

## CHAPTER V

### CONCLUSION AND SUGGESTION

#### A. Conclusion

This research is examining the effect of corporate governance structure, business complexity, and business risk towards audit fee. The sample used is all companies on 2013-2017. Independent variable in this research is existence of independent commissioners that is measured with percentage of independent commissioners; size of board of commissioners that is measured with total number of board of commissioners; size of board of commissioners meeting that is measured with total meeting of board of commissioners; audit committee that is measured with total number of audit committee; audit expertise in audit committee that is measured with percentage of audit committee who has accounting background; business complexity that is measured with number of subsidiaries; and business risk that is measured with credit rating of companies listed in Pefindo. The dependent variable is audit fee that is measured by amount of audit fee (Ln fee). The control variable is firm size that is measured by total assets (Ln Asset).

The implication of this research is as a suggestion for the government when make new regulation about auditing. Result shows that business risk is not influence the audit fee. It is contradictory with the regulation of new International Standard of Auditing that is Risk Based Auditing. It is as a new insight for government that Inonesian company is not fully adopted the International Standard of Auditing.

The result of this research shows that:

1. Existence of independent commissioners negatively effect on audit fee. It means that the higher existence of independent commissioner, the lower audit fee is. It is because independent commissioner does not has affiliation and interest in

company, then independent commissioner could oversee the company's performance and quality of financial report. Auditor could mitigate the workload and it leads to lowering of audit fee.

2. Size of board of commissioners positively effect on audit fee. Companies with large boards of commissioners will have a high demand for internal control and are required to have high audit quality from external auditors, resulting in large fees. The higher size of the board of commissioners then the company will pay a higher fee because the auditor will be required to have a good audit quality and takes a longer time
3. Proportion meeting of board of commissioner meeting negatively effect on audit fee. The high intensity of meetings conducted by the board of commissioners, the audit fee paid will be low. This is because the high proportion of meetings will increase the board of commissioner's persistence, the effectiveness of the board of commissioners and the benefits with shareholders so as to enhance the supervision of financial statements that will reduce the auditor's responsibility.
4. Audit committee size negatively effect on audit fee. The larger number of audit committees will increase the credibility of the company's financial statements. With good financial reporting quality is expected to reduce the workload that must be done by external auditors and result in low audit fees.
5. Audit committee expertise does not affect on audit fee. 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 committee 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.

6. Business complexity positively effect on audit fee. When there is subsidiaries, client oblige to make consolidated financial satetement and it is adding complexity for auditor to audit the client. Besides, auditor needs longer time to do audit. Thus, it will increasing audit fee.
7. Business risk does not affect on audit fee. 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. Then, 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
8. Control variable of this research is firm size. Result shows that firm size positively effect on audit fee. This is because of the size of the company can affect the length of the audit process. Big company making the auditor need more time and resources to examine the operations of client companies, related to transactions within the company client.

## **B. Suggestions**

There are several suggestions that can be given for the researcher in the future:

1. Add research variable, such as ownership structure and internal audit as independet variables.
2. Use other measurement of business risk variable, it can use leverage as a proxy of business risk variable.
3. Make comparation with other countries which has same regulation about determination of audit fee.

4. Add up the research period.

### **C. Limitation**

There are several limitations of this research:

1. Total sample of this research is only 105 in the range of time 2013-2017.
2. This research only examining the amount of audit fee, not comprehensively relating to audit quality.
3. This research use credit rating in Pefindo as a measurement of business risk.
4. Control variable of this research only using firm size.