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Research Article

The Impact of Severe Managerial Remuneration Cut on Audit Fees Regarding Audit Quality: Evidence from Iran

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Abstract

The present study examines the impact of managerial remuneration and its severe cut on audit fees by considering the moderating role of audit quality in companies listed on the Tehran stock exchange. To measure audit quality, three criteria were used, including auditor size, tenure, and expertise. The statistical population includes 92 firms, and the study was done from 2007 to 2016. Testing the hypotheses is conducted in Stata14 software through panel data with the fixed-effect method. The results showed that auditor size and tenure mitigate the relationship between managerial remuneration and audit fees. In return, the results also suggested that auditor expertise does not affect the relationship between managerial remuneration and audit fees. The obtained results also indicated that audit quality criteria such as size, tenure, and expertise do not affect the relationship between severe managerial remuneration cut and audit fees. In other words, audit quality does not moderate the positive relationship between severe managerial remuneration cut and audit fees.

Keywords: Managerial Remuneration; Severe Managerial Remuneration Cut; Audit Fees; Audit Quality

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1. Introduction

Pricing audit services is one of the favorite subjects of most audit researchers, and there have been many studies in this area. Some researchers argue that business and audit risks affect audit fees and higher risk related to higher fees (Lyon & Maher, 2005). The empirical evidence suggests that auditors consider firms' managers' characteristics for estimating audit and business risk. Kim et al. (2015) and Wysocki (2010) found that auditors consider stock options (like bonus shares) for managers in increasing audit risk. As a result, they may manipulate decisions related to pricing. Hribar et al. (2012) found that selfish CEOs provide more aggressive reports, which causes auditors to increase their audit fees. Other managers' characteristics are related to audit fees, including Narcissism (Johnson et al., 2012; Judd et al., 2015), Sex (Huang et al., 2014), tenure, and financial knowledge (Lari Dasht Bayaz & Oradi, 2017). Generally, the current literature shows that auditors consider managers' effective characteristics in financial reporting quality as a criterion for determining audit fees.

With the increasing complexity of corporate operations, on the other hand, the amount of managerial remuneration would be increased. This increase results from the increased complexity of financial reporting systems. When a firm's operations are vast and complex, the financial reporting process's demand for monitoring would be increased. Consequently, these firms need more audit services and pay higher audit fees (Wysocki, 2010). It can be said that the amount of a manager's pay may affect management investment decisions influencing risk. Risk can be restricted based on the remuneration paid to managers (Calex et al., 2006). Due to a severe decrease in the manager's payment, the operational risk, earnings management, and audit risk would be increased in return. As a result, auditors demand higher audit fees.

Auditor service quality is also affected by accepting the recommended auditor fees (Baradaran Hassanzadeh et al., 2016). Public Company Accounting Oversight Board (2015) states that audit quality and audit fees directly correlate. Therefore, this study's main goal is to examine the impact of severe managerial remuneration cuts on audit fees by considering the moderating role of audit quality in companies listed on the Tehran stock exchange.

2. Research background

The audit fee structure is a suitable subject for research in audit background. The audit aims to give credit to financial reporting and build trust in the users of financial statements. On the contrary, an auditor's economic interests are provided by fees (Sajadi et al., 2015). Getting acquainted with effective factors on audit fees is very important for auditors, employers, and people seeking to make policy and legitimacy in the audit profession (Nikbakht & Tanani, 2010). This issue was highlighted in recent years in our country, especially after establishing the Iranian Association of Certified Public Accountants. The audit labor market monopoly has been broken, and severe competition has formed between the auditors (Rajabi & Mohammadi, 2008). In this condition, a successful auditor is the one who can provide the best estimation about his/her fees regarding the common characteristics of a case to not only keep the high audit quality but also do it with low cost (Nikbakht & Tanani, 2010).

Griffin et al. (2011) consider audit fees the most important aspect of audit quality control and management. Audit service fees is a necessity for ensuring audit quality. Although higher audit fees always do not mean higher audit cost with higher quality, audit institutions receive the standard charge for their duties. Naturally, their fees are higher than those charges.

