The Role of the Board of Commissioners Gender Diversity on the Effect of Other Comprehensive Income on Audit Fees

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ABSTRACT

Monitoring costs as agency costs can minimize information asymmetry and improve the quality of the financial statement. The purpose of this study was to examine the effect of other comprehensive income (OCI) on audit fees, with the board commissioner's gender diversity moderated. Non-Financial Company listed on the Indonesia Stock Exchange from 2019 to 2023 represent the study's population. This study sampling technique uses the census. The data analysis technique uses PLS-SEM. This study found that OCI affects audit fees, and the board of commissioners's gender diversity strengthens that relationship. The theoretical contribution of this study is to strengthen agency theory in increasing agency costs to minimize conflicts of interest and information asymmetry. For potential investors, as a strategy to invest in companies that have high audit fees due to the strong encouragement from the board of commissioners's gender diversity. For the government, strengthen the policy of female leadership on corporate boards to improve good governance.

Keywords: Other Comprehensive Income; Gender; Board of Commisioner; Audit fee

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The Role Gender Diversity on Board of Commisioner to the Effect of Other Comprehensive Income with Audit Fee

ABSTRAK

Biaya monitoring sebagai imbalan jasa audit yang dapat meminimalisir asimetri informasi dan meningkatkan kualitas laporan keuangan. Tujuan penelitian ini adalah menguji pengaruh Other Comprehensive Income (OCI) terhadap imbalan jasa audit dengan keragaman gender dewan komisaris. Populasi penelitian ini adalah perusahaan non-keuangan yang terdaftar di Bursa Efek Indonesia periode 2019-2023. Teknik pengambilan sampel penelitian ini menggunakan sensus. Teknik analisis data menggunakan PLS-SEM. Penelitian ini menemukan bahwa OCI berpengaruh terhadap biaya audit dan keragaman gender dewan komisaris memperkuat hubungan tersebut. Kontribusi teoritis penelitian ini adalah memperkuat teori agensi dalam meningkatkan biaya agensi guna meminimalisasi konflik kepentingan dan asimetri informasi. Bagi para calon investor, sebagai strategi untuk melakukan investasi pada perusahaan yang memiliki imbalan jasa audit yang tinggi akibat dorongan kuat dari keragaman gender dewan komisaris. Bagi pemerintah, memperkuat kebijakan kepemimpinan wanita di dewan pimpinan perusahaan guna meningkatkan tata kelola yang baik.

Kata Kunci: Other Comprehensive Income*; Gender; Dewan Komisaris; Imbalan Jasa Audit*

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INTRODUCTION

Audit fees have been an interesting topic in auditing research around the world. Disclosure of audit fees is still voluntary in Indonesia, so not all public companies include audit fees in their financial reporting. Unlike United Kingdom, and the United States, which have mandatory disclosure for public companies (Ding, 2019, and Dey & Lim, 2018). The existence of mandatory disclosure allows researchers to obtain empirical evidence from the capital market and the opportunity to develop and enrich research results on audit fees (Rahman, & Wu, 2021).

Determining audit fees is a challenge for auditors when audit to comprehensive income statement containing other comprehensive income (OCI) items, because the measurement uses fair value, so it requires high professional knowledge (Ding, 2019 and Doliya & Singh, 2016). Lin et al., (2017) stated that fair value becomes an unreliable value and depends on managerial discretion, especially when the market is illiquid or under pressure. Fair value estimates are susceptible to management's subjectivity in applying the valuation and intentional bias, which may reduce the quality of the financial statements. OCI is recognized, measured, and reported as unrealized gains and losses, with assets and liabilities measured at fair value at the time of acquisition and subsequent to the date of acquisition if there are indications of changes in fair value. Fair value measurement is complex and full of uncertainties due to market developments (Huang et al., 2016 and Lee & Park, 2013). The auditor needs a deep understanding to audit OCI items, such as identifying and assessing the risk and determining the timing, nature, and extent of specific audit procedures. More understanding and effort from the auditor increase the audit fee (Ettredge et al., 2014, and Ismail et al., 2022).

Based on agency theory, differences in interests between principals and agents lead to information asymmetry and agency costs. Agency costs are greater when auditors are faced with auditing OCI items that have high volatility and volume. High volatility is caused by dynamic changes in market prices. High volume is due to level 2 and 3 fair value measurements are difficult to verify than level 1. Level 1 provides reliable information and is used without settlement, as it is derived from quoted prices in active markets (Ismail et al., 2022, Huang et al., 2016; Ding, 2019). However, since there is no clear line of distinction between active and inactive markets, it is possible that both markets are the result of management judgment. The complexity factor in inputting and adjusting data and characteristics is the biggest risk in interpreting and analyzing OCI items (Shi et al., 2017). OCI items measured at fair value have a risk of error (noise) in the firm's financial data. This condition makes auditors have to design in-depth audit procedures to evaluate some significant assumptions, consider the suitability of valuation models, and test the underlying data, even when management uses valuation specialists to prepare estimates. Therefore, the amount of audit fees becomes higher as a representation of agency costs (Huang et al., 2016; Ding, 2019; Dhaliwal et al., 1999; Touron, 2018).

The study of Huang et al., (2016) shows that the volatility and volume of OCI are positively affecting audit fees. Because market price fluctuations could have an impact on OCI's future earnings, the company has a high inherent risk. One form of inherent risk is defined benefit plans, which can be caused by human error when inputting data. Nasih et al., (2020) proved that companies with defined benefit and defined contribution pension plans have higher audit fees because the auditor's assessment is riskier and involves more effort. Graham & Lin, (2017) proved that OCI provides confidence for managers because the information provided has an influence on firm value through changes in shareholders' equity due to recognition of unrealized gains and losses. Changes in stock equity contribute to the "wealth effect" where shareholders can transfer some of the inherent risk of cash flows inherent in the recognition of unrealized gains to creditors. In consequence of this, auditors must take extra care and attention to minimize audit risk by knowing the complexity of misstatements to OCI and measuring fair value. As a result, audit fees are higher.

