“Study on factors affecting audit fees and audit quality through auditors’ perceptions: Evidence from an emerging economy”

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STUDY ON FACTORS AFFECTING AUDIT FEES AND AUDIT QUALITY THROUGH AUDITORS' PERCEPTIONS: EVIDENCE FROM AN EMERGING ECONOMY

Abstract

Audit fees and audit quality have received the attention of stakeholders, clients, audit firms, and third parties. Each subject has its own opinion on determining influencing factors and their relationship. This study aims to investigate the determining factors of audit fees and audit quality in Vietnam. Using random data collection, a questionnaire was created on Google forms and sent to auditors from the 4th quarter of 2020 to the end of the 1st quarter of 2021. 267 valid auditors' responses in 28 audit firms were used for data analysis. Exploratory factor analysis (EFA) was used to determine relationships between observed variables and factors. The measurement model and recommended hypotheses were confirmed by structural equation modeling (SEM) using SPSS 26 and AMOS 26. The study results show that contract types and audit complexity, audit firms' reputation, size, and risk significantly impact audit fees and audit quality. In addition, the specialization of the audit firms does not have a positive effect on audit quality but on audit fees. The audit tenure has no statistical impact on audit fees and audit quality. Notably, audit fees statistically affected audit quality. Several implications can be applied, such as increasing the firm size, performing the procedures in response to audit risk, separating audit contract types, and determining the complexity of audit projects and specialties.

Keywords audit risk, audit firms' reputation, audit firms' size, auditors' perceptions, developing country

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INTRODUCTION

Audit quality is one of the most concerning factors for many related parties, including audit firms, clients using audit services, and government agencies. Audit quality is the goal of many audit firms and the measurement of audit firms' performance. Previous studies show that audit quality is affected by different factors, including audit fees. However, the relationship between audit fees and audit quality is controversial. Hoitash et al. (2007) confirm that audit quality and audit fees have a positive relationship; meanwhile, Sheikh and Siddiqui (2020) found a negative relationship between audit fees and audit quality.

There is some crucial research on this subject from different countries. Several studies mention factors affecting audit fees, such as the size of an audit firm (El-Gammal, 2012), firm risk, the attendance of Big Four firms (Gonthier-Besacier & Schatt, 2007), complexity (Mohammed & Saeed, 2018), the status of the audit firm, industry type (Naser & Nuseibeh, 2007), client business risk, municipal ownership, Internal auditing, corporate disclosures (Samsuri & Arifin, 2018).

According to the Ministry of Finance announcement, up to December 2021, Vietnam currently has 211 qualified audit firms with 3,153 certified public auditors (Ministry of Finance, 2021). The overall performance of the audit firms and the relationship between audit fees and audit quality are ongoing concerns and exciting research topics for many scholars. There is some research on this matter (Hai, 2017; Hai & Tu, 2019b; Vu, 2012). Yet, previous studies focused on audit fees or audit quality only, and the sample size was relatively small. Therefore, there is a need to fill in the research gap by conducting research in large sample size and on the perception of auditors to explore the associated factors to audit quality and audit fees.

1. LITERATURE REVIEW

1.1. The relationship between audit fees and audit quality

Audit fees could be considered commissions for auditors or audit costs based on audit firms' or customers' perspectives. These are the customers' payments expect to pay for the independent auditors' services (Amba & Al-Hajeri, 2013; Kusharyanti, 2013). This is an agreement between these two parties during the time using services.

Audit quality, a complex term, is viewed from different perspectives. The international research on audit quality focuses on three views: (1) the level of assurance in the capacity to track report errors and financial report mistakes; (2) the level of following the audit standards; (3) the combination of audit standards and the ability to detect and report material misstatements (Dung, 2015).

According to Yuniarti (2011), audit fees positively affect audit quality. It is explained that the audit quality is created by the number of customers using audit services and the auditors participating in the audit works. Higher audit fees would increase the audit quality as the audit firms will have enough financial resources to perform all the necessary procedures to ensure a good quality audit. This result is agreed upon by Huang et al. (2016). Elitzur and Falk (1996) believed that high audit fees could motivate auditors to perform their best efforts in an audit project. Besides, Carcello and Nagy (2002) and Suseno (2013) indicated that audit firms would set a higher fee to cover the longer audit time when the audit risk is high.

Choi et al. (2010) showed that shareholders of publicly traded companies are willing to pay higher audit fees to receive better benefits from highly qualified audit reports. Ghosh and Pawlewicz (2009) concluded that audit fees would be higher if audit workers needed a long time and more experienced auditors to perform the work. Therefore, high audit quality has connections with high audit fees (Suseno & Nofianti, 2018; Xu, 2011; Zamzami et al., 2018).