Researchers tried to measure the relationship between audit quality and audit fees regarding the importance of the subject. Among them, Palmrose (1986) found a direct

relationship between audit quality and audit fees (Nikbakht et al., 2016). Darogheh Hazrati & Pahlavan (2012) examined the relationship between audit quality and audit fees. The results showed that there is a direct and significant relationship between audit quality and audit fees. Nikbakht et al. (2016) found a positive and significant relationship between audit fees and audit quality. Prawitt et al. (2010) investigated the relationship between internal audit cooperation and audit fees. They reported the negative and significant relationship between internal audit and audit fees. These results are aligned with Felix's (2001) research.

Generally, the research about the effective factors on audit fees can be divided into four categories:

1- The research is seeking out the effective factors on audit fees.

2- The research examines the role of reputation and history of an audit institution and its expertise.

3- The research is dealing with audit risk or related factors.

4- The research deals with other factors, such as audit quality, the relationship between audit and non-audit services (Nikbakht & Tanani, 2010).

Having examined the Malaysian firms, Tee et al. (2017) concluded that the institutional owners play an important monitoring role, especially in firms with political connections through demanding higher audit quality. It can be found that institutional owners demanding more monitoring in firms with political connections need higher audit fees. Gul et al. (2018) show that higher managerial ability in distressed firms may increase audit fees and vice versa. Kalelkar & Khan (2017) examined the relationship between CEO financial knowledge and audit pricing. The results showed that the firms having the knowledged CEOs save the firm's costs through decreased audit fees.

Huang et al. (2014) investigated the relationship between CEO tenure and audit pricing. The results demonstrated that audit fees in firms whose CEO forcibly fired are higher than those whose CEO voluntarily resigned. They did not find any difference between audit fees in firms with CEO change and without change. Eshleman & Guo (2014) examined the relationship between abnormal audit fees and earnings quality. Their results indicated that abnormal audit fees positively impact audit quality.

Lari Dasht Bayaz (2017) examined the impact of audit committee characteristics on audit fees. The results showed a positive and significant relationship between financial expertise and audit committee independence with audit fees. There is no significant relationship between audit committee size and audit fees. In other research, Lari Dasht Bayaz & Oradi (2017) investigated the impact of CEO tenure and knowledge on audit fees. The results also showed that CEO tenure has a positive and significant impact, and CEO financial knowledge has a negative and significant impact on audit fees.

Jafari et al. (2012) examined the relationship between agency cost variables and audit fees. Their findings showed that there is a significant relationship between agency cost indices and audit fees. Alavi Tabari et al. (2012) investigated the impact of agency issues resulting from firms' free cash flows on independent audit service pricing. The results showed that audit fees in firms with high free cash flows and various growth opportunities are higher than those with low free cash flows and various growth opportunities. In firms with high free cash flows and various growth opportunities, the average audit fees would be increased concerning increased debts.

Mousavi & Hazrati (2011) examined the role of a firm's free cash flows on audit firms. This research aimed to determine whether a significant relationship exists between free cash flow and audit fees? The multivariate regression method and the Pearson correlation coefficient between 300 firm-year from 2003 to 2008 showed that firms with high free cash flow have higher audit fees. As well, debt amount and dividend statistically correlated to audit fees.

3. Research Hypotheses

As a firm's operations are vast and complex, the demand for monitoring the financial reporting process would be increased. These firms need various audit services that cause more rewards due to higher risk conditions for managers. This causes institutions to consider increased managers' rewards as an increased risk, so they increase their fees (Kales et al., 2006).

In another approach, it is assumed that if the agreements about rewards are suitably determined and if reward schemes are well diversified, the managers have incentives to do their best. It can be supposed that there is an adverse relationship between managers' rewards and audit fees (Wysocki et al., 2010). Vafeas and Waegelein (2007) state that when managerial remuneration is determined based on their performance, they tend to invest in big projects with long-term returns. These long-term goals may lead to decreased earnings management incentive in managers, consequently decrease additional audit services. If a reward is a profitability-based factor, most probably managers tend to manage earnings (Giang et al., 2009). Bedard & Johnstone (2004) state that conditional rewards based on accounting figures may increases earnings manipulation by managers and audit fees. According to the above literature, the research hypothesis can be determined based on the following cases:

H_1: auditor size moderates the impact of managerial remuneration on audit fees.

