

The relationship between audit fees and audit committee characteristics. Evidence from Athens Stock Exchange

Abstract

Strengthening audit committee is an increasingly important element in the agenda of academics, practitioners and policy-makers in the effort to improve the quality of financial information and to promote audit quality. In this research, we examine the relationship between audit committee characteristics and audit and non-audit fees paid to auditors throughout the first year of the implementation of Law 4449/2017 in Greece. Using a sample of 126 listed companies on the Athens Stock Exchange, we show that audit committee characteristics (i.e. AC size, frequency of meetings and the presence of at least one member with previous experience in a similar position) have positive relationship with audit fees. Moreover, we find that board size is positively associated with audit fees; meaning that the assignment of new roles to audit committees has not been realized to its full potential as recent Law 4449/2017 highlights. Finally, we present evidence that audit committees with high percentage of members with previous experience in audit committees may be less willing to allow a disproportionate provision of non-audit services in relation to total fees. On that basis, our study offers several implications for Greek legislators, auditors, boards, and corporate governance scholars.

Keywords: Audit Committees, CG, Greek Legislation, Audit Expenses

JEL Classification:

1. Introduction

The development of corporate governance (hereafter: CG) has placed particular emphasis on the effectiveness of board committees and, in particular, the audit committee, which aims at improving the quality of financial information and control (Cohen et al., 2002; 2004; Turley & Zaman, 2004; Beasley et al., 2009; Krishnan & Visvanathan, 2009). More specifically, over the last decades, academics and practitioners have become even more concerned about the role of audit committee as a CG mechanism, especially in the wake of major corporate collapses including Enron and WorldCom in the USA, and One Tel, Ansett, and HIH Insurance in Australia (Salim et al. 2016; Ali et al., 2018). This illustrates that alongside providing reliable and qualitative financial information, the audit committee is also responsible for monitor auditors as a means to minimize the chances of error (Carcello et al., 2002; Abbott et al., 2003b).

The plethora of national and international/supranational of CG codes (see, e.g. Aguilera and Cuervo-Cazurra, 2009) refer to the audit committee's role and responsibilities as a mean to enhance good governance and corporate control landscape (Nerantzidis, 2015; Enrione et al., 2006). This implies that the diffusion of these best practices arose as a response to corporate mismanagement (Nerantzidis, 2015; Enrione et al., 2006). However, apart from the adoption and the implementation of these specific forms of soft law, it is worth mentioning that many countries have adopted a series of mandatory legislations in order to strengthen the legal framework of audit committees (Nerantzidis et al. 2015). For instance, in United States' the enactment of Sarbanes Oxley Act (2002) (hereafter: SOX) mentions that the audit committee is responsible for the appointment, dismissal and remuneration of external auditors. This act suggests that the structure of the audit committee has changed and its roles and oversight over the external auditor have been expanded (see, Hoitash and Hoitash, 2008). Similarly, in Europe, EU Directive 2006/43 / EC, as amended by Directive 2014/56 / EC, refers to CG and the audit committee's role. This Directive has been gradually incorporated in Greece through a series of Laws (Law 3693/2008; 3884/2010; 4449/2017), and, in fact, Law 4449/2017 is the one that includes the Directive's part referring to the role and responsibilities of the audit committee, which, among other things, include appointing, dismissing, supervising and determining the remuneration of the external auditor. This illustrates that the audit committee exercises control over audit fees. As a consequence, we may say that the audit committee is linked to audit fees and associated with quality control (Carcello et al., 2002; Abbott et al., 2003b).

Despite the volume of research on audit committees and audit fees around the world; from America (Carcello et al., 2002; Abbott et al., 2003a; Abbott et al., 2003b; Zhang et al., 2007; Vafeas & Waagelein, 2007; Hoitash & Hoitash, 2009), to Australia (Goodwin – Stewart & Kent, 2006; Ali et al., 2018) and Europe (Collier & Gregory, 1996; O'Sullivan, 1999; Zaman et al., 2011), no study has been examined in Greece, especially during the period when the corresponding Law 4449/2017 was implemented. Thus, the above discussion highlights audit committee as an excellent mechanism for exploring the relationship between its characteristics and audit and non-audit fees paid to auditors throughout the first year of the implementation of Law 4449/2017 in Greece. In line with previous research (Carcello et al., 2002; Abbott et al., 2003a; Abbott et al., 2003b; Goodwin Stewart & Kent, 2006; Vafeas & Waagelein, 2007; Zaman et al., 2011; Ali et al, 2018) regarding audit committee characteristics, we look at the way the audit committee's members' independence, the audit committee's size, its members' financial expertise and previous experience in audit committees, the frequency of

meetings as well as the members' gender (Ittonen et al., 2010; Aldamen et al., 2018) relate to audit fees.

Considering the results, we provide evidence that the size, frequency of AC meetings and previous experience of at least one of its members in a similar position are positively related to audit fees. The findings are in agreement with previous research conducted in America (Hoitash & Hoitash, 2009), Australia (Ali et al., 2018) and Europe (Zaman et al., 2011), which examined similar legislative applications pertaining to CG. On the whole, our findings suggest that the assignment of new roles to audit committees has not been realized to its full potential, as our results show that the board of directors' size correlates positively with audit fees as well. Therefore, Law 4449/2017's objective to exempt boards from the obligation to compensate auditors has not been fully achieved in its first year of application.

Overall, our study offers a novel contribution to the role of audit committees. Therefore, in a broader sense, we could argue that this research will provide a useful feedback for Greek legislators and will contribute, at an international level, to the assessment of CG impact on the auditor's quality control and independence, following the implementation of Law 4449/2017. All in all, our study provides insights into a practical question such as how and why an independent audit committee matters; a central topic that needs attention by all market participants.

The rest of the paper proceeds as follows: Section 2 describes the Greek institutional framework surrounding CG and the audit committee. Section 3 presents the literature review regarding audit committees and audit fees as well as the study's hypotheses. Section 4 analyses the research methodology and description of the variables. The next Section presents the model estimation and an analysis of empirical results, while Section 6 contains concluding remarks and policy implications.

2. The Greek Institutional Framework - Greek Legislation

The Greek institutional framework consists of a series of laws referring to CG and show that the legal framework of Greece is now fully harmonized with the guidelines and directives of the EU (Spanos, 2005). According to Nerantzidis (2015), the most indicative laws are: Law 3693/2008 that marks the first alignment of the Greek legislation with the European Directive 2006/43 / EC, which requires the establishment of audit committees and imposes important obligations regarding notifications. Subsequently, Law 3873/2010 incorporates Directives 2006/46 / EC, 2007/63 / EC and requires the disclosure of annual CG statements from listed companies. In addition, Law 3884/2010 incorporates Directive 2007/36 / EC and includes obligations regarding the disclosure of information to shareholders prior to general meetings.

