International Journal of Science and Research (IJSR)
ISSN: 2319-7064
SJIF (2020): 7.803

The Role of IFRS Adoption in the Relationship between Abnormal Audit Fees and Audit Quality *An Applied Study on the Non - Financial Egyptian Listed Firms*

Dina S. Fadaly

Arab Academy for Science, Technology & Maritime Transport

Abstract: ***Positive abnormal audit fees lower the quality of the audit. A high abnormal audit fee degrades the audit's quality since it jeopardizes the auditor's objectivity and impartiality. High audit fees also give auditors and clients the opportunity to establish a financial connection. A negative abnormal audit fee also degrades the audit's quality. This is because the auditor alters both the scope and tactics of the audit in accordance with the charge collected from the customer. Because of the IFRS, auditors must put up more effort by examining a larger range of accounting options and managing increasing complexity. Due to the increased audit operations required when the IFRS were implemented, audit fees have grown in many firms. As a result, the purpose of this article is to define how the implementation of IFRS has affected the correlation between abnormal audit fees and the quality of audit. The information gathered from the annual reports of the top 100 Egyptian businesses listed on the EGX for the years 2019 to 2020. The study found that IFRS had an insignificant effect on the relationship between abnormal audit fees and audit quality.***

Keyword: IFRS, Adoption, Abnormal, Audit, Fees, Quality, EGX

1. Introduction

An audit team or an internal or external quality auditor may perform a quality audit, which is a systematic assessment of the quality system. It is a crucial element of the ISO 9001 quality system standard and a particularly significant feature of the quality management system. To make sure that the organization has clearly defined internal system control methods linked to efficient work, quality audits are often conducted at preset intervals. This might reveal whether the organization follows the defined quality system processes and if it is able to use procedural assessment criteria or results - based criteria (Kitiwong and Sarapaivanich 2020).

Audits are a crucial management tool that must be utilized to confirm the veracity of objective evidence of operations, to evaluate the efficacy of attaining the levels of established targets, to review the success of operations implementation, and to offer proof of issue reduction and limitation. The quality audit performer should highlight best practices in addition to disclosing non - conformances and remedial measures in the benefit of the organization. Other departments may be able to share knowledge, alter their procedures, and contribute to the organization's ongoing development in this way (Abiodun et al., 2020).

Previous research has shown mixed findings regarding the association between anomalous audit fees and the quality of audit. Receiving excessively high fees from clients might harm the quality of the audit since it could cause the external auditor to lose their impartiality and grow too close to the client, which could then skew their conclusions (Asthana and Boone, 2012; Geiger and Blay, 2013; Eshleman and Guo, 2014).

If audit fees are too expensive, the auditor's neutrality may be compromised, and the client may be permitted to employ more dubious accounting methods (Eshleman and Guo, 2014). Positive anomalous audit fee clients have a higher likelihood of raising the audit firm' portfolio value (and thus, producing larger quasi - rents). Positive anomalous fees may result in an increase in economic bonding and a drop in audit quality to the degree that the perceived net advantages outweigh the related costs (Stanggang et al., 2020).

While defining accounting standards, the International Financial Reporting Standard (IFRS), a principle - based accounting standard, does not provide precise instructions on how to put each concept into practice. Always employ managerial subjectivity and judgment in this circumstance (Ahmed et al., 2013). Because of this, auditors must exercise professional judgment to assess the scope and significance of managers' discretion. Because of the IFRS, auditors must put in more effort to manage increased complexity and analyze a wider range of accounting possibilities (Kimetal., 2012). According to the increased audit operations required since the IFRS' introduction, audit fees have grown in many firms. The IFRS also offers 253 Audit fees in addition to audit quality, giving companies the opportunity to work with auditors to meet their financial goals.

Numerous empirical studies have investigated the linkage between atypical audit fees in addition to the quality of auditing, with varying degrees of success. This paper examines this correlation in the context of the distinct audit market in Egypt, which is characterized by rising competition and falling audit prices. This research expands the paradigm by considering how the International Financial Reporting Standards (IFRS), which improved executive discretion and exorbitant audit fees, altered the relationship between exceptional audit fees and audit quality. Like other research on this topic, the total amount of discretionary accruals is utilized as a stand - in for audit quality (Lopez and Peters, 2012; Asthana and Boone, 2012).

The goal of this research is to explore how the advent of IFRS has impacted the connections between exceptional auditing costs and the quality of the audit. In consequence, the current paper concentrates on how the implementation of IFRS changed the correlation between quality and fees of auditing that are above or below average levels. The objectives of this study were to fill in the information gaps regarding the effects of atypical audit fees on the quality of the audit and the implementation of IFRS in Egypt.