H_2: auditor tenure moderates the impact of managerial remuneration on audit fees.

H_3: auditor expertise moderates the impact of managerial remuneration on audit fees.

H_4: auditor size moderates the impact of severe managerial remuneration cut on audit fees.

H_5: auditor tenure moderates the impact of severe managerial remuneration cut on audit fees.

H_6: auditor expertise moderates the impact of severe managerial remuneration cut on audit fees.

4. Research Methodology

4.1. Statistical population

This research's statistical population is the listed companies in the Tehran stock exchange from all industries from 2007 to 2016. Elimination sampling method was used for selecting a sample of the study, and the selected companies should meet the following conditions:

1) The firms should not be a part of financial intermediary, holding, and banks, because these firms naturally are different from the other firms in terms of activity and classification of financial statements.

2) Trading the firms on the Tehran stock exchange should not be stopped for more than 6 months during the study.

3) The firms should be listed at least before starting the study on the Tehran stock exchange.

4) Their fiscal year must be ended on 19 March.

Regarding the above condition, 92 firms were selected for the current study.

It is assumed that the selected firms are a random sample in a period, so the obtained results can be generalized to stock markets.

4.2. Model and definitions of the research variables

The research hypotheses test model is the regression model with panel data, and a suitable fit method is selected based on tests such as the F-Limer test, Hausman test, Wings, and Wald tests.

$$LNAFEE_{it} = \beta_0 + \beta_1 TDC_{it} + \beta_2 BIG_{it} + \beta_3 TDC * BIG_{it} + \beta_4 SIZE_{it} + \beta_5 ROA_{it} + \beta_6 DA_{it} + \beta_7 LIQ_{it} + \beta_8 DACC_{it} + \beta_9 LOSS_{it} + \beta_{10} TURNOVER_{it} + \beta_{11} ARL_{it} + \beta_{12} OPINION_{it} + \beta_{13} AGE_{it} + \varepsilon_{it} \quad (1)$$

$$LNAFEE_{it} = \beta_0 + \beta_1 TDC_{it} + \beta_2 TENURE_{it} + \beta_3 TDC * TENURE_{it} + \beta_4 SIZE_{it} + \beta_5 ROA_{it} + \beta_6 DA_{it} + \beta_7 LIQ_{it} + \beta_8 DACC_{it} + \beta_9 LOSS_{it} + \beta_{10} TURNOVER_{it} + \beta_{11} ARL_{it} + \beta_{12} OPINION_{it} + \beta_{13} AGE_{it} + \varepsilon_{it} \quad (2)$$

$$LNAFEE_{it} = \beta_0 + \beta_1 TDC_{it} + \beta_2 SPEC_{it} + \beta_3 TDC * SPEC_{it} + \beta_4 SIZE_{it} + \beta_5 ROA_{it} + \beta_6 DA_{it} + \beta_7 LIQ_{it} + \beta_8 DACC_{it} + \beta_9 LOSS_{it} + \beta_{10} TURNOVER_{it} + \beta_{11} ARL_{it} + \beta_{12} OPINION_{it} + \beta_{13} AGE_{it} + \varepsilon_{it} \quad (3)$$

$$LNAFEE_{it} = \beta_0 + \beta_1 PAYCUT_{it} + \beta_2 BIG_{it} + \beta_3 PAYCUT * BIG_{it} + \beta_4 SIZE_{it} + \beta_5 ROA_{it} + \beta_6 DA_{it} + \beta_7 LIQ_{it} + \beta_8 DACC_{it} + \beta_9 LOSS_{it} + \beta_{10} TURNOVER_{it} + \beta_{11} ARL_{it} + \beta_{12} OPINION_{it} + \beta_{13} AGE_{it} + \varepsilon_{it} \quad (4)$$

