Peer-reviewed version available at Int. J. Financial Stud. 2018, 6, 92; doi:10.3390/ijfs6040092

Article

The Impact of UEFA Financial Fair Play regulation on Audit Fees: Evidence from Spanish Football

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Abstract: This paper analyzes if the Financial Fair Play (FFP) regulations set by UEFA have influenced the auditing fees charged to the football clubs. In addition, it explores the determinants of audit fees. We use a two-sample t test with equal variances to determine whether differences are present. After this, we carry out a panel data regression with clubs fix effect to estimate the determinants of audit fees in football clubs. Our findings reveal an increase of audit fees after the implementation of FFP regulations. On top of that, audit fees are explained by the presence of foreign investors if the audit firm is one of the Big4 and if the auditor is a woman. The regulation change has an impact on the audit fees charged by auditors for their services. However, this increase can be compensated across future years given the improving financial situation of clubs; therefore, the auditors' risk diminishes and subsequent audit fees may be reduced. UEFA should monitor audit fees as well as the quality of the audit reports, which have become crucial to obtaining the license to participate in UEFA competitions.

Keywords: Football; Audit fees; Audit shopping; Financial Fair Play; UEFA.

JEL Classification: Z2, M41, M42

1. Introduction

Increasing debts and persistent deficits have characterized the financial situation of most of the European football clubs (Ascari and Gagnepain, 2006; Barajas 2004; Barajas and Rodríguez, 2010; Boscá et al., 2008; Deloitte, 2014; Gammelsaeter, 2010; García and Rodríguez, 2003; Gay, 2009a & b; Robinson and Simmons, 2014; Storm and Nielsen, 2012). Serious financial problems due to the unbalance between revenues and expenses and the subsequent increase of debt have affected European football. This is why some clubs are or have been on the edge of bankruptcy. Numerous clubs have been under administration. Kuper & Szymanski (2009) pointed out that 40 professional English football clubs were involved in processes of insolvency between 1992 and 2008. Beech, Horsman & Magraw (2010) indicate that over half of the clubs in the Premier League and the English Football League Championship in season 2008-09, had been insolvent over the last years. In Spain at the end of 2011, 22 clubs were or had been under administration (Barajas & Rodríguez, 2014) .

The Union of European Football Associations (UEFA), concerned about the financial health of the clubs, approved the Financial Fair Play (FFP) Regulations in 2010, updated in 2012 and 2015. Since 2011, all clubs taking part in competitions organized by UEFA must fulfill the requirements of the FFP. These regulations aim to ensure the long-term financial viability and the sustainability of the clubs. They should be managed in break even, avoid reporting negative equity changes, set overdue payables and finally prove their going concern ability (Morrow, 2014; UEFA, 2010).

The FFP Regulation stipulates that the financial statements of clubs must be audited by an independent external auditor . UEFA assesses the content of the auditing report and can deny the license if (i) the report has a disclaimer of opinion or an adverse opinion, (ii) the auditor's report either has an emphasis of matter or a qualified 'except for' opinion in respect of going concern, (iii)

the auditor's report has, concerning a matter other than going concern, either an emphasis of matter or a qualified 'except for' opinion but they are significant in expressing the true and fair image of the equity and financial results of the club.

Failure of the clubs to meet the criteria established by the FFP Regulation may lead to sanctions and the denial of the license for participation in UEFA competitions. This could lead to serious losses to the sanctioned club, since competitions such as the Champions League or the Europa League provide significant revenues to clubs, which could jeopardize their financial viability (Dimitropoulos, 2016).

Therefore, the role of auditors will become even more relevant. In many countries, when the football clubs presented their audited accounts, the opinion of the auditors had no repercussions on sporting. However, as previously explained, the implementation of the FFP has converted the opinion of the auditor into a crucial factor. Thus, auditors will increasingly become responsible for expressing their opinion. Along with this, audit efforts will have to be greater given the current financial problems of the clubs. The relevance of having an unqualified opinion can exert pressure on the auditor. Ruiz-Barbadillo (2016) asserts that an unqualified opinion for the users may generate an extra cost for the company and its managers. This fact implies pressure on the auditor to provide a positive opinion, which is a threat to the independence of the auditor. This possible attitude, on top of being a fraud, could actually damage the interest of the shareholder and affect stakeholders using the financial information (De Angelo, 1982; Archambeault & DeZoort, 2001; Ruiz-Barbadillo & Gómez-Aguilar, 2007).