This study's objective is to ascertain how the IFRS application affected the associations between abnormal audit fees and the quality of auditing. We focus on how the application of IFRS affected the relationship between audit fees that are above or below average levels and audit quality. The purposes of this investigation were to close the knowledge gap on the consequences between abnormal audit fees on the quality ofauditing and the adoption of IFRS in Egypt.

The following are the sections of the paper. Section 2 includes a study of the literature as well as the creation of hypotheses. Section 3 illustrates the investigation plan and sample choosing procedure. Section 4 presents the descriptive statistics and empirical investigations. The fifth section contains a discussion and conclusion of the findings. Then, section 6 provides the recommendations of the research. Finally, section 7 summarizes the limitations and provides some suggestions to future research.

2. Literature Review

In this section, the previous literature that studied the research variables are presented.

Relationship between Abnormal Audit Fees and IFRS Adoption

In the study of De George et al. (2013), a sample of Australian companies was used to determine how the implementation of IFRS affected audit fees. The study compared the audit fees of businesses that implemented IFRS in 2005 with those of businesses that did not adopt IFRS until 2006. It accomplished this using a difference - in - differences technique. The findings demonstrated that the introduction of IFRS is linked to a considerable rise in audit fees. In the year of IFRS introduction, audit fees generally increased by 23%. IFRS's increased complexity, the requirement for auditors to receive extra training, and the elevated risk of auditor responsibility all contributed to this rise. The results of this study had significant ramifications for businesses considering IFRS adoption.

Cameron and Perotti (2014) conducted research to examine the connection between audit fees and the adoption of IFRS. Data from the fiscal years 1999 through 2006 were gathered and analyzed for the inquiry. This time range was chosen so that the effects of the credit derivatives market volatility would not affect the results. The required data were gathered from 227 banks by sending a questionnaire. A third - party auditing firm looked at 157 responders (banks). The findings were inconclusive regarding the link between audit fees and the application of IFRS.

Shan and Troshani (2016) looked at how China's required adoption of XBRL and IFRS has affected audit fees there. For the years 2000 through 2011, the study examined a sample of 1, 798 firm - year observations from companies listed on the Shanghai Stock Exchange. The study compared audit fees for businesses that embraced IFRS and XBRL against audit fees for businesses that did not adopt IFRS and XBRL using a difference - in - differences approach. The analysis also accounts for a variety of additional variables, including firm size, industry, and auditor tenure, that may have an impact on audit fees. According to the study, required IFRS had a significantly favourable impact on audit fees while mandatory XBRL had a significantly negative impact. This showed that by making it simpler for auditors to obtain and analyze financial information, XBRL can lower audit fees. However, IFRS can raise audit fees by making financial reporting more difficult.

Siregar and Kiswara (2018) tested the associations between abnormal audit fees, the application of IFRS, corporate characteristics, and profits quality as measured by discretionary accruals. The non - financial entities of the Indonesian Stock Exchange (IDX) between 2010 and 2016 comprise the research's population.184 firms listed on the IDX make up the study's sample. Then, the results indicated that abnormal audit fees havean insignificant link with IFRS.

Several studies have found a correlation between increased audit costs and the adoption of IFRS. For additional support, Raffournier and Schatt (2018) look at the Swiss context. The emphasis is on businesses that were not in the banking industry and had Swiss stock exchange listings between 2002 and 2016 (15 years). The final sample after this selection process included 1, 651 firm - year observations. It was discovered that the application of IFRS and audit fees had a considerable and favorable correlation.

The purpose of Musah et al. (2018) tested the connections between the adoption of IFRS, audit, non - audit fees as well as between the big4 audit firm and these fees. The study is based on financial statements from the sampled organization that were used to collect publicly available data. Banks and insurance companies must make their financial statements available online and to the appropriate regulatory bodies, as must all publicly traded companies. The information was painstakingly gathered from the annual reports of these businesses. The sample period spans from 2003 to 2013. The sample consists of twenty non - financial businesses, 24 banks, and five insurance firms. Finally, it found that there was a significant connection between application of IFRS, audit, and non - audit fees.

Coffie and Bedi (2019) looked at how the Ghanaian financial sector's application of IFRS and choice of auditors' fees related to one another. The authors utilize 52 public and unlisted companies' annual reports from 2003 to 2014. In accordance with their hypothesis, the authors performed a robust fixed - effects panel regression and conditionally evaluated IFRS adoption and business size. The conclusions proved a positive significant connection between IFRS and the determination of auditors' fees.

El Guindy and Trabelsi (2020) sought to explore the interaction between audit and non - audit fees within the UK environment and the implementation of IFRS. The study makes use of empirical data spanning the years 2003 to 2007. It performed numerous regressions using interaction terms to investigate the potential conditional effects of auditor size and audit firm longevity on the connection. Audit and non - audit fees rise for organizations implementing IFRS for the first time, and this trend is expected to continue in the years ahead.