With the recent Law 4449/2017, the Greek legislation aligns with the European Parliament's instructions. In particular, it incorporates the requirements of Directive 2006/43 / EC of the European Parliament and of the Council of 17 May 2006 (OJ L157, 9.6.2006) as amended by Directive 2014/56 / EU of 16 April 2014 (OJ L 158, 27.5.2014). Article 44's law refers to audit committees and reinforces their role and responsibilities with extended duties. Gradually stricter legislation imposes mandatory audit committees', being a best practice of corporate governance (Grose et al., 2014). The audit committee now represents the audited company for external auditors and is directly responsible for the appointment, compensation, retention and supervision of independent auditors, who now have to report directly to the audit committee. These changes could affect existing relationships between audit committee characteristics and the compensation and retention of the auditors.

Furthermore, it should be noted that Law 4449/2017 in Article 44 (1) states that the committees must be composed of at least three members, most of whom must be independent of the audited entity. The same article states that at least one AC member should be a sworn auditor or a pensioner or have sufficient knowledge of auditing and accounting.

In Greece, the Hellenic Accounting and Auditing Standards Oversight Board (ELTE) is the national supervisory body for the auditing and accounting profession and is responsible for establishing and supervising the correct and effective implementation of accounting and auditing standards. At the same time, through the Accounting Standards Board (SLOT), it serves as a quasi-advisor to the Minister of Finance. Regarding audit fees, it controls, supervises and advises audit firms and external auditors through interventions, in order to ensure that they comply with the requirements and constraints of the Greek Legislation (4449/2017) and the European Directive (537 / 2014).

All in all, what can be noticed is that Greek legislation, regarding audit committee, comes as a part of European Union effort to develop a common framework of CG improvement (see, e.g. Nerantzidis, Filis, Tsamis and Agoraki, 2015). This means that audit committee is now responsible for the selection, monitoring and compensation of the audit firm, regardless of the management's influence.

3. Literature Review and Hypotheses Development

3.1 Literature Review

Upon reviewing the literature, we saw that, in the US, when Carcello et al. (2002) examined the relationship between the board's characteristics and audit fees charged by Big 6 for the Fortune 1,000 companies, they found that there were significant positive relationships between audit fees and independence of the council, the diligence and the expertise of its members. Abbott et al. (2003a) examined the correlation between audit committee and non-audit fees in a sample of 538 US firms and found that audit committees consisting exclusively of independent directors who hold meetings at least four times a year are significantly and negatively linked to non-audit fees. In the same year, Abbott et al. (2003b), using a sample of 492 companies, found that, in addition to independence and expertise, they were also positively correlated with audit fees and the audit committee's frequency of meetings. When Zhang et al. (2007) conducted their research following the implementation of the SOX Law (2002), they found that an effective audit committee could lead to the strengthening of internal controls, leading, in turn, to a reduced audit risk for auditors.

Between 2001 and 2003, Vafeas & Waagelein (2007) studied a sample from Fortune 500 in order to find out whether audit committee characteristics are linked to audit fees, considering that committees are complementary to external auditors. Two years later, Hoitash & Hoitash (2009) studied the role of audit committees in managing relations with external auditors, following the implementation of the SOX Law. Using a sample of 2,400 US based companies in 2004, they examined the way the audit committee is linked to audit fees during the period following the implementation of the Law, which expanded the audit committee's role, making it responsible for the appointment, retention and dismissal of external auditors.

In Australia, Coulton et al. (2001) and Sharma (2003) carried out the first research to examine whether the audit committee's presence and its characteristics are

linked to high audit fees. A few years later, Goodwin - Stewart & Kent (2006) studied the relationship between audit fees, audit committee characteristics and internal control over 401 Australian companies and found that higher audit fees are linked to the existence of an audit committee, suggesting that audit committees require higher quality control. After studying a sample of 197 Australian companies during the period 2007-2009, Ali et al. (2018) examined the impact of the committee's audit effectiveness on non-audit fees. Researchers found that the audit committee's effectiveness, which is linked to the audit committee's independence, diligence, size, financial expertise and accounting expertise, has a positive impact on both audit and non-audit fees. Sultana et al. (2019), using a sample of 13,155 firms spanning 2001-2012, examined whether mandate, age and multiple managerial positions for audit committee members are linked to audit fees. Researchers concluded that the audit committee's experienced members may require auditors to perform additional tests and hence pay higher audit fees.

In Europe -Great Britain in particular - Collier & Gregory (1996) examined cases where an audit committee seeks to improve audit quality to find out whether there is an increase in audit fees, and whether the audit committee's presence strengthens the power of internal control, resulting in lower audit fees. Researchers observed a significant positive correlation regarding the first premise and no correlation regarding the second one. O'Sullivan (1999), using audit fee data obtained from a sample of 146 UK companies in 1995, found that the audit committee's characteristics did not affect the final designation of audit fees by the audit firms, considering that they were shaped by the theories of demand and supply. Both Collier & Gregory (1996) and O'Sullivan (1999) carried out their research before the implementation of CG reforms. In contrast, Zaman et al. (2011) examined the relationship between the quality of CG and audit fees among 135 UK companies, based on a four-dimensional compound measure of the audit committee's effectiveness. Researchers found that the tested features were positively related to audit fees at a time when regulatory changes had been implemented to CG in Great Britain.

3.2 Summary of prior empirical studies

Table I provides a synopsis of the reviewed studies that examined audit committee and audit fees. Particularly, we tried to compile papers from several journals indexed by Taylor and Francis, Elsevier, Emerald, Wiley, Springer, American Accounting Association and Science Direct. Our search used keywords including: "audit committee" and "audit fees". We also consulted specialized journals such as "European Accounting Review" and "Journal of Business Finance & Accounting". With this procedure, we collected 12 research articles between 1996 and 2019, as depicted in Table I. It is worth mentioning that these studies are categorized according to the subject area, as mentioned in the Academic Journal Guide 2018 (AJG, 2018), following an ascending chronological order of the year of publication.

