

Implementation of the New Securities Law and Audit Fees

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Abstract: *This paper takes China's A-share non-financial listed companies from 2018 to 2020 as a sample, and examines the impact of the implementation of the new Securities Law on audit fees. It is found that, compared with companies with good internal control quality, the audit fees of companies with poor internal control quality have increased more after the implementation of the new Securities Law. This phenomenon is more obvious when the agency cost of the company is high, the analyst's attention is low, the client is not important to the firm and the audit market concentration is low. This paper not only enriches the research on law and auditor's behavior, but also provides evidence for the implementation effect of the new Securities Law.*

Keywords: *Securities Law, Audit cost, Internal control quality, Audit risk premium*

1. Introduction

As the last forensic defense line before the disclosure of the annual report information of the audit company, it directly or indirectly affects the decision-making of the users of financial reports. Therefore, the role of accounting firms and auditors is valued by the regulatory authorities. On December 28th, 2019, the Securities Law of the People's Republic of China (hereinafter referred to as the new Securities Law), which has been revised for more than four years, was reviewed and officially implemented on March 1st, 2020. The new "Securities Law" has significantly increased the illegal costs and litigation risks faced by accounting firms and auditors, and provided legal protection for further tightening their "gatekeeper" responsibilities in the capital market. On the one hand, the new Securities Law has greatly increased the penalties of accounting firms and auditors for failing to perform their duties diligently. For example, if there are false records, misleading statements or major omissions in the documents produced and issued due to failure to perform due diligence, the new Securities Law will increase the top fine of the firm from 5 times to 10 times of business income; The fine for the person directly responsible has been raised from 100,000 to 2 million. On the other hand, the new Securities Law has significantly increased the litigation risk of accounting firms and auditors. The new Securities Law sets "investor protection" as a chapter, and introduces the special representative litigation system, which is called the securities class action system with Chinese characteristics. Once an investor files a special representative lawsuit against a listed company's false statement, the court will refer to the firm's liability recognized by the regulatory authorities, and the firm will bear joint and several liability for compensation if it cannot prove that it has no fault. For example, in the Kangmei Pharmaceutical incident, which has attracted much attention from the market, the audit institution Guangdong Zhengzhong Zhujiang Certified Public Accountants Co., Ltd. failed to implement the basic audit procedures, failed to obtain sufficient and appropriate audit evidence, and the audit report contained false records, which seriously violated the relevant laws and regulations, and was judged to bear 100% joint liability for the defendant Kangmei Pharmaceutical's 2.459 billion yuan debt[1-3].

2. Literature review and research hypothesis

2.1. Literature review

Since Simunic (1980) put forward the audit pricing model, and the empirical test shows that audit pricing depends on the audit input cost and risk premium, audit fees have become the main focus of foreign scholars' research on audit decisions. Some studies have focused on the impact of audit demand side and suppliers on audit fees. The audit demand side has carried out a lot of research mainly from the

characteristics and risks of the audited company. The degree of difficulty of the audited company determines the amount of audit investment. The more complex the business of the client company, the auditor needs to expand the scope of evaluation and testing, and conduct substantive tests to implement the necessary audit procedures. The audit investment is large and the audit fees are high (Zhu and Guo, 2006; Hoitas and Hoitash, 2018). The other part of audit pricing is determined by risk premium. The higher the company's operating risk, the higher the probability of financial misstatement, and the higher the probability of potential audit failure and loss, so the higher the audit cost (Li, Huang and Sun, 2020; Sharma, Sharma and Litt, 2018; Bryan, Mason and Reynolds, 2018). In addition, external supervision and legal risks will also affect audit fees. The intensity of law enforcement supervision and the risk of legal proceedings faced by listed companies are positively correlated with audit fees (Florou, Morricone, Pope and Peter, 2020; Cassell, Drake and Dyer, 2018; Feng and Liang, 2010).

The audit supplier is mainly studied from the personal characteristics of accounting firms and auditors. It is found that there is a significant positive correlation between audit fees and firm size at home and abroad (Francis, 1984). Firms or audit partners with more experience and expertise in the audit industry will charge higher audit fees (Riccardi, Rama and Raghunandan, 2018; Lee, Nagy, Zimmerman and Aleksandra, 2019; Bae, Choi and Lee, 2019). In addition, a few studies have also paid attention to the regulatory risks and litigation risks of firms that will affect audit fees (Tanyi and Litt, 2017; Simunic and Stein, 1996).