Relationship between IFRS Adoption and Audit Quality

After the government adopted International Financial Reporting Standards (IFRS) in 2006, Ebrahim (2014) looked at the compliance and audit quality of income tax accounting in Egypt. The study employed a sample of 100 listed Egyptian Stock Exchange companies from 2007 to 2012. According to the analysis, Egypt's income tax accounting practices significantly disregarded IFRS regulations. This non - compliance was particularly severe for businesses with lower institutional ownership levels and foreign board presence. The study also discovered that businesses who had their audits performed by audit firms with international ties had higher compliance rates with IFRS's guidelines for income tax accounting.

Bepari and Mollik (2015) looked at how firms' compliance with IFRS for goodwill impairment testing was affected by the audit quality and accounting and finance backgrounds of audit committee members. A sample of 911 firm - year observations from the years 2006 to 2009 is used in the study. The study discovered a favourable correlation between audit quality and a company's compliance with IFRS for goodwill impairment tests. This implied that thorough audits could aid in ensuring that businesses adhere to IFRS obligations. The study also discovered a favourable correlation between firms' adherence to IFRS for goodwill impairment tests and audit committee members' accounting and financial backgrounds. This revealed that members of the audit committee with backgrounds in accounting and finance are more likely to comprehend IFRS requirements and be able to oversee the company's compliance with those requirements in an efficient manner.

The implementation of International Financial Reporting Standards (IFRS) and the risk of stock price crashes in Korea were investigated in the study of Lim et al. (2016). A sample of 657 different listed Korean companies from the years 2002 to 2014 was used in the study. The analysis discovered that once Korea adopted IFRS, the likelihood of a stock price crash decreased, particularly for companies using Big 4 auditors. This demonstrated that through improving auditor independence and quality, IFRS adoption can lower the danger of stock market crashes. The study also discovered that Big 4 auditors are better at lowering the danger of a stock market crash for businesses with larger levels of information asymmetry.

Regarding the aid of the audit costs as a mediating factor, Gellings (2017) explored the connections between the adoption of IFRS as a requirement, the degree of enforcement within a nation, and the quality of audits.2, 479 businesses with locations in European nations were included in the study, which spanned the years 2003 to 2007 (the time frame around the implementation of IFRS as a requirement). The audit's quality is determined by the potential for a restatement and discretionary accruals. The investigation shows that adopting IFRS has a positive and significant effect on audit quality.

Hasan and Rahman (2019) investigated the connection that linked IFRS adoption and the quality of audits. Due to their nature of operation and strict government oversight, this research suggested considering all listed companies in Bangladesh's Dhaka Stock Exchange (DSE), excluding from banking and regulatory companies. The information was gathered before and after IFRS adoption. The targeted sample consists of 102 entities that were traded on the DSE throughout both time periods. According to the findings, there is a considerable link between the introduction of IFRS and the quality of the audit.

The application of IFRS and the caliber of audits are related, according to Hasan et al. (2020). The 94 entities in the research sample were listed on the DSE for six years before and after IFRS, respectively. Finally, it was shown that there was a substantial association between IFRS implementation and audit quality.

Relationship between Abnormal Audit Fees and Audit Quality

Eshleman and Guo (2014) investigated the moderating role of managerial incentives in the connection between anomalous audit fees and audit quality. For the years 2000 to 2010, the study examined a sample of 1, 000 firm - year observations from companies listed on the US stock market. According to the study, atypical audit fees are inversely correlated with audit quality, and this association is higher when managers are highly motivated to manage their earnings. As a result, it was hypothesized that auditors who are paid more could be more prone to ignore earnings management, and that this effect would be more prominent when managers had significant incentives to do so.

Jung et al. (2016) addressed the effect of atypical audit fees on audit quality. The data covered Korean publicly traded companies from 2007 to 2013. We may also evaluate audit reports to confirm information concerning audit fees and hours. Therefore, there are 17, 017 firm - year observations in the first sample.3, 247 observations with invalid audit hours and fee data are excluded from the analysis. Example companies must also provide financial information. The findings showed that when atypical audit fees rise, so do the absolute quantity of discretionary accruals.

The purpose of Nkemjika et al. (2017) was to demonstrate a link between unusual auditing fees and quality of auditing. As a matter of fact, 22 banks registered on the Nigerian stock exchange as of December 31st, 2014, were chosen as the research population. Samples were selected from fourteen banks using the judgmental sampling method. The Nigeria Stock Exchange Factbook, as well as the sampled banks audited financial statements and accounts, were also used. The data revealed a 5% positive relationship between atypical audit costs and auditing standards.

