

Audit Fee Differences Between Pre and Post Covid-19 Pandemic

Muhammad Mukhlis¹

¹Faculty of Economic and Business, Airlangga University, Indonesia

*Correspondences: m.mukhlis-2021@feb.unair.ac.id

ABSTRACT

This research aims to determine the dynamics of audit fees at listed companies in Indonesia in the post-COVID-19 era. Specifically, this study examines whether there are significant differences in audit fees between the pre-pandemic and post-pandemic periods, taking into account various factors that might influence these fees. This research uses quantitative methods with a comparative approach to analyze differences in audit fees. This research focuses on a sample of public companies listed on the Indonesia Stock Exchange. The research results show that there is no statistically significant difference in audit fees between the pre-pandemic (2017–2019) and post-pandemic (2020–2021) periods. Audit fees did not differ before COVID-19 and after the pandemic due to auditors utilizing technology in carrying out audit procedures, rapid economic recovery, adaptive business strategies, and industry-specific impacts. This research is an empirical insight into the impact of COVID-19 on audit fees in Indonesia.

Keywords: Audit Fees; COVID-19; Financial Reporting; Business Conditions; Indonesian Listed Companies

Perbedaan Biaya Audit Sebelum dan Sesudah Pandemi Covid-19

ABSTRAK

Penelitian ini bertujuan untuk mengetahui dinamika biaya audit pada perusahaan tercatat di Indonesia pada era pasca-COVID-19. Secara khusus, penelitian ini menguji apakah terdapat perbedaan signifikan dalam biaya audit antara periode pra-pandemi dan pasca-pandemi, dengan mempertimbangkan berbagai faktor yang mungkin mempengaruhi biaya tersebut. Penelitian ini menggunakan metode kuantitatif dengan pendekatan komparatif untuk menganalisis perbedaan fee audit. Penelitian ini berfokus pada sampel perusahaan publik yang terdaftar di Bursa Efek Indonesia. Hasil penelitian menunjukkan bahwa tidak terdapat perbedaan biaya audit yang signifikan secara statistik antara periode pra-pandemi (2017–2019) dan pasca-pandemi (2020–2021). Biaya audit tidak berbeda sebelum COVID-19 dan setelah pandemi karena auditor menggunakan teknologi dalam melaksanakan prosedur audit, pemulihan ekonomi yang cepat, strategi bisnis yang adaptif, dan dampak spesifik industri. Penelitian ini merupakan wawasan empiris mengenai dampak COVID-19 terhadap biaya audit di Indonesia.

Kata Kunci: Biaya Audit, COVID-19, Pelaporan Keuangan, Kondisi Bisnis, Perusahaan Tercatat di Indonesia

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INTRODUCTION

The outbreak of the COVID-19 pandemic in 2019 has triggered unprecedented global challenges, affecting various sectors including the economy (Shlomo, 2020), healthcare (Olivia et al., 2020), and education (Abidah et al., 2020). The pandemic's far-reaching implications have not only posed threats to public health but have also brought about significant disruptions in the business environment worldwide (Verma & Prakash, 2020). As governments implemented widespread measures to contain the virus, including lockdowns and social distancing, businesses encountered considerable hurdles in their operations (Muzakki, 2020). Among the areas impacted is the realm of auditing, where the pandemic's repercussions have sparked changes in audit practices, thus necessitating a thorough investigation into its effects.