To sum up, the research on the influencing factors of audit fees has gradually matured, but few literature have studied the impact of external legal environment changes on audit fees. As the fundamental law of China's capital market, the implementation of the new Securities Law will bring great changes to the legal environment of China's capital market. Among them, there are important revisions on improving the administrative punishment of accounting firms, strengthening the protection of investors, and strengthening the legal regulation of accounting firms and auditors. Therefore, the impact on audit fees needs to be empirically tested [4-7].

2.2. Theoretical analysis and research hypothesis

The greater the risk of regulatory punishment faced by auditors, the more cautious they are in conducting audit business, and the more audit procedures they implement, so the higher the audit fees are (Liu, 2013). Under the guiding ideology of further tightening the responsibilities of the gatekeepers in the capital market of intermediaries, the new Securities Law has greatly increased the penalties for illegal acts of accounting firms and auditors. According to Article 223 of the new Securities Law, if an accounting firm fails to perform its duties diligently, and the documents produced or issued contain false records, misleading statements or major omissions, the maximum fine will be increased from five times of the original business income to ten times, and the fixed fine will be increased from the original "one hundred thousand yuan to three hundred thousand yuan" to "five hundred thousand yuan to five million yuan"; For auditors who are directly responsible, the fine has been increased from "30,000 yuan to 100,000 yuan" to "200,000 yuan to 2 million yuan". The new "Securities Law" greatly increases the punishment of accounting firms for not being diligent and conscientious, and raises the possible audit risks. The firms will ask the audited entities to give risk compensation, which leads to the increase of audit fees [8-11].

At the same time, the new "Securities Law" pays more attention to the protection of investors, increases the civil litigation methods of small and medium investors, and introduces the special representative litigation system. As a result, the possibility of accounting firms undertaking joint and several liabilities increases, and they will become the responsible parties to compensate investors for their losses. "The Deep Pocket Theory" holds that no matter how much the subject should be punished, any subject who seems to have economic wealth may be prosecuted (McGee, 1958; Telser, 1966). In the past, due to the unsound civil litigation mechanism of securities for small and medium investors in China, the "deep pocket" theory was not applied to the audit field of China's capital market (Xi Wu, 2021). At present, the implementation of the new "Securities Law" makes the firm become an important party to bear the joint and several liability of listed companies, and the firm will bear the joint and several liability if it can't prove its no fault. Although accounting firms have the right to prove that they have no fault, it is difficult to prove it, and there is uncertainty that the evidence is recognized by the regulatory authorities. Therefore, accounting firms will increase audit fees as risk compensation to prevent related audit risks.

Finally, increasing the penalties for irregular audit process and illegal audit reports, and increasing the penalties and litigation risks of accounting firms and auditors will make accounting firms and auditors tighten the strings of risk prevention and responsibility awareness, and invest more time and professional

resources in the audit process, thus increasing the audit cost. Generally speaking, it is expected that the increase of audit risk and audit cost will increase audit fees[12-17].

It is found that the lower the quality of internal control, the more likely the company will have financial misstatements, false statements and financial fraud that will damage the market operation foundation and infringe the interests of investors (Yang and Chen, 2015), and the greater the audit risk (Zhang and Zhu, 2010). In view of the limited regulatory resources, regulators tend to impose stricter examination and punishment on high-risk companies (Files, 2012). Enterprises with low internal control quality are more likely to be the targets of supervision concern and suspicion, and are subject to greater supervision penalties. Therefore, the implementation of the new "Securities Law" will bring greater litigation risks to companies with poor internal control quality, and their auditors will face greater audit risks and litigation risks, and the possibility of triggering punishment will be greater. Therefore, compared with companies with good internal control quality, accounting firms will increase their audit investment in companies with poor internal control quality. In order to compensate for their own risks and audit costs, accounting firms will increase audit fees for companies with poor internal control quality to a greater extent. Accordingly, this paper puts forward the following assumptions:

Hypothesis 1: After the implementation of the new Securities Law, compared with companies with good internal control quality and companies with poor internal control quality, audit fees will increase more.

