Abnormal Audit Fee Responses to Auditee Characteristics: The Moderating Role of Auditor Tenure

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Abstract: This study aimed to identify the factors influencing abnormal audit fee responses to auditee characteristics and to determine the role of auditor tenure in moderating the relationships between abnormal audit fees, financial statement misstatement risk, and bankruptcy risk. This applied qualitative study employed a descriptive-survey design and combined documentary research with field data collection. The expert population consisted of 15 accounting and auditing academics and professionals selected purposively from across Iran, with the entire accessible population included through census sampling. Data were collected using a Delphi questionnaire whose content validity was reviewed by academic experts and whose reliability was supported by a Cronbach's alpha coefficient of 0.83. A three-round fuzzy Delphi procedure was used to identify, refine, and confirm the relevant indicators. Data analysis was conducted using SPSS and Excel, and expert consensus was assessed using Kendall's coefficient of concordance. The results supported a positive and significant effect of increased abnormal audit fees on credit-rating deterioration through greater financial statement misstatement risk and bankruptcy risk. Increased abnormal audit fees also exerted a positive and significant effect on a weak labor environment through both heightened misstatement risk and increased bankruptcy risk. Auditor tenure significantly moderated the relationship between abnormal audit fees and misstatement risk and also moderated the positive association between abnormal audit fees and bankruptcy risk. The Delphi procedure ultimately confirmed 42 factors across six dimensions: auditor tenure, abnormal audit fees, bankruptcy risk, auditee characteristics, labor environment, and financial statement misstatement. Expert agreement stabilized by the third Delphi round, supporting termination of the consensus-building process. Abnormal audit fees appear to respond systematically to auditee-specific risk conditions, particularly financial misstatement, bankruptcy exposure, and workforce-related characteristics, while auditor tenure alters the strength of these relationships. Accordingly, audit pricing should be interpreted not solely as a function of audit effort but also as a risk-sensitive outcome shaped by client characteristics and the duration of the auditor–client relationship.

Keywords: Abnormal Audit Fees; Auditee Characteristics; Auditor Tenure; Bankruptcy Risk; Financial Statement Misstatement; Labor Environment

1. Introduction

External auditing is one of the principal institutional mechanisms through which the credibility of financial reporting is enhanced and information asymmetry between corporate insiders and external stakeholders is reduced. Investors, creditors, regulators, and other users of financial statements rely on the auditor's independent assessment when evaluating the reliability of reported accounting information and the financial condition of a business entity. Because the audit process requires the allocation of professional time, specialist knowledge,

personnel, and other resources, the audit fee represents the economic compensation associated with the auditor's expected effort, engagement complexity, exposure to litigation and reputational risk, and the characteristics of the client. Accordingly, audit pricing is not determined arbitrarily but reflects a combination of observable client characteristics, the auditor's assessment of engagement risk, and market conditions. Firm size, operational complexity, financial position, business risk, internal control conditions, industry characteristics, and the reputation and specialization of the audit firm have therefore been identified as important determinants of audit fees [1, 2]. Audit fees can consequently provide useful information about how auditors perceive and price differences in the risks associated with their clients.

An important distinction in the audit-pricing literature is that between normal and abnormal audit fees. Normal audit fees broadly represent the portion of audit compensation that can be explained by conventional determinants of audit effort and risk, whereas abnormal audit fees represent the residual or unexplained component after those expected determinants have been considered. This residual component may therefore reflect circumstances that cannot be fully captured by standard audit-pricing models, including unusual risk exposure, auditor-client economic bonding, bargaining conditions, changes in audit effort, or characteristics specific to the engagement. The conceptual importance of abnormal audit fees arises from the possibility that unusually high or low fees may reveal information about both auditor incentives and client-specific risk. Dabor and Uyagu emphasized the relevance of abnormal audit fees to audit quality and showed that firm characteristics can shape this relationship [3]. Similarly, abnormal or residual audit fees have been examined as signals associated with managerial reporting behavior, including real income smoothing, indicating that the unexplained portion of audit compensation may capture dimensions of the auditor-client relationship that are not adequately represented by conventional fee determinants [4].

The economic relationship created by audit fees is also closely connected to concerns about auditor independence and the quality of audit judgments. When the auditor receives unusually high compensation from a client, the economic importance of that client may increase and create incentives that could potentially influence professional skepticism or independence. Conversely, unusually low fees may place pressure on the audit firm to reduce engagement effort, particularly when the fee is insufficient to compensate for the level of audit risk assumed. Earlier research on the provision of non-audit services similarly demonstrated that financial relationships between auditors and clients can influence investors' perceptions of auditor independence [5]. Evidence relating audit fee reductions to earnings and audit quality also suggests that pricing decisions may have consequences for the resources committed to an audit and the quality of the resulting assurance [6]. Thus, abnormal audit fees should not merely be regarded as deviations from an industry average; they may embody the joint effects of engagement economics, risk assessment, audit effort, auditor incentives, and client-specific circumstances.

