

The effect of political connection and effectiveness of audit committee on audit fee

Fitri Nurjanah*, Erina Sudaryati

Universitas Airlangga, Surabaya, East Java, Indonesia

ARTICLE INFO

Article history

Received 18 September 2019

Revised 17 October 2019

Accepted 17 October 2019

JEL Classification:

G34

Key words:

Political connection,
Effectiveness of audit
committee,
Audit fee

DOI:

10.14414/tiar.v9i2.1848

ABSTRACT

This study analyzes the effect of political connection and effectiveness of audit committee on audit fee. This study uses the sample of non-financial companies listed on the Indonesia Stock Exchange (IDX) in 2015-2017. They were taken using a purposive sampling method. The total number of companies is 444 companies. The data were analyzed using SPSS 20 and the hypothesis testing was done using linear regression with a significance level of 5%. The F test indicates that the research model is stable and significant. The value of R square is 38.4%, indicating that there are other variables that can affect the model by 61.6%. The results of this study show that political connection has a significant positive effect on audit fee and the effectiveness of audit committee also has a significant positive effect on audit fee because audit committee wants a higher audit quality from the auditor.

ABSTRAK

Tujuan penelitian ini adalah untuk menganalisis pengaruh koneksi politik dan efektivitas komite audit terhadap biaya audit. Penelitian ini menggunakan sampel perusahaan non-keuangan yang terdaftar di Bursa Efek Indonesia (BEI) pada 2015-2017. Teknik pengambilan sampel yang digunakan adalah metode purposive sampling. Jumlah total perusahaan yang digunakan sebagai sampel penelitian adalah 444 perusahaan, menggunakan alat SPSS 20. Pengujian hipotesis dilakukan dengan menggunakan regresi linier dengan tingkat signifikansi 5%. Uji F menunjukkan bahwa model penelitian stabil dan signifikan. Nilai R square adalah 38,4%, menunjukkan bahwa ada variabel lain yang dapat mempengaruhi model sebesar 61,6%. Hasil penelitian ini menunjukkan bahwa koneksi politik memiliki pengaruh positif yang signifikan terhadap biaya audit dan efektivitas komite audit juga memiliki efek positif yang signifikan terhadap biaya audit karena komite audit menginginkan kualitas audit yang lebih tinggi dari auditor.

1. INTRODUCTION

The capital market has developed very rapidly along with the intense business competition in Indonesia. According to the Financial Services Authority of the Republic of Indonesia (OJK), the capital market in Indonesia has become one of the investment destinations for foreign and domestic investors. OJK Regulation number 29/ POJK/ 2016 states that companies whose shares are traded on the Indonesia Stock Exchange (IDX) should report their audited annual statements to OJK. The financial statements issued by the companies are a source of information for decision making for

investors, creditors, debtors, management, and the government (Arnold et al., 2012). However, this financial statement—as a source of information and accountability to shareholders and stakeholders— must go through an audit process conducted by an external auditor (Lestari 2015).

The financial statements that the external auditors have audited can reduce conflicts between principals and agents (Jensen and Meckling, 1976). In order to reduce conflicts of interest, principals should monitor the procedures to oversee the performance of agents by employing external auditors.

* Corresponding author, email address: fitrinurjanah129@gmail.com

However, monitoring procedures can increase agency costs (Jensen and Meckling, 1976). Agency costs are costs incurred by the principal to carry out audit procedures on the company (Francis and Wilson, 1988).

External auditors, in carrying out audit procedures, must measure the risk of the company or client to be audited (Ghosh and Tang, 2015). Risk assessment is an analysis conducted by the auditor about relevant risks associated with the preparation of the company's financial statements (Arens et al., 2014). The higher the audit risk assessed by the auditor, the higher the audit effort needed to produce an appropriate audit opinion (Bedard and Johnstone, 2004). Therefore, audit risk can determine how much the cost to be paid by the company which is measured by the amount of effort made by the auditor in conducting audit procedures. Inherent risk is one of the risks assessed by the auditor before conducting the audit process (Arens et al., 2014).

