

-RESEARCH ARTICLE-

## AN EXAMINATION OF CLIENT BOARD MEMBERS' PERCEPTIONS REGARDING AUDIT FEE PRICING METHODS: A FIELD STUDY IN IRAQ

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### —Abstract—

Today, reductions in audit fees offered by certain firms, together with the introduction of minimum fee thresholds, represent prominent sources of disagreement within the auditing profession. Although audit engagements may sometimes be priced at comparatively low levels, such pricing strategies may reflect underlying motives on the part of auditors, including the possibility of increasing the fees in subsequent periods. Accordingly, the present study aims to examine how members of corporate boards perceive different approaches to determining audit fees. In terms of its objective, the study is applied in nature. From a methodological perspective, it adopts a qualitative approach and is designed as an exploratory, descriptive, and survey-based investigation. Empirical information was obtained through interviews conducted with

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board members. The findings reveal that offering discounted audit fees functions as an effective strategy for attracting new clients. The evidence further demonstrates that when the audit engagement expands in scope or when the associated risk level rises, the audit fee correspondingly increases. In such circumstances, auditors typically accompany the fee adjustment with a formal justification report explaining the reasons for the increase. In addition, the empirical results indicate that representatives of the client's board tend to prefer direct negotiation and communication with auditors when revisions in audit fees occur. Furthermore, the analysis suggests that increases in audit fees may adversely affect the relationship between auditors and clients. Such increases can also influence perceptions regarding audit quality, potentially weakening client trust and raising concerns about the auditor's independence and impartiality. The results additionally indicate that greater audit complexity and heightened audit risk are key factors prompting changes in audit fees. Consequently, active participation by the client in the process of revising audit fees becomes necessary when such adjustments are considered.

**Keywords:** Audit Fee, Audit Fee Discount, Audit Quality, Bargaining Position, Client.

## INTRODUCTION

Independent professional auditors perform a pivotal function in enhancing the quality and credibility of financial information (Qader & Cek, 2023). The participation of such auditors contributes to ensuring that financial statements are accurate, reliable, and free from significant misrepresentation or falsification (Purba et al., 2025). Through the provision of objective and comprehensive audit procedures, these professionals mitigate the risk of dishonesty in financial reporting and support a more faithful depiction of an organisation's financial position for stakeholders (Roszkowska, 2021). In addition to strengthening the reliability of reported financial data, the involvement of independent auditors also reinforces organisational accountability towards investors, regulators, and other interested parties (Efunniyi et al., 2024). Nevertheless, these benefits can only materialise when the audit services delivered by auditors maintain a high level of quality (Xiao et al., 2020). Achieving such quality requires auditors to possess sufficient technical competence and to exert adequate professional effort in detecting material misstatements within clients' financial reports (Dyball & Seethamraju, 2022). Equally important is auditor independence, since any conflict of interest may compromise the disclosure of identified misstatements. Among the various determinants that influence audit quality, the level of audit fees is regarded as one of the most influential factors (Mulyadi & Suryandari, 2021).

Appropriate remuneration for auditors is essential because it enables them to allocate sufficient time, expertise, and resources to thoroughly examine their clients' financial records (Boritz et al., 2020). When audit fees are inadequate, the risk emerges that

audit procedures may be curtailed, ultimately diminishing the standard of the audit. Consequently, the structure and determination of audit fees constitute a significant concern for regulatory authorities and professional bodies, since these elements indirectly shape the quality of auditing services and the credibility of financial reporting as a whole (Ernstberger et al., 2020). Determinants of audit fees are generally categorised into two broad groups. The first group relates to demand-side factors, which include characteristics such as the client's risk exposure and the organisational size of the entity requiring audit services. The second group concerns supply-side attributes, for example the scale of the auditing firm and the level of industry-specific expertise accumulated by the auditor (Almer et al., 2021). Consistent with this classification, the twofold framework suggests that both demand-driven and supply-driven conditions play a direct role in shaping audit fee determination (Yang et al., 2025). Despite this conceptual clarity, the practical process of establishing appropriate audit fees remains complex.