Based on agency theory and empirical results such as (Huang et al.,(2016), Ettredge et al., (2014), Graham, & Lin, (2017), Ismail et al., (2022), Mihaela, et al.,(2022), Ding (2019) ; Lee & Park, (2013) prove that OCI has positively affected audit fees, because auditors are faced with high audit risk. Unlike Rahman & Wu., (2021), and Chen (2018) found the OCI volatility has negatively affected audit fess. Auditors in China are indicated to have a relatively short tenure and do not seriously consider the risk associated with items in OCI, so the audit fees provided are much lower. Chen (2018) prove that in China, audit fees are not affected by the volume of OCI. This difference in empirical results proves that further studies are needed, especially in developing countries such as Indonesia, which also faces greater volatility when there is bad sentiment in the market, and price changes are usually more extreme than in developed markets.

The majority of studies on audit fees focus on the audit entitiy and accounting firm levels. It often ignores the issue of gender diversity, which includes the ratio of men and women on company's board (Miglani & Ahmed, 2019; Sellami, & Cherif, 2020; Alkebsee et al., 2021). This issue is in line with the 2030 Sustainable Development Goals (SDGs) goal of achieving gender equality and empowering women. In Indonesia, board gender diversity such as commissioners, and directors is not yet required or set at a percentage for women's positions on company boards. The Minister of SOEs of the Republic of Indonesia has encouraged 15% representation of women to serve as directors of state-owned companies (Suri et al., 2023). Unlike United States, Norway, Spain and France issued regulations to stipulate that 40% of board member seats must be occupied by women, while Sweden requires a non-binding 25% (Ionascu et al., 2018). This condition proves that Indonesia has not seriously made regulations to regulate the diversity of company boards, so it is lower than developed countries.

The phenomenon of board gender diversity is interesting empirical evidence for the most studies because it can affect decision-making. The majority of studies have focused on board gender diversity as a form of presence on the company's board structure (Suri et al., 2023). Board gender diversity is the reason that corporate governance and success are well maintained (Wu et al.,2016; Ionascu et al., 2018; Gupta et al., 2020; Mousa et al.,2021). The presence of women at the commissioner and board level makes to pay high audit fess to presure auditors to improve audit quality (Luh, 2023; Zalata et al., 2017; Lai et al., 2017; Miglani & Ahmed, 2019; Ismail et al., 2021; Al-Najjar, 2018; Drogalas et al., 2020; Abu & Okpe, 2021). Men are less likely than women to prioritize stakeholder interests, avoid legal issues, and be complex, risk-averse, or sensitive to ethical issues. Men also represent a threat to the board of directors' reputation. Board gender diversity is believed to strengthen the correlation OCI and audit fees. This belief is inseparable from the presence of women who have a more cautious nature, provide more motivation, and display higher moral values than men, so it is logical that women are more likely to request a more detailed and extensive audit to minimize the risk of errors (noise) in financial data (Aldamen et al., 2018; Alqatan, 2019; Shi et al., 2017).

Agency theory states that borad gender diversity contributes significantly to lower information asymmetry and increased agency costs and firm performance. (Reguera-Alvarado et al., 2017; Alkebsee et al., 2021; Gull et al.,2021). Board gender diversity is believed to strengthen the correlation between OCI and audit fees. The presence of women in board gender diversity has stricter ethical standards to maintain personal, corporate governance efficiency, corporate reputation, and prevent financial lawsuits (Ismail et al., 2022). They are more aware of the impact of the inherent risks of OCI items for stakeholders and require extensive audits from auditors, so increasing audit fees (Xiang et al., 2015; Miglani & Ahmed, 2019; Lai et al., 2017; Alkebsee et al., 2021). Unlike, Nekhili et al., (2020) when companies have good governance as a result of the gender diversity of the audit committee board, it leads to lower audit risk, which has an impact on reducing audit effort and audit fees. This difference in empirical results proves that further research is needed, especially in developing countries such as Indonesia, where the proportion of women on the board is lower than in developed countries.

The corporate board structure in Indonesia is divided into two tiers: commissioners and directors. In anglo-Saxon countries, which use a single-tier system that combines oversight and management functions. This study focuses on gender diversity in the board of commissioners as an internal oversight function that refers to oversight of potential risks faced by the company, long-term implementation, work plans, budgets, provisions of the articles of association, general meeting of shareholders (GMS) decisions, and laws and regulations. Differs from prior studies that mostly use a one-tier system in board gender diversity, such as the audit committee board, there are (Wu et al., (2016), Ionascu et al., (2018), Mousa et al.,(2021), Aldamen et al., (2018), Shi et al., (2017), Luh, (2023), Alkebsee et al., (2021), Miglani & Ahmed, (2019), Lai et al., (2017). The board of directors is (Ismail et al., (2021), Al-Najjar, (2018), Drogalas et al., (2020), Abu & Okpe, (2021).

This study completes and expands prior studies by providing empirical evidence about the role of board of commissioner gender diversity in correlation OCI and audit fees in non-financial firm listed on the Indonesia Stock Exchange in 2019-2023. The non-financial sector was chosen because it is less regulated by government than financial sector. The non-financial sector is the sector that discloses more audit fees of varying amount than the financial sector. The non-financial sector is highly sensitive to global market issues. In 2019 to 2021 is the COVID-19 pandemic period, which causes pressure on firm performance. Additionally, the Russian invasion of Ukraine in 2022–2023 has caused inflation, market volatility, and slow economic growth. Hence, this study seeks to determine whether board gender diversity will continue to encourage auditors to audit more in-depth and focus on the inherent risks of OCI items, which increases audit fees when the company's financial condition is unstable.

