

The Effect of Independent Commissioners, Audit Committee Activities, and Firm Complexity on Audit Fee in Banks

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ABSTRACT

This study investigates the effect of independent commissioners, audit committee activity, and firm complexity on audit fees in banking firms listed on the Indonesia Stock Exchange during 2022-2024. A quantitative approach is employed using secondary data from annual reports and audited financial statements, resulting in 120 firm-year observations selected through purposive sampling. The data are analyzed using multiple linear regression with SPSS. The findings reveal that independent commissioners, audit committee activity, and firm complexity each have a positive and significant effect on audit fees. A higher proportion of independent commissioners strengthens supervisory effectiveness, leading to broader audit scope. Increased audit committee activity enhances monitoring of financial reporting and audit processes, resulting in additional audit procedures. Meanwhile, greater firm complexity increases audit difficulty due to more extensive operations and transactions, requiring higher auditor effort. Overall, corporate governance mechanisms and firm complexity significantly influence audit fee determination in the banking sector.

INTRODUCTION

Audit fees constitute an essential aspect of the external auditing process because they reflect audit risk, operational complexity, and the extent of audit procedures performed by external auditors. The increasingly dynamic business environment has forced companies to deal with more complicated transactions and greater demands for transparency, thereby increasing the importance of high-quality audit services. Carson et al. (2022) explain that audit fees are not merely associated with audit service delivery, but also represent the degree of audit effort as well as the effectiveness of auditors in examining financial statements.

The relevance of audit fees becomes more significant within the banking industry due to its highly complex operational characteristics and strict regulatory oversight. Banking activities involving credit distribution, risk management, and compliance with financial regulations create an audit environment that requires broader and more detailed examination procedures. This condition is reflected in the relatively high average audit fees among banking companies. The high level of audit fees indicates that the banking sector possesses substantial operational complexity and audit risk. Consequently, external auditors are required to devote greater audit effort to maintain the reliability and quality of financial statement examinations (Friedrich et al. 2024).



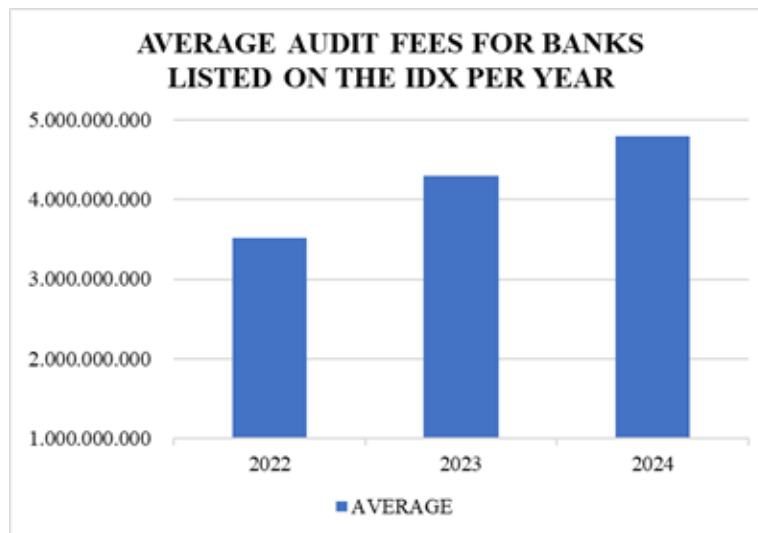


Figure 1. The Mean Yearly Audit Fees Reported by Banking Companies Listed on The Indonesia Stock Exchange Over the 2022-2024 Timeframe

Figure 1 illustrates an increasing trend in the average audit fees paid by banking companies during the 2022-2024 period. The average audit fee rose significantly in 2023 and continued to increase in 2024. This pattern may reflect the growing demand for audit quality and more comprehensive audit procedures following the implementation of the Financial Sector Development and Strengthening Law (UU P2SK), which introduced broader regulatory expectations within the banking sector (OJK, 2023). The strengthening of financial sector regulations encouraged external auditors to conduct more extensive evaluations related to compliance, corporate governance practices, and internal control effectiveness. As a result, audit engagements in the banking industry became more demanding, thereby contributing to the upward trend in audit fees.

