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THE ASSOCIATION BETWEEN CORPORATE GOVERNANCE AND AUDIT FEES

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ABSTRACT

The Sarbanes-Oxley Act of 2002 (“SOX”) established not only corporate governance reform but also legislated significant changes to the practice of auditing publicly held corporations. Rules implemented by the Securities and Exchange Commission (“SEC”) further reinforced stronger corporate governance standards. The effect of these reforms on the cost of public audits is indisputable: the initial rise in audit fees was dramatic as corporations complied with the new provisions. This paper examines the relationship between corporate governance characteristics and audit fees for a random sample of 100 publicly traded corporations drawn from the 2005 Fortune 500 list. The data is obtained from SEC proxy statements and annual report filings for the 2005 fiscal year. The study examines characteristics of the audit committee and board of directors, while controlling for several financial measures generally associated with higher audit fees. The corporate governance attributes include two measures of expertise (the number of audit committee financial experts and the average number of outside directorships held by board members) and two measures of diligence (meeting frequency of audit committee and board of directors). The results indicate a positive, significant relationship between both measures of expertise and audit fees. In addition, greater frequency of board of directors meetings is also significantly related to higher audit fees, while audit meeting frequency is not. This outcome suggests that higher quality corporate governance as measured by fiduciaries’ expertise and board diligence is associated with higher audit costs.

INTRODUCTION

The role of corporate governance has increased in magnitude since the passage of Sarbanes Oxley in 2002 (“SOX”) and new regulatory requirements of the Securities and Exchange Commission (“SEC”). The legislated changes to the composition and expanded role of both the boards of directors of public companies and their audit committees stem from the “series of corporate scandals that raised concerns over the effectiveness of existing corporate governance standards” (White & Case). The goals of the new rules are to enhance transparency, accountability and objectivity in the oversight by boards of directors and board committees. The hope is that achievement of these accountability goals will promote increased investor confidence in the financial markets for public companies’ securities.

SOX mandated that the SEC issue rules to implement expanded disclosures about the internal controls of public companies. Corporations subject to the expansive reporting and attestation provisions of Section 404 of SOX have as a consequence experienced skyrocketing audit fees. In addition, SOX has clearly set up a different environment in which boards operate. It has made board meetings more compliance-focused than in the past, requiring directors to delve “deeper than ever before into what it takes to fulfill their role as fiduciaries.

Expectations of the board continue to grow and evolve, with the added pressure that directors must increasingly focus on their potential liabilities” (Eckbo, 2006). Likewise, the role and practices of the audit committee are experiencing a shift. Increased time and effort is now required of audit committee members to communicate with key organization personnel, monitor the internal audit function, oversee conflicts of interest, and ensure auditor independence (Lipman, 2006).

Debate persists about whether the dramatic rise in audit fees is a onetime increase in the costs of compliance with Section 404 or whether there has been a permanent shift as a consequence of SOX that will create an ongoing environment of higher audit fees.

In this study, I examine the relation between corporate governance and audit fees for Fortune 500 companies since the implementation of SOX, including its Section 404. All of the companies comprising the sample engaged a Big 4 auditor, so that there is no difference in the level of audit quality provided by the external auditors. The purpose of the study is to discern to what extent audit fees in the post-SOX environment can be linked to measures of both board and audit committee expertise and diligence. Prior research supports the notion that a board that is more diligent and expert “may demand differentially higher audit quality (which requires

more audit work)” than would normally be demanded in order to protect the board’s self interest. (Carcello, 2002)

The number of board meetings that occurred during the year is used as a proxy for board diligence. Board expertise is measured using the average number of other director positions held by a company’s board of directors. Audit Committee expertise is captured by the number of financial experts serving on the committee. There is a significant, positive relationship between board diligence, board expertise, and audit committee financial expertise and audit fees. However, unlike prior research findings, in which audit committee variables were not significant in the presence of board variables (Carcello, 2002), this study notes a significant, positive relationship between the number of audit committee financial experts and audit fees. This outcome is important because it indicates the growing impact of financial experts on the cost of audits. In addition, it is noteworthy that when audit committee meeting frequency rather than board meeting frequency is utilized as a measure of diligence, it is not statistically significant. This outcome differs from previous findings (Abbott, 2003), and suggests the increasing role of the board and the positive association between its meeting frequency and audit fees.