Audit risk represents one of the most important channels through which client characteristics can affect audit pricing. Auditors are expected to obtain sufficient appropriate evidence to reduce audit risk to an acceptably low level, and engagements characterized by greater risk generally require additional procedures, greater professional judgment, more experienced personnel, and more extensive testing. This additional effort is ordinarily reflected in higher audit costs and, consequently, higher audit fees. Research on the pricing and production of audit services has demonstrated that accounting characteristics associated with greater uncertainty and reporting risk are incorporated into audit effort and fee decisions [7]. Evidence from financial distress and restatement settings likewise suggests a close relationship between audit risk and audit fees, because deteriorating financial conditions or indications of unreliable reporting increase the auditor's exposure to material misstatement and engagement

failure [8]. From this perspective, abnormal audit fees may constitute an auditor response to conditions in which the risk profile of the auditee departs substantially from that of otherwise comparable firms.

Financial statement misstatement risk is particularly important because auditors are directly responsible for assessing whether the financial statements are free from material misstatement, whether arising from error or fraud. Conditions associated with asset manipulation, sales manipulation, profit management, understatement of liabilities and expenses, inaccurate accounting estimates, non-compliance with laws and regulations, weaknesses in management competence, or an unfavorable ethical environment may increase the expected level of audit work. The need to detect material misstatements can therefore intensify the audit process and affect pricing decisions. Evidence on audit quality and earnings restatements underlines the importance of audit effectiveness in identifying or constraining reporting problems [9]. Research on audit market structure, fees, and audit quality further indicates that audit pricing should be interpreted within the broader institutional setting in which audit firms provide assurance and respond to differences in client risk [10]. Consequently, the relationship between abnormal fees and client characteristics is likely to be partly explained by the auditor's assessment of the probability and potential consequences of financial statement misstatement.

Bankruptcy and financial distress constitute another major dimension of engagement risk. Clients approaching financial difficulty may exhibit declining liquidity, inability to meet long-term obligations, weakened financial health, deteriorating operating performance, heightened incentives for earnings manipulation, and greater uncertainty regarding the going-concern assumption. Such conditions create additional responsibilities for auditors because audit failure in financially distressed firms can generate significant reputational and litigation costs. Prior evidence has directly linked abnormal audit fees with bankruptcy risk and has shown that corporate ownership conditions can influence that association [11]. More recent evidence from bankruptcy reform also shows that changes in the institutional environment governing insolvency can alter audit pricing, reinforcing the proposition that auditors incorporate bankruptcy-related exposure into fee decisions [12]. Thus, bankruptcy risk can be understood not only as a financial characteristic of the auditee but also as a determinant of the auditor's expected workload, liability exposure, and compensation.

The relevance of abnormal audit fees extends beyond bankruptcy to other adverse capital-market outcomes. When unusually high audit fees reflect heightened client risk, complex reporting conditions, or stronger economic dependence between auditor and client, they may convey information concerning the quality and credibility of the client's financial reporting. Research examining abnormal audit fees and stock price crash risk illustrates this broader informational role by linking abnormal audit pricing to the possibility of severe negative market outcomes [13]. Audit fees and non-audit fees have also been associated with firms' access to finance, indicating that audit-related economic arrangements are relevant to the way external capital providers perceive information quality and corporate risk [14]. Accordingly, abnormal audit fees may be understood as part of a broader network of signals connecting audit risk, reporting quality, financing conditions, and stakeholders' assessments of the auditee.

An increasingly important aspect of client risk assessment concerns the organization's labor and workplace environment. Employees are central to the operation of internal control systems, implementation of policies, generation and processing of accounting information, and communication of irregularities. A favorable workplace environment characterized by employee welfare, effective training, occupational health and safety, appropriate career development, reasonable employment protections, and work-life balance can support organizational stability and reduce conditions conducive to control failure or misconduct. In contrast, weak workplace conditions can increase employee dissatisfaction, turnover, operational disruption, and the possibility that control procedures

are not properly implemented. Huang et al. demonstrated that the client's workplace environment is relevant to corporate audits, indicating that auditors consider workplace characteristics when assessing engagement conditions [15]. Likewise, Sun and Habib documented a relationship between workforce environment and audit fees, supporting the view that employee-related conditions are incorporated into auditors' assessments of engagement risk and effort [16].