The level of audit fees is generally influenced by a company's internal characteristics, which may influence audit risk and audit complexity. Agency theory suggests that differences in interests between shareholders and management create the need for monitoring mechanisms to ensure that management acts in accordance with shareholders' interests (Jensen & Meckling, 1976). In determining audit fees, auditors generally evaluate several important factors, including the risk of material misstatement, operational complexity, and the effectiveness of corporate governance mechanisms. As such, audit fees can be understood as reflecting the auditor's comprehensive assessment of the firm's condition as well as its audit requirements (Zielma & Tjaraka 2024).

Firm complexity is one of the key determinants influencing audit fee determination. It is reflected in the breadth of organizational structure, the number of subsidiaries, and the diversity of operational activities undertaken by a company. These conditions increase audit difficulty because auditors must deal with multiple business units, varied transactions, and different operational environments. Prior studies Hidayat et al. (2024) and Paramitha & Setyadi (2022) indicate that higher firm complexity expands audit scope and increases audit risk, thereby requiring greater time, effort, and audit resources. Consequently, these conditions lead to higher audit fees as a reflection of increased audit workload and risk exposure.

Corporate governance mechanisms also play an important role in shaping auditors' perceptions of audit risk and required audit effort. The presence of independent commissioners functions as a monitoring mechanism that supervises management activities in an objective and unbiased manner. Strong oversight by independent commissioners may reduce the likelihood of material misstatements

and agency conflicts through improved monitoring and greater transparency in financial reporting (Rahayu et al., 2021).

However, within highly regulated industries such as banking, stronger governance practices are often associated with greater demands for audit quality, accountability, and financial reporting credibility. Under these conditions, external auditors are generally required to perform broader audit procedures and obtain more comprehensive audit evidence in order to meet higher governance expectations. Consequently, stronger monitoring mechanisms may increase audit effort and ultimately lead to higher audit fees (Kim et al., 2023). Therefore, this study adopts the perspective that stronger governance oversight is more likely to increase audit fees, particularly within the context of the banking industry.

The activity of the audit committee, commonly proxied by the frequency of its meetings, indicates the level of involvement in supervising financial reporting processes and external audit activities. An increase in audit committee activity is associated with more intensive monitoring and greater engagement in discussing audit planning, findings, and follow-up actions with external auditors. This condition may require auditors to provide more detailed audit information and conduct broader audit procedures to meet governance expectations. Studies such as Abu (2021) show that active audit committees may increase the demand for more comprehensive audit procedures, while also strengthening internal control systems. As a result, audit committee activity influences audit fees through increased audit effort and changes in auditor risk perception.

Empirical studies on audit fees have generally developed explanations based on two distinct approaches. Some studies emphasize corporate governance mechanisms as a form of firm monitoring in influencing audit fee determination, while others focus on firm complexity as a factor that increases audit risk and audit effort, thereby affecting audit fees. Afenya et al. (2022) highlight the importance of governance mechanisms in determining audit fees, whereas Hidayat et al. (2024) emphasize that firm complexity may increase audit requirements, which subsequently impacts audit fees. However, most prior studies have examined these factors separately and have not yet provided a comprehensive explanation of how governance oversight mechanisms and operational complexity jointly contribute to audit fee determination.

Integrating these factors is important because external auditors generally evaluate the effectiveness of corporate monitoring mechanisms together with the level of operational complexity when assessing audit risk, determining audit scope, and estimating the amount of audit effort required. Strong governance structures may influence how auditors perceive and respond to risks arising from complex business operations. Therefore, examining governance mechanisms and firm complexity simultaneously may provide a more comprehensive understanding of audit fee determination, particularly within highly regulated industries such as banking.

Research on audit fees within the Indonesian banking industry remains relatively limited, despite the sector's more complex operational structure, higher regulatory intensity, and distinct systemic risk compared to other industries. This condition indicates a clear research gap, as previous studies have not sufficiently integrated corporate governance mechanisms and firm complexity in explaining audit fee determinants in the banking sector. Accordingly, a research model is developed in this study to explore the influence of independent commissioners, the level of audit committee activity, and firm complexity on audit fee determination, particularly after the strengthening of financial sector regulations.