3. Research Methods

3.1. Sample selection and data sources

In order to investigate the impact of the new Securities Law on the audit fees of listed companies, this paper selects A-share non-financial listed companies from 2018 to 2020 as the research object. The reason why the sample started in 2018 is that the new auditing standards were implemented at the end of 2016, and A+H share listed companies were piloted in 2017. From January 1, 2018, the audit reports of listed companies in Shanghai and Shenzhen stock markets need to disclose key audit matters. Zhou, He and Shao (2020) found that the average audit expenses of listed companies in China increased significantly after the implementation of the new audit reporting standards. Considering the impact of the new auditing standards on audit fees, the sample intervals selected in this paper are all after the implementation of the new auditing standards, so as to eliminate the impact of the implementation of the new auditing standards on the results of this paper. At the same time, ST and *ST company samples and company samples with missing data of related variables are excluded. Considering the perfect internal management and standardized business risk control process of the four major international accounting firms, the four major international accounting firms themselves have put risk prevention and quality control at the front line of audit business decision-making, and the improvement of external legal system has little impact on the increment of their audit business. Therefore, the samples of companies audited by the four major international accounting firms are excluded, and the companies audited by domestic accounting firms are mainly studied.

The internal control index used in this paper comes from DIB database, and other data come from CSMAR database. To avoid the influence of extreme values, all continuous variables are winsorized at the upper and lower ends of 1%.

3.2. Model setting and variable definition

In order to test the main hypothesis 1 proposed in this paper, this paper constructs the econometric regression model (1).

$$\begin{aligned} \text{LNFEET} = & \alpha_0 + \alpha_1 \text{POST} * \text{LOWICQ} + \alpha_2 \text{LOWICQ} + \alpha_3 \text{CONTROL} \\ & + \Sigma \text{INDUSTRY} + \Sigma \text{YEAR} + \Sigma \text{PROVINCE} + \varepsilon \end{aligned} \quad (1)$$

The dependent variable is audit fee, which is measured by the natural logarithm of domestic audit fee in. POST is a virtual variable in the implementation of the new Securities Law. Since the audit fee is generally determined when the audit engagement letter is signed, the POST value is 1 in the year of the implementation of the new Securities Law (2020) and 0 before the implementation of the new law (2018 and 2019).

The implementation of the new Securities Law will have an impact on all participants in the capital

market, but the impact intensity will be different for different listed companies. Considering the lag of regulatory punishment and the feasibility of research, some studies have found that the quality of internal control affects the risk of regulatory punishment (Yang and Chen, 2015), and correspondingly it will also affect the legal risk. Therefore, this paper draws lessons from Ye and Gong (2020) and Qian and Fang (2021), the quality of internal control is divided according to the median of the company's internal control index in the year before the implementation of the new Securities Law (2019). For companies less than or equal to the median of the internal control index, LOWICQ=1, and for companies higher than the median, LOWICQ=0.

According to the expectation of hypothesis 1, the regression coefficient 1 of the cross-product term in model (1) should be significantly positive.

This paper also controls other factors that may affect audit fees, including company size (SIZE), number of subsidiaries (SUB), accounts receivable ratio (AR), inventory ratio (INV), return on total assets (ROA), asset-liability ratio (LEV), loss (LOSS), ownership concentration (TOP1), proportion of independent directors (INDEPDIR), shareholding ratio of institutional investors (INSHOLD), and listing years.

At the same time, taking into account the differences in the implementation and enforcement of laws and regulations in different province, we include the industry and annual fixed effect, and also control the provinces. The variables are defined in Table 1.