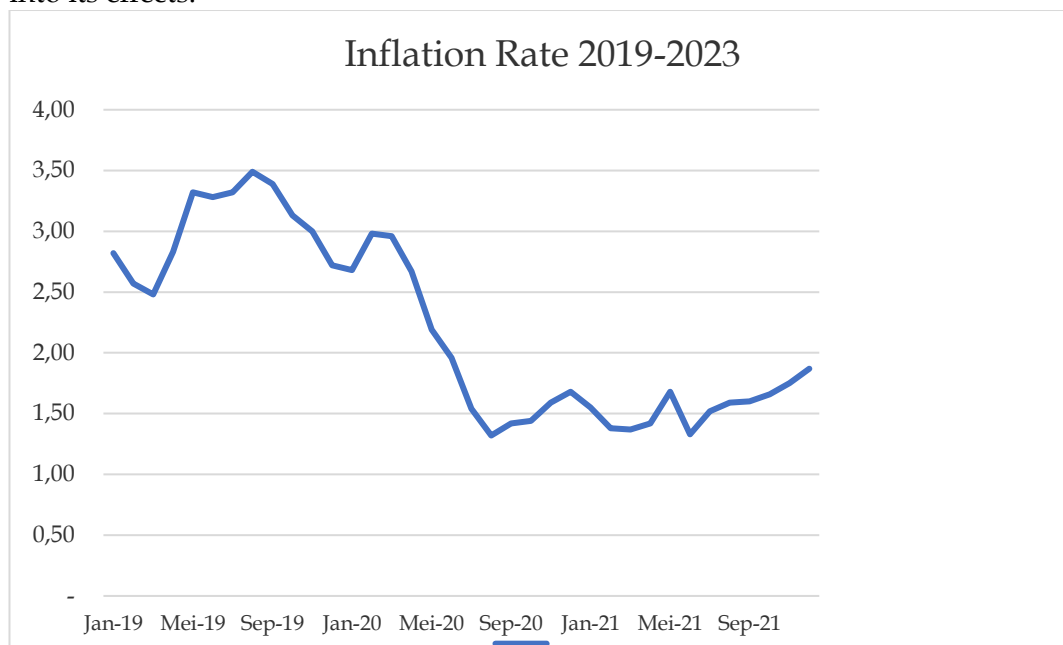


Figure 1. Inflation Rate in Indonesia

Source: Indonesia Statistic, 2023

Based on Figure 1, there is a noticeable difference between the pre-COVID period (2019) and the post-COVID period (2020-2023). In the pre-COVID period, the inflation rates generally ranged from around 2% to 3%, with a peak of 3.49% in August 2019. However, in the post-COVID period, starting from 2020, the inflation rates exhibited greater variability and generally higher values. In the post-COVID period, the inflation rates began to decrease in 2020, with rates falling below 2% in mid-2020. However, starting from 2021, the inflation rates started to rise significantly, surpassing 5% in some months. This elevated inflation trend continued into 2022 and 2023, with rates consistently above 4%.

Based on the provided inflation data, the decrease or stagnation of inflation should have also affected the decrease or stagnation of audit fees. However, the determination of audit fees is not influenced by external factors such as inflation. The majority of audit fee determinations are based on internal factors like the total assets and revenue.

Kanakriyah, (2020) find that The most important factors that have significant effect on audit fees are (1) Audit Report Lag, (2) risk, (3) client size, (4) status of the audit firm, and (5) corporate complexity. In the other hand, IAPI (2016) indicates that the determinants of audit costs include the number of working hours for each level involved in the audit assignment. The mentioned levels encompass partners, managers, supervisors, senior auditors, and junior auditors. The detailed lower limits of audit costs according to IAPI are outlined in Table 1:

Table 1. Minimum Price of Audit Fees

Region Category	Junior Auditor	Senior Auditor	Supervisor	Manager	Partner
Jabodetabek	100,000	150,000	300,000	700,000	1,500,000
Outside Jabodetabek	70,000	125,000	200,000	500,000	1,200,000

Source: Research Data, 2023

Table 1 illustrates the indicators of minimum cost in determining audit fees. These costs are divided into two categories: Jabodetabek and outside Jabodetabek. This distinction is based on the difference in the minimal cost of living in Jabodetabek, which is higher than in non-Jabodetabek areas. The determination of audit fees by IAPI only includes a minimum charge and does not address why the audit fees vary for each entity. Taylor & Baker (1981) state that the size of the company influences the magnitude of the audit fees. This result is confirmed by (Rusmanto & Waworuntu, 2015), who examined the size and audit fee variables using data samples from Indonesia, revealing a positive relationship between the tested variables. Based on External and Internal Factor above, is there differences between pre & post covid-19 pandemic on audit fees ?

Despite the extensive literature on auditing and its associated factors, limited research has been conducted to explore the specific influence of the COVID-19 pandemic on audit fees. Existing studies have predominantly focused on broader themes, such as financial reporting, going concern assessments, and overall audit quality in the face of the pandemic. (Reid et al., 2019) Rainsbury, Bradbury & Cahan (2009) delve into the impact of audit fees on financial report quality. Their research aims to uncover whether the level of audit fees paid by a company influences the quality of its financial reports. This study is significant as it addresses the critical issue of whether higher audit fees contribute to more reliable financial statements due to the potentially increased scrutiny and diligence exercised by auditors.

(Krishnan & Wang, 2014; Salehi, 2020) take a different perspective by examining the correlation between managerial ability, audit fees, and going concern opinions. Their research investigates whether companies with stronger managerial ability tend to receive higher or lower audit fees, and how this may relate to the auditors' assessments of the companies' ability to continue as a going concern. This study acknowledges the potential influence of managerial competency on audit fee negotiations and the auditors' judgments about the company's financial health and sustainability.

