

Gender, Public Accounting Firm Size, Company Size and Audit Fee

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Audit fee is a pay check received by auditors upon completing their audit service. The audit fee issued by a public accounting firm to employ an auditor is expected to improve management independence. This study discusses some of independent variables that have been used in previous studies: gender, size of public accounting firm and company size. This study aims to determine the relationship between gender, public accounting firm size and company size in relation to audit fee in the companies listed on the Indonesia Stock Exchange (IDX) for the period 2015–16. A quantitative approach has been used in this research and with total sample of 46 companies. This study applies a purposive sampling method and the analysis technique is multiple linear regression. This study finds that public accounting firm size and company size have a significant relationship with audit fee. In addition, audit fee is not significantly related to gender.

Keywords: *Gender, Public accounting firm size, Company size, Audit fee.*

Introduction

Gender is defined in terms of the roles, functions, status and responsibilities of men and women within the social cultural construction from one generation to the next (Puspitawati, 2012). Thus, gender is the result of agreements between humans that are not natural in nature, which means that it can change and can also be exchanged from human to human depending on period and culture. In normal life, there are differences between men and women for the same work in particular situations. For example, men sometimes use more logic while women tend to base decisions on their heart or feelings. Prastyo (2017) states that women are able to be more efficient and effective in gathering information within complex tasks as they have more ability to distinguish and take several main decisions. In addition, men are relatively less profound in analysing the essence of a decision.

Gender-related research has been carried out widely in Indonesia (Harymawan and Nasih, 2019; Prabowo et al., 2017; Siahaan, 2017; Syarifuddin, 2016). Auditor gender differences

may also cause differences in the provision of audit fees. There are several possibilities that explain the role of gender in the auditor selection process. First, female auditors can have a direct positive impact on financial deadlines and audit quality. Hardies, Breesch and Branson (2015) state that female auditors produce good audit quality, which will affect the audit fee. Second, women are generally easier to deal with, more gentle, warm and open-minded so client satisfaction is higher (Costa, 2017). Client satisfaction is the main factor associated with the work of the audit client, so it will affect the amount of the audit fee. Third, companies do tend to choose female auditors over men. Some companies explicitly identify diversity as a corporate goal. Therefore, companies will tend to choose female auditors (Hardies, Breesch and Branson; 2015).

Schubert (2006) states that gender influences audit fees. Examples that distinguish between men and women include cognitive functions, decision making, leadership styles and risk preferences; however, Narsa (2017) states that there is no difference in auditor performance in terms of gender. There is an inconsistency here with the results of previous studies, so it is necessary to add empirical evidence to explore whether there is a gender influence on audit fees. This research was conducted with the aim of finding out whether there are gender factors in determining audit fees.

Large companies are usually more desirable than small companies, so company growth greatly affects the value of the company. Juanita and Satwiko (2012) state that large companies have several advantages. First, they have extensive resources, a competent workforce and technology that supports sophisticated accounting information systems so data can be produced more accurately and quickly. Second, the company has better internal control, which will simplify and speed up the auditor's performance, in addition to reducing the errors in a company's financial statements. Large companies are also able to pay higher audit fees in order to get good and fast audit services as they have more financial resources.

Previous studies have discussed the factors influencing audit fees (e.g. Larasati et al., 2019; Mohammadi, Kardan and Salehi, 2018). Stewart and Kent (2006) studied the relationship between audit fee and internal control functions, finding that it would be higher if the company carried out internal audits. Furthermore, the study suggests that internal and external audits increase overall supervision in the company, in addition to the high audit fee, which indicates good audit quality. Sullivan and Diacon (2002) state that public accounting firms also influence the amount of audit fee to be given. Nugrahani and Sabeni (2013) found a significant positive effect between the structure of corporate governance, such as independence, the board of commissioners, the audit committee and the frequency of audit committee meetings, on the magnitude of setting external audit fee. Desender (2009) found a significant relationship between company ownership and audit fees. The inconsistency in the

results of the previous research provides the basis for further research into the factors associated with audit fees.

The sample in this study comprised companies listed on the Indonesia Stock Exchange during the period 2015–16. Data were obtained from the financial statements of companies listed through the Indonesia Stock Exchange (IDX) website. The analysis was carried out using multiple linear regression analysis. In addition, this study also conducted a classic assumption test consisting of a normality test, a multicollinearity test, a heteroskedasticity test and an autocorrelation test.

The results of this study indicate that there is no difference between male and female auditors conducting audits in a company. The size of the public accounting firm and the size of the company have a significant relationship with the audit fee charged to the company: the larger the size of the company, the higher the audit fee charged.

The structure of this article is as follows: Part 2 provides literature review and discusses development of the hypotheses; Part 3 presents a sample description and statement of the research variable; Part 4 presents the results and discussion; Part 5 offers conclusions, limitations and suggestions for future research.