Table 1: Variable definition

Variable symbol	Variable name	Variable expression
LNFEF	Audit expenses	Natural Logarithm of Annual Domestic Audit Fees
POST	Virtual variables in the implementation of the new Securities Law	POST=1 in the year (2020) when the new Securities Law comes into effect and later years, and POST=0 before the new law comes into effect (2018 and 2019).
LOWICQ	Internal control quality	The median of internal control index is used to divide the quality of internal control. LOWICQ=1 for companies less than or equal to the median of internal control index, and LOWICQ=0 for companies higher than the median.
SIZE	Company size	Natural logarithm of total assets
SUB	Number of subsidiaries	Number of subsidiaries included in the consolidated statement in the current year
AR	Accounts receivable ratio	Accounts receivable/total assets at the end of the period
INV	Inventory ratio	Net inventory/total assets at the end of the period
ROA	return on total assets	Net profit/(total assets at the end of the period+total assets at the beginning of the period) /2
LEV	Asset-liability ratio	Total liabilities/assets at the end of the year
LOSS	Loss situation	If the net profit after deducting non-recurring gains and losses is less than 0, it equals 1, 0 otherwise.
RESTATE	Financial restatement	If the financial statement is restated, it is 1, 0 otherwise.
TOP1	Ownership concentration	The shareholding ratio of the largest shareholder
INDEPDIR	Proportion of independent directors	Number of independent directors/total number of board members
INSHOLD	Share holding ratio of institutional investors	Total shareholding ratio of institutional investors
AGE	Listing period	Natural logarithm of listed years
SOE	Nature of the property right	If it is a state-owned enterprise, it equals 1, 0 otherwise.
AFCHANGE	Accounting firm change	If the accounting firm changes in the current year, it equals 1, 0 otherwise.
MAO	Audit opinion	If the auditor issued a non-standard unqualified opinion in the current year, it equals 1, 0 otherwise.
BIG8	The "Big Eight" in China	If it is audited by the top eight domestic firms, it is 1, 0 otherwise.

4. Empirical results and analysis

4.1. Descriptive statistics

Descriptive statistical results of variables are shown in Table 2. The results show that the average value of audit cost measurement variable LNFEED is 13.792, which is consistent with previous studies. The mean value of the internal quality measurement variable LOWICQ is 0.478, and the mean value of the control variable SIZE is 22.318. The average value of AF is 0.121, indicating that 12.1% of listed companies have AFCHANGE accounting firms during the sample period. The average value of BIG8 is 0.675, which indicates that the eight major domestic firms occupy 67.5% of the audit market of China's A-share non-financial industry[18-21].

Table 2: Descriptive statistics

variable	N	mean	sd	p50	min	max
LNFEED	8155	13.792	0.561	13.710	12.676	15.425
POST	8155	0.348	0.476	0.000	0.000	1.000
LOWICQ	8155	0.478	0.500	0.000	0.000	1.000
SIZE	8155	22.318	1.194	22.180	20.120	25.934
SUB	8155	25.014	30.995	15.000	1.000	195.000
AR	8155	0.133	0.106	0.114	0.001	0.493
INV	8155	0.137	0.120	0.109	0.001	0.658
ROA	8155	0.032	0.079	0.036	-0.334	0.214
LEV	8155	0.426	0.193	0.420	0.070	0.887
LOSS	8155	0.211	0.408	0.000	0.000	1.000
RESTATE	8155	0.225	0.418	0.000	0.000	1.000
TOP1	8155	0.323	0.140	0.302	0.085	0.693
INDEPDIR	8155	0.378	0.054	0.364	0.333	0.571
INSHOLD	8155	0.398	0.241	0.410	0.001	0.883
AGE	8155	11.469	7.723	9.000	1.000	27.000
SOE	8155	0.311	0.463	0.000	0.000	1.000
AFCHANGE	8155	0.121	0.326	0.000	0.000	1.000
MAO	8155	0.038	0.191	0.000	0.000	1.000
BIG8	8155	0.675	0.468	1.000	0.000	1.000

4.2. Multiple regression analysis

The model (1) is used to test the impact of the implementation of the new Securities Law on the company's audit expenses. The empirical results are listed in Table 3. The results show that POST*LOWICQ is significantly positively correlated with LNFEED, which indicates that after the implementation of the new Securities Law, the audit expenses of companies with poor internal control quality increase more. Assuming H1 is verified. The results show that under the new "Securities Law", the revision of laws and regulations, such as the increase of administrative penalties for firms and auditors and the strengthening of investor protection, has affected the audit business. Auditors can prevent audit risks by increasing audit fees as risk compensation in the face of a stricter external legal environment.

