

The Impact of Corporate Social Responsibility Disclosure on Audit Fees: Evidence from Chinese Listed Companies

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Abstract: *This study examines the impact of corporate social responsibility (CSR) disclosure on audit fees among Chinese listed companies. With the rapid development of China's economy and increasing stakeholder expectations, CSR disclosure has become a critical aspect of corporate governance. Existing research shows mixed results: CSR disclosure may increase audit fees due to higher audit complexity and risk, or reduce fees by enhancing information transparency and lowering audit risk. Using a literature review and comparative case study of three Chinese listed companies from the banking, high-tech electronics, and manufacturing sectors, this study analyzes the effects of disclosure content, format, and third-party assurance on audit fees. The findings indicate a dual relationship: high-disclosure companies with third-party verification may incur higher fees due to reputational considerations and audit complexity, whereas firms with transparent and standardized disclosure may benefit from lower audit costs. Industry characteristics, firm type, and disclosure quality significantly influence this relationship. These insights provide practical guidance for corporate CSR strategies, audit practices, and regulatory policymaking.*

Keywords: CSR Disclosure, Audit Fees, Chinese Listed Companies, Case Study

1. Introduction

Currently Chinese business environment, CSR disclosure is equally a corporate activity. As the growth of the Chinese economy continues, the country becoming an increasingly important component of the global economy, the demands for CSR disclosure by businesses are increasing rapidly. This increase is being driven from a range of regulated activities and heightened expectations by a range of stakeholders.

Regulators in China have increasingly focused on requiring organizations to provide CSR disclosure. As an example, in December 2008, the Shanghai Stock Exchange and Shenzhen Stock Exchange issued a policy regulating CSR information disclosure, mandating listed corporations in the governance sector, overseas listed companies, financial organizations, and all firms on the Shenzhen 100 Index to prepare a CSR report and file it together with their annual report for 2008 (Fan et al., 2023). These regulatory actions are meant to serve the main purpose of enhancing corporate accountability, support sustainability, and ensure that businesses undertaken a responsible and ethical manner. In turn, stakeholders such as investors, customers, and the general public are increasingly recognizing the responsibility of corporate social responsibility by looking closely at CSR performance for

enterprises. They view CSR disclosure as one of the primary metrics for the overall value of an enterprise and its long-term sustainability. For example, investors tend to see enterprises with good CSR performance as attractive target investments because good CSR performance is generally associated with lower operational risks and better long-term development potential.

Despite the amount of studies on this topic a significant question still remains unanswerable; the manner in which CSR disclosure affects the cost of audits directly. This question of interest is complex and will allow for varied interests from multiple research, practice and policy perspectives. There is a good number of studies have explored aspects of CSR disclosure, all of which are ambiguous in their approach to the actual link to audit fees. For example, there are studies saying that CSR disclosure could lead to increased audit fees. They propose that a significant amount of CSR disclosure is non-financial and therefore requires more time and auditor resources to verify, as well as an extra disclosure, resulting in an increase in total audit procedures. Other studies are of the view, that CSR disclosure could also lead to a decrease in audit fees. CSR disclosure helps to maintain or enhance the stakeholder reputation of the business and thus

should lower the level of information asymmetry between the firm and other associated external stakeholders. In turn, this should result in lower auditor risk assessments and lower audit fees overall.

The aim of this study is to close this research gap by empirically examining the relationship between CSR disclosure and audit fees for Chinese listed companies. With this research, we want to provide some contributions to the existing research. First, we will do an extensive review of the existing literature in order to consolidate current knowledge on the topic, identify available research, and create a solid theoretical underpinning for our study. Second, we will employ an in-depth case analysis to study real-world examples, and to raise the practical link between CSR disclosure and audit fees. The findings of our case analysis will provide important information to enable enterprises, auditors and regulators to make decisions.

