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Determinants of audit fees: auditor status, risk, report lag, and ownership structure

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Abstrak

Tujuan – Penelitian ini bertujuan menganalisis faktor-faktor yang memengaruhi biaya audit pada perusahaan sektor keuangan yang terdaftar di Bursa Efek Indonesia (BEI), dengan variabel yang diuji meliputi status kantor akuntan publik (KAP), risiko perusahaan, audit report lag, dan tipe kepemilikan perusahaan.

Metode – Data sekunder diperoleh dengan metode purposive sampling pada perusahaan sektor keuangan periode 2021–2023. Analisis data menggunakan multiple linear regression.

Temuan - Hasil penelitian menunjukkan bahwa seluruh variabel independen—status KAP, risiko perusahaan, audit report lag, dan tipe kepemilikan perusahaan—berpengaruh positif dan signifikan terhadap biaya audit.

Implikasi - Temuan ini memberikan kontribusi bagi auditor, regulator, dan pemangku kepentingan dalam memahami determinan biaya audit, serta menegaskan pentingnya audit berkualitas untuk menjaga transparansi dan akuntabilitas keuangan perusahaan.

Kebaharuan - Penelitian ini memberikan kontribusi baru dengan menyoroti peran tipe kepemilikan perusahaan sebagai faktor yang belum banyak diteliti secara spesifik di sektor keuangan di Indonesia.

Abstract

Purpose – This study aims to analyze the factors influencing audit fees in financial sector companies listed on the Indonesia Stock Exchange (IDX). The variables examined include audit firm status, company risk, audit report lag, and type of ownership.

Methods – Secondary data were collected using a purposive sampling method from financial sector companies during the 2021–2023 period, resulting in 201 firm-year observations. The data were analyzed using multiple linear regression.

Findings - The results indicate that all independent variables—audit firm status, company risk, audit report lag, and type of ownership—have a positive influence on audit fees.

Implications - The findings contribute to auditors, regulators, and stakeholders by providing insights into the determinants of audit fees and emphasizing the importance of high-quality audits in maintaining financial transparency and accountability.

Originality - This research offers novelty by highlights the role of ownership type, a variable that has received limited attention in prior studies, particularly within the context of Indonesia's financial sector.

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INTRODUCTION

The field of accounting plays a significant role in influencing a company's decision-making process. Companies compete to present their financial information, which is typically displayed in the form of financial statements. Financial statements serve as a primary source of information regarding a company's operations and financial position. This information is essential for various stakeholders, including the government, the public, creditors, and investors (Priyanto & Bandiyono, 2024).

However, for financial statements to function optimally, they must comply with certain standards. According to the Indonesian Accounting Association (Ikatan Akuntansi Indonesia, IAI), the characteristics of good and proper financial statements require fulfillment of four key attributes: relevance, understandability, reliability, and comparability. To ensure the presentation of high-quality financial statements and to prevent misstatements, an independent third party—an auditor—is required to audit the financial statements prepared by the company's management. The quality of audited financial information is crucial not only for individuals but also for organizations, governments, and regulators (Ozegbe & Jeroh, 2022). Audit quality refers to the accuracy and compliance of the information provided by the auditor with applicable auditing standards. Audit quality is a critical factor in ensuring the honesty and reliability of a company's financial statements (Hidayati & Djamil, 2024).

One notable case that highlights the critical role of auditing in ensuring financial reporting transparency is the case involving PT Indofarma Tbk (INAF). The company became entangled in allegations of irregularities that resulted in state financial losses spanning from 2020 to 2022. In 2023, based on the audit findings of the Audit Board of the Republic of Indonesia (BPK), indications of fraud were discovered within PT Indofarma Tbk. The company had entrusted an external party, the Public Accounting Firm (KAP) Hendrawinata Hanny Erwin & Sumargo, operating under the Kreston HHES accounting firm, to audit its financial statements. However, due to issues attributed to the accounting firm itself, there was a delay in the issuance of the audit opinion to the Indonesia Stock Exchange (IDX). As a result, PT Indofarma only submitted its 2023 financial statements on June 28, 2024. The repercussions of this delay and the discrepancies in the financial statements were not only borne by PT Indofarma but also had broader implications for the capital market. In response to the situation, the IDX took firm action by temporarily suspending trading activities for nine listed companies and two listed securities on both the regular and cash markets. This incident underscores the vital importance of high-quality audits in maintaining market confidence and preventing negative ripple effects across the financial sector.

