An Examination of Audit Fees for Initial Audit Engagements after the H3C Inspection in French Context

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Abstract

This paper examines the audit fees for initial audit engagements after the H3C inspection in French context through 2008 to 2015. According to the theory, we suppose that audit fees increase after the start of the H3C inspection program. To test our main hypothesis, we use the methodology of the (Desir, Casterella, & Kokina, 2013) and (Huang, Raghunandan, & Rama, 2009) reported on the United States context. Our empirical results demonstrate that the audit fees in French context for the initial audit engagement decreased after the start of the H3C inspection program. Contrary to our prediction, the massive disciplinary sanction associated to the audit fees and the less level of the audit market concentration in France, are two determinants that explain the decrease of the audit fees in this country.

Keywords: audit initials, auditor independence, H3C, audit fees

1. Introduction

The H3C created by the LSF Act of 2003 (LSF) to regulate the auditing profession in France after the scandal series of 2001-2002. It is considered as an independent control authority. The first goals of this new institution are to enhance auditor independence and objectivity through specified mechanisms of control. The contribution of the H3C in financial transparency and the respect of the ethics code are significant. The H3C developed the guidelines and a set of principles in order to reinforce the business ethics. The auditor independence is considered as the first preoccupation of this new authority. The H3C drew attention to the audit fees and considers this as an important issue. For this reason, the H3C imposed restriction against auditors and engaged disciplinary activity. The disciplinary activities are disclosed in the H3C annual report. Starting from 2016, the emphasis of the inspection process arises because the collaboration of the H3C with the PCAOB and other foreign equivalent authority. It is considered an important factor in achieving auditor independence and the respect of the ethics code. For this reason, we believe that rigors of the H3C inspection process present the opportunity for auditor independence to improve.

With the passage to the H3C inspection program starting in 2007, one might expect audit fees to become more interesting for a number of reasons. First, the creation of the H3C created an upward pressure on audit fees as a result of increased scrutiny, risk, and audit effort required by the mandate. Second, the auditor incurs a risk related to the H3C inspection. The president in discussing the Board's inspection process, stated, " … compliance requirements ethics and the preservation of independence of the auditors are the missions of the High Council …, almost 900 office was examined. The professional invest an important effort to improve their procedures, but we reveal a lack due to the diligence that can lead to the expression of an insufficient opinion" (Christine Guéguen, Annual Report of the H3C, 2016). Given the substantial resources devoted to Council inspection process — the income of the H3C is equal to 8969 million Euro. This demonstrates the importance of the inspection program of the H3C.

The aim of this paper is to examine the audit fees for initial audit engagement after the starting of the H3C inspection program. This is a relevant question, because audit fees are a main dimension of the European debate on the audit profession. We examine whether audit fees are increased in each year following the H3C starting of

inspection program in the case of the initial audit engagement. We expect an increase in audit fees after the starting of the process of the inspection of the H3C for the initial audit engagement. To test this hypothesis, we use the methodology of (Desir et al., 2013) and (Huang et al., 2009) through 2008 to 2015 in French context which characterized by the presence of the joint audit system. Empirical results demonstrate that audit fees for initial audit decrease from 2008 to 2015 in French context. The inspection and the disciplinary activity reported on the audit fees by the H3C explain the decrease level of the audit fees (Desir et al., 2013).

The remainder of the paper is organized as follows. Section 'institutional aspect' treats the legal form of the H3C. Section 'literature review' provides further background and presents our hypothesis. Our research method appears in section 'methodology', and section 'results' present our results. Section 'other analyses' contains other analyses and section 'summary, implications, and limitations' present a summary and the implications and limitations of our findings.

2. H3C: The Institutional Aspect

In France, the H3C was created by the LSF Act of 2003 (LSF) to regulate the auditing profession. It is considered as an equivalent of the PCAOB in the United States. The first goals of this new authority are to guarantee auditor independence and objectivity through the mechanism of control. The contribution of the H3C in the respect of the ethics code is very significant. The disclosure of the H3C annual report informs on the control approach and explains the details of the disciplinary activity of this new regulation authority.