On the other hand, the weak financial position of numerous football clubs - some of which have serious on-going problems- will increase the risk of the auditors and affect their work. The studies of Simunic (1980), Simunic & Stein (1996), Seetharaman, Gul, & Lynn (2002), Choi Kim, Liu, & Simunic (2008) and Francis & Wang (2008) support the theory that auditors increase their effort in high risk environments. If the perception of risk in the company is higher, the auditors increase the audit procedures. This implies more evidence to be gathered, more time, more personnel and, consequently, higher fees (Mautz & Sharaf, 1961; Davis, Ricchiute & Trompeter, 1993; Bell, Wayne & Shackelford, 2001; Bell, Doogar & Solomon, 2008; Bedard, Donald, Curtis & Jenkins, 2008; Asthana, Balsam & Kim, 2009; Redmayne, Bradbury & Cahan, 2010).

Griffin, Lont & Sun (2009), Vieru & Shadewitz (2010), Kim, Liu, & Zheng (2012), De George, Ferguson & Spear (2013), De Fuentes & Sierra-Grau (2015a), Higgins, Lont, & Scott (2016), and Lin & Yen (2016) have studied the impact of new rules or changes in regulation on audit fees in several countries from an accountancy viewpoint. Menon & Williams (2001), Oxera Report (2006), Raghunandan & Rama (2006), Griffin & Lont (2007), Ghosh & Pawlewicz (2009), Huang, Liu, Raghunandan & Rama (2009), Salman & Carson (2009), Charles, Glover & Sharp (2010), De Fuentes & Sierra-Grau (2015b) have analyzed the impact of changes in auditing standards on audit fees. However, no paper analyzes the impact of FFP Regulation implementation on audit fees charged by football club auditors. Dimitropoulos (2016) pointed out the need for future research on audit fees paid by clubs before and after FFP implementation. This paper aims to fill this gap in the literature. To this end, we have used the Spanish clubs in First Division during the period 2007 to 2016 as the sample on which to test it. FFP regulation was inexistent from 2007 to 2010, the period from 2010 to 2013 was a transition period, and FFP regulation was totally implemented throughout 2014 to 2016. Moreover, this paper also studies the factors that determine audit fees.

This paper makes two main contributions. First, it examines one of the economic consequences of implementing FFP regulations and analyzes its effect on audit fees. Second, it analyzes the behavior of audit fees within a particular context, the football industry.

The methodology employed is in line with previous studies. After a t-test to determine the presence of significant changes in audit fees, we use an OLS to test the hypothesis that the change in regulation and other variables affects the audit fees. The model includes features related to both the auditor and the clubs.

As aforementioned, this paper analyzes the clubs in the Spanish First Division. These clubs can qualify for the UEFA competitions (Champions League and Europa League) and they would need

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the UEFA license to do so. The period under study began in 2007-2008 and spanned until 2015-2016. The study divides this period into 3 periods: Pre-FFP, the time before the regulations were set (from June 2007 to 2010); trans-FFP, a transitory period (from June 2010 to 2013); and FFP, when the regulations fully apply (from June 2013 to 2016). Similar divisions have been employed by Dimitropoulos (2016) and Dimitropoulos, Leventis & Dedoulis (2016). Financial data have been deflated. So, we have work with real (not nominal) prices.

The results show that the new FFP rules have increased audit fees in real terms. Moreover, audit fees are explained by the presence of foreign investors if the audit firm is one of the Big4 and if the auditor is a woman.

The remainder of this paper is organized as follows. Section 2 provides an overview of the relevant literature and introduce the hypotheses. In Section 3, we describe the model and the data, while section 4 presents the results. Section 5 summarizes the main findings and discusses some implications.

2. Literature review and hypotheses development

The literature evidences that the implementation and changes in rules of both accountancy and auditing have driven to increased audit fees. Changes in account rules affect the audit fees because auditors will need to invest to acquire the needed knowledge on the new rules. This will increase their cost. Moreover, the inherent risk of the financial statements will increase, and subsequently so will the audit risk. According to De Fuentes & Sierra-Grau (2015a), IFRSs implied a significant change for most European countries. Their results show that, between 2004 and 2006, audit fees increased for the group accounts of listed companies given the incremental costs associated with the mandatory adoption of IFRS. On the other hand, they also reflect an increase for parent audit fees in 2008 with the new domestic accounting rules.

Griffin et al. (2009) found that the audit fees increased significantly in the year prior to IFRS adoption, the year of adoption, and in subsequent years in New Zealand. Higgins et al. (2016) confirm the results of Griffin et al. (2009) indicating higher audit fees post-IFRS, but they extend the prior analysis by considering a longer sample period (2002-2012).

Vieru & Shadewitz (2010) indicate that IFRS adjustments, as a measure of the disparity between Finnish Accounting Standards (FAS) and IFRS, positively and significantly affect total audit fees paid to statutory auditors. Complementarily, Kim et al. (2012) conclude that mandatory IFRS adoption leads to an increase in audit fees, which suggests that the increase in audit task complexity is the driving force behind the IFRS-related audit fee increase. In the same line, De George et al. (2013) provide evidence of a directly observable and significant cost of IFRS adoption. Their results imply an overall increase of approximately 9 percent in the average level of audit fees in the year of IFRS adoption.

