

Audit market concentration and audit fees: An international investigation

ABSTRACT

The global audit market has become highly concentrated during the past 30 years, and many interested parties disagree on whether or not greater concentration leads to higher audit fees. To provide answers for the controversy, we investigate the association between audit market concentration and audit fees with data from 34 countries. On average, we find no significant association between audit market concentration and audit fees. However, for countries with a weak legal regime, the association is significantly positive; and for countries with a strong legal regime, the association becomes negative. These findings provide regulators and other stakeholders with important insights on the consequences of audit market structure.

Keywords: Audit market concentration; Audit fees; Legal regime.

JEL Classification: K42; L11; M42.