A major challenge encountered by auditors in the private sector arises from the prevalence of comparatively low fee levels, which can hinder the recruitment of experienced professionals, restrict the scope of audit procedures, and ultimately reduce the overall quality of auditing activities (Abrahams & Phesa, 2025). Such fee reductions are frequently associated with intense competition within the audit services market (Azizkhani et al., 2022). Under these competitive pressures, auditors may lower their fees in order to secure or retain clients, a practice that can weaken audit thoroughness and elevate the likelihood of audit-related errors. Furthermore, auditors may deliberately adopt reduced pricing strategies for strategic reasons, such as attracting clients initially with the expectation of increasing fees in later periods (Bergner et al., 2020). Given these circumstances, examining how board members interpret and evaluate the mechanisms used in setting audit fees becomes particularly important. Accordingly, the present study seeks to explore these perceptions in order to clarify how board viewpoints relate to audit fee practices and their broader implications for audit quality (Hung, 2023).

## **HYPOTHESES BUILDING**

Contemporary discussions within the auditing profession increasingly focus on the issue of fee reductions practised by certain audit firms and on the regulatory proposal to introduce legally defined minimum audit fee levels (Morales-Sánchez et al., 2020). In principle, the valuation and pricing of goods or services are generally determined by the amount that consumers are prepared to pay for their use. Nevertheless, empirical evidence indicates that this seemingly straightforward pricing mechanism may not function efficiently in jurisdictions where the characteristics of a fully competitive market are absent (Panhans, 2024). Within such environments, prices may instead be influenced by statutory labour regulations or by monopolistic market structures, thereby creating artificial price thresholds that distort the natural

equilibrium between supply and demand. Under these conditions, it is unsurprising that audit firms may engage in fee reduction strategies as part of their pricing behaviour (Ha, 2024).

Auditors may provide discounted fees partly because they anticipate that competitors will adopt similar pricing tactics. Moreover, the absence of discounts from rival firms does not necessarily prevent clients from prioritising price considerations when selecting an auditor (Ody-Brasier & Sharkey, 2024). Consequently, the competitive dynamics of the audit market may evolve into a downward pricing contest, where cost reduction becomes the dominant objective rather than the preservation of audit quality. In response to these challenges, bargaining theory provides a useful analytical framework for examining negotiation processes between parties operating within such market conditions (Basiru et al., 2023).

Within any commercial exchange, both participants seek to maximise their respective benefits. The buyer attempts to acquire the desired service at the lowest possible cost, while the seller aims to secure the highest attainable remuneration. Ultimately, the interaction of supply and demand leads to an agreed price that is acceptable to both sides. However, despite the mutual desire to complete the transaction, differences often arise regarding the acceptable price range (Engelmann et al., 2022). Such circumstances reflect a classical bargaining environment in which the parties share an interest in cooperation but maintain divergent preferences concerning the terms of that cooperation.

Bargaining power represents a critical element within these negotiations, although it is not always determined solely by the auditor. The strength of each party's negotiating position is shaped by broader environmental conditions as well as factors that may be partially controlled by the negotiating actors themselves (Saleh, 2024). In certain contexts, the negotiating power of clients may exceed that of auditors, producing imbalanced negotiation outcomes (Kang et al., 2020). Evidence from the contemporary Iraqi audit market illustrates this situation. Clients often perceive auditors as highly dependent on securing engagements, while the limited development of the market and widespread lack of awareness regarding audit quality significantly enhance client bargaining power. As a result, clients are able to exert pressure on auditors to offer the lowest possible fees and can readily replace one auditor with another when necessary (Griffith, 2020).

Furthermore, the relatively limited demand for high-quality auditing services, as documented by Hammami et al. (2020), together with the comparatively low litigation risk faced by auditors in Iraq (Salehi et al., 2022), contributes to the persistence of relatively modest audit fee levels. In such circumstances, pricing decisions may not accurately reflect the complexity or value of the services provided. The weak demand for comprehensive audits combined with limited legal consequences for professional

negligence reduces auditors' incentives to charge higher fees for extensive engagements. Auditors in Iraq also often lack the capacity to use regulatory frameworks on audit fee determination to strengthen their negotiating position. This issue is compounded by client perceptions that audits serve mainly statutory requirements rather than mitigating financial misstatement risks or providing broader economic benefits. As a result, auditing is viewed as a routine regulatory obligation rather than a value-generating professional service, limiting auditors' ability to negotiate fees reflecting the scope and quality of their work.

