not done on each unit of industries. This is due to the fact that there is lack of data in each industry conducting audit fee disclosure.

Due to the above limitations, the researchers suggest that the next study get the data of the audit fees by using questionnaires. Besides that, further research should be done

by separating and analyzing the amount of audit fees and the factors of determination by type of industry. This is because of the level of complexity of each industry which might also affect the amount of audit fee. The measurement of auditor specialization may not only be measured by industry specialization but also by the expertise of the auditor partners in public accountant offices (PAOs).

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APPENDICES

MULTICOLINEARITY TEST

Panel A CORRELATION

Variabel	Audit Fee	Client size	SQRTKA	SQRTDR	PAO Size	Finan-cial Cond.	Spesializa-tion	Initial assig-ment	Audit Com Charact
AuditFee	1	.630**	.501**	-.004	.410**	.099	.079	.052	.401**
Client size	.630**	1	.147	-.101	.442**	-.104	.231	.024	.269*
SQRTAC	.501**	.147	1	.107	-.078	.195	-.044	.109	.264*
SQRTDR	-.004	-.101	.107	1	-.132	.042	-.197	-.183	-.062
PAO Size	.410**	.442**	-.078	-.132	1	.181	.199	-.158	.351**
Financial Cond	.099	-.104	.195	.042	.181	1	-.125	-.137	.285*
Specialization	.079	.231	-.044	-.197	.199	-.125	1	.069	.072
IntialAssigmnt	.052	.024	.109	-.183	-.158	-.137	.069	1	-.006
AuditComCharact.	.401**	.269*	.264*	-.062	.351**	.285*	.072	-.006	1

PANEL B

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.821	.820		5.881	.000		
	ClientSize	.288	.065	.455	4.417	.000	.692	1.446
	SQRTAC	.176	.040	.418	4.396	.000	.814	1.229
	SQRTDR	.104	.305	.031	.341	.735	.902	1.109
	PAOSize	.281	.130	.231	2.157	.036	.639	1.566
	FinancialCond	-.053	.663	-.008	-.079	.937	.795	1.258
	Spesialization	-.070	.110	-.058	-.639	.526	.890	1.124
	InitailAssigmnt	.063	.138	.042	.459	.648	.899	1.112
	AuditComCaract	.005	.005	.096	.966	.339	.747	1.339

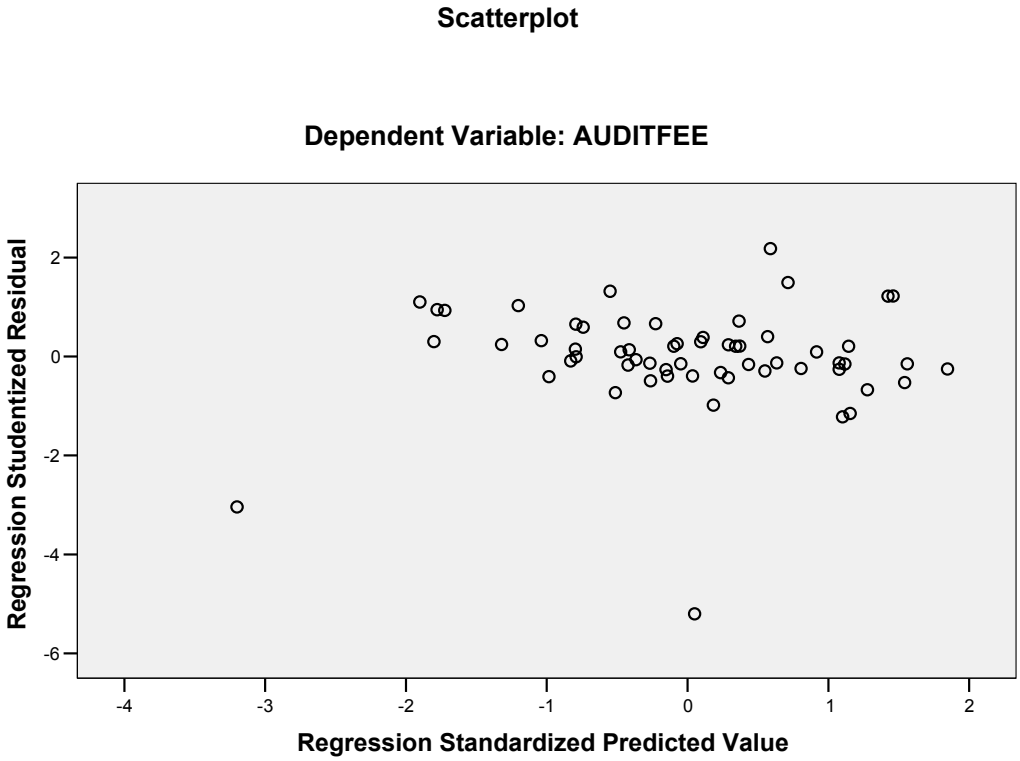
a. Dependent Variable: AuditFee

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Esti-mate	Durbin-Watson
1	.791[a]	.625	.567	.39194	2.526

a. Predictors: (Constant), AuditComCharct, InitialAssgmnt, Spesialization, SQRTDR, SQRTAC, ClientSize, Financial-Cond, PAOSize

b. Dependent Variable: AuditFee



Normality

One-Sample Kolmogorov-Smirnov Test

	AuditFee	ClientSize	FinanialCond	Audit-comChar-act	SqrtAC	SqrtDR
Kolmogorov-Smirnov Z	1.129	.408	1.340	.936	.841	1.192
Asymp. Sig. (2-tailed)	.157	.996	.055	.346	.479	.117

a Test distribution is Normal.
b Calculated from data.

REGRESSION TEST

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.791[a]	.625	.567	.39194

a. Predictors: (Constant), SQRTAC, Specialization, InitiaAssgmnt, PAOsize, SQRTDR, FinanCond, AuditCom Charc, ClientSize

ANOVA[b]

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.084	8	1.636	10.647	.000[a]
	Residual	7.835	51	.154		
	Total	20.919	59			

a. Predictors: (Constant), SQRTAC, Specialization,InitialAssgmnt, PAOSize, SQRTDR, FinCond, AuditComCharc, ClientSize

b. Dependent Variable: AuditFee

Coefficients[a]

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.821	.820		5.881	.000
	ClientSize	.288	.065	.455	4.417	.000
	PAOsize	.281	.130	.231	2.157	.036
	FinancialCond	-.053	.663	-.008	-.079	.937
	Specialization	-.070	.110	-.058	-.639	.526
	InitialAssgmnt	.063	.138	.042	.459	.648
	AuditComCharac	.005	.005	.096	.966	.339
	SQRTDR	.104	.305	.031	.341	.735
	SQRTAC	.176	.040	.418	4.396	.000

a. Dependent Variable: AuditFee