The Indonesian context provides an important setting for a more in-depth examination of audit fee determinants. The voluntary nature of audit fee disclosure practices results in limited transparency regarding auditor-client relationships and may also create potential selection bias, since only certain companies voluntarily disclose audit fee information in their annual reports. As a result, firms included in audit fee studies may tend to represent companies with relatively stronger transparency and governance practices. Nevertheless, examining disclosed audit fee information remains important for understanding how corporate governance mechanisms and operational complexity influence audit fee determination within the banking industry. Juhl et al. (2021) and Al-Shaer et al. (2022) suggest that audit fees may influence investor and public perceptions of audit quality and auditor independence. This highlights the need for a more comprehensive understanding of audit fee determinants, particularly within the banking industry, in order to enhance transparency and strengthen corporate governance practices.

The main objective of this study is to examine the relationship between independent commissioners, audit committee activity, and firm complexity on audit fees in banks listed as public companies on the Indonesia Stock Exchange during the 2022-2024 observation period. The academic contribution of this study lies in developing a model that integrates corporate governance mechanisms and operational complexity in explaining variations in audit fees. This study is expected to provide a more comprehensive explanation of audit fee determinants and offer practical implications for regulators, the banking industry, and the auditing profession in improving audit quality and financial reporting transparency.

LITERATURE REVIEW

Agency Theory

Jensen & Meckling (1976) introduced agency theory to describe the relationship between shareholders as principals and managers as agents who are entrusted with managing the firm. This relationship may give rise to conflicts of interest, as managers generally possess more detailed information regarding the firm's condition compared to shareholders. The divergence of interests and information asymmetry creates the need for monitoring mechanisms to ensure that management acts in accordance with the principals' interests. External auditing serves as one of the monitoring mechanisms within the agency theory framework to reduce the risk of material misstatements in financial statements.

Corporate governance mechanisms also play an important role in shaping auditors' perceptions of audit risk and audit effort requirements. Independent commissioners function as oversight bodies that ensure objective monitoring of management to enhance transparency and the quality of financial reporting. Rahayu et al. (2021) indicate that board independence can influence auditors' perceptions of audit risk and subsequently affect audit fees. Audit committee activity, reflected in the frequency of meetings, indicates the level of monitoring involvement in overseeing financial reporting and external audit processes. Drogalas et al. (2021) explain that audit committee activity strengthens supervisory intensity and influences audit fees by increasing demands for higher audit quality. Firm complexity is also related to agency theory, as greater operational complexity increases information asymmetry between managers and owners. This condition requires auditors to exert greater effort in the audit process, leading to higher audit fees.

Hypothesis Development

Relationship between Independent Commissioners and Audit Fees

Agency theory proposed by Jensen & Meckling (1976) explains that conflicts of interest and information asymmetry between management and shareholders create the need for effective monitoring mechanisms. Independent commissioners serve as an important governance mechanism by providing objective oversight of management activities and financial reporting processes. Stronger monitoring by independent commissioners may encourage companies to demand higher audit quality in order to maintain transparency and credibility in financial reporting.

From the perspective of agency theory, stronger governance oversight may also increase auditors' responsibilities in evaluating the reliability of financial statements and the effectiveness of internal controls. Consequently, external auditors are likely to perform broader audit procedures and collect more comprehensive audit evidence, which increases audit effort and ultimately leads to higher audit fees. Prior studies by Kim et al. (2023) and Liu et al. (2024) support this argument by showing that independent commissioners are associated with increased audit fees due to greater monitoring demands and audit quality expectations. Based on the theoretical explanation and empirical findings above, the hypothesis is formulated as follows:

H1: Independent commissioners have a positive effect on audit fees.

Relationship between Audit Committee Activity and Audit Fee

Agency theory proposed by Jensen & Meckling (1976) explains that differences in interests between management and shareholders create the need for effective monitoring mechanisms to ensure the reliability of financial reporting. Audit committee activity, commonly reflected by the frequency of audit committee meetings, indicates the intensity of oversight conducted over financial reporting processes, internal controls, and external audit activities. A more active audit committee generally increases communication and coordination with external auditors regarding audit planning, audit findings, and follow-up actions.

From the perspective of agency theory, stronger monitoring mechanisms may encourage companies to demand higher audit quality and more comprehensive audit examinations in order to reduce agency conflicts and information asymmetry. Under these conditions, external auditors are likely to expand audit procedures and provide more detailed audit evidence, which increases audit effort and ultimately leads to higher audit fees. Prior studies by Afenya et al. (2022) and Loverita & Januarti (2024) support the argument that active audit committees are associated with greater audit intensity and broader audit scope. Based on the theoretical explanation and empirical evidence above, the following hypothesis is proposed:

H2: Audit committee activity has a positive effect on audit fees.