Table 3: Empirical results of the new Securities Law and audit fees

VARIABLES	LNFEES
LOWICQ	0.032***
	(3.03)
POST LOWICQ	0.042**
	(2.44)
SIZE	0.301***
	(54.38)
SUB	0.004***
	(23.00)
AR	0.170***
	(3.71)
INV	-0.105**
	(-2.40)
ROA	-0.633***
	(-8.81)
LEV	0.054*
	(1.87)
LOSS	0.038***
	(2.87)
RESTATE	0.009
	(0.87)
TOP1	-0.173***
	(-4.91)
INDEPDIR	-0.040
	(-0.52)
INSHOLD	0.106***
	(4.61)
AGE	-0.004***
	(-5.17)
SOE	-0.112***
	(-9.82)
AFCHANGE	0.004
	(0.34)
MAO	0.081***
	(3.55)
BIG8	0.056***
	(6.16)
Constant	7.152***
	(57.10)
INDUSTRY&YEAR&PROVINCE	control
N	8,155
Adjusted R-squared	0.578

Note: The value of T in brackets, * * * and * * * indicate the significance level of 10%, 5% and 1% respectively.

5. Robustness tests

5.1. Control of individual fixation effects

In order to solve the problem of missing variables that may exist in the research process, this paper further controls the firm fixation effect, so as to eliminate the influence of factors that do not change with time at the firm level on the empirical results. Results As shown in column (1) of Table 4, the cross-product POST*LOWICQ is still significantly positively correlated with audit fees.

Table 4: Control firm's fixed effect and replacement of explained variables

VARIABLES	(1) LNFE	(2) AUDFEE
LOWICQ		0.002 (0.54)
POST LOWICQ	0.023*** (3.30)	0.017** (2.53)
SIZE	0.250*** (8.73)	-0.171*** (-77.02)
SUB	0.002*** (3.27)	0.001*** (20.32)
AR	0.215*** (2.71)	0.013 (0.72)
INV	-0.014 (-0.21)	-0.004 (-0.21)
ROA	-0.144*** (-2.77)	-0.315*** (-10.96)
LEV	0.025 (0.46)	0.028** (2.38)
LOSS	0.014** (2.02)	0.012** (2.35)
RESTATE	-0.005 (-1.01)	-0.002 (-0.36)
TOP1	-0.187* (-1.90)	-0.001 (-0.04)
INDEPDIR	-0.020 (-0.25)	0.177*** (5.77)
INSHOLD	0.215*** (4.01)	0.045*** (4.95)
AGE	0.040** (2.41)	-0.001** (-2.49)
SOE	0.001 (0.03)	-0.015*** (-3.23)
AFCHANGE	0.000 (0.05)	-0.001 (-0.19)
MAO	0.042** (2.33)	0.025*** (2.73)
BIG8	0.031*** (2.82)	0.016*** (4.48)
Constant	7.667*** (11.94)	3.961*** (79.11)
FIRM&YEAR	control	
INDUSTRY&YEAR&PROVINCE	control	
N	8,155	8,155
Adjusted R-squared	0.253	0.630
Number of companies	2,986	

Note: The value of T in brackets, * * * and * * * indicate the significance level of 10%, 5% and 1% respectively.

5.2. The measurement method of replacing the explained variable

In order to avoid the influence of scale, the ratio of audit expenses multiplied by 1000 to total assets (AUDFEE) is used as the explained variable. Results As shown in column (2) of Table 4, the cross-product POST*LOWICQ is still significantly positively correlated with audit fees.

5.3. Parallel trend test

The definition of intensity uses two groups of variables of internal control quality, and it is necessary to test whether the parallel trend hypothesis is met before the implementation of the new Securities Law. To verify the hypothesis of parallel trend, the following dummy variables are set: if it is 2 years before the implementation of the new Securities Law, that is, 2018, the dummy variable POST (-2) takes the value of 1; If it is the year when the new Securities Law comes into effect, the value of the dummy variable POST (1) is 1. Taking the year before the implementation of the new Securities Law (2019) as the benchmark group, the cross-product term of the above virtual variable and the virtual variable of internal control quality (LOWICQ) is added to observe the time trend of the average processing effect. The results are shown in column (2) of Table 5. The cross-product term POST (1)*LOWICQ is

significantly positively correlated with the audit fee, but the cross-product term $POST(-2)*LOWICQ$ is significantly positive.