There are very few studies with inconsistent results, such as that OCI increases audit fees (Huang et al.,2016; Ettredge et al., 2014; Graham & Lin, 2017; Ismail et al., 2022; Mihaela et al.,2022; Din, 2019; Lee & Park, 2013). Negative effect (Rahman & Wu., 2020), and no significant effect (Chen., 2018). In addition, there is a gap from prior studies that has not used the issue of the board of commissioners of gender diversity as moderation for correlation OCI and audit fees. Most of the issues of board gender diversity are carried out in developed countries such as anglo-Saxon countries that adopt a one-tier system, and also board gender diversity is a direct predictive variable of audit feess. The inconsistency of research results and the lack of research on gender diversity as moderation in developing countries such as Indonesia motivate further investigation with an agency theory approach. Hence, we develop these studies on the topic of board gender diversity, and external audit. This is important considering the current state of turbulence that many companies face due to subpar reporting and not complying with international auditing and financial accounting standards.

This study adopts control variables, including firm size, big four accounting firm, and return on asset (ROA), from Huang et al.,(2016), Rahman & Wu (2021), Miglani & Ahmed (2019), Ding (2019), and Lai et al., (2017) in an attempt to capture the complexity of audit fees. Firm size is a strong reason for increased audit fees because large companies tend to have complex and high-risk operations. Auditors will expand their audit testing, resulting in the allocation of more resources and time and high audit fees. Big Four accounting firm is believed to increase audit fees. Big four accounting firms have high audit quality because most auditors have high competence and experience, as well as a good reputation. ROA is believed to increase audit fees. The firm's ability to earn high profits with its assets creates a lot of information in its financial statements, so it is necessary to validate and recognize the income and expenses earned. Of course, this condition requires a longer time so that the audit fee is high.

The finding of this study would provide empirical evidence that strengthens agency theory to reduce information asymmetry with agency costs, such as supervisory activities on each decision or subjective assessment of managers on OCI. Agency costs are high because the board of commissioners wants the auditor to examine seriously and carefully the OCI items that have a high risk so that the financial statements presented become more credible and useful for stakeholders. This study can be used to enrich the scientific literature, especially in the fields of financial accounting and accounting theory. This study would provide guidance that supports the potential investors in the form of an appropriate strategy to assess the company's risk situation that affects investment decisions, especially in non-financial companies in Indonesia. The audit fees are a sign that the auditor provides good audit quality. This study would provide formulating policies or regulations on gender diversity of corporate boards to the Indonesian government to support SDGs point 5, i.e., gender equality and women's empowerment. Board gender diversity is the basis for the formation of quality human development so as to create good corporate governance and sustainable economic development.

A contractual arrangement that views agent and principals is known as agency theory (Jensen & Meckling, 1976). Principals and agents have different interests in increasing their respective utilites. The difference in interest causes information asymetry problems, thus creating agency cost. Agency costs, such as the board of commissioners who represent shareholders, incur monitoring costs to oversee and control management's opportunistic behavior in aligning the interests of shareholders and management. This effort is a crucial component of the corporate governance mechanism because it plays a significant role in determining audit fees. The board of commissioners is in charge of selecting the external auditor to audit the financial statements to ensure that there are no material errors, frauds, or misstatements (Reguera-Alvarado et al., 2017, and Alkebsee et al., 2021). Audit fees are the amount of fees charged to clients by the public accounting firm for attestation services, i.e., auditing financial statements (Ismail et al.,2022). The auditor's evaluation of overall audit risk can be used to determine audit fees, and increasing the audit effort will lessen the possibility of future lawsuit losses (Aldamen, 2018).

The financial statement that is often used to measure company performance is the statement of comprehensive income (Kurniawansyah & Mahendrawati, 2023). This financial statement contains information on other comprehensive income (OCI) items that are considered risky and complex due to fair value measurements based on subjectivity, assumptions, and management discretion. OCI information is volatile and difficult to predict in the future for investors (Mihaela et al., 2022). Audits of OCI items are a serious consideration for auditors, because they are faced with high knowledge and workload. Fair value is characterized by uncertainty and inaccuracy, which makes it difficult for auditors to evaluate the fairness of estimates that do not have a liquid market to find a comparison. This condition makes the audit risk higher, so that the audit fee is high (Lin et al., 2017; Ding, 2019; Ettredge et al.,2014).

Companies that have a high volume or absolute value of OCI can enhace audit fees (Ismail et al., 2017; Dhaliwal et al., 1999; Chun, & Rhee, 2015; Ding, 2019; Touron, 2018; Mihaela, et al.,2022). The high absolute value of OCI contains a lot of subjective judgment from management, which has an influence on the low quality of financial statements. These conditions make OCI have high inherent risk, and auditors need more effort to test OCI items measured at fair value (Huang et al., (2016). Lee & Park, (2013), and Graham & Lin, (2017) proves that OCI volatility increases audit fees, because auditors face high potential litigation risk. OCI volatility reflects a long-term perspective regarding market price movements that affect future profits. The high volatility of OCI carries a high inherent risk because companies tend to have unstable and unpredictable profits in the future. The assumptions and judgments related to the fair value measurement of the OCI component are related to its inherent risk. The risk in OCI that is volatile and vulnerable to potential litigation risk is one element in agency costs, i.e., the estimated future costs due to litigation losses that can affect the higher audit fees. Based on the above, this hypothesis is constructed as follows:
H_1: Other Comprehensive Income has a positive effect on employee benefits.