Relationship between Firm Complexity and Audit Fee

Agency theory proposed by Jensen & Meckling (1976) explains that information asymmetry and monitoring difficulties between management and shareholders tend to increase as company operations become more complex. Firm complexity is commonly reflected in the number of subsidiaries, diversity of business activities, and the breadth of operational structures owned by a company. These conditions make supervision and financial reporting monitoring more challenging for shareholders and other stakeholders.

From the perspective of agency theory, higher operational complexity increases audit risk because auditors must evaluate more diverse transactions, organizational units, and reporting systems. As a consequence, external auditors are required to perform broader audit procedures and allocate greater time and audit resources to obtain sufficient and appropriate audit evidence. The increase in audit effort associated with complex operational structures ultimately leads to higher audit fees. Prior studies by Hidayat et al. (2024) and Paramitha & Setyadi (2022) support the argument that companies with greater operational complexity generally require more extensive audit examinations, resulting in higher audit fees. Based on the theoretical explanation and empirical findings above, the following hypothesis is proposed:

H3: Firm complexity has a positive effect on audit fees.

RESEARCH METHODS

A quantitative approach is employed in this study to examine the measurable relationship between the independent and dependent variables. This approach is chosen because the data used are numerical, allowing for objective hypothesis testing (Sugiyono, 2023). The quantitative approach is considered appropriate for analyzing statistical relationships among variables in financial research. The study uses secondary data derived from annual reports and financial statements of banking firms listed on the Indonesia Stock Exchange (IDX) for the 2022-2024 period. The data are collected using a documentation method through the official IDX website and the official websites of each respective company. The information gathered in this study covers audit fees, independent commissioners, audit committee activity, and firm complexity as the main variables.

The population in this study is comprised of all publicly listed banking companies on the Indonesia Stock Exchange (IDX). A purposive sampling technique is applied for sample selection to ensure that the data meet the research requirements. The sampling criteria include companies that consistently publish annual reports for each period, disclose external audit fees, and provide complete data for all research variables. The selection process is carried out in stages until an appropriate final sample is obtained that can be analyzed optimally.

The measurement of variables in this study refers to prior research to ensure that the operational definitions are consistent and comparable across studies. The dependent variable, audit fee, is measured by applying the natural logarithm (Ln) of audit fee values disclosed in the annual reports (Staszkievicz & Karkowska, 2022). This transformation is applied to normalize the data distribution and reduce potential heteroscedasticity issues. The independent variables consist of independent commissioners, audit committee activity, and firm complexity. Independent commissioners are measured by using the proportion of independent commissioners to the total number of board commissioners (Rahayu et al. 2021). Audit committee activity is measured by the total number of audit committee meetings held within a year (Kalita & Tiwari, 2025). Firm complexity is measured by the number of subsidiaries, which reflects the level of operational complexity within the firm (Hidayat et al. 2024).

Table 1. List of Population and Sample

No.	Description	Number of Companies
1	Population: Banking companies listed on the Indonesia Stock Exchange (IDX) during the period 2022-2024	47
2	Banks that did not disclose information relating to the research variables during the 2022-2024 period	(7)
	Research sample	40
	Research period	3
	Total observed data	120

Source: Processed Data

Multiple linear regression analysis is used in this study for hypothesis testing with the assistance of SPSS software. Descriptive statistical tests are conducted at the beginning of the analysis to provide an initial overview of the research data, including measures of central tendency and data distribution. Classical assumption tests are conducted in the next stage, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests. These tests are carried out to ensure that the regression model satisfies the required statistical assumptions and generates reliable estimation results. The following regression model is employed in this study:

$$\text{Audit Fee} = \beta_0 + \beta_1 \text{IC} + \beta_2 \text{ACA} + \beta_3 \text{FC} + \varepsilon$$

The hypotheses are then tested based on the results of the regression analysis and to explain the relationship between the independent variables and audit fees in a more comprehensive manner.