Lin & Yen (2016) found that auditors with IFRS experience charged significantly higher audit premiums in the initial years of IFRS adoption. They also find that audit clients' with IFRS experience paid significantly lower incremental fees. In the UK, the Oxera Report (2006) identifies high audit fees between 2002 and 2004 due to changes in regulation and accounting rules.

Regarding auditing rules, Menon & Williams (2001) observed increased audit fees between 1980 and 1997. In particular, they noted a significant increase in 1988, when the Auditing Standards Board issued the “expectation gap” standards. Most of the research focuses on the implementation of the Sarbanes Oxley Act (SOX, 2002), which revealed high audit fees charged to customers during the post-SOX period in relation to the pre-SOX period as consequence of the increased auditing procedures, increased liability litigation and a more highly regulated audit environment.

Thus, for the United States, Raghunandan & Rama (2006) examine the association between audit fees and internal control disclosures pursuant to Section 404 of the SOX Act, which require management and the auditor to report on internal controls over financial reporting. They found that audit fees for the firms, on average, were 86 percent higher for fiscal 2004 than the corresponding fees for 2003.

Huang et al. (2009) examine audit fees for clients changing auditors in 2001 and 2006. They find that there is a significant initial-year audit fee discount in 2001 for clients of the Big 4 audit firms. The new clients pay, on average, about 24 percent less than do the continuing clients. In contrast, a significant premium for new Big 4 clients is present in 2006. Initial-year client premiums are, on average, 16 percent higher than those of continuing clients.

Charles et al. (2010) found a positive statistically and economically significant relationship between financial reporting risk and audit fees paid to Big 4 auditors. The relation between financial reporting risk and audit fees strengthened significantly in 2002 and 2003. This is consistent with a shift in the way auditors priced risk in likely response to the events surrounding the Sarbanes-Oxley Act of 2002.

Regarding football, as mentioned in the introduction, FFP regulations implemented by UEFA will create an influence of the auditors in this process. One way to see this is to consider audit fee changes. Silva, Moreira, Firmino, Miranda & Silva (2016) point out the relevant role of independent audits in the reduction of informational asymmetry in football industry. The perception is that a special role can bring about changes in auditor service charges. Moreover, Dimitropoulos et al. (2016) evidenced that club managers became more inclined towards aggressive Earning Management after the FFP regulation was established. They additionally found that club managers tended to move from big-4 company auditors to local auditors. Moreover, these authors consider that regulatory monitoring related to accounting data will inevitably lead to the deterioration of accounting quality. Nevertheless, financial statements must be audited by independent auditors and the reports must be 'clean'; new tensions are thus likely to appear and may be reflected in the audit fees. For this reason, studying audit fees sheds light on a wider debate than just auditor earnings. Audit fees point to a deeper effect of the changes brought about by FFP regulation.

Therefore, according to the previous evidence, audit fees are expected to increase with the establishment of the FFP regulation given the greater auditing effort and risk with higher exposure of their responsibility when the auditors send opinion. The weak financial situation of many football clubs implies a greater audit effort due to the higher perception of auditor risk. This perception of risk usually represents more working hours and therefore higher fees. The FFP regulation emphasizes the going concern. If auditors perceive symptoms of going concern, they will modify the audit processes to investigate the impact of risk factors in depth. Consequently, we propose the following hypothesis:

H1: Auditors increase their audit fees after implementing Fair Play regulation when they compare them to pre-implementation fees.

3. Methodology

3.1. Data

The study conducts the empirical analysis for the football teams of the Spanish First Division. It uses the information included in the annual accounts and their corresponding audit reports. We have gathered this information from several sources: websites of football teams, Spanish Professional Football League (La Liga), House of Companies and Amadeus database. Therefore, the initial sample consists of data from 20 football teams with a nine-year follow-up for each of the seasons between 2007/08 and 2015/16, that is, 180 records. We have only analyzed the first division teams as they are the ones that have the chance to qualify for UEFA competitions (Champions League and Europa League). Finally, the data for Osasuna (from 2009/10 to 2012/13), Xerez (2009/10) and Levante (2007/08) are missing. Therefore, the database contains 174 records. None of the Spanish football clubs listed on the stock exchange. As there is promotion and relegation, we have an unbalanced panel.

As shown on Table 1 and Figure 1 the audit fees paid by Real Madrid and Barcelona (group 1 in the graph) are much higher on average than those paid by the rest of the clubs (group 2 in the figure 1). This is why Real Madrid and Barcelona have been excluded from the sample.

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Table 1. Descriptive statistics for Real Madrid (RM) and Barcelona audit fees and those of the rest of the clubs. (Data in Euros corrected by the inflation).