PRIOR RESEARCH STUDIES AND BACKGROUND

Several research papers document the observed relationship between audit fees and measures of corporate governance. The characteristics of the board of directors can influence audit costs because in executing its monitoring duties the board seeks “to protect its reputational capital, to avoid legal liability and to promote shareholder interest by purchasing differentially higher audit quality” (Carcello, 2002). In addition, the auditor may provide higher quality assurance services if it is understood that the board (i.e. the client) is “particularly high quality and demanding”. (Carcello, 2002). In their study *Board Characteristics and Audit Fees*, Carcello et al examined the relationship between audit fees and measures of board independence (percentage of outside directors on the board), board diligence (number of board meetings) and board expertise (average number of other director positions held by non-management directors). Using sample data for fiscal years ending between April 1992 and March 1993 for “Big 6”- audited Fortune 1000 companies, all three board measures were found

to have a significant, positive relationship with audit fees.

Further, the study examined separately the impact of comparable variables for the audit committee on audit fees, given its critical role of interacting directly with the external auditor. Audit committee independence and expertise both had a significant, positive relation with audit fees, but audit committee diligence (i.e. number of meetings) was not significant. Interestingly, when the three measures of independence, diligence and expertise for both the board and the audit committee were included in their regression model, all three board measures persisted in having significant, positive association with audit fees but none of the audit committee variables were significant.

In *The Association between Audit Committee Characteristics and Audit Fees*, researchers noted that “audit committees seeking a higher level of audit assurance could demand a greater level of audit coverage resulting in higher audit fees” (Abbott, 2003). They tested the relation between audit fees and attributes of the audit committee using more recent 2001 sample data of “Big 5”- audited companies. Both audit committee independence (composed entirely of outside, independent directors) and audit committee financial expertise (at least one member with financial expertise) had significant, positive associations with audit fees, while audit meeting frequency (meeting at least four times annually) was not significant. (Abbott, 2003) These results were different from those of Carcello et al, because these audit committee quality measures were significant in conjunction with board variables included as control variables. Board meeting frequency and board independence were also statistically significant in positively affecting audit fees, although board expertise was not. Thus, the findings of Abbott et al expanded those of Carcello, suggesting that audit committee attributes can also have an impact on audit costs.

These studies contributed to the examination of corporate governance measures and their influence on audit fees in a pre-SOX environment. However, the impact of SOX on the role and functions of both the board and the audit committee in the 21st century renders the results of these studies outdated. Empirical studies prior to SOX focused on the relationship between audit fees and audit committee characteristics (independence of committee members and financial expertise of committee members) that were recommended as “best practices” but were not required. These recommendations stemmed largely

from the report of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees, sponsored by the New York Stock Exchange and the National Association of Securities Dealers. Since SOX, many of these recommendations have been legislated, and public companies have reacted to the need to “restructure the board of directors and the audit committee to effectively undertake the new responsibilities assigned by the Sarbanes-Oxley Act” (The Sarbanes-Oxley Act and Evolution of Corporate governance, CPA Journal, March 2004).

Several significant changes legislated by SOX and the SEC affect corporate governance. The first relates to independence: there are more stringent standards for defining independence and it is now mandated that all audit committee members be independent and a majority (2/3) of the board of directors must be independent. In addition, the audit committee also must have not only members who are all “financially literate” but also at least one member who is a “financial expert”, and the criteria for satisfying that role is more clearly delineated. Finally, both the board and the audit committee are much more empowered entities than they were previously. The authority and responsibilities of the audit committee have been augmented. Among other things, the audit committee now determines the appointment of and compensation for the company’s independent auditors (previously administered by the board), and also must pre-approve all audit and non-audit services provided by the independent auditors. As well, the board is now required to establish and disclose its corporate governance guidelines; it must also establish a nominating/corporate governance committee and a compensation committee, in each case composed entirely of independent directors. Further, the chief executive officer is required to certify annually that he or she is not aware of any violation by the company of the NYSE’s corporate governance listing standards.

HYPOTHESES

The monitoring of the financial reporting process is of critical importance in the post-SOX time period, in which board members and their audit committees are being held to increased standards of performance. Given these conditions, it is fitting to examine the connection between audit fees and corporate governance characteristics in the context of this new reporting and disclosure environment. Four hypotheses are set forth below related to audit fees and the attributes of the board and its audit committee.

