Indian Journal of Information Sources and Services
ISSN: 2231-6094 (P) Vol.16, No.1, 2026, pp.403-421

DOI: https://doi.org/10.51983/ijiss-2026.16.1.42

The Impact of Real Earnings Management and the Moderating Role of Political Connections on Audit Fees: Evidence from Listed Companies in Vietnam

Thi Thanh Thuy Tran[1], Huy Hung Pham[2*], Thi Hong Lam Nguyen[3], Thi Phuong Nguyen[4] and Thi Tuyet Pham[5]

[1]VNU University of Economics and Business, Vietnam National University, Hanoi, Vietnam
[2*]Hanoi University of Natural Resources and Environment, Hanoi, Vietnam
[3]Thuongmai University, Hanoi, Vietnam
[4]International School, Vietnam National University, Hanoi, Vietnam
[5]Banking Academy of Vietnam, Hanoi, Vietnam
E-mail: [1]thanhthuytt@vnu.edu.vn, [2]phamhuyhung0302@gmail.com, [3]honglam@tmu.edu.vn, [4]phuongkhoaqt@vnu.edu.vn, [5]tuyetpt@hvnh.edu.vn
ORCID: [1]https://orcid.org/0009-0004-3315-2665, [2]https://orcid.org/0000-0002-0352-514X, [3]https://orcid.org/0000-0003-1830-6932, [4]https://orcid.org/0009-0009-7485-2648, [5]https://orcid.org/0009-0005-0812-1581
(Received 10 November 2025; Revised 08 December 2025, Accepted 29 December 2025; Available online 27 February 2026)

Abstract -**This analysis extends conventional focus on accrual manipulations by investigating how real earnings management (REM) interacts with political connections (PC) to influence audit pricing. Set in Vietnam's person-centric economy, the research poses two central queries: how auditors perceive the nuanced threats posed by REM, and whether the structure of political ties undermines the effectiveness of the audits. We employ a fixed-effects framework on a balanced panel of 456 publicly listed non-financial firms, covering 2015 to 2024. Our findings show that auditors price REM risk, raising the audit fee. Yet PC, being inherently relational, weakens this pricing pressure: firms with ties negotiate substantial fee concessions, which noticeably attenuate the MEM-audit fee relation. Importantly, this absorption occurs predominantly within the non-Big 4 segment, while Big 4 firms price REM independently of any concessions warranted by political ties. The divergent pricing strategies yield the paper's most novel insight, confirming that larger audit networks price substantive risk regardless of relational context, thereby highlighting a key segmentation in Vietnam's audit market. Taken together, the data paint a two-tier Ukrainian audit market: smaller firms tinker with fees only at the margin, while the global giants charge in a more independent and phased manner, amplifying the unevenness in independence and service standards across the economy. The findings underscore that high-quality audit brands remain a resilient bulwark for investors, still acting as externally enforced governance filters even when established political ties tend to erode normal market discipline. Notably, the combination of elevated real-earnings management, a politically connected board member, and a non-Big Four audit signals three independent and serious red flags in a company's financials. For regulators, these indicators crystallise the practical hurdles of institutional oversight when the overlap of compromised governance and sub-scale auditing firms lies within the same company.**

Keywords: **Real Earnings Management, Audit Fees, Political Connections, Audit Quality, Stock Market, Vietnam**

I. INTRODUCTION

Vietnam is rapidly modernizing its capital markets, prompting a heightened obligation for adherence to data precision and openness (SSC, 2023). As of December 2023, the market's financing capacity is partitioned such that 84% rests within debt and equity instruments (Hurriyati et al., 2023). In such an environment, providing precise and timely financial disclosures is not optional; it is the mechanism through which resources flow to their most productive applications, investor and employee rights are protected, and the social compact that underpins sustained economic progress is fortified (Rakesh et al., 2024; (Frye & Shleifer, 1996). Concomitant with this modernization is a growing exposure to earnings management—where senior executives purposefully revise financial disclosures to create a façade of stronger corporate performance (Healy & Wahlen, 1999; Fowler, 2023; Bhatia & Bansal 2024; Sindhu, S.2025). When this manipulation is uncovered, the once-protective veneer is stripped away, and market trust is irrevocably tarnished.

Companies have two broad strategies to adjust the income they report to outsiders: one relies on accounting entries and the other involves manipulating the underlying activities of the firm (Hakiminia et al., 2016; Ohidoa & Okun, 2018; Tee et al., 2017). Accrual-based earnings management (AEM) achieves its objectives by narrowing or enlarging estimates and by reshaping the timing of transactions, playful yet sanctioned maneuvers that exploit ambiguous guidance in frameworks such as GAAP or IFRS. The approach I want to focus on, real earnings management (REM), transcends the ledger; it bends operational facts to walk a performance goal line. Referencing the work of (Roychowdhury, 2006), I map key practices that carry both intent and discernible impact: managers negotiate managers to forfeit necessary future expenditures, forfeit discretionary spending, squeeze discretionary spending, grant excessive year-end price concessions, or engage in the continuous overproduction of finished goods to fortify a classroom earnings perception of operational efficiency (BA et al., 2024).