1.2. Factors affecting audit fees and audit quality

Firstly, previous studies showed that the higher the audit firms' reputation (or popularity), the higher the audit quality (Suseno & Nofianti, 2018; Xu, 2011). The reasons are that prominent audit firms usually have a better resource of auditors, and their auditors typically have more experience and expertise than auditors from other firms (Chan et al., 1993; Zhang & Myrteza, 1996). Therefore, to maintain their reputations, audit firms have to spend a significant cost on retaining the audit quality procedures and the insurance cost to cover any contingent liabilities (Gonthier-Besacier & Schatt, 2007). At the same time, from the customers' perception, they are ready to pay higher fees for the services of reputable audit firms. After the audit, these customers expect their financial reports to increase their ability and gain more trust from different stakeholders. It also helps them reduce other financing costs to attain confidence in institutions and other stakeholders (Naser & Nuseibeh, 2007; Xu, 2011).

In Vietnam, Hong and My (2017) also determined that the reputation of audit firms (Big 4) is the factor determining the higher audit fees for these firms compared to others. Besides that, Dung (2015), Hai (2016), Hai and Tu (2019b), and Pham et al. (2017) found that the audit firms' size is an influential affecting factor in the audit quality. This result is similar to others (Amahalu, 2017; Chen et

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al., 2013; Zureigat, 2011). Al-Khaddash et al. (2013) revealed that the reputation of the public accountant office affects audit quality in the Jordanian Banking Sector. Priyanti Desi Frida and Uswati (2019) found that public accounting firms have a positive impact on audit quality, which means that the higher the reputation value of public accounting firms will improve audit quality in a company.

Secondly, Choi et al. (2010) showed that audit firms' size positively affects audit fees and audit quality. Audit firms with larger sizes and better reputations would provide higher quality services compared to smaller audit firms. Besides, other research shows that firms that need audit services tend to choose audit firms with a better reputation, and they are willing to pay higher fees for these audit firms (Naser & Nuseibeh, 2007).

In addition, there is research regarding the relationship between the size of audit firms, audit fees, and audit quality. De Angelo (1981) proved that the size of audit firms has a positive effect on audit quality. Since audit firms with larger sizes usually have better financial resources, they will have better plans to maintain their services' quality as well as possible. This point of view is agreed by many scholars (Lennox, 2005; Shu, 2000). They decided that audit firms' size positively affects audit quality (Amahalu, 2017; Chen et al., 2013; Priyanti Desi Frida & Uswati, 2019; Samsuri & Arifin, 2018; Zureigat, 2011).

In Vietnam, the size of audit firms is one of the main factors that influence the quality of audit firms. Reports from the Ministry of Finance and the Vietnam Association of Certified Public Accountants showed that the Big Four provided higher audit fees than other firms. However, the quality of their audit works is considered better than the other firms. Pham et al. (2014) showed that the competitive bidding to perform the audit directly affected the audit quality. Audit firms with larger sizes would provide services with better quality, and vice versa. Pham et al. (2017), based on the data from 192 publicly traded companies in Ha Noi and Ho Chi Minh City from 2006 to 2014, concluded that firms' audit quality in the Big Four group was higher than the other non-Big Four firms. It showed that firms with larger sizes and better reputations would have better quality.

Hai and Tu (2019b) concluded that to increase the quality and performance of audit firms in Vietnam, three groups of factors need attention. They include the group of the organization (ownership types, size, time doing business, fees, internal control, an area providing services, administration services); the factors in the group of auditors (education, ability, and experience); in the group of outside sources (legal environment, quality control from outside the organization, strategies for the industry). Besides, some research shows that audit firms' size influences audit fees and quality (Dung, 2015; Hong & My, 2017).

Thirdly, Soltani (2007) defined audit risk as "the risk that an auditor may express an inappropriate opinion on financial information that is materially misstated." Audit risk includes a risk of material misstatement and detection. (ACCA, 2009).

Pong and Whittington (1994) and Xu (2011) indicated that audit firms could be held legally responsible or lose their reputation due to a high level of audit risk. Therefore, audit risk could be considered one of the factors affecting audit fees. It might be explained that when audit risk is high, audit firms need more auditors to work on the audit project, and the auditors need to spend more time on this project. Therefore, the cost increases; the customers need to pay more fees to cover this cost. This point of view is supported by many scholars (Gonthier-Besacier & Schatt, 2007; Joshi & Al-Bastaki, 2000; Kusharyanti, 2013; Zhang & Myrteza, 1996). However, some research shows the opposite result that audit risk does not influence audit fees (Mohammed & Saeed, 2018; Vu, 2012; Xu, 2011).

Fourthly, according to the first perspective, audit specialization is the specialty and expertise of auditors, their knowledge and experience about customers, industries, and business functions when performing the audit works. It is necessary to perform a high-quality audit (Arens et al., 2016). However, a few studies indicated no relation between audit fees and auditors' specialization (Kusharyanti, 2013; Palmrose, 1989). Meanwhile, several studies confirmed that audit fees would be lower with the involvement of experienced auditors because the auditors could reduce the time spent on the audit project compared to when they

first performed the audit (Blokdijk et al., 2006; Schelleman & Knechel, 2010). In contrast, Hay (2014) and Ward et al. (1994) showed the opposite result.