Companies that have political connections are associated with high inherent risk (Gul, 2006). Inherent risk is the risk of material misstatement assertions (Arens et al., 2014). In addition to being associated with inherent risk, companies that have political connections are also associated with a low level of transparency in financial statements, resulting in poor quality financial statements and risks of misstatement (Chaney et al., 2011; Srinidh et al., 2011; Walker and Reid, 2002; Yu and Yu, 2011). The higher the risk, the higher the efforts taken by the auditor in examining politically connected companies. Auditors are expected to provide appropriate opinions on financial statements with higher audit fees from connected companies as a return (Ariningrum and Diyanty, 2017; Gul, 2006; Khan et al., 2016; Tee, 2018; Wahab et al., 2011; Wahab et al., 2009).

In addition to political connections within the company, there are other factors that can also affect audit fee, such as corporate governance. Corporate governance can be said to be good if it meets the standards applied to the Organization for Economic Co-operation and Development (OECD). Corporate governance is related to the supervisory function carried out by the board of commissioners by establishing committees under them, one of which is the Audit Committee.

Results of research conducted by Ghanem et al. (2016) and Collier and Gregory (2006) show that the effectiveness of audit committees has a positive effect on audit fees because the

existence of an effective audit committee in a company is considered to provide a more objective supervision system. An effective monitoring system will generate demand for better audit quality and this will have implications for greater audit fees (Hay et al, 2006).

Indonesian Institute of Certified Public Accountants (IAPI) has regulated the audit policy based on regulation number 2 of 2016 stating that the amount of member fees may vary depending on the risk of the assignment, the complexity of the services provided, the level of expertise required, the Public Accounting Office fee structure concerned, and other professional considerations. IAPI reported in 2016 that the application of regulatory mechanisms was not optimal to date. There were still many certified public accountants who did not disclose how they determined the amount of audit fees to be received. Considering that this regulation has not been implemented effectively in Indonesia, the determining factor of audit fees in Indonesia is still an interesting topic to study. Therefore, the purpose of this study is to provide empirical evidence of factors that affect audit fees, such as the existence of political connection in a company and the effectiveness of the Audit Committee.

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

According to Li et al. (2008), the existence of political connection within a company can influence the company's performance through policies that favor the company and ease in obtaining government projects. In order to get profit, the company can lobby to make policies that are profitable for them, where these activities require funds or resources the company has (Fisman, 2001; Johnson and Mitton, 2003). The company should provide resources in the form of donation to related parties in order to create policies. This should benefit the company to pose risks associated with the exploitation and manipulation of company resources, because the donation itself is not always through the approval of minority shareholders, thus triggering agency problems (Ramsay et al., 2001). Therefore, the existence of political connections in companies is often associated with a low level of transparency in financial statements that results in poor quality financial statements and risks of misstatements in financial statements (Chaney et al., 2011;

Srinidh et al., 2011; Walker and Reid , 2002; Yu and Yu, 2011).

Companies that have a higher risk are more likely to have material misstatements in the financial statements (Gul, 2006). The higher the auditor’s assessment of risks in the company including inherent risk, the higher the audit effort required by the auditor to audit the company. In addition, greater efforts cause auditors to feel that they need to charge large amounts of audit fees to the company (Gul, 2006). Therefore, politically connected companies are believed to pay greater audit fees than companies that are not politically connected (Ariningrum and Diyanty, 2017; Gul, 2006; Khan et al., 2016; Tee, 2018; Wahab et al., 2011; Wahab et al., 2009).

H1: *Political connection within the company has a positive effect on audit fees*

Indonesia implements a two-tier system in corporate governance. The highest organ of the company that has a supervisory function is the board of commissioners. To help carry out the supervisory function, the board of commissioners forms an audit committee. With regard to audit fees, there are two arguments that illustrate the effect of the effectiveness of the audit committee on audit fees.