The different influences of unusual audit fees on auditing quality were discussed by Hapsoro and Santoso (2018). The study's population consists of all the businesses that were listed on IDX between 2012 and 2015. In this investigation, sampling that was done with a purpose or according to predetermined standards was used. Analysis revealed that unusual audit costs significantly decreased the quality of auditing.

Mendiratta (2019) evaluated the influence of unusual auditing costs on the quality of audits following the PCAOB. The empirical analysis examined 6, 600 firm - year data from entities listed on the NASDAQ stock exchange in the phase between 2008 to 2015. It highlights the link that connects unusual audit costs and higher audit quality following PCAOB. Furthermore, the improvement in audit quality following the implementation of the PCAOB is seen by the positive association between anomalous fees and the quality of auditing.

3. Methodology

Measurement of Abnormal Audit Fees

This study examines audit fees and their factors with the goal of estimating typical audit fees (Jung et al., 2016). It computes anomalous audit fees by computing the differences between actual and anticipated (normal) audit fees.

$$LFEE = \beta_0 + B_1 LnAsst + \beta_2 INVCRE + \beta_3 Quick + \beta_4 LEVRG + \beta_5 ROE + \beta_6 Loss + \beta_7 \, Salgrow + \varepsilon \quad (1)$$

Were

LnFees: The natural logarithm of normal audit fees

B0, B2, ……. B7: Regression parameters

LnAsst: The natural logarithm of total assets

INVCRE: Total inventory, customers, and notes receivable divided by total assets

Quick: is measured by dividing current assets by excluding inventory into current liabilities

LEVRG: Total liabilities are divided by total assets to get the financial leverage ratio.

ROE: Return on equity is calculated by dividing net profit or loss after subtracting interest and taxes on equity by the number of shares outstanding.

Loss: A dummy variable includes the value (1) in the event of a net loss and the value (zero) otherwise

Salgrow: Annual sales growth rate

Measurement of Discretionary Accruals

Discretionary accruals demonstrate the quality of an audit. According to Myers et al. (2003), discretionary accruals act as a generic proxy for the accuracy of accounting data, whereas other indicators (such audit views and accounting fraud) are more frequently associated with particular circumstances. Using the performance - adjusted modified Jones paradigm, the residual of the model below is used to calculate discretionary accruals (Jung et al., 2016).

$$\frac{TA_t}{A_{t-1}} = \beta_0 + \beta_1 \left(\frac{1}{A_{t-1}}\right) + \beta_2 \left(\frac{\Delta RVE_t - \Delta REC_t}{A_{t-1}}\right) + \beta_3 \left(\frac{PPE_t}{A_{t-1}}\right) + \beta_4 ROA_t + \varepsilon_t \qquad (2)$$

Where

TA_t: net income – cash flows from operations;

A_{t-1}: Beginning balance of total assets;

ΔRVE_t: Variations in sales;

ΔREC_t: Variations in accounts receivable;

PPE_t: Gross property, plant and equipment – land and assets under construction.

Model of the Relationship Between Abnormal Audit Fees and Audit Quality

The following discretionary accruals were applied to abnormal audit fees (ABAFEE):

$$|DA| = \beta_0 + \beta_1 ABAFEE + \beta_2 BTM + \beta_3 CHGSALE + \beta_4 CFO + \beta_5 ADJ\_TACC + \varepsilon (3)$$

Where

|DA|: Absolute value of discretionary accruals;

BTM: Book - to – market ratio;

CHGSALE: Sales change÷ lagged total assets;

CFO: Cash flows from operations÷ lagged total assets;

ADJ_TACC: Total accruals÷ lagged total assets;

In order to test the second hypothesis, a main regression model equation is used:

$$\begin{aligned} |DA| = \beta_0 + \beta_1 ABAFEE \\ + \beta_2 IFRS + \beta_3 IFRS * ABAFEE \\ + \beta_4 BTM + \beta_5 CHGSALE + \beta_6 CFO \\ + \beta_7 ADJ\_TACC + \varepsilon \end{aligned}$$

The coefficient of interaction between IFRS and ABAFEE, which is 3, demonstrates the effects of the IFRS on the association between aberrant audit fees and the quality of the audit. The control variables are represented by the same equation (3).

Sample Selection

The secondary data employed in this investigation was gathered from the financial reports of Egyptian firms listed on the Egyptian Stock Exchange. For EGx100, information was gathered between 2019 and 2020. Among them, the data for calculating the independent variable abnormal audit fees, as well as the data for the audit quality account. The data was analyzed using the multicollinearity, normality test. Then a descriptive analysis was done to provide a detailed analysis of the research variables in terms of standard deviation and mean for each variable. For the analysis of the hypothesis correlation and regression were used. Finally, figure 1 shows the research framework that the paper developed from the previous studied.