One of the key dimensions in determining the quality of audit services is reliability, which refers to the auditor's ability to deliver audit services in accordance with the promised standards. Reliability in auditing is often influenced by the amount of audit fees paid by the client to the auditor. Higher audit fees may indicate that a company is allocating sufficient resources to thoroughly examine its financial statements, thereby potentially enhancing the quality of the audit. Conversely, lower audit fees may raise concerns regarding the adequacy of audit efforts (Susilawati et al., 2023).

In addition to reliability, another factor that influences audit fees is the audit firm status or the size of the Public Accounting Firm (PAF), which refers to whether the firm is licensed and operates in accordance with prevailing regulations in the professional services sector. Companies often compare the services of two categories of audit firms: Big Four and non-Big Four (Tat & Murdiawati, 2020). The size of the audit firm plays a significant role in determining the audit fee that a company is willing to pay. Auditors affiliated with the Big Four Public Accounting Firms are considered more capable of detecting errors and fraud in a company's financial reports and are in line with applicable laws and regulations. As a result, companies tend to incur higher audit fees when engaging Big Four auditors (Manik, 2019).

In addition to audit firm status, company risk also plays an important role in determining the audit fees incurred. Company risk refers to a condition in which a company's performance falls below expectations due to certain circumstances. The higher the level of risk associated with a company, the greater the audit fee it must bear, which may also affect the quality of the audit provided by the auditor (Virginia et al., 2024). According to Komang & Krisnadewi (2024) company risk can influence audit fees because higher-risk engagements typically require longer audit processes. As a result, companies are required to allocate more financial resources to cover the extended audit procedures.

An increasing number of risks in financial statements can lead to longer audit completion times, a phenomenon commonly referred to as audit report lag (Neyza & Susilowati, 2024). Delays in the issuance of financial reports may negatively impact a company's ability to attract investment, as timely and reliable financial information is crucial for investor decision-making. According to the Capital Market Supervisory Agency (Bapepam) regulation No. X.K.2, KEP-36/PMK/2003, companies are required to submit their financial statements to Bapepam within a maximum of 90 days after the end of the reporting period. The presence of an independent auditor plays a critical role in mitigating audit report lag by ensuring that audits are conducted efficiently and within the regulatory timeframe, thereby supporting transparency and investor confidence.

Another factor that influences the amount of audit fees paid by a company to a Public Accounting Firm (PAF), according to (Sinaga & Rachmawati, 2018), is the type of company ownership. Ownership structure can significantly determine the level of audit fees incurred. In their study, the types of ownership examined include state-owned enterprises (BUMN) and privately owned enterprises (BUMS). BUMS, which are owned and supervised by the government, typically pay lower audit fees due to governmental regulations and policies that govern the cost of audit services for entities under state ownership.

This study differs from previous research by incorporating the variable of company ownership type, which has rarely been addressed in earlier studies. The focus of this research is on financial sector companies listed on the Indonesia Stock Exchange (IDX), comprising four main subsectors: banking, securities companies, insurance, and financing institutions. The selection of the financial sector as the research object is based on its crucial role as a provider of capital for the economy. Moreover, this sector is subject to stricter regulations compared to other sectors, necessitating closer oversight due to its direct involvement with public funds, which in turn requires a higher level of accountability.

This study is expected to complement previous literature, which predominantly examines general factors affecting audit fees, by offering a new perspective on the impact of company ownership type on audit fee determination. This research contributes to the literature by highlighting the role of ownership type, a variable rarely examined in prior studies, particularly within the financial sector. Practically, the results may serve as a reference for regulators, corporate governance bodies, and audit professionals in formulating policies related to auditor selection, audit fee negotiation, and audit quality assurance.

