

CHAPTER IV

RESULT AND DISCUSSION

A. Research's Object/Subject Description

This research uses all companies listed in Bursa Efek Indonesia (BEI) and Pefindo in 2013-2017 as the sample. The samples consist of 85 companies. All of the companies fit the criteria through the used purposive sampling technique.

The procedure in selecting the sample is presented in Table 4.1 below:

Table 4.1
Sample Selection Procedure

No	Description	2013	2014	2015	2016	2017
1	Companies listed in Indonesia Stock Exchange (IDX)	486	509	525	531	551
2	Delisting company in Indonesia Stock Exchange	7	1	3	0	2
3	Credit rating of company did not list and did not published in Pefindo	393	388	420	420	429
4	Companies didn't publish audited annual report for the ended year 31 December in the observation period	54	50	54	54	56
5	Companies that did not disclose variables comprehensively	11	49	27	36	43
	Total of Sample	21	21	21	21	21

Based on table 4.1, there is 21 companies with range of time 2013-2017 (5 years).

Thus, the total sample of this research is 105.

B. Instrument and Data Testing

1. Descriptive Statistics

Table 4.2

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Audit Fee	105	18.22	24.72	21.4869	1.16183
Existence of Independent Commissioners	105	.25	.63	.3987	.07852
Size of Board of Commissioner	105	2	8	5.39	1.596
Size of Board Commissioner's meeting	105	2	35	8.43	5.969
Size of Audit Committee	105	3	6	3.48	.856
Audit Expertise	105	0	1	.37	.200
Business Complexity	105	0	117	24.00	30.558
Business Risk	105	0	1	.98	.137
Firm Size	105	24	35	30.49	1.715
Valid N (listwise)	105				

Table 4.2 shows the sample of this research is 105 samples. Corporate Governance Structure's variable are divided into 5, these are existence of independent commissioners, size of board of commissioners, proportion meeting of board of commissioners, size of audit committee and audit expertise in audit committee. Existence of independent commissioner's variable has minimum value 0.25, maximum value is 0.63, mean of sample is 0.3987 and standard of deviation is 0.7852. Size of board of commissioner's variable has minimum value 2, maximum value is 8, mean of sample is 5.39, and standard of deviation is 1.596. Size of board of commissioner's meeting variable has minimum value 2, maximum value is 35, mean of sample is 8.43 and standard of deviation is 5.969. Size of Audit Committee's variable has minimum value 3, maximum value is 6, mean of sample is 3.48 and standard of deviation is 0.856. Audit expertise in audit committee's variable has minimum value 0, maximum value is 1, mean of sample is 0.37 and standard of deviation is 0.200. Business complexity's variable that is computed by number of company's subsidiaries has minimum value 0,

maximum value is 117, mean of sample is 24.00 and standard of deviation is 30.558. Business risk's variable has minimum value 0, maximum value is 1, mean of sample is 0.98 and standard of deviation is 0.137. For control variable, firm size has minimum value 24, maximum value 35, mean 30.49, and standard of deviation 1.715.

Dependent variable of this research is audit fee. Audit fee has minimum value 18.22, maximum value is 24.72, mean of sample is 21.4869 and standard of deviation is 1.16183. From this research, can be concluded that companies has average 39% of existence of independent commissioner, average of board of commissioners in companies is 5 persons, proportion of meeting of board commissioners has average 8 meetings in companies, size of audit committee in companies has average 3 persons, average audit committee who has expertise in accounting in companies is only 37%, business complexity can be seen in number of subsidiaries and average number of subsidiaries is 24, business risk is showed by credit rating and average value of this rating is 0.98.

2. Classical Assumption Test

The classical assumption tests used in this research are Normality Test, Autocorrelation Test, Heteroskedastisity Test, and Multicollinearity Test.

a. Normality Test

Normality test is used for determining the collected data whether it is distributed normally or taken from normal population. Classical method used in this test is Kolmogorov-Smirnov (K-S) Test. The result of Kolmogorov-Smirnov (K-S) Test can be seen from Table 4.2

Table 4.3
Normality Test

		Unstandardized Residual
N		105
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.04247079
Most Extreme Differences	Absolute	.096
	Positive	.096
	Negative	-.062
Kolmogorov-Smirnov Z		.982
Asymp. Sig. (2-tailed)		.290

a. Test distribution is Normal.

b. Calculated from data.