In this study, CSR disclosure refers to the way in which organizations disclose their social, environmental, and governance activities, policies, and performance to the public. CSR disclosure encompasses information such as specific activities organizations are involved with in environmental protection, employees' wellbeing, community involvement, and practices in corporate governance. Audit fees refer to the amounts charged by external auditors for audit services, which now encompasses the integrity of CSR associated non-financial information in addition to traditional services involving the audit of a company's financial statements. We will focus on Chinese listed companies specifically, as there are some specific policies on CSR disclosure and distinct market activity that differentiate it from other countries; thus, it affords a unique context and rich opportunity to investigate CSR disclosure and audit fees.

2. Literature Review

2.1 Theoretical Foundations

Research on corporate social responsibility (CSR) disclosure and its effect on audit fees often draws on agency theory and stakeholder theory, which help explain how CSR reporting can influence auditing practices and costs.

2.1.1 Agency Theory

Agency theory, a key concept in corporate governance research (Ogabo, Olugu, & Enyinda, 2021), primarily seeks to explain how rights and responsibilities are divided between principals and agents within firms. The theory originated from Berle and Means' (1932) idea of the "separation of ownership and control," which highlights that in large corporations, where ownership is dispersed but management is centralized, executives may prioritize their own interests over those of shareholders. Jensen and Meckling (1976) later expanded the theory, emphasizing that principals depend on the expertise and actions of agents in such relationships. However, when trust is lacking, agency costs, information asymmetry, and even potential misconduct can arise (Johnson, 2019).

In studies on CSR disclosure and audit fees, scholars have attempted to apply agency theory to explain the potential effects of CSR. When the principal and agent's aims are not aligned, an agency cost issue always arises. Current research has shown that implementing CSR initiatives lowers agency costs, which ultimately boosts performance (Li et al., 2017).

However, other evidence suggests that there is no correlation between CSR disclosure and agency costs (Zhou et al., 2018). In addition, agency costs may hinder a company's success by ignoring CSR performance and disclosure (Akram et al., 2020). Based on agency theory, further evidence shows that higher-quality CSR disclosure can lower agency costs, with the effect being more significant under mandatory disclosure rules, and it can also improve firms' operating performance (Nair et al., 2025).

2.1.2 Stakeholder Theory

According to Freeman's 1984 stakeholder theory, companies should take into account the interests of other pertinent stakeholders in addition to their shareholders. "Any individual or group that can influence or be affected by the organization's pursuit of its objectives" is how Freeman described stakeholders. In other words, stakeholder theory views the company as a community bound by contractual relationships with various parties—that is, 'the enterprise is a community of stakeholders', in which cooperation is maintained through contracts among multiple parties. Since it shifts the emphasis from resolving disputes between owners and managers to addressing disputes among various stakeholder groups, stakeholder theory is seen as an extension of agency theory (Pourheidari & Golmohammadi, 2023).

Scholars have tried to use stakeholder theory to explain the potential effects of CSR in studies on audit fees and CSR disclosure. Managing stakeholders can lower business risk, according to some studies (Orlitzky & Benjamin, 2001). According to Choi et al. (2016), opportunistic management increases audit risks, which in turn raises audit fees. An empirical investigation on the relationship between stakeholder engagement and company performance was carried out by Harrison, Freeman, and Abreu (2015). Their findings lend credence to the idea that CSR and stakeholder theory are related, indicating that companies that actively interact with stakeholders see improved social and financial returns.

2.2 Prior Research on CSR Disclosure and Audit Fees

2.2.1 International Evidence

According to Chen et al. (2012), who examined U.S. listed companies between 2000 and 2008, auditors charge higher costs for companies with significant CSR difficulties but lower fees and are less likely to offer going concern views for companies with outstanding CSR performance. Garcia et al. (2020) examined CSR from the standpoint of audit complexity and concluded that audits become more complex due to both CSR strengths and weaknesses. Using a U.S. sample, they found a positive correlation between higher overall CSR scores and audit fees. Du et al. (2020), analyzing a global sample, discovered a negative correlation between audit fees and improved CSR performance. Frost et al. (2022) further found that negative media reports on corporate social misconduct raise audit risk and result in higher audit fees across multiple countries.