RESULTS AND DISCUSSION

Results

Descriptive Statistics

Descriptive statistics are used to provide an overview of the characteristics of the research data, including the minimum value, maximum value, mean, and standard deviation of each variable. This study utilizes 120 observations derived from 40 banking companies over the 2022-2024 period. The descriptive results indicate that the audit fee variable records a mean value of 21.7156 with a standard deviation of 1.06418. The highest value recorded for audit fees is 24.28, while the lowest is 19.40. The independent commissioners variable shows an average value of 0.4344 with a standard deviation of 0.13168. The maximum value is 0.83, while the minimum is 0.25. Audit committee activity has an average value of 14.8750 with a standard deviation of 7.94155. The maximum and minimum values are 41.00 and 4.00, respectively. Firm complexity reports an average value of 2.1833 with a standard deviation of 5.27079. The highest observed value is 28.00, while the lowest is 0.00.

Classical Assumptions

Normality

The normality test is conducted to determine whether the research data are normally distributed. In this study, the Kolmogorov-Smirnov test is employed with a total of 120 observations. The test results show that the Kolmogorov-Smirnov significance value is 0.200. Since this value is greater than the significance level of 0.05, it can be concluded that the data are normally distributed and are suitable for further regression analysis.

Table 2. Descriptive Statistics Results

Variable	Mean	Std. Deviation	Maximum	Minimum
Audit Fee	21,7156	1,06418	24,28	19,40
Independent Commissioners	0,4344	0,13168	0,83	0,25
Audit Committee Activity	14,8750	7,94155	41,00	4,00
Firm Complexity	2,1833	5,27079	28,00	0,00

Source: Processed Data

Table 3. Results of the Kolmogorov-Smirnov Normality Test

Kolmogorov-Smirnov Test	Unstandarized Residual
Kolmogorov-Smirnov statistic	0,200

Source: Processed Data

Table 4. Results of the Multicollinearity Test

Variable	Collinearity Statistics	
	Tolerance	VIF
Independent Commissioners	0,922	1,084
Audit Committee Activity	0,916	1,092
Firm Complexity	0,961	1,041

Source: Processed Data

Multicollinearity

The multicollinearity test is conducted to examine whether there is a high correlation among the independent variables in the regression model. This test is evaluated using tolerance values and the Variance Inflation Factor (VIF) for each independent variable. The results indicate that independent commissioners have a tolerance value of 0.922 and a VIF value of 1.084. Audit committee activity shows a tolerance value of 0.916 and a VIF value of 1.092, while firm complexity has a tolerance value of 0.961 and a VIF value of 1.041. All independent variables have tolerance values above 0.10 and VIF values below 10, indicating that no multicollinearity problem exists in the regression model.

Heteroscedasticity

The heteroscedasticity test is conducted to determine whether there is inequality in the variance of the residuals within the regression model. This study applies the Glejser test by examining the significance values of each independent variable. The results show that independent commissioners have a significance value of 0.051, audit committee activity has a value of 0.224, and firm complexity has a value of 0.869. All variables show significance values greater than 0.05, indicating that no heteroscedasticity problem is detected in the regression model.

Autocorrelation

The autocorrelation test is conducted to determine whether there is a correlation between residuals across observations in the regression model. This study employs the Durbin-Watson test to examine the presence of autocorrelation. The results show that the Durbin-Watson value is 2.068. This value lies between the upper bound ($dU = 1.7536$) and 4 minus dU ($4 - dU = 2.2464$), indicating that there is no autocorrelation problem in the regression model. Therefore, the model is considered appropriate for further analysis.

Table 5. Results of the Heteroscedasticity Test - Gletser Test

Variable	Significance
Independent Commissioners	0,051
Audit Committee Activity	0,224
Firm Complexity	0,869

Source: Processed Data

Table 6. Autocorrelation Test Results - Durbin-Watson

Significance	Lower Limit (dL)	Upper Limit (dU)	Durbin-Watson
0,05	1,6513	1,7536	2,0680

Source: Processed Data

Table 7. Results of the Multiple Linear Regression Analysis

Model	B	Std. Error
Constant (α)	19,887	0,260
Independent Commissioners	1,731	0,569
Audit Committee Activity	0,064	0,009
Firm Complexity	0,057	0,014

Source: Processed Data

Multiple Linear Regression

Multiple linear regression analysis is used to examine the effect of independent commissioners, audit committee activity, and firm complexity on audit fees in banking companies listed on the Indonesia Stock Exchange during the 2022-2024 period. The regression results produce the following equation:

$$Y = 19,887 + 1,731X_1 + 0,064X_2 + 0,057X_3$$

The constant value of 19.887 indicates the expected value of audit fees when all independent variables are held constant. The regression coefficient for independent commissioners is 1.731 with a positive direction, indicating that an increase in independent commissioners is associated with an increase in audit fees. Audit committee activity has a coefficient of 0.064, also showing a positive relationship with audit fees. Similarly, firm complexity has a coefficient of 0.057, indicating that higher firm complexity is associated with higher audit fees. Overall, all independent variables demonstrate a positive relationship with audit fees.