The first argument is on the supply, seen through the auditor’s perspective. An effective audit committee can improve the quality of corporate governance. The auditor believes that inherent risk can be lower if the audit committee in the company is effective in carrying out its duties. This ultimately reduces the audit fees charged to the company (Wahab et al, 2011). The second argument is on the demand. As described by Hey et al. (2006), audit fees paid by companies are determined by companies as users. The effectiveness of the supervisory function is carried out by the Board of Commissioners and assisted by the Audit

Committee. The company requests higher quality audit services and more thorough audit procedures. This can have implication for the high amount of audit fees charged by the auditor.

H2: *The effectiveness of the audit committee has a positive effect on audit fees.*

3. RESEARCH METHOD

The population in this study is all companies listed on the Indonesia Stock Exchange (IDX) period 2015-2017 except for financial companies. This research began in 2015 to coincide with the Indonesia President Jokowi’s administration. The type of data used in this study was secondary data taken from information presented in the Annual Report. A total of 444 companies were selected as research samples based on a purposive sampling technique with the criteria described on Table 1.

Operational Definition of Variables

The dependent variable of the study is audit fee which is defined as the amount of costs that each company must incur to finance the services of an external auditor who has conducted an audit of the financial statements of the company concerned. Audit fee is measured by the natural logarithm of audit fees contained in the financial statements.

The independent variables in this study are political connection and effectiveness of the audit committee. Political connection is defined as a condition in which one of the company’s leaders, such as the board of directors, the board of commissioners, or the majority shareholder (having a minimum share of 10%) is a member of the legislature, ministers, political party leaders or people related to the government. Political connection (POL) in this study is measured by a dummy variable, by giving a value of 1 for companies that have political connection and a value of 0 for companies that do not have political connection.

Table 1
Research Sample

No	Sample Criteria	2015	2016	2017
1	Companies listed on the IDX	510	525	510
2	Financial Industry Company	(80)	(82)	(87)
3	The financial statements that cannot be accessed	(95)	(64)	(46)
4	Companies that do not disclose audit fees	(232)	(230)	(255)
	Total	103	149	192
	Total Observation		444	

The second independent variable is the effectiveness of the audit committee, defined as a committee that meets the requirements to protect the interests of shareholders to ensure that the financial reporting, internal control, and risk management are reliable, through efforts to carry out diligent supervision. The effectiveness of the audit committee is measured by the composite index (EFFAC5) confirmed with five characteristics. The five combined characteristics are: Independent Audit Committee (IAC), Audit Committee Expertise (ACEXP), Audit Committee Diligence (ACD), Size of Audit Committee (SAC) and Audit Committee Chair with Accounting Expertise (ACCHX). A score system is used where the dichotomous score of "1" or "0" is for each characteristic of an effective audit committee (Ali et al., 2018). After obtaining the value of the effectiveness score, the researcher ranked it by the score of the effectiveness of the audit committee in the company divided by the value of perfect score.

The control variables in this study are public accounting firms, return on assets (ROA), and company size. Public accounting firm is measured by dummy variable. Code 1 is given to companies that use big 4 public accounting services and code 0 is given to companies that use non big 4 public accounting services. ROA is measured using operating income after tax divided by total assets. Company size is measured using the natural logarithm of total assets.

The analysis techniques used include descriptive statistical analysis, classical assumption test, and hypothesis test (Ghozali, 2011). Descriptive statistical analysis contains information about the characteristics of research data in the form of minimum values, maximum values, mean values, and standard deviations. Hypothesis test is done using multiple linear regression analysis. The following is regression equation model in this study:

$$LAudFee_{it} = \alpha_0 + \beta_1 POL_{it} + \beta_2 EFFAC_{it} + \beta_3 BIG4_{it} + \beta_4 ROA_{it} + \beta_5 SIZE_{it} + \epsilon_{it}$$

Note:

- AudFee = Audit Fee issued by a public-listed entity
- α_0 = Constant
- POL = Political connection within the company
- EFFAC = Effectiveness of audit committee
- BIG4 = Auditor big 4. Using dummy,