From the second perspective, audit specialization means that an audit firm provides audit services simultaneously as non-audit services. The field of audit services would help audit firms maintain effective audit procedures, increase service quality, and determine higher audit fees (Balsam et al., 2003; Rittenberg et al., 2010; Sarwoko & Agoes, 2014). Likewise, Al-Khaddash et al. (2013) and Atmojo and Sukirman (2019) found that auditor specialization positively influences audit quality. In Vietnam, Hai (2016) showed that the range of services provided to the customers was one of the factors affecting the audit quality and the performance of the audit firms.

Fifthly, there are studies related to the audit contract type, the complexity of the audit work, and their influence on audit fees and audit quality. Among those, audit contract types can be divided into contracts with a fixed price determined at the beginning of the audit process, and contracts with adjusted prices depending on the workloads of the audit. Typically, a contract with fixed prices would have lower fees than other contracts, since auditors tend to omit some procedures to save on the costs. On the adjusted price contracts, auditors would spend more time finding and detecting possible material misstatements (Chang & Monroe, 1994; Palmrose, 1989).

The complexity of an audit project is related to the faithfulness and reasonableness of the information during the project. In projects with complex operation activities from customers or associated with any foreign investors, the audit fees are usually high (Hong & My, 2017; Joshi & Al-Bastaki, 2000; Mohammed & Saeed, 2018). Previous studies have used different factors to measure the complexity of the audit works, including the number of domestic branches and oversea-branches of audit firms (Amba & Al-Hajeri, 2013; Firth, 1985; Xu, 2011); business factors depending on customers (Anderson & Zéghal, 1994; Gonthier-Besacier & Schatt, 2007; Hong & My, 2017; Naser & Nuseibeh, 2007; Zhang & Myrteza, 1996); the number of financial transactions of their customers within a fiscal year (Amba & Al-Hajeri, 2013; Giroux & McLelland, 2008; Hay et al., 2006; Joshi & Al-Bastaki, 2000; Xu, 2011). Due to different contract types and the complexity of audit works, audit fees and quality will be changed.

Finally, according to Miharjo and Hartadi (2012), audit tenure is the amount of time that auditors continuously perform audit works at a particular audit firm. Kusharyanti (2013) indicated no relationship between audit tenure and audit fees based on the research of 60 publicly traded companies in Indonesia from 2010 to 2011. Suwarno et al. (2020) studied the financial reports of 90 F&B companies from 2014 to 2018 and concluded that audit tenure has no relationship with audit quality. Suprapto and Suwardi (2013) confirmed a similar result with the above studies. Meanwhile, several studies concluded that audit tenure adversely affects fees and audit quality. The longer the audit tenure, the lower the fees and the audit quality, due to the closer relationship between auditors and customers (Prasetia & Rozali, 2016; Priyanti Desi Frida & Uswati, 2019; Stanley & DeZoort, 2007; Xu, 2011).

Several previous studies confirmed a positive relationship between audit fees and audit quality. Besides, six factors, including audit firms' reputation, size of audit firm, audit risk, audit specialization, contract types, audit complexity, and audit tenure, have been proved to have a significant impact on audit fees and audit quality.

2. AIM, RESEARCH MODEL AND HYPOTHESES

This study aims to explore the determining factors to audit quality and fees from the auditors' perception and the relationship between audit fees and audit quality.

Based on the literature review, a theoretical research model is proposed in Figure 1, and the hypotheses are developed as follows:

H1a: Audit firms' reputation has positive effects on audit fees.

H1b: Audit firms' reputation has positive effects on audit quality.

