

---

# IMPACT OF THE “NEW INDEPENDENT AUDITOR’S REPORT” ON AUDIT FEES

Lorena Costa de Oliveira Mello <sup>1</sup>  
Paolo Giuseppe Lima de Araújo <sup>2</sup>  
Márcia Martins Mendes De Luca <sup>3</sup>

---

▪ Received: 01/05/2020 ▪ Approved: 04/11/2020 ▪▪ Second Approved Version: 05/13/2020

## ABSTRACT

The adoption of the new independent auditor's report (NR) has brought with it new disclosure requirements, especially with regard to key audit matters (KAMs), involving risks and procedures of the audited firm. In this study, we evaluated the impact of NR adoption on audit fees paid by firms traded on B3. Data from 346 firms were analyzed, covering the two years preceding NR adoption (2014-2015) and the two years following NR adoption (2016-2017). Our analysis on panel data shows that NR adoption had no impact on audit fees, thus rejecting our core hypothesis. The changes introduced by the NR do not appear to substantially modify independent auditors' scope of work, but they do increase the levels of disclosure and transparency. Moreover, KAMs at entity-level had a positive impact on audit fees. All the other study variables (complexity, risk of litigation, inherent risk, firm size, type of audit firm, type of audit report, audit firm rotation and sector), with the exception of 'audit committee', significantly affected audit fees. Our results may help regulators understand the impact of NR adoption on independent auditors' work and facilitate negotiations between audit firms and their clients by providing elements for understanding the criteria for establishing the fees of independent auditors.

**Key words:** New independent auditor's report. Audit fees. Key audit matters.

---

<sup>1</sup> Doutoranda em Administração e Controladoria pela Universidade Federal do Ceará. Universidade Federal do Ceará, Av. da Universidade, 2431 – Benfica – CEP 60020-180 – Fortaleza – CE, Brasil. Telefone: 85-33667816. E-mail: lorena.costa@plauditores.com.br.  
<https://orcid.org/0000-0002-3436-5505>

<sup>2</sup> Doutorando em Administração pela Universidade Estadual do Ceará. Universidade Estadual do Ceará, Av. Dr. Silas Munguba, 1700 – Itaperi - CEP 60714-903 - Fortaleza - CE, Brasil. Telefone: 85-31019755. E-mail: paolo.araujo@uece.br.  
<https://orcid.org/0000-0002-6120-7713>

<sup>3</sup> Doutora em Controladoria e Contabilidade pela Universidade de São Paulo. Universidade Federal do Ceará, Av. da Universidade, 2431 – Benfica – CEP 60020-180 – Fortaleza – CE, Brasil. Telefone: 85-33667802. E-mail: marciammdeluca@gmail.com.  
<https://orcid.org/0000-0002-9995-5637>

## IMPACTO DO NOVO RELATÓRIO DOS AUDITORES INDEPENDENTES NOS HONORÁRIOS DOS AUDITORES

### RESUMO

A adoção do novo relatório dos auditores independentes acarretou novas exigências de divulgação, principalmente quanto aos Principais Assuntos de Auditoria, envolvendo riscos e procedimentos executados pela empresa auditada. Nesse contexto, analisa-se o impacto da adoção do novo formato nos honorários de auditorias realizadas nas empresas listadas na B3. Foram examinados dados de 346 empresas, abrangendo o biênio anterior à adoção do novo relatório (2014-2015) e o primeiro biênio de sua vigência (2016-2017). O resultado obtido por meio da análise de dados em painel sugere que a adoção do novo relatório não impactou os honorários de auditoria das empresas examinadas, rejeitando-se a hipótese norteadora da pesquisa de que essa nova modalidade poderia gerar um esforço adicional dos auditores independentes, devido às novas exigências de divulgação. Pode-se inferir que as alterações introduzidas pelo novo relatório não alteram substancialmente o escopo do trabalho dos auditores independentes, apenas aumentando os níveis de divulgação e de transparência sobre os procedimentos adotados. Constatou-se ainda que a divulgação dos Principais Assuntos de Auditoria relacionados aos riscos no nível de entidade impacta positivamente os honorários de auditoria. Ademais identificou-se que, exceto a variável comitê de auditoria, as variáveis complexidade, risco de litígio, risco inerente, tamanho da empresa, tipo de firma de auditoria, tipo de relatório de auditoria, rodízio de auditorias e setor econômico apresentaram relação estatisticamente significativa com os honorários de auditoria. Além de contribuir para que os órgãos reguladores entendam os impactos de novas demandas no trabalho dos auditores independentes, os resultados facilitam a negociação entre as firmas de auditoria e seus clientes, ao fornecer elementos para o entendimento dos critérios de definição dos honorários dos auditores independentes.

**Palavras-chave:** Novo relatório de auditoria. Honorários de auditoria. Principais assuntos de auditoria.

### 1 INTRODUCTION

Over the past years, accounting has undergone changes in conceptual structure in order to meet the need for generating information capable of supporting stakeholder decision making. A similar trend is observed in the field of auditing, where changes have been made to support investors, analysts and other financial information users in their quest for greater transparency of independent audits (Cordos & Fülöp, 2015). Auditors are expected to issue more comprehensible and less normative reports, with information relevant to the decision-making process, adding value to financial statements and providing additional information about the firm and the audit process (Pinto & Morais, 2019; Sierra-García, Gambetta, García-Benau, & Orta-Pérez, 2019).

This demand is explained by the role played by independent auditors in the market where they act as information intermediaries between managers and

stakeholders, reducing information asymmetry through their reports and boosting the reliability and quality of financial statements (Sunder, 2014).

Accounting scandals and fraud of worldwide impact perpetrated at the beginning of the current century (Enron, Worldcom and Xerox, for example) have reinforced this demand by highlighting problems with the quality of accounting information disclosed by firms, calling into question the work performed by independent auditors, mainly with regard to performance, functions and responsibilities.

In order to meet the demand of market agents, global auditing regulatory bodies performed a review of the guidelines for independent auditor reporting. In 2013, with the aim of improving transparency and information disclosure, the International Auditing and Assurance Standards Board (IAASB) proposed changes to auditing standards applicable to the auditor's report. This included ISA 560, 700, 705, 706 and 720, and the creation of ISA 701 ('Communicating Key Audit Matters in the Independent Auditor's Report'). The proposed changes were approved on 15 January 2015.

In line with the IAASB, other global auditing regulatory bodies have reviewed their guidelines for independent auditors' reports: In France, the Autorité des Normes Comptable (ANS) made changes in 2006; in the UK, the Financial Reporting Council (FRC) issued new guidelines in 2013; and in the US, the Public Company Accounting Oversight Board (PCAOB) altered the format in 2017.

Following this global trend, on 4 July 2016 the Brazilian Federal Accounting Council (CFC) approved changes to several audit standards (CFC NBC TA #560, 2016; CFC NBC TA #700, 2016; CFC NBC TA #705, 2016; CFC NBC TA #706, 2016; CFC NBC TA #720, 2016) and introduced one new standard (CFC NBC TA #701, 2016). The changes came into effect in fiscal years after 31 December 2015.

The approved standards did not change the nature of the work of the independent auditors but increased the level of disclosure and transparency by demanding more detailed information about auditors' and managers' responsibilities and about corporate governance, analysis and judgment of the firm's operational continuity and—for firms traded on the stock exchange—disclosure of key audit matters (KAM) identified during the audit. The latter was the main change in the 2016 guidelines.

The IAASB document titled 'At a Glance: New and Revised Auditor Reporting Standards and Related Conforming Amendments' (IAASB, 2015) points out that, by detailing how the audit was conducted, the new independent auditor's report will likely improve communication with stakeholders and inform users about the responsibilities of external auditors and company managers. The change will benefit investors who rely on audit reports for decision making, and highlight the relevance of the work of independent auditors (Cordos & Fülöp, 2015).

The IAASB considers the new auditor's report the most important change in the history of auditing as it fosters disclosure of specific aspects of each organization, increases the transparency of audits for external users, and establishes a more informative relationship between auditors and investors by

identifying what is most relevant in the information made available through financial statements (Coscodai, 2016).

Although the new auditor's report represents an advance in terms of information quality, one of the main concerns expressed in technical discussions in the area and in surveys on auditors' perception of the impact of adopting the new report and identifying KAMs is that it might be interpreted as an indicator of management performance, resulting in more audit work due to the greater risk of auditing and possible litigation (Prasad & Chad, 2017). This could also impact audit costs due to the greater involvement of senior executives from both audit firms and clients (Coscodai, 2016; PCAOB, 2013). This view is supported by the empirical studies of Gray, Turner, Coram and Mock (2011), Li, Hay and Lau (2019), Pinto and Morais (2019) and Prasad and Chad (2017), among others.

However, this understanding is not unanimous among scholars. Some have argued that the new auditor's report, with emphasis on the disclosure of KAMs, has no impact on audit cost since the identification of KAMs has always been part of independent auditors' scope of work (Almulla & Bradbury, 2018; Bédard, Gonthier-Besacier, & Schatt, 2014; Bédard, Gonthier-Besacier, & Schatt, 2019; Gutierrez, Minutti-Meza, Tatum, & Vulcheva, 2018; Melo, 2019; Reid, Carcello, & Neal, 2019). Allegedly, the only difference is in the disclosure to stakeholders, but this would have no influence on the time required to conduct the audit (Reid et al., 2019). In addition, Brasel, Doxel, Grenier and Reffett (2016) believe that, when a significant distortion is identified *a posteriori* in financial statements, the disclosure of KAMs actually reduces the risk of litigation.

The purpose of this study was to evaluate the impact of the adoption of the new independent auditor's report on audit fees paid by Brazilian firms traded on B3 S.A. Brasil, Bolsa, Balcão. We also evaluated the correlation between audit fees and variables of audited firms and auditors. The sample included 346 Brazilian firms and covered a 4-year period (2014-2017) centered around the time of adoption of the new auditor's report (2016).