$$LNAFEE_{it} = \beta_0 + \beta_1 PAYCUT_{it} + \beta_2 TENURE_{it} + \beta_3 PAYCUT * TENURE_{it} + \beta_4 SIZE_{it} + \beta_5 ROA_{it} + \beta_6 DA_{it} + \beta_7 LIQ_{it} + \beta_8 DACC_{it} + \beta_9 LOSS_{it} + \beta_{10} TURNOVER_{it} + \beta_{11} ARL_{it} + \beta_{12} OPINION_{it} + \beta_{13} AGE_{it} + \varepsilon_{it} \quad (5)$$

$$LNAFEE_{it} = \beta_0 + \beta_1 PAYCUT_{it} + \beta_2 SPEC_{it} + \beta_3 PAYCUT * SPEC_{it} + \beta_4 SIZE_{it} + \beta_5 ROA_{it} + \beta_6 DA_{it} + \beta_7 LIQ_{it} + \beta_8 DACC_{it} + \beta_9 LOSS_{it} + \beta_{10} TURNOVER_{it} + \beta_{11} ARL_{it} + \beta_{12} OPINION_{it} + \beta_{13} AGE_{it} + \varepsilon_{it} \quad (6)$$

4.3. Dependent variable

$LNAFEES_{it}$ (audit fees): is the natural logarithm of audit fees.

4.4. Independent variable

TDC_{it} (managerial remuneration): is the natural logarithm of total paid to the firms' managers.

$PAYCUT_{it}$ (severe managerial remuneration cut): is a dummy variable which is regarded 1 if there is a severe decrease in managing payments, otherwise 0. The severe decrease of managers' rewards: according to Bryan & Mason's (2016) research, if managers' rewards can be decreased to 25% during the current year, it can be regarded as a severe decrease.

4.5. Moderating variables

BIG_{it} (Audit firm size): if a firm was audited by an Iranian audit organization, the number is 1, otherwise 0.

$TENURE_{it}$ (auditor tenure): If a firm hasn't changed its auditor during the past four years, the number is 1, otherwise 0.

$SPEC_{it}$ (auditor expertise): In this research, market share is used as an index for an auditor specialization in an industry because it shows industry priority to other auditors. The higher the auditor's market share, the auditor's industry expertise, and experience

would be higher than its competitors. Taking the most market share means the auditor is successfully better than other competitors in terms of audit quality. Auditors' market share is calculated based on the following formula:

$$\text{Auditor's market Share} = \frac{\text{Total assets of all employers of each audit firm in each industry}}{\text{total assets of all employers in this industry}} \quad (7)$$

The audit firms are regarded as industry expertise whose market share is more than [1/2×(1/number of available firms)] (Palmrose, 1986). After calculating an audit firm's market share, a firm can be regarded as an expert whose value is higher than the above equation. If an auditor is regarded as an expert, SPEC is 1, otherwise 0 (Reichelt & Wang, 2009).

5. Findings

5.1. Interpretation of findings and hypotheses

Regarding table 1, the average audit fees in available firms are about 999 million Rials. The maximum and minimum amount of paid audit fees are 6650 and 135 million Rials, respectively. Concerning the research's independent variables, the results show that the average managers' reward is 1346 million Rials, and 22% observations indicate the severe managerial remuneration cut. Auditor size is 0.223. The result shows that Iranian audit organizations took the responsibility of auditing for 22% of firms. The average auditor tenure (more than 4 years) is 0.360, and about 39% of auditors are experts in the related industry. 42% of the available firms received modified audit opinions, and the average audit report delay is about 70 days.

Table 1 shows that the average firms' size is 13.769. ROA, debt ratio, and current ratio are 0.184, 0.559, and 1.388, respectively. Additionally, the results indicate that loss and earnings management in the current firms are 0.032 and 0.010, respectively, and the average firm size is 36 years.

H_1:

Testing the moderating role of auditor size on the impact of managerial remuneration on audit fees are dealt with in this hypothesis. The preliminary findings showed that managerial remuneration positively and significantly impacts the audit fees. In other words, accounting risk and audit fees increased along with increasing managerial remuneration. This subject is aligned with current literature and background. The preliminary results of H_1 have a negative regression coefficient (-0.077) and probability (0.072). Hence, this hypothesis has been accepted at a 90% confidence level. This result demonstrated that increased use of Iranian audit organization (auditor size) as criteria for audit quality mitigates the positive relationship between managerial remuneration and audit fees when a firm's auditor is the Iranian audit organization, the audit risk of estimating the managerial remuneration decreases, causing auditors to request fewer fees.