	Obs.	Mean	Std. Dev.	Min	Max
Rest of the clubs	156	18,449.25	9,804.43	3,705.00	50,500.00
RM and Barcelona	18	144,333.30	23,069.59	104,000.00	170,000.00

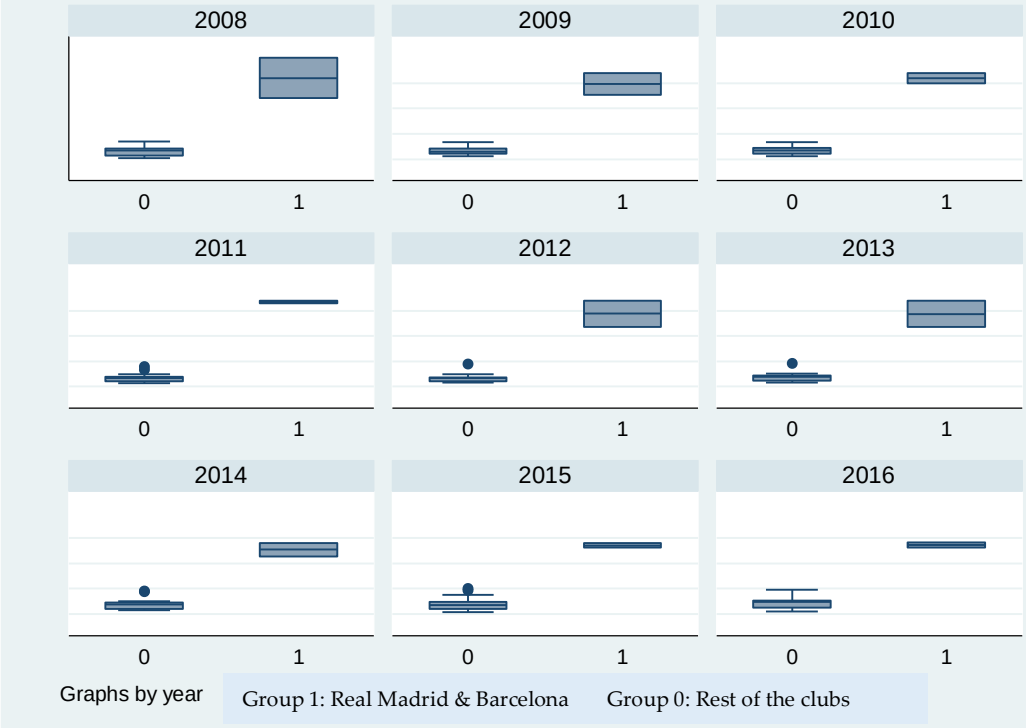

Figure 1. Differences, on average, between the Real Madrid and Barcelona audit fees and those of the rest of the clubs.

Before analyzing the factors that explain the audit fees, we conducted different t-test for the two samples to detect significant differences among the three periods. The comparison is between each of the periods and the rest. We do this on the sample without Real Madrid and Barcelona (Table 2).

Table 2. Two-sample t test with equal variances (pre-FFP)

Group	Obs.	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
0	105	17499.07	931.671	9546.787	15651.54	19346.61
1	51	15329.05	1016.084	7256.292	13288.18	17369.91
combined	156	16789.64	712.4386	8898.355	15382.3	18196.98
diff		2170.025	1513.627		-820.1261	5160.177

diff = mean(0) - mean(1) t = 1.4337

Ho: diff = 0 degrees of freedom = 154

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Ha: diff < 0 Ha: diff != 0 Ha: diff > 0

Pr(T < t) = 0.9232 Pr(|T| > |t|) = 0.1537 Pr(T > t) = 0.0768

The audit fees in the period before the FFP are slightly lower than the two other periods. However, the transition period showed no significant difference in audit fees. Finally, the audit fees in the period of full FFP implementation are significantly higher than those of the two previous periods (Table 3).

Table 3. Two-sample t test with equal variances (FFP)

Group	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf. Interval]	
0	102	15673.23	746.4224	7538.497	14192.53	17153.93
1	54	18898.43	1467.803	10786.1	15954.39	21842.47
combined	156	16789.64	712.4386	8898.355	15382.3	18196.98
Diff		-3225.198	1479.733		-6148.392	-302.0034

diff = mean(0) - mean(1) t = -2.1796

Ho: diff = 0 degrees of freedom = 154

Ha: diff < 0 Ha: diff != 0 Ha: diff > 0

Pr(T < t) = 0.0154 Pr(|T| > |t|) = 0.0308 Pr(T > t) = 0.9846

3.2. *Regression model and variable definitions*

The model proposed by Simunic (1980) is the starting point for literature on the study of fees. In this seminal work, audit fees are considered a cost in the client's accounting system, which clients attempt to minimize.

The research conducted so far in different countries signals a set of independent variables linked to the determination of audit fees for both the audited company and the auditor. The variables related to the audited company are fundamentally size, complexity and risk.