On a similar note, (Asthana & Boone, 2012; Hoitash et al., 2007) explore the intricate link between audit fees and audit quality. Their study seeks to ascertain whether higher audit fees correspond to improved audit quality, indicating that

companies may pay more to receive a higher level of assurance and meticulous examination of their financial records. This research is particularly relevant in addressing concerns about the potential trade-off between audit fees and the thoroughness of the audit process.

While these studies provide essential insights, they tend to overlook the nuanced examination of audit fee dynamics in the pre- and post-pandemic periods. Thus, there exists a research gap that calls for an investigation into how audit fees have been impacted by the unprecedented circumstances brought about by the pandemic.

The existing literature on audit fees fails to comprehensively address the distinctive influence of the COVID-19 pandemic on audit fee structures. Prior studies have explored a variety of audit-related aspects affected by the pandemic, but they have not thoroughly analyzed how audit fees have evolved in response to the changing business landscape during this crisis. This research gap presents an opportunity to delve deeper into the specific factors that have contributed to shifts in audit fees and the subsequent implications for audit quality.

Against this backdrop, this study aims to address the research gap by investigating the following research question: Is audit fees changed between pre and post COVID-19 pandemic? and what are the underlying factors that have driven these changes?. This research contributes novelty by focusing on a specific yet crucial aspect of the pandemic's impact on the business world – audit fees. By analyzing how audit fees have evolved before and after the pandemic, this study aims to offer insights into the distinct factors that have influenced audit fee adjustments. The study's significance lies in its ability to provide a granular perspective on how businesses and auditors have responded to the unique challenges presented by the pandemic. Moreover, this research seeks to shed light on the potential implications of changes in audit fees for overall audit quality and the business environment.

The Theory of Risk, often referred to as the Risk Theory, is a conceptual framework used to analyze decision-making and behavior in situations where uncertainty and potential risks are present. This theory asserts that individuals, organizations, or decision-makers consider the level of uncertainty and potential consequences associated with a particular action or event before making decisions (Davidson, 1991).

The Key components of the Theory of Risk include: Uncertainty (the theory revolves around the concept of uncertainty, which refers to the lack of complete knowledge or predictability about the outcomes of a decision, uncertainty arises when there are multiple possible outcomes, each with varying degrees of likelihood. Risk Perception (individuals perceive risks differently based on their cognitive, emotional, and experiential factors, people assess the potential outcomes and their corresponding probabilities, and they often make decisions to minimize potential losses while maximizing potential gains). Risk Aversion and Risk Seeking (the theory recognizes that people may exhibit varying levels of risk aversion or risk-seeking behavior, risk-averse individuals tend to avoid decisions with uncertain outcomes, while risk-seeking individuals might actively seek opportunities with higher potential gains, even if associated with higher risks. Decision-Making Under Risk (decision-makers evaluate the potential outcomes of

their choices by considering the potential gains and losses and the probabilities associated with each outcome, they aim to make decisions that maximize expected utility, which involves weighing the benefits and risks based on their preferences). Expected Utility Theory (this is a central concept in the Theory of Risk, it suggests that individuals make decisions based on the expected utility of each option, expected utility is calculated by multiplying the utility (subjective value) of an outcome by its probability and summing these values across all possible outcomes. Risk Management (The Theory of Risk also emphasizes risk management strategies, where decision-makers seek to minimize potential negative impacts by taking measures to reduce uncertainty or mitigate risks, this can involve diversification, hedging, insurance, and other strategies to manage the potential consequences of uncertain events).

The Theory of Risk provides insights into how individuals and organizations evaluate uncertainty and make decisions to manage potential risks and rewards. It has broad applications in understanding decision-making behavior in various fields, including economics, finance, psychology, and management. The Theory of Risk asserts that decision-making is influenced by the level of uncertainty and potential risks associated with an event or situation. The COVID-19 pandemic introduced substantial uncertainty, affecting business operations (Shlomo, 2020), financial performance, and market stability (Olivia et al., 2020). This uncertainty has implications for auditors in assessing the risks associated with audit engagements. As businesses faced unforeseen challenges, auditors need to allocate additional resources to assess the potential impact of pandemic-related uncertainties on financial statements. Consequently, the heightened risk environment increase audit fees due to the need for more extensive audit procedures.

H₁: Audit Fees increase post COVID-19 Pandemic.