Board of Directors Expertise

Directors have a fiduciary responsibility to exercise care in monitoring management and to act judiciously in establishing and carrying out corporate strategy to maximize shareholder wealth. Directors who are involved in a greater number of boards are likely to possess an increased level of expertise in achieving these goals. Furthermore, through service on multiple boards, they have invested significant time and effort into developing reputational capital, and will seek to sustain their professional standing. More experienced directors want to avoid legal liability and do not want to be associated with corporate failures or fraud, and therefore will support the purchase of higher than normal audit services to insure appropriate financial reporting and disclosure.

Board expertise is measured by the average number of additional directorships held by the directors of the board. Firms with stronger corporate governance through greater board expertise will seek higher quality financial reporting, which leads to higher audit fees and this hypothesis:

H₁: There is a positive association between audit fees and board of directors’ expertise

Board of Directors Diligence

Meeting frequency is an indication of and a proxy for board of directors’ conscientiousness. A board that meets more frequently can increase the effectiveness of its oversight role by being more aware and knowledgeable of important corporate, strategic and financial reporting issues and concerns. SOX has added to the board’s plate the need to address SOX compliance issues, such that directors find “they are spending so much time with the audit committee and issues related to legal and ethical considerations” (Eckbo). As a result, boards that meet more often can interact with the audit committee, and thus may influence audit activity and coverage during various stages of the audit, leading to this hypothesis:

H₂: There is a positive association between audit fees and board of directors’ meeting frequency

Audit Committee Financial Expert

The audit committee is a subgroup of the corporation’s board of directors. Under SOX, the audit committee selects the independent audit firm for ratification by the stockholders, sets the external auditor’s fees, and reviews the scope of the auditor’s

services. All audit committee members of publicly held firms are required to possess financial literacy, and must now include at least one financial expert. An "audit committee financial expert" possesses the appropriate educational background, prior experience as a chief financial officer and/or chief executive officer, understanding of generally accepted accounting principles and financial statements, and may also have membership on various audit committees. Audit committee members who are financial experts "provide additional support for the external auditors when discussing or negotiating auditing issues and/or audit scope with management. Such expertise allows audit committee members to better understand the auditing issues, risks, and the audit procedures proposed to address these issues and risks." (Abbott, 2003) Thus, an audit committee with more financial experts can enhance the competence of the committee and the quality of its role in the financial reporting process. In turn, an audit committee with more financial experts will affect its execution of responsibilities to seek a higher quality audit from its auditors, which leads to higher audit fees, leading to this hypothesis:

H₃: There is a positive association between audit fees and the number of audit committee financial experts

Audit Committee Diligence

Meeting frequency is an indication of and a proxy for audit committee diligence. A committee that meets more frequently will be more aware and knowledgeable of significant accounting, reporting and auditing concerns. With the passage of SOX, "the workload is more detailed, demanding and increasingly somber" such that "audit committee members must be willing to attend more frequent and longer meetings." (Sweeney, 2002) Thus, audit committees that have more meetings per year can influence audit activity and coverage during various stages of the audit, leading to this hypothesis:

H₄: There is a positive association between audit fees and audit committee meeting frequency

REGRESSION MODELS

Two empirical models are used to test the hypotheses. The first model tests the association between audit fees and board of directors' diligence, board of directors' diligence, and audit committee financial experts.

MODEL 1:

$$LNAF05 = \beta_0 + \beta_1 BODMTG + \beta_2 AVGOSDIR + \beta_3 FINEX + \beta_4 ARPERC + \beta_5 INVPERC + \beta_6 LEVERAGE + \beta_7 SUBSID - \beta_8 SUBSID^2 + \beta_9 TA - \beta_{10} TA^2$$

The dependent and independent variables are defined as follows:

LNAF05: Consistent with many previous studies on audit fees, the dependent variable is the natural log of 2005 audit fees (expressed in millions of dollars).

BODMTG: Board of directors' diligence is measured as the number of meetings of the board held during the year as disclosed in the proxy statement.

AVGOSDIR: Board of directors' expertise is measured as the average number of outside directorships held by directors.

FINEX: Audit Committee expertise is measured as the number of financial experts who serve on the committee.

In addition to these test variables, a variety of control measures are used that have been found in prior literature to typically have a positive effect on audit fees. These control variables include: (1) the complexity of the audit, as measured by several factors: the proportion of total accounts receivable relative to total assets (*ARPERC*), the proportion of total inventory relative to total assets (*INVPERC*) and the number of subsidiaries (*SUBSID*); (2) the size of the client, as measured by total assets (*TA*); and (3) the risk of the client, as measured by total debt divided by total assets (*LEVERAGE*). The *SUBSID* and *TA* variables are also squared (*SUBSID*² and *TA*²), given the expectation that audit fees will increase with the number of subsidiaries and total assets, respectively, but at a decreasing rate.