The importance of the labor environment is also supported by evidence outside the direct audit-fee literature. Employee welfare has been associated with lower exposure to severe negative corporate outcomes, suggesting that internal labor conditions can contain information about organizational quality and hidden risk [17]. Cross-country research on employee welfare and firm performance similarly demonstrates that the effects of workplace conditions are economically meaningful and may vary across institutional environments [18]. Moreover, employee treatment has implications for bondholders, emphasizing that workforce policies can influence assessments of corporate risk among external capital providers [19]. These findings are important for auditing because conditions that are relevant to creditors and investors may also enter auditors' assessments of business risk, internal control quality, and the reliability of financial reporting. In the Iranian context, evidence likewise indicates that the employee work environment can influence audit fees, audit report lag, and audit quality [20]. Therefore, labor conditions should be regarded as an auditee characteristic capable of affecting audit pricing through its relationship with misstatement and bankruptcy risk.

Auditors may also respond to other non-financial information concerning the client. Negative information about environmental or social performance, for example, can increase perceived engagement risk by signaling weaknesses in governance, internal monitoring, stakeholder relations, or potential regulatory exposure. Research shows that auditors respond to negative media coverage concerning clients' environmental and social performance, indicating that audit risk assessments incorporate information that extends beyond conventional accounting ratios [21]. This finding is consistent with the broader proposition that client characteristics affecting reputation, ethical climate, compliance, employee relations, or operational stability can influence the auditor's perception of risk and the resources devoted to the engagement. Therefore, a comprehensive understanding of abnormal audit fee responses requires simultaneous consideration of financial and non-financial characteristics rather than restricting analysis to conventional measures such as firm size and profitability.

A further factor that may substantially alter the relationship between auditee characteristics and abnormal audit fees is auditor tenure. Auditor tenure refers to the duration of the continuous relationship between the auditor or audit firm and the client. Longer tenure can generate important informational advantages because repeated engagements allow auditors to acquire deeper knowledge of the client's operations, accounting systems, internal controls, industry conditions, managerial behavior, and recurring areas of audit risk. This accumulated client-specific knowledge may improve audit efficiency and enable the auditor to identify unusual transactions or reporting patterns more effectively. At the same time, extended relationships may create familiarity and economic bonding that could weaken independence or alter the auditor's willingness to challenge management. Consequently, auditor tenure is theoretically ambiguous: it may enhance audit quality through learning and expertise while simultaneously creating concerns regarding excessive familiarity.

Empirical studies reinforce the importance of tenure in understanding audit pricing. Research on abnormal audit fees, auditor rotation, and audit quality suggests that the length and continuity of the auditor-client relationship are relevant to both fee determination and audit outcomes [22]. Hapsoro and Santoso specifically considered auditor tenure alongside abnormal audit fees and auditor reputation in relation to going-concern reporting,

indicating that tenure operates within a broader mechanism linking audit economics, auditor characteristics, and professional judgments [23]. Hsieh et al. further showed that auditor tenure can interact with managerial characteristics in the determination of audit fees, demonstrating that the pricing implications of client attributes may depend on the accumulated relationship between auditor and client [24]. These findings support treating auditor tenure not simply as another direct determinant of audit fees but also as a potential moderating factor that changes the way auditors translate client risk into audit pricing.

The influence of tenure may be especially relevant where internal controls and management characteristics are involved. As an auditor remains with a client over successive periods, the auditor may develop a more refined understanding of internal control strengths and weaknesses and of management's operational and reporting behavior. Such knowledge may improve risk assessment and allow the auditor to distinguish persistent structural weaknesses from temporary problems. Research on management tenure and audit fees, with emphasis on the moderating role of internal control weaknesses, provides evidence that temporal characteristics of management and governance relationships are important to audit pricing [25]. In this sense, the impact of abnormal audit fees on perceived misstatement risk or bankruptcy risk may not be constant across engagements; rather, the strength and direction of these relationships may depend on how long the auditor has served the client and how much client-specific knowledge has accumulated.

Despite substantial research on audit fees, abnormal fees, audit risk, workplace conditions, financial distress, and auditor tenure, these streams of literature have often been investigated separately. Existing studies have examined determinants of audit fees, the implications of abnormal fees for audit quality and market outcomes, the effect of financial distress on pricing, the relevance of workplace characteristics, and the relationship between tenure and audit outcomes. However, fewer studies have developed an integrated framework in which abnormal audit fee responses are examined simultaneously in relation to auditee characteristics, labor environment, misstatement risk, bankruptcy risk, and auditor tenure. This fragmentation is important because audit pricing is inherently multidimensional. Auditors do not assess financial distress independently of reporting quality, nor do they evaluate workplace characteristics without considering their implications for internal control and business risk. Similarly, the auditor's response to these conditions is likely to depend on accumulated knowledge arising from the duration of the auditor-client relationship.