Consequently, market pressures and entrenched client attitudes constrain auditors' capacity to enhance audit quality and secure remuneration aligned with professional effort (Sulaiman, 2023). When compliance with legal requirements becomes the dominant motive for obtaining an audit, clients are likely to prioritise fulfilling this obligation at the lowest possible cost, effectively seeking the minimum feasible audit expenditure. These conditions raise an important question concerning how clients interpret discounted audit fees at the outset of an engagement. Specifically, it becomes relevant to examine whether clients perceive such initial fee reductions as part of a deliberate pricing strategy by auditors. Put differently, do clients anticipate that auditors may adopt compensation strategies designed to recover early fee concessions in later periods? Based on these considerations, the first research question is formulated as follows:

### **What are the perceptions and experiences of board members about the discounts in audit fees?**

Prior studies in the audit fee literature have extensively examined the determinants associated with elevated audit fees and the factors contributing to the gradual increase of these fees over time. Among the commonly identified explanations are deficiencies in a company's internal control systems, intensified managerial actions aimed at earnings management, which heighten the level of risk perceived by auditors, and the overall escalation of litigation exposure faced by audit firms. These conditions collectively increase the complexity and risk associated with audit engagements, thereby influencing fee determination. More recent empirical findings indicate that the upward movement in audit fees observed in recent years is primarily linked to the expansion of audit workload, particularly the increase in the number of audit hours required, rather than to higher hourly billing rates.

Despite the extensive body of literature addressing these determinants, the direct manner in which such factors translate into increased audit fees within the auditor–client relationship has not been clearly established. Consequently, it becomes essential to examine the mechanisms through which these determinants are incorporated into the process of setting audit fees (Widmann et al., 2021). In addition, it remains necessary to explore whether the factors that contribute to rising audit fees operate

independently of the audit firm's tenure with the client, and whether auditors rely on the determinants identified in the literature as formal justifications when proposing fee increases. Existing research provides only limited insight into these aspects, particularly with regard to the strategies auditors employ to negotiate higher fees and the explanations presented to clients in support of such adjustments (Akinola & Adejuwon, 2022). This discussion leads to the formulation of the second research question:

**What are the strategies that auditors use to increase fees during their client-auditor relationships, and how do they justify these increments in the audit fees?**

Client reactions to adjustments in audit fees may range from straightforward acceptance to firm opposition. In general, clients assume that the level of audit effort and the related costs should gradually decline over the duration of the professional relationship. This expectation arises because auditors progressively accumulate knowledge and familiarity with the client's organisational environment, including operational procedures, information systems, and internal control structures. As auditors gain such understanding, the efficiency of the audit process typically improves.

Consequently, clients often anticipate that the resources required for the engagement will diminish over time, and that audit fees should therefore decrease accordingly. Evidence from empirical studies in the marketing literature further indicates that client satisfaction plays a fundamental role in sustaining durable relationships between service providers and their clients. When clients perceive that the services delivered meet or exceed their expectations, they are more inclined to continue engaging the same provider, thereby fostering long-term professional relationships. Achieving such satisfaction requires that the service offered aligns with client expectations and avoids opportunistic behaviour, including practices such as excessive charging or attempts to exploit clients' limited familiarity with the technical aspects of the audit process.

Within the context of auditing services, professionals bear the responsibility of ensuring that the quality of their work remains consistently high while also maintaining fairness and transparency in their pricing practices. If auditors are perceived as engaging in opportunistic conduct, clients may resist proposed increases in audit fees or decide to appoint alternative auditors. Such reactions can undermine the continuity and sustainability of the auditor-client relationship. Therefore, maintaining an appropriate balance between reasonable pricing and high-quality service provision represents a critical factor in retaining clients and encouraging positive responses to adjustments in audit fees. This equilibrium supports the preservation of trust and stability in professional engagements. Conversely, when clients do not anticipate future increases in audit fees, or when they are unaware that initial fee discounts may represent deliberate strategies designed to enable subsequent

price adjustments, they are more likely to oppose such increases. These considerations lead to the emergence of the following research question:

**How do the board members react to auditors' strategies in the methods for audit fee increase?**

When a client refuses to accept an increase in audit fees, whether partially or entirely, the auditor is compelled to determine whether the professional engagement should be maintained or discontinued. Market-driven pricing pressures, together with the inability to recover additional costs through higher fees, may increase the likelihood of auditor replacement. If auditors are unable to obtain compensation that adequately reflects the additional effort and resources required for the audit engagement, the resulting financial imbalance may encourage them to terminate the relationship rather than continue operating under loss-generating conditions. Such circumstances illustrate how pricing constraints can influence auditors' strategic decisions and may ultimately contribute to auditor switching.