Resource Dependence Theory (RDT) is a theoretical framework that focuses on how organizations and entities acquire and manage resources in response to their external environment. his theory suggests that organizations are interdependent with their external environment, and their ability to survive and succeed depends on their ability to secure and control essential resources. the Key concepts and components of Resource Dependence Theory include: Resource Dependence (the central premise of RDT is that organizations rely on external resources to function effectively, these resources can include financial capital, human resources, technology, information, raw materials, partnerships, and more). External Environment (RDT emphasizes that organizations operate within a complex external environment that includes stakeholders such as customers, suppliers, competitors, regulatory bodies, and other organizations, the external environment shapes the availability and access to resources). Resource Scarcity (the theory acknowledges that resources are often limited and unequally distributed, organizations face scarcity and competition for crucial resources, which can lead to power dynamics and dependencies). Resource Acquisition Strategies (organizations adopt various strategies to acquire and secure resources, these strategies involve forming alliances, partnerships, mergers, or collaborations with other organizations to gain access to resources they lack). Interorganizational Relationships (RDT highlights the importance of interorganizational relationships

in resource acquisition, organizations build networks and relationships with external entities to ensure a steady flow of resources and reduce vulnerability to resource shortages). Organizational Behavior and Decision-Making (RDT explains how organizations' behavior and decision-making are influenced by their dependence on external resources, organizations may adapt their strategies, structures, and processes to align with resource availability and external pressures). Resource Control (organizations aim to control critical resources to reduce vulnerability and maintain autonomy, this control can involve negotiating favorable terms with suppliers, influencing regulatory bodies, or developing proprietary technologies). Institutional Environment (RDT also considers the influence of institutional factors, such as norms, regulations, and societal expectations, on resource dependencies and acquisition strategies).

In the context of this research, Resource Dependence Theory applied to analyze how changes in the external environment due to the COVID-19 pandemic have affected organizations' resource dependencies and, consequently, their decisions regarding audit fees. The theory can provide insights into how organizations have adapted their strategies for securing resources and managing relationships with auditors in response to the disruptions caused by the pandemic. This could include examining how organizations negotiate audit fees, allocate resources for audit-related activities, and manage their dependencies on audit services within the context of changing resource availability and environmental pressures.

The Resource Dependence Theory (RDT) holds significant relevance in the context of this research. This theoretical framework provides valuable insights into how organizations adapt their strategies and behaviors to secure resources in response to changes in their external environment. In this research, RDT can shed light on how organizations' dependence on various resources influences their decisions regarding audit fees in the wake of the COVID-19 pandemic.

In the business world, the concept of Audit Fee refers to the monetary compensation paid by a company to an external auditing firm for their professional services in conducting an independent examination and verification of the company's financial statements, records, and internal controls. The primary objective of an audit is to provide assurance to stakeholders that the financial information presented by the company is accurate, reliable, and in accordance with the relevant accounting standards and regulations.

Several studies have explored and identified key determinants that impact the size of audit fees. One significant determinant is the size of the audited entity itself. Taylor & Baker (1981) emphasize that the size of a company, often measured by financial metrics like total assets, revenues, and complexity of operations, plays a pivotal role in influencing audit fees. A larger company with extensive operations and complex financial transactions tends to require more thorough and time-consuming audit procedures, thus leading to higher audit fees (Taylor & Baker, 1981).

Furthermore, Rusmanto & Waworuntu (2015) corroborate this finding in their examination of the Indonesian context. Their research demonstrates a positive correlation between company size and audit fees, indicating that larger entities generally incur higher audit expenses due to the heightened audit effort

required to ensure accurate financial reporting (Rusmanto & Waworuntu, 2015). Additionally, other factors such as industry risk, business complexity, geographical location, and the extent of monitoring required can also influence the determination of audit fees. These determinants collectively contribute to the nuanced nature of audit fee setting, reflecting the multifaceted considerations taken into account by both auditing firms and clients.

RESEARCH METHOD

This research employs a quantitative research design to analyze the audit fee differences between the pre and post COVID-19 pandemic periods (Alkebsee et al., 2023). A comparative approach is used to examine changes in audit fees over the two distinct time frames. The subjects of this study are companies listed on a Indonesia stock exchange that have undergone audits both before and after the COVID-19 pandemic. The study focuses on these companies as the primary objects of investigation. This research uses SPSS by testing descriptive statistics, paired sample t test, and regression analysis used for data analysis. Data is processed using SPSS.