Table 5: Parallel trend test

VARIABLES	LN FEE
LOWICQ	0.027*
	(1.90)
POST(-2) LOWICQ	0.010
	(0.51)
POST(1) LOWICQ	0.046**
	(2.38)
SIZE	0.301***
	(54.37)
SUB	0.004***
	(23.00)
AR	0.170***
	(3.71)
INV	-0.105**
	(-2.40)
ROA	-0.635***
	(-8.82)
LEV	0.054*
	(1.86)
LOSS	0.038***
	(2.88)
RESTATE	0.009
	(0.86)
TOP1	-0.173***
	(-4.91)
INDEPDIR	-0.040
	(-0.52)
INSHOLD	0.106***
	(4.61)
AGE	-0.004***
	(-5.17)
SOE	-0.112***
	(-9.82)
AFCHANGE	0.004
	(0.34)
MAO	0.081***
	(3.56)
BIG8	0.056***
	(6.16)
Constant	7.150***
	(57.06)
	8,155
	0.578

Note: The value of T in brackets, * * * and * * * indicate the significance level of 10%, 5% and 1% respectively.

6. Further analysis

6.1. Inspection of audit demand side's influence on audit fees

6.1.1. Principal-agent cost

From the perspective of audit demand side, that is, listed company, audit originates from the separation of ownership and management rights of the company. Company owners, that is, shareholders, want managers to manage the company according to the goal of maximizing shareholders' wealth. However, because managers themselves are not shareholders or have a small number or proportion of shares, the principal-agent theory holds that managers may pay more attention to their own interests, resulting in adverse selection and moral hazard. In order to prevent agents from harming their own

interests, it is necessary to restrict the agent's behavior through strict contractual relationship and strict supervision of the agent, and pay a price for it, namely agency cost (Jensen and Meckling, 1976). The higher the agency cost, the greater the need to hire external auditors to conduct independent audits to alleviate information asymmetry, so the audit fees may be higher. And the more serious the first kind of principal-agent problem is, the higher the agency cost will be. The implementation of the new Securities Law will significantly increase the audit fees of listed companies.

The agency cost (AGCOST) is measured by the proportion of management expenses to operating income. The group with higher agency cost than the median represents high audit demand. Results As shown in columns (1) and (2) of Table 6, the POST_LOWICQ coefficient is 0.047 in the samples with high agency cost, which is significantly positive at the level of 10%, while it is 0.034 in the samples with low agency cost, which is not statistically significant. It shows that the higher the agency cost of the company, the more impact the new Securities Law will have on the increase of audit fees.

6.1.2. External supervision of analysts

Table 6: Impact of audit demand side on audit fees

VARIABLES	Agency cost		Analyst's attention	
	(1) lower	(2) higher	(3) lower	(4) higher
	LNFEET	LNFEET	LNFEET	LNFEET
LOWICQ	0.044*** (2.93)	0.021 (1.39)	0.044*** (3.08)	0.030* (1.87)
POST_LOWICQ	0.034 (1.41)	0.047* (1.96)	0.065*** (2.87)	-0.006 (-0.24)
SIZE	0.330*** (41.91)	0.278*** (33.51)	0.264*** (32.74)	0.328*** (35.89)
SUB	0.003*** (15.17)	0.005*** (15.92)	0.006*** (19.02)	0.003*** (13.90)
AR	0.146** (2.34)	0.273*** (3.90)	0.108* (1.81)	0.225*** (3.17)
INV	-0.000 (-0.00)	-0.173*** (-2.70)	-0.136** (-2.49)	-0.068 (-0.96)
ROA	-0.648*** (-5.24)	-0.540*** (-5.98)	-0.636*** (-7.18)	-0.544*** (-4.30)
LEV	0.010 (0.22)	0.100** (2.57)	0.080** (2.20)	0.036 (0.74)
LOSS	0.034 (1.62)	0.030* (1.77)	0.037** (2.47)	0.025 (0.97)
RESTATE	0.012 (0.78)	0.011 (0.72)	-0.018 (-1.26)	0.040** (2.49)
TOP1	-0.231*** (-4.70)	-0.097* (-1.92)	-0.191*** (-3.97)	-0.170*** (-3.29)
INDEPDIR	-0.190* (-1.75)	0.076 (0.70)	0.133 (1.29)	-0.256** (-2.22)
INSHOLD	0.154*** (4.74)	0.061* (1.89)	0.149*** (4.75)	0.051 (1.50)
AGE	-0.004*** (-3.51)	-0.003*** (-3.12)	-0.005*** (-5.66)	-0.002 (-1.49)
SOE	-0.125*** (-7.80)	-0.093*** (-5.65)	-0.115*** (-7.71)	-0.102*** (-5.77)
AFCHANGE	0.006 (0.33)	-0.002 (-0.13)	-0.001 (-0.05)	0.009 (0.46)
MAO	0.091** (2.24)	0.079*** (2.83)	0.090*** (3.52)	0.022 (0.47)
BIG8	0.055*** (4.22)	0.063*** (4.96)	0.059*** (5.08)	0.050*** (3.48)
Constant	6.539*** (36.39)	7.581*** (40.57)	7.827*** (43.61)	6.743*** (32.74)
INDUSTRY&YEAR&PROVINCE	control			
Observations	4,078	4,077	4,209	3,946
Adjusted R-squared	0.627	0.514	0.529	0.580