Agency theory explains the relationship between two parties: the owners (principals) and management (agents). Management refers to individuals who are employed and entrusted with the responsibility of maximizing profitability on behalf of the owners, or principals. Managers carry out their duties in exchange for compensation, as outlined in a mutually agreed contract between both parties (Sinaga & Rachmawati, 2018). In essence, agency theory underscores the role of the independent auditor as a bridge between the principal and the agent in overseeing and ensuring the reliability of the company's financial reporting. This theory also implies that the greater the trust principals place in independent auditors to monitor the company's financial management, the greater the auditors' responsibility to perform their duties with integrity, professionalism, and due diligence.

Compliance theory is used in this study because it relates to compliance in timely audited financial reporting of companies. Law No. 8 of 1995 addresses the capital market and is further regulated by the Capital Market and Financial Institution Supervisory Agency (Bapepam-LK) through the Chairman's Decree No. KEP-36/PM/2003, which mandates the periodic submission of financial statements. This theory is closely related to the variables of audit report lag and company risk, as timely submission of financial statements can help reduce audit service costs. Furthermore, companies that comply with timely reporting requirements are considered to have met the quality and standards set by regulations, without the need to implement excessively stringent internal control systems.

Audit fee refers to the amount of money that must be paid to auditors or public accounting firms for the services provided, which includes examining revenues and financial statements for the Public Accounting Firm (PAF) based on the scope and complexity of the audit and the reputation of the PAF in society, among investors, or the government. Audit fees become a complex issue because external auditors are paid by the company or business entity for the services rendered, which include conducting audits, yet external auditors must maintain their independence when providing audit opinions (Sinaga & Rachmawati, 2018).

According to the Indonesian Institute of Certified Public Accountants (IAPI) in its regulation No. 2 of 2016 concerning the determination of audit service fees for financial statement audits, Article 1 explains that audit fees are the compensation received by accountants from client entities in exchange for the services rendered. IAPI further states that audit fees that are set too low can raise doubts about the competence and ability of auditors to perform their work in accordance with technical and professional standards. Audit fees may also create personal threats that could lead to non-compliance with the professional code of ethics for public accountants. Therefore, the audit fees paid to auditors for the quality of work produced must be appropriate and proportional to what has been agreed upon. Audit fees become highly variable depending on the scale of the audit assignment given.

A Public Accountant refers to individuals who possess expertise and competence in accounting and have completed education to become accountants, granting them the right to receive a designation in accordance with established regulations (KMK No. 423/KMK.06/2002). A Public Accounting Firm (PAF) is an organization that has obtained a license from the Ministry of Finance, providing a platform for public accountants to offer their services. According to Article 1, Paragraph 5 of Law No. 5 of 2011, a KAP is defined as an organization that is licensed under applicable regulations and operates in the professional services sector of public accounting practice. From this explanation, it can be concluded that a Public Accounting Firm provides a venue for experienced public accountants to deliver their services, with a higher level of responsibility in conducting audits for companies.

According Yulianti et al. (2019) states that the size of the Public Accounting Firm used by companies can be classified into two groups: firms affiliated with the Big Four and those not affiliated with the Big Four (non-Big Four). The audit firm status or size of the PAF plays a significant role in assessing the quality of audit services provided in financial reporting. The larger the PAF, the higher the quality of the audit it is likely to produce. As a result, large companies typically prefer to engage Big Four firms for their financial audits. However, it is also possible for large companies to opt for non-Big Four firms to carry out their financial audits.

Many companies choose Public Accounting Firms (PAFs) affiliated internationally, known as the Big Four, because they are considered to have greater experience and professionalism, are more thorough in detecting financial statement issues, and produce higher-quality financial reports compared to non-Big Four firms (Sinaga & Rachmawati, 2018). Based on this, the audit firm status or size can influence the amount of fees that companies pay to independent auditors. Studies by Tat & Murdiawati (2020), Siregar et al., (2020) and Sinaga & Rachmawati (2018), show that audit firm status or size has a positive effect on audit fees. Drawing from these previous studies, this research aims to examine whether audit firm status or size affects audit fees in companies operating in the financial sector. Thus, the hypothesis in this study is as follows:

H_1: Audit Firm Status has a positive effect on audit fees

Risk refers to the potential occurrence of events that could negatively impact a business entity, making it essential to implement management strategies to minimize the risks that may arise within the company (NISP, 2021). According to Salim (2020) business risk can occur due to uncertainties caused by natural events or human behavior. Corporate risk can also have significant consequences for the continuity of a company's operations (Ma'ruf, 2025). Yulianti et al., (2019) state that within corporate risk, there is the possibility of performance deterioration due to certain circumstances that prevent the company from achieving expected outcomes. According to Accurate, business risk involves actions associated with the likelihood of unexpected and unpredictable losses, which can emerge due to various factors, including management issues, company systems, and ineffective strategies.

In this study, company risk is measured using the debt-to-equity ratio (DER), which indicates the company's ability to repay its debts through the assets it owns. An increase in the debt-to-equity ratio signifies that the company has higher debt obligations, meaning it faces greater difficulty obtaining financing from creditors or investors. Conversely, a low debt-to-equity ratio indicates lower debt obligations, making it easier for the company to secure funding from various investors. Fisabilillah et al., (2020) state that higher company risk influences the amount of audit fees paid because independent auditors require more time and enhanced capabilities to conduct their audit work thoroughly. Similarly, Sanusi & Purwanto (2017) found that company risk has a positive effect on audit fees. Therefore, the hypothesis in this study is as follows:

H_2: Company risk has a positive effect on audit fees

Audit report lag or audit delay refers to the timeliness of the information or data provided, which influences public assessment of the audit conducted and impacts the management's decisions to be published (Pertiwi, 2019). Internal causes of audit report lag include the lack of oversight by investors or company owners (Pemayun & Astika, 2021). External causes arise from the quality of the Public Accounting Firm (PAF), where the quality is often assessed based on how long the firm has been in operation. Companies need to consider the time required for auditors to complete their audit reports. If auditors take a longer time to finalize their audit reports, it will result in longer delays, and the financial statements will experience increased delays as well.

At the Indonesia Stock Exchange (BEI), many company financial statements audited by Public Accounting Firms (KAP) must meet certain obligations and criteria before being published (Pertiwi, 2019). Companies typically hire independent auditors from KAP to avoid errors that are prone to occur in financial reporting. Audit report lag is positively related to the risks associated with financial statements, as it refers to the time interval between the closing of the financial books and the publication of the audit report (Sinaga & Rachmawati, 2018). According to Sinaga & Rachmawati (2018), the greater and more complex the issues in the financial statements, the longer the audit report lag by external auditors, which in turn influences the amount of audit fees paid by the company. Research by Sanusi & Purwanto (2017) and Pertiwi (2019) also indicates that audit report lag, or the duration of the audit process, has a positive effect on audit fees paid.

H_3: Audit report lag has a positive effect on audit fees

Ownership type is classified into two categories: State-Owned Enterprises (BUMN) and Private-Owned Enterprises (BUMS). BUMN are government-owned companies, and all expenses incurred are funded by the government. A State-Owned Enterprise (SOE) refers to a business entity whose entire capital is sourced from the state or government. According to Law No. 19 of 2003 concerning SOEs, these enterprises are classified into three types: Persero companies, public companies, and open Persero companies. On the other hand, Private Enterprises (BUMS) are business entities in which the majority of the capital is controlled by private individuals or organizations, and they are profit-oriented. Therefore, BUMN typically prefer to be audited by non-big four Public Accounting Firms (KAP) because the audit costs borne by the government are lower compared to using big four KAP services (Sinaga & Rachmawati, 2018). In contrast, BUMS usually prefer big four KAPs to ensure that the financial reports produced satisfy their users, even though the audit fees incurred are higher than those charged by non-big four KAP. Research by Sinaga & Rachmawati (2018) states that ownership type has a positive effect on audit fees.