Reducing information asymmetry and encouraging corporate governance depend on the presence of a board of commissioners. Factors such as board gender diversity and other personal attributes like independence and expertise may strengthen the need for audits (Mihaela et al., 2022). Board gender diversity is the proportion of women on an investor's board (Miglani & Ahmed, 2022). The presence of women on the board of commissioners can create a broader perspective when making decisions and be more careful. Gender diversity is depicted through the attendance of women on the board. The existence of women who tend to avoid risk and complexity can encourage audit requests to ensure high supervision so as to increase the audit fees. Kuang & Chen, (2011) state that the more gender diverse the board, the greater the demand for audit quality in Chinese companies. They tend to be more honest, cautious, and conservative to reduce the risk posed by other comprehensive income (OCI). Therefore, Board gender diversity can strengthen the effect of OCI volatility on audit fees because women are more willing to ask auditors to be more thorough in their examination and request additional audits so that the interests of stakeholders can be achieved and improve the firm's performance and reputation (Karen et al., 2017; Onatuyeh, & Ukolobi, 2020; Ismail et al. 2022).

Relevant to agency theory, which explains that the conflict of interest between agents and principal increases agency costs such as supervisory costs (Huang et al., 2016). In an effort to minimize agency problems, the board of commissioners as a representation of shareholders requests an auditor to audit the financial statements produced from management as an agent. One of the financial statements that contains a high level of subjectivity and risk is the statement of comprehensive income. Other Comprehensive Income (OCI) items become an element of subjectivity for management and jugdment of appraisal on fair value measurement. Fair value measurement causes complexity in the revaluation process because assumptions are needed to estimate it. Management can use appraisal services in the revaluation assessment, but each appraisal has a different assessment so that OCI is categorized as high risk, which causes the quality of financial statements to decrease (Gupta et al., 2021, and Kusuma, 2023). Therefore, the board of commissioner's gender diversity can strengthen the correlation OCI and audit fees.

Board gender diversity, such as the presence of women, is highly concerned about the risks inherent in OCI and ethical issues. They are prepared to spend high audit fees on OCI audits to ensure transparency, integrity, credibility, and audit quality, and to protect the interests of stakeholders (Ghosh, 2019, and Miglani & Ahmed, 2019). The existence of the board of commissioner's gender diversity tends to support the demand side of the audit and is supported by inherent situational factors due to the high volatility and absolute value of OCI, which increases audit fees. Based on the above, this hypothesis is constructed as follows:

H_2: Board of commissioners of gender diversity strengthens the effect of other comprehensive income on audit fees

RESEARCH METHODS

Quantitative data types are used in this study. Secondary data is the source of the data used, i.e., the annual reports of non-financial firm. Data obtained from the IDX website. The population of this study consists of non-financial firm listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. The population criteria used can be seen in table 1. This study uses population criteria to obtain the desired target population based on longitudinal data. It is hoped that the population criteria set are able to describe the dynamics of changes in conditions or populations observed in different time periods in a more complex and actual manner.

Table 1. Target Population

Criteria	Jumlah 2019	2020	2021	2022	2023
Non-financial firm listed on the IDX with IPO years berfore 2015, 2016, and 2017	411	424	458	484	512
The firm that does not disclose audit fees in the annual report	(164)	(158)	(125)	(118)	(106)
The firm does not have complete data	(64)	(71)	(98)	(102)	(114)
Total	183	195	235	264	292
Total Observations			1169		

Sumber: Research Data, 2023

Based on Table 1, the population that meets the criteria is 1,169 annual reports of non-financial firm. The sampling technique uses the census method, i.e., by taking the population elements as a whole. The data collection method uses content analysis to analyze the information needed by the research variables in the annual reports of non-financial firm.

Audit fees are attestation service fees charged by the public accounting firm to provide assurance service for auditing historical financial statements to companies (Ismail et al., 2022). This variable was measured using the natural logarithm of audit fees adopted from Rahman & Wu et al., (2020), Huang et al., (2016), Miglani, & Ahmed, (2019), Ding, (2019), Lai et al., (2017). The measurement scale uses ratios.

Other comprehensive income (OCI) is financial information consisting of accounting items such as income and expense that are not recognized in profit or loss as required by financial accounting standards (Ding, 2019). This variable was measured using the absolute value of OCI, and OCI volatility with a formula adopted from Huang et al., (2016), Rahman & Wu et al., (2020), Ding (2019), Ismail et al., (2022). The measurement scale uses ratios.

$$\text{Absolute Value OCI} = \frac{\text{Absolute value of OCI}}{\text{Total Asset}} \ldots \quad (1)$$

$$\text{Volatility OCI} = \frac{\text{Standard deviation of OCI}}{\text{Avarage total assets over the last five years}} \ldots \quad (2)$$

Board of commissioners gender diversity is how much the proportion of women on the company's board of commissioners is (Miglani & Ahmed, 2019). This variable was measured using the percentage of women on the board of commissioners divided by the total board of commissioners which is adopted from Ismail et al., (2022). The measurement scale uses ratios.

$$\text{BoC} = \frac{\text{Female Commissioners}}{\text{Total number of Commissioners}} \text{ X } 100\% \ldots \quad (3)$$

Firm size is the scale of the size or size of the company which can be viewed from total assets, sales, and market capitalization (Kurniawansyah, & Mahendrawati, 2023). This variable was measured using the natural logarithm of the company's total assets adopted from Ismail et al., (2022), and Ding, (2019). The measurement scale uses ratios.

$$\text{Firm Size} = \text{Ln Total Asset} \ldots \quad (4)$$

Big four accounting firm is public accounting firm affiliated with Deloitte, PwC, EY, and KPMG's accounting firm (Rahman & Wu et al., 2020). This variable was measured using dummy bariable adopted from Lee & Park, (2013). A value of 1 is given if the company is audited by the big four, and 0 if the company is audited by the non big four.