2.2.2 Evidence from the Chinese Context

Zhai, Hua Yun et al. (2014) studied listed companies that disclosed CSR reports on the Shenzhen and Shanghai stock exchanges from 2008 to 2011. Their results show that

companies with better CSR performance face lower audit fees charged by certified public accountants. However, report attestation does not strengthen this negative relationship between CSR performance and audit pricing. Carey et al. (2017) found that in China, voluntary CSR reporting is positively linked to audit fees. They note that Chinese firms often use CSR reports for reputation purposes. When CSR reports are disclosed, auditors need to perform more procedures and take on higher risks, leading to higher audit fees. This effect is stronger for non-state-owned enterprises (NSEs). Yet, NSEs with higher CSR ratings or longer reporting histories tend to pay lower audit fees. Chen Jiaojiao et al. (2020) analyzed A-share companies from 2009 to 2015 and found that companies disclosing CSR information paid higher audit fees, with more detailed disclosure leading to higher fees. They also found that voluntary disclosure raises audit fees. Overall, the relationship between audit fees and CSR disclosure may vary depending on industry characteristics, disclosure practices, and institutional environments.

2.3 Research Gaps

Despite extensive studies on the relationship between CSR disclosure and audit fees, several gaps remain, particularly in the Chinese context. First, multidimensional analyses of CSR disclosure are limited. Most prior research focuses on the presence or overall level of disclosure, while the effects of disclosure content, format, and third-party assurance on audit fees are not thoroughly examined. Second, in-depth comparative studies at the firm level are scarce. Large-sample regression approaches often fail to capture differences in disclosure practices across individual firms and their impact on audit fees. Third, firm heterogeneity has received

3. Case Analysis

After sorting out the different and contradictory academic viewpoints on the relationship between corporate social responsibility information disclosure and audit fees, this study adopts the method of comparative case study to examine the role of different disclosure methods in actual business scenarios and their possible impact on audit prices. Unlike large-sample regression, the case study approach fills the gaps in background depth and mechanism explanation - which is particularly helpful in uncovering the specific connections between various characteristics of corporate social responsibility disclosure and audit fees.

The reasons for choosing three A-share listed companies as case studies are as follows:

weakens this positive relationship, while third-party verification strengthens it. Huang Jiaqi (2024) examined Chinese listed companies from an ESG perspective using A-share data from 2019–2021. The research revealed that better ESG performance is associated with lower audit fees. Firms demonstrating strong ESG practices tend to provide more transparent information and carry lower audit risk, which leads auditors to charge less. This pattern is particularly evident among non-state-owned enterprises.

The studies discussed above review both domestic and international research on the relationship between audit fees and corporate social responsibility (CSR) performance or disclosure. Overall, research from various contexts and samples has produced conflicting findings. While some studies suggest that great CSR performance can lower audit fees, others demonstrate that CSR wrongdoing or disclosure insufficient attention. Differences between state-owned and non-state-owned enterprises, or between high-disclosure and low-disclosure firms, have not been systematically investigated in terms of CSR disclosure and audit fees.

2.4 Implications for the Current Study

Addressing the aforementioned gaps, this study adopts a case study approach, selecting three Chinese listed companies with varying levels of CSR disclosure. The analysis focuses on: (i) characteristics of CSR disclosure, including content, format, and third-party assurance; (ii) audit fees associated with each case; and (iii) cross-case differences and trends, including the potential influence of firm type on the relationship between CSR disclosure and audit fees.

Industry Scope: The selected enterprises cover finance, high-tech electronics and traditional manufacturing, including services and the real economy. This broad scope reveals the differences in corporate social responsibility disclosure and auditing environments across various industries.

Disclosure Intensity Level: Based on the amount of information in the relevant reports of each company, it is classified into three levels: "high, medium, and low".