Most studies on the new auditor's report have focused on discussions on the concepts involved in the proposed changes (Manoel & Quel, 2017; Mendes & Martins, 2014), auditors' responsibilities (Gimbar, Hasen & Ozlanski, 2016), the impact of KAMs on information relevance (Brasel et al., 2016; Cordoş & Fülöp, 2015; Sirois, Bédard, & Bera, 2018; Júnior, 2018), operational continuity (Marques & Souza, 2017), and the association between the new auditor's report and company variables (Ferreira, & Morais, 2020). Several studies have evaluated the association between the new auditor's report and audit quality, audit delay and independent auditors' fees (Almulla & Bradbury, 2018; Bédard et al., 2014; Bédard et al., 2018; Gutierrez et al., 2018; Islam, 2016; Li et al., 2018; Pinto & Martins, 2018; Prasad & Chand, 2017; Reid et al., 2019), but to our knowledge none have been conducted in Brazil.

Unlike previous Brazilian and international studies, this paper analyzes the new independent auditors' report, with emphasis on its possible impact on audit cost in Brazil, and investigates potential differences related to the disclosure of different types of KAMs. It fills an important gap in current knowledge by evaluating the topic from a perspective different from those described above. Furthermore, the study is justified by addressing an issue of relevance to the capital market, especially investors and auditors, since, in addition to contributing

to the growing body of literature on the impact of the adoption of the new format on audit cost, it may assist stakeholders in their decision-making processes.

## **2 REVIEW OF THE LITERATURE AND STUDY HYPOTHESES**

### **2.1 The New Independent Auditor's Report and Audit Fees**

Current reforms have been driven by longstanding debates about the form, content and value of the independent auditor's report (Church, Davis, & Mccracken, 2008; Mock et al., 2013; Smieliauskas, Craig, & Amernic, 2008). Most especially, the standardized form and the restrictive content of the old format was found to limit its informative and communicative value (Vanstraelen, Schelleman, Meuwissen, & Hofmann, 2012).

The changes to the new independent auditor's report are intended to increase its communicative value (IAASB, 2015). To meet the needs of investors and other users, the new format is more informative and requires independent auditors to provide more relevant information about the audited company (IAASB, 2015).

The new auditor's report features several new items, chief among which are i) a new section on KAMs identified as areas of significant risk or areas involving significant judgment by the auditor, ii) disclosure of the name of the partner responsible for the audit, iii) a section justifying the opinion issued in the first item, iv) a paragraph on going concern, including a) a description of managers' and auditors' responsibilities and (b) a statement about the entity's continuity in case of material uncertainty, v) a statement about the auditor's independence and ethical responsibilities in accordance with the occupational code of ethics, and vi) a more detailed description of the auditor's responsibilities and the main characteristics of the audit. These items refer to CFC Resolutions NBC TA #260 (2016), CFC NBC TA #700 (2016), CFC NBC TA #701 (2016) and CFC NBC TA #705 (2016).

The KAM section is one of the most important in the new auditor's report. In it, the auditor identifies the most relevant matters among those communicated to the audit committee or equivalent governance bodies. The section covers aspects of the entity which require significant attention and work on part of the auditor.

The section gathers what the auditor considers the most significant matters in the audit of the financial statements, such as areas deemed to represent the greatest risk of material misstatement and other significant risks, and significant auditor's judgments regarding areas of the financial statements involving significant judgments by managers, including accounting estimates with high confirmation uncertainty and impact on the audit of significant events or transactions occurring during the audit (NBC TA #700, 2016). This requirement has added greater transparency more informative value to the report (Manoel & Quel, 2017).

According to Sierra-García et al. (2019), the risks identified in the KAMs may be classified into entity-level and account-level risks. The former relate to the entity's environment and include risks of the control and regulatory environment, information technology, and so forth. The latter refers to specific items in the

financial statements, such as revenues, intangibles, PP&E, pension plans, inventories, financial assets and impairment of assets (Sierra-García et al., 2019).

One of the impacts caused by the adoption of the new format and the disclosure of KAMs is a fluctuation in audit costs. This is of great importance since knowledge of the behavior of audit fees can help stakeholders identify the main risk factors of the audited firms, on which the remuneration of the auditors is based, taking these factors into account in their investment decisions (Gotti, Han, Higgs, & Kang, 2012).

Since the 1980s, researchers have studied the factors determining audit fees. One of the pioneers, Simunic (1980) developed a model in which audit fees are established according to the size, complexity and risk of the audited company.

In the wake of this initiative, a diversified body of research emerged evaluating the relationship between audit fees and variables such as client size (Gonthier-Besacier & Schatt, 2007; Hallak & Silva, 2012; Kaveski & Cunha, 2016; Naser & Nuseibeh, 2007; Sangiorgi, Mello, & Garcia, 2018), the risk, profitability and complexity of client operations (Borges, Silva, & Nardi, 2017; Castro, Peleias, & Silva, 2015; Gonthier-Besacier & Schatt, 2007; Joshi & Al-Bastaki, 2000; Mayoral & Segura, 2007; Naser & Nuseibeh, 2007), non-audit services, the duration of the audit contract and the sector to which the client belongs (Jaramillo, Benau, & Grima, 2012), adherence to corporate social responsibility and governance (Borges et al., 2017; Kim & Kim, 2013), the existence of organizational audit committees (Brighenti, Degenhart, & Cunha, 2016; Jaramillo et al., 2012), types of audit reports (Brighenti et al., 2016; Gotti et al., 2012; Jaramillo et al., 2012), types of audit firms (Castro et al., 2015; DeAngelo, 1981; Hallak & Silva, 2012; Jaramillo et al., 2012), economic sectors (Alexandre, Mello, & Araújo, 2017; Lopes, Rodrigues, 2007), and audit firm rotation (Brighenti et al., 2016; Jaramillo et al., 2012).

As demonstrated by Prasad and Chand (2017), changes in audit standards and applicable laws can have a significant impact on audit costs. This would also apply to the changes made to the independent auditor's report.

Bédard et al. (2014) analyzed the effect of the disclosure of the auditor's justification of assessment (JOA), a mandatory practice in France since 2003 similar to KAM, on audit quality, cost and efficiency, but found the effect to be non-significant. The authors pointed out that their results support the notion that the value of the disclosure of additional information is more symbolic than informational.

Prasad and Chand (2017) investigated stakeholders' perception of the new auditor's report and assessed its implications on information value, audit quality and cost. Their findings suggest the new items have significant informational value for users, but were inconclusive with regard to audit quality. They also concluded that the changes are likely to increase audit costs and the legal liability of auditors.

In the UK, Gutierrez et al. (2018) investigated whether the regulatory changes were associated with an increase in the usefulness decision of the auditor's report, and whether the changes in the format impacted audit costs. The authors found no significant impact on audit fees in the UK, but concluded

the new report generated a ~7% increase in audit fees if compared with non-adopters.

In New Zealand, Almulla and Bradbury (2018) evaluated the impact of the new audit report (ISA 701) on audit work volume, using as proxies audit fee, audit delay, audit quality, and disclosure by clients (inventory) and investors (value relevance). The authors found no incremental effects due to the introduction of KAM disclosure.

In a study on the impact of changes to the auditor's report with regard to quality and audit fees in New Zealand, Li, Hay and Lau (2018) observed a quality improvement in the auditor's report following adoption of the new guidelines, and identified a significant increase in audit fees. According to the authors, although the new requirements were associated with improved audit quality, the benefit did not come without cost.

Based on a sample of 142 firms from France, the Netherlands and the UK, Pinto and Morais (2018) investigated the factors influencing the number of KAMs included in the reports for the fiscal year ending in 2016. The results showed that a greater number of business sectors (complexity) and more accurate accounting standards led to the disclosure of a greater number of KAMs. The results also indicated a positive association between audit fees and the number of KAMs disclosed. Since the audit fees may be related to increased client risk, the result suggests that the risk of litigation is a predominant factor in any dependency on the auditor-client relationship.

Reid et al. (2019) analyzed the impacts of the regulatory changes on the quality of financial statements and on audit costs. The authors added that, in general, the requirements of the new auditor's report can improve the quality of the financial statements without generating significant audit costs. This is consistent with the argument that the quality improvement is not due to the performance of additional audit procedures required by the actual disclosures made in the new reports, but to the threat of disclosure, which has the power to modify managers' behavior (Reid et al, 2019).

In the present study, we assume that the adoption of the new independent auditor's report impacts audit fees positively, given the specificities of the Brazilian market, an emerging economy with a strong regulatory environment in audit activities resulting from the Brazilian legal system (code Law), which is derived from Roman law (Rocha Junior et al., 2016).

Thus, the new auditor's report—which requires the disclosure of high risk audit areas (KAMs) in order to make it more informative for users and enhance the responsibility of independent auditors in the disclosures made—increases the risk of litigation (Kachelmeier, Schmidt, & Valentine, 2014) since such disclosure may be interpreted by the market as a measure of corporate performance (Vanstraelen et al., 2012) in view of stakeholders' expectations with regard to the audit. In addition, DeFond and Zhang (2014) believe the growing complexity of business transactions and accounting standards increases the ability of auditing to add value. This can lead to higher audit costs, considering the need for greater technical competence or more audit time in order to maintain the quality of the audit. Based on the above, the following study hypothesis was formulated:

*H<sub>1</sub>: Adoption of the new auditor's report is positively associated with audit cost.*

## **2.2 Factors relevant to the definition of audit fees**

As mentioned above, several factors are considered essential to the definition of audit fees and therefore should be analyzed in the context of the new auditor's report. The factors included in this study are described below.

### **2.2.1 Complexity**

According to De Fuentes and Pucheta-Martínez (2009) and Ferguson, Francis and Stokes (2003), audit fees are influenced by audit complexity. The more complex the client, the more difficult the audit becomes, requiring more audit time (Desir, Casterella, & Kokina, 2014). Complexity can be incorporated in different ways into an empirical model of audit fee determinants, the most common being the number of client subsidiaries (De Fuentes & Pucheta-Martínez, 2009; Desir et al., 2014). The existence of subsidiaries tends to increase the amount of fees as the number of places to be visited increases, requiring auditors to travel for on-the-spot inspections (De Fuentes & Pucheta-Martínez, 2009). It may also require additional work to examine a larger number of documents to ensure the accuracy of the consolidated financial statements (Castro et al., 2015; Ferreira & Morais, 2019; Pinto & Morais, 2019; Sierra-Garcia et al., 2019). The above allowed us to formulate the following hypothesis:

*H<sub>2</sub>: The complexity of the audited firm is positively associated with audit cost.*

### **2.2.2 Risk of Litigation**

Many scholars believe that more highly leveraged firms are synonymous with greater financial risk and, consequently, greater risk of litigation for auditors, since leverage represents a firm's level of indebtedness (Wu, 2012). Thus, when a firm's financial risk increases, auditors tend to review it in more detail, resulting in higher audit fees (Kaveski & Cunha, 2016).