According to the LSF of 2003, the composition of the H3C is as follows:

- Three judges from the court of cassation
- The court of auditors and the judiciary and the president being a judge of the court of cassation;
- The chairperson of the financial market authority;
- Representative of the ministry of economy;
- University professor specializing in legal, economic or financial studies.
- Three qualified persons in the economic and financial domain: two of them have the expertise in an initial public offering and one has the expertise in the small and medium-sized business or association field.
- Three CPA, two of them have experience in the auditing of the mandate using public offering or public domain.

The H3C is divided into 6 different directions. They are as follows:

- Technical direction: assure the coordination on the specific topic
- Norms and ethics direction: investigation and consultation on the relativity practice and doctrine;
- Services of international cooperation: established the partnership with the foreign supervisory authority;
- Law direction: responsible for the law auditor control and the role of the authority;
- Direction of the supervision and control: Guides the control activity. They supervise the control realized by the professional instance and elaborate the recommendation of the control.
- Control direction: control the auditors in the public corporation.

The H3C continued their development control activity with the National Consultation Group to approve the accounting standards for the adoption of the International Standards of auditing (ISA). Recently, the H3C collaborated with the European Authority in concordance with the guidelines of the European Directive of 2006/43/CE and it was concluded a collaboration project with the PCAOB and other equivalent authority.

2. Literature Review

Prior studies were studied in the US context. The Sarbanes-Oxley Act of 2002 and the Public Company Oversight Board imposed new restrictions on audit firm activity that auditors can provide to their client. This is due to the series scandal of 2001 and 2002. To increased auditor independence, the PCAOB increased its enforcement activities related to the audit fees after 2002. The regulatory actions and the announcement of the start of the inspection process highlighted the importance of auditor independence and the consciousness around the business ethics during this period. Several research treat the impact this new enforcement rules on audit fees in the post-Sox period. (Desir et al., 2013) re-examined the audit fees for the initial audit engagements in the Post-Sox period. They investigate whether lowballing exists in new auditor-client relationships in an ''extended'' post-SOX environment for the years 2007 to 2010. Their results suggest that both Big 4 and non-Big 4

accounting firms discounted their initial-year audit fees during our sample period (2007-2010). (Sankaraguruswamy, Whisenant, & Willenborg, 2012) analyze initial-year audit fees discounting and subsequent audit fee increases for companies that switched from one Big auditor to another Big between 2000 to 2007. They find significant initial-year fees discounting for each year between 2001 and 2006 and significant fee increases in the second year of a Big engagement. (Huang et al., 2009) studied the audit fees for initial audit engagements before after Sox. They find that in 2005–2006 Big 4 clients pay an initial-year audit fee premium of around 16 percent. We also document that the Big 4 are much less likely to serve as a successor, following an auditor change, in 2005-2006 than in 2001. The results also suggest that the Big 4 have become more conservative in the post-SOX period with respect to client acceptance and pricing decisions. In the same perspective (Charles, Glover, & Sharp, 2010) studied the association between financial reporting risk and audit fees before and after the Sarbanes-Oxley Act. (Wang & Zhou, 2012) investigate the impact of the Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 5 (AS5) on audit fees and audit quality. They use a large sample of accelerated filers subject to AS5 they find evidence that audit fees decrease upon the adoption of AS5 and improve the efficiency of internal control audits. (Houston & Stefaniak, 2013) investigate and compare partner perceptions of Public Company Accounting Oversight Board (PCAOB) inspections and internal quality reviews for 107 audit partners from large public accounting firms. They find that a majority of partners can or try to predict the year of both reviews and perceive that, relative to PCAOB inspections, reviewers have a better understanding of firms' audit methodologies. (Stefaniak, Houston, & Brandon, 2017) investigate the perception risk of internal quality reviews and analyze the PCAOB inspection. The empirical results demonstrate that those different element influence the audit effort and as consequence an audit fees. In the same perspective (Daugherty, Dickins, & Tervo, 2011) surveyed leaders of firms subject to triennial PCAOB inspections. In general, the respondents reported that they increase audit hours and audit fees when they anticipate inspections. (Church & Shefchik, 2011) studied the PCAOB's inspection reports of large, annually inspected accounting firms. They find that the inspection reports identify audit deficiencies that have implications for audit quality. To resolve this problem an important effort and a high level of audit hours must be anticipated and typically, the audit fees will be increased.