From the perspective of investment theory, the continuation of the auditor–client relationship depends largely on the expected value of long-term benefits derived from that association. When auditors anticipate that the future advantages of maintaining a client relationship will outweigh any immediate financial disadvantages, the probability of continuing the engagement increases. These anticipated benefits may include enhanced reputation, higher fees in later periods, or broader opportunities for long-term business expansion. Under this interpretation, the professional relationship between auditor and client can be conceptualised as a form of investment, where auditors weigh short-term financial outcomes against prospective future gains. If the expected future returns from sustaining the relationship are sufficiently significant, auditors may choose to continue the engagement despite temporary financial pressures or disagreements regarding fees.

Recent scholarly evidence indicates that audit quality can be influenced by pressures associated with audit fee arrangements and the time limitations linked to such constraints. When audit engagements are performed under relatively low fee structures, auditors may experience financial and temporal pressures that reduce the level of effort devoted to the audit process. This situation can result in less comprehensive examinations, where essential procedures may be abbreviated or executed hastily, thereby weakening the overall thoroughness of the audit and increasing the likelihood that material issues within financial statements remain undetected. Consequently, lower audit fees have been associated with diminished audit quality, as auditors may reduce the scope of audit procedures, rely on less robust audit evidence, and accept higher levels of audit risk (Florou et al., 2020). In light of these considerations, the fourth research question is formulated as follows:

- From the perspective of board members, what are the potential effects of auditors' audit fee increase pricing strategies on the auditor-client relationship and audit quality?

## **METHOD**

The present study adopts an applied orientation, as it seeks to address practical concerns and generate insights relevant to real-world practice. From a methodological standpoint, the research follows a qualitative approach, emphasising an in-depth examination of the phenomenon rather than relying on quantitative measurements or statistical generalisation. The design of the study is both exploratory and descriptive-survey in nature. The exploratory dimension reflects the intention to investigate an area that has received limited prior examination, while the descriptive-survey component aims to provide a systematic account of the characteristics associated with the phenomenon under investigation.

Empirical data were gathered through semi-structured interviews conducted with academic specialists and members of corporate boards. This interview format enabled flexibility in participants' responses while preserving a consistent framework across all interviews. Each interview commenced with a brief explanation outlining the objectives of the research. Participants were informed about the need to record the interview sessions, their voluntary consent was obtained, and assurances were provided regarding the confidentiality of the information they supplied. To ensure the attainment of theoretical and empirical saturation, defined as the stage at which additional data no longer generate new insights, a snowball sampling strategy was employed.

The process began with the identification of a small group of initial contributors who subsequently recommended other potential participants. This procedure facilitated the inclusion of individuals with diverse perspectives and relevant expertise. The study sample consisted of board members representing companies listed on the Iraq Stock Exchange in 2023. These individuals were selected because of their direct involvement in organisational decision-making related to audit fee arrangements. Their professional responsibilities and experience place them in a particularly suitable position to provide informed responses to the research questions addressed in this study.

## **METHOD AND DATA ANALYSIS TOOLS**

The collected data were examined using qualitative content analysis, employing systematic coding techniques. The analysis began with an initial phase of open coding to identify key concepts and patterns within the data. This was followed by axial coding, which allowed for the organisation and integration of related categories.

Finally, selective coding was conducted to refine and consolidate the emerging categories, facilitating the development of coherent themes that addressed the research objectives.

## **RESEARCH FINDINGS**

### **Descriptive Statistics**

The demographic characteristics of the study participants are presented below.

#### **The Statistical Data Presented by Board Members of Listed Companies in Iraq**

The data obtained from board members of listed companies in Iraq indicate that the entire sample was male, representing 100% of the participants. Concerning professional experience, three respondents (25%) reported having between ten and fifteen years of experience, eight respondents (67%) had ten to twenty years of experience, and one participant had more than twenty years of experience. Regarding age distribution, four respondents were between 30 and 40 years old, five were within the 40–50 age range, and three were over 50 years of age.

### **Qualitative Research Findings**

In this study, the data were analysed using a combination of open, axial, and selective coding techniques.