In addition, firms with higher leverage tend to face greater difficulty to secure financial support with creditors. This increases their risk, and auditors need to evaluate the potential for failure of the firm's operations and, consequently, of litigation brought by shareholders (Pinto & Morais, 2019; Sierra-Garcia et al., 2019). In view of the above, a third hypothesis was formulated:

*H<sub>3</sub>: The risk of litigation of the audited firm is positively associated with audit cost.*

### **2.2.3 Inherent Risk**

Empirical evidence from previous studies suggests audit fees are positively associated with inherent audit risk (De Fuentes & Pucheta-Martínez, 2009; Naser & Nuseibeh, 2007), as some areas of the firm may have a higher risk of error, requiring specialized audit procedures (Stice, 1991; Sierra-Garcia et al., 2019). The accounting items most frequently cited in the literature for their high level of inherent risk are 'inventories' and 'accounts receivable' (Desir et al., 2014; Sierra-Garcia et al., 2019). These require more complex analysis, including inventories

and circularization, respectively (Naser & Nuseibeh, 2007; Sierra-Garcia et al., 2019). Thus, firms with large amounts of receivables and inventories demand greater audit effort, leading to higher fees (Köhler & Ratzinger-Sakel, 2012). Based on this rationale, the following hypothesis was formulated:

*H<sub>4</sub>: The inherent risk of the audited firm is positively associated with audit cost.*

#### **2.2.4 Firm Size**

Borges et al. (2017), Brighenti et al. (2016), Gonthier-Besacier and Schatt (2007), Hallak and Silva (2012) and Kaveski and Cunha (2016) all suggest that firm size (proxied by total assets) is a significant determinant of audit fees. The reason for this is that larger firms are expected to be more complex and time-consuming to audit (Borges et al., 2017; Hallak & Silva, 2012; Kaveski & Cunha, 2016; Pinto & Morais, 2019; Sierra-Garcia et al., 2019). Accordingly, our fifth hypothesis was formulated thus:

*H<sub>5</sub>: Firm size is positively associated with audit fees.*

#### **2.2.5 Type of Report**

Correlations have been made between the type of audit report and audit quality (Brighenti et al., 2016; Jaramillo et al., 2012). It is generally acknowledged that in firms whose audit reports require modifications, greater auditor specialization is involved, resulting in higher fees. Unmodified reports indicate higher quality of accounting information which in turn is reflected in lower external audit fees (Jaramillo et al., 2012; Kim & Kim, 2013). A positive relationship between these factors is to be expected, leading to the sixth hypothesis:

*H<sub>6</sub>: The issuance of audit reports with modifications is positively associated with audit fees.*

#### **2.2.6 Type of Audit Firm**

Several studies have shown that audit cost is also related to aspects of the audit firm, such as size and quality (DeAngelo, 1981; Jaramillo et al., 2012; Kwon, Lim, & Simnett, 2014). Audit firms with a higher levels of expertise (the Big Four, for example) have a significant influence on audit cost, in part because of concerns for their reputation in case a mistake is committed. This apprehension is an incentive to perform quality work (Sangiorgi et al., 2018). The above observations allowed us to formulate the next hypothesis:

*H<sub>7</sub>: Being audited by one of the Big Four is positively associated with audit fees.*

#### **2.2.7 Audit Committee**

The existence of an audit committee within the audited organization potentially simplifies the work of the independent auditors due to the support of an internal control sector created to ensure management integrity and effectiveness (Brighenti et al., 2016, Carcello, Hemanson, Neal, & Riley, 2002), thereby improving risk control and raising the quality of the information provided

to the market (De Luca, Martins, Maia, & Coelho, 2010). Brighenti et al. (2016), Mello and Valentim (2018) and Zaman, Hudaib and Haniffa (2011) believe the presence of such committees in the corporate governance structure has an influence on the fees of independent auditors. Our eighth hypothesis was based on this expectation:

*H<sub>8</sub>: The existence of an audit committee in the organization is negatively associated with audit fees.*

### **2.2.8 Rotation of Audit Firms**

The Brazilian market is regulated by CVM directive #308 (1999), later amended by CVM directive #509/2011, according to which audit firms can provide services to the same client for up to five consecutive years, or ten consecutive years if the client has a statutory audit committee (CAE) as defined in the guidelines (Jaramillo et al., 2012). Rotation of audit firms reduces audit fees due to increased competition (Castro et al., 2015). Thus, our ninth hypothesis was formulated:

*H<sub>9</sub>: The rotation of audit firms is negatively associated with audit fees.*

### **2.2.9 Regulated Economic Sector**

Alexandre et al. (2017) and Lopes and Rodrigues (2007) have shown that firms in regulated sectors display fewer irregularities and non-conformities in their audit reports. They tend to be more standardized than firms in unregulated sectors and are under greater pressure to report to regulatory bodies and comply with CVM directive #308 (CVM, 1999). This means less time-consuming work for independent auditors and, potentially, lower fees (Alexandre et al., 2017; Lopes & Rodrigues, 2007). This view is outlined in our tenth and last hypothesis:

*H<sub>10</sub>: Belonging to a regulated sector is negatively associated with audit fees.*

## **3 METHODS**

The research population consisted of all 397 firms listed on B3 in May 2018. Fifty-one were excluded for not disclosing information on audit fees, leaving a final sample of 346 firms. Our data covered the four-year period 2014-2017, the first half of which corresponds to the period prior to the adoption of the new auditor's report. The most important sources of data were reference forms, independent auditor's reports and financial statements.

Table 1 shows the study variables with their definitions, sources and theoretical basis.

**Table 1**

Study variables with definitions, sources and theoretical basis.

<b>Variable</b>	<b>Definition</b>	<b>Source</b>	<b>References</b>
Audit fees (AUDF)	Natural logarithm of audit fees	Reference form	Hallak & Silva (2012); Jaramillo et al. (2012); Kim & Kim (2013)
Adoption of new report (ANR)	Dummy variable: 0=period before adoption (2014-2015), 1=period after adoption (2016-2017)	Independent auditor's report	Bédard et al. (2014); Gotti et al. (2012); Gutierrez et al. (2015); Pinto & Morais (2019)
Complexity (COMP)	Number of subsidiaries	Reference form	Castro et al., (2015); Desir et al., (2014); Ferreira & Morais (2019); Pinto & Morais (2019); Sierra-Garcia et al. (2019)
Risk of litigation (RLIT)	Leverage expressed as the ratio between total debt (short and long term) and assets	Accounting reports	Kaveski & Cunha (2016); Pinto & Morais (2019); Sierra -Garcia et al. (2019); Wu (2012)
Inherent risk (IR)	Ratio between total receivables + inventories and assets	Accounting reports	Desir et al., (2014); De Fuentes & Pucheta-Martínez (2009); Köhler, Ratzinger-Sakel (2012); Sierra-Garcia et al. (2019)
Firm size (SIZ)	Natural logarithm of assets	Accounting reports	Hassan & Naser (2013); Kaveski & Cunha (2016); Kim & Kim (2013); Kwon et al. (2014)
Modified audit report (MODR)	Dummy variable: 0=report with modifications; 1=report without modifications	Independent auditor's report	Beck, Franz & Cunha (2015); Brighenti et al. (2016), Gotti et al. (2012); Jaramillo et al. (2012);
Audit firm (BigFour)	Dummy variable: 0=one of the Big Four; 1=not one of the Big Four	Independent auditor's report	Castro et al. (2015); DeAngelo (1981); Hallak & Silva (2012), Jaramillo et al. (2012), Kwon et al. (2014); Mello & Valentim (2018)
Audit committee (AUDC)	Dummy variable: 0=firm without audit committee; 1=firm with audit committee	Reference form	Brighenti et al. (2016); Carcello et al. (2002); Jaramillo et al. (2012); Mello & Valentim (2018)
Rotation of audit firms (ROT)	Dummy variable: 0=firm not practicing rotation; 1=firm practicing rotation	Reference form	Brighenti et al. (2016); Jaramillo et al. (2012)
Economic sector (SECT)	Dummy variable: 0=regulated sector; 1=non-regulated sector	Website of B3	Alexandre et al. (2017); Lopes & Rodrigues (2007)

Source: The authors.

We used the extended national consumer price index (IPCA) to neutralize the effect of inflation on the annual value of audit fees (AUDF) in the four-year period under analysis, following the example of Cunha, Mello and Araújo (2018).

As a result of the variation in firm size, our sample displays a significant dispersion and asymmetry in fees and assets. To minimize this problem, the variables were log-transformed and winsorized at both ends (1% and 99%), as done by Lima and De Luca (2016) and Sarlo, Bassi and Almeida (2011)

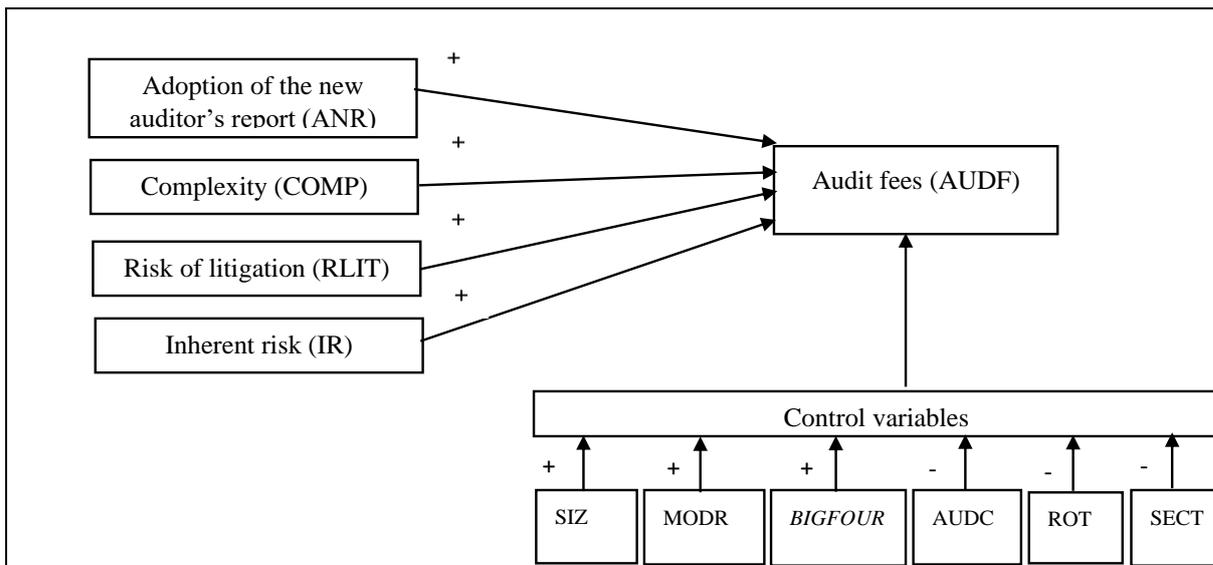
Initially, we submitted the collected data to descriptive statistics. This included means, minimum and maximum values, standard deviations and coefficients of variation. Then the mean values before (2014-2015) and after (2016-2017) the adoption of the new model were compared (Student's *t*). Subsequently, associations between explanatory variables and audit fees were explored using correlation tests. Finally, the results were analyzed with multiple linear regression on panel data. The procedure combined the transversal component (346 sampled firms) with the temporal component (1,384 observations over a 4-year period). The data were distributed in balanced panels since all sampled firms were present throughout the study period.