(Glover, Taylor, & Wu, 2014) introduced the concept of inspection risk because the rigor of the inspection process (Riley Jr, Jenkins, Roush, & Thibodeau, 2008). This risk behavior of audit firms increased when the auditor is the first year initial and when the PCAOB announce the penalty against auditors. The expected improvements to audit fees are the direct effect of PCAOB creation and their inspection effectiveness on the audit firm behavior. Therefore, the audit firms added a risk premium into audit fees after the creation of the PCAOB. For example, when auditor is initial audit years is faced with high engagement risk, he typically increase planned audit hours, evidence requirements (Simunic, 1980), (Pratt & Stice, 1994); (Houston, Peters, & Pratt, 1999) and, of course, the audit fees. The disciplinary penalties of the PCAOB and other equivalent authority through the world are one of the leading risks facing the auditor and it can significantly influence his behavior after the inspection process. In sum, the regulatory changes made by the PCAOB influence the audit fees. In attempt to mitigate audit costs, the PCAOB amended Auditing Standard No. 2 and proposed Auditing Standard No. 5.

In France, The Security of Law Act of 2003 (LSF) created the H3C to oversee public company audits in France by establishing auditing standards and registering and inspecting public company auditors. By the end of 2016, the H3C had registered 2,363 audit firms in France. In addition, the board of this new authority conducts annual inspections of accounting firms that provide audit reports after the control process. These inspections evaluated the quality of audit work performed on selected audit engagements, the accounting firms' quality control system and the respect of the ethics code. The establishment of the H3C and the starting of the inspection process, in particular, produces strong incentives for auditors to increase their audit fees for more than one reason. For example, the audit risks are related to the audit engagement. The H3C inspection focuses on the discovery of the audit deficiencies and the identification of the material errors undetected by the auditor in his legal audit mission. The discovery of this misstatement exposed the auditor to the blame or other types of H3C penalty. At this moment, the auditor is less willing to accept errors in financial statements and he should increase his planned audit hours and his requirement evidence because he risks initials of their reputation that can result from the H3C penalty and subsequently the Initial of the audit market share. Therefore, the audit fees should be greater when the audit is initial audit years and when the engagement risk is very significant. This risk engagement can significantly influence the auditor behavior (Lowe, Reckers, & Whitecotton, 2002). Prior audit studies demonstrate that engagement risk influences auditors' decision-making behavior (Knapp, 1985) (Walo, 1995) (Hackenbrack & Nelson, 1996) (Johnstone, 2000) and is a dimension of the overall audit environment (Bell, Bedard, Johnstone, & Smith, 2002). For example, when auditors are confronted with high engagement risk, they

typically increase audit fees, audit hours, and further evidence requirements (Simunic, 1980) (Houston, et al., 1999; Pratt & Stice, 1994). Thus, we predict that audit fees will increase significantly after the initial audit year and the after the enhancement of the H3C inspection process on audit firms (Annual Report of the H3C, 2011, 2012 and 2013).

3. Methodology

Our sample selection process follows the following steps. First, we begin with all companies that have at least two years of audit fee data on Thomson Financial databases from 2008 to 2015. Second, we eliminate observations with calendar year end; SIC codes equal to or greater than 6000 foreigners businesses, banks, insurance companies. Following (Huang et al., 2009) and other prior fee studies (e.g., Simunic, 1980; Casterella, Francis, Lewis, & Walker, 2004), we estimate the following audit fees regression model which includes natural logarithm as an experimental variable. This variable provides information on economic relation auditor-clients. The fees depend on the auditor reputation and the risk factor. The announcement of the establishment of the H3C and the start of the inspection program may cause a change in the auditor's assessment of expected initials arise from potential penalties. We use a dummy variable equal to 1 if one of the auditors is initial audit year, 0 otherwise. We use others control variables to capture company size (LnTA), complexity (EMPLOY), risk (RECINV, LIQ), and profitability (ROA) because first prior research interest in this relationship. We estimate the following model for each year 2008-2015.