The third column depicts the region that every prior study is referred to. As we can see, from the 12 studies considered, 10 were single country (e.g. Collier and Gregory, 1996; O'Sullivan, 1999; Abbott, Parker, Peters and Raghunandan, 2003a) and 2 were worldwide (e.g. Carcello, Hermanson, Neal and Riley, 2002; Vafeas and Waagelein, 2007). The fourth column (entitled "Sample") shows the number of companies investigated in each study as well as the years of used data. As displayed, most of the studies uses a considerable sample of firms while 5 out of 12

Table 1: Prior empirical studies

Authors	Subject Areas / ABS ranking	Region	Sample	Independent Variables	Data have been obtained via		Results
					Questionnaire	Annual Financial statements, CG reports etc.	
Collier and Gregory (1996)	ACCOUNT / 3	Europe, United Kingdom	315 firms, FTSE 500, (1991)	14 variables	x	x	They provide evidence that there is a positive relationship between size-related audit fees and the presence of an audit committee.
O'Sullivan (1999)	ACCOUNT / 3	Europe, United Kingdom	146 firms (1995)	20 variables		x	They find that board and audit committee characteristics do not influence auditors' pricing decisions considering that they were shaped by the theories of demand and supply.
Carcello, Hermanson, Neal and Riley (2002)	ACCOUNT / 4	Worldwide	258 firms, Fortune 1000 (1992 – 1993)	11 variables	x	x	They find significant positive relations between audit fees and board independence, diligence, and expertise.
Abbott, Parker, Peters and	ACCOUNT / 4	U.S.	538 firms (2001)	11 variables		x	They find that audit committees comprised solely of independent directors meeting at least

Raghunandan (2003a)							four times annually are significantly and negatively associated with the ratio of nonaudit service fees to audit fees
Abbott, Parker, Peters and Raghunandan (2003b)	ACCOUNT / 3	U.S.	492 firms (2001)	11 variables		X	They find that audit committee independence and financial expertise are significantly, positively associated with audit fees.
Goodwin- Stewart and Kent (2006)	ACCOUNT / 2	Australia	401 listed firms (2000)			X	They present evidence that: i) the existence of an audit committee, more frequent committee meetings and increased use of internal audit are related to higher audit fees, ii) the expertise of audit committee members is associated with higher audit fees when meeting frequency and independence are low.
Vafeas and Waagelein (2007)	FINANCE / 3	Worldwide	Fortune 500 firms (2001 – 2003)	18 variables		X	They find that audit committee size, committee member expertise, and committee member independence are positively associated to audit fee levels.

Zhang, Zhou and Zhou (2007)	ACCOUNT / 3	U.S.	208 firms (2004)	20 variables	x	They find a positive relationship between audit committee quality, auditor independence, and internal control weaknesses
Hoitash and Hoitash (2009)	ACCOUNT / 2	U.S.	2.393 firms (2004)	22 variables	x	They present evidence that increased audit committee roles and independence after SOX contribute to auditor independence and audit quality.
Zaman, Hudaib and Haniffa (2011)	ACCOUNT / 3	Europe, United Kingdom	540 firms, FTSE 350, (2001 - 2004)	18 variables	x	They find a significant positive relationship between audit committee effectiveness and audit fees for larger clients.
Ali, Shingara Singh and Al-Akra (2018)	ACCOUNT / 2	Australia	197 listed firms, top 500 listed firms (2007 – 2009)	13 variables	x	They find that audit committee effectiveness has a positive significant impact on both audit fees and NAS fees.

Sultana, Singh and Rahman (2019)	ACCOUNT / 3	Australia	13.155 listed firms (2001– 2012)	18 variables	x	They present evidence that audit committee's experienced members may require auditors to perform additional tests and hence pay higher audit fees.
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studies used more than on year (e.g. Carcello, Hermanson, Neal and Riley, 2002; Vafeas and Waagelein, 2007; Zaman, Hudaiband Haniffa, 2011; Ali, Shingara Singh and Al-Akra, 2018; Sultana, Singh and Rahman, 2019).

The fifth column (entitled "Variables") denotes the number of independent variables used in each study. More specifically, we can observe a variation between 11 and 22 variables in each study. This indicates that there is no common practice in literature regarding the explanatory variables that should be used. The sixth set of columns (entitled "Methodology") shows the method used for each study in order to obtain the data. As can be seen, the majority of the studies used only official reports such as annual financial statements, CG reports etc. (10 out of 12), while others prefer a supplementary use of these reports with questionnaires (2 out of 12). The final column (entitled "Findings") presents a brief overview of the main results.

3.3 Audit Committee Characteristics and Hypotheses Development

3.3.1 Size

The size of the audit committee breaks researchers into two groups; those who think size is important for the overall power of the committee, and those who think that a small audit committee has consistency, diligence and momentum. Supporters of small audit committees (Collier & Gregory, 1999, Hillman & Dalziel, 2003) argue that when the size of the audit committee increases, control and monitoring functions are weakened, adding to the "free member" problem, which is when the lack of active participation on some members' part ends up inhibiting control and monitoring rather than enhance them (Evans & Dion, 1991, Jensen & Tang, 1993).

On the other hand, the first group of researchers believe that a larger audit committee will allow for better assessment of the external auditor's role, responsibilities and work (DeZoort et al., 2002, Turley & Zaman, 2004). The large size of the audit committee makes it more effective because of increased resources that are used to address issues the firm faces (Rahmat et al., 2009), and it also helps the firm claim more resources (Pincus et al., 1989). Moreover, larger audit committees tend to have more power (Kalbers & Fogarty, 1993), they are linked to lower capital cost (Anderson et al., 2004) and are connected with the quality of financial reporting (Felo et al., 2003).

Finally, it should be noted that both the Blue Ribbon Committee (1999) and Greek Law 4449/2017 state that the committee should be composed of at least three members, and some empirical studies in the United States and the United Kingdom have found that normal audit committee size is about three to five members (Carcello & Neal, 2000; Raghunandan et al., 2001; Spira, 2002).

Therefore, we expect that larger audit committees will be associated with higher audit fees and we thus formulate the following hypothesis:

H1. Audit committee size is positively linked to audit fees

3.2.2 Independence

Audit committee independence stems from the autonomy of its members, who need to be independent of the administration, so that audit committee effectiveness is ensured.

The Blue Ribbon Committee (1999) was the first to report on the members' independence of the administration (Carcello and Neal, 2000). AC independence is also underlined in Greece with the corresponding Legislation (3016/2002, 4449/2017), which states that the majority of the committee's members should be independent of the audited entity.

Audit committee independence is likely to bring the committee to a vantage point, as it enables it to improve key economic issues, like the ones arising from transactions with the external auditor (Klein, 2002; Bedard et al., 2004). In addition, AC effectiveness is tied to its independence from the company's management (Hasan et al., 2017). At the same time, AC independence can also ensure the independence of external auditors, which means it can increase the quality of control (Favere-Marchesi, 2000; Abdullah et al., 2015) and may speed up the audit report process.

According to academic research, but also empirically, AC independence is of utmost importance when it comes to the committee's effectiveness (DeZoort et al., 2002; Cohen et al., 2004) and the reduction of fraudulent and misleading financial statements (McMullen & Raghunandan, 1996; Bedard et al., 2004). Also, according to previous studies, independent auditing committees are more likely to improve the quality of corporate financial reports by recruiting industry auditors, using an internal audit function within the firm and participating in higher levels of accounting conservatism (Goodwin, 2003).