International Journal of Science and Research (IJSR)
ISSN: 2319-7064
SJIF (2020): 7.803

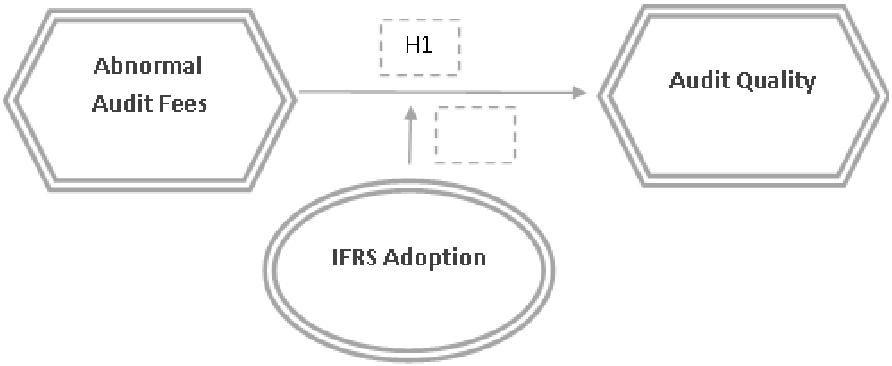

Figure 1: Conceptual Framework

H_1: There is a significant effect of abnormal audit fees on audit quality

H_2: IFRS adoption has a significant effect on the association between abnormal audit fees on audit quality

4. Results and Findings

Multicollinearity

Multicollinearity shows a strong association between the model's independent variables. The results show that there is no problem in multicollinearity, as the measure of Variance Inflation Factor (VIF) are <5.

Table 1: Multicollinearity Test

Variable	VIF
ABAFEE	1.030
IFRS	1.030

Normality Test

Normality test is tested to be able to determine the appropriate regression analysis technique for estimating the link between the variables. Table 2 displays the skewness and kurtosis values for the investigation's variables. As shown, the data is not normally distributed since the values for skewness and kurtosis are not within ±1. The outcome demonstrates that the GLS regression method may be a viable method for data analysis.

Table 2: Normality Test For Research Variables

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
DA	117	10.806	.224	116.850	.444
ABAFEE	117	7.121	.224	58.687	.444
IFRS	117	- .635	.224	- 1.625	.444
BTM	117	4.848	.224	24.573	.444
CHGSALE	111	9.579	.229	98.909	.455
CFO	111	5.552	.229	53.031	.455
ADJ_TACC	111	8.143	.229	81.655	.455

Descriptive Analysis of Research Variables

Table 3 displays the descriptive analysis concerning research variables, where it was found that the mean value of DA is124769042404.309, the standard deviation value is 987367057882.147, the ABAFEE mean equals 42172397.458, the deviation is 81971497.163, the mean of IFRS is 0.650 and the deviation is 0.479, the mean for BTM is 0.218, the standard deviation value is 0.641, the mean of CHGSALE is 0.380, the deviation is 19.085, the mean value of CFO is - 0.120, and the standard deviation value is 0.495, and the mean of ADJ_TACC is - 0.414, and the standard deviation value is 8.682.

Table 3: Descriptive Analysis of Research Variables

	Minimum	Maximum	Mean	Std. Deviation
DA	0	12992903053902	124769042404.309	1200289020804.966
ABAFEE	1566.192	776000000	42172397.458	81971497.163
IFRS	0	1.0	.650	.479
BTM	.01	4.15	.218	.641
CHGSALE	- 33.641	194.059	.380	19.085
CFO	- 1.458	4.183	- .120	.495
ADJ_TACC	- 23.179	83.599	- .414	8.682

Correlation Test of Research Variables

The correlation test revealed that ABAFEE has a statistically significant association with DA, IFRS, and BTM, with p - values of 0.001, 0.037, 0.005, and 0.002 (less than 0.05), correspondingly, while it has an insignificant relationship with CHGSALE, CFO, and ADJ_TACC, with significance levels of 0.075, 0.173, and 0.182.

Table 4: Correlation Test of Research Variables

		ABAFEE
DA	r	.307**
	Sig. (2 - tailed)	.001
	N	117
IFRS	r	.257**
	Sig. (2 - tailed)	.005
	N	117
BTM	r	- .277**
	Sig. (2 - tailed)	.002
	N	117
CHGSALE	r	.075
	Sig. (2 - tailed)	.433
	N	111
CFO	r	.173
	Sig. (2 - tailed)	.069
	N	111
ADJ_TACC	r	.128
	Sig. (2 - tailed)	.182
	N	111

Testing Research Hypotheses

Testing the First Hypothesis: There is a significant influence of abnormal audit fees on auditing quality.