Table 1. Sample characteristics

Sector	ICB industry code	15	14	13	12	11	10	09	08	07
Basic Materials	1000	15	18	17	17	15	14	12	14	11
Consumer Goods	3000	50	61	69	63	66	59	48	51	44
Consumer Services	5000	44	63	62	60	56	51	44	49	46
Health Care	4000	32	38	36	32	29	23	18	18	18
Industrials	2000	66	64	68	68	63	59	54	53	44
Oil and Gas	0001	7	9	7	6	5	5	4	6	5
Technology	9000	49	65	72	67	62	54	50	49	44
Telecommunications	6000	3	2	4	4	4	3	3	3	3
Utilities	7000	11	11	12	7	9	9	10	5	6
Total		277	331	347	324	309	275	243	247	221

To examine changes in fees in response to the establishment of the H3C and the start of the inspection program, it is important to control changes in underlying client characteristics. We estimate the following pooled audit fees regression model for every year starting from using ordinary least squares regression:

$$LnFEE = \beta_0 + \beta_1 \, LnTA + \beta_2 \, RECINV + \beta_3 \, EMPLOY + \beta_4 LIQ + \beta_5 \, LEV + \beta_6 \, ROA + \beta_7 \, INITIAL + \beta_8 AUDITOR + \zeta$$

LnFEE = natural logarithm of audit fees;

LnTA = natural logarithm of total assets;

RECINV = percentage of total assets in receivables and inventories;

EMPLOY= natural logarithm of total employers;

LIQ = current ratio;

Lev = debt-to-assets ratio;

ROA = return on assets;

INITIAL = 1 if one of the two auditor is initial year audit, else 0;

AUDITOR= 1 if the two Auditor are Big, 0 otherwise.

In addition to the ''levels'' regression above, we estimate the audit fee ''changes'' regression model listed below. Each variable in this model is calculated as the difference between its value in the current year and its value in the previous year. Due to the collinearity problem, we delete the auditor variable. The model of audit fees differences is as follows:

$$DLnFEE = \alpha_0 + \alpha_1 \, DLnTA + \alpha_2 \, DRECINV + \alpha_3 \, DEMPLOY + \alpha_4 \, DLIQ + \alpha_5 DLEV + \alpha_6 \, DROA + {}_{\alpha 7} \, DINITIAL + \zeta$$

4. Results

Table 2. Descriptive statistics

	year 2007					
VARIABLES	N	mean	SD	min	Median	max
LnFEE	221	13.59	1.939	9.210	13.236	20.91
LnTA	221	6.334	2.367	0.732	6.111	12.13
RECINV	221	4.463	6.573	1.143	2.591	69.50
EMPLOY	221	7.699	2.532	1.609	7.768	12.96
LIQ	221	1.634	1.117	0.240	1.37	10.20
LEV	221	0.228	0.197	0	0.205	2.064
ROA	221	5.800	9.618	-42.29	5.71	49.25
	year 2008					
VARIABLES	N	mean	SD	min	Median	max
LnFEE	247	13.44	1.828	9.210	13.142	19.84
LnTA	247	6.239	2.353	0.728	5.883	12.02
RECINV	247	7.847	53.53	1.010	2.509	835.2
EMPLOY	247	7.599	2.513	1.609	7.520	12.96
LIQ	247	1.925	5.817	0.150	1.320	90.19
LEV	247	0.261	0.232	0	0.229	2.334
ROA	247	3.245	11.81	-63.56	4.47	81.74
	year 2009					
VARIABLES	N	mean	SD	min	Median	max
LnFEE	243	13.38	1.754	9.210	13.060	19.79
LnTA	243	6.038	2.318	1.850	5.691	12.04
RECINV	243	6.951	37.88	1.142	2.696	586
EMPLOY	243	7.467	2.517	1.609	7.324	12.96
LIQ	243	1.771	1.884	0.240	1.400	21.58
LEV	243	0.248	0.309	0	0.204	3.485
ROA	243	1.001	11.10	-85.67	2.8	37.91
	year 2010					
VARIABLES	N	mean	SD	min	Median	max
LnFEE	275	13.33	1.871	9.210	13.060	21.52
LnTA	275	6.026	2.365	0.728	5.676	12.12
RECINV	275	8.168	56.41	1.005	2.734	933.5
EMPLOY	275	7.473	2.499	1.609	7.341	12.86
LIQ	275	2.190	7.631	0.0600	1.360	125.2
LEV	275	0.231	0.282	0	0.191	3.379
ROA	275	2.580	11.97	-84.96	4.08	64.81
	year 2011					
VARIABLES	N	mean	SD	min	Median	max
LnFEE	309	13.26	1.885	9.210	13.060	21.39
LnTA	309	6.011	2.423	-2.813	5.734	12.26
RECINV	309	4.860	7.784	1.102	2.697	77.85
EMPLOY	309	7.395	2.536	1.609	7.289	12.96
LIQ	309	1.643	1.632	0.0500	1.310	22.21
LEV	309	3.747	61.82	0	0.202	1,087
ROA	309	2.267	17.05	-201.2	3.87	80.55
	year 2012					
VARIABLE	N	mean	SD	min	Median	max
LnFEE	324	13.02	1.840	9.210	12.794	19.44
LnTA	324	5.752	2.423	0.652	5.334	12.23
RECINV	324	10.96	116.7	1.202	2.733	2,102
EMPLOY	324	7.155	2.623	1.099	6.896	12.96
LIQ	324	1.712	1.508	0.280	1.360	16.27
LEV	324	0.215	0.213	0	0.187	2.186
ROA	324	0.190	17.63	-133.8	3.185	92.27