H2. The percentage of independent audit committee members is positively linked to audit fees

3.2.3 Audit Committee Financial Experience

The literature tells us that it is vital for AC members to have experience and knowledge in accounting, auditing and finance (Abdulaziz, 2015; Beasley & Salterio, 2001; DeZoort, 1998). Both CG standards in Europe and Greek Laws provide for the presence of at least one person with accounting and audit experience (Abad & Bravo, 2018) in the audit committees.

Many studies suggest that the knowledge, experience and expertise of AC members are necessary qualities which are directly related to the committee's effectiveness (Beasley & Salterio, 2001; DeZoort & Salterio, 2001; McDaniels et al., 2002; Bedard et al., 2004). In addition, other studies have found a positive correlation between financial expertise and the quality of financial information (Dhaliwal et al., 2010; Abernathy et al., 2014; Liu et al. Moreover, when members have knowledge and experience in finance and accounting, they can help the audit committee develop more effective internal controls and risk management procedures (McDaniels et al., 2002; Cohen et al., 2013).

Fully trained members are also more likely to encounter and detect major inaccuracies in the financial statements (Zhang et al., 2007), to understand and interpret the financial statements (Dhaliwal et al., 2010) and further strengthen the committee's capacity so as to ensure the external auditor's work is carried out in an appropriate manner. What's more, when members have knowledge and experience in accounting and auditing matters, they require high quality services from the external auditor (Abbott & Parker, 2000) in order to safeguard the interests of all stakeholders and maintain their own reputation (Hoitash & Hoitash, 2009). Audit committee members, who are knowledgeable and experienced in the field of accounting and

auditing, demand more audit services from the audit firm and, in doing so, they establish positive relations with audit fees (Carcello et al., 2002, Abbott et al. ., 2003a).

We therefore anticipate that audit fees will be positively linked to the percentage of AC members with knowledge and experience in accounting and auditing and we subsequently came up with the following hypothesis:

H3: The percentage of audit committee members who have knowledge and experience in accounting and auditing is positively linked to audit fees.

3.2.4 Previous Experience of Audit Committee Members

Previous AC members' experience in CG and control increases the audit committee's ability to effectively monitor CG and the external auditor.

According to earlier studies, when an AC member has acquired experience from another audit committee, they are more effective when it comes to requirements and responsibilities assigned to them by the committee (DeZoort, 1998; Beasley & Salterio, 2001). Also, AC members' past experience will enable the committee to gain more knowledge and assurance in monitoring the external auditor's work and in mediating in order to settle disagreements between corporate managers and external auditors (Bedard & Biggs, 1991, DeZoort & Salterio, 2001; DeZoort et al., 2003).

Therefore, the following hypothesis emerges with regards to the relationship between previous audit committee experience and audit fees:

H4: The percentage of AC members with previous experience in audit committees is positively linked to audit fees

3.2.5 Frequency of Meetings

The number of meetings held by the audit committee during the year is a very good measure for committee diligence (Menon & Williams, 1994) but also for reducing fraud (Beasley et al., 2000). In addition, recent studies (Krishnan, 2005; Karamanou & Vafeas, 2005) show that the number of meetings held reflects how active and effective the audit committee is in monitoring and evaluating internal control, while Krishnan & Visvanathan (2007) and Hoitash et al. (2009) have argued that frequent meetings help to uncover weaknesses in internal control and that the audit committee remains well-informed in accounting and control matters (Raghunandan et al., 2001; Allegrini & Greco, 2011).

What's more, frequent meetings enable the audit committee to actively address the various changing and challenging complexities of the uncertain business and financial environment (Vafeas, 1999, Bedard et al., 2004, Stewart & Munro, 2007), especially when this environment is in Greece. In addition, the committee's frequent meetings allow it to avoid fraudulent and misleading reporting (Krishnan & Visvanathan, 2007), to reduce recasting (Abbott et al., 2004) and increase the likelihood of finding immediate solutions to problems that are significantly related to the quality of corporate reporting (Allegrini & Greco, 2013).

Regarding the way audit fees are linked to the frequency of AC meetings, Carcello et al. (2002) argue that there is no significant correlation between the two, whereas Abbott et al. (2003a) and Abbott et al. (2003b) demonstrate a positive correlation through their research. In addition, research conducted by Goodwin -

Stewart & Kent (2006), Zaman et al. (2011) and Ali et al. (2018), suggests that high audit fees are associated with more frequent AC meetings during the course of the year.

We, therefore, predict that an increased number of AC meetings held will be positively associated with higher audit fees, which leads us to the following hypothesis:

H5. Frequency of audit committee meetings is positively linked to audit fees.

3.2.6 AC Members' Gender

When it comes to the presence of women in audit committees, two different standpoints have been put forward. Previous papers (Levin et al., 1993; Powell & Anisc, 1997) show that women are more conservative, frugal, ethical and committed compared to men, and these differences can affect the dynamics of a small group that deals with accounting and control matters (Powell & Anisc, 1997), such as the audit committee, which makes decision-making procedures and CG mechanisms less efficient and productive.

On the other hand, more recent studies (Pucheta-Martinez & Fuentes, 2007; Gul et al, 2011) consider that wider social representation in a group helps to introduce different ideas, views and experiences. Therefore, according to the aforementioned studies, core CG mechanisms, such as the audit committee, will be able to address a wider range of financial, accounting and auditing issues, thus reducing the chances of fraudulent and poor accounting practices.

Studies on the relationship between audit fees and gender variety in audit committees are relatively limited. Only two papers have examined the relationship between the presence of women in audit committees and audit fees (Aldamen et al., 2018; Ittonen et al., 2010) and there is a single study investigating the relationship between female presence on the board of directors and audit fees (Gul et al., 2008), which concludes that audit fees are higher when women participate, because their presence causes increased demand for audit effort.

More specifically, Ittonen et al. (2010) found that audit fees are lower when there is female presence in the audit committee, and they feel that this is due to women, because they reinforce the AC's monitoring activities. Aldamen et al. (2018) noted that female representation in audit boards is positively related to audit fees because, demand-wise, women require more auditing by external auditors and thus contribute to higher audit fees.

Therefore, we predict that female presence in the audit committee will be positively associated with higher audit fees, thus forming the following hypothesis:

H6. The presence of women in the audit committee is positively linked to audit fees.

3.2.7 Board of Directors' Size

The recent implementation of Law 4449/2017 transferred responsibilities from the board of directors to the audit committee regarding the selection, monitoring and compensation of external auditors. This transitional period, to which our research refers, poses another problem that needs to be further investigated. This issue concerns the board of directors' influence on audit fees.