The population studied consisted of all public companies that had financial data available for both the pre- and post-COVID-19 periods. This research does not use financial companies because audit fees paid by financial companies are very high, financial companies such as banks are more complex. A stratified random sampling method was used to select a representative sample from the population. These strata are determined based on industry sector to ensure adequate representation from various sectors of the economy. The sample size of companies in Indonesia selected for analysis is in Table 2.

Table 2. Sample Size

Description	2017	2018	2019	2020	2021	Total Observation
Listed Companies	581	600	595	607	622	3.005
Financial Sector	-92	-92	-92	-95	-95	-466
Total	489	508	503	512	527	2539
Number of Companies X Years without Required Data	-339	-358	-353	-362	-377	-1789
Final Sample Size	150	150	150	150	150	750

Source: Research Data, 2023

This research using Data Analysis Technique with Descriptive statistics approach, including means and standard deviations, are calculated for audit fees in the pre and post COVID-19 periods. A paired-samples t-test is employed to determine whether there is a statistically significant difference in audit fees between the two time periods. Additionally, regression analysis is conducted to assess the impact of the COVID-19 pandemic on audit fees while controlling for relevant control variables. The significance level is set at $\alpha = 0.05$.

The statistical analyses are performed using SPSS, which allows for robust assessment of the research hypotheses and provides insights into the magnitude and direction of the audit fee differences. This methodological approach ensures that the research captures and analyzes the changes in audit fees between the pre and post COVID-19 pandemic periods, while controlling for potential

confounding factors that affect the results. The chosen statistical techniques provide a rigorous analysis of the research question and contribute to the overall validity and reliability of the findings. There is statistical formulas used to test differences between pre and post audit fee. The Equation is:

$$\frac{\ln AFEE_1 - \ln AFEE_2}{Sp \times \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}} \dots \dots \dots (1)$$

Where $\ln AFEE_1$ and $\ln AFEE_2$ are the means of natural log on audit fees for the pre and post COVID-19 periods, Sp is the pooled standard deviation, N_1 and N_2 are the sample sizes. Using the calculated t-statistic, the study compares it to the critical value from the t-distribution or assesses its p-value against a predetermined significance level (alpha). If the p-value is less than alpha, the null hypothesis is rejected in favor of the alternative hypothesis.

RESULT AND DISCUSSION

The research findings provide a comprehensive understanding of the study's focus, Audit Fee Differences between Pre and Post COVID-19 Pandemic. The analysis encompasses three key aspects: descriptive statistics, trend analysis, and statistical tests. The result of descriptive statistic on the table 3.

Table 3. Descriptive Statistic

LnAFEE	Pre Pandemic		Post Pandemic	
	Statistic	Std. Error	Statistic	Std. Error
Mean	20.577	0.050	20.594	0.071
95% Confidence Interval for Mean	Lower Bound	20.478	20.454	
	Upper Bound	20.675	20.734	
5% Trimmed Mean	20.558		20.594	
Median	20.493		20.508	
Variance	1.144		1.535	
Std. Deviation	1.069		1.239	
Minimum	17.660		12.060	
Maximum	24.648		23.850	
Range	6.988		11.790	
Interquartile Range	1.475		1.470	
Skewness	0.309	0.114	-0.816	0.140
Kurtosis	0.078	0.228	6.660	0.279

Source: Research Data, 2023

The descriptive statistics shed light on the variable "LnAFEE" for two distinct periods. In the Pre Pandemic period, the mean audit fee was approximately Rp 860,421,000 with a slight right skewness indicated by a positive skewness value of 0.309. This period's data exhibited a relatively flat distribution, evident from the kurtosis value of 0.079. The standard deviation of approximately 1.069 indicates the dispersion of data points around the mean. The Pre Pandemic period revealed a mean audit fee of around Rp 880,000,000, with left skewness

indicated by a negative skewness value of -0.816. The kurtosis value of 6,660 in this period suggests a distribution with heavier tails. These descriptive statistics provide insights into the central tendency, spread, and shape of audit fee data for both periods.

The study also conducted trend analysis to discern patterns across time. The audit fee trend over these periods indicates a subtle increase in mean values from the first period to the second, suggesting potential shifts in the factors influencing audit fees.