The second empirical model includes the same measures of board and audit committee expertise, but substitutes audit committee diligence (*AUDMTG*) for board of director diligence to test its association with audit fees. *AUDMTG* is measured as the number of meetings of the audit committee held during the year as disclosed in the proxy statement.

MODEL 2:

$$LNAF05 = \beta_0 + \beta_1 AUDMTG + \beta_2 AVGOSDIR + \beta_3 FINEX + \beta_4 ARPERC + \beta_5 INVPERC + \beta_6 LEVERAGE + \beta_7 SUBSID - \beta_8 SUBSID^2 + \beta_9 TA - \beta_{10} TA^2$$

SAMPLE SELECTION

A random sample of 100 companies was selected from the Fortune 500 listing for the year 2005. Fortune magazine compiles and publishes the list annually, which is a ranking of the top 500 United States public corporations as measured by gross revenue, although eligible companies are any for which revenues are publicly available. Only firms which were audited by the Big Four were included in the sample since prior research indicates that services provided by large audit firms have different price structures; that is, clients who engage larger firms tend to pay higher fees than those which obtain audit services from regional auditing firms. A distribution of the sample, by industry, is presented in Table 1, and reflects that nearly half of the companies in the sample operate in the manufacturing sector.

DESCRIPTIVE STATISTICS

Descriptive statistics of the variables used in the regression models are presented in Table 2. The average 2005 audit fee for the sample companies was \$8.02 million. The average decline in audit fees from 2004 was 8% with 68% of firms in the sample experiencing a decline in audit fees while 38% experienced an audit fee increase (not reported in Table 2). The average number of outside directorships held by board members was 1.98 (minimum of .14 and maximum of 5.22) while the average number of financial experts was 2.24 (minimum of 1 and maximum of 6). Board of director meetings averaged 8.56 (minimum of 4 and maximum of 26) while the average number of audit committee meetings was 9.47 (minimum of 4 and maximum of 22).

A correlation matrix of the dependent and independent variables is presented in Table 3. Three of the test variables are correlated with the natural log of 2005 audit fees (*LNAF05*) with the average number of outside directorships held by board members (*AVGDIROS*) exhibiting the largest correlation at .40 (*p-value* <.0001). Among the control variables, total assets (*TA*) and number of subsidiaries (*SUBSID*) reflect the largest correlation with *LNAF05* at .52 (*p-value* <.0001) and .25 (*p-value* <.0108), respectively. Inventory as a percentage of total assets (*INVPERC*) indicates a surprising correlation with *LNAF05* of -.49. Among the explanatory variables, the two largest correlations are (1) .34 (*p-value* <.0005) between the number of audit meetings (*AUDMTG*) and number of board of director meetings (*BODMTG*) and (2) .32 (*p-value* <.001) between total assets (*TA*) and the average

number of outside directorships held by board members (*AVGDIROS*).

REGRESSION RESULTS

Table 4 summarizes the results from three audit fee regressions. The Control Model regresses *LNAF05* on only the seven control variables included in the empirical models. Model 1 regresses *LNAF05* on the control variables and the three test variables related to board meeting frequency, board of director expertise, audit committee financial experts (*BODMTG*, *AVGDIROS*, and *FINEX*). Model 2 regresses *LNAF05* on the same variables as Model 1 except it substitutes audit committee meeting frequency (*AUDMTG*) for board meeting frequency (*BODMTG*).

The Control Model, which regresses *LNAF05* on control variables reflects an adjusted R^2 of .497. All of the control variables are significantly associated with audit fees in the predicted direction, with two exceptions. *LEVERAGE* is positively related as expected, but not statistically significant. This result is likely because the firms comprising this sample, despite their varying degrees of debt, are large, stable corporations; in addition, the incremental costs of auditing contractual debt obligations is not dramatically affected by the magnitude of the debt. In contrast, *INVPERC* is negatively associated with audit fees and statistically significant. This outcome is contrary to expectations and cannot readily be explained. This peculiar result differs from that noted in prior studies cited in this paper, in which a comparable variable was either statistically insignificant or had a positive, significant association with audit fees.