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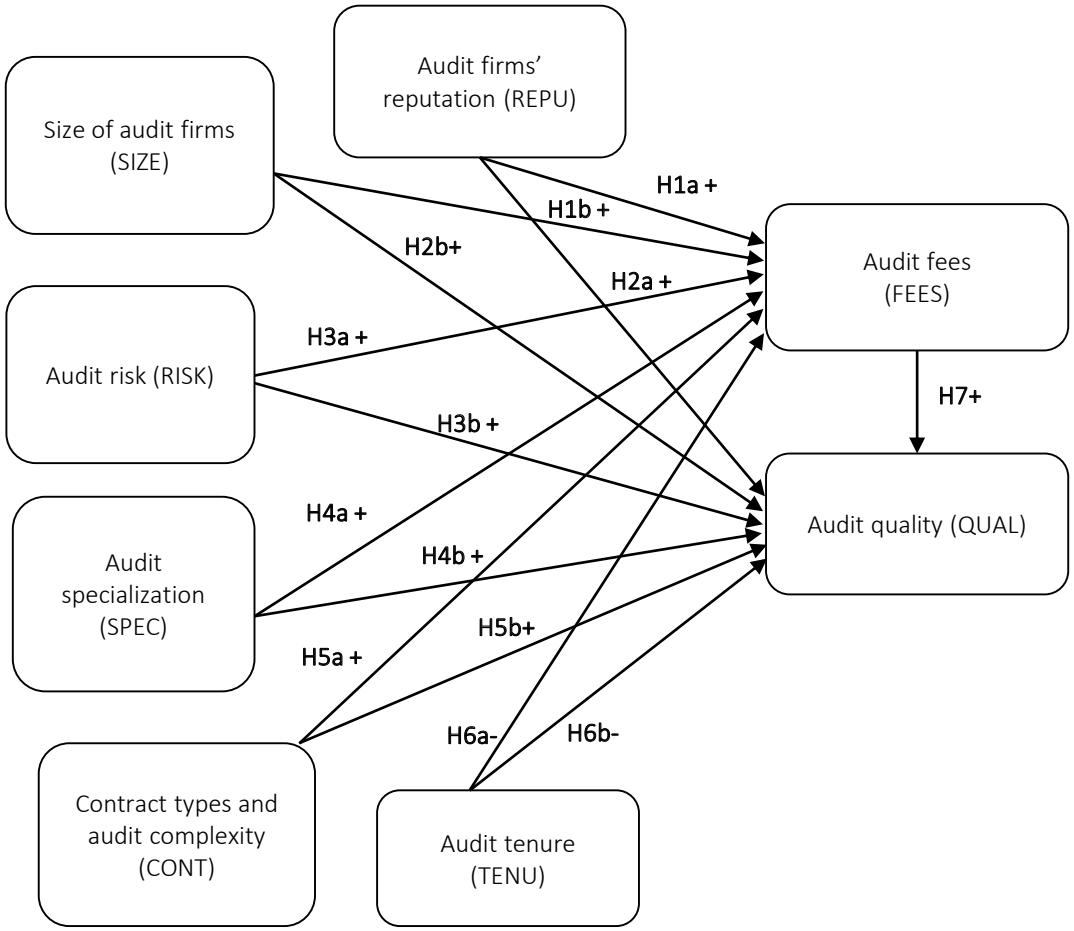

Figure 1. Conceptual research model

H2a: Audit firms' size positively affects audit fees.

H2b: Audit firms' size positively affects audit quality.

H3a: Audit risk has a positive effect on audit fees.

H3b: Audit risk has a positive effect on the audit quality.

H4a: Audit specialization has a positive effect on audit fees.

H4b: Audit specialization has a positive effect on audit quality.

H5a: Contract types and audit complexity positively affect audit fees.

H5b: Contract types and audit complexity positively affect audit quality.

H6a: Audit tenure has negative effects on audit fees.

H6b: Audit tenure has negative effects on audit quality.

H7: Audit fees have positive effects on audit quality.

3. METHODS

3.1. Data collection

A random data collection technique was used by sending Google Forms through emails. Three hundred questionnaires were sent directly to auditors. After reviewing the results, 267 qualified questionnaires were used for data analysis. The survey was conducted from the 4th quarter of 2020 to the end of the 1st quarter of 2021. The respondents are in-

Table 1. Characteristics of the research data sample

Particulars	Items	Frequency (n=267)	Percentage
Career position	Professional staff (do not have CPA)	89	33.3
	Auditor (with CPA)	150	56.2
	Manager, Partner	28	10.5
Gender	Male	162	60.7
	Female	105	39.3
Audit firm group	Big Four	82	30.7
	None-Big Four	185	69.3
Age range	26-35	73	27.3
	36-45	89	33.3
	46-55	85	31.8
	Over 55	20	7.5
Working experience	Under-five years	33	12.4
	5-10 years	153	57.3
	Over ten years	81	30.3

volved directly with the audit works at qualified audit firms. Some of them do not have the CPA license (called professional staff), some have the CPA license, and others are managers and partners of audit firms. The respondents are divided into two groups, depending on the audit firms they are working at is Big-Four or non-Big-Four. Besides that, there are other criteria such as gender, age, and experience. Detailed information on the respondents is presented in Table 1.

3.2. Data measurements

The measurements of this research include six independent variables: audit firms' reputation (REPU) with six observable variables, audit specialization (SPEC) with four observable variables, audit firms' size (SIZE) with four observable variables, audit tenure (TENU) with four observable variables, audit risk (RISK) with four observable variables, contract types, and audit complex-

Table 2. Dimensions and scales

Symbol	Scales and dimensions	Resource
	Size of auditing firms (SIZE)	
SIZE1	Number of audit staff in the audit firms.	Hai (2016); Prasetia and Rozali (2016)
SIZE2	Number of offices and branches of audit firms.	
SIZE3	Number of types of services provided by the audit firms	
SIZE4	The geographical coverage of the services provided, including international affiliations.	
	Audit firms' reputation (REPU)	
REPU1	Customers trust and remain using services provided by the company.	Dung (2015); Hai and Tu (2019a); Prasetia and Rozali (2016); Atmojo and Sukirman (2019)
REPU2	Membership level of international auditing firm.	
REPU3	No severe legal incidents during the working time.	
REPU4	Gained trust from the public and customers regarding work performance.	
REPU5	Quality of service has been experienced over time and in good reviews.	
REPU6	The customers evaluate the company providing goods, products, and services.	
	Audit tenure (TENU)	
TENU1	The time providing audit services for the same customer.	Werastuti (2013); Dung (2015); developed by writers
TENU2	Legal requirements about auditors and audit firms rotation.	
TENU3	Audit firms' policy about changing auditor in charge of the customers.	
TENU4	Customers' affect to the audit firms and auditors.	
	Audit risk (RISK)	
RISK1	The auditors' understandability of the operating activities of customers.	Atmojo and Sukirman (2019); Hai (2016); Hai and Tu (2019a); developed by writers
RISK2	Following the rules, audit standards, and audit procedures of the audit firms.	
RISK3	Control the audit's quality of the audit firm.	
RISK4	Auditors' expertise and the techniques to perform audit works.	