Data is normal when significance value of komogorov-smirnov is more than 0.05. From table 4.2, data has asymp. sig (2-tailed) 0.290, which is more than alpha (0.05). Thus, the data is distributed normally. Based on that test, can be concluded that data fulfill the normality assumption.

b. Multicollinearity Test

Test is used to test whether there is correlation between independent variable in regression model. A good regression model is when there is no multicollinearity between independent variable. Multicollinearity test is done by looking at Variance Inflation Factors (VIF) and Tolerance. Result of this test can be seen in table 4.3

Table 4.4
Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
Existence of Independent Commissioners	.841	1.190
Size of Board of Commissioner	.846	1.181

Size of Board of Commissioner's Meeting	.853	1.173
Size of Audit Committee	.722	1.385
Audit Expertise	.845	1.183
Business Complexity	.709	1.411
Business Risk	.920	1.087
Firm Size	.853	1.172

Existence of independent commissioners has tolerance 0.841 and VIF 1.190, size of board of commissioners has tolerance 0.846 and VIF 1.181, size of board of commissioner's meeting has tolerance 0.853 and VIF 1.173, size of audit committee has tolerance 0.722 and VIF 1.385, audit expertise in audit committee has tolerance 0.845 and VIF 1.183, business complexity has tolerance 0.709 and VIF 1.411, business risk has tolerance 0.920 and VIF 1.087, and firm size has tolerance 0.853 and VIF 1.172. Requirement to pass multicollinearity test are tolerance should be more than 0.1 and VIF should be less than 10. In this data, all variable have tolerance > 0.1 and VIF < 10 . From this test, can be concluded that data has no multicollinearity or there is no correlation between independent variables in this regression model.

C. Heteroskedastisity Test

Heteroskedastisity is used to examine whether there is variance and residual in regression model from one observation to another observation. A good regression model is when there is no heteroskedastisitas. This test is done by using Glejser Test method. Result of this test can be seen in table 4.5

Table 4.5

Heteroskedastisity Test

Model	Coefficients ^a				T	Sig.
	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta			
(Constant)	.294	.168		1.745	.084	
Existence of Independent Commissioners	-.030	.017	-.185	-1.793	.076	
Size of Board of Commissioner	-.008	.007	-.115	-1.118	.267	
Size of Board of Commissioner's Meeting	-.008	.004	-.182	-1.774	.079	
Size of Audit Committee	.029	.016	.203	1.824	.071	
Audit Expertise	-.012	.017	-.069	-.670	.504	
Business Complexity	.005	.006	.092	.817	.416	
Business Risk	.033	.026	.126	1.276	.205	
Firm Size	-.095	.049	-.199	-1.938	.056	

a. Dependent Variable: ABS_RES

Data is free from heteroskedastisity when significance value is greater than 0.05. Based on table 4.4, sig value for existence of independent commissioners is 0.076, sig value for size of board commissioners is 0.267, sig value for size of board commissioners meeting is 0.079, sig value for size of audit committee is 0.071, sig value for audit expertise in audit committee is 0.504, sig value for business complexity is 0.416, and sig value for business risk is 0.205. From that result, indicate that there is no heteroskedastisity in this regression model since all of sig value are greater than 0.05.

D. Autocorrelation Test

Autocorrelation test is used to find out the classical autocorrelation deviation, that is the correlation between two residuals on an observation with another observation in regression model. The used testing method is Durbin Watson Test (D-W Test). Result of the autocorrelation test can be seen from Table 4.6

Table 4.6
Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.609 ^a	.371	.318	.04420	1.963

There is no autocorrelation when $DU < DW < 4-DU$. Based on Durbin Watson table for 105 samples, DU is 1.8483. Then, it makes 4-DU is 2.1517. From table 4.6, Durbin Watson value is 1.963. This model has no autocorrelation because $1.8483 < 1.963 < 2.1517$.

1. Result of Research

Independent variables in this research are more than one, thus in this research use Multiple Regression. Multiple regression model is chosen to test the hypotheses in this research. This analysis is used to determine the relation between audit fee and independent variables from hypotheses 1 until hypotheses 7.

1. Coefficient Determination Test

Determination coefficient is declared in adjusted R^2 . It functions to measure how far the model is able to elucidate the variation of independent variable. The influence of independent variable can be seen on the value of Adjusted R Square. The result of coefficient determination test is presented in Table 4.7:

Table 4.7
Coefficient Determination Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.609 ^a	.371	.318	.04420

From table 4.7, adjusted R square value is 0.318. It implies that 31.8% of dependent variable can be clarified by the independent variables and the other 68.2% is explained by other factors out of the research.

2. F Value Test

F Value Test examined whether all the independent variables could influence dependent variable in ANOVA Table. Result of this test is can be seen in table 4.8

Table 4.8

F Value Test						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.111	8	.014	7.069	.000 ^b
	Residual	.188	96	.002		
	Total	.298	104			

Independent variables together influence dependent variable when sig value of this test is less than 0.05. Based on table 4.8, sig value is 0.00 ($0.00 < 0.05$). Thus, it can be concluded that the independent variables are together influence dependent variable.