Previous literature examines the relationship between the board of directors and audit fees (Carcello et al, 2002; Abbott et al., 2004; Knechel & Willekens, 2006). Carcello et al (2002) found that it was the characteristics of the board of directors and

not the characteristics of the audit committee that dominated when correlated with audit fees. Abbott et al.'s research (2004) concluded that both the characteristics of the board of directors and the audit committee characteristics contribute to shaping audit fees.

Bearing in mind that the implementation of the audit committee's extended powers begins in 2017 - with the aim of discharging the boards of directors and strengthening external auditor independence - we form the following hypothesis:

H7: The board of directors' size is positively linked to audit fees.

3.2.8 Non-Audit Fees

Fees paid to external auditors are desegregated into normal or routine fees that reflect the cost of the audit work (Simunic 1980, Choi et al., 2008) and abnormal fees or non-audit fees (Higgs & Skantz, 2006). Prior to the implementation of Law 4449/2017, there was an issue regarding non-audit fees paid to audit firms that could potentially impair the independence of auditors and hence the quality of control (DeAngelo 1981, Simunic 1984, Beck et al., 1988).

The audit committee is responsible for the approval of most non-audit services provided by the external auditor as well as their compensation, while checking whether non-audit fees are in line with the provisions of Law 4449/2017. Law 4449/2017 as well as SOX prohibited independent external auditors from providing multiple non-audit services, and as a result, the relationship between audit/non-audit services changed during and after the application of these Laws.

According to Abbott et al. (2003b), the auditing and financial expertise of audit committee members, as well as the frequency of meetings held during the year, especially when they are more than four, are inversely related to the ratio of non-audit fees. Hoitash & Hoitash (2009) concluded that the non-audit fee to total audit fee ratio is negatively related to the size of the audit committee and the frequency of meetings, and that strong audit committees are associated with small non-audit fees.

Therefore, expecting an inverse relationship between the ratio of non-audit fees to total fees, we formulate the following hypothesis:

H8. Strong audit committees are associated with a lower ratio of non-audit to audit fees.

4. Design - Research Methodology

The following subsections provide information on sample selection, source documentation as well as explanations and measurement details for all variables used in this study in order to determine the statistical models used to formally test the hypotheses of this paper.

4.1. Sample Selection

By 31 December 2017, 197 companies had been listed on the Athens Stock Exchange (hereafter: ASE). From this initial population, a number of exclusions were made consistent with the prior literature (Clifford & Evans, 1997; Ball et al., 2000; Leventis et al., 2005; Ruddock et al., 2006; Blankley et al., 2012; Chan et al., 2013; Sultana et al., 2019): financial institutions (8), insurance (1), utilities (6), foreign incorporated firms (2) and firms whose registered address is outside Greece (1).

At the same time, 24 more companies that report either no audit fees (Hoitash&Hoitash, 2009) or do not declare their audit fees in their financial statements are also excluded from our study. Also, nine other companies were omitted due to financial data availability problems, while 20 companies were also excluded due to the lack of AC members' CVs. In addition, based on the study carried out by Clifford & Evans (1997), two foreign companies based in Greece are not included because their financial statements are not compliant with Greece's disclosure requirements.

On that account, after deleting companies with incomplete data, our final sample is set at 126 and only includes companies that provide a full set of financial data as well as data on CG. Panel A of Table II details the sample selection process and Panel B of Table II provides a breakdown of the final sample by industry representation.

Table II. Sample selection and industry breakdown

Panel A: Sample selection			197
Number firm-years listed on ASE2017			
<i>Exclusions:</i>			
Financial institutions	(8)		
Insurance	(1)		
Utilities	(6)		
Foreign incorporated firms	(2)		
Head office in foreign countries	(1)		
<i>Total Number Excluded:</i>			18
<i>Sample pool</i>			179
<i>Less:</i>			
Missing corporate governance data		(20)	
Missing financial data		(9)	
Missing audit fee and non-audit fee data		(24)	
Final usable sample			126
Panel B: Sample firm break down by industry			
<i>ASE Industry</i>	No. Firm-Year Obs.	% Sample	
Real Estate	9	7.14	
Industrial Products & Services	18	14.29	
Trade	5	3.97	
Constructions & Construction Materials	12	9.52	
Media	3	2.38	
Oil & Gas	3	2.38	
Personal & Household Goods	19	15.08	
Raw Materials	6	4.76	
Travel & Recreation	11	8.73	
Technology & Telecommunications	15	11.91	
Food & Drinks	14	11.11	
Health	6	4.76	
Chemically	5	3.97	
Total	126	100	

4.2. Data Collection

Our data regarding variables (dependent and independent) are derived from CG reports issued by companies used in our sample. All listed companies are required to publish separate annual CG reports. These reports include detailed information on audit committees and their composition, the board of directors, the external auditor and the remuneration.

CG reports, as well as the listed companies' financial reports are published mainly on the company websites and the relevant website of the Athens Stock Exchange (ASE). This study has extracted data from both company CG reports and the Thomson Reuters Eikon database.

Finally, the analysis of AC members' CVs provided data for variables regarding members' knowledge and experience in accounting and auditing, as well as their previous experience in audit committees.

4.3. Measuring variables - Method

4.3.1. Audit Committee Characteristics and Board Size

The study's first variables are those that record audit committee characteristics and responsibilities as they are apparent in the literature review and the implementation of the recent Greek Law 4449/2017. The first independent variable is the size of the audit committee; it is displayed as AC_Size and is counted as the number of members that make up the audit committee. The second variable is the percentage of independent AC members, which is denoted as P_Indep and gets a value from 0 to 1. The third variable is the percentage of AC members with financial knowledge and experience; it is denoted as P_FinExpert and takes on values from 0 to 1. The fourth variable is the percentage of audit committee members who have previous experience in audit committees and is denoted as P_Exper. The fifth variable is the number of meetings held by the audit committee over the course of the year and is marked as AC_Meet. The sixth variable used in the model is the percentage of women participating in the audit committee and is denoted as P_Female.

Previous research shows that AC characteristics have an impact on the effectiveness of the committee (Beasley et al., 2000; Carcello& Neal, 2000; DeZoort&Salterio, 2001; Abbott et al., 2004). Abbott et al. (2003) argue that independent AC members may demand greater levels of assurance, leading to additional audit procedures required from external auditors, which, in turn, results in increased audit fees. Also, AC members' financial and audit experience gives them the advantage of better understanding the risks associated with the external auditor's services and of identifying lower quality procedures. Therefore, they will require high quality audits and control procedures that minimize risk, resulting in increased audit fees.