AUDF was used as dependent variable in the regression model. The independent variables were 'adoption of the new auditor's report' (ANR), 'complexity' (COMP), 'risk of litigation' (RLIT) and 'inherent risk' (IR), as illustrated in Equation 1:

$$\text{AUDF} = \beta_0 + \beta_1\text{ANR} + \beta_2\text{COMP} + \beta_3\text{RLIT} + \beta_4\text{IR} + \beta_5\text{SIZ} + \beta_6\text{MODR} + \beta_7\text{BigFour} + \beta_8\text{AUDC} + \beta_9\text{ROT} + \beta_{10}\text{SECT} + \varepsilon \quad (1)$$

The control variables used were 'firm size' (SIZ), 'type of report' (MODR), 'type of audit firm' (BigFour), 'audit committee' (AUDC), 'rotation of audit firms' (ROT) and 'sector' (SECT). These variables are widely used in research in this field (see Table 1) and, according to many authors, are likely to have a potential influence on audit fees.

In addition, we used the Breusch-Pagan test ( $\text{Chi}^2=89.24$ ;  $\text{Sig}=0.000$ ) and the Hausman test ( $\text{Chi}^2=101.63$ ;  $\text{Sig}=0.079$ ) to identify the best estimation. The random-effects regression model was found to be the most appropriate. Figure 1 summarizes the relationship between the variables.



**Figure 1** - Theoretical model.  
Source: The authors.

Figure 1 also shows the expected sign for each variable, in accordance with the study hypotheses presented in the previous section.

#### 4 RESULTS AND DISCUSSION

Initially, a descriptive analysis was performed to verify data behavior. Table 2 shows the minimum and maximum values as well as the means and standard deviations of the variables AUDF, COMP, RLIT, IR and SIZ.

The descriptive statistics show a slight decrease (0.7% on average) in the fees of independent auditors between 2014 and 2017. Average fees showed growth from 2014 to 2015 and from 2015 to 2016, which may have been influenced by the involvement of some of the sampled firms in financial scandals (Operation Lava-Jato and Operation Zelotes conducted by the Federal Police in 2014 and 2015, respectively), which led to higher audit costs in the period (Borges et al., 2017). On the other hand, the period from 2016 to 2017 saw a 2.1% negative variation in average fees.

**Table 2**  
Descriptive statistics.

Variable	2014	Relative variation (%) 2014-2015	2015	Relative variation (%) 2015-2016	2016	Relative variation (%) 2016-2017	2017	Relative variation (%) 2014-2017
<b>Audit fees (AUDF)</b>								
<b>Mean</b>	14.1	0.7	14.2	0.7	14.3	-2.1	14.0	-0.7
<b>Minimum</b>	11.1	6.7	11.9	-2.6	11.6	-6.4	10.9	-1.8
<b>Maximum</b>	17.3	3.4	17.9	0.6	18.0	-2.9	17.5	1.1
<b>Standard deviation</b>	1.3	0.0	1.3	0.0	1.3	7.1	1.4	7.1
<b>Complexity (COMP)</b>								
<b>Mean</b>	2.1	12.5	2.4	0.0	2.4	0.0	2.4	12.5
<b>Minimum</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Maximum</b>	16.0	1.8	16.3	-7.2	15.2	-2.0	14.9	-7.4
<b>Standard deviation</b>	2.3	4.2	2.4	-9.1	2.2	-4.8	2.1	-9.5
<b>Risk of litigation (RLIT)</b>								
<b>Mean</b>	1.3	7.1	1.4	6.7	1.5	6.3	1.6	18.8
<b>Minimum</b>	0.0	0.0	0.0	0.0	0.1	0.0	0.9	0.0
<b>Maximum</b>	123.2	16.8	148.0	-12.0	132.1	5.8	140.3	12.2
<b>Standard deviation</b>	7.6	16.5	9.1	1.1	9.2	8.9	10.1	24.8
<b>Inherent risk (IR)</b>								
<b>Mean</b>	0.2	0.0	0.2	0.0	0.2	33.3	0.3	33.3
<b>Minimum</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Maximum</b>	0.9	-12.5	0.8	0.0	0.8	11.1	0.9	0.0
<b>Standard deviation</b>	0.2	0.0	0.2	0.0	0.2	33.3	0.3	33.3
<b>Firm size (SIZ)</b>								
<b>Mean</b>	16.3	1.2	16.5	0.6	16.6	0.0	16.6	1.8
<b>Minimum</b>	13.7	0.0	13.7	0.0	13.7	0.7	13.8	0.7
<b>Maximum</b>	20.8	0.5	20.9	0.5	21.0	0.0	21.0	1.0
<b>Standard deviation</b>	1.5	6.3	1.6	-6.7	1.5	0.0	1.5	0.0

Source: The authors.

The sampled firms had on average two subsidiaries, indicating a low level of complexity. The firms sampled by Castro et al., (2015) and Sierra-Garcia et al. (2019) displayed a similar profile.

Over the study period, the firms in the sample increased their level of leverage (18.8%) and, consequently, the risk of litigation. This likely occurred because the economic crisis obliged firms to seek more funds from third parties (Alves, Colares, & Ferreira, 2017). Similar results were reported by Castro et al., (2015), Sierra-Garcia et al. (2019) and Pinto and Morais (2019).

The inherent risk of the sampled firms increased annually by 33.3% on average over the four-year period, suggesting that audit firms have been performing an increasing number of procedures to attest the adequacy of their clients' accounts (Kaveski & Cunha, 2016; Sierra-Garcia et al., 2019).

Firm size increased by 1.8% on average over the study period, most of this (1.2%) in the fiscal year of 2015. No variation in average size was observed from 2016 to 2017, possibly due to the economic crisis Brazil was going through (Alves et al., 2017).

The variations observed between the maximum and minimum audit fees and client assets reflected the variations in the size and complexity of the sampled firms, as reported by Sangiorgi et al. (2018). Table 3 shows the behavior of the remaining study variables.

**Table 3**

Descriptive analysis of the five control variables.

<b>Variable</b>		<b>2014 (%)</b>	<b>2015 (%)</b>	<b>2016 (%)</b>	<b>2017 (%)</b>
<b>MODR</b>	With modifications	2.4	4.8	2.4	1.2
	Without modifications	97.6	95.2	97.6	98.8
<b>BigFour</b>	One of the Big Four	96.4	95.2	96.4	96.4
	Not one of the Big Four	3.6	4.8	3.6	3.6
<b>AUDC</b>	Yes	60.7	63.1	66.7	67.9
	No	39.3	36.9	33.3	32.1
<b>ROT</b>	Yes	20.0	20.8	22.0	25.0
	No	80.0	79.2	78.0	75.0
<b>SECT</b>	Regulated	39.0	39.0	39.0	39.0
	Unregulated	61.0	61.0	61.0	61.0

Source: The authors.

Almost all the sampled firms (97.3%) had audit reports without modified opinions. This may be explained by the fact that firms traded on B3 are required to have good management practices, internal control and corporate governance and to comply with accounting standards, without inconsistencies in accounting reports. Our result matches the findings of Beck et al. (2015), who observed no modified opinions in independent audit reports for top Brazilian firms.

It should be noted that 4.8% of the firms associated with the public utility sector had modified opinions in their audit reports from 2015. Some of these modifications were in reports from firms implicated in Operation Lava-Jato (Andrade Gutierrez, Eletrobrás, JBS and Petrobras), an ongoing criminal investigation by the Federal Police of Brazil. Likewise, Rede Energia and its subsidiary, Energisa, had credits receivable from the state government of Tocantins, but had not produced supporting documentation for the valuation and realization of this asset.

Nearly all the sampled firms (96%) were audited by one of the Big Four during the study period. This is supported by the findings of Kaveski and Cunha (2016), according to whom large public firms prefer to hire leading audit firms in order to obtain an international seal of approval for their financial statements.

The number of audit committees in the organizational structure of the sampled firms rose annually by 12% on average, matching the findings of

Brighenti et al. (2016), Hallak and Silva (2012) and Jaramillo et al. (2012), all of whom reported an increase in audit committees in Brazilian firms over recent years. It is the audit committee's mission to ensure the integrity and timeliness of financial information and to defend the interests of shareholders and other stakeholders (Baioco & Almeida, 2017). Our results indicate that the sampled firms were committed to increasing the quality of accounting information reported to the market.

The practice of audit rotation became more frequent (+25%) over the study period, probably as a result of the entering into effect in 2002 of CVM directive #308 (1999) which makes auditor rotation mandatory every five years, making 2017 the latest year of rotation. This result is in line with Sangiorgi et al. (2018) who identified an increase in audit rotation among Brazilian firms in 2017.

More than half the sampled firms (61%) operated in unregulated sectors. Such firms are not subject to coercive norms issued by the State and regulatory bodies with regard to a range of activities and areas of knowledge.

Table 4 shows the result of the test of difference between the mean audit fees before (2014-2015) and after (2016-2017) the adoption of the new auditor's report.