H_2:

This hypothesis was defined to test the impact of managerial remuneration on the audit fees, taking into account auditor tenure's moderating role. In this section, the preliminary results showed that managerial remuneration affects positively and significantly audit fees. The results of testing the hypothesis have a negative regression coefficient (-0.055) and probability (0.033). Hence, H_2 was confirmed at a 95% confidence level. This result showed that increasing auditor tenure as a criterion for audit quality increases the positive relationship between managerial remuneration and audit. In other words, when an auditor's tenure in a firm is increased, his estimation of managerial remuneration risk is decreased. Consequently, audit fees are decreased.

Table 1: Descriptive statistics of the research variables*

Variable kind	Variable	Observation	Mean	Median	SD	Max.	Min.
Quantitative	Firm size	920	1346.563	1004	1100.016	6000	100
	ROA	920	0.184	0.160	0.148	0.750	-0.080
	Debt ratio	920	0.559	0.580	0.177	0.910	0.110
	Current ratio	920	1.388	1.230	0.758	5.10	0.34
	Earnings management	920	0.010	0	0.055	0.34	-0.09
	Audit report delay (days)	920	70.519	64	26.130	1119	24
	Firm age (from the date of incorporation)	920	36.248	37	13.695	62	9
			Frequency (%)				
Qualitative	severe managerial remuneration cut	828	188 (0.227)				
	Auditor size	920	206 (0.223)				
	Auditor tenure	920	332 (0.360)				
	Auditor expertise	920	361 (0.392)				
	Loss	920	30 (0.032)				
	Audit opinion	920	389 (0.422)				

*In this study, using the Barker (2014) approach, appropriate treatment has been performed with outliers and extreme observations. In this approach, instead of deleting the outliers and extreme observations, they are winsorized and replaced by the 1st and 99th percentiles (Aflatouni, 2016). In addition, based on the central limit theorem, coefficients in data with a high number of observations (920 firm-year observations) are considered normal. However, the distribution of components is not normal (Greene, 2011).

Table 2: The results of the first hypothesis test

Variable	Coefficient	SD	Z-statistics	Z-probability
Fixed value	-0.156	0.357	-0.44	0.661
Managerial remuneration	0.097	0.025	3.87	*0.000
Auditor size	0.998	0.306	3.25	*0.001
Managerial remuneration* auditor size	-0.077	0.043	-1.80	***0.072
Firm size	0.273	0.017	15.50	*0.000
ROA	0.362	0.095	3.81	*0.000
Debt ratio	0.516	0.142	3.62	*0.000
Current ratio	0.088	0.031	2.80	*0.005
Earnings management	-0.592	0.163	-3.62	*0.000
Loss	0.199	0.054	3.67	*0.000
Audit report delay	0.030	0.042	0.72	0.473
Audit opinion	-0.030	0.024	-1.28	0.201
Firm age	0.429	0.055	7.70	*0.000
Wald statistics[1]	719.16			
The significance level of Wald statistics	*0.000			

1. When Generalized Least Square (GLS) method is used for removing heteroscedasticity and

serial autocorrelation in Stata software, coefficient of determination and F-statistics are not reported anymore, and Wald statistics and their significance are reported, which indicate the whole significance of the fitted model.

* Significance of 1% error level ** significance of 5% error level ***significance of 10% error level.

Table 3. The results of the second hypothesis test

Variable	Coefficient	SD	Z-statistics	Z-probability
Fixed value	-0.904	0.361	-2.50	**0.012
Managerial remuneration	0.416	0.181	2.30	**0.021
Auditor Tenure	0.416	0.181	2.30	**0.021
Managerial remuneration*auditor tenure	-0.055	0.025	-2.14	**0.033
Firm size	0.303	0.017	17.55	*0.000
ROA	0.447	0.096	4.65	*0.000
Debt ratio	0.445	0.143	3.10	*0.002
Current ratio	0.065	0.031	2.10	**0.036
Earnings management	-0.547	0.162	-3.37	*0.001
Loss	0.212	0.052	4.07	*0.000
Audit report delay	0.082	0.042	1.91	***0.056
Audit opinion	-0.017	0.024	-0.72	0.471
Firm age	0.500	0.053	9.43	*0.000
Wald statistics	654.41			
The significance level of Wald statistics	*0.000			

* significance in 1% error level, ** significance in 5% error level, *** significance in 10% error level.