H_4: Ownership type has a positive effect on audit fees

METHOD

The population consists of financial sector companies listed on the IDX. Sample selection was conducted using purposive sampling with the criteria that companies must disclose the amount of audit fees paid for audit services, be listed in the financial sector, have complete annual reports, and have been audited by a Public Accounting Firm (KAP) during the 2021–2023 period. It was concluded that 67 out of 105 companies met these initial criteria. The sample selection criteria are detailed in Table 1.

Table 1. Sample Selection Criteria

Sample Criteria	Number
Financial Sector Companies Listed on IDX (2021 – 2023)	105
Companies Without The Required Data for The Study	-38
Selected Sample	67
Observation Data three years Period (2021 – 2023)	201

This study employs a quantitative approach utilizing secondary data. The data were obtained from financial reports of companies listed on the Indonesia Stock Exchange (IDX) for the period 2021–2023. Audit Firm Status is a dummy variable indicating whether the company is audited by a Big Four firm (coded 0) or a non-Big Four firm (coded 1). Company Risk is measured by the Debt-to-Equity Ratio (DER), calculated as total liabilities divided by total equity, where a higher ratio reflects greater financial risk. Audit Report Lag (ARL) is measured by the number of days between the date of the financial statements and the date of the audit report, with a longer lag indicating a slower audit process. Ownership Type is a dummy variable distinguishing state-owned enterprises (SOEs, coded 0) from privately-owned enterprises (POEs, coded 1). Finally, Audit Fee refers to the total amount paid by companies to public accounting firms for annual financial statement audit services, as disclosed in company annual reports. The measurement of each variable is presented in Table 2.

Table 2. Operational of the Variables

Variable	Indicator
Status Audit of Firm	Variable Dummy : 0 = Companies audited by a Big Four Firm 1 = Companies audited by a non-Big Four Firm
Company Risk	DER = $\frac{Total\ Liabilities}{Total\ Equity}$
Audit Report Lag	ARL = Audit Report Date – Financial Statement Date
Ownership Type	Variable Dummy : 0 = State-owned enterprises (SOEs) 1 = Privately-owned enterprises (POEs)

Figure 1 presents the conceptual framework of the study. This framework posits that the audit fee (Y) is determined by four explanatory variables: status audit of firm (X1), company risk (X2), audit report lag (X3), and ownership type (X4). The status audit of firm (X1) represents whether the audit engagement is conducted by a Big Four or a non-Big Four audit firm, which is expected to influence audit pricing due to differences in reputation, audit quality, and perceived credibility. Company risk (X2) captures the inherent and control risks associated with the client's operational and financial conditions; higher risk levels typically necessitate more extensive audit procedures, thereby increasing the audit fee. Audit report lag (X3), defined as the time elapsed between the fiscal year-end and the audit report date, serves as a proxy for audit complexity and workload, both of which can affect the magnitude of audit remuneration. Furthermore, ownership type (X4) distinguishes between state-owned and privately-owned entities, with the expectation that differences in governance mechanisms, regulatory oversight, and stakeholder demands may lead to variations in audit fee determination.

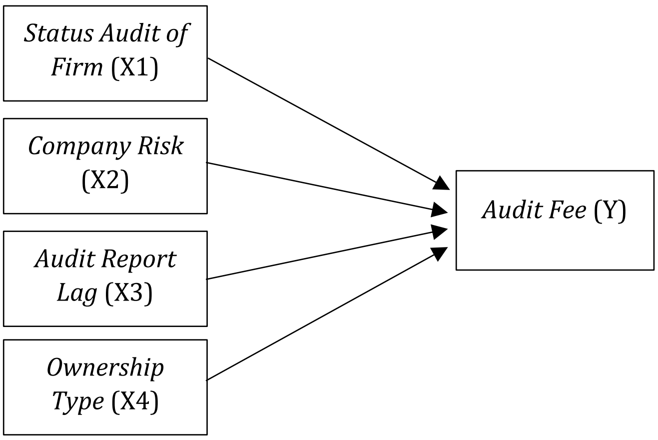

Figure 1. Conceptual Framework

This study tests the data using classical assumption tests, normality test, multicollinearity test, heteroscedasticity test, autocorrelation test, coefficient of determination test (R^2), partial test (t-test), and multiple linear regression analysis to examine the effect of audit firm status, company risk, audit report lag, and ownership type on audit fees for financial sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. The multiple linear regression model used to test the hypotheses in this study is as follows:

$$AuditFee = \alpha + \beta_1 StAud + \beta_2 CompRisk + \beta_3 AudRL + \beta_4 OwnType + \varepsilon \quad (1)$$

