

ABSTRACT

This study aims to examine the effect of corporate governance on audit fees that must be paid by the company. In this research there is one dependent variable that is audit fee and one independent variable, that is corporate governance. Corporate governance variables are derived from the Corporate Governance Perception Index published by The Indonesian Institute for Corporate Governance (IICG).

The sampling method used in this research is purposive sampling method. Based on purposive sampling (all listed companies in Indonesia Stock Exchange, except for financial sector, which publish audit fees), there are 80 observations used (21 sample companies in 2007-2016).

The results of multiple regression statistical tests found a positive significant correlation between corporate governance to audit fees indicating that the higher level corporate governance of a company, the greater the external audit costs to be paid by the company.

Keywords : corporate governance, audit fee, agency theory, substitution teori