Reliable Data: All three are well-known main board listed companies. Key data such as corporate social responsibility reports and audit fees are released through official channels and reliable databases to ensure the objectivity and credibility of case analyses.

Table 1: Three A-share listed companies

<i>Company</i>	<i>Industry</i>	<i>CSR Disclosure Level</i>
ICBC	Banking	High
BOE Technology Group	Electronics & IT	Medium
Top Group	Automotive Parts Manufacturing	Low

Table 2: Analysis of CSR Disclosure Characteristics

<i>Dis. Level</i>	<i>High Level</i>	<i>Medium Level</i>	<i>Low Level</i>
<i>Company</i>	ICBC	BOE Technology Group	Top Group
<i>Content</i>	Comprehensive Coverage	Focus on core areas of responsibility	The basic CSR information is scattered throughout the annual report
<i>Example (2024)</i>	Highlight "green finance" and "inclusive finance for small and micro enterprises"	Focus on "environmental protection investment in the research and development of semiconductor display industry technology"	The statement reads "Actively promote environmental protection work and adopt environmentally friendly production processes", with no other details disclosed
<i>Form</i>	<ol style="list-style-type: none"> Independent CSR report (over 80 pages) Visual AIDS: carbon emission trend charts and donation location maps Interactive digital reports 	<ol style="list-style-type: none"> Independent CSR report (40-60pages) Mainly described in text and has relatively few visual charts No online version 	<ol style="list-style-type: none"> No independent CSR report Only a short written overview is offered No visual materials
<i>Third-Party Verification</i>	Deloitte Touche Tohmatsu	Not conducted	Not conducted

Table 3: Analysis of Audit Fees

<i>Company</i>	<i>Audit Agency</i>	<i>Financial Statement Audit Fees (RMB 10,000)</i>	<i>Internal Control Audit Fees (RMB 10,000)</i>	<i>Total Audit Fees (RMB 10,000)</i>
ICBC	Ernst & Young	5,983.39	615.27	6598.66
BOE Technology Group	KPMG International Limited	865	345	1210
Top Group	SHULUNPAN	290	40	330

3.4 Brief Analysis of Differences and Trends

Looking at the three case companies' data, we see clear differences and trends. These relate to how they report social responsibility and what they pay for audits.

3.4.1 Clear differences

Differences in audit fees across different industries: Audit fees vary greatly across different industries. The Industrial and Commercial Bank of China spent 65.9866 million yuan on auditing. The electronics company BOE Technology spent 12.1 million yuan. The auto parts manufacturer Top Group spent 3.3 million yuan. ICBC's audit fees are 5.5 times higher than BOE's. They are 20 times higher than Top Group's. This shows industry traits mainly decide audit costs.

Differences in Disclosure quality and scope: Firms with high disclosure levels, for example Industrial and Commercial Bank of China, release their own CSR reports. These reports are over 80 pages long. They include visuals and outside verification. Mid-level companies such as BOE also produce separate reports. Their reports run 40 to 60 pages. They rely mostly on written words. Low-disclosure firms like Top Group do not publish standalone reports. Their CSR details are spread throughout annual reports. These gaps show that corporate social responsibility reporting is not the same everywhere. What is shared, how it looks, and whether a third party checks it shape how people see and use the information.

Varied disclosure motives by company type: ICBC is a major state-owned bank. Its thorough reporting matches rules and protects its image (Carey et al., 2017). Because of this, auditors look more carefully at its "reputation capital". In contrast, Top Group is a private manufacturer. It sees CSR as a box to tick, not a source of value. That is why it shares less.

3.4.2 Trend Analysis

The connection between audit fees and business complexity is becoming increasingly close: Business complexity is increasingly determining audit costs. The reason why financial companies charge high fees is that they have a wide variety of business types and complex risks. Technology companies with a large number of R&D projects and complex processes charge moderately. Traditional manufacturers with simple operations pay lower costs. As the industry becomes increasingly complex, this trend becomes even stronger.

