

Do Industry Expert Audit Engagement Partners Earn Fee Premiums? Evidence from Labor Usage and the Hourly Charge Rate

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Abstract : Using proprietary engagement partner identity information for the Big 4 audit firms in Korea over the 2001-2011 period, we find that expert engagement partners obtain significantly higher total compensation than do non-expert partners. Importantly, we also find that expert partners increase the number of audit hours compared to their non-expert counterparts. The hourly billing rate, calculated as total fees divided by total audit hours, of expert partners is not higher than that of non-expert partners, indicating that there is no expert partner premium reflected in the hourly rate. This finding suggests that the increase in total audit fees is attributable mainly to the increase in the quantity of audit hours that expert partners work, not from the higher fee per hour. The results are not attributable to auditor selection bias.

Keywords : industry expert partners, expert premiums, audit hours, hourly charge rate

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