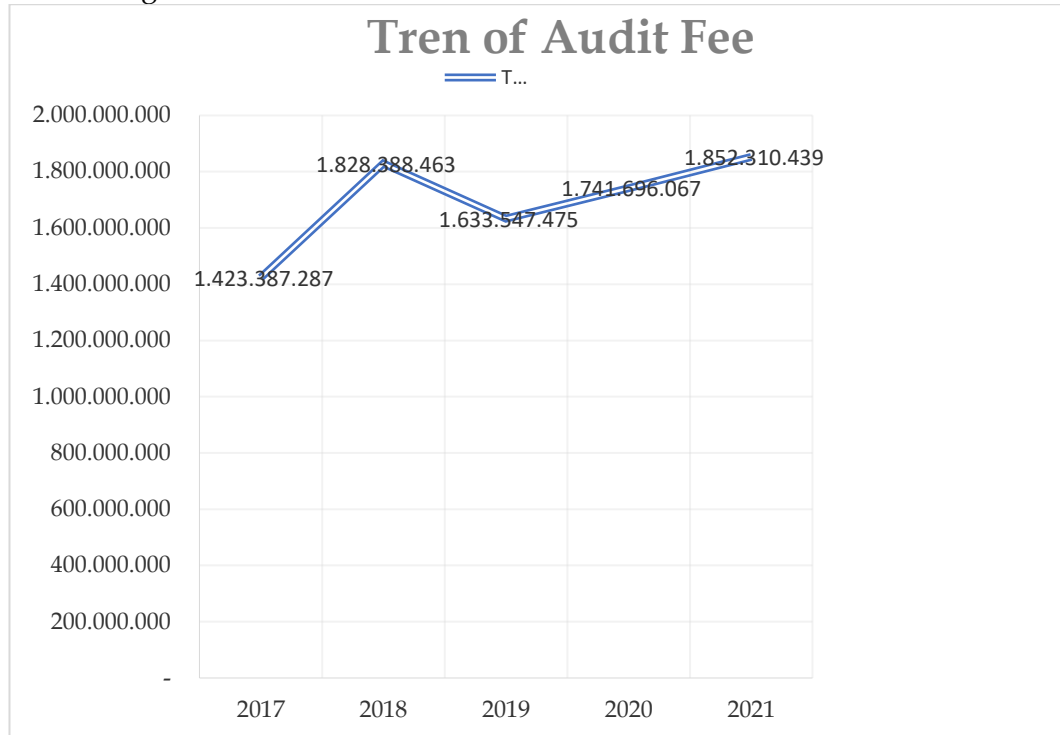


Figure 2. Average Audit Fee Trend in Indonesia

Source: Research Data, 2023

The Figure 2 show that this trend suggests fluctuations in audit fees over the years. The significant increase in 2018 followed by a decrease in 2019 and subsequent increases in 2020 and 2021 indicate dynamic shifts in the factors influencing audit fees. These fluctuations could be attributed to various factors, such as changes in the economy, regulatory requirements, company size, complexity of operations, or industry-specific circumstances. If we compare the actual audit fee with other internal factor like Average Total Revenue and Average Total Asset, we can see that there is no correlation among it. The comparison of Average Total Revenue and Average Total Asset in Figure 3.

Figure 3 show the analysis trends of audit fees and their comparison with revenue and total assets across the five-year period from 2017 to 2021. The objective is to uncover insights into the relationship between these financial indicators and the potential implications for the company's financial health and performance.

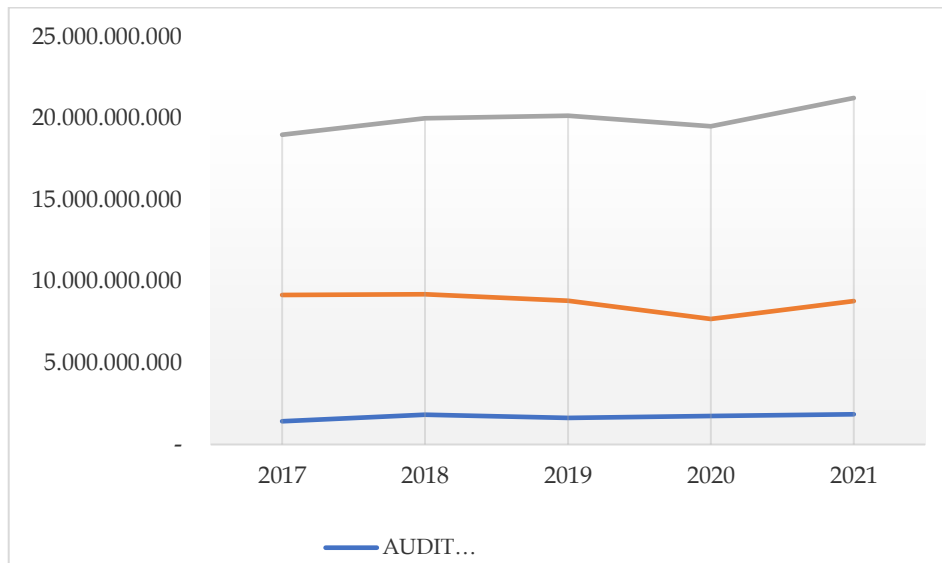


Figure 3. Comparison of Average Audit Fee on Average Total Revenue and Average Total Asset