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Table 2 (cont.). Dimensions and scales

Symbol	Scales and dimensions	Resource
	Audit specialization (SPEC)	
SPEC1	The proportion of non-audit services to audit services in total services provided by the audit firms.	Pham et al. (2014); Hai (2016); Rittenberg et al. (2010); Balsam et al. (2003); Sarwoko and Agoes (2014); Atmojo and Sukirman (2019); developed by writers
SPEC2	Auditor's experience in an in-depth field or profession.	
SPEC3	Number of years of operation in the sector/market since the establishment of the audit firms.	
SPEC4	Auditor's specialty involved in audit with the client's business area.	
	Contract types and audit complexity (CONT)	Joshi and Al-Bastaki (2000); Hong and My (2017); Mohammed and Saeed (2018); Amba and Al-Hajeri (2013); Gonthier-Besacier and Schatt (2007); developed by writers
CONT1	The diversity and complexity of a customer's business sector.	
CONT2	The client's business is related to its overseas partners.	
CONT3	Frequency or number of transactions in a client's fiscal year.	
CONT4	Users of audit firms' results.	
CONT5	Contract signing period before or after the end of the fiscal year.	
	Audit fees (FEES)	Dung (2015); Hai (2016)
FEES1	Competitive assurance fee rates compared to another audit firm.	
FEES2	Relationship between the workload and the cost of the audit fee.	
FEES3	The fee is in line with meeting and paying off the business.	
FEES4	The fee price ensures the expected income of the audited firms.	
	Audit quality (QUAL)	Skinner and Srinivasan (2012); Tritschler (2013); Dung (2015); Kuntari et al. (2017) Hai (2016)
QUAL1	The level of following audit standards and the ability that auditors could detect material misstatements.	
QUAL2	The resulting report must be accurate, complete, objective, convincing, clear, concise, and timely so that the information provided is of maximum benefit.	
QUAL3	Audit procedures are performed entirely.	
QUAL4	The services are provided correctly and timely.	
QUAL5	Audit's documentation meets the requirements.	

ity (CONT) with five observable variables. There are two dependent variables: audit fees (FEES) with four observable variables and audit quality (QUAL) with five observable variables.

The independent and dependent variables are arranged in the questionnaires using Likert measurements with five levels (Level 1 – Totally disagree, Level 5 – Totally agree). The measurements were used based on the previous studies, adjusted with in-deep interviews with ten experts working in audit fields.

3.3. Data analysis

SPSS version 26 and SPSS AMOS version 26 were used for data analysis. The measurements' quality used Cronbach's Alpha. The measurements are qualified when the total CRA is > 0.6 and the corrected item-total correlation > 0.3 (Nunnally, 1978; Peterson, 1994). All measures and the variables are tested further using EFA testing.

Kaiser – Meyer – Olkin measure (KMO) was applied in the EFA analysis. The correlation coefficient of the variables by Bartlett measure, factors cumulative variance with sig ≤ 0.05 accepting condition is variance > 50%, Eigenvalues > 1, factor loading > 0.55 (Anderson & Gerbing, 1988; Hair et al., 2006).

Next, CFA and SEM analyses confirmed the measurement model and recommended hypotheses. The factors measuring the appropriateness of the model included Cmin/df, $\chi 2/df < 5$ (Schumacker & Lomax, 2004), CFI > 0.9, TLI > 0.9 (Hair et al., 2006) and RMSEA < 0.08 (Hair et al., 2006; Schumacker & Lomax, 2004).

4. RESULTS

4.1. Cronbach's alpha, EFA, and CFA results

The overall CRA of independent and dependent variables is more significant than 0.6; therefore, all the measurements' variables are qualified (Table 3).

Results of the confirmation factor analysis CFA showed the Chi-square = 789.800 with p = 0.000,

Table 3. Matrix results of factors and CRA, composite reliability, average variance extracted from observables

Source: SPSS output, 2021.