The regression model demonstrates that ABAFEE exhibits a positive but small influence on audit quality, with a p - value of 0.05 and a coefficient of 814.4680. A positive insignificant influence of CFO on audit quality is shown as p - value is 0.6727 with 2.06×10^{11}Coefficient. BTM and CHGSALE have negative insignificant influence on audit quality, as the value of the significance level is >0.05 and the coefficients are - 3.10×10^{10} and - 7.55×10^{9}, while ADJ_TACC is found to have a positive insignificant influence on auditing quality, as p - value is >0.05 and the coefficient 6.86×10^{9}. Moreover, the value of R Square is 0.00612, which means that 0.612% of audit quality can be demonstrated by ABAFEE.

Table 5: Regression of the Effect of Abnormal Audit Fees on Audit Quality

Dependent Variable: DA				
Variable	Coefficient	Std. Error	t - Statistic	Prob.
C	1.35×10^{11}	1.57E+11	0.857143	0.3933
ABAFEE	814.4680	1435.995	0.567180	0.5718
BTM	- 3.10×10^{10}	1.84E+11	- 0.168332	0.8666
CHGSALE	- 7.55×10^{9}	2.80E+10	- 0.269940	0.7877
CFO	2.06×10^{11}	4.86E+11	0.423686	0.6727
ADJ_TACC	6.86×10^{9}	6.22E+10	0.110335	0.9124
R - squared	0.006129	Durbin - Watson stat		2.089509
Adjusted R - squared	- 0.041198			
F - statistic	0.129510	Prob (F - statistic)		0.985361

Therefore, the regression equation could be written as follows:

$$|DA| = 1.35x10^{11} + 814.4680\ \text{ABAFEE} - 3.10x10^{10}\ \text{BTM} - 5 = 7.55x109\ \text{CHGSALE} + 2.06x1011\ \text{CFO} + 6.86x109\ \text{ADJ\_TACC} + \varepsilon$$

Therefore, H_1 **"There is a significant influence of abnormal audit fees on audit quality"** is not supported.

Testing the Second Hypothesis: IFRS adoption has a significant effect on the relationship between abnormal audit fees on audit quality.

The regression approach to evaluating IFRS' effect on the relationship between ABAAFEE and the quality of audits indicated that IFRS had a positive but slight influence on the correlation between the two variables, with a significance level of 0.05 and a coefficient of 2381.404.

Table 6: Regression of the Effect of IFRS on the Relationship between Abnormal audit Fees on Audit Quality

Dependent Variable: DA				
Variable	Coefficient	Std. Error	t - Statistic	Prob.
C	9.96×10^{10}	4.36E+11	0.228505	0.8197
ABAFEE	- 1671.340	14514.37	- 0.115151	0.9085
IFRS	8.43×10^{10}	4.45E+11	0.189624	0.8500
ABAAFEE_IFRS	2381.404	14566.55	0.163484	0.8705
BTM	- 2.62×10^{10}	1.97E+11	- 0.132939	0.8945
CHGSALE	- 5.68×10^{9}	2.85E+10	- 0.198980	0.8427
CFO	1.77×10^{11}	4.96E+11	0.357027	0.7218
ADJ_TACC	3.62×10^{9}	6.30E+10	0.057500	0.9543
R - squared	0.009278	Durbin - Watson stat		2.099587
F - statistic	0.137801	Prob (F - statistic)		0.995094

Therefore, the regression equation could be written as follows:

$$|DA| = 9.96x10^{10} - 1671.340\ \text{ABAFEE} + 8.43x10^{10}\ \text{IFRS} + 2381.404\ \text{IRFS} * \text{ABAFEE} - 2.62x10^{10}\ \text{BTM} - 5.68x10^{9}\ \text{CHGSALE} + 1.77x10^{11}\ \text{CFO} + 3.62x10^{9}\ \text{ADJ\_TACC} + \varepsilon$$

Therefore, H_2 **"IFRS adoption has a significant effect on the association between abnormal audit fees on audit quality"** is not supported.

5. Research Discussion and Conclusion

The current study investigated the influence of abnormal auditing costs on audit quality for the top 100 Egyptian firms registered on the EGX from 2019 to 2020to better understand the relationship between abnormal audit fees and the quality of the audit.

Through conducting a descriptive analysis and analyzing the regression between the research variables, the results proved that there is an insignificant influence of ABAFEE on DA. In addition, the results indicated that there is an insignificant effect of IFRS (the modified variable) between ABAFEE and DA. Hence, the two main hypotheses of the study were not supported.

At the outset, this study hypothesized a significant influence of abnormal audit fees on audit quality (H1). However, the analysis yielded results contrary to this hypothesis, revealing that the expected association between abnormal audit fees and audit quality was not statistically supported. This unexpected outcome prompts a reevaluation of the interplay between these variables.

