

Hay *et al.* (2008) used data related to a sample of 130 companies listed on the New Zealand Stock Exchange, and studied among other things, the relationship between audit fees and IA. Their results revealed a positive relationship between audit fees and IA. Singh *et al.* (2013) performed a further examination of the fees-IA relationship in the Australian market using data related to a sample of 272 publicly listed firms. Their results revealed a positive association between audit fees and the existence of IA function as a proxy for IA usage. Using data related to a sample of 53 audits from the Hong Kong market, Ho and Hutchinson (2010) carried out a similar investigation. Their results showed a negative relationship between audit fees and IA. More recently, Zain *et al.* (2015) recently performed similar examination in the Malaysian market, using data related to 74 listed firms. They found evidence of a significantly negative relationship between audit fees and IA contribution in external audit.

In sum, empirical findings about the relationship between audit fees and IA contribution are mixed and are still inconclusive. Moreover, it appears that much of prior related research examining this issue stem from well developed countries with only little research conducted in other parts of the world. Besides, to the author's knowledge, empirical research about this relationship is virtually nonexistent in the context of the Middle East region. Given the mixed and inconclusive empirical findings reported about the relationship between audit fees and IA contribution, this relationship remains 'anomalous' (Hay *et al.*, 2006), and, hence, further examination of this relationship seems warranted. Therefore, and as indicated earlier, the current study aims at empirically examining the relationship between audit fees and IA contribution using data from the Kuwaiti market. Such research endeavor aims at filling the shortage of empirical research on

the IA-audit fee relationship in the context of developing countries' markets.

III. RESEARCH METHODOLOGY

Sample:

To obtain data needed to test the research questions of interest, a data-gathering instrument was designed for the purpose of gathering the needed information. Audit partners/managers in six audit firms operating in the Kuwaiti market were contacted and were requested to provide some information about a random sample of 15 financial statement audits for which they have had a supervisory role. The study's initial sample consisted of observations related to 57 audit engagements (63 percent). Due to missing data, nonetheless, 22 were discarded from the analysis of the current study. Hence, the study's final sample consists of 35 audit engagements.

Model:

As indicted earlier, the main objective of the current study is to examine the impact of IA contribution on external audit fees in the Kuwaiti audit market. The following OLS regression model is used to examine the research questions of interest:

$$FEE = b_0 + b_1 IA + b_2 SIZE + b_3 LOCAT + b_4 QUICK + b_5 LEVER + b_6 ROA + b_7 NAS + b_8 BIG4 + b_9 TENURE$$

Where:

FEE : the natural log of total audit fees;

IA : External auditor's assessment of the percentage of external audit work performed by the audit client's internal audit staff.

SIZE : the natural log of the audit client's total assets;

LOCAT : the natural log of the number of audit locations visited by the audit team;

QUICK : the audit client's current assets