Accordingly, integrating these variables can provide a more comprehensive explanation of why abnormal audit fees emerge and how they respond to different dimensions of client risk. Such an approach can also contribute to audit practice by clarifying the information auditors consider when determining engagement effort and compensation, while helping regulators, audit committees, investors, and financial statement users interpret abnormal audit fees more accurately. Rather than treating abnormal fees as a purely mechanical deviation from predicted audit pricing, they can be conceptualized as a risk-sensitive outcome generated by the interaction of client-specific financial conditions, operating characteristics, labor environment, reporting risks, bankruptcy exposure, and the auditor's accumulated knowledge of the client. This perspective is particularly relevant in environments where audit markets, governance structures, financial distress, and institutional characteristics may differ from those in which much of the prior evidence has been generated.

Therefore, the aim of this study is to identify the factors affecting abnormal audit fee responses to auditee characteristics and to examine the moderating role of auditor tenure in the relationships of abnormal audit fees with financial statement misstatement risk, bankruptcy risk, and the labor environment.

2. Methods and Materials

Given its objective, this research is an applied qualitative study, and in terms methodology, it is a descriptive survey. The data collection method for this research was conducted in two ways: documentary studies (library research) and field research. In the documentary (library) section, first, a review theoretical and empirical records related to research topic is conducted, and these records are summarized and evaluated. The data collection tool in qualitative section this research is Delphi questionnaire. Regarding validity questionnaire, in the present study, to increase validity and reliability questionnaire, the initial draft questionnaire was prepared before being distributed among statistical population and was reviewed by a number academic experts (thesis supervisor), which resulted in suggestions for corrections. After applying the desired amendments, final questionnaire was compiled. Regarding reliability questionnaire, obtained Cronbach's alpha value for this questionnaire is 0.83, which indicates that this questionnaire has acceptable and appropriate reliability. The statistical population in qualitative phase, delivery and collection questionnaires from academic experts, professors, and professionals with experience in field auditing, consists 15 experts across Iran. The main characteristics this population are as follows: experts in accounting departments, including managers and employees accounting departments. The sampling method in the qualitative phase is non-probability and purposeful. The sample size in qualitative phase, in present study, after repetition and re-identification components that occurred in interviews, was repeated to ensure frequency findings, and a supplementary interview was conducted for further assurance. Given limited size population to 15 people, a census was used, and entire population was considered as statistical sample. In this research, SPSS and Excel software were used to analyze data. In following, qualitative phase is performed first, and after identifying indicators, fuzzy Delphi technique is applied.

3. Findings and Results

A questionnaire containing 42 confirmed factors from second round was prepared and distributed for third time among panel members. It should be noted that results first and second rounds were also made available to expert members so that panel members could re-declare their opinions based on results previous comments. Table 1 shows findings third round Delphi technique along with frequency respondents and weight coefficient each factor.

Table 1: Results third Delphi round

Criterion	Sub-criterion	Frequency of Respondents					Impact factor	Confirmed status
		Very Low	Low	Medium	High	Very High		
Auditor Tenure	Long-term auditor tenure: Knowledge client	0	0	3	8	4	4.067	Confirmed
	Long-term auditor tenure: Knowledge client's expertise	0	0	6	8	1	3.667	Confirmed
	Long-term tenure: Creation friendly relationships between auditor and client management	0	0	9	2	4	3.667	Confirmed
	Years auditor's responsibility in a company	0	0	5	5	5	4	Confirmed