H_3:

This hypothesis seeks to test the moderating role of auditor expertise on the impact of managerial remuneration on audit fees. In this section, the preliminary results showed that managerial remuneration positively and significantly impacts audit fees. This hypothesis's findings have a negative regression coefficient (-0.051) and probability amount (0.124). Hence, the third hypothesis was not confirmed. These results showed that auditor expertise as criteria for audit quality does not impact the positive relationship between managerial remuneration and audit fees. It can be concluded that expert auditors do not pay more attention to managerial remuneration risk for determining their fees.

Table 4. The results of the third hypothesis test

Variable	Coefficient	SD	Z-statistics	Z-probability
Fixed value	-0.708	0.357	-1.98	**0.048
Managerial remuneration	0.108	0.026	4.03	*0.000
Auditor expertise	0.553	0.236	2.34	0.019
Managerial remuneration*auditor expertise	-0.051	0.033	-1.54	0.124
Firm size	0.286	0.016	16.87	*0.000
ROA	0.383	0.095	4.01	*0.000
Debt ratio	0.461	0.146	3.15	*0.002
Current ratio	-0.515	0.169	-3.05	*0.002
Loss	0.204	0.053	3.86	*0.000
Audit report delay	0.067	0.042	1.59	0.111
Audit opinion	-0.018	0.024	-0.76	0.448
Firm age	0.491	0.055	8.93	*0.000
Wald statistics	731.08			
The significance level of Wald statistics	*0.000			

* significance in 1% error level, ** significance in 5% error level, *** significance in 10% error level.

H_4:

In this hypothesis, the effect of severe managerial remuneration cut on the audit fees is examined by considering the auditor's size. In this section, the preliminary results showed that severe managerial remuneration cuts positively and significantly impacts audit fees. This hypothesis's findings have a positive regression coefficient (0.015) and probability amount (0.825). Hence, the hypothesis was not confirmed. These results showed that an auditor size as criteria for audit quality doesn't impact the positive relationship between severe managerial remuneration cut and audit fees. It can be concluded that the audit organization pays not more attention to severe managerial remuneration cut risk for determining their fees.

Table 5. The results of the fourth hypothesis test

Variable	Coefficient	SD	Z-statistics	Z-probability
Fixed value	-0.004	0.467	-0.20	0.983
severe managerial remuneration cut	0.084	0.036	2.32	**0.020
Auditor size	0.409	0.062	6.55	*0.000
severe managerial remuneration cut *auditor size	0.015	0.071	0.22	0.825
Firm size	0.320	0.024	13.29	*0.000
ROA	0.286	0.145	1.97	*0.048
Debt ratio	0.498	0.193	2.57	**0.010
Current ratio	0.112	0.043	2.58	*0.010
Earnings management	-0.343	0.244	-1.40	0.161
Loss	0.221	0.083	2.65	*0.008
Audit report delay	0.032	0.059	0.55	0.580
Auditor opinion	-0.049	0.036	-1.37	0.170
Wald statistics	365.48			
The significance level of Wald statistics	*0.000			

* significance in 1% error level, ** significance in 5% error level, *** significance in 10% error level.

H_5:

Testing the impact of a severe managerial remuneration cut on audit fees about auditor tenure is dealt with in this hypothesis. In this section, the preliminary results showed that a severe managerial remuneration cut does not significantly impact audit fees. This hypothesis's findings have a positive regression coefficient (0.095) and probability amount (0.134). Hence, this hypothesis was not confirmed. These results showed that an auditor tenure as criteria for audit quality doesn't impact the relationship between severe managerial remuneration cut and audit fees. It can be concluded that the auditors with long-term tenure pay no attention to the risk of severe managerial remuneration cut risk for determining their fees.