Observables	Component								Cronbach's Alpha	C.R	AVE
	1	2	3	4	5	6	7	8			
QUAL4	.847								.942	.975	.885
QUAL1	.846										
QUAL3	.806										
QUAL5	.799										
QUAL2	.789										
REPU5		.844							.907	.977	.895
REPU2		.823									
REPU4		.823									
REPU3		.821									
REPU1		.803									
CONT2			.872						.897	.946	.779
CONT5			.842								
CONT1			.829								
CONT3			.827								
CONT4			.757								
SIZE4				.898					.893	.941	.764
SIZE2				.870							
SIZE1				.828							
SIZE3				.805							
SIZE5				.671							
RISK1					.919				.902	.937	.790
RISK4					.852						
RISK2					.829						
RISK3					.814						
SPEC1						.931			.897	.890	.677
SPEC4						.914					
SPEC3						.762					
SPEC2						.741					
TENU1							.821		.856	.858	.610
TENU3							.779				
TENU4							.771				
TENU2							.695				
FEES4								.779	.834	.966	.878
FEES3								.681			
FEES2								.672			
FEES1								.659			

GFI value is 0.862. Some other values used for the appropriateness testing are RMSEA = 0.039 (in the range of 0.05 and 0.862); Chi-Square/df =1.405 (less than 2); TLI = 0.964, CFI = 0.968 (greater than 0.9). The CR factors are greater than 0.7, and the total Average Variance Extracted is greater than 50%. Therefore, factors in the measurement are valid, and the data are accepted in the suggested model.

4.2. SEM model

SEM was used to test the model and the hypothesis. The result showed that there are eight terms in the model: (1) audit firms' reputation, (2) audit specialization, (3) audit firms' size, (4) audit tenure, (5) audit risk, (6) contract types and audit complexity, (7) audit fees, and (8) audit quality.

The testing model has 578 degrees of freedom (p = 0.00) and the results of the indicators show that the model is suitable for collected data (Chi-square/df = 1.585; GFI = 0.845; CFI = 0.948, TLI = 0.952; RMSEA = 0.047).

The results show that the factors have statistical meaning (p < 5%). Therefore, the correlation between the terms is valid. Based on the SEM analysis, the hypothesis testing and the results are in Table 4:

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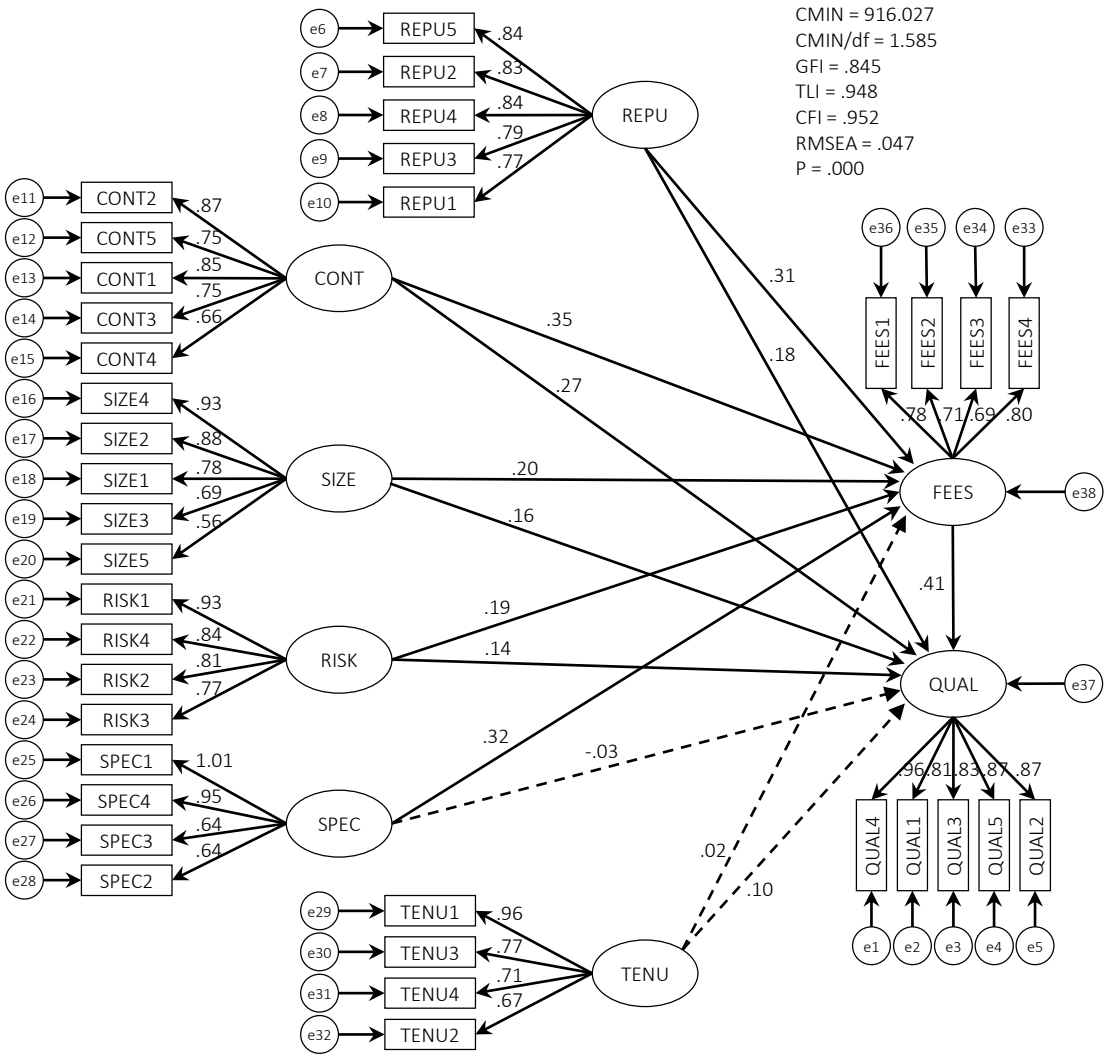