The seventh variable analyzed is the board of directors' size, ie the number of members it is comprised of, and is denoted as B_Size, while at the same time, we use an eighth variable, which is denominated as Duality and takes 1 if the same person holds the position of both the board of directors chairman and the position of CEO and it takes 0 zero if this is not the case. The use of two variables is due to the fact that CG supporters, investors, regulators and scholars argue that the board is convinced of the effective functioning of key CG mechanisms in businesses. This influence can therefore

be extended to audit and non-audit fees related to the external auditor, which, up until the implementation of Law 4449/2017, were determined by each firm's board of directors.

4.3.2. Additional control variables

Following the previous literature, we find that, in addition to audit committee characteristics, audit fees are also related to the company's size, its growth and risk (Simunic, 1980; Francis, 1984; Chan et al., 1993). Moreover, audit fees are set by the audit firm that will provide audit services (Chan et al., 1993; Craswell & Francis, 1999; Ferguson et al., 2003; Casterella et al., 2004), but they are also influenced by audit fees (Hoitash & Hoitash, 2009).

More specifically, companies with high leverage are likely to urge auditors to be more cautious and to carry out more thorough audits that may contribute to their demand for higher pay. The Leverage variable is the ratio of total liabilities to the total assets of the firm (Dao & Pham, 2014; Safari, 2017; Abad & Bravo, 2018). In addition, the firm's size, which is usually measured based on total assets, will be transformed. We will thus use a natural logarithm of total assets which will be denoted by LnAssets (Ferguson et al., 2003; Francis et al., 2005; Fan & Wong, 2005).

Further, according to Palmrose (1986) and Ashton & Wright (1989), the largest auditing firms in the market have more resources and skilled staff, which may link them to audit fees. The variable that takes on 1 when the appointed external auditor belongs to one of the Big4 auditing firms (EY, PWC, KPMG, Deloitte) and 0 when it belongs to a different one, is denoted as Big4, while the natural logarithm of non-audit fees is denoted as LnNAF, which is an additional control variable.

At the same time, a high-growth firm may be considered as a high risk firm by an auditing company due to the aggressive behavior of its members. Therefore, more time and effort is put into auditing and verifying financial statements, leading to higher audit fees. We use a variable that expresses the ratio of the market value of the share to its book value (Sultana et al., 2015) and symbolize it as Growth.

There are also other variables that affect audit fees, such as business risk (Sultana et al., 2015) and ROA (Hoitash & Hoitash, 2009). The risk, which will be denoted as Risk, is measured as the ratio of short-term liabilities to the company's current assets. Finally, the ROA is measured as the net income divided by total assets.

A summary of all independent and dependent variables is outlined in Table III.

4.3.3. Audit fees

The first research model examines the relationship between audit fees and audit committee characteristics, the size of the board of directors, and all previously mentioned independent variables. Audit fees are the cost of the audit services offered by the audit firm to its client (Simunic, 1980)

Audit fees express the cost of external audits, i.e. the fees of external auditors who regularly exercise control over companies to reassure shareholders of their proper functioning. The natural logarithm of the audit fees accrued by auditing companies to the audited entity for the regular audit by the external auditor (Simunic, 1980; Hay et al., 2006; Hoitash & Hoitash, 2009; Ali et al. 2018) is denoted as (LnAF).

According to the previous literature (Hay, et al., 2006), the size of the company is an important factor in the audit fee models and a positive correlation between the

natural logarithm of the firm's assets and the fees paid for audit services is expected. In addition, we use variables for risk control, such as the Risk variable and ROA, and we expect both variables to be negatively related to audit fees. We also expect the Growth Index variable to be negatively related to audit fees.

Finally, we expect the variable that examines whether the audit firm belongs to the Big4 as well as the natural logarithm of non-audit fees LnNAF to be positively linked to audit fees.

The correlation between audit fees and audit committee characteristics as well as all other variables examined is achieved with the use of linear regression. We use the following model for hypotheses H1 - H7:

$$\text{LnAF} = \alpha + \beta_1\text{AC_Size} + \beta_2\text{P_Indep} + \beta_3\text{P_FinExpert} + \beta_4\text{P_Expe} + \beta_5\text{AC_Meet} + \beta_6\text{P_Female} + \beta_7\text{B_Size} + \beta_8\text{Duality} + \beta_9\text{Leverage} + \beta_{10}\text{LnAssets} + \beta_{11}\text{Big4} + \beta_{12}\text{LnNAF} + \beta_{13}\text{Growth} + \beta_{14}\text{Risk} + \beta_{15}\text{ROA} + e$$

4.3.4. Non-audit fees

The H8 hypothesis examines the association between non-audit fees with audit committee characteristics. The dependent variable is the ratio of non-audit fees to total audit fees and it is denominated as NonAFeeRatio. In this model, we use the same control variables as in the first study model. According to previous literature (Palmrose, 1986), we expect that larger companies are more likely to switch to non-audit services. The independent variables used, such as Growth, Risk, and ROA, reflect the company's financial condition and its ability to invest in a good internal control system. We also expect the Risk and ROA variables to be negatively correlated with our dependent variable. At the same time, the first four BIG 4 auditing firms are able to provide more non-audit services, so we expect a positive sign for this variable.

The association between non-audit fees and audit committee characteristics, but also the rest of the variables examined, is achieved with the use of linear regression. In order to test the H8 hypothesis, we use the following model:

$$\text{NonAFeeRatio} = \alpha + \beta_1\text{AC_Size} + \beta_2\text{P_Indep} + \beta_3\text{P_FinExpert} + \beta_4\text{P_Expe} + \beta_5\text{AC_Meet} + \beta_6\text{P_Female} + \beta_7\text{B_Size} + \beta_8\text{Duality} + \beta_9\text{Leverage} + \beta_{10}\text{LnAssets} + \beta_{11}\text{Big4} + \beta_{12}\text{Growth} + \beta_{13}\text{Risk} + \beta_{14}\text{ROA} + e$$

Table III: Variable Definition

Variables	Symbol	Calculation	Literature
Dependent Variables			
Natural logarithm of audit fees	LnAF	The natural logarithm of audit fees paid to the auditor for the year 2017	Hay et al., 2006; Hoitash&Hoitash, 2009; Zaman et al. 2011; Ali et al., 2018
Correlation between non-audit fees and total audit fees	NonAFeeRatio	Non-audit fees to total audit fees ratio	Hoitash&Hoitash, 2009
Independent Variables			