1 means audited by Big 4, and 0 means audited by other than Big 4

- ROA = Return of asset
- SIZE = Company Size
- ϵ_{it} = Error coefficient

4. DATA ANALYSIS AND DISCUSSIONS

Results of Descriptive Statistics

Based on the descriptive statistics on Table 2, it indicates that the dependent variable of audit fee has an average value of IDR 775 million, which means that the average company in Indonesia in 2015 to 2017 was paid the total audit fee of IDR 775 million to the auditor. Based on the difference between the maximum and minimum values, the range on this variable is quite high, illustrating that the samples of companies in this study represent the nominal amount of audit fees from small to large. In addition, there are 307 companies that have political connections, or approximately 69.1% of the total sample. The results of this study also support the results of research conducted by Faccio. (2006) that there are more than 28% of companies in Indonesia that have political connection.

The independent variable of the effectiveness of the Audit Committee is measured by five characteristics, as used in the research conducted by Ali et al. (2018). The score of the effectiveness of audit committee for each company is divided by perfect score. The average value obtained is 0.8059. The result shows that the average sample company has a good score in the effectiveness of audit committee. The average value in the study conducted by Ali et al. (2018) is 4, with the ratio of 0.8 obtained from a score of 4 on the five characteristics of the effectiveness of the audit committee.

Results of Multiple Linear Regression Analysis

The hypotheses in this study were tested using multiple linear regression analysis. Before doing the multiple linear regression analysis, the researchers conduct classical assumption test consisting of data normality test, heteroscedasticity test, and the multicollinearity test. The classical assumption test was conducted to find out whether the research data are normally distributed, and free from heterokedasticity and multicollinearity. This research model is feasible to do multiple linear regression analysis because it has passed the classical assumption test.

Table 2
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Fee	444	17.66	28.4696	20.4696	1.15451
Committee	444	.40	1.00	.8059	.14178
RoA	444	-.46	1.85	.0475	.13989
Asset	444	19.30	31.88	28.7188	1.74163
Valid N (list-wise)	444				
Dummy Variable					
Variable		%Score1	%Score0	total%	
Political Connection		(307) 69,1%	(137) 30.9%	(444) 100%	
Effectiveness of Audit Committee		(246) 35,4%	(198) 44,6%	(444) 100%	

Source: Data Procces

Table 3
Statistics Test

Variables	Coefficients	t-statistic	Sig
Constant	13.869	17.355	.000
Political Connection	.324	.130	.001
Effectiveness of Audit Committee	-.597	-1.965	.050
Public Accounting Firm	.776	8.321	.000
RoA	.700	2.262	.024
Asset	.226	8.336	.000
F-test	.000		
Adjusted R ²	.384		
N	444		

Source: Data Procces

In Table 3, it shows that the value of adjusted R² is 0.384, which means that variations in the variables of political connection and the effectiveness of the audit committee are able to explain the dependent variable of audit fees by 38.4%, while the remaining 61.6% is influenced by other factors outside the research model that are not selected as dependent variables. Furthermore, the F test shows a significance value of 0.000, indicating that the independent variables and control variables significantly affect the dependent variable.

The Effect of Political Connection on Audit Fee

The results of research conducted using this model are consistent with the first hypothesis which states that political connection has a significant positive effect on audit fee. The level of significance is 5% ($0.001 < 0.05$). Thus, the first hypothesis (H1) is accepted. It can be concluded that the existence of political connection in a

company can increase the inherent risk of a company (Gul, 2006). Politically connected companies can help government-related affairs (Faccio, 2006), and the connected companies can lobby policies that benefit their companies.

Companies that have political connections will cover the process of political contributions which will result in low transparency in the financial statements. Low transparency can result in poor quality of financial statements and risk of material misstatement in financial statements (Chaney et al., 2011; Srinidh et al., 2011; Walker and Reid, 2002; Yu and Yu, 2011). The higher the risk, the higher the efforts taken by the auditor in examining politically connected companies. Auditors are expected to provide appropriate opinions on financial statements, and as a return they will get higher audit fees from connected companies (Ariningrum and Diyanty, 2017; Gul, 2006; Khan et al., 2016; Tee, 2018; Wahab et al., 2011; Wahab et al., 2009).