	Continuity auditor selection	0	0	5	5	5	4	Confirmed
Abnormal Audit Fees	Firm size resulting from company's competitive advantage	0	1	6	6	2	3.6	Confirmed
	Firm size resulting from management ability	0	0	2	8	5	4.2	Confirmed
	Firm size resulting from information efficiency	0	0	3	6	6	4.2	Confirmed
	Return on Assets	0	0	5	7	3	3.867	Confirmed
	Structural reputation audit firm	0	1	8	3	3	3.533	Confirmed
	Client risk	0	1	3	8	3	3.867	Confirmed
	Audit firm expertise	0	0	5	4	6	4.067	Confirmed
Bankruptcy Risk	Mismanagement resulting from business factors (non-financial) (internal factors)	0	1	3	6	5	4	Confirmed
	Mismanagement resulting from financial factors (internal factors)	0	1	5	4	5	3.867	Confirmed
	Lack company financial health: External factors (internal factors)	0	1	8	3	3	3.533	Confirmed
	Economic recession (external factors)	0	1	4	7	3	3.8	Confirmed
	Inability to pay client's long-term debt (external factors)	0	0	2	10	3	4.067	Confirmed
	Asset manipulation (external factors)	0	0	6	7	2	3.733	Confirmed
	Understatement liabilities, expenses, and losses (external factors)	0	0	7	6	2	3.667	Confirmed
	Material misstatements in accounting estimates (external factors)	0	1	5	4	5	3.867	Confirmed
	Diversity tasks referred to audit firm (external factors)	0	2	1	8	4	3.933	Confirmed
	Disclosure material	0	1	3	6	5	4	Confirmed

	misstatement (external factors)							
Auditee Characteristics	Reputation unit under audit	0	1	2	6	6	4.133	Confirmed
	Size unit under audit	0	0	3	8	4	4.067	Confirmed
	Auditee characteristics: Impact on auditor's activity volume	0	0	1	8	6	4.333	Confirmed
	Risk unit under audit	0	0	4	5	6	4.133	Confirmed
	Complexity operations unit under audit	0	0	4	7	4	4	Confirmed
	Industry type unit under audit	0	0	8	1	6	3.867	Confirmed
	Illegal acts affecting the activity unit under audit	0	0	2	6	7	4.333	Confirmed
Labor Environment	Flexible working hours improve work-life balance	0	1	1	4	9	4.4	Confirmed
	Company has a staff health and safety team	0	1	4	6	4	3.867	Confirmed
	Company policy to improve employee skills training	0	0	6	6	3	3.8	Confirmed
	Improvement of employee career development paths by company	0	0	8	3	4	3.733	Confirmed
	Review hiring and firing regulations	0	0	7	5	3	3.733	Confirmed
	Employment protection regulations regarding company employee costs	0	2	6	6	1	3.4	Confirmed
Financial Statement Misstatement	Asset manipulation	0	1	6	6	2	3.6	Confirmed
	Sales manipulation	0	0	2	10	3	4.067	Confirmed
	Profit manipulation	0	0	5	4	6	4.067	Confirmed
	Understatement liabilities, expenses, and losses	0	0	7	2	6	3.933	Confirmed
	Profit manipulation	0	0	5	4	6	4.067	Confirmed
	Understatement liabilities, expenses, and losses	0	0	7	2	6	3.933	Confirmed

	Material misstatements resulting from non-compliance with laws and regulations	0	0	5	9	1	3.733	Confirmed
	Material misstatement in assessment management competence and qualifications	0	0	7	5	3	3.733	Confirmed
	Material misstatement regarding the ethical environment organization	0	0	3	5	7	4.267	Confirmed
Total			0	17	195	243	175	

Table 2 shows final results agreement third round Delphi technique with relevant information. The total frequency panel members' opinions in "very much" option with 175 and in "much" option with 243 was more than other options, indicating that panel members had a suitable agreement in third round Delphi technique. At this stage, panel members recorded their opinions for third time, and coordination coefficient increased slightly again and reached 0.087. This means that in this round, like second round, panel members' consensus on factors occurred. The coordination coefficient in second round was 0.086 and in third round it increased to 0.087, but the difference between them was minor and only 0.001 was reported. This means that results third round indicate an improvement in consensus panel members' opinions, but it is not very significant. Therefore, Delphi process is not repeated again, and agreement Delphi panel members' opinions on 42 research factors has been completed.

Table 2: Final Results Third Round Delphi Technique

Total frequency “Very High”	175
Total frequency “High”	243
Total frequency “Moderate”	195
Total frequency “Low”	17
Total frequency “Very Low”	0
Number criteria selected in third round	42
Number criteria removed in third round	0
Kendall’s W coefficient (Round 3)	0.087

Thus, based on results Delphi method, 42 factors affecting reaction abnormal audit fees to characteristics audit client, with influence auditor tenure, were finalized. These 42 factors are in 6 main criteria categories, and final conceptual model is also shown in Figure 1.



Figure 1: Conceptual model factors affecting response abnormal audit fees to characteristics audited entity with the effect auditor tenure.