#### **Open Coding**

Open coding represents an initial stage in qualitative data analysis, focusing on the identification, labelling, and categorisation of significant issues through careful examination of the collected data. During this process, the researcher systematically extracts noteworthy concepts or themes from sources such as interview transcripts, archival documents, or other data repositories. These concepts are subsequently organised into meaningful groups based on their relationships to one another. The primary function of open coding is to deconstruct complex, unstructured data into smaller, more manageable components, enabling the researcher to categorise raw information into discrete codes for further analysis. This stage involves a meticulous review of the data to identify recurring concepts, terms, or patterns, which are then grouped under categorical headings that encapsulate the underlying ideas. For instance, in interviews concerning audit fees, references to “fee increases,” “negotiation,” and “client trust” may initially be coded separately and later integrated into broader thematic constructs such as “audit pricing practices” or “client relationship dynamics.” By organising the data in this way, open coding establishes a foundation for subsequent analytical stages, such as axial coding, where these

preliminary themes are further refined, interconnected, and examined in relation to one another.

### **Axial Coding**

The primary objective of axial coding is to organise and establish connections among the codes and concepts identified during the open coding phase. This step involves grouping the extracted themes into larger, more meaningful categories, which are then interlinked to form a coherent semantic structure in which each concept relates to others. For example, in the open coding stage, individual concepts such as “client trust” and “initial audit fee discount” may emerge. During axial coding, these concepts can be consolidated into a broader category, such as “audit fee dynamics.” This process enables the researcher to discern fundamental patterns and relationships within the data. Once categories and subcategories are established, the analysis can proceed at a deeper level, allowing the researcher to map the interconnections between these elements within a conceptual framework. These organised categories then serve as the foundation for the subsequent stage of selective coding, where they are linked to theoretical constructs and formal scientific terminology. Overall, axial coding facilitates a more profound understanding of the data and contributes to the development of new theoretical insights derived from the empirical evidence.

### **Selective Coding**

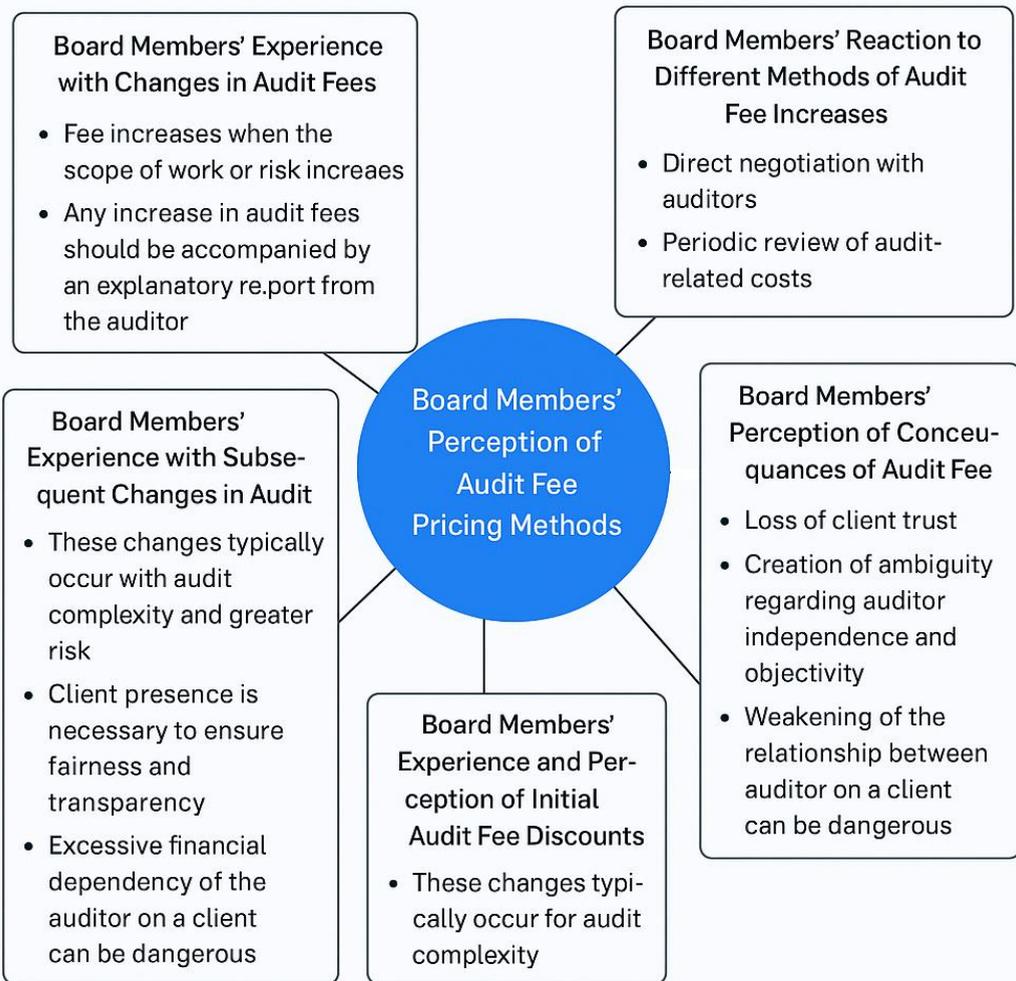
The final stage of grounded theory coding, known as selective coding, entails consolidating related components into overarching categories to construct the complete structure of the phenomenon under study. This stage, often described as the “storyline” of the coded data, aligns the codes to form a coherent interpretive framework. In order to develop a theoretical framework presented as a multidimensional model, the comprehensive set of codes generated through the analysis is first summarised in [Table 1](#). This is followed by the illustration of the research topic’s theoretical framework in the form of the multidimensional model.