The result of this study is also in line with the perspective of the Audit Pricing Theory which states that the auditor determines the audit fees to be charged because they must consider the risks that the company has. This can be reflected in the number of efforts made by auditors to carry out audit procedures. Politically connected companies have a high inherent risk (Gul, 2006). It is also in line with the theory and empirical results that politically connected companies pay higher audit fees than unconnected companies.

The Effect of the Effectiveness of Audit Committee on Audit Fee

The results of this study show that the effectiveness of the audit committee has a positive effect on audit fee, with the significance level of 5% ($0.050 < 0.05$). For that reason, the second hypothesis (H2) in this study is accepted. It can be explained that, in practice, audit fees are seen not only from the auditor's perspective as an audit service provider, but also from the client's perspective that plays a role in determining the audit fees to be paid (Hey et al., 2006). Client requests determine the audit fees paid because the client wants an audit conducted by a higher quality auditor, thus causing the audit fees charged to be higher.

Companies that have effective audit committees will encourage the companies to get better audit quality. The companies do this to maintain their reputation and protect themselves from legal responsibilities that might occur in the future due to the low level of supervision that the companies do (Carcello, Hermanson, Neal, & Riley, 2002). Demand for better audit quality and wider audit coverage will make the company pay a higher audit.

The results of this study support the argument of demand-side theory which states that the higher the level of the effectiveness of supervision conducted by the Audit Committee to assist the Board of Commissioners in overseeing management, the higher the demand for better audit quality. The demand for high audit quality will in turn affect higher audit fees charged by auditors (Carcello, Hermanson, Neal, & Riley, 2002).

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study aims to analyze the effect of political connections and the effectiveness of the audit committee on audit fees. Based on the

first hypothesis testing, it provides evidence that the existence of political connection in the company significantly affects audit fees. Politically connected companies are considered to have a higher risk than other companies that do not have political connections. Consequently, auditors will increase the audit effort required, thus resulting in the high audit fees charged (Ariningrum and Diyanty, 2017; Gul, 2006; Khan et al., 2016; Tee, 2018; Wahab et al., 2011; Wahab et al., 2009). Based on the second hypothesis testing, it is found that the effectiveness of the audit committee has a significant effect on audit fees. This result supports the argument of demand-side theory which states that an effective audit committee will conduct oversight. The audit committee will ask the auditor to conduct good quality audits which will have implications for the high audit fees charged (Carcello, Hermanson, Neal, & Riley, 2002).

The limitations in this research include: 1) there is only a small number of companies that disclose audit fees in their annual reports; 2) in Indonesia, there are still no reliable sources that show someone's political relationship, so the researchers only use online media as information to find out someone's political relationship.

This study recommends that, for further study, the researchers should add variables that have an effect on audit fees. In addition, this study also suggests that further research find more accurate sources for one's relationship with politics.

REFERENCES

- Abbott, L. J., & Parker, S. 2000. Auditor selection and audit committee characteristics. *Auditing: A journal of practice & theory*, 19(2), 47-66.
- Ali, M. J., Singh, R. K. S., & Al-Akra, M. 2018. The impact of audit committee effectiveness on audit fees and non-audit service fees: Evidence from Australia. *Accounting Research Journal*, 31(2), 174-191.
- Arens, A. A., Elder, R. J., & Beasley, M. S. 2014. *Auditing and assurance services* (15 edition ed.): pearson education.