				year 2013		
VARIABLES		N	mean	SD	min	Median	max
LnFEE		347	13.00	1.842	9.210	12.676	20.58
LnTA		347	5.670	2.549	-4.605	5.263	12.44
RECINV		347	5.597	16.02	1.199	2.867	231.7
EMPLOY		347	7.048	2.579	1.099	6.895	12.96
LIQ		347	1.713	2.367	0	1.360	41.65
LEV		347	19.88	365.6	0	0.202	6,811
ROA		347	-3.427	28.80	-310	3.15	22.98

				year 2014		
VARIABLES		N	mean	SD	min	Median	max
LnFEE		331	13.04	1.802	9.210	12.676	20.48
LnTA		331	5.775	2.354	0.784	5.293	12.14
RECINV		330	5.874	15.61	1.186	3.036	219
EMPLOY		331	7.118	2.564	1.609	6.891	12.96
LIQ		331	2.154	5.097	0.370	1.480	84.37
LEV		331	0.225	0.266	0	0.194	3.813
ROA		331	-0.261	18.04	-172.1	3.12	56.38

				year 2015		
VARIABLES		N	mean	SD	min	Median	max
LnFEE		277	13.23	1.743	9.210	12.995	20.62
LnTA		277	6.131	2.271	1.051	5.856	11.98
RECINV		277	5.217	10.22	1.231	2.920	149.1
EMPLOY		277	7.359	2.502	1.609	7.311	12.96
LIQ		277	2.359	7.527	0.290	1.5	110.7
LEV		277	0.225	0.186	0	0.2	1.659
ROA		277	-0.0364	16.44	-146.9	3.45	54.11

Table 2 presents descriptive data for our samples of companies for the years 2007 through 2015, and table 3 presents the changes in percentages. First, with respect to median values of audit fees, we note that clients seem to pay more in audit fees especially in 2007 and 2008, where the median value of the audit fees variable are respectively 13.236 and 13.142. This is due to the H3C inspection program for the first time in 2007. This authority was imposed restriction against auditors and engaged dispensary activity in 2007 and 2008 compared 2006 (Azibi, Tondeur, & Azibi, 2017). This risk behavior explains this important increase of median fees (Azibi, et al., 2017). The most important changes in audit fees were in 2013. The change mean is equal to 0.843%. This result signals the intensity of the H3C inspection process (H3C, report 2014) and the collaboration with others equivalent authority in Europe and the PCAOB in the United States. Second, the median level of the total assets (LnTA) is variable every year. In sum is around the average of 5.5. The median value is positive every year. Third, the mean of the employ variable is around 7. The changes of this variable in the majority are positive except the 2012 and 2015. However, for leverage and the liquidity variables, there are no significant differences between years. Finally, 67.25% of the observation of our sample are associated at least one Big Four audit (Table 4). This result demonstrates that French enterprise choice at least one of the two legal auditors one of the Big Four networks with only 6% only is the initial year audit. This last percentage is lower compared to the US context because the legal mandate of the legal auditor in France (six years in France and only one year in USA). This strategy of the auditor choice in French context reduces the market concentration and is in accordance with the recommendation of European Green paper of 2010 (Velte & Azibi, 2015).