**Table 4**

Comparison of mean audit fees before and after the adoption of the new auditor's report using Student's *t*-test.

Variable	Before adoption (2014 + 2015)	After adoption (2016 + 2017)	T-statistic	Sig
<b>Audit fees</b>	14.2	14.1	- 1.18	0.543

Source: The authors.

The test results presented in Table 4 show no statistically significant difference between mean audit fees before and after the adoption of the new auditor's report, meaning that the new format did not generate additional audit costs. Similar conclusions were reached by Almulla and Bradbury (2018), Bédard et al. (2014) and Gutierrez et al. (2018), but they contradict the expectations of many regulatory bodies and professionals in the area (Coscodai, 2016; PCAOB, 2013).

Pearson correlation analysis was then used to detect the first signs of correlations between the model variables and signs of multicollinearity (Table 5).

**Table 5**  
Result of Pearson's correlation test.

Variable	AUDF	ANR	COMP	RLIT	IR	SIZ	MODR	BigFour	AUDC	SECT	ROT
<b>AUDF</b>	1.00										
<b>ANR</b>	0.02	1.00									
<b>COMP</b>	0.26 (***)	0.12	1.00								
<b>RLIT</b>	0.04 (***)	0.02	0.10	1.00							
<b>IR</b>	0.01 (***)	0.01	0.06	0.01	1.00						
<b>SIZ</b>	0.79 (***)	0.01	0.04 (***)	0.06 (***)	0.03 (***)	1.00					
<b>MODR</b>	-0.04 (**)	0.05	0.02	0.01	0.02	0.02	1.00				
<b>BigFour</b>	-0.08 (***)	0.01	0.01	0.02	0.03	0.04	0.04	1.00			
<b>AUDC</b>	0.02	0.04	0.05	0.04	0.02	0.19 (***)	0.06	0.04	1.00		
<b>SECT</b>	-0.13 (***)	0.01	0.01 (***)	0.02	0.01	-0.16 (***)	0.12 (**)	0.04	-0.10 (**)	1.00	
<b>ROT</b>	0.03	0.15 (***)	0.04	0.01	0.01	0.03	0.04	-0.01	0.03	0.01	1.00

(\*\*)=significant at the level of 5%, (\*\*\*)=significant at the level of 1%.

Source: The authors.

As in Gujari and Porter (2011), the correlation coefficients between the dependent variable and the independent variables were for the most part similar to the correlation coefficients between the independent variables, indicating low multicollinearity. AUDF was significantly correlated with COMP, RLIT, IR, SIZ, MODR, BigFour and SECT, pointing to a possible relationship between the independent variables and the fees charged by the auditors. Interestingly, SIZ, COMP and SECT presented the highest Pearson correlation coefficients with AUDF: 0.79, 0.26 and -0.13, respectively.

To be able to draw inferences regarding the study hypotheses, we submitted our initial results to random-effects multiple linear regression on panel data. The results are presented in Table 6.

Table 6 shows that at least one of the regression coefficients was not null (Wald  $\chi^2=152.30$ ; Sig=0.001). According to the panel data regression model (Table 6), the variables COM, RLIT, IR, SIZ, MODR, BigFour, ROT and SECT were statistically significant at the level of 5% and 1%. The variables ANR and AUDC were not significantly associated with AUDF.

**Table 6**

Multiple linear regression on panel data. Model coefficients. Equation 1.

Variable	Coefficient	Sig
Adoption of the new auditor's report (ANR)	-0.82	0.409
Complexity (COM)	2.63	0.000(***)
Risk of litigation (RLIT)	0.02	0.040(**)
Inherent risk (IR)	0.14	0.003(***)
Firm size (SIZ)	10.85	0.002(***)
Modified audit report (MODR)	-2.07	0.038(**)
Audit firm (BigFour)	3.52	0.000(***)
Audit committee (AUDC)	0.59	0.552
Rotation of audit firms (ROT)	-0.07	0.041(**)
Sector (regulation) (SECT)	-0.37	0.039(**)
Constant	5.39	0.000(***)
N	1384	
Wald Chi <sup>2</sup>	152.30	
Sig	0.001(***)	
R <sup>2</sup>	0.4530	

(\*\*)=significant at the level of 5%; (\*\*\*)=significant at the level of 1%.

Source: The authors.

When analyzing the results of the variables individually, no statistically significant relationship was found between ANR and AUCF. This contradicts our first hypothesis ( $H_1$ ) according to which the adoption of the new auditor's report would be positively associated with audit cost due to the additional effort of the auditors to meet the new requirements and the increased risk of litigation since the disclosure of KAMs may be interpreted by the market as a measure of company performance (Vanstraelen et al., 2012).

Our study shows that the requirements of the new auditor's report can improve the quality of accounting reports without generating significant additional audit costs. In fact, the increase in quality provided by the adoption of the new format is not due to the performance of additional audit procedures, but to changes in managers' behavior out of fear of disclosure (Reid et al., 2019).

In order to deepen the analysis and capture possible impacts of the adoption of the new auditor's report, the variable KAM, subdivided according to the level of risk (entity vs. account), was added to the model as a proxy, based on Ferreira and Morais (2019), Pinto and Morais (2018) and Sierra-García et al. (2019). Thus, following the first regression model of the study (Equation 1, described in the Methodology section), three additional tests were performed, replacing the variable ANR with KAM. Model 2: the total number of KAMs disclosed by the firms, with 0=the period prior to the adoption of the new report (Pinto & Morais, 2018; Sierra-García et al., 2019; Ferreira & Morais, 2019); Model 3: KAMs of entity-level risk (Sierra-García et al., 2019); Model 4: KAMs of account-level risk (Sierra-García et al., 2019). Table 7 shows the results of the panel data regressions of Models 2, 3 and 4.

**Table 7**

Multiple linear regression on panel data. Coefficients of Models 2, 3 and 4.

Variable	Model 2		Model 3		Model 4	
	Coefficient	Sig	Coefficient	Sig	Coefficient	Sig
Key audit matters	-0.65	0.502	-	-	-	-
KAM - entity-level risk	-	-	1.06	0.003(***)	-	-
KAM - account-level risk	-	-	-	-	0.34	0.690
Complexity	1.96	0.010(**)	2.08	0.030(***)	1.67	0.001(***)
Risk of litigation	0.05	0.027(**)	0.08	0.027(**)	0.07	0.031(**)
Inherent risk	0.12	0.001(***)	0.26	0.003(***)	0.32	0.025(***)
Firm size	8.50	0.003(***)	10.27	0.002(***)	8.85	0.018(***)
Auditor w/modifications	-2.45	0.001(***)	-3.16	0.014(**)	-1.04	0.015(**)
Audit firm	3.52	0.000(***)	3.52	0.000(***)	3.52	0.000(***)
Audit committee	0.84	0.603	1.02	0.507	0.78	0.452
Audit firm rotation	-0.13	0.002(***)	-0.56	0.049(**)	-0.34	0.032(**)
Sector (regulation)	-0.46	0.022(**)	-1.30	0.003(***)	-1.45	0.002(***)
Constant	5.04	0.002(***)	5.45	0.001(***)	5.78	0.001(***)
N	1384		1384		1384	
Wald Chi <sup>2</sup>	149.20		151.14		150.29	
Sig	0.002(***)		0.000(***)		0.003(***)	
R <sup>2</sup>	0.4530		0.4954		0.4480	

(\*\*)=significant at the level of 5%; (\*\*\*)=significant at the level of 1%.

Source: The authors.

The 'Model 2' column in Table 7 shows the result of the regression on panel data with the inclusion of the variable KAM, the purpose of which was to verify whether the number of KAMs disclosed influenced the variable AUDF, based on the argument that a greater number of disclosed risks may require additional audit procedures, impacting audit costs. However, no significant relationship was found between AUDF and the number of KAMs. In other words, the number of disclosed KAMs could not be shown to increase audit fees, matching the conclusions of Gutierrez et al. (2018) and Sierra-García et al. (2019).

Models 3 and 4 (Table 7) used KAMs segregated into entity-level and account-level risk, respectively, to verify whether the type of KAMs disclosed influenced the variable AUDF. The association between KAM and AUDF was significant and positive in Model 3, suggesting that the disclosure of risks related to client structure (such as the control, regulatory and IT environment), i.e., comprehensive risks, do in fact have an impact on the number of audit procedures performed and, consequently, on audit fees. This result is in line with Sierra-Garcia et al. (2019).

However, the relationship between KAM and AUDF was non-significant in Model 4, implying that KAMs related to account-level risk (a highly specific risk linked to certain items in financial statements) had no measurable influence on audit fees. This contradicts the findings of Sierra-Garcia et al. (2019) who reported a significant and negative association.

As shown in Tables 6 and 7, when four different metrics were used to verify whether the adoption of the new format had any impact on audit fees, the

results were statistically non-significant. Audit cost only increased significantly in the analysis of entity-level risk.

Our results for the analysis of accounting risk suggest that the new disclosure requirements to which the auditors are now subject have added no significant changes to the procedures and tests performed by the audit firms. Thus, the assessment of the business environment and the risk mapping of the audited firms, which guide the planning and execution of tests of controls and substantive testing, do not appear to have been significantly altered. On the other hand, the existence of risk at the entity level (structural aspects) was found to increase audit risk and, consequently, audit cost.

The outcome of our investigation is supported by Bédard et al. (2014) who observed no change in audit fees following the adoption of the new format in France. The market did not react to the change and the behavior of investors and auditors remained the same, suggesting that the value of KAM disclosure by independent auditors is more symbolic than informative. A similar result was reported by Gutierrez et al. (2018) who found no impact of the new format on audit fees in the UK. Reid et al. (2019) reached a similar conclusion: changes in UK audit reports improved the quality of financial reporting without significantly increasing audit cost at the time of implementation.

It may also be inferred that certain economic and legal factors in the Brazilian environment tend to influence this result. Firstly, the crisis in the Brazilian economy slowed down the market and led to a reduction in consumption, causing firms to experience a decline in sales and close balance sheets with lower profits, or even losses, with repercussions on audit fees, as observed by Krishnan and Zhang (2014) and Sangiorgi et al. (2018). Secondly, a 5-year rotation of audit firms was made mandatory by CVM directive #308/1999. According to several scholars (Brighenti et al., 2016; Jaramillo et al., 2012), rotation generates a reduction in audit fees due to increased competition.

