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Economic Consequences and Influencing Factors of Abnormal Audit Fees

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Abstract: This paper reviews studies concerning the economic consequences and influencing factors of corporate abnormal audit fees from 2015 to 2025. Research shows that abnormal audit fees exert significant influences on audit quality, market reaction and auditors' professional behaviours. However, conclusions vary among existing studies, and such effects are subject to institutional environments. Influencing factors of abnormal audit fees include external factors such as accounting-firm behaviours and economic environment uncertainty, as well as internal factors covering management characteristics, internal-control quality and risk management. This paper summarises major viewpoints and findings of existing research, points out research deficiencies, and prospects future research directions, so as to provide references for subsequent relevant studies.

Keywords: Abnormal Audit Fees; Economic Consequences; Influencing Factors

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1. Introduction

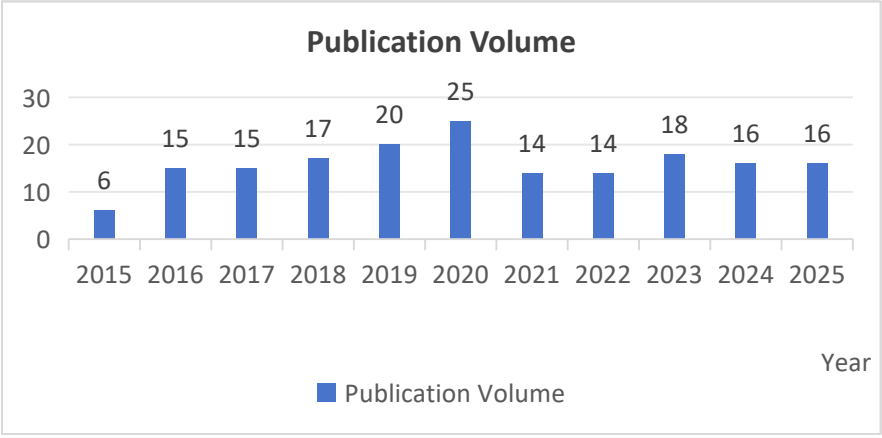
In recent years, financial fraud incidents occur frequently, such as the Kangmei Pharmaceutical financial fraud case in 2021, the Zeda Yisheng financial fraud case in 2023 and the Guanghui Logistics financial fraud case in 2024. The impacts brought by these financial fraud incidents cannot be ignored. As one of the important triggers for financial fraud, the payment of abnormal audit fees produces multiple adverse economic effects: first, it reduces audit quality and may cause auditors to overlook clients' earnings-management behaviors. Second, abnormal audit fees give rise to more financial fraud activities. Third, frequent financial fraud weakens investors' market confidence and impairs capital-market efficiency. Combined, these consequences pose serious threats to the economic system.

The adverse economic consequences triggered by abnormal audit fees have aroused extensive attention and in-depth discussions worldwide. From the circular issued by the General Office of the State Council in 2021 to severely crack down on accounting-audit violations, to the National Audit Work Conference held in 2023, and the first deliberation of the Draft Amendment to the Accounting Law in 2024, these practices reflect social efforts to improve audit quality and tackle financial fraud.

To mitigate the negative impacts caused by abnormal audit fees, practitioners have put forward a series of specific requirements and expectations for audit work. Xi Jinping emphasized the important role of audit within the Party and state supervision system at the 20th Central Audit Commission. Meanwhile, academics have carried out relevant research on

abnormal audit fees. This paper sorts out the number of core-journal papers on corporate abnormal audit fees included in the CNKI database from 2015 to 2025, as shown in Figure 1. The publication quantity rose from 6 papers in 2015 to 16 papers in 2025, maintaining an overall upward trend over the past decade. It can be seen that more and more scholars are interested in and conduct research on corporate abnormal audit fees. Many scholars have conducted in-depth research on the influencing factors of abnormal audit fees, which is of great significance for preventing financial fraud, protecting investor interests and improving market efficiency. Therefore, this paper elaborates the economic consequences of abnormal audit fees, summarizes the influencing factors of corporate abnormal audit fees, and finally analyzes and prospects the research status and future research directions for follow-up scholars to carry out further research.