Figure 2. Results of the model testing (standardized)

Table 4. Testing results about the correlation between terms in the model

Source: AMOS output, 2021.

Relationship			Estimate	S.E.	C.R.	P	Label
FEES	←	REPU	.174	.037	4.659	***	Accept H1a
FEES	←	CONT	.194	.035	5.538	***	Accept H5a
FEES	←	SIZE	.110	.034	3.185	.001	Accept H2a
FEES	←	RISK	.094	.032	2.945	.003	Accept H3a
FEES	←	SPEC	.160	.030	5.266	***	Accept H4a
FEES	←	TENU	.008	.034	.235	.814	Reject H6a
QUAL	←	FEES	.640	.119	5.367	***	Accept H7
QUAL	←	REPU	.157	.053	2.976	.003	Accept H1b
QUAL	←	SIZE	.134	.047	2.856	.004	Accept H2b
QUAL	←	RISK	.106	.043	2.458	.014	Accept H3b
QUAL	←	SPEC	-.021	.043	-.495	.620	Reject H4b
QUAL	←	CONT	.236	.051	4.633	***	Accept H5b
QUAL	←	TENU	.079	.045	1.764	.078	Reject H6b

Among those, three hypotheses are rejected, including hypothesis *H6a* (impact of auditor tenure on audit fee, p = 0.814 > 0.05), hypothesis *H4b* (impact of domain expertise on audit quality, p = 0.620 > 0.05), and hypothesis *H6b* (impact of auditor tenure on audit quality, p = 0.078 > 0.05).

4.3. Bootstrap and t-Testing, ANOVA analysis

Next, the Bootstrap technique with N = 1,000 was applied to consider the direct and indirect impact on audit fee price and quality. Table 5 indicates that five factors positively affect audit fee and audit quality, contract types and audit complexity, reputation, size, audit risk, and audit specialization. The factor "contract types and audit complexity" have the strongest coefficients (β = 0.35, p < 0.01), followed by the factors "audit specialization" (*β* = 0.316, p < 0.01), "reputation of an auditing firm" (*β* = 0.311, p < 0.01), "size of an audit firm" (*β* = 0.199, p < 0.01), and "audit risk" (*β* = 0.186, p < 0.05).

The factor "contract types and audit the complexity" has the most substantial total impact on audit quality (β = 0.418), with a direct result of 0.274. The indirect effect through the audit fee is 0.144. Meanwhile, the factor "specialized field of enterprise" does not have a statistically significant impact, both direct and indirect, on audit quality.

One-way ANOVA analysis and t-testing for control variables affect cost prices and audit quality (Table 6). Differences in the perception related to audit fees are experience and gender. Meanwhile, there have been differences in age, gender, working position, and the audit firm type in the perception related to factors affecting audit quality and the impact of audit fees on audit quality.

5. DISCUSSION

This study aims to find out the determinant factors of audit fees and audit quality in Vietnamese

Table 5. Effect decomposition summary

Source: AMOS output, 2021.

Dependent Variable	Type of effect	SPEC	RISK	SIZE	CONT	REPU	FEES
FEES	Direct effect	.316**	.186*	.199**	.350**	.311**	–
	Indirect effect	–	–	–	–	–	–
	Total effect	.316**	.186*	.199**	.350**	.311**	
QUAL	Direct effect	–	.135*	.157*	.274**	.180**	.412**
	Indirect effect	–	.077**	.082**	.144**	.128**	
	Total effect	–	.212*	.239**	.418**	.308**	.412**

Note: Significance level: * $p < 0.05$; ** $p < 0.01$.

Table 6. Testing the sample differences using ANOVA analysis

Source: SPSS output, 2021.

Variables	df	F	Sig	Conclusion
Factors affecting audit fees				
1. Age	263	.295	.829	No difference
2. Experience	264	3.207	.050	Different
3. Current position	264	.581	.560	No difference
4. Audit firm type	265	.774	.380	No difference
5. Gender	265	8.975	.003	Different
Factors affecting audit quality				
1. Age	263	3.218	.023	Different
2. Experience	264	4.065	.018	Different
3. Current position	264	6.228	.005	Different
4. Audit firm type	265	11.008	.000	Different
5. Gender	265	14.382	.000	Different

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auditing firms. First, the reputation of audit firms, audit firm size, audit risks, contract type, and audit complexity have significantly affected audit fees and quality. Meanwhile, audit tenure does not significantly affect substantially and quality. The results could contribute several practical implications, including constructing specialized fields of audit firms, firms' reputations, improving the professional level of employees, and ensuring transparency of audit fees.