Another reason for the absence of impact on audit fees following the adoption of the new reporting model is the predominance (96%) in the sample of Brazilian firms audited by the Big Four. According to Ferguson, Pündrich and Raftery (2014), given the size of their operations, such firms have the benefit of economy of scale and therefore do not need to pass on to their customers the initial cost of adopting the new format (e.g., updating audit manuals, training, audit procedures and meetings).

The second hypothesis ( $H_2$ ), according to which the complexity of the audited firm is positively associated with audit cost, was borne out by the significant association observed between COMP and AUDF, suggesting that the more complex the client, the greater the volume of work (e.g., visits to subsidiaries, analysis of a greater number of financial statements) and, consequently, the higher the audit fee. This is in harmony with the findings of Castro et al. (2015), De Fuentes and Pucheta-Martínez, (2009), Desir et al. (2014) and Ferreira and Morais (2019).

Our third hypothesis ( $H_3$ ), according to which the risk of litigation of the audited firm is positively associated with audit cost, was confirmed by the observed positive and significant relationship between RLIT (represented by corporate leverage) and AUDF. This highlights the explanatory power of this variable and supports the notion of Desir et al. (2014), Kaveski and Cunha (2016)

and Pinto and Morais (2019) that the greater the level of client leverage, the greater the indebtedness and, consequently, the greater the risk of litigation for auditors, resulting in longer audits and higher fees.

A similar pattern was observed for inherent risk, as set forth in the fourth hypothesis ( $H_4$ ), according to which the inherent risk of the audited firm is positively associated with audit cost. A positive and significant correlation was indeed found between RLIT and AUDF, indicating that firms with large amounts of receivables and inventory items need more extensive audits, more testing and longer audit time, thus higher fees (Köhler & Ratzinger-Sakel, 2012). This result is in line with De Fuentes; Pucheta-Martínez (2009) and Köhler, Ratzinger-Sakel (2012) who observed higher audit costs for firms with greater inherent risk.

SIZ was found to be positively and significantly associated with AUDF, as expressed in our fifth hypothesis ( $H_5$ ), according to which firm size is positively associated with audit fees. Other authors have reached similar conclusions. Thus, Hallak and Silva (2012), Hassan and Naser (2013), Kaveski and Cunha (2016), Kwon et al. (2014) and Simunic (1984) concluded that the larger the audited firm is, the more complex the audit. This inevitably leads to longer and more costly audits.

The result of the sixth hypothesis ( $H_6$ ), according to which the issuance of audit reports with modifications is positively associated with audit fees, was also confirmatory: MODR was significantly and positively associated with AUDF. Moreover, the coefficient of the variable (-0.478) points to an opposite relationship with the dependent variable, that is, unmodified reports resulted in lower audit fees. Jaramillo et al. (2012) also noted that reports with modifications imply greater levels of specialization and, consequently, higher audit fees.

As for the seventh hypothesis ( $H_7$ ), according to which being audited by one of the Big Four is positively associated with audit fees, a positive and significant relationship was found between BigFour and AUDF. In other words, firms are willing to pay higher fees to be audited by firms with undisputed credibility, reputation, service quality and expertise (DeAngelo, 1981). Hallak and Silva (2012), Jaramillo et al. (2012), Kwon et al. (2014) and Mello and Valentim (2018) reached the same conclusion.

The expectation expressed in the eighth hypothesis ( $H_8$ ), namely that the existence of an audit committee in the organization is negatively associated with audit fees, was not confirmed. The rationale that firms with audit committees pay lower audit fees because they are more compliant with best practices of internal control and corporate governance was not reflected by our data.

Our results agree with the findings of Carcello et al. (2002) and Mello and Valentim (2018) who also failed to detect a significant relationship between AUDC and AUDF. The authors argued that the divergence between their observations and the literature may be explained by the fact that, although an audit committee is an internal corporate governance mechanism for the supervision of internal procedures and financial reports, independent auditors have the obligation to assess the client's governance structure and perform tests to validate the security level of the corporate environment and of the client's reports (Carcello et al., 2002). Thus, the time required and the respective cost would remain the same.

The ninth hypothesis ( $H_9$ ) posited that the rotation of audit firms is negatively associated with audit fees. This was confirmed by the observed negative and significant relationship between ROT and AUDF. Likewise, Alves et al., (2017), Brighenti et al. (2016) and Jaramillo et al. (2012) believe audit firm rotation helps reduce audit fees due to increased competition.

Finally, our tenth hypothesis ( $H_{10}$ ), according to which belonging to a regulated sector is negatively associated with audit fees, was confirmed as well. As pointed out by Alexandre et al. (2017), because firms in regulated sectors are subject to strict rules issued by the State or regulatory bodies, they display fewer irregularities and non-conformities in their audit reports. Thus, independent auditors need less time for their work and are likely to charge lower fees.

Table 8 is a consolidation of our expectations, based on the theoretical model presented in Figure 1, and the actual results obtained by regression analysis.

**Table 8**  
Expected and actual results.

Variable	Hypothesis	Expected association	Actual association
Adoption of the new auditor's report	$H_1$	Positive	Negative/Non-significant
Complexity	$H_2$	Positive	Positive/Significant
Risk of litigation	$H_3$	Positive	Positive/Significant
Inherent risk	$H_4$	Positive	Positive/Significant
Firm size	$H_5$	Positive	Positive/Significant
Reports with modifications	$H_6$	Positive	Positive/Significant
BigFour	$H_7$	Positive	Positive/Significant
Audit committee	$H_8$	Negative	Positive/Non-significant
Rotation of audit firms	$H_9$	Negative	Negative/Significant
Sector (regulation)	$H_{10}$	Negative	Negative/Significant

Source: The authors.

In summary, the adoption of the new independent auditor's report had no measurable impact on audit fees. The changes introduced by the new format apparently did not change the scope of the auditors' work in the period covered by the study. All the other variables analyzed (COM, RLIT, IR, SIZ, BigFour, MODR, ROT, SECT), with the exception of AUDC, were significantly associated with AUDF.

## 5 FINAL CONSIDERATIONS

In this study, we evaluated the impact of the adoption of the new independent auditor's report on audit fees paid by Brazilian firms traded on B3, covering the 4-year period from 2014 to 2017, the first two years of which (2014-2015) preceded adoption. Our results revealed no measurable impact on audit fees for the sampled firms and study period, thus rejecting the first hypothesis ( $H_1$ ), according to which the new format would lead to additional audit time and cost due to the higher level of skill required, potentially involving more senior professionals such as highly remunerated partners, directors and audit managers.

This behavior may be explained by the fact that the changes implemented in the new report had no substantial effect on the independent auditors' scope of work, while increasing levels of disclosure and transparency through more detailed in-depth analysis of specific aspects of each audited firm, further expanding the transparency of the audit process for external users and establishing a more informative relationship with investors, with no perceptible increase in audit fees. It should be kept in mind, though, that our results may have been influenced by economic factors, such as the crisis in the Brazilian economy during the study period—a fertile topic for future investigations.

We also found the disclosure of KAMs involving entity-level risks to be significantly and positively associated with audit fees. It was thus confirmed that risks related to the client's control, regulatory and IT environment, comprising the entire corporate structure, can impact the volume of audit work performed, as well as the cost.

It was evident that the complexity of the client was positively associated with audit fees, thus confirming our second hypothesis ( $H_2$ ), which implies that the more complex the audited company is (greater number of subsidiaries), the more audit procedures are required, increasing audit fees. As expected, risk of litigation was also positively associated with audit fees, confirming our third hypothesis ( $H_3$ ), positing that the greater the risk of litigation of the audited firm, the greater attention to details is required, resulting in higher audit fees.

Likewise, inherent risk was positively associated with audit fees, reflecting the expectations expressed in the fourth hypothesis ( $H_4$ ). In other words, the greater the inherent risk, the more demanding the audit work, leading to higher fees.

Unsurprisingly, firm size was positively associated with audit fees, confirming the fifth hypothesis ( $H_5$ ) based on the notion that larger firms are more complex to audit and therefore synonymous with more time-consuming and costly audits. As for our sixth hypothesis ( $H_6$ ), the absence of modifications in audit reports was negatively associated with audit fees. Inversely, the presence of such modifications implied higher audit costs due to the need for greater expertise.

Being audited by one of the Big Four meant higher audit costs, as predicted by the seventh hypothesis ( $H_7$ ). The top four audit firms offer services of higher quality, with more resources and more expertise, than conventional audit firms, and therefore charge substantially higher fees.

Contrary to our expectations, the existence of an audit committee in the organizational structure had no influence on audit fees. The eighth hypothesis ( $H_8$ ), according to which the presence of corporate audit committees affects audit fees negatively, was therefore rejected. However, the negative association between audit firm rotation and audit fees was confirmed, as set forth in the ninth hypothesis ( $H_9$ ). The reduction in fees is probably due to increased competition between audit firms

Our last hypothesis ( $H_{10}$ ), which postulates that economic sector (regulation) affects audit fees negatively, was also confirmed. Firms in regulated sectors display fewer irregularities and non-conformities in their audit reports due to greater standardization and supervision, making audits less time-consuming and less costly.

Our efforts are intended as a contribution to the literature on the impact of the adoption of the new auditor's report and the determinants of audit costs. We believe our findings can help audited firms in Brazil identify the factors influencing audit fees, and make regulatory bodies aware of the impacts of novel demands on auditors. Market players looking to negotiate with audit firms will also be able to glean useful information on how the fees of independent auditors are arrived at. In addition, our investigation can aid supervisory bodies in the identification of audit fee patterns associated with the transition to the new auditor's report.

The present study might have yielded somewhat different results if conducted in another institutional environment, one in which auditors have different responsibilities. By focusing on Brazilian public firms, our investigation has brought to light new and exciting inputs for the international debate on major audit issues.

On the other hand, the limitation of the sample to firms traded on B3 with disclosure of independent auditors' fees may have reduced the amplitude of the study. Other potential limitations include the short period of analysis (4 years) and the possible influence of concomitant criminal investigations ('Lava Jato' and 'Zelotes') by the Federal Police in 2014 and 2015. In future studies, it might be worthwhile to expand the sample and the interval of observation, and other factors could be added to the analysis, such as economic/financial status, the relationship between audit firm and client, profitability, and economic crises. Finally, the impact of the adoption of the new auditor's report could be compared for a set of countries with fundamentally different legal and cultural environments.