Note: The value of T in brackets, * * * and * * * indicate the significance level of 10%, 5% and 1% respectively.

As a professional, analysts' supervision of the company belongs to external supervision as well as laws and regulations. The lower the analyst's attention to the company, the more obvious the incremental effect of the external legal environment on the company supervision. Therefore, in this paper, the natural logarithm (ANALYST) of the number of analysts tracking plus 1 is used to measure the analyst's attention. The one higher than the median is the group with high analyst's attention, and the other is the group with low analyst's attention, so as to test its influence on audit fees. Results As shown in columns (3) and (4) of Table 6, the POST_LOWICQ coefficient is 0.065 in the samples followed by fewer analysts, which is significantly positive at the level of 1%, while the POST_LOWICQ coefficient is -0.006 in the samples followed by more analysts, which is not statistically significant. The results show that the lower the analyst's attention, the higher the audit fees of companies with poor internal control quality will be after the implementation of the new Securities Law. Analyst supervision and legal supervision are complementary to each other.

6.2. Inspection of the impact of audit suppliers on audit fees

6.2.1. Customer importance

From the audit supplier's point of view, that is, the accounting firm's audit fees are based on the relative bargaining power between itself and the client company. If a client is very important to the firm, the firm has the motivation to maintain a big client, the audit independence is affected, the bargaining power is relatively weak, and it is easy to make concessions on audit fees to maintain the audit business; However, if a single client company is not particularly important to the firm, as the supplier of audit business, the firm has no strong motivation to maintain and its bargaining power is relatively strong, so it may require higher audit fees. When the importance of a firm's individual client is lower and the firm's relative bargaining power is higher, the implementation of the new Securities Law will significantly increase the audit fees of listed companies with poor internal control quality.

The ratio of total assets of a single client to the total assets of all clients in the firm is adopted to measure the importance of clients (AFCIM) at the firm level. The lower than the median is the group with low importance of clients, representing low importance of clients, and the firm's relative bargaining power is high. The higher the audit fees, the higher the audit fees of listed companies. Results As shown in columns (1) and (2) of Table 7, in the samples with low customer importance, the POST_LOWICQ coefficient is 0.043, which is significantly positive at 5% level, while in the samples with high customer importance, the POST_LOWICQ coefficient is 0.041, which is not statistically significant. The results show that the lower the importance of clients and the stronger the relative bargaining power of firms, the implementation of the new Securities Law will play a greater role in increasing audit fees[22-25].

6.2.2. Audit market concentration

The audit market concentration is low, and the audit of firms usually can't achieve "economies of scale", which leads to the spillover effect of industry knowledge. For companies with poor internal control quality, after the promulgation of the new Securities Law, the requirements for company information disclosure become stricter, and the penalties for violations of laws and regulations by companies and intermediaries increase, which means that firms with low industry concentration need to invest more time and human resources in the development of company audit business, and the audit fees will increase even more after the implementation of the new Securities Law.

Based on provinces and industries, calculate the audit market concentration $INHERF = \sum \theta_i$, in which θ_i indicates that the customer operating income of listed companies in a province and industry accounted for the proportion of the operating income of all listed companies in the province and industry of the i . This indicator is higher than the annual median for high audit market concentration, otherwise it is low audit market concentration. As shown in columns (3) and (4) of Table 7, the POST_LOWICQ coefficient of 0.043 in the sample with low audit market concentration was significantly positive at the 10% level, while in the sample with high audit market concentration, the POST_LOWICQ coefficient was 0.029, which was not statistically significant. The results show that when the audit market concentration of firms is low and the scale effect of audit business is weak, the implementation of the new Securities Law has a greater impact on the company's audit fees[23-28].