Audit Committee size	AC_Size	Number of audit committee members for the year 2017	Collier & Gregory, 1996; McMullen & Raghunandan, 1996; DeZoort et al., 2002; Pucheta-Martinez & Fuentes, 2007; Rahmat et al., 2009; Hoitash & Hoitash, 2009; Zaman et al. 2011
Percentage of independent audit committee members	P_Indep	Percentage of independent audit committee members for the year 2017	Collier & Gregory, 1996; McMullen & Raghunandan, 1996; Abbott et al., 2000; DeZoort et al., 2002; Abbott et al., 2004; Bedard et al., 2004
Percentage of audit committee members with expertise in Accounting and Auditing	P_FinExpert	Percentage of audit committee members with expertise in accounting, finance and auditing for the year 2017	Collier & Gregory, 1996; McMullen & Raghunandan, 1996; DeZoort et al., 2002; Bedard et al., 2004; Abad & Bravo, 2018
Percentage of audit committee members with previous experience in audit committees	P_Exper	Percentage of audit committee members who have previous experience in audit committees	Collier & Gregory, 1996, McMullen & Raghunandan, 1996, DeZoort et al., 2002; Vafeas & Waagelein 2007
Number of audit committee meetings	AC_Meet	Number of meetings held by the audit committee for the year 2017	Collier & Gregory, 1996, McMullen & Raghunandan, 1996; DeZoort et al., 2002; Abbott et al., 2004; Rahmat et al., 2009; Zaman et al. 2011; Ali et al., 2018
Percentage of female audit committee members	P_Female	Percentage of female audit committee members for the year 2017	Collier & Gregory, 1996; McMullen & Raghunandan, 1996; DeZoort et al., 2002

Board of Directors' size	B_Size	Number of Board of Directors members for 2017	Yermack, 1996; Eisenberg et al., 1998; Dalton et al., 1999; Alfraih, 2016
Same person holding position of chairman and CEO	Duality	1 - when it is the same person 0 - when different	Xie et al., 2003; Sultana et al., 2019
Leverage	Leverage	Total liabilities to total assets	Zaman et al. 2011; Dao & Pham, 2014; Safari, 2017; Abad & Bravo, 2018
Company size natural logarithm of total Assets	LnAssets	Natural logarithm of the company's assets	Ferguson et. al, 2003; Francis et al., 2005; Fan & Wong, 2005; Dao & Pham, 2014
Whether the auditing firm belongs to the Big4	Big4	1 - belongs to Big4 (PWC, EY, KPMG, Deloitte), 0 - does not belong to any of these	Ashton & Wright, 1989; Leventis et al., 2005; Zaman et al. 2011; Dao & Pham, 2014; Audousset – Coulier, 2015
Natural logarithm of non-audit fees	LnNAF	The natural logarithm of non-audit fees paid to the auditor for the year 2017	Hoitash&Hoitash, 2009; Ali et al., 2018
Growth indicator	Growth	Market value to the book value of the share ratio	Sultana et al, 2015
Short-term liabilities to company's turnover ratio	Risk	The ratio of short-term liabilities to the company's turnover	Sultana et al, 2015
ROA marker	ROA	The ratio of Net Income to Total Assets	Hoitash&Hoitash, 2009

5. Results

5.1. Descriptive statistics

Table IV shows the descriptive statistics of our sample. 64% of the sample companies have an audit committee member with knowledge in accounting and auditing, with only 23% of the companies having a board member with previous experience in a similar position. The average size of each audit committee is 3.12 members and the maximum is 5 members, while only 10% of the companies have at least one female audit committee member. On average, each committee held 6 meetings in 2017, while the

maximum number of meetings for some of them was 12. The ratio of non-audit fees to total audit fees was an average of 8.5%. Each company's board of directors has approximately 8 members on average, with the smallest council having only three members and the largest 14. Finally, in 40% of the companies, there is one board of directors' member who simultaneously holds the position of chairman and CEO.

Table IV: Descriptive Statistics

Variables	Mean	Median	SD	Minimum	Maximum
<i>Dependent</i>					
LnAF	11.4026	11.3731	1.33726	7.46	15.27
NonAFRatio	0.0847	0.0316	0.13399	0.00	0.74
<i>Independent</i>					
<i>Audit Committee and board characteristics</i>					
AC_Size	3.1190	3.0000	0.37110	2.00	5.00
P_Indep	0.7754	0.6667	0.15830	0.33	1.00
P_FinExpert	0.6363	0.6667	0.24121	0.25	1.00
P_Expe	0.2258	0.3333	0.19085	0.00	0.67
AC_Meet	5.6587	4.5000	2.39387	2.00	12.00
P_Female	0.1019	0.0000	0.18941	0.00	1.00
B_Size	8.1825	8.0000	2.58736	3.00	14.00
Duality	0.4048	0.0000	0.49281	0.00	1.00
<i>Control variables</i>					
Leverage	9.1585	2.2712	54.20756	-9.25	595.40
LnAssets	18.7170	18.6802	1.81180	14.10	23.45
Big4	0.2698	0.0000	0.44565	0.00	1.00
LnNAF	5.2602	7.9475	4.99548	0.00	12.84
Growth	1.6911	0.7357	10.87794	-85.02	50.24
Risk	1.3000	0.7260	4.16850	0.03	46.77
ROA	-0.0109	0.0130	0.26734	-2.90	0.20
MandA	0.07	0.00	0.259	0.00	1.00

5.2. Regression Results

5.2.1 Audit fees

Table V presents the results of linear regression for the first model that examines the first seven cases, i.e. how audit fees relate to audit committee characteristics, the size of the board of directors, and the rest of the control variables examined. Given that

$R^2 = 0.673$, the independent variables examined account for 67.3% of the variance of audit fees.

The first hypothesis examined by the first variable predicts that the size of the audit committee will be positively linked to audit fees. According to Table V, the results show that the size of the audit committee ($t = 2.390$, $P < 0.05$) is positively linked to audit fees, agreeing with Vafeas & Waagelein (2007) Hoitash & Hoitash al. (2011) and Ali et al. (2018). The variable referring to AC members' independence shows that it is positively linked to audit fees but it is not significant in the current study. Unlike the predictions and conclusions of previous research (Abbott et al., 2003a; Hoitash & Hoitash, 2009; Ali et al., 2018), knowledge in accounting and finance of at least one AC member is negatively related to audit fees and it is an insignificant variable.

The fourth hypothesis examined by the fourth variable predicts that past experience in a relevant position of at least one AC member will be positively linked to audit fees. According to the results, this variable ($t = 1.964$, $P < 0.1$) is positively linked to audit fees, as is the case in previous research (Abbott et al., 2003a; Vafeas & Waagelein, 2007; Hoitash & Hoitash, 2009; Ali et al., 2018). Consequently, due to their past experience, audit committee members require high-quality audits and control procedures that minimize risk and thus increase audit fees. The frequency of meetings held by the audit committee is examined in the fifth case and provides for a positive link to audit fees. The results show that the frequency of AC meetings ($t = 2.004$, $P < 0.05$) is positively linked to audit fees, which is also confirmed by research carried out by Abbott et al. (2003a), Abbott et al. (2003b), Goodwin - Stewart & Kent (2006), Hoitash & Hoitash (2009), Zaman et al. (2011) and Ali et al., (2018). The variable of the sixth hypothesis, which measures the proportion of women present in audit committees, shows that the presence of at least one woman in the audit committee is positively linked to audit fees, but according to the outcome it is not a significant variable.