Figure 1 Publication Volume of Papers on Abnormal Audit Fees, 2015–2025



(Source: CNKI Core Journal Literature)

2. Economic Consequences of Abnormal Audit Fees

Synthesizing existing literature, this paper classifies economic consequences into the impacts of abnormal audit fees on audit quality, accounting-information transparency, market reaction, corporate reputation and auditors' professional practice.

2.1 Impacts of Abnormal Audit Fees on Audit Quality

Plenty of domestic and foreign studies have focused on the relationship between abnormal audit fees and audit quality. However, existing literature holds inconsistent viewpoints.

Some scholars argue that abnormal audit fees produce negative effects on audit quality. Researches by Zhang Honghui et al. (2016), Jiang Yueyun et al. (2019) and Shi Yuan et al. (2017) show that positive abnormal audit fees may impair auditor independence, while negative abnormal audit fees may lead auditors to cut audit input, thus lowering audit quality[1][2][3]. Meanwhile, Hossain Sarowar et al. (2023) find that positive abnormal audit fees are negatively correlated with audit quality[4]. Heng Xie et al. (2023) analyze the influence of abnormal audit fees on audit quality and point out that both positive and negative abnormal audit fees may cause the decline of auditors' practice quality[5]. Li Dan and Wan Yifan (2024) conduct research from the perspective of communication between predecessor and successor auditors. They examine the effect of abnormal audit fees on audit quality under the comprehensive registration-system reform, and find that abnormal audit fees reduce audit quality, whereas communication between predecessor and successor auditors can alleviate the negative effect of abnormal audit fees on audit quality[6]. Wang et al. (2023) distinguish positive and negative abnormal audit fees and investigate their impacts on audit quality. The results show that both positive and negative abnormal audit fees significantly reduce audit quality; market concentration plays a partial mediating role between negative abnormal audit fees and audit quality, and negative abnormal audit fees further damage audit quality by lowering audit-market concentration[7].

2.2 Impacts of Abnormal Audit Fees on Auditors' Professional Practice

Growing attention has been paid to how abnormal audit fees influence auditors' professional behaviors. Zhang Honghui et al. (2016) state that positive abnormal audit fees reduce auditor independence, while negative abnormal audit fees prompt auditors to cut audit input. Afterwards, Luo Wenbo et al. (2019) show that enterprises may interfere with auditors' professional behaviors by paying abnormal audit fees so as to obtain favorable audit opinions[8]. Jia Jinxuan et al. (2021) point

out that the management of listed companies may "bribe" certified public accountants by paying abnormally high audit fees to obtain clean audit opinions[9]. He Ziye et al. (2021) indicate that abnormal audit fees impair auditor independence and further affect audit opinions issued by auditors in response to goodwill-impairment risks. Their empirical results show that larger goodwill impairment raises the probability for enterprises to receive modified audit opinions[10].

2.3 Other Impacts of Abnormal Audit Fees

The relationship between abnormal audit fees and market reaction is an important topic in audit research. Meng Lirong et al. (2025) point out that favorable ESG performance can reduce abnormal audit fees and thus enhance corporate reputation[11].

3. Influencing Factors and Commentary of Abnormal Audit Fees

By sorting out previous studies, this paper divides influencing factors of corporate abnormal audit fees into external and internal categories.

3.1 External Factors

Xiting Wu et al. (2019) find that after the establishment of environmental courts, enterprises' abnormal audit fees increase significantly driven by higher audit risks and workloads, especially for firms with poor environmental performance[12]. Wang Jinfeng et al. (2022) find that external economic-policy uncertainty pushes auditors to increase audit workloads, thus bringing about higher abnormal audit fees[13]. Al-Qadasi Adel et al. (2023) show that the COVID-19 pandemic leads to significant rises in audit fees and abnormal audit fees[14].

3.2 Internal Factors

3.2.1 Management-related factors.

Sun Dezhi et al. (2024) find that large-shareholder equity pledging gives rise to higher abnormal audit fees, and the higher the pledging ratio, the higher the abnormal audit fees[15]. It means higher executive compensation corresponds to higher audit fees paid by enterprises. He Xingxing et al. (2023) study the impact of managerial overconfidence on abnormal audit fees and detect a significant positive correlation between managerial overconfidence and abnormal audit fees[16].