AuditFee represents the audit fee, α is the constant term, β1–β4 are the regression coefficients, StAud denotes audit firm status, CompRisk refers to company risk, AudRL indicates audit report lag, OwnType represents ownership type, and ε is the error term. This model is employed to examine the extent to which the independent variables—audit firm status, company risk, audit report lag, and ownership type—influence the dependent variable, audit fees.

RESULTS AND DISCUSSION

Table 3 provide an overview of the research variables based on 189 firm-year observations from financial sector companies listed on the IDX during 2021–2023. For audit firm status, which is measured as a dummy variable, 48.2% of the companies were audited by Big Four firms while 51.8% were audited by non-Big Four firms, with a mean value of 0.53 and a standard deviation of 0.607. Company risk, measured by the Debt-to-Equity Ratio (DER), ranges widely from 4.76 to 765.89, with an average of 289.54 and a standard deviation of 192.43, indicating considerable variation in financial leverage across firms. The average audit report lag is 78.32 days with a standard deviation of 25.77, suggesting that while some firms complete audits relatively quickly, others experience significant delays. For ownership type, another dummy variable, the mean of 0.83 and standard deviation of 0.161 show that only 5.8% of the firms are state-owned enterprises (SOEs), while the vast majority, 94.1%, are privately owned enterprises (POEs). Overall, these results highlight that most sampled firms are privately owned and audited by non-Big Four auditors, with substantial variation in risk levels and audit timeliness, providing a robust foundation for examining their influence on audit fees.

Table 3. Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std. Deviation
StAud	0.00	1.00	0.53	0.607
CompRisk	4.76	765.89	289.54	192.43
AudRL	0.27	0.16	78.32	25.77
OwnType	0	1.00	0.83	0.161

Prior to conducting hypothesis testing, classical assumption tests were performed to ensure the robustness and validity of the regression model. The normality test yielded an Asymp. Sig (2-tailed) value of 0.201, which exceeds the 0.05 threshold, indicating that the residuals are normally distributed. This is further supported by the P–P plot, where data points closely follow the diagonal line. Multicollinearity is not a concern, as all independent variables exhibit tolerance values above 0.1 and Variance Inflation Factor (VIF) values below 10, suggesting no significant linear relationships among the predictors. In addition, the heteroscedasticity test shows a random scatter of residuals with no discernible pattern, implying homoscedasticity. The Durbin-Watson statistic of 1.904 falls within the acceptable range, confirming the absence of autocorrelation. Taken together, these diagnostic tests indicate that the assumptions of the classical linear regression model are met, thereby validating the use of multiple linear regression for further analysis.

Based on Table 4, it can be concluded that the Adjusted R Square value is 0.206, or 20.6%. This means that audit firm status, company risk, audit report lag, and ownership type collectively explain 20.6% of the variation in audit fees. The remaining 79.4% is influenced by other variables not examined in this study.

Table 4. Coefficent Determination

Model	R	R Square	Adjusted R Square	Std. Error
1	0.481a	0.231.	0.206	0.265

Table 5 presents the results of the multiple linear regression analysis examining the influence of several independent variables on audit fees. The regression model includes four predictors: Status Audit of Firm (StAud), Company Risk (CompRisk), Audit Report Lag (AudRL), and Ownership Type (OwnType). The results on Table 5 indicate that audit firm status has a positive effect on audit fees, with a β- coefficient of 0.256 and a significance level of 0.000. This suggests that companies audited by Big Four accounting firms tend to pay higher audit fees compared to those audited by non-Big Four firms, thereby supporting H1. Furthermore, the company risk variable shows a positive effect on audit fees, with a β coefficient of 0.098 and a significance level of 0.002. This result indicates that the higher the company's risk, the greater the audit fee incurred, thus H2 is accepted. In addition, the audit report lag variable has a β coefficient of 0.079 and a significance level of 0.001. It can be concluded that the longer it takes for the auditor to complete the audit, the higher the audit fee charged to the company, thereby supporting H3. The ownership type variable also shows a positive influence on audit fees, with a β coefficient of 0.399 and a significance level of 0.000. This indicates that both state-owned and privately-owned enterprises can be determining factors in the amount of audit fees, thus H4 is accepted.