When analysts contemplate bringing in external monitors, grasping the distinction between accrual and real earnings management remains vital. Accrual manipulation provides a layer of opacity, weaving itself into everyday business choices and seldom contravening formal rules in a way that draws immediate attention (Graham et al., 2005; Bliss & Gul, 2012). Its subtlety grants it a survival advantage, permitting regulators and auditors to track and challenge accrual distortions only after probing the underlying economic reality. Empirical evidence indicates that firms migrate to real earnings management once the governance environment toughens—most notably after Sarbanes-Oxley—by adjusting to increased scrutiny (Cohen et al., 2008; Nguyen & Nguyen, 2020). This strategic pivot carries hidden costs. Although real manipulation often avoids detection through traditional ratio-analysis, it executes a different calculus. Real choices tend to impair operating cash flows, repress near-term return-on-assets, and wear down underlying operational strength, yielding gradual, cumulative, and in some cases, irreversible impairments to net corporate value (Cohen & Zarowin, 2010; Vorst, 2016; Dang et al., 2017).

Identifying and assessing the exposure to real earnings management (REM) sits firmly in the auditors' domain and acts as a vital safety valve for market discipline. Once auditors detect a stronger-than-normal propensity for REM, the corresponding chores multiply, pulling down tighter the elastic leash stretching auditing capacity, firm reputation, and market assessment, thereby persuading lenders to demand a slightly higher risk premium. The practical backlash from this lever—elevated auditing hours and harsher firm scrutiny widening operating cost bands—shows up in the cost-function studies streaming from advanced markets, as reported by (Chi et al.,2011; Park et al.,2020; Ratnasari 2021).

When informal relational networks are strong and prized, conventional risk-pricing processes can break down. Vietnam exemplifies this dynamic, as retired senior state officials routinely permeate the country's private sector, populating the boards and advising the firms they know best. This environment thus becomes a controlled setting in which to test the underlying mechanisms in the literature. Viewed through this lens, the relevance of political tethering (PC) to pricing risk emerges: firms equipped with such connections gain, in essence, a screen against the microscope of outside observers, lowering the odds of detection and punishment when regulatory standards are bypassed (Chaney et al. 2011; Guedhami et al. 2014). Within this caveat, the empirical design must pinpoint to what degree PC, as a species of informal governance, buffers the audit-risk price—especially the fraction tied to real-earnings management (REM)—from the combined force of downstream market reactions and regulatory vigilance.

Studies scrutinising Vietnam's audit-market services have largely narrowed attention to either the interplay of political links and audit fees, or to the mechanics of alternative earnings management, as exemplified by the work of Dang et al. (2017) and Nguyen & Nguyen (2020). Evidence that speaks to real earnings management—particularly its relation to audit pricing—remains exceedingly thin. This gap invites empirical investigation that traces the contours of real earnings management alongside concurrent movements in the level of audit fees, while simultaneously appraising how political ties inject an incremental risk that the auditor must price. An analysis of the drivers of audit-market pricing that rests upon the calibre, structure, and public perception of independence of Vietnam's audit firms furnishes the analytical framework needed to render politically-structured earnings management observable in terms of discrete adjustments to the audit fee schedule.

Thus, the study attempts to address the two main research questions as follows:

i. What is the effect of REM on the audit fees of Vietnamese listed companies?

ii. Do political connections strengthen or weaken the audit fee-REM relationship?

Our research moves the conversation forward by interlinking three strands of theory: real earnings management (REM), audit pricing, and political economy—reinforcing and enlivening each strand in the process. By bringing another pivotal institutional factor in the context of a developing economy into the light, we sharpen the precision of prevailing audit pricing frameworks. We also enlarge the corpus of REM scholarship by documenting fresh evidence from Vietnam, demonstrating how political affiliation alters auditors' assessment of REM exposure. From a practical standpoint, our results deliver refined guidance that can be acted upon by investors, supervisory bodies, legislators, and the audit community, empowering each constituency to map and reduce a nuanced, layered terrain of financial risk.

The opening chapter presents background and scope for the research. The following chapter situates the inquiry within the relevant theoretical and empirical literatures, and sets forth the study's key research hypotheses. Section three outlines the quantitative and qualitative methods adopted. Results of the surveys and the interviews, together with tests of the hypotheses, are set out and discussed in section four. Section five offers a critical reflection on the theoretical, practical and methodological contributions of the study.

II. THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Theoretical Basis

This study integrates the leading government-roles lens—either the Helping Hand or the Grabbing Hand interpretation—by coupling it with the analytical scaffolding offered by both Audit Pricing Theory and Resource Dependence Theory. Through this multidisciplinary synthesis, the research examines the interplay among three essential elements: real earnings management, the presence of political connections, and the configuration of audit fee arrangements.

Simunic's economic model of audit pricing remains a robust starting point for dissecting what drives audit costs. It asserts that the price the auditor ultimately invoices manifests through two layers that simply sum: the estimated inputs of labour and technology needed to accumulate enough convincing audit evidence, and a calibrated charge whose entire geographic zone sits over auditor risk. The model's risk zone, also termed an exclusion zone in risk pricing, houses the degree of risk that management's reported numbers misrepresent the firm's fundamentals, the in-built severity of litigation risk that could arise from overly optimistic accounting, and the intangible cost of reputational damage that litigation could trigger. This analysis contends that, through active real earnings management, the firm's discretionary accounting practice fabricates economic noise that conceals the core business wrinkle, generating a seam of obscure transactions that management routes off the books. The illustrated firm-wide remapping of labour, inventory, or expenditure, in essence, thrusts the auditor into an environment where evidence quiets, management misroutes classic audit trails, and misrepresentation risks multiply until they equal layers of concealment. Confronted with an architecture of heightened inherent risk and substantial control risk that the firm engineers, the auditor begins with an unfurnished evidence base. Anticipating a sizeable risk that the disclosed numbers conceal misstatement, the auditor begins to price, the firm's cost of vigilance thus explodes—that price then passes directly to the audit fee.

Resource Dependence Theory suggests that a company's affiliation with the state works like a quiet adjustment to its resource portfolio, enriching asset lists beyond what a normal market can furnish, as highlighted by Pfeffer and Salancik in the 2015 edition. The principal premise is that in a competitive terrain where control of resources is uneven, the notion of complete sovereignty is a comforting fable. Growth becomes a radical willingness to lace the corporate structure into a dense fabric of dependencies, with the sovereign actor as a critical thread. Treating the political tie as one of the strategic assets is therefore more than a ritual of overture; it is a deliberate, cost-benefit analysis conducted outside the transparency of market valuations. Faccio's 2006 empirical work underpins this. The return is a roster of economic advantages, visible and hidden: accelerated state contracts, omits in the permitting labyrinth, subsidized borrowing costs, and, most telling, an informal catalogue of regulatory leniencies that shields the firm from the minutiae of compliance. Viewed through this lens, it is comprehensible that auditors routinely downgrade perceptions of business risk in dealings with politically embedded clients, a judgment that carries through the entire arc of the audit function. The expectation faces an unseen but decisive premise: the silent betting on an eventual regulatory rescue, framed here as the "too politically entrenched to fail" thesis. Firms tightly embedded in the political arena are, it is posited, furnished with an implicit buffer that dulls the bite of economic distress. This vantage, in turn, legitimizes a softening of the default surcharge that an independent auditor ought to build into the audit charge. Within the auditor's strategic dashboard, the entering probability of failure—an item that typically swells risk costs—is quietly downplayed, the silent dividend of anticipated arm's-length protection. Thus, the risk-suppressive gradient that springs from the same political ties that Resource-Dependency theory celebrates as instruments of surplus power defuses the reasoning against the seemingly anomalous: an enduring rise in the measured accrual of managed earnings, literature that terms the mark risk-obscuring, progressing with softening audit costs that, empirically, have yet to chase the steepness of the exposures. The implicit grant of risk sunk, in consequence, removes the tension between the behavior warranted by theory and the charge settled by market, or, put more sharply, the secret risk-tier subsidy cleans up the noise.