Conventional wisdom often assumes that abnormal audit fees, whether positively or negatively deviating from the norm, could compromise audit quality. High abnormal audit fees were expected to jeopardize auditor objectivity, while negative abnormal fees could lead to adjustments in audit scope and tactics based on client charges. However, the absence of a significant relationship between abnormal audit fees and audit quality suggests that these dynamics might be more complex than initially perceived.

The second hypothesis (H2) proposed that the adoption of IFRS would significantly alter the association between abnormal audit fees and audit quality. Contrary to this hypothesis, the study's findings indicate that the implementation of IFRS had an insignificant effect on this relationship. This outcome challenges the assumption that the increased complexity and extended audit operations demanded by IFRS would automatically amplify the influence of abnormal audit fees on audit quality.

In conclusion, this study's unexpected findings challenge prevailing assumptions regarding the influence of abnormal audit fees on audit quality and the role of IFRS adoption in this context. The absence of significant associations suggests that the dynamics underlying these variables are intricate and warrant further exploration. These results contribute to a more nuanced understanding of the intricate interplay between audit fees, audit quality, and regulatory frameworks. As the landscape of financial reporting continues to evolve, these findings encourage ongoing inquiry and examination into the multifaceted relationships shaping audit practice and its outcomes.

6. Research Recommendations

The outcomes of the data analysis led to several conclusions that might aid business decision - makers in improving the audit quality. The following were the recommendations:

- The study recommends that the company should ensure that the audit fees imposed are commensurate with the effort exerted to avoid snow doubling.
- Second, auditor independence tends to be a key component of quality improvement. Decision - makers must guarantee that all barriers to independent auditors are eliminated.
- Third, too long audit periods should be discouraged to prevent the auditor from becoming too used to the customer.
- Additionally, IFRS adoption will improve the caliber of audits within businesses, so it's critical to concentrate on implementing it in those operations.
- The results of IFRS research should be used by regulators and auditors to create regulations and processes that serve to guarantee the caliber of audits. This entails requiring auditors to provide more information regarding their audit fees and procedures, stiffening the penalties for auditor misbehavior, and setting up independent oversight agencies to keep an eye on the audit industry.
- Additionally, auditors should seek out more IFRS training, conduct more thorough audits, and exercise greater independence from their clients in order to raise the caliber of their IFRS audits. Regulators and auditors can ensure that the adoption of IFRS does not result in a reduction in audit quality by implementing these measures.

7. Limitations and Suggestions for Future Research

The current investigation has several restrictions that make the findings inapplicable to other situations. The variables under study, the listed independent factors, and the dependent variables are originally included in these restrictions. As a consequence, the researcher advises include some control factors as well as other variables that may have an effect on the level of auditing in future study.

Another drawback concerns the sample and study population; this research focused on the 100 most active Egyptian enterprises with stock market listings. To draw a generalization, the researcher advises expanding the sample size for this study. The expert also recommends undertaking more comparison studies using data gathered from Egypt and other nations so that you can see the differences. Additionally, comparative research between industrialized and developing nations is advised.

References

[1] Abiodun, E. A., 2020. Internal control procedures and firm's performance. *International Journal of Scientific & Technology Research*, *9* (2), pp.6407 - 6415.

[2] Ahmed, A. S., Neel, M. and Wang, D., 2013. Does mandatory adoption of IFRS improve accounting quality? Preliminary evidence. *Contemporary accounting research*, *30* (4), pp.1344 - 1372.

[3] Asthana, S. C. and Boone, J. P., 2012. Abnormal audit fee and audit quality. *Auditing: a journal of practice & theory*, *31* (3), pp.1 - 22.

[4] Bepari, M. K. and Mollik, A. T., 2015. Effect of audit quality and accounting and finance backgrounds of audit committee members on firms' compliance with IFRS for goodwill impairment testing. Journal of Applied Accounting Research, 16 (2), pp.196 - 220.

[5] Cameran, M. and Perotti, P., 2014. Audit fees and IAS/IFRS adoption: Evidence from the banking industry. *International Journal of Auditing*, *18* (2), pp.155 - 169.

[6] Coffie, W. and Bedi, I., 2019. The effects of IFRS adoption and firm size on audit fees in financial institutions in Ghana. *Accounting Research Journal*.

[7] De George, E. T., Ferguson, C. B. and Spear, N. A., 2013. How much does IFRS cost? IFRS adoption and audit fees. The accounting review, 88 (2), pp.429 - 462.

[8] Ebrahim, A., 2014. IFRS compliance and audit quality in developing countries: The case of income tax accounting in Egypt. Journal of International Business Research, 13 (2), p.19.

[9] El Guindy, M. N. and Trabelsi, N. S., 2020. IFRS adoption/reporting and auditor fees: The conditional effect of audit firm size and tenure. *International Journal of Accounting & Information Management*, *28* (4), pp.639 - 666.