Table 5. Regression Results

Variables	Unstandardized Coef.	Std. Error	t-value	Sig.
Constant	9.542	0.295	28.654	0.000
StAud	0.256	0.052	5.902	0.000
CompRisk	0.098	0.089	4.565	0.002
AudRL	0.079	0.016	3.003	0.001
OwnType	0.399	0.071	2.897	0.000

After conducting data testing using SPSS version 22, the results of the multiple linear regression analysis show that the regression constant is 9.542, while the coefficients for each independent variable are as follows: X1 (audit firm status) = 0.256, X2 (company risk) = 0.098, X3 (audit report lag) = 0.079, and X4 (ownership type) = 0.399. The interpretation of the results, constant (9.542) - this indicates that when all independent variables are equal to zero, the audit fee is 9.542. Regression coefficient for audit firm status (0.256) this means that if the audit firm status increases by one unit, while all other variables remain constant, the audit fee will increase by 0.256 units. Regression coefficient for company risk (0.098) this indicates that if company risk increases by one unit, and all other variables remain constant, the audit fee will increase by 0.098 units. Regression coefficient for audit report lag (0.079) this suggests that an increase of one unit in audit report lag, with all other variables held constant, will result in a 0.079 unit increase in the audit fee. Regression coefficient for ownership type (0.399) this implies that if the ownership type variable increases by one unit, while all other variables remain unchanged, the audit fee will increase by 0.399 units.

Status audit firm has a positive effect on audit fees. Based on the first hypothesis (H1), which posits that the status audit firm positively affects audit fees, the hypothesis is accepted. This finding is consistent with the studies of (Sinaga & Rachmawati, 2018). Tat & Murdiawati (2020) and Siregar et al. (2020), which explain that the status audit firm positively influences audit fees. However, this result contradicts the findings of Naibaho et al. (2021). According to agency theory, firms tend to engage highly reputable audit firms to reduce information asymmetry between management and shareholders. High-reputation auditors are perceived to provide more effective monitoring, thereby mitigating agency conflicts. In addition, compliance theory also supports this findings, as firms strive to comply with regulations and auditing standards by appointing auditors with high credibility, ensuring that the audit is trusted by regulators and stakeholders. A higher-status public accounting firm reflects better audit quality and strong independence, which encourages firms to pay higher audit fees as an effective form of external monitoring. Besides confirming prior evidence, this finding also reflects market perception in Indonesia that Big Four auditors provide higher credibility, particularly in a heavily regulated financial sector. The willingness of firms to incur higher fees for Big Four services indicates that audit quality is viewed as an investment in legitimacy and market trust rather than merely a compliance cost.

Company risk has a positive effect on audit fees. Based on the second hypothesis (H2), which states that company risk positively affects audit fees, the hypothesis is accepted. This finding contradicts the studies of Fisabilillah et al. (2020) and Naibaho et al. (2021), which suggest that company risk does not significantly influence audit fees. However, it is consistent with Sanusi & Purwanto (2017). In their study, company risk was measured using the debt-to-equity ratio, which reflects the company's ability to repay its debts. From the perspective of agency theory, the higher the company risk, the greater the potential for conflicts of interest between management and shareholders. Auditors must enhance testing procedures to mitigate the risk of material misstatements, thereby requiring additional time and higher costs. From the compliance theory perspective, firms with higher risk are also subject to more stringent regulations and oversight, requiring auditors to perform additional testing to ensure compliance, which consequently leads to higher audit fees. This result highlights that companies with higher leverage require more extensive audit procedures to mitigate the risk of misstatement. In the Indonesian context, financial institutions with elevated DER face stricter oversight from regulators, which compels auditors to allocate more resources. Therefore, audit fees in such firms also reflect the cost of regulatory compliance and enhanced assurance required by investors and creditors.