3. T-Test (Partial Regression Coefficient Test)

t –Value Test examined how big one independent variable can explain dependent variable. Testing is done by compare t-compute with t-table with significance 0.05 (5%)

Table 4.9
T-Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.506	.276		9.068	.000
Existence of Independent Commissioners	-.061	.028	-.194	-2.202	.030
Size of Board of Commissioner	.022	.011	.175	1.990	.049
Size of Board of Commissioner Meeting	-.017	.007	-.212	-2.416	.018
Size of Audit Committee	-.053	.026	-.192	-2.020	.046
Audit Expertise	-.010	.028	-.030	-.341	.734
Business Complexity	.021	.010	.200	2.082	.040
Business Risk	-.013	.042	-.026	-.308	.759
Firm Size	.161	.081	.175	1.997	.049

T-Test result can be seen from sig value and direction of t value. For first hypotheses, existence of independent commissioners has sig value 0.030 and t value -2.202. It indicates that there is significant influence (sig value < 0.05) between existence of independent and audit fee, then the direction is negative relation. Thus, the first hypotheses is accepted.

For second hypotheses, size of board of commissioners has sig value 0.049 and t value 1.990. It indicates that there is significant influence (sig value < 0.05) between size of board of commissioners and audit fee, and then the direction is positive relation. Thus, the second hypotheses is accepted.

For third hypotheses, size of board of commissioner meeting has sig value 0.018 and t value -0.212. It indicates that there is no significant influence (sig value <

0.05) between proportion meeting of board of commissioner and audit fee, and then the direction is negative relation. Thus, the third hypothesis is accepted.

For fourth hypotheses, size of audit committee has sig value 0.046 and t value -2.020. It indicates that there is significant influence (sig value < 0.05) between size of audit committee and audit fee, and then the direction is negative relation. Thus, the fourth hypotheses is accepted.

For fifth hypotheses, audit expertise in audit committee has sig value 0.734 and t value -0.341. It indicates that there is no significant influence (sig value > 0.05) between audit committee expertise and audit fee, and then the direction is negative relation. Thus, the fifth hypotheses is rejected.

For sixth hypotheses, business complexity has sig value 0.040 and t value 2.082. It indicates that there is significant influence (sig value < 0.05) between business complexity and audit fee, and then the direction is positive relation. Thus, the sixth hypotheses is accepted.

For seventh hypotheses, business risk has sig value 0.759 and t value -0.308. It indicates that there is no significant influence (sig value < 0.05) between business risk and audit fee, and then the direction is negative relation. Thus, the seventh hypotheses is rejected

For the control variable, firm size has sig value 0.049 and t value 1.997. It indicates that there is significance influence between firm size and audit fee with positive direction. Based on table 4.9, there is regression equation as follow:

$$Y = 2.506 - 0.61 \text{ BoardInd} + 0.022 \text{ BoardSize} - 0.017 \text{ BoardMeet} - 0.053 \text{ ACSize} - 0.010 \text{ ACExpert} + 0.021 \text{ Sub} - 0.013 \text{ Brisk} + 0.161 \text{ LNAsset}$$

Table 4.10

Hypotheses Testing Summary

Code	Hypotheses	Result
H ₁	Proportion of independent commissioners negatively effect on audit fee.	Accepted
H ₂	Size of board of commissioners positively effect on audit fee	Accepted
H ₃	Size of board of commissioner meeting negatively effect on audit fee	Accepted
H ₄	Audit committee size negatively effect on audit fee	Accepted
H ₅	Audit committee expertise negatively effect on audit fee	Rejected
H ₆	Business complexity positively effect on audit fee	Accepted
H ₇	Business risk positively effect on audit fee	Rejected

2. Discussion and Interpretation

This research aims to verify the effect of proportion of independent commissioners, size of board of commissioners, proportion meeting of board of commissioner, audit committee, audit committee expertise, business complexity, and business risk towards audit fee. From the result of hypotheses testing, it can be concluded that 5 independent variables and control variable significantly affect the dependent variable whereas the other independent variables (audit committee expertise and business risk) do not affect dependent variable.

1. First Hypothesis

The first hypotheses is proportion of independent commissioners negatively effect on audit fee. The result of this research shows that proportion of independent

commissioners negatively effect on audit fee. It is indicate that the higher of total independent commissioner the lower the audit fee is. The first hypotheses is accepted.

Independent commissioners that is separated with management has a duty to control the performance of management, include control financial reporting . When there is control from independent commissioner, affected for good quality of financial reporting, auditor will eliminate risk estimation and it might lead to decreasing audit fee (Chandra, 2016).

By existance of independent commissioners, problem that might (asymmetry information and conflict of interest) arise because of agency theory, could be eliminated. This result is consistent with research that undertaken by Carcello et al (2006).

2. Second Hypotheses

The second hypotheses of this research is size of board of commissioners positively effect on audit fee. Result of this research is size of board of commissioners positively effect on audit fee, the hypotheses is accepted. This result implies that the higher the number of board of commissioners, the higher the audit fee is. The second hypotheses is accepted.