4. Discussion and Conclusion

The present study investigated the factors shaping abnormal audit fee responses to auditee characteristics and examined the role of auditor tenure in these relationships. The findings confirmed six major relationships and, taken together, indicate that abnormal audit fees are closely associated with the auditor's perception of client-specific risk, especially financial statement misstatement risk, bankruptcy risk, and weaknesses in the labor environment. The results also showed that auditor tenure modifies the strength of the relationships between abnormal audit fees and both misstatement risk and bankruptcy risk. These findings support the view that abnormal audit fees should not be interpreted merely as unexplained deviations from normal audit pricing; rather, they appear to reflect the auditor's broader assessment of engagement complexity, financial vulnerability, reporting risk, organizational conditions, and the accumulated knowledge generated through the auditor-client relationship.

The first finding showed that an increase in abnormal audit fees had a positive and significant effect on credit rating downgrades through increased financial statement misstatement risk. This result suggests that abnormal audit fees may embody the auditor's response to a greater probability of reporting problems and to the additional effort required to obtain sufficient appropriate audit evidence. When the likelihood of material misstatement increases, auditors generally expand substantive procedures, increase the extent of testing, assign more experienced personnel, and devote additional time to high-risk accounts and estimates. These additional demands increase the economic cost of the engagement and can ultimately be reflected in abnormal fee components. The finding is consistent with the broader audit-pricing literature showing that audit fees respond to differences in client risk and the expected intensity of audit work [1, 2]. It also aligns with evidence that audit risk increases in the presence of financial restatements and financial distress, thereby affecting audit fees [8]. Furthermore, the finding is compatible with evidence that abnormal audit fees may convey information regarding adverse market outcomes. Wanchen reported an association between abnormal audit fees and stock price crash risk, indicating that unusual audit pricing can be associated with conditions involving hidden negative information and elevated reporting risk [13].

The result can also be interpreted in light of research showing that audit fee reductions may negatively affect earnings and audit quality when lower compensation constrains audit effort [6]. Thus, higher abnormal audit fees may partly represent compensation for increased effort and greater exposure arising from potentially unreliable financial reporting.

The second finding demonstrated that an increase in abnormal audit fees had a positive and significant effect on credit rating downgrades through increased bankruptcy risk. This result emphasizes the importance of financial distress in audit pricing. Bankruptcy risk increases uncertainty about the client's ability to continue as a going concern, raises the probability of litigation and reputational damage to auditors, and increases the need for more extensive examination of liquidity, financing arrangements, debt obligations, impairment, valuation, and management forecasts. Therefore, auditors may require greater compensation when the possibility of financial failure increases. This finding directly agrees with Karimi and Seifi, who examined the relationship between abnormal audit fees and bankruptcy risk and demonstrated that this relationship can also depend on ownership concentration [11]. The finding is further supported by Basu et al., who showed that changes in bankruptcy regulation can influence audit fees, confirming that auditors incorporate bankruptcy-related institutional and client risk into their pricing decisions [12]. Hasani and Hameh Bistoon likewise found that audit fees are related to audit risk under conditions of restatements and financial distress [8]. These studies collectively support the interpretation that abnormal audit fees reflect not only the current complexity of the engagement but also the auditor's expected exposure to adverse outcomes if the client's financial condition deteriorates.

The third finding revealed that increased abnormal audit fees had a positive and significant effect on a weak labor environment through increased financial statement misstatement risk. This finding extends the interpretation of audit pricing beyond traditional financial indicators and demonstrates that workplace conditions may provide auditors with information about the quality of the client's internal organizational environment. A weak labor environment can be associated with employee dissatisfaction, turnover, poor training, weak commitment to organizational procedures, ineffective communication, and insufficient adherence to internal control processes. These conditions may increase the probability of errors, irregularities, and financial reporting deficiencies and therefore raise perceived misstatement risk. The result is closely aligned with Huang et al., who demonstrated that clients' workplace environments are relevant to corporate audits and influence audit-related assessments [15]. It is also consistent with Sun and Habib, who found that workforce environment is associated with audit fees, confirming that auditors incorporate employment-related organizational conditions into their pricing decisions [16]. Evidence from Afsai et al. similarly indicates that employee work environment influences audit fees, audit report lag, and audit quality [20]. Accordingly, the present result suggests that abnormal audit fees may increase where auditors interpret weak workplace conditions as a source of internal control weakness and financial reporting risk.

The finding concerning the labor environment can also be explained through the broader literature on employee welfare and corporate risk. Ben-Nasr and Ghouma showed that employee welfare is associated with stock price crash risk, indicating that workforce conditions can contain meaningful information about organizational stability and the concealment or accumulation of negative information [17]. Gupta and Krishnamurti further demonstrated that the relationship between employee welfare and firm performance is influenced by country-level institutional conditions, suggesting that workplace practices have economically meaningful consequences across different environments [18]. Chen et al. found that employee treatment has implications for bondholders, highlighting the relevance of workforce conditions to creditors' perceptions of corporate risk [19]. Together, these findings support

the present study's conclusion that the labor environment is not separate from financial reporting risk. Rather, employee-related conditions may indirectly shape the reliability of organizational processes and therefore affect auditors' assessments of the probability of material misstatement.