Hypothesis Testing

T-Test

The T-test is conducted to examine the partial effect of each independent variable on audit fees. The decision is based on the t-statistic values and significance levels of each variable. The results show that independent commissioners have a t-value of 3.044 with a significance level of 0.003. Since the significance value is below 0.05, it can be concluded that independent commissioners have a positive and significant effect on audit fees. Audit committee activity shows a t-value of 6.759 with a significance level of 0.000, indicating a positive and significant effect on audit fees. Firm complexity has a t-value of 4.128 with a significance level of 0.000, also indicating a positive and significant effect on audit fees. Overall, all independent variables significantly influence audit fees in the banking sector.

Table 8. T-test results

Model	Unstandardized Coefficient		
	B	t	Significance
Independent Commissioners	1,731	3,044	0,003
Audit Committee Activity	0,064	6,756	0,000
Firm Complexity	0,057	4,128	0,000

Source: Processed Data

Table 9. Results of the F-test

Variable	Calculated F	Table F	Significance	Description
X ₁ , X ₂ , X ₃	34,354	3,07	0,000	Signifikansi

Source: Processed Data

Table 10. Results of the Coefficient of Determination Test

Model	R	R Square	Adjusted R Square
1	0,686	0,470	0,457

Source: Processed Data

F-Test

The F-test is conducted to examine whether all independent variables simultaneously affect audit fees. The test is based on the F-statistic value and its significance level. The results show that the F-value is 34.354 with a significance level of 0.000. Since the significance value is below 0.05, it can be concluded that independent commissioners, audit committee activity, and firm complexity jointly have a significant effect on audit fees. This indicates that the regression model is statistically feasible and suitable for explaining variations in audit fees.

Coefficient of Determination (R²)

The coefficient of determination is used to measure the extent to which the independent variables are able to explain the variation in the dependent variable within the research model. The evaluation is based on the Adjusted R Square value. The results show that the Adjusted R Square value is 0.457. This indicates that independent commissioners, audit committee activity, and firm complexity are able to explain 45.7% of the variation in audit fees. The remaining 54.3% is explained by other variables outside the model that are not included in this study.

Discussion

Independent Commissioners and Audit Fee

The empirical results indicate that independent commissioners have a positive and significant effect on audit fees. This suggests that an increase in the proportion of independent commissioners is associated with higher audit fees in banking companies. This finding implies that the presence of independent commissioners strengthens corporate oversight over management and the financial reporting process. As governance becomes more rigorous, external auditors tend to expand the scope of audit procedures to obtain sufficient and appropriate audit evidence. Consequently, the increase in audit effort is reflected in higher audit fees.

From the perspective of agency theory, conflicts of interest between management and shareholders arise due to information asymmetry (Jensen & Meckling, 1976). Independent commissioners function as an important monitoring mechanism that strengthens oversight over management behavior and financial reporting practices. Stronger governance oversight increases the demand for transparency and high-quality financial reporting, which consequently encourages

external auditors to perform more extensive audit procedures and obtain more sufficient audit evidence (Karampinis, 2026). In the banking industry, where operational activities are highly regulated and associated with greater financial risk, the presence of independent commissioners may further increase auditors' expectations regarding audit quality and compliance evaluation. As a result, auditors tend to allocate greater audit effort and broader examination procedures, which ultimately contributes to higher audit fees.

This result is consistent with Paramitha & Setyadi (2022), who found that independent commissioners positively affect audit fees due to increased governance quality and audit demand. However, it differs from Hidayat et al. (2024), who reported an insignificant relationship. This discrepancy suggests that the influence of independent commissioners on audit fees may depend on the effectiveness of governance implementation in practice.