Literature Review

Audit Fee in Indonesia

The Indonesian Institute of Certified Public Accountants (IAPI) issued Decree No. KEP.024/IAPI/VII/2008 on 2 July 2008 concerning Audit Fee Determination Policy. This regulation regulates the determination of audit fee paid by the Public Accountant Office by making the number of hours worked by each member of the audit team and the rates. This guide was issued as a guide for all members of the Institute of Certified Public Accountants who practise as public accountants in determining the appropriate amount of compensation for the professional services they provide. Furthermore, it was intended to determine a reasonable fee for services in accordance with the dignity of the public accountant profession and in an appropriate amount to be able to provide services in accordance with the demands of the prevailing professional standards of public accountants. Low or significant fees for services, which are far lower than those imposed by the auditor or the preceding accountant or recommended by the auditor or other accountant, will raise doubts about the ability and competence of members to set technical standards and professional standards.

Hypotheses Development

Gender and Audit Fee

Gender is defined as the apparent difference between men and women in terms of values and behaviour. Women are relatively more efficient than men in accessing information. In addition, women also have a sharper memory for new information than men, so the ability to process information is slightly better (Yendrawati and Mukti, 2015).

Generally, male sex is related to masculine gender while women are related to feminine gender (Ikhsan, 2007). According to Palmer and Simon (2001) sex role stereotype is associated with the view that men are more work-oriented, objective, independent, aggressive and generally have more ability than women in managerial responsibility, whereas women are seen as passive, gentle, orientated towards more consideration, sensitive and more passive in the area of accountability than men. The stereotypical view of a successful manager involves male-oriented attitudes, behaviours and temperament. Reed's (1994) research shows that masculine rather than feminine characteristics are valued in the accounting profession.

Men are seen as having strong and hard traits, which have positive connotations, while women are seen as having a gentle nature that has negative connotations in the work environment (Hartanto, 2001). Hardies, Breesch and Branson (2015) state that gender influences audit fee. Based on the above description, the following hypothesis has been formulated:

H1: Gender is related to audit fee

Public Accounting Firm Size and Audit Fee

Public accounting firms are grouped by size into Big Four and non-Big Four public accounting firms (Puspitasari and Latrini, 2014). Public accounting firm size can be said to be large if the public accounting firm is affiliated with the Big Four, has branches and clients of large companies and has a professional staff of more than 25 people. On the other hand, public accounting firm size is said to be small if it is not affiliated with the Big Four, does not have branches, its clients are small companies and it has less than 25 professional staff (Astria and Ardiyanto, 2011). A Big Four public accounting firm auditor has expertise and a high reputation compared with non-Big Four public accounting firm auditors (Dian and Yuyetta, 2013). Large public accounting firms usually have more and better resources (Juanita and Satwiko, 2012). Public accounting firm size can be measured based on the number of clients and the presentation of audit fee in an effort to prevent clients from moving to other audit companies (Watkins, 2004).

Anastasia (2007) explains that large public accounting firms generally have more and better resources. The system used is more sophisticated and accurate because it generally is supported by international collaboration with large funding sources. A large public accounting firm will usually be given a higher incentive to complete its audit work well.

Craswell and Francis (1995) state that when an accounting firm claims to be a reputable public accounting firm like the Big Four, it will try hard to maintain its good name and avoid actions that disturb the reputation of the public accounting firm. To do this, a Big Four public accounting firm will endeavour to produce high-quality financial reports that will increase its audit fee. Chandra (2015) states that the size of the public accounting firm is related to audit fee. Based on the description above, the following hypothesis has been formulated:

H2: Public accounting firm size is related to audit fee

Company Size and Audit Fee

Companies are grouped on the basis of the scale of operations (large or small), and this can be used by investors as a variable to determine investment decisions. Large companies generally have large total assets so they can attract investors to invest their capital in these companies (Ibrahim, 2008). Companies with large total assets are also defined as mature enough, with positive cash flow and good prospects over a relatively long period of time. Furthermore, these companies are relatively more stable and capable of earning greater profits than companies with small total assets (Yocelyn and Kristiawan, 2012).

Large company size usually has good internal control, which helps to reduce the level of error in the presentation of the company's financial statements. Large companies also have large financial resources to pay audit fees in order to acquire good and fast audit services (Juanita and Satwiko, 2012). Iriani (2014) states that large companies pay higher audit fees than those paid by small companies.

Wedari (2006) states that company size is an increase from the fact that large companies will have large market capacities, large book values and high profits, whereas a small company will have a small market capitalization, a small book value and low profits. Large companies usually also have a wider stakeholder base. This means the policies of large companies will have a greater impact on the public interest compared with small companies. Because large companies are more publicly visible, they tend to be more careful in their financial reporting, reporting their conditions more accurately.

Auditors who conduct audit work on large companies require more time and number of audit teams compared with those auditing small companies because large companies have more

transactions and greater total assets, thereby increasing the audit fee charged to the company. Gantowati and Nugraheni (2014) state that company size has a relationship with audit fee. Based on the description above, the following hypothesis has been formulated:

H3: Company size is related to audit fee.

Research Design

Sample and Data Source

The population in this study comprises companies listed on the Indonesia Stock Exchange during the period 2015–16. Data were obtained from the financial statements of companies listed on the Indonesia Stock Exchange (IDX) for the years 2014–16.