## REFERENCES

- Alexandre, N. O., Mello, L. C. O., & Araújo, P. G. L. (2017). Inconformidades nos relatórios dos auditores independentes: estudo dos setores regulados e não regulados brasileiros. *Revista de Auditoria, Governança e Contabilidade*, 5(20), 16-32.
- Alves, I. K. C., Colares, A. C. V., & Ferreira, C. O. (2017). Determinantes dos honorários de auditoria independente. *Revista de Auditoria, Governança e Contabilidade*, 5(20), 96-111.
- Almulla, M., & Bradbury, M. E. (2018). *Auditor, Client, and Investor Consequences of the Enhanced Auditor's Report* (Working Paper). <http://dx.doi.org/10.2139/ssrn.3165267>.
- Baioco, V., & Almeida, J. (2017). Efeitos do comitê de auditoria e do conselho fiscal na qualidade da informação contábil no Brasil. *Revista Contabilidade & Finanças*, 28(74), 229-248. <https://doi.org/10.1590/1808-057x201703250>.
- Beck, F., Franz, L., & Cunha, P. R. (2015). Honorários de auditoria e sua relação com a qualidade das informações financeiras: uma análise das empresas familiares e não familiares listadas na BM&FBovespa. *Revista Brasileira de Gestão e Negócios*, 17(54), 720-735. <https://doi.org/10.7819/rbgn.v17i54.1693>

- Bédard, J., Gonthier-Besacier, N., & Schatt, A. (2014, January). Costs and benefits of reporting key audit matters in audit reports: the French experience. Proceedings of the International Symposium on Audit Research. Retrieved November 18, 2018, from [http://www.documents.bsbeducation.com/pdf/cig2014/ACTESDUCOLLOQUE/BEDARD\\_GONTHIER\\_BESACIER\\_S\\_CHATT.pdf](http://www.documents.bsbeducation.com/pdf/cig2014/ACTESDUCOLLOQUE/BEDARD_GONTHIER_BESACIER_S_CHATT.pdf)
- Bédard, J., Gonthier-Besacier, N., & Schatt, A. (2019) Consequences of Expanded Audit Reports: Evidence from the Justifications of Assessments in France. *Auditing: A Journal of Practice & Theory*, 38 (3), 23-45. <http://dx.doi.org/10.2139/ssrn.3175497>.
- Borges, V. P., Silva, R. L. M., & Nardi, P. C. C. (2017). Determinantes dos honorários da auditoria independente das empresas brasileiras de capital aberto. *Revista Contabilidade, Gestão e Governança*, 20(17), 216-230. [http://dx.doi.org/10.21714/1984-3925\\_2017v20n2a3](http://dx.doi.org/10.21714/1984-3925_2017v20n2a3).
- Brasel, K., Doxey, M., Grenier, J., & Reffett, A. (2016). Risk disclosure preceding negative outcomes: The effects of reporting critical audit matters on judgments of auditor liability. *The Accounting Review* 91(5): 1345–1362. <https://doi.org/10.2308/accr-51380>.
- Brighenti, J., Degenhart, L., & Cunha, P. R. (2016). Fatores influentes nos honorários de auditoria: análise das empresas brasileiras listadas na BM&FBovespa. *Pensar Contábil*, 18(65), 16-27.
- Carcello, J. V., Hemanson, D. R., Neal, T. L., & Riley, R. A., Jr. (2002). Board characteristics and audit fees. *Contemporary Accounting Research*, 19(3), 365-384. <https://doi.org/10.1506/CHWK-GMQ0-MLKE-K03V>.
- Castro, W. B. L, Peleias, I. R., & Silva, G. P. (2015). Determinantes dos honorários de auditoria: um estudo nas empresas listadas na BM&FBovespa, Brasil. *Revista Contabilidade & Finanças*, 26(69), 261-273. <https://doi.org/10.1590/1808-057x201501560>.
- Church, B., Davis, S., & Mccracken, S. (2008). The Auditor's Reporting Model: A Literature Overview and Research Synthesis. *Accounting Horizons*, 22(1), 69-90. <https://doi.org/10.2308/acch.2008.22.1.69>.
- Cordos, G.-S., & Fülöp, M.-T. (2015). Understanding audit reporting changes: introduction of Key Audit Matters. *Accounting And Management Information Systems*, 14(1), 128-152.
- Coscodai, V. (2016). Novo relatório de auditoria e seus impactos. *Demonstrações financeiras e sinopses normativa e legislativa: guia 2016/2017*. (26a ed.). São Paulo: PricewaterhouseCoopers. Recuperado em 11 de dezembro de 2018, de [www.pwc.com.br/pt/publicacoes/guia-demonstracoes-financeiras/assets/guia-demonstracoes-financeira-16.pdf](http://www.pwc.com.br/pt/publicacoes/guia-demonstracoes-financeiras/assets/guia-demonstracoes-financeira-16.pdf)

- Cunha, M. G. F., Mello, L. C. O., & Araújo, P. G. L. (2018). O Impacto das normas internacionais de contabilidade nos honorários dos auditores independentes das companhias brasileiras. *Revista de Auditoria, Governança e Contabilidade*, 6(22), 64-80.
- DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of accounting and economics*, 3(3), 183-199. [https://doi.org/10.1016/0165-4101\(81\)90002-1](https://doi.org/10.1016/0165-4101(81)90002-1).
- De Fuentes, C., & Pucheta-Martínez, M. C. (2009). Auditor independence, joint determination of audit and non-audit fees and the incidence of qualified audit reports. *Academia - Revista Latinoamericana de Administración*, 43, 63-92.
- De Luca, M. M. M., Martins, L. C., Maia, A. B. G. R. & Coelho, A. C. D. (2010). Os mecanismos de auditoria evidenciados pelas empresas listadas nos níveis diferenciados de governança corporativa e no novo mercado da Bovespa. *Revista Contabilidade Vista & Revista*, 21(1), 101-130.
- Desir, R., Casterella, J. R., & Kokina, J. (2014). A reexamination of audit fees for initial audit engagements in the post-SOX period. *Auditing: A Journal of Practice & Theory*, 33(2), 59-78. <https://doi.org/10.2139/ssrn.2192549>.
- Ferguson, A., Francis, J. R., & Stokes, D. J. (2003). The effects of firm-wide and office-level industry expertise on audit pricing. *The Accounting Review*, 78(2), 429-448. <https://doi.org/10.2308/accr.2003.78.2.429>.
- Ferguson, A., Pünderich, G., & Raftery, A. (2014) Auditor industry specialization, service bundling, and partner effects in a mining-dominated city. *Auditing: A Journal of Practice & Theory*, 33(3), 153-180. <https://doi.org/10.2308/ajpt-50728>.
- Ferreira, C., & Morais, A. I. (2020). Análise da relação entre características das empresas e os key audit matters divulgados. *Revista Contabilidade & Finanças*, 31(83), 262-274. <https://doi.org/10.1590/1808-057x201909040>.
- Gonthier-Besacrier, N., & Schatt, A. (2007). Determinants of audit fees for French quoted firms. *Managerial Auditing Journal*, 22(2), 139-160. <https://doi.org/10.1108/02686900710718654>.
- Gotti, G., Han, S., Higgs, J. L., & Kang, T. (2012). Managerial stock ownership, analyst coverage, and audit fee. *Journal of Accounting, Auditing & Finance*, 27(3), 412-437. <https://doi.org/10.1177/0148558X11409158>.
- Gray, G. L., Turner, J. L., Coram, P. J., & Mock, T. J. (2011). Perceptions and misperceptions regarding the unqualified auditor's report by financial statement preparers, users, and auditors. *Accounting Horizons*, 25(4), 659-684. <https://doi.org/10.2308/acch-50060>.
- Gujarati, D. N., & Porter, D. C. (2011). *Econometria Básica*. Porto Alegre: Editora Afiliada.

Gutierrez, E., Minutti-Meza, M., Tatum, K. W., & Vulcheva, M. (2015). Consequences of changing the auditor's report: Early evidence from the U.K. *Proceedings of the International Symposium on Audit Research*, WA, USA, 24. <https://doi.org/10.2139/ssrn.2741174>.

Hallak, R. T. P., & Silva, A. L. C. (2012). Determinantes das despesas com serviços de auditoria e consultoria prestados pelo auditor independente no Brasil: USP. *Revista Contabilidade & Finanças*, 23(60), 223-231. <https://doi.org/10.1590/S1519-70772012000300007>.

Hassan, Y. M., & Naser, K. (2013). Determinants of Audit Fees: Evidence from an Emerging Economy. *International Business Research*, 6(8), 56-74. <https://doi.org/10.1108/10569210710833635>.

*Instrução CVM n. 308, de 7 de dezembro de 1999*. Dispõe sobre o registro e o exercício da atividade de auditoria independente no âmbito do mercado de valores mobiliários, define os deveres e as responsabilidades dos administradores das entidades auditadas no relacionamento com os auditores independentes. Recuperado em 20 de setembro de 2016, de <http://www.cvm.gov.br/export/sites/cvm/legislacao/instrucoes/anexos/300/inst308consolid.pdf>

*International Auditing and Assurance Standards Board – IAASB. At Glance, de janeiro de 2015*. New and Revised Auditor Reporting Standards and Related Conforming Amendments, jan. 2015. Recuperado em 12 de outubro de 2018, de [www.ifac.org/system/files/uploads/IAASB/Audit%20Reporting-At%20a%20Glance-final.pdf](http://www.ifac.org/system/files/uploads/IAASB/Audit%20Reporting-At%20a%20Glance-final.pdf)

Islam, M. S. (2016). Impact of non-audit services and tenure regulations on auditor independence and financial reporting quality: evidence from the UK. PhD Thesis, Cardiff University, Cardiff, País de Gales.

Jaramillo, M. J., Benau, M. A. G., & Grima, A. Z. (2012). Factores que determinan los honorarios de auditoría: análisis empírico para México. *Revista Venezolana de Gerencia*, 17(59), 387-406. <https://doi.org/10.31876/revista.v17i59.10906>.