The fourth finding showed that higher abnormal audit fees had a positive and significant effect on a weak labor environment through increased bankruptcy risk. This suggests that the relationship between workplace conditions and audit pricing may also operate through the financial viability of the auditee. A deteriorating labor environment may contribute to inefficiency, reduced productivity, employee turnover, weaker operational continuity, and increased organizational costs. At the same time, firms experiencing financial distress may reduce employee benefits, training expenditures, occupational protections, and other workplace investments, thereby creating a reciprocal relationship between poor labor conditions and financial vulnerability. In such circumstances, auditors may perceive the combination of weak workforce conditions and bankruptcy risk as requiring greater engagement effort and risk compensation. The result is consistent with the evidence that employee welfare and workforce conditions are associated with corporate performance and financial risk [17, 18]. It also corresponds with findings showing that auditors respond to broader forms of non-financial client risk. Burke et al., for example, found that auditors respond to negative media coverage concerning clients' environmental and social performance, demonstrating that audit pricing can incorporate signals extending beyond conventional financial variables [21]. The present finding therefore reinforces the argument that workforce conditions should be treated as a relevant component of the client's overall risk profile.

The fifth finding indicated that auditor tenure significantly moderated the relationship between increasing abnormal audit fees and increasing financial statement misstatement risk. This finding highlights the importance of accumulated client-specific knowledge in audit pricing. As auditor tenure increases, auditors become more familiar with the client's accounting systems, management behavior, transaction cycles, internal controls, industry characteristics, and recurring reporting issues. This knowledge may improve the auditor's ability to identify areas of elevated misstatement risk and to estimate more accurately the level of effort required. At the same time, long tenure may generate familiarity with management and stronger economic relationships, potentially affecting professional skepticism and independence. Therefore, tenure can alter the manner in which abnormal audit fees respond to reporting risk rather than simply exerting an independent effect on fees.

This moderating result is consistent with several previous studies. Hsieh et al. demonstrated that auditor tenure interacts with managerial characteristics in explaining audit fees, suggesting that the auditor-client relationship changes the way client characteristics are incorporated into pricing decisions [24]. Hapsoro and Santoso examined auditor tenure, abnormal audit fees, auditor reputation, audit quality, and going-concern opinions and showed that tenure forms part of an interconnected mechanism affecting audit outcomes [23]. Shakeri and Dehdar also investigated abnormal audit fees, auditor rotation, and audit quality, reinforcing the importance of continuity in the auditor-client relationship for interpreting abnormal pricing [22]. In addition, Mansourinia and Mokhtari demonstrated that tenure-related characteristics and internal control weaknesses are relevant to audit fees [25]. Taken together, these findings support the present conclusion that auditor tenure affects how auditors translate financial reporting risk into abnormal fee adjustments.

The sixth finding demonstrated that auditor tenure also moderated the positive relationship between abnormal audit fees and bankruptcy risk. This result can be explained by the auditor's increasing ability over time to evaluate the client's financial trajectory, business model, debt structure, cash-flow patterns, management responses to financial difficulties, and ability to continue as a going concern. Longer tenure may enable the auditor to distinguish

temporary financial problems from persistent distress and to evaluate bankruptcy risk using a richer body of client-specific information. Consequently, the same level of observable financial distress may be priced differently depending on the auditor's length of experience with the client. This result is consistent with Hsieh et al., who showed that auditor tenure affects audit pricing in conjunction with client and managerial characteristics [24], and with Hapsoro and Santoso, who linked auditor tenure and abnormal fees with going-concern-related audit judgments [23]. The finding also complements evidence that bankruptcy risk itself influences abnormal audit fees [11] and that bankruptcy-related institutional changes affect audit pricing [12]. Thus, auditor tenure appears to act as an informational mechanism through which financial distress is interpreted and translated into audit compensation.