Table 3. Changes in percentage

	2008		2009		2010		2011		2012		2013		2014		2015	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
DLnFEE	-0.030	0.163	0.331	0.000	-0.078	0.000	-0.170	0.000	-0.261	0.117	0.843	0.108	0.552	0.000	0.144	0.071
DLnTA	0.865	0.424	-0.709	-0.207	0.891	0.754	0.581	0.732	1.048	0.321	0.864	0.218	3.543	0.778	2.085	0.764
DEMPLOY	0.124	0.000	0.051	0.000	0.300	0.000	0.077	0.000	-0.032	0.000	0.088	0.000	0.219	0.000	-0.234	0.000
DLIQ	9.148	-1.144	5.788	1.707	2.953	0.000	1.243	-1.747	4.251	0.806	3.891	-0.989	16.752	1.749	5.538	0.000
DLEV	30.578	5.256	20.632	-1.802	11.889	-6.952	196.709	-1.291	25.591	-3.523	78.080	1.226	12.412	-0.759	120.962	0.818

Table 4. Frequency for dummy variables

Variables	Auditor			Initial		
	Freq.	Percent	Cum.	Freq.	Percent	Cum.
0	843	32.75	32.75	2,42	94.01	94.01
1	1,731	67.25	100.00	154	5.99	100.00
Total	2,574	100.00		2,574	100.00	

Table 5. Audit fees regression

	(2008)	(2009)	(2010)	(2011)	(2012)	(2013)	(2014)	(2015)
VARIABLES	lnfee	lnfee	lnfee	lnfee	lnfee	lnfee	lnfee	lnfee
lnta	0.672***	0.653***	0.669***	0.635***	0.670***	0.631***	0.649***	0.655***
	(0.0328)	(0.0349)	(0.0387)	(0.0358)	(0.0304)	(0.0310)	(0.0292)	(0.0367)
recinv	-0.00205**	0.00137	-0.00205	-0.0145	0.000193	-0.00226	-0.00825**	-0.0117
	(0.000979)	(0.00175)	(0.00144)	(0.00924)	(0.000474)	(0.00401)	(0.00389)	(0.00752)
employ	0.0414	0.0469	0.0101	0.0428	0.0124	0.0649**	0.0404	0.0327
	(0.0300)	(0.0312)	(0.0348)	(0.0336)	(0.0271)	(0.0286)	(0.0265)	(0.0318)
liq	-0.0127	-0.0809***	-0.00744	-0.0348	-0.0487	-0.0193	0.00403	0.00604
	(0.00982)	(0.0266)	(0.00788)	(0.0440)	(0.0393)	(0.0273)	(0.0107)	(0.0103)
lev	-0.0836	-0.0962	0.0171	0.00169	-0.137	0.170*	0.630***	0.510*
	(0.230)	(0.220)	(0.292)	(0.00138)	(0.233)	(0.0923)	(0.167)	(0.267)
roa	0.00472	-0.0206***	0.00928	-0.00187	0.00110	-0.00435*	-0.00767**	-0.00765**
	(0.00594)	(0.00547)	(0.00612)	(0.00559)	(0.00329)	(0.00253)	(0.00358)	(0.00384)
Initial	-0.387**	-0.155	-0.624***	-0.371**	-0.356***	-0.216*	0.0516	0.0206
	(0.154)	(0.133)	(0.178)	(0.175)	(0.129)	(0.115)	(0.125)	(0.136)
auditor	0.101	0.0468	0.165	0.193	0.164	0.109	0.125	0.137
	(0.111)	(0.109)	(0.133)	(0.128)	(0.102)	(0.0973)	(0.0955)	(0.111)
Constant	9.206***	9.338***	9.599***	9.409***	9.352***	9.015***	8.781***	8.800***
	(0.196)	(0.192)	(0.231)	(0.236)	(0.199)	(0.162)	(0.166)	(0.182)
Observations	247	243	275	309	320	345	330	275
R-squared	0.836	0.835	0.739	0.724	0.808	0.814	0.820	0.799
Prob > F	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Standard errors in parentheses: *** $p<0.01$, ** $p<0.05$, * $p<0.1$.