Return on assets (ROA) is the extent to which the company's ability to earn profit with total assets owned in the accounting period (Ding, 2019). This variable was measured using the formula adopted from Ding, (2019). The measurement scale of this variable uses ratios.

$$\text{Return on Asset} = \frac{\text{Earning Before Interest Tax}}{\text{Total Asset}} \qquad (5)$$

The data analysis technique was processed using multiple regression analysis. Furthermore, this study tested moderation using the Moderated Regression Analysis (MRA) method. MRA is used to maintain sample integrity and a foundation for controlling the influence of moderator variables (Hair et al., 2022).

The multiple regression equation for this research model is as follows:

$$\text{ADFEE}_1 = \alpha + \beta_1 \text{OCI}_{x1} + \beta_2\ \text{FSIZE}_{x2} + \beta_3\ \text{BIG4}_{x3} + \beta_4\ \text{ROA}_{x4} + \varepsilon \qquad (6)$$

Where ADFEE_1 is audit fees, α is Constant, $\beta_{1\text{-}4}$ is regression coefficient, OCI is other comprehensive income (OCI), FSIZE is firm size, BIG4 is big four affiliated accounting firm, ROA is return on assets, ε is error rate in regression.

The Moderated Regression Analysis (MRA) equation for this model is as follows:

$$\text{ADFEE}_2 = \alpha + \beta_1\text{OCI}_{x1} + \beta_2\text{BGD}_{x2} + (\beta_3\text{OCI}_{x1} * \text{BGD}_{x2}) + \beta_4\text{FSIZE}_{x4} + \beta_5\text{BIG4}_{x5} + \beta_6\text{ROA}_{x6} + \varepsilon \qquad (7)$$

Where ADFEE_2 is audit fees, α is Constant, $\beta_{1\text{-}6}$ is the regression coefficient, OCI is other comprehensive income (OCI), BGD is the board of commissioners of gender diversity, OCI*BGD is the interaction between OCI and BGD, FSIZE is firm size, BIG4 is big four affiliated accounting firm, ROA is Return on assets, ε is the error rate in the regression. Partial Least Square (PLS)-SEM was used to analyze this study in two stages: the outer model test and the inner model test. Measurements are assumed to be valid and reliable to the extent that they pass the outer model test. Consisting of composite, discriminant, and convergent validity, the outer test. A loading factor with a greater than 0.50 correlation with the construct to be measured is used in the convergent validity test. The average variance extracted (AVE) value is used in the discriminant validity test to evaluate each construct's level of validity; a construct is considered valid if its AVE value is greater than 0.50. The Composite Reliability (CR) value is a test used to demonstrate the degree of consistency, accuracy, and precision of the instrument in measuring constructs. If a construct's CR value is more than 0.70, it is considered reliable.

Determining the degree of influence of the relationship between latent variables is the main objective of the inner model test. This test is divided into two, i.e., path analysis and Goodness of fit. Path analysis to test the influence and significance between latent variables with t-values above 1.96 is said to be influential. Examining the coefficient of determination R2 results, one can determine the goodness of fit for testing the latent variables' variability. The moderating variable's potential to strengthen or weaken the relationship between the independent and dependent variables is examined in this study through the use of the Moderated Regression Analysis (MRA) or interaction test. The relationship between the independent and dependent variables is said to be stronger if the t-values are greater than 1.96 or the P-values are less than 0.05 with a positive coefficient.

RESULT AND DISCUSSION

An overview and description of the research variables are the objectives of descriptive statistical analysis. This study used the minimum, maximum, mean, and standard deviation values as measurements for descriptive statistics. See Table 2 for the results of the descriptive statistical test.

Tabel 2. Descriptive statistical test

Variabel	N	Minimum	Maximum	Mean	Std. Deviation
ADFEE	1.169	17,510	26,731	21,200	2,413
ABSOCI	1.169	0,000	0,364	0,285	0,105
VOCI	1.169	0,000	0,482	0,397	0,121
BGD	1.169	0,000	0,826	0,172	0,080
FSIZE	1.169	25,662	38,021	30,521	4,397
BIG4	1.169	0,000	1,000	0,870	0,512
ROA	1.169	-87,610	52,700	3,224	1,594
Valid N	1..169				

Source: Research Data, 2023

Based on the descriptive analysis for all variables, the audit fees (ADFEE) measured using the natural logarithm of audit fee has a mean of 21,200. The majority of non-financial firms in Indonesia provide very high audit fees in 2019-2023. This indicates that non-financial companies are risky and complex industries in every business process and are sensitive to market developments. Auditors usually require more resources and are prudent in diciding the acceptable degree of audit risk. The Other Comprehensive Income (OCI), as measured by the absolute (ABSOCI) and volatility (VOCI) values of OCI, has a mean of 0.285 and 0.397, respectively. The majority of non-financial firms in Indonesia provide absolutes, and the volatility of OCI is quite low in 2019-2023. During the research period, Indonesia's macroeconomic fundamentals were relatively stable, and there was no significant spike in changes on the December 31 financial statement presentation date. The board of commissioners's gender diversity (BGD), measured using the proportion of women on the board of commissioners, has a mean of 0.172. The majority of non-financial firms in Indonesia provide a proportion of 17% female commissioners in 2019-2023. This condition indicates better gender equality and empowerment of women to sit on the board of commissioners. The gender of women who serve on the board of commissioners has exceeded the target planned by the ministry of SOEs of 15%. The more board of commissioners with gender diversity, the better the supervisory function and effective governance of non-financial firms in Indonesia.