- Ariningrum, I., & Diyanty, V. 2017. The Impact of Political Connections and the Effectiveness of Board of Commissioner and Audit Committees on Audit Fees. *Australasian Accounting, Business and Finance Journal*, 11(4), 53-70.
- Arnold, V., Bedard, J. C., Phillips, J. R., & Sutton, S. G. 2012. The impact of tagging qualitative financial information on investor decision making: implications for XBRL. *International Journal of Accounting Information Systems*, 13(1), 2-20.
- Bedard, J. C., & Johnstone, K. M. 2004. Earnings manipulation risk, corporate governance risk, and auditors' planning and pricing decisions. *The Accounting Review*, 79(2), 277-304.
- Carcello, J. V., Hermanson, D. R., Neal, T. L., & Riley Jr, R. A. 2002. Board characteristics and audit fees. *Contemporary Accounting Research*, 19(3), 365-384.
- Chaney, P. K., Faccio, M., & Parsley, D. 2011. The quality of accounting information in politically connected firms. *Journal of Accounting and Economics*, 51(1-2), 58-76.
- Chen, E. T., & Nowland, J. 2010. Optimal board monitoring in family-owned companies: Evidence from Asia. *Corporate Governance: An International Review*, 18(1), 3-17.
- Craswell, A. T., Francis, J. R., & Taylor, S. L. 1995. Auditor brand name reputations and industry specializations. *Journal of Accounting and Economics*, 20(3), 297-322.
- Faccio, M. 2006. Politically connected firms. *American economic review*, 96(1), 369-386.
- Fama, E. F., & Jensen, M. C. 1983. Separation of ownership and control. *The journal of law and Economics*, 26(2), 301-325.
- Fernandez, A. 2018. *Para pengusaha di balik partai politik/Interviewer: T. Hadiyantono*. KONTAN.co.id, jakarta.
- Fisman, R. 2001. Estimating the Value of Political Connections. *The American Economic Review*, 91(4), 1095-1102.
- Francis, J. R., & Wilson, E. R. 1988. Auditor changes: A joint test of theories relating to agency costs and auditor differentiation. *Accounting Review*, 663-682.
- García-Ramos, R., & García-Olalla, M. 2014. Board independence and firm performance in Southern Europe: A contextual and contingency approach. *Journal of Management & Organization*, 20(3), 313-332.
- Ghosh, A. A., & Tang, C. Y. 2015. Assessing financial reporting quality of family firms: The auditors perspective. *Journal of Accounting and Economics*, 60(1), 95-116.
- Ghozali, I. 2009. *Ekonometrika, Teori dan Aplikasi dengan Program SPSS*. Semarang: Badan Penerbit Universitas Diponegoro.
- Ghozali, I. 2013. *Analisis Multivariate dengan Program IBM SPSS 21*: Semarang: Universitas Diponegoro.
- Goodwin-Stewart, J., & Kent, P. 2006. Relation between external audit fees, audit committee characteristics and internal audit. *Accounting & Finance*, 46(3), 387-404.
- Gul, F. A. 2006. Auditors' response to political connections and cronyism in Malaysia. *Journal of Accounting Research*, 44(5), 931-963.
- Huang, C.-J. 2010. Board, ownership and performance of banks with a dual board system: Evidence from Taiwan. *Journal of Management & Organization*, 16(2), 219-234.
- Jensen, M. C., & Meckling, W. H. 1976. Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of financial economics*, 3(4), 305-360.
- Johnson, S., & Mitton, T. 2003. Cronyism and capital controls: evidence from Malaysia. *Journal of Financial Economics*, 67(2), 351-382.
- Karamanou, I., & Vafeas, N. 2005. The association between corporate boards, audit committees, and management earnings forecasts: An empirical analysis. *Journal of Accounting Research*, 43(3), 453-486.
- Khan, A., Mihret, D. G., & Muttakin, M. B. 2016. Corporate political connections, agency costs and audit quality. *International Journal of Accounting & Information Management*, 24(4), 357-374. doi:10.1108/ijaim-05-2016-0061