Operational Definition and Variable Measurement

The dependent variable in this study is the audit fee. Audit fees are costs that the auditor receives after completing their audit services. Audit fees are measured by natural logarithms. The independent variables in this study are gender, the size of the public accounting firm and the size of the company. Gender refers to social identity that contains the role that must be performed by someone because of their gender, where the role is in accordance with social and cultural constructs. Gender in this study is seen from the auditors who sign in the independent auditor's report contained in the company's outline report. Gender is measured by a dummy variable: a female auditor is coded as 1, whereas no female auditor is coded as 0. The size of the public accounting firm is divided into two categories: Big Four and non-Big Four. Public accounting firms affiliated with Big Four also include large public accounting firms. The size of the public accounting firm is measured by a dummy variable: Big Four public accounting firm is coded as 1, while non-Big Four public accounting firm is coded as 0 (Abdillah, Mardijuwono and Habiburrochman, 2019). Company size is a classification of a company based on the number of assets owned by the company (Irawati, Maksum, Sadalia and Muda, 2019; Arifuddin, Hanafi and Usman, 2017; Lutfi, Nazwar, and Muda, 2016; Nantyah and Laila, 2016). Petronila (2007) defines company size as the size of the company measured by using the total assets owned by the company or the total assets owned by the company listed at the end of the audited financial statements using the natural logarithm of the total assets.

Methodology

To answer the hypothesis, multiple linear regression analysis was used. The classic assumption test, which consists of a normality test, a multicollinearity test, a heteroskedasticity test and an

autocorrelation test, was performed. This regression equation is used to test the hypothesis, with the following formula:

$$FEE_1 = \alpha + \beta_1 GD_1 + \beta_2 BIG4_2 + \beta_3 SIZE_3 + e$$

Results and Discussion

Descriptive Statistics

Table 1 shows that the audit fee in this study has an average of 20.76 with a standard deviation that shows the variable quality of earnings by 1.12. The average gender is 0.14% with a standard deviation of 0.35%. The average size of a public accounting firm is 0.54% with a standard deviation of 0.5%. The average size of the company is 29.584637 with a standard deviation of 2.2101933.

Table 1: Descriptive statistics

	N	Minimum	Maximum	Mean	Std. dev.
FEE	92	18.98	24.72	20.76	1.12
SIZE	92	20.28	36.61	29.58	2.21
BIG4	92	0	1	0.54	0.50
GD	92	0	1	0.14	0.35

Table 2: Frequency Big Four and non-Big Four public accounting firms

	Frequency	%
Non-Big Four	42	45.7
Big 4	50	54.3
Total	92	100.0

Gender and Audit Fee

Based on the results of this study, note that gender is not significantly related to audit fee. There is no difference in audit fee between men and women because what the auditor does in conducting audit services involves teamwork so that men and women become one in carrying out their duties and in auditing the company using audit procedures. The results of this study are consistent with research conducted by Abed and Al-Badainah (2012). The results of this study indicate that there is no influence between gender and audit fee. According to Abed and Al-Badainah (2012), there is no difference between male auditors and female auditors, and female auditors tend to reject unethical behaviour or violations of accountants' codes of ethics.

Table 3: Regression results

Independent variable	Regression model		
	Coefficient	t	Sig.
(Constant)	14.176	10.410	0.000
GD	0.008	0.029	0.970
BIG4	0.875	4.425	0.000
SIZE	0.206	4.525	0.000
R square	0.324		
F statistic	14.046		
F Sig	0.000		

Public Accounting Firm Size and Audit Fee

The results of this study show that the size of the public accounting firm has a significant positive relationship with audit fee. This is in accordance with research conducted by Chandra (2016). The results of this study indicate that the size of the public accounting firm influences the audit fee. According to Chandra (2016), this is because, in order to maintain its good name, the Big Four public accounting firm will try to produce higher financial reporting than the public accounting firms that do not have a big name so that the Big Four public accounting firms will set a higher audit fee for their client compared with the non-Big Four public accounting firm.

Company Size and Audit Fee

The size of the company in this study is proxied by using natural log total assets. The size is seen from the total assets owned by a company. The company's total assets show the complexity of a company. Company size has a relationship with the company's actions in issuing audit fees. This is consistent with research conducted by Chandra (2016), which shows that company size influences audit fee. According to Chandra (2016), auditors who conduct audits on large companies require more time and a greater number of audit teams than those auditing small companies because large companies have larger and more complex transactions. Furthermore, the larger the company, the greater the audit fee that will be charged to the company.

Conclusion

Based on research conducted on companies listed on the Indonesia Stock Exchange in the period 2015–16, this study shows that there is no difference between male or female auditors conducting audits in a company; however, the size of the public accounting firm and the size of the company both have a significant relationship with significant audit fee, meaning that



they have a significant relationship with the audit fee charged to the company: the greater the size of the company, the higher the audit fee that will be charged.

We suggest that in future research the number of samples should be increased and other variables related to the audit fee added in addition to the independent variables, namely gender, the size of the public accounting firm and the size of the company.

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