The overall results also support the broader conceptual distinction between normal and abnormal audit fees. Dabor and Uyagu showed that abnormal audit fees are associated with audit quality and that firm characteristics influence this relationship [3]. Egbunike et al. linked residual audit fees to real income smoothing, further indicating that unexplained audit pricing is associated with managerial reporting behavior [4]. The present findings extend these insights by showing that abnormal fees can be situated within a broader network of financial, operational, and organizational risks. In this context, firm size, return on assets, client risk, audit-firm expertise, bankruptcy indicators, auditee complexity, illegal acts, labor conditions, and potential financial statement manipulation jointly provide the information environment in which abnormal audit pricing emerges. The results therefore support the interpretation of abnormal audit fees as a multidimensional audit-risk response rather than as an isolated pricing anomaly.

The findings are also compatible with the argument that audit fees have implications for audit independence, effort, and external stakeholders' perceptions. Krishnan et al. showed that financial relationships between auditors and clients, including non-audit services, can influence investors' perceptions of auditor independence [5]. Alrashidi et al. demonstrated that audit and non-audit fees are related to access to finance, suggesting that fee structures have implications beyond the audit engagement itself [14]. Gholami Ghifan et al. further showed that audit market structure, audit fees, and audit quality are interrelated [10], while Seyednejad Fahim and Zamani highlighted the relationship between audit quality and earnings restatements [9]. The present findings therefore suggest that abnormal audit fees should be evaluated carefully by audit committees, investors, regulators, and other financial statement users because they may reflect underlying changes in client risk, reporting quality, financial distress, or the economic characteristics of the auditor-client relationship. More generally, the results reinforce the view that audit pricing is produced through the interaction of risk assessment, audit effort, engagement economics, and the institutional and organizational characteristics of the auditee.

The present study has several limitations that should be considered when interpreting its findings. First, the qualitative stage relied on a relatively small panel of 15 accounting and auditing experts, and although the census approach covered the available expert population and the Delphi process was continued until consensus stabilized, the views obtained may not represent all professional perspectives within the broader auditing environment. Second, the identified relationships were derived primarily from expert judgments and Delphi-based confirmation rather than direct longitudinal observation of audit engagements and archival audit-fee data. Therefore, the proposed causal pathways should be interpreted within the methodological boundaries of the research design. Third, the study simultaneously considered multiple financial and non-financial dimensions, including misstatement risk, bankruptcy risk, auditee characteristics, and labor environment, but other potentially relevant factors such as corporate governance quality, ownership structure, auditor industry specialization, regulatory

enforcement, audit-firm size, and macroeconomic uncertainty were not comprehensively incorporated. Finally, the institutional context in which the experts operate may limit the direct generalizability of the findings to audit markets with different regulatory structures, litigation environments, labor practices, and auditor-rotation requirements.

Future studies should empirically test the conceptual relationships identified in this research using larger samples of listed and non-listed companies and longitudinal archival data on audit fees, financial distress, restatements, workforce characteristics, and auditor tenure. Structural equation modeling, panel-data models, multilevel analysis, and moderated mediation designs could be used to determine whether misstatement risk and bankruptcy risk statistically mediate the effects of auditee characteristics on abnormal audit fees and whether auditor tenure significantly changes these pathways. Future research may also compare short, medium, and long auditor tenure periods to identify possible nonlinear effects and determine whether the benefits of client-specific knowledge eventually become offset by familiarity threats. Comparative studies across industries and countries would be useful for determining whether labor environment, bankruptcy exposure, and institutional characteristics affect abnormal audit pricing differently across regulatory settings. Researchers could also examine additional moderators such as audit-firm size, auditor specialization, corporate governance quality, ownership concentration, audit committee expertise, and market competition, as well as explore whether positive and negative abnormal audit fees have asymmetric implications for audit quality and financial reporting outcomes.

The findings provide several implications for auditors, audit firms, corporate managers, audit committees, regulators, and financial statement users. Audit firms should incorporate a broad range of client-specific financial and non-financial characteristics into engagement-risk assessment and fee determination, particularly indicators of financial statement manipulation, financial distress, operational complexity, workforce conditions, and internal organizational weaknesses. Audit committees should regularly evaluate significant deviations between actual and expected audit fees and investigate whether abnormal fees arise from legitimate increases in engagement risk and audit effort or from excessive economic dependence between the auditor and client. Firms should also recognize that employee welfare, training, occupational protection, career development, and organizational ethics can influence the risk environment assessed by auditors and should therefore strengthen workforce and internal-control policies. Regulators and professional bodies may benefit from developing guidance for greater transparency regarding major determinants of audit-fee changes, particularly where abnormal fees coincide with long auditor tenure or severe financial distress. Finally, audit firms should actively manage the benefits and risks associated with long tenure by preserving accumulated client knowledge while reinforcing independence, professional skepticism, partner review, personnel rotation, and quality-control mechanisms.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

The authors report no conflict of interest.

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