Building on the explanation of the coding procedures following Glaser’s grounded theory approach, the research theoretical framework is presented in a multidimensional format ([Figure 1](#)). This figure illustrates the framework of the study, emphasising the principal factors that shape board members’ perceptions and responses to audit fee pricing practices. It highlights elements such as fee-increasing strategies, the complexity of subsequent audits, and changes in audit fees as key determinants influencing board members’ views on audit fee arrangements. The framework also identifies the potential consequences of audit fee decisions, including diminished client confidence and concerns regarding the auditor’s independence.

**Table 1: Selective Coding Process Based on Open and Axial Coding**

Open Coding (Conceptual Themes)	Axial Coding (Main Components)	Selective Coding (Categories)	Primary Classification
If the scope of work expands or the level of risk increases, the audit fee will increase.	Board members' perception of auditors' methods for increasing audit fees		
Audit fee increases are carried out by the auditor through submission of a justification report.			
Cost increases by the auditor are conducted with adherence to professional behaviour.			
Changes in audit fees occur with the complexity of the audit work and audit risk.	Board members' experience regarding subsequent changes in audit fees	Client board members' perception of audit fee pricing methods	
The client must participate in the audit fee change process to ensure fairness and transparency.			
Excessive financial dependence on a single client can pose a risk to the auditor's independence.			
Audit discounts are a suitable tool to attract clients.	Board members' experience and perception of initial audit fee discounts	Board members' experience and perception of initial audit fee discounts	
Audit discounts lead to long-term relationships.			
Direct negotiation and discussion with auditors	Board members' reactions to different pricing approaches to audit fee increases	Board members' reactions to different pricing approaches to audit fee increases	
Periodic review of audit costs			
Loss of client trust	Board members' perception of the consequences of audit fee increases	Board members' perception of the consequences of audit fee increases	Board members' experience regarding changes in audit fees
Ambiguity in auditor neutrality and independence			
Weakening of the auditor-client relationship			

Furthermore, the figure underscores the importance of maintaining transparency and impartiality throughout the audit process, particularly in the determination and communication of audit fees.



**Figure 1:** Theoretical Framework of the Research

The research findings are summarised in [Table 2](#), offering insights into various aspects of audit fee practices and their impact on the auditor–client relationship. The table addresses key research questions, including board members' experiences with initial audit fee discounts, the strategies employed by auditors to increase fees, and the justifications provided for these pricing approaches. It also highlights board members' reactions to different pricing mechanisms and the potential consequences of audit fee adjustments, such as concerns regarding auditor independence and reductions in client trust. Moreover, the findings emphasise the importance of client involvement in the process of adjusting audit fees to ensure fairness and transparency. Overall, the table provides a comprehensive overview of the study's principal results and delivers valuable insights into the management of audit fees and its subsequent influence on audit quality.