- Knechel, W. R., & Willekens, M. 2006. The role of risk management and governance in determining audit demand. *Journal of Business Finance & Accounting*, 33(9-10), 1344-1367.
- Kroszner, R. S., & Stratmann, T. 1998. Interest-group competition and the organization of congress: theory and evidence from financial services' political action committees. *American economic review*, 1163-1187.
- Li, H., Meng, L., Wang, Q., & Zhou, L.-A. 2008. Political connections, financing and firm performance: Evidence from Chinese private firms. *Journal of development economics*, 87(2), 283-299.
- Lin, J. W., Li, J. F., & Yang, J. S. 2006. The effect of audit committee performance on earnings quality. *Managerial Auditing Journal*, 21(9), 921-933.
- Muniandy, B., & Ali, M. J. 2012. Ownership Concentration, Political Connection And Audit Fees: Some Evidence From Malaysian Capital Market. *Corporate Ownership & Control*, 400.
- Musah, A. 2017. Determinants of audit fees in a developing economy: evidence from Ghana. *International Journal of Academic Research in Business and Social Sciences*, 7(11), 716-730.
- Ramsay, I., Stapledon, G., & Vernon, J. 2001. Political donations by Australian companies. *Federal Law Review*, 29(2), 179-221.
- Rittenberg, L. E., & Nair, R. D. 1993. *Improving the effectiveness of audit committees*: Institute of Management Accountants.
- Safari, M. 2017. Board and audit committee effectiveness in the post-ASX Corporate Governance Principles and Recommendations era. *Managerial Finance*, 43(10), 1137-1151.
- Salehi, M., & Shirazi, M. 2016. Audit committee impact on the quality of financial reporting and disclosure: Evidence from the Tehran Stock Exchange. *Management Research Review*, 39(12), 1639-1662.
- Septyaningsih, I. 2017. OJK: Pasar Modal Indonesia Berkembang Sangat Pesat. *republika*.
- Setyawan, F. A. 2017. Ombudsman: 222 Komisararis BUMN Rangkap Jabatan. *cnn indonesia*.
- Simunic, D. A. 1980. The pricing of audit services: Theory and evidence. *Journal of accounting research*, 161-190.
- Srinidhi, B., Zhang, H., & Zhang, T. 2011. Transparency in politically connected firms: Evidence from private sector firms in China *City University of Hong Kong Working Paper*.
- Sulistiyanto, S. 2008. *Manajemen Laba (Teori & Model Empiris)*: Grasindo.
- Tee, C. M. 2018. Family firms, political connections and audit fees: evidence from Malaysian firms. *Managerial Auditing Journal*, 33(6/7), 613-632.
- Vafeas, N. 2005. Audit committees, boards, and the quality of reported earnings. *Contemporary Accounting Research*, 22(4), 1093-1122.
- Vafeas, N., & Waegelein, J. F. 2007. The association between audit committees, compensation incentives, and corporate audit fees. *Review of Quantitative Finance and Accounting*, 28(3), 241-255.
- Veronica, S., & Bachtiar, Y. S. 2005. Corporate governance, information asymmetry, and earnings management. *Jurnal Akuntansi dan Keuangan Indonesia*, 2(1), 77-106.
- Wahab, E. A. A., Zain, M. M., & James, J. 2011. Political connections, corporate governance and audit fees in Malaysia. *Managerial Auditing Journal*, 26(5), 393-418.
- Wahab, E. A. A., Zain, M. M., James, K., & haron, H. 2009. Institutional investors, political connection and audit quality in Malaysia. *Accounting Research Journal*, 22(2), 167-195.
- Walker, G. R., & Reid, T. 2002. Upgrading corporate governance in East Asia: Part 1.
- Wu, X., & Li, H. 2015. Board independence and the quality of board monitoring: Evidence from China. *International Journal of Managerial Finance*, 11(3), 308-328.
- Yu, F., & Yu, X. 2011. Corporate lobbying and fraud detection. *Journal of Financial and Quantitative Analysis*, 46(6), 1865-1891.
- Zaman, M., Hudaib, M., & Haniffa, R. 2011. Corporate governance quality, audit fees and non-audit services fees. *Journal of Business Finance & Accounting*, 38(1-2), 165-197.