Model 1, which regresses *LNAF05* on the control variables and the three test variables related to board of director meeting frequency (*BODMTG*), board of director expertise (*AVGOSDIR*) and audit committee financial experts (*FINEX*) has an adjusted R^2 of .53. All three attributes reflect a significant, positive association with audit fees, thereby providing support for Hypotheses 1, 2 and 3. In terms of the degree of impact these explanatory variables have on audit fees, holding one additional board meeting results in a 3% increase in audit fees, while increasing average outside directorships by one results in a 14% increase in audit fees. Using the average audit fees for 2005 of \$8.02 million, these effects are equivalent to a \$240,000 and \$1.04 million increase, respectively, in audit fees. The presence of one additional financial expert on the audit committee raises audit fees by 8 percent,

equivalent to a \$642,000 increase. Thus, these effects are of consequence. The coefficients and significance for the control variables are consistent with those indicated in the Control Model.

Model 2 regresses *LNAF05* on the same variables as Model 1, but substitutes audit committee meeting frequency (*AUDMTG*) for board of director meeting frequency (*BODMTG*) as the measure of diligence. This regression results in an adjusted R^2 of .52, negligibly lower than Model 1. Both variables measuring expertise (*AVGDIROS* and *FINEX*) reflect a positive, significant association with audit fees; their coefficients are consistent with those in Model 1 as are the observed results for the control variables. However, although audit meeting frequency (*AUDMTG*) has the expected positive relationship with audit fees, it is not statistically significant. Model 2 thus supports Hypotheses 1 and 3, but not Hypothesis 4. Substitution of audit committee meeting frequency for board meeting frequency in Model 2 sheds an interesting light on the greater relative impact of the board as a whole versus the audit committee on audit fees.

CONCLUSION

This study is an initial effort to examine the relationship between various board and audit committee characteristics and audit fees in the post-SOX corporate reporting environment. Although there is a limited amount of literature which focuses on the relationship between audit fees and corporate governance prior to the implementation of SOX, it was chiefly focused on only board of directors' characteristics. This empirical study examines the

impact of both board and audit committee factors on audit fees, using more current audit fee data and reporting disclosures, which reflect the impact of the SOX requirements and SEC regulations of the early 21st century.

The results support the theory that higher quality corporate governance as measured by board diligence and expertise as well as audit committee financial expertise is associated with higher audit costs. Consistent with prior studies, it reflects audit committee meeting frequency is not associated with audit fees. Of particular note, the results differ from pre-SOX studies because they reveal the influence of both financial experts and board expertise on audit fees, when both board and audit committee variables are included in the empirical model. This signifies a shift toward the increasing influence of experts on external audit costs in the post-SOX environment.

This paper is subject to a number of limitations. First, the sample represents only very large public companies so the results may not apply to corporations of smaller sizes. Second, there may be other corporate governance factors not captured in this study which correlate with audit fees. However, the analysis uses more recent financial information, examines audit fees after the implementation of SOX, and finds a concurrent link between audit fees and board and audit committee variables (board diligence, board expertise, and audit committee expertise). Thus, this study adds to the growing body of literature that finds a connection between several facets of corporate governance and the fees paid for financial reporting and auditing.

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TABLE 1**Sample Industry Distribution (n=100)**

<i>SIC Code</i>	<i>Industry</i>	<i>Number of Observations</i>
1000-1999	Mining, Construction	5
2000-2999	Manufacturing-Food, textiles, lumber, chemicals	26
3000-3999	Manufacturing-Rubber, metal, machinery, equipment	23
4000-4999	Transportation, Communication, Utilities	17
5000-5999	Wholesale, Retail	17
6000-6999	Finance, Insurance, And Real Estate	5
7000-9999	Services	7
Total		100

TABLE 2**Descriptive Statistics (n=100)**

Variable	Mean	Standard Deviation	Minimum	Maximum
AF05	8.02	6.67	0.89	33.77
lnAF05	1.74	0.87	-0.12	3.52
arperc	12.42	10.65	0.00	61.23
invperc	13.65	17.65	0.00	80.38
leverage	59.54	19.53	15.61	125.07
Subsid	167.02	238.70	1.00	1,469.00
TA	25,656.00	36,404.00	1,313.00	208,335.00
FinEx	2.24	1.44	1.00	6.00
AudMtg	9.47	3.77	4.00	22.00
AvgDirOS	1.98	0.95	0.14	5.22
BODMtg	8.56	3.62	4.00	26.00