**Table 2: Summary of Results Derived from Research Findings**

<b>Research Questions</b>	<b>Findings Related to Each Question</b>
What are the board members' experiences and perceptions regarding initial audit fee discounts?	Based on qualitative analysis findings: Audit discounts are an effective tool to attract clients. Audit discounts lead to long-term relationships.
How are the strategies that the auditors utilize to maximize audit fees during the client-auditor relationship? how did they justify these strategies to their clients?	Based on research findings: Audit fees increase with the expansion of work scope or higher risk levels. Fee increases are justified by auditors through explanatory reports. Cost increases are carried out by auditors while adhering to professional conduct.
How do board members react to various pricing methods used by auditors for audit fee increases?	Based on research findings: Direct negotiation and discussion with auditors. Periodic review of audit fees.
From the board members' perspective, what are the potential impacts of auditors' pricing procedures for fee increases on the auditor-client relationship and audit quality?	Based on research findings: Loss of client trust. Ambiguity in auditor independence and impartiality. Weakening of the auditor-client relationship.
What is the board members' experiences regarding initial audit fee discounts, price reductions, and subsequent audit fee increases?	Based on research findings: Changes in audit fees occur due to audit complexity and audit risk. Clients should participate in the audit fee change process to ensure fairness and transparency. Excessive financial dependence on a single client can threaten auditor independence.

## DISCUSSION

Audit quality remains the primary concern for most users of audited financial statements, and it is influenced by multiple factors, among which audit fees are particularly significant. Contemporary debates in the auditing profession focus on practices such as fee reductions by some firms and the establishment of minimum audit fees. The present study explored board members' perceptions regarding audit fee pricing mechanisms, and the key findings are as follows:

Board members' experiences with initial audit fee discounts indicate that such reductions serve as an effective strategy for attracting clients and fostering long-term relationships. In other words, initial discounts can facilitate the acquisition of new clients and the securing of new contracts. The findings further reveal that audit fees tend to increase in response to an expansion of work scope or elevated levels of audit risk. Such increases are accompanied by explanatory reports from auditors and are implemented in accordance with professional standards, suggesting that any audit fee adjustment must be well-founded and supported by professional conduct. Additionally, the study indicates that client board members generally engage in direct negotiations and periodic reviews of audit costs when fee increases occur. This underscores the importance of keeping board members informed about any modifications to audit fees. The results also demonstrate that increases in audit fees

can influence the auditor–client relationship and audit quality. Potential consequences include diminished client trust, uncertainty regarding auditor impartiality and independence, and a weakening of the professional relationship. These findings suggest that unjustified fee increases may adversely affect both the relationship and perceptions of auditor independence. Finally, board members’ experiences highlight several patterns regarding audit fee adjustments: fees tend to rise in line with the complexity of audit work and the level of audit risk; client involvement in the fee adjustment process is essential to ensure fairness and transparency; and excessive financial dependence on a single client can compromise auditor independence.

## **IMPLICATIONS AND FUTURE WORK**

### **Practical Recommendations**

#### **For Company Managers**

- Board members should be kept informed about the factors contributing to any increase in audit fees.
- Unusual or excessive financial relationships with auditors should be avoided to preserve independence and objectivity.

#### **For Regulatory and Supervisory Bodies**

- Regulations should be developed to enhance the transparency and disclosure of audit fee increases.
- Strict oversight should be applied to ensure that the factors leading to audit fee adjustments are appropriately identified, documented, and classified.

#### **For Future Researchers**

- Further research is recommended to examine the influence of behavioural, institutional, and cultural factors on audit fee increases.
- Future studies should also investigate variations in audit fees in relation to the client company’s financial risk profile.

## **CONCLUSION**

This study examines audit fee fluctuations and their impact on audit quality from the perspective of board members. The findings highlight the importance of audit fee pricing strategies in attracting clients and sustaining long-term auditor–client relationships. Consistent with prior research, initial audit fee discounts are shown to be effective in acquiring new clients. The study also emphasises the need for clear explanations of fee increases, particularly when audit scope or risk rises, ensuring adherence to professional standards while reinforcing trust and credibility. Board

members actively engage in negotiating fee increases and periodically reviewing audit costs, underscoring the value of frequent communication to reach mutual agreement on fee adjustments. The findings further indicate that audit fee changes must be carefully managed to avoid compromising auditor independence and client trust. Financial dependence on a single client poses an additional risk to auditor independence, making client involvement in fee adjustments essential for fairness and transparency. Practical recommendations include informing company managers of clear justifications for fee changes, avoiding inappropriate financial relationships with auditors, and implementing stricter disclosure and oversight by regulatory authorities. Future research should explore the influence of behavioural, institutional, and cultural factors on audit fee variations, as well as the relationship between client financial risk and audit fee changes. In conclusion, the study contributes to the literature on audit fee management and underscores the need for a professional, transparent, and balanced auditor–client relationship to maintain audit quality and trust.

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