Following Simunic (1980), the model used to explain audit fees and test the stated hypothesis presents the following expression:

$$\begin{aligned} AUDITFEES_{it} = {} & \beta_0 + \beta_1 TRAN\_FFP + \beta_2 FFP + \beta_3 NON\_AUDITFEES_{it} + \beta_4 TA_{it-1} + \beta_5 \mathrm{FOWND}_{it} \\ & + \beta_6 REPORTLAG_{it} + \beta_7 ROA_{it-1} + \beta_8 LEV_{it-1} + \beta_9 LIQ_{it-1} + \beta_{10} LOSS_{it-1} \\ & + \beta_{11} GCO_{it-1} + \beta_{12} BIG4_{it} + \beta_{13} AUDITCHANG_{it} + \beta_{14} GENDER_{it} + \beta_{15} POINTS_{it-1} \\ & + \beta_{16} ATTENDANCE_{it-1} + \beta_{17} \mathrm{UCL\_EL}_{it-1} + \varepsilon_{it} \end{aligned} \quad (1)$$

Table 4 presents the variables included in the model. The dependent variable is the amount of money paid for audit services. This variable as well as the rest of financial variables have been taken in real terms adjusted by the inflation. In it, three dummy variables reflect the different periods under scrutiny in this paper. They are related directly to FFP. The seasons before the FFP (PRE_FFP)

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are considered as base. The total assets variable has been included to control for size. We have considered whether the owner of the club is a foreigner as a factor that may increase the audit fees. We have also included other variables to analyze the impact of risk. These are ROA, leverage, liquidity, whether the club had losses in the previous season, and whether the auditing report presented going concern opinion. The features of the auditor are included to analyze the effect the auditor being one of the Big4 and whether choosing to change the auditor and selecting an auditor of another gender affects the fees and the perception of non-audit fees by the auditor. Our work includes the report lag in the audit report to capture the potential existence of a more complex audit work. Finally, we introduce the possible effect of sporting factors in the model through the points obtained in the previous season, the average attendance to the stadium and whether the club participated in the previous season UEFA competitions. The following subsections explains all of these variables.

Table 4. Description of the variables included in the model and expected sign (financial variables in real terms)

Variables	Definition	Sign
Dependent variable		
AUDITFEES	Amount paid for auditing fees (in Euros)	
Independent variables		
PRE_FFP	1 seasons when FFP regulations were not applied (2007/08, 2008/09 y 2009/10); 0 otherwise.	(base)
TRAN_FFP	1 seasons of transition to the full implementation of the FFP (2010/11, 2011/12 y 2012/13; 0 otherwise.	+
FFP	1 seasons when FFP regulations are fully implemented (2013/14, 2014/15 y 2015/16); 0 otherwise.	+
NON_AUDITFEES	Expenses on non-audit services (in Euros)	+/-
L.TA	Total Assets in the previous fiscal year	+
FOWND	1 if the main owner is foreign; 0 otherwise	+
REPORTLAG	Days between the close of the accounts and the auditing report.	+
L.ROA	Return on Assets in previous fiscal year	-
L.LEV	Leverage in previous fiscal year	+
L.LIQ	Current Assets divided by Current Liabilities in previous year	-
L.LOSS	1 if the club had losses in previous season; 0 otherwise.	+
L.GCO	1 of the report in previous year include going concern opinion; 0 otherwise.	+
BIG4	1 if auditor is one of the big 4 auditing companies; 0 otherwise.	+
AUDITCHANG	1 if the auditor has changed; 0 otherwise.	-
GENDER	1 if the auditor who signs the report is a woman; 0 otherwise.	+
L.POINTS	Points obtained by the club in the previous season	-/+
L.ATTENDANCE	Average attendance to the stadium in the previous season	-
L.UCL_EL	1 if the club participated in the previous season UEFA competitions; 0 otherwise.	-

3.2.1. Regulation

As stated, Griffin et al. (2009), Vieru & Shadewitz (2010), De George et al. (2013), De Fuentes & Sierra-Grau (2015a), Higgins et al. (2016) and Lin & Yen (2016) have analyzed the impact of changes in accountancy rules, or the impact of new ones, on audit fees. Menon & Williams (2001), Ghosh & Lustgarten (2006), Raghunandan & Rama (2006), Griffin & Lont (2007), Ghosh & Pawlewicz (2009), Huang et al. (2009), Salman & Carson (2009), Charles et al. (2010) and De Fuentes & Sierra-Grau (2015b) have studied the impact of changes in auditing rules. Most of these studies distinguish between two or three periods: before the application of the regulation, during the first years of implementation, and after the implementation. This paper analyzes the time before the FFP (seasons 2007-2008, 2008-2009 and 2009-2010), a transitory period (2010-2011, 2011-2012 and 2012-2013), and the period when the FFP was fully implemented (2013-2014, 2014-2015 and 2015-2016). The first period is the base. Audit fees are expected to be higher after the transitory or full implementation than they were before the new rules. The complexity of the audit work will increase with a subsequent increase in auditing effort. Moreover, the responsibility of auditors will be more highly exposed when they report their opinion.