[10] Eshleman, J. D. and Guo, P., 2014. Abnormal audit fees and audit quality: The importance of considering managerial incentives in tests of earnings management. *Auditing: a journal of practice & theory*, *33* (1), pp.117 - 138.

[11] Geiger, M. A. and Blay, A. D., 2011. Auditor fees and auditor independence: Evidence from going concern reporting decisions. *Available at SSRN 1943124*.

[12] Gellings, J., 2017. IFRS and enforcement on audit quality: Incorporating the mediating effect of audit fees.

[13] Hapsoro, D. and Santoso, T. R., 2018. Does audit quality mediate the effect of auditor tenure, abnormal audit fee and auditor's reputation on giving going concern opinion?. *International Journal of Economics and Financial Issues*, *8* (1), p.143.

[14] Hasan, M. T. and Rahman, A. A., 2019. Conceptual framework for IFRS adoption, audit quality and earnings management: The case of Bangladesh. *International Business and Accounting Research Journal*, *3* (1), pp.58 - 66.

[15] Hasan, M. T., Rahman, A. A., Sumi, F. R., Chowdhury, A. H. M. Y. and Miraz, M. H., 2020. The moderating role of audit quality on the relationship between IFRS adoption and earnings management: Evidence from Bangladesh. *International Journal of*

Mechanical and Production Engineering Research and Development (IJMPERD), 10 (03), pp.9141 - 9154.
[16] Jung, S. J., Kim, B. J. and Chung, J. R., 2016. The association between abnormal audit fees and audit quality after IFRS adoption: Evidence from Korea. *International Journal of Accounting and Information Management*.
[17] Kim, J. B., Liu, X. and Zheng, L., 2012. The impact of mandatory IFRS adoption on audit fees: Theory and evidence. *The Accounting Review*, *87* (6), pp.2061 - 2094.
[18] Kitiwong, W. and Sarapaivanich, N., 2020. Consequences of the implementation of expanded audit reports with key audit matters (KAMs) on audit quality. *Managerial Auditing Journal*, *35* (8), pp.1095 - 1119.
[19] Krauß, P., Pronobis, P. and Zülch, H., 2015. Abnormal audit fees and audit quality: initial evidence from the German audit market. Journal of Business Economics, 85, pp.45 - 84.
[20] Lim, H., Kang, S. K. and Kim, H., 2016. Auditor quality, IFRS adoption, and stock price crash risk: Korean evidence. Emerging Markets Finance and Trade, 52 (9), pp.2100 - 2114.
[21] Lopez, D. M. and Peters, G. F., 2012. The effect of workload compression on audit quality. *Auditing: A Journal of Practice & Theory*, *31* (4), pp.139 - 165.
[22] Mendiratta, A., 2019. Abnormal audit fees and audit quality post PCAOB. *Journal of Commerce & Accounting Research*, *8* (3).
[23] Musah, A., Anokye, F. K. and Gakpetor, E. D., 2018. The effects of IFRS adoption and Big 4 audit firms on audit and non - audit fees: Evidence from Ghana. *Accounting and Management Information Systems*, *17* (3), pp.330 - 352.
[24] Myers, J. N., Myers, L. A. and Omer, T. C., 2003. Exploring the term of the auditor-client relationship and the quality of earnings: A case for mandatory auditor rotation?. *The accounting review*, *78* (3), pp.779 - 799.
[25] Nkemjika, O. M., Sunday, A. A. and Nwamaka, O. C., 2017. Audit quality, abnormal audit fee and auditor attributes. *International Journal of Management Excellence (ISSN: 2292 - 1648)*, *8* (3), pp.973 - 984.
[26] Raffournier, B. and Schatt, A., 2018. The impact of International Financial Reporting Standards (IFRS) adoption and IFRS renouncement on audit fees: The case of Switzerland. *International journal of auditing*, *22* (3), pp.345 - 359.
[27] Shan, Y. G. and Troshani, I., 2016. The effect of mandatory XBRL and IFRS adoption on audit fees: Evidence from the Shanghai Stock Exchange. International Journal of Managerial Finance, 12 (2), pp.109 - 135.
[28] Siregar, R. O. and Kiswara, E., 2018. Pengaruh Abnormal Audit Fee, AdopsiIfrs Dan Karakteristik Perusahaan TerhadapKualitas Laba. *Diponegoro Journal of Accounting*, *7* (1).
[29] Sitanggang, R. P., Karbhari, Y., Matemilola, B. T. and Ariff, M., 2020. Audit quality and real earnings management: evidence from the UK manufacturing sector. *International Journal of Managerial Finance*, *16* (2), pp.165 - 181.
[30] Eshleman, J. D. and Guo, P., 2014. Abnormal audit fees and audit quality: The importance of considering managerial incentives in tests of earnings management. Auditing: a journal of practice & theory, 33 (1), pp.117 - 138.