Table 7: Impact of audit suppliers on audit fees

VARIABLES	Customer importance		Audit market concentration	
	(1) lower	(2) higher	(3) lower	(4) higher
	LNFEE	LNFEE	LNFEE	LNFEE
LOWICQ	0.022 (1.61)	0.042** (2.56)	0.025* (1.71)	0.047*** (3.07)
POST_LOWICQ	0.043** (2.02)	0.041 (1.56)	0.043* (1.87)	0.029 (1.16)
SIZE	0.273*** (31.04)	0.312*** (33.12)	0.256*** (31.54)	0.321*** (40.79)
SUB	0.007*** (18.90)	0.003*** (15.97)	0.007*** (20.14)	0.003*** (13.77)
AR	0.268*** (4.66)	0.051 (0.72)	0.223*** (3.56)	0.161** (2.40)
INV	0.001 (0.02)	-0.170*** (-2.68)	-0.044 (-0.71)	-0.161*** (-2.58)
ROA	-0.569*** (-6.71)	-0.603*** (-4.96)	-0.596*** (-6.29)	-0.618*** (-5.64)
LEV	0.068* (1.90)	0.030 (0.65)	0.050 (1.28)	0.047 (1.09)
LOSS	0.053*** (3.19)	0.028 (1.41)	0.048*** (2.76)	0.032 (1.63)
RESTATE	0.026* (1.92)	-0.004 (-0.22)	-0.017 (-1.17)	0.036** (2.30)
TOP1	-0.121*** (-2.71)	-0.245*** (-4.46)	-0.170*** (-3.55)	-0.217*** (-4.18)
INDEPDIR	-0.149 (-1.53)	0.076 (0.64)	-0.095 (-0.87)	-0.041 (-0.38)
INSHOLD	0.033 (1.21)	0.194*** (5.01)	0.102*** (3.36)	0.127*** (3.71)
AGE	-0.002*** (-2.58)	-0.005*** (-4.54)	-0.005*** (-5.13)	-0.002* (-1.87)
SOE	-0.102*** (-6.35)	-0.113*** (-6.89)	-0.098*** (-6.06)	-0.129*** (-7.88)
AFCHANGE	-0.021 (-1.27)	0.026 (1.39)	-0.001 (-0.05)	0.015 (0.73)
MAO	0.057** (1.98)	0.105*** (2.98)	0.103*** (3.49)	0.045 (1.26)
BIG8	0.009 (0.41)	0.047*** (2.94)	0.038*** (3.29)	0.056*** (3.49)
Constant	7.695*** (39.57)	6.950*** (32.88)	8.035*** (39.41)	6.763*** (39.03)
INDUSTRY&YEAR&PROVINCE	control			
Observations	4,078	4,077	4,080	4,075
Adjusted R-squared	0.479	0.574	0.516	0.614

Note: The value of T in brackets, * * * and * * * indicate the significance level of 10%, 5% and 1% respectively.

7. Conclusions

Taking the implementation of the new Securities Law as an opportunity, this paper takes China's A-share non-financial listed companies from 2018 to 2020 as samples to study the impact of the new Securities Law on audit fees. It is found that compared with companies with poor internal control quality, the audit fees of companies with poor internal control quality have increased more after the implementation of the new Securities Law. After the implementation of the new Securities Law, the higher the agency cost of the company, the lower the analyst's attention, the lower the customer's

importance and the lower the audit market concentration of the firm, the new Securities Law will have a more obvious impact on the company's audit expenses.

With the deepening reform of the capital market and the further separation of the ownership and management rights of the company, in order to prevent the major adverse selection and moral hazard behaviors that the management of the company may make out of their own interests, the verification function of audit becomes more and more prominent. The audited information plays an important role in maintaining the stability of the capital market and improving the efficiency of resource allocation (Chen, Chen and Lobo, et al., 2010). This paper finds that the new Securities Law sinks to the micro-subject, which affects the audit business. This discovery is of early experience value for accelerating the implementation of the new Securities Law and the healthy development of the capital market.

There are two shortcomings in this study. First, due to the long trial time and the lack of litigation risk data after the implementation of the new Securities Law, it is impossible to directly test how the new Securities Law affects the audit fees by influencing litigation risk. Secondly, the "double filing system" of accounting firms engaged in securities service business will inevitably have a profound impact on the audit market structure in the long run. Due to the data, this paper fails to examine its impact on audit fees.

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