The control variable of this study, i.e., firm size (SIZE), measured by the natural logarithm of total assets, has a mean of 30.521. This condition shows that the total assets of non-financial firms in Indonesia were approximately IDR 1,000,000,000,000 in 2019–2023. The majority of non-financial firms in Indonesia are large-scale. Large-scale firms tend to have many transactions and more complex systems, so it is likely that audits of large firms take longer, which has an impact on audit fees. Big four accounting firm (BIG4), measured by a dummy variable, has a mean of 0.870. This condition shows that most non-financial firms in Indonesia were audited by the big four auditors who have a good reputation and audit quality in 2019-2023. The quality of financial statement information audited by the big four accounting firms will be much better, especially the statement of comprehensive income, in which there is a component of OCI value. The Big Four auditors have better audit technology and the ability to audit OCI in more depth, which increases audit fees. Return on asset (ROA) measured by the ratio of profit before tax divided by total assets has a mean of 3.224. This condition shows that most non-financial firms in Indonesia have good financial performance in 2019–2023. They are able to manage their assets to generate very high profits. The ROA value of 3.224 exceeds the Bank Indonesia regulation of 1.5. The company's ability to earn very high profits can affect auditors to determine audit fees because auditors need more time to test income and expenses.

Hair et al., (2022) state that the outer model is used to assess how indicators and their latent variables relate to one another. Outer model evaluation with reflective indicators is carried out by looking at convergent validity in Table 3, discriminant validity, and composite reability in Table 4.

Tabel 3. Uji *Convergent Validity*

	Outer Loadings
ABSOCI < - OCI	0,903
VOCI < - OCI	0,938
BOC < - Board gender diversity	1,000
FSIZE < - Firm Size	1,000
BIG4 < - Big Four Accounting Firm	1,000
ROA < - Return on Asset	1,000
ADFEE < - Audit Fees	1,000

Source: Research Data, 2023

Tabel 4. Uji *Discriminant Validity* and *Composite Reability*

	AVE	*Composite Reliability*
Return on asset	1,000	1,000
Big four accounting firm	1,000	1,000
Firm size	1,000	1,000
Board gender diversity	1,000	1,000
Audit fees	1,000	1,000
OCI	0,831	0,866

Source: Research Data, 2023

The convergent validity test shows that the loading factor value of the reflective construct indicators each shows a valid value, because it is above 0,50. Based on the AVE value, the discriminant validity test indicates that each construct has a value greater than 0,50. For every construct, the composite reliability test has a value higher than 0,70. All reflective constructs are considered valid and have met the requirements of discriminant validity, and reliable. This condition indicates that all constructs can be carried out to the next stage, i.e., the structural model (inner modelTo assess the model that connects latent variables, inner model testing is performed. The R square value and the estimated path coefficients obtained from the goodness of fit test can be used to perform this testTo decide the degree of the impact or relationship of the significance level of the latent construct, a bootstrapping procedure is carried out. Path analysis describes the influence and level of significance between latent research variables. The level of significance of research variables is obtained from the value of path coefficients and t-statistics. In this study, Table 5 shows the path coefficient results.

Tabel 5. Uji *Path Coefficients*

Hipotesis	*Coefficients Beta*	T-*statistics*	Influential T *statistics* > 1,96	Conclusion
OCI -> Audit fees	0,601	7,702	Influential	Accepted
BOC-> Audit fees	0,420	6,109	Influential	-
OCI*BOC-> Audit fees	0,809	9,960	Influential	Accepted
FSIZE -> Audit fees	0,446	6,512	Influential	-
BIG4-> Audit fees	0,330	4,885	Influential	-
ROA -> Audit fees	0,398	5,013	Influential	-
R Square Adjusted: Audit fees 0,384				

Source: Research Data, 2023

The path coefficients test indicates that all research hypotheses are supported, and every control variable employed in the study has an impact. In this study, the adjusted R square value is 0.384. This indicates that 38.4% of the effect on audit fees can be explained by the variables used in the study, with the remaining 61.6% being influenced by variables not included in the analysis. A moderate model is included in the study's adjusted R square results.

This study accepts the hypothesis that proves that other comprehensive income (OCI) has a positive effect on audit fees in non-financial firms in Indonesia. The presentation of comprehensive income, which includes information on OCI items measured at fair value, has the perspective that financial statements will be more relevant and useful for stakeholders. However, OCI provides the information in a more complex and high-risk manner. Apart from the impact of market developments that make OCI items change rapidly, the impact of management intervention in providing subjective judgment on the estimation of fair value measurements makes OCI information much riskier. Of course, this condition will cause the financial statements not to be credible and of high quality. The high inherent risk of OCI makes auditors pay more attention to audit risk, which can affect the determination of audit fees. The findings of this study indicate that most non-financial companies in Indonesia are audited by highly reputable auditors, such as the big four accounting firms. Therefore, the level of auditor responsiveness to the risks of OCI will be carried out in a wider range of audit procedures, so that audit fees will be higher.

The study's findings are consistent with agency theory. The conflicting interest principals and agents create agency problems and agency costs. The principal will incur agency costs in the form of monitoring costs, which ask external auditors to audit the financial statements produced by management as an agent. Principals ask auditors to be more focused and concerned about the risks that exist in OCI items. OCI is believed to provide information that is unstable and difficult to predict in the future and is perceived differently by investors (Mihaela et al., 2022). Investors will believe that the firm's performance will be better if the comprehensive income statement earns high profits and has an impact on increasing shareholders' capital. In fact, the profit earned is based on the fair value revaluation of OCI items, not on actual management activities or efforts to increase profits. OCI measured at fair value is more prone to uncertainties and inaccuracies that auditors must seriously consider in designing a risk-based audit strategy. This economic consequence will make audit fees higher, auditors are faced with a higher workload.

This study support the prior studies such as Huang et al., (2016), Ettredge et al., (2014), Graham, & Lin, (2017), Chun & Rhee, (2015), Ismail et al., (2022), Mihaela, et al.,(2022), Ding (2019) ; Lee & Park, (2013) prove that companies that have a high volume or absolute value of OCI can increase audit fees. prove that companies that have a high volume or absolute value of OCI can increase audit fees. OCI's inherent risk is related to the possible impact of changes in market prices, including exchange rates. Rapid price movements and lack of supporting data affect the audit effort required by auditors. Based on the level of OCI, market price movements reflect short-term effects on inherent risk and future profits. Considering these risks, auditors may consider determining higher audit fees due to increased engagement risk. Auditors also consider the need for more resources and more complex audit procedures to reduce the audit risk posed by OCI. Auditors highlight that OCI measured at fair value contains many assumptions, and judgments that make auditors allocate more resources, thus affecting the determination of audit fees.