Table 6. Differences of audit fees regression

VARIABLES	2008	2009	2010	2011	2012	2013	2014	2015
lntadiff	0.579*	0.256	0.497***	0.190	0.00604	0.552**	0.388***	0.493***
	(0.326)	(0.163)	(0.120)	(0.192)	(0.248)	(0.247)	(0.149)	(0.149)
recindiff	-0.00838	-0.00398*	-0.00456***	0.00398	0.000240***	-0.00510	-0.00106	-0.0256
	(0.0131)	(0.00229)	(0.000278)	(0.00653)	(7.49e-05)	(0.00451)	(0.00111)	(0.0157)
employdiff	-0.474	0.0414	0.600*	-0.0830	-0.182	-0.0556	0.0425	0.0521
	(0.324)	(0.146)	(0.327)	(0.203)	(0.336)	(0.0899)	(0.0570)	(0.0531)
liqdiff	0.00108	0.00319	-0.00441	0.000204	-0.0658	0.0553	-0.000309	-0.0105
	(0.00617)	(0.0146)	(0.00455)	(0.000671)	(0.0492)	(0.0413)	(0.00275)	(0.00860)
levragediff	1.074**	0.0667	0.619**	0.00490	-0.435	0.0506	0.0797	0.173
	(0.469)	(0.242)	(0.299)	(0.00549)	(0.631)	(0.105)	(0.169)	(0.149)
roadiff	0.000907	-0.00352	-0.00198	0.00229	-0.00251	-0.00128	0.00249	-0.00501
	(0.00285)	(0.00334)	(0.00167)	(0.00318)	(0.00307)	(0.00459)	(0.00581)	(0.00404)
initialdiff	-0.115**	0.0303	0.0585	-0.0346	-0.128	-0.0360	-0.0887	0.174
	(0.0544)	(0.0492)	(0.0415)	(0.0497)	(0.190)	(0.0974)	(0.0710)	(0.131)
Constant	-0.0739	0.0375*	-0.0354	-0.0383*	-0.0857	0.0622	0.0180	-0.0315
	(0.0650)	(0.0214)	(0.0223)	(0.0219)	(0.0619)	(0.0515)	(0.0205)	(0.0352)
Observations	204	218	255	284	268	299	315	269
R-squared	0.040	0.036	0.193	0.009	0.009	0.021	0.137	0.045
Prob > F	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Robust standard errors in parentheses: *** $p<0.01$, ** $p<0.05$, *$p<0.1$.

Table 5 and 6 present respectively the results of the audit fees regressions from 2008 to 2010. Our primary focus is on the sign and the statistical significance of the INITIAL variable. Contrary to our prediction in the audit fees model, this variable is negative significant at 1% in 2008, 2010, 2011, 2012, and at 5% in 2013. This demonstrates that audit firms in the case of the initial audit firm reduce their fees. The improvement of the inspection process on audit fees was increased in 2011, 2012 and 2013 compared to 2008, 2009 and 2010 (H3C annual report). The H3C announced in their different annual report an important number of disciplinary activities associated to the audit fees. The competitive on the audit market between auditors in France is an additional factor that influences the audit fees. If we refer to the audit difference model, we find that this decrease between audit fees and initial audit is only significant negative in 2008 and non-significant in 2011 and 2012. This result demonstrates that this decrease is not significant. In addition, the control variables in all the regressions have the expected sign. Audit fees increase with client size (LnTA is positive and significant in all regressions). The complexity variable (Employ) is positive and significant only in 2013. This signals that the audit is considered only as a legal mechanism, contrary to the hypothesis of the deep pocket theory. This conclusion is supported by the sign of the RECINV variable.

5. Conclusion

The audit fees are considered as an important dimension of the audit reforms after the scandal series of 2001 to 2002. The establishment of an independent authority to ensure the respect of the recent reforms of the audit profession is the main characteristics of last decades. The role of the H3C in France is fundamental in the French environment. The inspection process of this authority was started in 2007. The aim of this research is to examine whether audit fees are increased in each year following the H3C starting of inspection program for all audited companies in France from 2008 to 2015 in a French context which characterized by the joint audit. Contrary to our prediction, the empirical results demonstrate that the audit firms in the case of the initial audit reduce their fees. The announcement and the disclosure of the disciplinary sanction have an important impact on audit fees. The audit market concentration and the role of the joint audit is other factors that influence the auditor choice and the audit fees.

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