3.2.2. Non audit fees

Studies trying to conjunctly determine the fees for audit and non-audit services have observed interdependency between both fees and they have identified the presence of efficiencies deriving from the exchange of knowledge between both activities (Monterrey & Sánchez, 2007). Simunic (1984) discovered a positive association between both fees. He concluded that firms hiring non-audit services from the same auditor assume cost in the audit fees that are higher than those assumed by firms that do not do so. Palmrose (1986) and Bell, Landsman & Shackelford (2001) point out that the positive coefficients associated among audit and non-audit fees originate in scale economies that reduce the number of required auditing hours. Nevertheless, other authors like Stein, Simunic & O'Keefe (1994) and Whisenant et al. (2003) did not find a direct relationship between both variables.

3.2.3. Size of the firm (the club)

Hay, Knechel & Wong (2006) and Hay (2013) found that the size of the audited firm explains audit fees. This paper uses the lagged total assets in real terms of the company to avoid endogeneity. Casterella, Francis, Lewis & Walker (2004), and Basioudis, Papakonstantinou & Geiger (2008) also use total assets to control for the size.

3.2.4. Foreign ownership

Wilson, Plumley & Ramchandani (2013) assert that foreign ownership may help clubs to improve their accounts, make them sustainable and improve their finances. At the same time, foreign investors have more difficulties in getting information than do the local ones (Beneish & Yohn 2008; He, Rui, Zheg & Zhu, 2014). To compensate this, foreign investors will look for more qualified auditors (Dimitropoulos, 2016). We therefore expect a positive relationship regarding audit fees.

3.2.5. Delay in the report

The existence of problems can imply longer periods of time to finish audit reports (Knechel & Payne 2001). Stanley (2011) found a positive relationship between audit fees and the time spent until the final audit report. More complex audit work may take longer to perform and may imply a

subsequent delay in the signing of the audit report. In such case, higher fees are expected. This is why the model includes the variable REPORTLAG.

3.2.6. Risk

Extensive literature reveals that the audit fees are positively related to risk. See the papers by Xu et al. (2013), Zhang & Huang (2013), Alexeyeva & Svanström (2015), and Groff et al. (2017). That is, higher client risk may expose the auditor. Then the auditor will practice more tests and thereby increase the time employed. Thus, fees would be higher. Several variables measure risk direct or indirectly. ROA is included because a low return on assets may be symptomatic of mismanagement. So, we would expect a negative relationship.

Leverage (LEV) and liquidity (LIQ) ratios, two of the proxies most commonly used to measure indebtedness (Hay et al., 2006; Hay, 2013), reflect whether the club could have financial problems. A positive relationship between leverage and audit fees is expected (Callaghan et al. 2009; Casterella et al. 2004). On the contrary, a negative relationship is expected with the liquidity (Craswell et al., 1995; Simunic, 1980).

Moreover, Casterella et al. (2004), Callaghan et al. (2009) find that firms with losses (LOSS) represent higher risk. This would imply higher audit fees as well.

3.2.7. Additional risk

Football clubs have real financial difficulties in their operations (Ascari & Gagnepain, 2006; Barajas & Rodríguez, 2010 and 2014; Beech et al. 2010; Boscá et al., 2008; Kuper & Szymanski, 2009), which in some cases have led to bankruptcy. This creates an additional risk for the auditor. The auditor will have to pay special attention to these events, which can imply going concern. Audit fees are expected to be higher in presence of a going concern opinion (Krishnan & Wang, 2015; Stanley, 2011; Wang & Chui 2015).

3.2.8. BIG 4

Previous studies indicate that the big international audit firms have a differential reputation derived from having a recognised brand name, and deliver audits of a higher quality than small and medium-sized audit firms (DeAngelo, 1981; DeFond, 1992). The existence of a relationship between audit fees and an auditor's reputation has been studied by various authors with positive results. That is the case of Liu (2007), Monterrey & Sánchez (2007), and Whisenant et al. (2003). The variable BIG4 has been included in the model as a dummy variable, making a distinction between the Big 4 (PwC, E&Y, KPMG or Deloitte) and the other firms. A positive relation with the audit fees variable is expected.

3.2.9. Auditor change

One of the most common reasons given by clients for deciding to change auditor is that the audit fee will decrease. This is why this type of variable is often included when analyzing audit fees. Hay (2013), Wang & Chui (2015) and De Fuentes & Sierra-Grau (2015a) use a dummy variable that reflects auditor change. This paper also includes this variable and expects it to be negatively related to audit fees.