This study does not support prior studies by Rahman & Wu, (2020), which prove a negative effect OCI volatility on audit fees. Auditors in China are indicated to have a relatively short tenure and unserious determine the risks associated with items in OCI, so the audit fees provided are much lower. Auditors might not, however, fully take into consideration OCI's volatility. Unlike auditors in Indonesia, the majority non-financial company is audited by auditors working in the big four accounting firm who have a good reputation and ability. Auditors in Indonesia are much more sensitive and serious about OCI audits because they maintain the reputation and quality of the audit provided, so that the reward for audit services is much higher. In addition, this study does not support prior studies by Chen (2018), showing that OCI has no effect on audit fees. Auditors in China are uncared about the large or small value of OCI and how much risk is inherent; auditors still provide high audit quality. The amount of audit risk received determines the audit fee paid.

This study accepts the hypothesis that proves that the board of commissioner's gender diversity strengthens the influence OCI on audit fees in non-financial companies in Indonesia. Most non-financial companies in Indonesia have a proportion of 17% women on the board of commissioners. This indicated the importance of the role of women in the company's leadership to realize good governance for non-financial companies in Indonesia. The greater the board of commissioners's gender diversity, the greater the ability of the board to reduce the risks that exist in OCI, such as the risk of misestimation and information asymmetry problems. One of the efforts to reduce these risks is by asking auditors to be more focused and in-depth when conducting OCI audits so that it increases audit fees.

This study proves that number of women in the board of commissioners, has high expectations of the auditor's ability when auditing OCI so that the financial statements of non-financial firms in Indonesia become much more credible. The character of women, who do not like to take risks and are careful and meticulous, has supported the role of commissioners, who oversee the running of the company in accordance with company goals. Women commissioners demand more control mechanisms from the management team and make better decisions. They are willing to pay high audit fees so that auditors provide good audit quality when examining the possibility of material misstatements, errors, and potential fraud in the presentation of OCI.

The presentation of OCI measured using fair value has the potential to cause major problems for manipulating financial statements, especially when there is no active market. These issues create higher audit risk, as auditors are faced with increasingly complex and complicated issues when verifying the fair value measurement of OCI. Market price formation does not always reflect the fundamental value of an asset or liability. The absence of a clear line of distinction between active and inactive markets makes the determination of the market ultimately still involves the judgment of management, the existence of willing sellers and willing buyers is sometimes not enough to justify whether a market is considered active. In addition, the market may be active for certain instruments, and inactive for others, and this is also difficult, prices formed in forced transactions, forced liquidations, or distressed sales may not reflect the true fair value. Therefore, auditors are likely to decrease the acceptable degrees of audit risk, which may increase the determination of audit fees. Auditors need adequate audit planning and more extensive audit procedures to obtain audit evidence to evaluate whether OCI as a whole is fairly presented in all material respects, free from errors, and potential fraud

This study supports Lai et al., (2017), Kuang & Chen, (2011), Onatuyeh, & Ukolobi, (2020), Ismail et al., (2022) which show that more board of commissioners of gender diversity can encourage to increase supervisory costs through more OCI audit requests, so that the audit fees is higher. The existence of women is an important factor for boards to be effective. The character of women who maintain and adhere to values and ethics demands higher audit effort, as OCI has market price movements in its components and inherently high situational factors that impact the auditor's understanding. These requirements create an increase in agency costs, represented by audit fees, to ensure close supervision and reliability of financial information. This study contradicts Nekhili et al., (2020) that when there is an increase in governance strength as a result of the board committee gender diversity, it causes a decrease in audit risk, which leads to a reduction in audit effort and audit fess. They may influence the auditor's evaluation of audit risk, which corresponds to the supply perspective.

Firm size plays an important role in increasing audit fees for non-financial firms in Indonesia. Large firms have more activities and economic resources than small companies, so it takes longer to audit large companies. The findings of this study support agency theory, which reveals that agency problems between principals and agents can create agency costs. Agency costs, such as supervisory costs, are used to reduce information asymmetry. Identical large firm can incur high supervisory costs compared to small companies. The strength of large economic resources allows large companies to use the big four accounting firm to obtain good audit quality to increase the credibility of financial statements. Therefore, a firm's size's assets have an impact on high demands on auditors to audit, more specifically so that audit fees are high.

This study supports Immanuel & Yuyetta (2014), Musah, (2017), Huri & Syofyan, (2019), Cristanty & Ardianti, (2018), Shafira & Ghozali, (2017), Syafii & Dewi, (2022) proves that firm size increases audit fess. Support for these studies cannot be separated from the current era, most auditors are required to understand characteristics, profil, and risks of the company. Companies that have transformed human resources with technology can create efficiency and effectiveness in their business operations. Technology-based resources can create large company assets. The impact of large assets makes the company's business transactions much more numerous and complex. Therefore, auditors are required to be able to understand the characteristics, risks, and business processes of large companies which can affect high audit fees, due to more time, resource allocation, and audit effort expended. This study does not support Sanusi & Purwanto, (2017) which proves that firm size has no effect on audit fess. The size of the company is not the main indicator for determining audit fess for auditors. The main focus of auditors in determining audit fess is risk. Risk is closely related to the extent of audit work. Internal control risk and inherent risk are the main focus of auditors rather than the size of the company to expand audit procedures in obtaining sufficient audit evidence.