The large amount of board of commissioners causing ineffective of internal control. With this ineffective, the quality of financial report decreasing and auditor need longer time to do audit because of that additional work (financial report) and it could leads to increasing of audit fee (Hazmi and Sudarno, 2013). This result is consistent with research that undertaken by Hazmi and Sudarno (2013) and Carcello (2006).

3. Third Hypotheses

The third hypotheses of this research is proportion meeting of board of commissioner

meeting negatively effect on audit fee. Result of this research is proportion meeting of board of commissioner meeting negatively effect on audit fee. Thus, the third hypotheses is accepted. The higher size of board of commissioner meeting, the lower the audit fee is.

Board of commissioners separated from the management has duties to oversee management performance, including overseeing financial reporting. With the high intensity of the board of commissioner meeting, it shows that the corporate governance function in the company has been going well so this will reduce the risk assessment by the external auditor which will also affect the declining of audit fee (Chandra, 2016).

This result is consistent with Chandra (2016) research, the higher the intensity of board of commissioner meeting, the higher controlling and overseeing financial report. Auditors reduce the risk assessment and it leads to mitigating of audit fee.

4. Fourth Hypotheses

The fourth hypotheses of this research is audit committee size negatively effect on audit fee. The result of this research is audit committee size negatively effect on audit fee. It means that the higher number of audit committee, the lower the audit fee. The fourth hypotheses is accepted.

The existance of audit committee has a role to overview the financial reporting and by audit committe the credibility of financial reporting is increasing. With good quality of financial reporting, could make auditor has lesser assessment of audit. This will lead to eliminating of audit fee because of workload that decreasing (Blue, 1999).

This result is supported by regulation Ministerial Decree BUMN Number KEP-103/MBU/2002 that is stated each company should has audit committee as an internal control to provide good quality of financial report. Besides, this result is consistent with

research from Goodwin and Kent (2006) which examine companies listed in Australia Stock Exchange. The result indicate that there is negative relation between audit committee and audit fee.

5. Fifth Hypotheses

The fifth hypotheses of this research is audit committee expertise negatively effect on audit fee. The result shows that the expertise of audit committee does not affected audit fee. Thus the fifth hypotheses is rejected.

It might be happened because all problem that arises in financial report can not be covered by expertise of audit committee. Measurement used in this research is expertise of audit committe with qualification of accounting background. However, in the fieldwork, problems that arises not only stated in textbook, it tooks experiences by dealing with problems out of textbook. It can be a suggestion for future research to use other measurement.

This result is consistent with Abbot et al (2003) and Yusuf (2017). Yusuf (2017) stated that manufacturing companies listed in Malaysia which the expertise of audit committee does not affected on audit fee.

6. Sixth Hypotheses

The sixth hypotheses of this research is business complexity positively effect on audit fee. The result of this research is business complexity positively effect on audit fee. It is indicate that the higher business complexity of company, the higher audit fee is. The sixth hypotheses is accepted.

Number of subsidiaries represents complexity of audit assessment, that is indicate the measurement of complexity transaction of company (Widiasari, 2009). When there is

subsidiaries, client obliges to make consolidated financial statement and it is adding complexity for auditor to audit the client. Besides, auditor needs longer time to do audit. Thus, it will increase audit fee. This result is consistent with researches that undertaken by Chandra (2016) and Xu (2011).

7. Seventh Hypotheses

The seventh hypotheses of this research is business risk positively effect on audit fee. The result of this research is business risk does not affected on audit fee. This seventh hypotheses is rejected.

In investing, a company certainly needs a source of capital. For get the source of capital can be obtained from their own capital or borrow funds from outside parties. The main purpose of debt companies is to increase the company's operational activities which will lead to increased corporate profits. The company's high debt reflects the company's large risk due to the possibility of the company not being able to pay its debts (Chandra, 2016)

The measurement of company risk in this study uses a credit rating. It is possible that the credit rating in this measurement does not reflect the actual risk. Jubb (1996) states that it is difficult to measure risk objectively because there is no single proxy to adequately assess risk. Therefore, just using the credit rating as a determinant of the size of the external audit fee is not enough. Therefore, the next research can consider other measurements such as the company's leverage or using other source of credit rating. The results of this study are consistent with research conducted by Fachriyah (2011).

8. Control Variable

The results showed that the size of the company had a positive effect on the audit

fee, meaning that auditors who audit larger companies will receive an audit fee that is greater than the size of the smaller company. This is because the size of the company can affect the length of the audit process. Large companies make auditors need more time and resources to examine the operations of client companies, related transactions in the client's company. Besides, large company sizes can also make more substantive checks (Fachriyah, 2011). This result is consistent with research that is undertaken by Siskawati (2017).