3.2.10. Auditor features

Gul et al. (2013), Ittonen & Peni (2012), Ittonen et al. (2013), and Sundgren & Svanström (2014) have studied recently the effect of auditor features on auditing service quality. Ittonen & Peni (2012)

found that audits performed by women in Denmark, Sweden and Finland were more expensive that those performed by men. However, Alexeyeva & Svanström (2015) did not find evidence in their work about audit fees in Sweden. Our model includes a variable considering gender.

3.2.11. Sporting features

We expect teams with better performance in the previous season to be capable of increasing the club's revenue and reducing its financial risk. However, some clubs could overspend to achieve good sporting performance and this would make risk higher. Therefore, the sign of the coefficient could be positive or negative. After the FFP, with higher financial control, the chances of getting a negative sign could be greater.

On the other hand, we may expect reduced club risk if the average attendance to the stadium is high because it reflects a wide fan base that would help increase revenues. If the risk is low, the audit fees should also decrease. Therefore, the model includes variables that gather the information about points (performance measure) and average attendance in the previous season.

Finally, we have also included participation in the previous edition of UEFA competitions (Champions League and Europa League) to reflect the effect of sporting features. If a team took part in previous editions, it had to fulfill financial requirements in that season and this facilitates the fulfillment of the financial requirements of the current season. What is more, participation usually provides extra revenue to the club and may reduce an eventual going concern situation under financial control.

4. Results

Some results corroborate what was expected. However, most of the variables do not present significant influence on audit fees. First, we find that audit fees increased by nearly 1,700 Euros (2,000 in nominal terms) in the transition period as compared with the period in which FFP did not exist. That amount was practically two-fold in the period of full FFP regulation implementation. This was the expected result, even more so after the t-test.

Foreign ownership is another significant factor that explains the audit fees. In clubs with local owners, audit fees increase by nearly 4,500 euros in the advent of foreign investment.

Table 5 Outputs of the regression (real terms)

VARIABLES	Audit Fees
TRAN-FFP	1,661*
	(878.3)
FFP	3,408***
	(1,186)
NON_AUDITFEES	-0.00689
	(0.0518)
L.TA	2.49e-07
	(1.24e-05)
FOWND	4,436**
	(2,057)
REPORTLAG	-12.81
	(21.26)
L.ROA	-274.8
	(2,071)

L.LEV	-551.9
	(879.6)
L.LIQ	18.61
	(1,680)
L.LOSS	-170.8
	(797.7)
L.GCO	1,567
	(1,238)
BIG4	11,662***
	(2,244)
AUDITCHANG	1,289
	(1,311)
GENDER	3,516*
	(1,844)
L.POINTS	-8.329
	(56.53)
L.ATTENDANCE	0.00838
	(0.189)
L.UCL_EL	-1,862
	(1,179)
Constant	10,709*
	(5,400)
Clubs fix effect	YES
Observations	115
Number of id	25
R-squared	0.926

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

If the auditor is one of the Big 4, audit fees are about 11,700 Euros over those of smaller audit firms. This falls in line with previous research. We should point out that apart from Real Madrid and Barcelona –both excluded from this analysis- only Sevilla CF and Valencia CF were audited by a Big4 audit firm in seasons 2014-2015 and 2015-2016 in addition to Málaga CF in season 2015-2016, periods in which the FFP regulations were fully implemented. Moreover, Valencia CF and Málaga CF have foreign investors. On the other hand, only Ernst & Young and Deloitte, both of which belong to the Big4, had audited football clubs throughout the whole period.

Another interesting result is that when the auditor is a woman, audit fees are about 3,500 Euros higher than when the auditor is a man. It should be noted that only one of the female auditors works for a Big4 (Ernst&Young). Recent studies find similar results when considering the gender of the auditor. Ittonen & Peni (2012) introduced gender differences in risk tolerance as potential reasons to explain this effect. These authors claim this may increase audit investment and audit fee risk premium. They also point out other factors such as the diligence of female auditors, lower overconfidence, and a higher level of preparation could also lead to an increased audit fees. Moreover, Ittonen et al. (2013) found that female auditors may have a constraining effect on earnings management, which may also contribute to higher audit fees. The results obtained by Hardies et al. (2015) show that firms pay higher audit fees (by about 7 percent) to female auditors. They suggest the existence of a female audit fee premium due to differences in knowledge, skills, abilities,

Preprints (www.preprints.org) | NOT PEER-REVIEWED | Posted: 20 September 2018 doi:10.20944/preprints201809.0395.v1

Peer-reviewed version available at Int. J. Financial Stud. 2018, 6, 92; doi:10.3390/ijfs6040092

preferences, and behavior or due to supply-side factors. Hu et al. (2014) find that female auditors charge significantly higher audit fees than their male counterparts. They explain that this is due to female auditors' preference to reduce audit risk. In the case of football clubs, the perception of risk by female auditors may also be a plausible reason.