Notes:

AF05	2005 audit fee in millions of dollars
lnAF05	natural log of 2005 audit fee in millions of dollars
arperc	total accounts receivable as a percentage of total assets
invperc	total inventory as a percentage of total assets
leverage	total debt as a percentage of total assets
Subsid	number of subsidiaries
TA	total assets in millions of dollars
FinEx	number of financial experts
AudMtg	number of audit committee meetings
AvgDirOS	average number of outside directorships held by directors
BODMtg	number of board of director meetings

TABLE 3
CORRELATION MATRIX (n=100)
(p-values in italics)

	arperc	invperc	leverage	Subsid	TA	FinEx	AudMtg	AvgDirOS	BODMtg
lnAF05	0.11 <i>0.288</i>	-0.49 <i><.0001</i>	0.08 <i>0.4326</i>	0.25 <i>0.0108</i>	0.52 <i><.0001</i>	0.19 <i>1</i>	0.10 <i>0.0586</i>	0.40 <i>0.3416</i>	0.20 <i>0.0432</i>
arperc		-0.11 <i>0.2781</i>	0.08 <i>0.4221</i>	0.05 <i>0.6207</i>	-0.24 <i>0.018</i>	-0.01 <i>0.9142</i>	0.02 <i>0.8685</i>	-0.03 <i>0.8002</i>	-0.10 <i>0.3179</i>
invperc			-0.10 <i>0.3413</i>	-0.10 <i>0.3346</i>	-0.28 <i>0.0043</i>	-0.07 <i>0.4929</i>	-0.10 <i>0.3381</i>	-0.28 <i>0.0046</i>	-0.19 <i>0.0543</i>
leverage				0.07 <i>0.4825</i>	0.01 <i>0.9581</i>	-0.06 <i>0.575</i>	0.08 <i>0.4395</i>	0.08 <i>0.4163</i>	0.14 <i>0.1672</i>
Subsid					0.19 <i>0.0575</i>	-0.02 <i>0.8264</i>	-0.07 <i>0.4702</i>	0.12 <i>0.2183</i>	-0.01 <i>0.8871</i>
TA						0.16 <i>0.1107</i>	0.04 <i>0.6881</i>	0.32 <i>0.001</i>	0.18 <i>0.0814</i>
FinEx							-0.02 <i>0.8362</i>	-0.05 <i>0.6448</i>	0.02 <i>0.8254</i>
AudMtg								-0.17 <i>0.0845</i>	0.34 <i>0.0005</i>
AvgDirOS									0.00 <i>0.9728</i>

TABLE 4**Audit Fee regression results (n=100)**

(Dependent variable = LNAF05)

*significant at 5%

**significant at 10%

Variable	Control Model:				Model 1:				Model 2:			
	Coefficient	t- statistic	p-value	*	Coefficient	t- statistic	p-value	*	Coefficient	t- statistic	p-value	*
Intercept	0.91187	3.43	0.0009	*	0.20745	0.61	0.5450		0.28984	0.82	0.4143	
AudMtg									0.01955	1.16	0.2473	
BODMtg					0.03181	1.82	0.0724	**				
FinEx					0.08460	1.98	0.0510	*	0.08592	1.98	0.0503	*
AvgDirOS					0.14389	2.00	0.0481	*	0.15310	2.06	0.0421	*
Arperc	0.02030	3.17	0.0021	*	0.02086	3.35	0.0012	*	0.01927	3.08	0.0027	*
Invperc	-0.01342	-3.44	0.0009	*	-0.01074	-2.77	0.0067	*	-0.01155	-2.98	0.0037	*
leverage	0.00168	0.52	0.6064		0.00091	0.29	0.7748		0.00136	0.43	0.6698	
Subsid	0.00145	2.14	0.0352	*	0.00159	2.42	0.0175	*	0.00153	2.31	0.0231	*
Subsid2	0.00000	-1.94	0.0556	*	-0.000001	-2.18	0.0317	*	0.00000	-2.04	0.0440	*
TA	0.00003	5.26	<.0001	*	0.000026	4.77	<.0001	*	0.00003	4.56	<.0001	*
TA2	0.00000	-3.57	0.0006	*	0.000000	-3.51	0.0007	*	0.00000	-3.27	0.0015	*

NOTE: Diagnostics on these regressions revealed that multicollinearity is not a problem.