
Model for changes in fees for audits of financial statements during a pandemic period

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Purpose: The aim for undertaking of the title issue is the intention to examine - for audit firms outside the largest audit firms (TOP 11 or TOP12 for 2022) - the developments in fees for the audit of the financial statements of entities other than public interest entities during the pandemic period. An additional objective was to approach answering to the question: whether the pandemic forcing a shift to remote auditing of these statements has changed audit firms' behaviour in the practice of selecting clients from further distances.

Methodology/research approach: It was possible to fulfil the objective assumed by presenting a proposal for the author's model (function) of salary changes, which takes into account the specific nature of the pandemic period. When constructing and using this model, data resulting from the *Database of Annual Reports of Audit Firms for 2020-2022*, created at the Polish Agency for Audit Oversight – PANA since its inception in 2020, were used. The analysis of the data available in this database, at the same time those that coincided with the period of the Covid-19 pandemic and were appropriately extended for the needs of the analysis, consisted in diagnosing the peculiarities of the studied sample and establishing the characteristics of the explaining variables, as a result of which a proposal was formulated for modelling the issue undertaken.

Results: The article confirms the existence of a dependence of the remuneration for statutory audit services on the type of the financial statement audited, the “high” or “low” season of performing the audit and the distance between the audit firm and the entity audited. In addition, it focuses on a deeper understanding of the sign of the coefficient appearing in the model with the variable indicating the season. The study has also indicated a trend of undertaking financial statement audit assignments from entities relatively more distant from the audit firm.

Research limitations/implications: The main limitation is the identification of the actual location of the service within the audit firms. For this reason, the largest audit firms with multiple branches have been eliminated from the database. Another limitation (however, affecting the results only insignificantly) is the method used for measuring the distance. The distance was calculated as the distance in a straight line between the audited entity's registered office and the audit firm's registered office. Manual recalculation of a few examples indicates that the distance measurement error may be at a level of no more than several kilometres.

Originality/value: The author notes the lack of published research in the area assumed and identifies a research gap. The article partly complements it by contributing to the understanding of the functioning of the process of measuring revenue in audit firms earned from the provision of audit services performed in relation to entities other than public interest entities. The conclusions presented can provide an incentive for further research and development of the model for post-pandemic periods, taking into account the distinctive features specific to that period.

Key words: auditor, statutory auditor, audit, audit fees, pandemic