3.2.2 Internal-control-quality-related factors.

June Cao et al. (2023) find that driven by rising bankruptcy risk and misstatement risk, credit-rating downgrades are significantly positively correlated with jumps in abnormal audit fees[17]. This study provides a new perspective for the relationship between internal-control quality and audit fees and highlights the importance of internal-control quality in audit pricing. Zhou Xiaohui et al. (2022) find that enterprises with stronger earnings persistence have lower abnormal audit fees[18].

3.2.3 Risk-management-related factors.

Yan Lijuan et al. (2020) find that higher trade-credit-insurance claim records indicate stronger managerial earnings-manipulation incentives and poorer earnings quality, which correspond to higher abnormal audit fees[19].

3.2.4 Investment-decision-related factors.

Zhang Lin (2024) finds a U-shaped relationship between innovation investment and abnormal audit fees with obvious property-right heterogeneity. The impact of innovation investment on abnormal audit fees is asymmetric, and innovation investment has a significant U-shaped correlation with positive abnormal audit fees[20].

4. Research Conclusions and Suggestions

The frequent occurrence of financial fraud has become a global concern with complex underlying causes. The emergence of abnormal audit fees constitutes one non-negligible factor. Abnormal audit fees induce a series of economic consequences with far-reaching and multi-layered influences. First, abnormal audit fees reduce audit quality and may make auditors overlook or tolerate clients' earnings-management behaviours. Second, they lower the transparency of corporate financial disclosure and interfere with investor decision-making. Third, they trigger market doubts and concerns and lead to stock-price fluctuations. Fourth, they damage corporate reputation and cause customer loss. Finally, they affect auditors' practice behaviours, undermine fair competition within the audit industry and hinder industrial development.

The generation of these economic consequences is closely associated with influencing factors of abnormal audit fees. Further analysis on these factors helps us understand their specific impacts on audit fees and formulate corresponding

countermeasures. In terms of internal influencing factors, factors including large-shareholder equity pledging, executive compensation, ESG performance under environmental uncertainty, divergence in corporate ESG rating outcomes, corporate donation, corporate litigation risk, corporate over-investment, budget slack and corporate internal-control deficiencies will increase abnormal audit fees. In contrast, factors such as CFO power and sound ESG performance may curb the occurrence of abnormal audit fees. In terms of external influencing factors, auditor change and pre-determination of audit fees can restrain the growth of abnormal audit fees. Therefore, concrete improvement measures shall be proposed from both internal and external dimensions.

For corporate internal governance: on the one hand, optimise the corporate-governance structure. First, strengthen the role of independent directors and enable them to participate in audit-fee decision-making. Second, reinforce internal-audit functions and regularly evaluate financial status and risks. Third, optimise ownership structure to prevent interest transfer. On the other hand, improve internal-control quality. Establish sound internal-control systems to detect risks in a timely manner and actively enhance ESG performance to lift corporate social image.

For external environment: on the one hand, strengthen industry self-discipline of accounting firms to safeguard audit quality, and introduce advanced technologies such as big-data analysis to improve audit efficiency and quality. On the other hand, optimise the external market environment. Regulators shall mitigate local protectionism to promote fair competition. Policy guidance shall be adopted to raise corporate demand for high-quality audit services.

Conclusion

Frequent financial-fraud episodes attract global academic and regulatory attention, among which abnormal audit fees represent a vital contributing factor. Abnormal audit fees trigger multi-layered economic consequences: they degrade audit quality and facilitate management's earnings-management behaviours; reduce financial-disclosure transparency and interfere with investor decision-making; trigger capital-market doubts and stock-price volatility; damage corporate reputation; distort auditor professional incentives and undermine fair competition within the audit industry.

These adverse outcomes arise jointly from internal and external determinants. Internally, large-shareholder equity pledging, excessive executive compensation, ESG-rating disagreement, corporate litigation risk, over-investment and internal-control deficiencies tend to raise abnormal audit fees. Conversely, strong CFO governance and sound ESG performance help restrain abnormal audit-fee deviations. Externally, auditor-rotation events and pre-negotiated audit-fee contracts mitigate abnormal audit-fee inflation. Targeted countermeasures should therefore be formulated from dual internal-external perspectives. Enterprises shall optimise corporate-governance frameworks and internal-control systems. Accounting firms shall stick to self-regulation and rational pricing. Regulators shall improve market institutions and reduce local protectionism, so as to promote the sound development of audit market.

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Conflict of Interests

The authors declare that there is no conflict of interest regarding the publication of this paper.

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