Moving towards standardized disclosure: The consistency and organization of corporate social responsibility reports are increasingly enhanced. Top companies have complete information disclosure systems. Mid-to-low-end enterprises are improving their systems. Third-party inspections, standard content and unified formats all indicate that information disclosure is moving in a more organized direction.

More formal disclosure method: Companies with high disclosure usually adopt the model of "independent reporting + third-party verification". They will also try new ways of expression. The interactive digital report of Industrial and Commercial Bank of China is an example. This indicates that enterprises are shifting towards standardized and regular corporate social responsibility reports.

4. Conclusion and Outlook

4.1 Summary of Findings

This research concludes that the relationship between CSR disclosure and audit fees is somewhat complicated, with both positive and negative consequences, based on a case study of the real circumstances of the listed businesses

Positive correlation: According to the findings, using CSR reporting for reputation management by businesses may increase the complexity and danger of audits. In order to ensure audit quality and address any risks, auditors will consequently charge greater fees. Furthermore, non-state-owned businesses experience a stronger positive association between CSR disclosure and audit fees, and third-party verification of CSR reports will amplify this relationship.

Negative correlation: According to the findings, companies that do well in corporate social responsibility have more transparent information, reduced audit risks, and comparatively less audit resources, all of which lower audit costs. This adverse effect is especially pronounced in non-state-owned businesses.

4.2 Cause Analysis

Perception of risk: symbolism and incompleteness are the hallmarks of CSR disclosure. The risk perception of auditors will improve, and some shallow CSR disclosures conceal serious issues. As a result, auditors will demand a larger risk premium out of fear of legal responsibility and reputational harm, which drives up costs. Excellent CSR disclosures, on the other hand, can indicate that the business is low-risk and well-governed, which will minimize costs, risk premiums, and the auditors' estimate of inherent harms.

Complexity: There is no single standard for CSR disclosure, which encompasses a variety of categories. The scope and complexity of audit work increase as auditors are required to create complex audit procedures and become acquainted with the framework. This adds time and effort to the process and raises expenses. Businesses' internal information gathering and organization processes can be standardized with a good CSR disclosure system, which eliminates the need for auditors to sort it out. This lowers the cost, resource investment, and complexity of the audit.

Transparency: Selective CSR disclosures will increase expenses by requiring auditors to improve audit processes and allocate resources to resolve problems. Public CSR disclosures will decrease information asymmetry, improve transparency, and allow auditors to carry out their responsibilities more efficiently, which will cut costs associated with communication and information mining.

4.3 Practical Significance and Future Directions

The relationship between CSR disclosure and audit fees is relatively complex. This study explores The Impact of Corporate Social Responsibility Disclosure on Audit Fees and

puts forward the following suggestions for companies and auditors based on the research situation.

4.3.1 Suggestions for Companies

For companies with high levels of disclosure: Continue to use the "independent report, third-party assurance, and digital presentation" option, and mark important audit-related data to lessen the effort of auditors.

For businesses with medium and low levels of disclosure: First concentrate on their key competencies, standardize information disclosure, steer clear of excessive embellishment, and guarantee content accuracy—all of which support the steady growth of their businesses.

4.3.2 Suggestions for Auditors

During the audit, auditors should implement the following measures:

Closely monitor the extent of CSR disclosure made by businesses.

Completely understand the audited entity's facts when determining risks and fees, and promptly modify the audit processes to lower risks.

Enhance professional expertise, direct the standardization of CSR disclosure, and uphold the moral imperative to attain accurate and equitable CSR disclosure.

4.3.3 Future Research Directions

Opinions on audit fees and CSR disclosure are currently divided. Future studies should focus on the following dimensions:

Examine how CSR disclosure and audit fees evolve over time, considering how shifting market conditions and legal frameworks impact this relationship.

Deeply study the role of different types of third-party assurance in moderating the impact of corporate social responsibility disclosure on audit fees.

Investigate different enterprises with different CSR-related risks and operational characteristics to determine whether different types of enterprises cause different CSR disclosures to audit fees.

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