Big four accounting firm are believed to have effectiveness and efficiency, and are careful in providing audit services. The audit quality produced by big four is better than non-big four, thus influencing the determination of audit fees. The findings of this study prove that most non-financial firms in Indonesia use big four to increase the credibility of their financial statements. They believe that the big four has a good reputation and is able to carry out a better audit process to detect material misstatements, errors and fraud. Therefore, big four set their audit fees higher than non big four.

This study support agency theory which explains that agency problems create agency costs. Agency costs are higher when firm use big four accounting firm to audit their historical financial statements so that the financial statements provide quality information and can be trusted by stakeholders. High agency costs are a representation of audit fees. This study supports Sinaga & Rachmawati, (2018), and Cristansy & Ardiati, (2018) prove that the size of the accounting firm as measured by the big four increases audit fees. Big four can provide high audit fees, because most auditors have good competence and a big responsibility to find irregularities committed by management, so they always prioritize audit quality and accounting firm reputation. On the other hand, big four also has a good ability to detect company bankruptcy to help stakeholders in decision making. The finding of this study contradicts Naser & Hassan, (2016) which proves that big four has no influence on audit fees. The firms audited by big four and non-big four are equally responsible for providing high audit quality. Auditors of big four and non-big four have the same abilities and maintain independence and high audit quality according to auditing standards and a code of ethics. Therefore, audit fees are more determined based on the level of problem or complexity of the client's audit.

Audit fees are influenced by firm's profitability. A manager's ability to use resources effectively and efficiently is evaluated through profitability. Non-financial companies in Indonesia perform very well, according to this study. Good company performance is assessed by the company's ability to earn profits using its assets or return on asset (ROA). High ROA tends to disclose more information to show the profits earned. Disclosing more information is used to convince shareholders or principals regarding company performance so as to strengthen the company's position. High ROA is rigorously audited to ensure that there is no misrepresentation in the financial statements. Auditors will be more intensive in their testing to ensure that there are no misrepresentations in the financial statements which causes the higher the audit fee to be higher. This study support agency theory which explains that agency conflicts are caused by agents not meeting the needs and welfare of principals. The firm with a high profitability will generate high profits. High profits from the use of company assets are believed to be management's efforts to increase their own interests. One form of supervision and minimizing information asymmetry and moral hazard, the principal asks the auditor to audit the profitability that describes the company's performance. Audits of high profitability make auditors spend more time, and more in-depth testing related to items related to profitability such as revenue, expenses, current assets, and tangible and intangible fixed assets. Therefore, high profitability may lead to high audit fees as well.

This study support to Musah, (2017), Ruth & Izedonmi, (2015), Huri & Syofyan, (2019) proving that profitability affects audit fess. Profitability as measured by ROA is a serious concern in enhancing the quality of profits generated from the active use of the company's economic resources, such as current assets and tangible and intangible fixed assets. Therefore, high ROA can increase auditor skepticism to obtain more in-depth audit evidence. ROA is often an object for management to be engineered to make management look successful in managing the company. Management will use its discretion to optimize items related to ROA to produce high ROA. It is likely that the resulting profit comes from earnings engineering. Therefore, the auditor will examine more specifically the performance figures used as the basis for the firm's compensation system to detect the possibility of earnings management, so that the auditor determines a higher audit fee. This study does not support to Naser & Hassan, (2016) which proves that profitability has no effect on audit fess. The audit fess is not based on the size of the firm's profitability. Independent auditors prioritize audit risk as a basis for determining audit fess. Small profitability does not guarantee that it is free from management discretion to be engineered. Small profitability can be deliberately done to minimize political costs for large-scale companies. Therefore, risk is the main factor

CONCLUSION

The findings of this study prove that other comprehensive income (OCI) has a positive effect on audit fees in non-financial companies in Indonesia. The board of commissioner’s gender diversity strengthens the effect of OCI on audit fees in non-financial companies in Indonesia. This study has limitations, i.e., the Adjusted R value^2 is only 38.4% so it can be concluded that there are still many factors that can affect audit fess. A future study can add independent variables, for example, good corporate governance, business risk, and audit quality. Researchers have difficulty in identifying the value of audit fess explicitly in some companies, because the value is combined with the total value of other supporting professional institutions and mandatory regulatory factors affect these conditions. This led to a large number of companies to be eliminated and much lower observational data. OCI measurement only uses absolute value and volatility which is considered unable to capture the complexity of OCI disclosure. A future study can use dummy variables to obtain more accurate and comprehensive results in OCI disclosure, can enhacing the time period so as to produce more significant and generalized findings, can to consider other contexts and conditions that can strengthen the effect of OCI on audit fees, because institutional and cultural differences in each developing and developed country can affect this relationship. In addition, future studies should use comparative studies between less and more regulated sectors by government, for example the financial institution sector.

The findings of this study contribute to the development of financial accounting literature and accounting theory, especially strengthening the agency theory. The inherent risk of OCI causes the quality of financial statements to decrease. The importance of increasing monitoring costs represented by audit fees to minimize the risk of information asymmetry and moral hazard from management to keep financial statements credible. This study also enriches the literacy of the effect of OCI on audit fees moderated by the board of commissioner's gender diversity, because very few prior studies have been conducted in emerging markets such as Indonesia. In particular, it explores the issues of gender equality which is an important issue in the SDGs for the empowerment of women in corporate development. Furthermore, this study contributes to potential investors to be used as a strategic tool in assessing the risks inherent in OCI, thus influencing investment decisions in non-financial companies in Indonesia. Potential investors can consider information on high audit fess by looking at the role of the board of commissioner's gender diversity that can increase the credibility of financial statements. This study contributes to the government, especially the financial services authority to formulate policies that support the transformation of human capital in publicly listed companies. The policy encourages female leadership as gender diversity in the board of commissioners which is believed to create value added for the company. The board of commissioner's gender diversity is the basis for the formation of quality human development, and creating good corporate governance, so as to realize sustainable economic development.

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