This study indicates that audit fee has a positive impact on audit quality. Besides, the determinant factors affecting audit fees and quality are audit firms' reputations, audit firm size, audit risks, contract type, and audit complexity. These findings are consistent with previous studies (Dung, 2015; Hai, 2016; Hai & Tu, 2019b; Hong & My, 2017; Mohammed & Saeed, 2018; Pham et al., 2017; Xu, 2011; Yuniarti, 2011; Zamzami et al., 2018).

Meanwhile, auditor tenure has no statistically significant impact on audit fees and quality. This result is similar to some recent studies (Kusharyanti, 2013; Kyriakou & Dimitras, 2018; Martani et al., 2021; Suwarno et al., 2020). In Vietnam, except for banking institutions, non-banking credit institutions and foreign bank branches must rotate or replace their outsourcing audit firm with another audit firm after every five consecutive years. Besides, other firms are not required to apply audit tenure for auditing firms and auditors. However, the law on an independent audit in Vietnam stipulates that the auditor and the legal representative of the auditing firm who signs the audit report must be rotated or replaced after three consecutive years. When participating in the consultation, auditors believe that the audit fee is an agreement. It is not directly affected by the audit term, and the audit process, since the auditors have to maintain and ensure that the audit process and procedures based on the prescribed policies of the audit firm have the same quality.

Therefore, audit firms that want to improve audit quality should raise audit fees. This suggestion is based on the perspectives of sellers (who provide audit services to customers) and the internal factors of auditing firms and auditors that affect audit fee and audit quality. When offering high fees, audit firms are responsible for improving service quality and sufficient and reliable audit procedures with good results; therefore, customer satisfaction increases. To do this well, they should focus on classifying contracts and the complexity of audit, improving a company's reputation and size, identifying audit risks in the contract implementation process, and building specialized fields to create competitive advantages.

Several issues were recommended to managers of audit firms. First, audit firms need to classify service provision contracts and the complexity of service provision on different levels. Based on these, they could determine audit fees and set specific quality standards that need achieving. Besides, an audit firm needs to develop a working time frame and average hourly pay for each type of contract whose complexity coefficients can be determined by the characteristics of clients (e.g., location of headquarters, size of clients' firms, and risk of contract).

Audit firms need to review their own issued regulations to ensure their suitability, update, and issue detailed instructions to improve reputation and scale of activity. The findings have proved that the audit firm's reputation and size will, directly and indirectly, affect the cost and quality of the primary audit. Thus, managers need to seriously consider the firm's strategy to improve competitiveness, achieve sales targets, and get an investment budget. For instance, they are joining and becoming members of international auditing firms, investing in thorough market research, identifying target customers, and increasing service quality.

The result shows that audit risk impacts cost price and audit quality. Audit risk is mainly formed due to the subjective reasons from the auditors' and the audit firms' side, such as qualifications, capacity, and prudence of the auditors, a sampling technique, an implementation method to obtain audit evidence. Therefore, auditing firms need to improve the quality of recruitment and selection processes, training programs for existing employees, and improving tools and software for sampling and auditing.

Regarding form specialized fields, audit firms must publicize the audit fees provided in their annual financial statements, creating competitive advantages. The disclosure of fees should be made for each service segment and each market that the audit firms provide. It is considered one of the social responsibilities of firms to ensure publicity and transparency. Moreover, clients get analytical information about the specialized field of each audit firm before making decisions to choose a business partner.

However, some limitations need to be considered. Firstly, this research is based on the auditors' perception. To have a complete understanding of this research field, the perceptions from the customers' side are also needed. Secondly, due to the limited time of the data collection process, the survey could not cover all 192 audit firms and 2,200 certified auditors in Vietnam. However, this research was conducted in several cities with the participation of 267 auditors from 28 audit firms. Finally, audit quality is a complex topic that many factors could influence. Hence, other factors that have not been mentioned in this study should be considered in the future.

When investigating the factors that determine audit fees and audit quality, future research should focus on the customer side. In addition, national research should be taken into account, which may cover all audit firms or certified auditors. Finally, other factors such as culture or demography should be included in the future research model.

CONCLUSION

This study explores factors related to audit fees and quality, including contract types and audit complexity, audit firms' reputation, audit firms' size, and audit risk. The findings confirmed that audit firms, audit firm size, audit risks, contract type, and audit complexity have significantly affected audit fees and quality, while audit tenure does not significantly affect audit fees and quality. Besides, the specialized field of audit firms has a positive impact on audit fees, and audit fees affect audit quality. This study provides several implications for managers in determining appropriate audit fees and audit quality strategies. To have a competitive pricing strategy and willingness to pay from customers, audit firms should build a good reputation, increase the firm size, perform the procedures in response to audit risk, separate audit contract types, and determine the complexity of audit projects and specialties.

AUTHOR CONTRIBUTIONS

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