Audit report lag has a positive effect on audit fees. Based on the third hypothesis (H3), which states that audit report lag positively affects audit fees, the hypothesis is accepted. This finding contradicts Sinaga & Rachmawati (2018) but is consistent with Sanusi & Purwanto (2017). Delays in the completion of audit reports may indicate a higher level of complexity or compliance issues within the company. From an agency theory perspective, such conditions reflect heightened information asymmetry and audit risk, prompting auditors to perform additional audit procedures. Meanwhile, compliance theory explains that audit delays may also arise from the company's efforts to ensure that financial statements comply with applicable regulations, thereby requiring a longer audit period and resulting in higher audit fees. Thus, audit report lag is not merely a consequence of a lengthy audit process but also reflects the level of difficulty and risk faced by auditors. The positive association between audit report lag and audit fees suggests that delays are not only a symptom of complexity but also a cost driver in the auditing process. In practice, prolonged lags often arise when auditors must perform additional testing or address deficiencies in client systems. For financial institutions in Indonesia, where timeliness of reporting is mandated by OJK and IDX, longer lags may attract penalties or investor skepticism, thereby increasing the pressure on auditors to justify higher fees.

Ownership type has a positive effect on audit fees. Based on the fourth hypothesis (H4), which states that ownership type positively affects audit fees, the hypothesis is accepted. This finding is consistent with (Sinaga & Rachmawati, 2018) but contradicts Siregar et al., (2020) and Prayurgi (2016). In the context of this study, state-owned enterprises (SOEs) tend to be audited by non-Big Four firms, whereas private companies are more likely to engage Big Four auditors to produce audit reports that meet stakeholders' expectations. According to agency theory, firms with dispersed ownership structures (such as publicly listed companies) have higher agency conflicts, thereby requiring high-quality independent auditors to reduce such conflicts, which in turn leads to higher audit fees. Furthermore, compliance theory also supports that firms, particularly those that are publicly oriented or subject to government obligations, must comply with stricter auditing requirements, necessitating competent auditors and resulting in increased audit fees. The evidence that ownership type influences audit fees reveals differing dynamics between state-owned and privately-owned enterprises. SOEs often face political and bureaucratic constraints that limit audit budgets, while private firms, driven by investor expectations, tend to engage higher-reputation auditors at higher costs. This distinction underscores that audit pricing in Indonesia is not purely a market mechanism but also shaped by institutional and governance structures.

Taken together, the four hypotheses illustrate that audit fees in Indonesia's financial sector are determined by both firm-specific risks and institutional characteristics. The interaction between company risk and audit timeliness, as well as between ownership type and auditor reputation, highlights the multifaceted nature of audit fee determination. These insights can help auditors, regulators, and company management better align audit pricing with the realities of risk, governance, and regulatory compliance.

CONCLUSION

This study concludes that audit firm status, company risk, audit report lag, and ownership type all have a positive and significant influence on audit fees in financial sector companies listed on the Indonesia Stock Exchange during 2021–2023. These results demonstrate that audit fees are shaped not only by auditor reputation but also by firm-specific risks, reporting timeliness, and ownership structures. The findings enrich the audit fee literature by confirming the relevance of agency theory and compliance theory in the Indonesian context while extending prior studies by incorporating ownership type as a determinant that has received limited attention. From a practical perspective, the study highlights the importance for regulators such as OJK and IDX to strengthen oversight of audit fee disclosure and reporting timeliness, for auditors to align fee structures with client risk profiles and ownership characteristics, and for company management to recognize that engaging reputable auditors, despite higher costs, can enhance credibility and investor trust. Nonetheless, this study is limited to financial sector firms and relies on secondary data, which may not capture all qualitative aspects influencing audit fees. Future research is encouraged to extend the scope to other industries, add variables such as firm size and governance mechanisms, and employ alternative methods, including panel data analysis or interviews with audit practitioners, to provide deeper and more comprehensive insights.

STATEMENT OF COMPETING INTEREST

The authors declare no competing interests.

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