Joshi, P. L., & Al-Bastaki, H. (2000). Determinants of audit fees: evidence from the companies listed in Bahrain. *International Journal of Auditing*, 4(2), 129-138. <https://doi.org/10.1111/1099-1123.00308>.

Kachelmeier, S. J., Schmidt, J. J., & Valentine, K. (2014). The disclaimer effect of disclosing critical audit matters in the auditor's report [Working paper]. University of Texas at Austin, Austin, TX, United States of America. <https://doi.org/10.2139/SSRN.2481284>

Kaveski, I. D. S., & Cunha, P. R. (2016). Fatores determinantes dos honorários da auditoria das empresas listadas no Novo Mercado da BM&FBovespa. *Revista Contabilidade, Gestão e Governança*, 19(1), 49-63.

- Kim, D.-Y., & Kim, J. Y. (2013). Effects of corporate social responsibility and corporate governance on determining audit fees. *International Journal of Multimedia and Ubiquitous Engineering*, 8(2), 189-196.
- Köhler, A. G., & Ratzinger-Sakel, N. (2012). Audit and non-audit fees in Germany – the impact of audit market characteristic. *Schmalenbach Business Review*, 64(4), 281-307. <https://doi.org/10.1007/BF03396843>.
- Krishnan, G. V., & Zhang, Y. (2014). Is There a Relation between Audit Fee Cuts During the Global Financial Crisis and Banks' Financial Reporting Quality? *Journal of Accounting and Public Policy, Forthcoming*. 33(3), 279 -300. Retrieved November 16, 2019, from <https://ssrn.com/abstract=2287499>. <https://doi.org/10.1016/j.jaccpubpol.2014.02.004>.
- Kwon, S. Y., Lim, Y., & Simnett, R. (2014). The effect of mandatory audit firm rotation on audit quality and audit fees: empirical evidence from the Korean audit market. *Auditing: A Journal of Practice & Theory*, 33(4), 167-196. <https://doi.org/10.2308/ajpt-50814>
- Li, H., Hay, D., & Lau, D. (2019), Assessing the impact of the new auditor's report. *Pacific Accounting Review*, 31(1), 110-132. <https://doi.org/10.1108/PAR-02-2018-0011>.
- Lima, G. A. S. F., & De Luca, M. M. M. (2016). A relação entre o monitoramento dos analistas de mercado e as características de valuation das companhias brasileiras. *Revista Universo Contábil*, 12(4), 129-151. <https://doi.org/10.4270/RUC.2016431>.
- Lopes, P. T., & Rodrigues, L. L. (2007). Accounting for financial instruments: and analysis of the determinants of disclosure in the Portuguese stock exchange. *The Journal of Accounting*, 42(1), 25-56. <https://doi.org/10.1016/j.intacc.2006.12.002>.
- Manoel, J., & Quel, L. F. (2017). Innovation in the international standards for the new independent audit report. *Journal on Innovation and Sustainability*, 8(1), 130-143. <https://doi.org/10.24212/2179-3565.2017v8i1p130-143>.
- Marques, V. A., & Souza, M. K. P. (2017). Principais Assuntos de Auditoria e opinião sobre o risco de descontinuidade: Uma análise das empresas do Ibovespa. *Revista de Informação Contábil - RIC*, 11(4), 1-22.
- Mayoral, J. M., & Segura, A. S. (2007). Un estudio empírico de los honorarios del auditor. *Cuadernos de Economía y Dirección de la Empresa*, 10(32), 81-109. [https://doi.org/10.1016/S1138-5758\(07\)70092-0](https://doi.org/10.1016/S1138-5758(07)70092-0).
- Mello, L. C. O., & Valentim, I. P. (2018). A influência dos mecanismos de governança corporativa nos honorários de auditoria das empresas brasileiras listadas na B3. *Revista Contabilidade e Controladoria*, 10(1), 103-123. <https://dx.doi.org/10.5380/rc&c.v10i1.54294>.

Mendes, J. A., & Martins, V. F. (2014). Normas internacionais de auditoria no Brasil: uma análise do nível de entendimento das normas do relatório dos auditores pelos profissionais que atuam na área. *Revista de Administração*, 12(22), 67-85.

Mock, T. J., Bédard, J., Coram, P. J., Davis, S. M., Espahbodi, R., & Warne, R. C. (2013). The audit reporting model: current research synthesis and implications. *Auditing: A Journal of Practice and Theory*, 32(1), 323-351. <https://dx.doi.org/10.2139/ssrn.2065989>.

Naser, K., & Nuseibeh, R. (2007). Determinants of audit fees: empirical evidence from an emerging economy. *International Journal of Commerce and Management*, 17(3), 239-254. <https://doi.org/10.1108/10569210710833635>.

Pinto, I., & Morais, A. I. (2019). What matters in disclosures of key audit matters: evidence from Europe. *Journal of International Financial, Management & Accounting*, 30(2), 145-162. <https://doi.org/10.1111/jifm.12095>.

Prasad, P., & Chand, P. (2017). The changing face of the auditor's report: implications for suppliers and users of financial statements. *Australian Accounting Review*, 27(4), 1-20. <https://doi.org/10.1111/auar.12137>

Public Company Accounting Oversight Board – PCAOB Releases n. 5, de 13 de agosto de 2013. Proposed Auditing Standards – The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion; The Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report; and Related Amendments to PCAOB Standards. Retrieved December 13, 2017, from [pcaobus.org/Rulemaking/Docket034/Release\\_2013-005\\_ARM.pdf](http://pcaobus.org/Rulemaking/Docket034/Release_2013-005_ARM.pdf)

Reid, L. C., Carcello, J. V., Li, C., & Neal, T. L. (2019). Impact of Auditor and Audit Committee Report Changes on Audit Quality and Costs: Evidence from the United Kingdom. *Contemporary Accounting Research*, 36(3), 1501 -1539. <https://doi.org/10.1111/1911-3846.12486>.

Resolução CFC n. 2016/NBCTA700, de 4 de julho de 2016. Dá nova redação à NBC TA 700, que dispõe sobre a formação da opinião e emissão do relatório do auditor independente sobre as demonstrações contábeis. Recuperado em 12 de novembro de 2018, de [www1.cfc.org.br/sisweb/SRE/docs/NBCTA700.pdf](http://www1.cfc.org.br/sisweb/SRE/docs/NBCTA700.pdf)

Resolução CFC n. 2016/NBCTA701, de 4 de julho de 2016. Aprova a NBC TA 701, que dispõe sobre a comunicação dos principais assuntos de auditoria no relatório do auditor independente. Recuperado em 12 de novembro de 2018, de [www1.cfc.org.br/sisweb/SRE/docs/NBCTA701.pdf](http://www1.cfc.org.br/sisweb/SRE/docs/NBCTA701.pdf)

Resolução CFC n. 2016/NBCTA705, de 04 de julho de 2016. Dá nova redação à NBC TA 705 que dispõe sobre modificações na opinião do auditor

independente. Recuperado em 12 de novembro de 2018, de [www1.cfc.org.br/sisweb/SRE/docs/NBCTA705.pdf](http://www1.cfc.org.br/sisweb/SRE/docs/NBCTA705.pdf)

Rocha Junior, F. R., Rodrigues Sobrinho, W. B., Bortolon, P. M. (2016). Fatores determinantes da mudança voluntária da empresa de auditoria externa no mercado brasileiro. *Enfoque: Reflexão Contábil*, 35(3), 53-67. <https://doi.org/10.4025/enfoque.v35i3.29460>.

Sangiorgi, C. T., Mello, L. C. O., & Garcia, F. A. R. (2018). Fatores que influenciam os honorários de auditoria nas empresas brasileiras. *Revista de Auditoria, Governança e Contabilidade*, 6(23), 16-33.

Sarlo, A., Neto, Bassi, B. R., & Almeida, A. A. (2011). Um estudo sobre a informatividade dos lucros contábeis na América Latina. *Revista de Contabilidade e Organizações*, 5(12), 4-25. <https://doi.org/10.11606/rco.v5i12.34792>.

Silva, A. H. C., Laurencel, L. C., Santos, M. A., Jr., Costa, T. A., & Almeida, S. R. V. (2014). Impacto da implementação das normas internacionais de contabilidade no Brasil: evidências empíricas no setor regulado e não regulado. *Revista de Gestão e Contabilidade da UFPI*, 1(1), 40-61.

Sierra-García, L., Gambetta, N., García-Benau, M. A., & Orta-Pérez, M. (2019). Understanding the determinants of the magnitude of entity-level risk and account-level risk key audit matters: the case of the United Kingdom. *The British Accounting Review*, 51(3), 227-240. <https://doi.org/10.1016/j.bar.2019.02.004>.

Simunic, D. (1984). Auditing, consulting, and auditor independence. *Journal of Accounting Research*, 22(1), 679-702. <https://doi.org/10.2307/2490671>.

Sirois, L. P., Bédard, J., & Bera, P. (2018). The informational value of key audit matters in the auditor's report: Evidence from an eye-tracking study. *Accounting Horizons*, 32(2), 141-162. <https://doi.org/10.2139/ssrn.2469905>.

Smieliauskas, W., Craig, R., & Amernic, A. (2008). Proposal to replace true and fair view with acceptable risk of material misstatement, *Abacus*, 44(3), 225-250. <https://doi.org/10.1111/j.1467-6281.2008.00261.x>

Stice, J. D. (1991). Using financial and market information to identify pre-engagement factors associated with lawsuits against auditors. *The Accounting Review*, 66(3), 516-533.

Sunder, S. (2014). *Teoria da contabilidade e do controle*. São Paulo: Atlas.

Vanstraelen, A., Schelleman, C., Meuwissen, R., & Hofmann, I. (2012). The audit reporting debate: seemingly intractable problems and feasible solutions. *European Accounting Review*, 21(2), 193-215. <https://doi.org/10.1080/09638180.2012.687506>.

- Wu, X. (2012). Corporate governance and audit fees: evidence from companies listed on The Shanghai Stock Exchange. *China Journal of Accounting Research*, 5(4), 321-342. <https://doi.org/10.1016/j.cjar.2012.10.001>.
- Zaman, M., Hudaib, M., & Haniffa, R. (2011). Corporate governance quality, audit fees and non-audit services fees. *Journal of Business Finance & Accounting*, 38(1-2), 165-197. <https://doi.org/10.1111/j.1468-5957.2010.02224.x>.