Audit Committee Activity and Audit Fee

The results show that audit committee activity has a positive and significant effect on audit fees. This indicates that a higher frequency of audit committee meetings is associated with increased audit fees in banking companies. This finding suggests that more active audit committees reflect stronger involvement in overseeing financial reporting processes and external audit activities. Increased meeting frequency typically enhances communication and coordination between the audit committee and external auditors, particularly in relation to audit planning, findings, and follow-up actions. As a result, auditors are required to perform more extensive audit procedures and provide more detailed audit evidence, which increases overall audit effort and subsequently audit fees.

From the perspective of agency theory, intensive monitoring mechanisms are considered important in reducing conflicts of interest between management and shareholders (Jensen & Meckling, 1976). Higher audit committee activity reflects stronger involvement in overseeing financial reporting quality, internal control systems, and external audit processes. Frequent audit committee meetings also tend to increase communication and coordination between the audit committee and external auditors regarding audit planning, audit findings, and follow-up actions. Under these conditions, external auditors are likely to provide more comprehensive audit evidence and perform broader audit procedures in order to meet the monitoring expectations of the audit committee (Nerantzidis et al., 2023). The expansion of audit procedures and additional audit effort ultimately increase the amount of time and resources required during the audit process, which consequently contributes to higher audit fees.

This result is consistent with Drogalas et al. (2021), who found that audit committee activity increases external audit intensity and audit fees. However, it contrasts with Alamsyah and Januarti (2024), who reported no significant relationship. This difference suggests that the impact of audit committee activity on audit fees may vary depending on the effectiveness of the committee's role in influencing audit requirements.

Firm Complexity and Audit Fee

The empirical results indicate that firm complexity has a positive and significant effect on audit fees. This finding suggests that companies with higher operational complexity tend to incur higher audit fees in the banking sector. This result implies that greater firm complexity reflected in the number of subsidiaries, diversity of business activities, and broader operational structures makes the audit process more challenging. Auditors must examine a wider range of transactions, systems, and

reporting units, which increases both the scope and depth of audit procedures. As a consequence, audit effort rises and is ultimately reflected in higher audit fees.

From the perspective of agency theory, increasing operational complexity may intensify information asymmetry and monitoring difficulties between management and shareholders (Jensen & Meckling, 1976). Companies with more subsidiaries, diverse business activities, and broader operational structures generally create greater challenges in monitoring financial reporting quality and managerial performance. Under such conditions, external auditors play an important role in reducing agency problems by providing assurance regarding the fairness of financial statements. Higher firm complexity also increases audit risk because auditors must evaluate a wider range of transactions, operational units, and reporting systems. Consequently, auditors are required to expand audit scope, perform more extensive testing procedures, and collect more sufficient audit evidence to maintain audit quality. The broader audit coverage and additional audit effort required in examining complex companies ultimately contribute to higher audit fees (Alamsyah & Januarti, 2024).

This finding is consistent with Alamsyah & Januarti (2024), who report that firm complexity increases audit fees due to more extensive audit requirements. However, it differs from Riwanti et al. (2022), who found no significant effect, arguing that differences in auditor arrangements across subsidiaries may weaken the direct impact of complexity on audit fees.

CONCLUSION

This study finds that independent commissioners, audit committee activity, and firm complexity are associated with audit fees in banking companies listed on the Indonesia Stock Exchange during the 2022-2024 period. Both independent commissioners and audit committee activity are linked to stronger monitoring intensity over management, financial reporting, and external audit processes, which in turn increases the demand for more extensive audit work. Firm complexity also contributes to higher audit fees, as more complex operational structures require broader audit coverage and greater audit effort. These findings highlight that corporate governance mechanisms and operational complexity play an important role in determining audit fees within the banking industry. The results suggest that improvements in governance structures, particularly through independent commissioners and audit committee activities, may enhance monitoring effectiveness, while auditors also need to consider the level of firm complexity when determining audit effort and audit pricing. The explanatory power of the model remains moderate, as indicated by an adjusted R-squared value of 0.457. This suggests that 45.7% of the variation in audit fees is explained by the variables included in this study, while the remaining proportion is influenced by other factors not captured in the model. Nevertheless, this study contributes to the auditing and corporate governance literature, particularly in the context of the Indonesian banking sector, by integrating governance mechanisms and operational complexity in explaining audit fee variations. Future research is encouraged to incorporate additional variables such as audit firm reputation, audit quality, profitability, and firm age in order to provide a more comprehensive explanation of audit fee determinants.

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