Source: Research Data, 2023

Audit Fee Trends: The audit fee demonstrates a fluctuating pattern over the five years, there is an increase from 2017 to 2018, followed by a decrease in 2019, a notable increase is observed in 2020, with a further increase in 2021, these fluctuations in audit fees could be attributed to various factors, such as changes in the complexity of financial transactions, regulatory requirements, shifts in audit firm arrangements, or alterations in company operations.

Comparison with Revenue: The revenue also exhibits variations across the years, although the trend is not as consistent as that of the audit fees, there is a slight decrease in revenue from 2017 to 2018, followed by a modest increase in 2019, a substantial drop is seen in 2020, with a subsequent recovery in 2021, the relationship between audit fees and revenue is not straightforward; while there is some correlation, the fluctuations in audit fees do not precisely mirror the revenue pattern.

Comparison with Total Assets: Total assets demonstrate a consistent upward trend over the five-year period, this trend aligns with the notion that as a company's business expands, its total asset base grows, interestingly, the increase in total assets is not mirrored in the revenue pattern of 2020, suggesting that the company's assets continued to accumulate even during a challenging economic period.

Insights and Implications: The fluctuations in audit fees could be due to various factors, including changes in company operations, acquisitions, or restructuring efforts, the lack of perfect alignment between audit fees and revenue/total assets indicates that other influencing factors, beyond business growth, play a role in determining audit fees, the decline in revenue and total assets in 2020 could be attributed to the broader economic impact of the covid-19 pandemic, leading to reduced business activity, this analysis emphasizes the importance of a holistic approach to financial analysis, considering a range of internal and external factors that contribute to the observed trends.

Table 4. Uji Normalitas

PERIODE		Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
LnAFEE	Pre Pandemic	0.058	456	0.001	0.990	456	0.004
	Post Pandemic	0.051	304	0.051	0.941	304	0.000

Source: Research Data, 2023

Table 4 show *Uji Normalitas* of the data distribution for each period was assessed using the Kolmogorov-Smirnov and Shapiro-Wilk tests. These tests aim to determine whether the data follows a normal distribution, which is a crucial assumption for various statistical analyses.

For LnAFEE (Natural Logarithm of Audit Fee): Pre Pandemic, the Kolmogorov-Smirnov test yielded a statistic of 0.058 with a p-value of 0.001, indicating a significant departure from Uji Normalitas. The Shapiro-Wilk test in Pre Pandemic resulted in a statistic of 0.990 with a p-value of 0.004, again suggesting a departure from Uji Normalitas. Post Pandemic, the Kolmogorov-Smirnov test yielded a statistic of 0.051 with a p-value of 0.051, implying a slight departure from normality. The Shapiro-Wilk test in Post Pandemic resulted in a statistic of 0.941 with an extremely low p-value of 0.000, strongly indicating non-normality.

The obtained p-values from both tests suggest that the data in both periods does not conform to a normal distribution. This indicates that the data's distribution significantly deviates from the ideal bell-shaped curve. Consequently, when interpreting the results of subsequent statistical analyses, it is important to consider potential deviations from Uji normalitas and select appropriate statistical techniques that are robust to deviations from this assumption.

Table 5. Paired Samples Test

Pair	Paired Differences	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					Lower	Upper			
					1	2017-2019 & 2020-2021			

Source: Research Data, 2023

To determine whether there is a statistically significant difference between the means of two related or paired sets of data, we use Paired Samples Test. This test is particularly useful when the same subjects, items, or units are measured under two different conditions or at two different points in time. The Result of this test in Table 5.

Table 5 show the paired samples test to assess the differences between the means of two paired sets of data, specifically comparing the years 2017-2019 (Pre Pandemic) with 2020-2021 (Post Pandemic). The test evaluated whether there was a statistically significant difference in the variable under consideration. The table 5 show obtained p-value (0.222) is greater than the conventional threshold of significance (0.05). This suggests that there is no statistically significant difference between the means of the paired sets (2017-2019 and 2020-2021) for the variable being analyzed. In other words, based on this analysis, it can be concluded that the observed difference is not likely to be due to a true underlying difference, and any observed variation could be due to random chance.