H_6:

Testing the impact of a severe managerial remuneration cut on audit fees about auditor expertise is dealt with in this hypothesis. In this section, the preliminary results showed that severe managerial remuneration cuts positively and significantly impacts audit fees. This hypothesis's findings have a positive regression coefficient (0.034) and probability amount (0.590). Hence, this hypothesis was rejected. These results showed that auditor expertise as criteria for audit quality doesn't impact the relationship between severe managerial remuneration cut and audit fees. It can be concluded that the expert auditors pay no attention to the risk of severe managerial remuneration cut risk for determining

their fees.

Table 6. The results of the fifth hypothesis test

Variable	Coefficient	SD	Z-statistics	Z-probability
Fixed value	-0.676	0.458	-1.47	0.140
severe managerial remuneration cut	0.048	0.041	1.17	0.241
Auditor tenure	-0.036	0.037	-0.98	0.328
severe managerial remuneration cut *auditor tenure	0.095	0.063	1.50	0.134
Firm size	0.346	0.023	14.65	*0.000
ROA	0.340	0.144	2.35	**0.019
Debt ratio	0.435	0.197	2.20	**0.028
Current ratio	0.085	0.042	2.00	**0.045
Earnings management	-0.284	0.246	-1.16	0.248
Loss	0.212	0.083	2.55	**0.011
Audit report delay	0.084	0.060	1.41	0.159
Auditor opinion	-0.037	0.036	-1.03	0.305
firm age	0.493	0.067	7.27	*0.000
Wald statistics	339.39			
The significance level of Wald statistics	*0.000			

* significance in 1% error level, ** significance in 5% error level, *** significance in 10% error level.

Table 7. The results of the sixth hypothesis test

Variable	Coefficient	SD	Z-statistics	Z-probability
Fixed value	0.575	0.459	-1.25	0.211
severe managerial remuneration cut	0.079	0.040	1.94	***0.052
Auditor expertise	0.175	0.045	3.89	*0.000
severe managerial remuneration cut *auditor expertise	0.034	0.063	0.54	0.590
Firm size	0.338	0.023	14.21	*0.000
ROA	0.297	0.145	2.05	**0.040
Debt ratio	0.428	0.197	2.17	**0.030
Current ratio	0.093	0.043	2.15	**0.032
Earnings management	-0.257	0.246	-1.05	0.295
Loss	0.216	0.084	2.58	**0.010
Audit report delay	0.092	0.059	1.55	0.121
Auditor opinion	-0.038	0.036	-1.06	0.289
firm age	0.465	0.069	6.67	*0.000
Wald statistics	356.66			
The significance level of Wald statistics	*0.000			

* significance in 1% error level, ** significance in 5% error level, *** significance in 10% error level.

The results showed that managerial remuneration and its severe cut causes increased audit fees, and audit quality impacts the relationship between managerial remuneration and audit fees.

6. Conclusion and Recommendations

There has not been any research about audit quality's possible influence on the relationship between managerial remuneration and its severe cut on audit fees at domestic

and international levels. In contrast, there are researches about the impact of managerial remuneration (Sajadi et al., 2015, Gaal et al., 2003, Bedard & Johnstine 2004) and its severe cut (Bryan & Masu, 2016) on audit fees. The obtained results about the positive impact of managerial remuneration on audit fees are similar to the researches of Sajadi et al. (2015), Gaal et al. (2003), Bedard and Johnstone (2004). The researches about the impact of the severe cut of managerial remuneration on audit fees are similar to the researches of Bryan & Masu (2016). They also found that the severe cut of managerial remuneration positively and significantly impacts audit fees.

According to the results of the impact of increased audit fees due to managerial remuneration, it is recommended to auditors and members of boards of directors:

1. To consider managerial remuneration as one of the effective factors on audit risk and audit fees.
2. Consider long-term performance-based remuneration plans for managers to decrease fraud risk in a firm and build investors' confidence about making efficient management decisions.
3. It is recommended that the board of directors pay attention to increased audit fees through increased unit rates to improve audit quality.
4. To disclose information on audit fees in notes attached to financial statements in order to risk forecasting for investors and other stakeholders to be possible.

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