No evidence supports that sporting factors could influence audit fees. A lacking relationship between sports performance and economic results in Spanish football (Barajas et al. 2005) could explain this. Variables related to risk have resulted non-significant as well. Increased risk for the auditor was expected to increase audit fees. In this sense, we expected that higher leverage and the presence of losses and going concern opinion to have an impact on higher audit fees. By contrary, a higher return on assets and liquidity ratio resulted in lower risk and lower expected audit fees too. However, none of these variables were significant. This may be related to the real influence of the FFP regulations on club finances. In fact, as shown in Table 6 the financial situation of clubs improved on average. Throughout the period when the FFP regulations were fully implemented, the return on assets was much higher on average than it had been in the previous periods. The average of these three years was 11.5%, while the average of both previous periods was negative. Something similar happened with the rest of the indicators. The leverage was around 1 on average in the last period; this was lower than it had been in the previous years. Liquidity clearly improved with a 0.82 average over the last three years as compared to its prior 0.6 average. The number of clubs declaring losses declined to less than a third as compared to the peak of the whole period, in which over 60% of companies had reported losses. Finally, the percentage of clubs with problems of going concern dropped notably over the last years, especially in 2016. All this may explain the contribution of FFP regulations to improving the financial situation of the clubs, thereby reducing risk and not influencing the fees charged by the auditors. This may represent a problem of endogeneity but we must recall that we used lagged variables in the regression to avoid it.

Table 6 Evolution of risk indicators.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
ROA	-12.4%	2.9%	5.6%	-7.9%	-8.9%	9.3%	10.1%	8.6%	15.9%
LEV	0.88	1.19	1.23	1.34	1.17	1.19	0.99	1.07	0.98
LIQ	0.62	0.65	0.54	0.63	0.58	0.76	0.80	0.90	0.75
LOSS	41.2%	27.8%	41.2%	47.1%	61.1%	33.3%	27.8%	33.3%	27.8%
GCO	52.9%	55.6%	64.7%	61.1%	55.6%	72.2%	44.4%	44.4%	29.4%

We have included clubs fixed effect as there are features of the clubs that remain constant during the time. It is interesting to observe which clubs pay more or less than the base team that in our case is Almeria CF. The clubs that pay significantly higher audit fees are Atletico de Madrid (understandable due to its size), Athletic de Bilbao, Deportivo de la Coruña, Osasuna, Racing de Santander, Rayo Vallecano, Real Sociedad and Zaragoza CF. Most of these clubs had faced serious financial problems. On the other hand, the clubs that pay significantly less are Eibar, Getafe and Granada CF. All of them are 'small' clubs and Eibar only had been the last 2 seasons in First Division (never before).

5. Summary and discussion

As it has been proved, the audit fees have grown in real terms after the implementation of FFP regulations. Moreover, audit fees are explained by the presence of foreign investors, having one of the Big4 as the auditing firm and having a female auditor. The fact that the Big4 audit companies charge higher audit fees seems clear. The fact that the presence of a female auditor may increase the fees is surprising but it is even more surprising to find that other studies have obtained results akin

to ours. These studies explain the higher audit fees given female auditors' perception of risk. This may be relevant in the case of football clubs which are 'risky businesses'.

This paper makes two main contributions. On one hand, it analyzes the economic consequences of the implementation of FFP regulations by mainly considering their effect on audit fees. On the other hand, the behavior of audit fees is analyzed within a particular context, the football industry. It reveals no influence of sporting factors, even when they had been expected.

With respect to the implications of the paper, it seems that the change in regulations have an impact on audit fees charged by auditors for their services. However, this increase may be compensated over future years because the financial situation of clubs is improving and, subsequently, the risk taken by auditors is diminishing. This facilitates the reduction of audit fees. UEFA should monitor whether the audit fees are reasonable as well as the quality of the audit reports, which have become crucial for obtaining a license to participate in UEFA competitions.

Audit fees are symptomatic of the deeper effects of the changes brought about by FFP regulation. Besides, the role of auditors imposed by UEFA can contribute to avoiding the problem of earning management pointed out by Dimitropoulos et al. (2016).

The results of this study provide several future research lines. First, it would be interesting to carry out this analysis on other European leagues. Second, would also be interesting to study other effects of FFP regulations such as the presence of significant changes in auditor opinion. And third seeing if the adoption of FFP regulation would lead to an increased likelihood that clubs choose a Big 4 accounting firm.

Author Contributions: Authors equally contributed to the research and writing of the paper

Funding: This research was funded by National Research University Higher School of Economics in its Basic Research Program.

Acknowledgments: This paper is an output of a research project implemented as part of the Basic Research Program at the National Research University Higher School of Economics (HSE).

Conflicts of Interest: The authors declare no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript, or in the decision to publish the results.

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