The hypothesis suggests that audit fees in the post-pandemic period are likely to be higher than in the pre-pandemic period. However, the test results reveal a different outcome, indicating that there is no significant change between pre-pandemic and post-pandemic COVID-19 audit fees. The lack of significant difference between pre-pandemic (2017-2019) and post-pandemic (2020-2021) audit fees, despite the hypothesis (H1) suggesting an increase in audit fees after the COVID-19 pandemic, could be attributed to several factors. Several reason why audit fees pre & post pandemic doesn't change because (1) Fast Economic Recovery, (2) Adaptive Bussines Strategies, and (3) Industry-Specific Effects

Audit fee incurred by the Company before and after the pandemic have not changed due to the use of technology carried out by auditors during audit procedures such as conducting video calls or zoom meetings so that they can assess clients carefully, Always coordinating and communicating online using adequate communication tools, Utilizing all existing technology in instant document creation

The economic activities of public companies in Indonesia were only disrupted during the initial period of the COVID-19 pandemic (2020). However, the swift recovery process from the crisis managed to restore revenue and mitigate losses to pre-pandemic levels. From an auditor's perspective, the revenue decrease at the pandemic's onset was viewed as part of the business cycle and was not expected to significantly impact audit fees. Auditors assumed that the revenue decline was not due to internal fraud, but rather a result of the uncertain business environment. As a result, few auditors were willing to offer fee discounts to public companies.

Amid the crisis and health threats posed by COVID-19, companies have responded by embracing new ways of working, commonly known as the "new normal." This includes adopting digital processes for various operational activities. This transformative shift is expected to enhance operational efficiency and recoup the losses experienced during the crisis in previous periods. In the context of audit fees, the company's adaptation to digitalization is regarded as a standard business practice and doesn't alter the company's risk profile significantly. As a result, there is no significant change in audit fees between the pre and post-pandemic periods.

Different industries experienced varying levels of impact from the pandemic. Industries that were less affected might not have witnessed substantial changes in their financial structures or audit complexities, leading to stable audit fees. In the context of auditing, the stability in financial structures and reporting complexities directly correlates with the level of effort and resources required for

the audit process. Industries that experienced minimal disruption were able to maintain consistent financial reporting practices and maintain a level of predictability in their financial data. Consequently, the audit process for such industries did not undergo substantial changes, as the inherent risks and challenges associated with auditing remained relatively consistent.

The study holds practical implications that can provide valuable insights for various stakeholders involved in business and auditing. These implications have real-world significance and can guide decisions and actions in several ways: (1) For Companies, (2) audit firm, (3) Investor & Stakeholder, (4) Regulatory Bodies. For companies, the findings offer strategic insights into the impact of the pandemic and subsequent recovery on audit fees. This understanding aids in better financial planning and budgeting for audit-related expenses. Stable or minor changes in audit fees can give companies confidence in projecting financial commitments for audit services.

CONCLUSION

This research investigates the interesting phenomenon regarding variations in audit fees between the periods before and after the COVID-19 pandemic among companies listed on the Indonesia Stock Exchange. This investigation was conducted due to anticipation that the pandemic may have caused significant changes in audit fees due to changing business conditions. However, the results of this study provide unexpected insights. This research seeks to answer whether there are significant differences in audit fees between the pre- and post-pandemic periods among the companies studied. Additionally, this study aims to explore potential factors that may contribute to the observed changes or lack thereof. The initial hypothesis (H1) states that audit fees in the post-pandemic period will likely be higher than in the pre-pandemic period. Contrary to the initial hypothesis, statistical analysis showed no significant changes in audit fees between the pre- and post-pandemic periods. Average audit fees for both periods show comparable figures, indicating that the disruption caused by the pandemic has not caused major changes in audit fees. This unexpected finding prompted a thorough exploration of its possible causes.

Several key factors emerge to explain the lack of significant change in audit fees post-pandemic. Indonesia's rapid economic recovery minimizes the long-term financial impact on businesses, thereby reducing the need for increased audit efforts. Additionally, the rapid implementation of adaptive business strategies, including digitalization, minimizes significant changes in risk profiles. Different levels of industry-specific impacts also contribute, with less impacted sectors maintaining stable financial structures and reporting complexity. Further research stemming from this article can explore differences in company performance before and after Covid-19.

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