The seventh hypothesis concerns the board of directors, the size of which, according to our predictions, is positively linked to audit fees. The results show that the board of directors' size ($t = 2.713$, $P < 0.01$) is positively linked to audit fees, a finding that is also evidenced in Abbott et al. (2003a) and Abbott et al. (2004). The positive significant link between the board of directors' size and audit fees shows that the recent implementation of Law 4449/2017 was not fully endorsed by all the companies in the sample. Therefore, since its first implementation, we observe that its objectives, namely the transfer of the responsibility of supervising external auditors from the management and the board of directors to the audit committee, have not been fully achieved.

Regarding the control variables, only two are significant and in line with predictions. More specifically, the Leverage variable ($t = -3.634$, $P < 0.01$) is negatively linked to audit fees, whereas the LnAssets variable ($t = 5.210$, $P < 0.01$), is positively linked to audit fees.

Table V: Regression Analysis for H1 - H7 hypotheses

Variable	Expected sign.	Coefficient	VIF	t
Intercept		1.773		1.647
AC_Size	+	0.518	1.381	2.390**
P_Indep	+	0.313	1.099	0.692
P_FinExpert	+	0.274	1.064	0.936
P_Expe	+	0.975	1.917	1.964*
ACMeet	+	0.067	1.369	2.004**
P_Female	?	0.381	1.133	0.990
B_Size	+	0.097	1.815	2.713***
Duality	+	0.201	1.166	1.344
Control variables:				
Leverage	-	-0.005	1.270	-3.634***
LnAssets	+	0.326	2.740	5.210***
Big4	+	-0.003	1.316	-0.015
LnNAF	+	0.011	1.444	0.680
Growth	-	-0.012	1.182	-1.792*
Risk	-	-0.006	1.068	-0.327
ROA	+	0.009	1.147	0.034
MandA	?	0.108	1.162	0.380
Adjusted R²			0.673	
F statistic (sig.)			17.062**	
Observations			125	

Notes: Significant at the *10, **5 and ***1 per cent levels, respectively. One – tailed tests are used when coefficients have predicted signs.

Table VI shows the results of linear regression for the second model examining the eighth hypothesis, namely how the ratio of non-audit fees to total fees is related to audit committee characteristics, the size of the board of directors, and the rest of the control variables tested.

The results show that Non AFee Ratio is negatively associated with the variable **Duality (t = -1.953, P < 0.05)**. The results contradict the findings of Abbott et al. (2003b) and Hoitash&Hoitash (2009), showing that, upon implementing Law 4449/2017 for the first time, audit committees may be less willing to allow a disproportionate provision of non-audit services in relation to total fees.

Table VI: Regression Analysis for H8 hypothesis

Variable	Expected sign.	Coefficient	VIF	t
Intercept		-18.312		-3.057***
ACSize	-	0.281	1.380	0.224
P_Indep	-	-2.067	1.093	-0.790
P_FinExpert	-	-0.314	1.064	-0.186
P_Expe	-	0.137	1.917	0.048
AC_Meet	-	0.132	1.364	0.682
P_Female	?	-0.349	1.133	-0.157
B_Size	-	0.045	1.814	0.219
Duality	-	-0.740	1.158	-0.855
Control variables:				
Leverage	+	0.002	1.269	0.291
LnAssets	+	1.263	2.437	3.698***
Big4	+	0.350	1.315	0.344
Growth	-	0.065	1.153	1.670*
Risk	-	-0.108	1.056	-1.109
ROA	-	-0.398	1.147	-0.250
MandA	?	-0.667	1.160	-0.404
Adjusted R²			0.213	
F statistic (sig.)			3.255**	
Observations			125	

Notes: Significant at the *10, **5 and ***1 per cent levels, respectively. One – tailed tests are used when coefficients have predicted signs.

6. Conclusions

This study is the first to examine the relationship between audit committee characteristics and audit fees paid to the audit firm during the first year of application of Law 4449/2017, which stipulates that the selection and remuneration of the audit firm will be made by the audit committee. Our results indicate that the size of the board positively affects audit fees. This shows that the key objective of Law 4449/2017, which is to exempt the board from supervising and compensating external auditors and to assign this responsibility to the audit committee, has not been fully achieved.

Having examined the correlation between audit committee characteristics and audit fees during the first year of the Law's application, we conclude that audit fees are positively and significantly correlated with the committee's size, the presence of at least one member with previous experience in a similar position, as well as the frequency of meetings held throughout the year. These results are in complete agreement with research conducted by Abbott et al. (2003a), Abbott et al. (2003b), which was carried out in the United States prior to the implementation of the Sarbanes Oxley 2002 Law and prior to the Hoitash & Hoitash (2009) study, which was carried out following the implementation of the same law. In addition, they are consistent with research conducted by Zaman et al. 2011 and Ali et al. (2018) in Australia.

With regards to AC members' knowledge in accounting and finance, our data contradicts previous studies that show that this feature contributes positively to audit fees. In addition, the results show that audit committees may be less willing to allow a disproportionate provision of non-audit services in relation to total fees. The participation of experienced members in these committees prevents them from demanding non-audit fees as well as frequent meetings throughout the year.

This study has several implications for Greek legislators, auditors, boards, and CG scholars. To start with, it is the first study that examines the implementation of Law 4449/2017 in companies listed on the ASE by measuring the correlation between audit fees and audit committee characteristics. The results of the study point out that the objective of the Law, namely the exemption of the board of directors from the responsibility of compensating external auditors, has not yet been achieved. It also underlines the need for strong large audit committees consisting of experienced members who, according to the rest of the studies, should have knowledge and experience in accounting and financial matters, and should stress the need for frequent audit committee meetings.

At the same time, we observe several possible limitations in our data and methods. To begin with, audit fees are determined on the basis of supply and demand for the audit services offered. As is the case in all relevant studies, we cannot exclude the impact of supply and demand and we can only measure their combined impacts. Also, the use of audit fees does not help us to fully measure the quality of the services offered by auditors to the audited companies. Consequently, these uncontrolled restrictions may have affected our results. Finally, the limited number of samples combined with the lack of information provided by many companies limited our analysis and prevented us from comparing our results with previous studies.

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