The "Helping Hand" versus "Grabbing Hand" formulations of Frye, Shleifer, and the subsequent Shleifer-Vishny reformulations stand as the last clear, dichotomous alternatives regarding the role of actual political connections, and we can neither evade nor sugar-coat them (Shleifer & Vishny, 1998). Their debate runs around two crude poles. The first school, the "Helping Hand" camp, submits that a state, properly restrained and informed, crafts institutions that lower the transaction costs of contract enforcement, stabilize actors' baselines expectations, and so encourages accumulation of private capital. The competing "Grabbing Hand" account, by contrast, depicts bureaucratic actors as giving priority to the commandeering of private yield, redistributing resource rents in a coercive and ongoing fashion. Once we digest them neither of these tectonic kids feels either fair or comforting, yet within the data we consulted the aggregate remarks leave a small, terciary and fragile attenuation to the "Helping Hand" interpretation, and, to a second band of vicious, second-best propositions that style the political link as a fortification against predictable rentjeering embattlements. The auditor is therefore positioned to apply what is almost a presumed and begrudgingly acknowledged reduction in the probability of discrete No-Notice discipline to impose tighter factual bands around a prospective-risk pricing axis. What amounts to a minor crimp in the firm's coups de réserve is here removed from the grab by the "Grabbing Hand" and effectively hi-booked as a low-frequency constituent of a reconfigured selections tail. When the client's sector is in the harbour of cresting political optics, the auditor surmises from the sheen of legislative fireproofing and, by stealth, the exteriored residual left in the risk tableau is lowered. That tacit de-risking of undetected misstatement—in particular misrepresentation intended to appear non-financial—in effect supplies ballast for the general thesis that a firm's political chromatism depresses the emotional lothian that would otherwise populate RE managerial intervention. The outcome, then, is the margin's ocular tightening, a grafting of caution that quietly endorses the larger narrative.

Hypothesis Development

The Relationship between Real Earnings Management and Audit Fees

As REM gaps widen, traditional audit methodologies are met with escalated friction, since companies camouflage the actual architecture of their costs: they re-engineer manufacturing overhead, bias discretionary-expense ledgers, and mist with any similar sleight. A distinctive veneer of journal-entries masquerades, offering no solid audit substrate, so when an auditor grazes the balance sheet, the encounter feels more poetic allusion than austere calculus—an echo of Cohen and Zarowin's 2010 observation. The profession absorbs this octave of obscurity, reallocating cognitive bandwidth, layering customised and often redundant countermoves, and levelling a recalibrated mark-up onto the adjusted premium of the audit pricing canon enunciated by (Simunic, 1980). The resultant weave of these interpolated calibrations crystallises a field work programme whose eventual stern parsimony starkly contrasts with the buoyant pricing first dangled.

The key theoretical proposition is strongly reinforced by complementary datasets collected in several jurisdictions. Studies from several countries—including Nigeria (Egbunike et al., 2023; Greiner et al., 2017; Ghanbari et al., 2014) demonstrate that firms engaging in elevated regimes of real earnings management incur greater audit fees. This finding is time-consistent, holding regardless of divergent institutional architectures, and suggests that auditors in disparate markets perceive intensified REM as material and incorporate mirrored pricing into their engagement terms. Because evidence from separate jurisdictions consistently points in the same direction, the presumption arises that a similar risk-cost relationship is also in effect in the Vietnamese audit environment.

REM tends to calibrate itself to the humdrum decisions that managers make every day, rather than leaving finger-staining smudges in the ledgers. Surveys show that treasurers and controller-level executives often covet this blur of translucence; to them, it looks less like earnings management than like reinforced-visual-concealment—their moat against every regulator and every audit step. Yet the aperture that managers believe grants them daylight is, to the trained auditor, merely another surveillance lane. Guided by professional skepticism, auditors chase the patterns that seem out of respectable lane, refusing the indulgence of intentional oblivion. To distance and deflect what might register as a REM strategy, firms often negotiate more advantageous purchasing or leasing terms that tie selected suppliers to blooms of unusual profitability, particularly where procurement flows signal the covert flattening of earnings. Thus, the binary balance—not of crook and cop, but of remover and regulator—substantiates the verifiable hypothesis poised for the data test that follows.

H1: Real Earnings Management has a Positive Impact on the Audit Fees of Listed Companies in Vietnam

The Moderating Role of Political Connections

Agents often speculate that widespread, almost instant electronic monitoring will force auditors to cut their billing rates, but entrenched institutional traits — most notably, ties to power — can shift that expectation. Such connections appear to the auditor as an extra, informal cushion against risk: the client seems to have, in Resource Dependence terminology, a self-installed guard rail (Faccio, 2006). Firms that lean on political links earn a façade of limited disposability; their maximum forecast of default risk, in auditors' models, flattens at a low ceiling, and the perceived severity of shrinkage also softens, since the chance of substantial administrative sanction is customarily adjusted downward.

In recent research, mounting empirical support has emerged, yet scholars remain cleaved along two distinct interpretive axes. The first strand, centring around the constructs of "insurance" and "preferential treatment," posits that entanglement with the political elite depresses audit pricing. Evidence gathered by Heflin and Wallace (2024) and confirmed by Salehi (2020) delivers a consistent message: audit fees for politically connected entities remain lower across multiple jurisdictions. Viewed through the auditors' risk prism, the narrative reinterprets the residual legal risk, arguing that the sheer force of political proximity effectively diverts a portion of the latent vulnerability from the auditor. This permits firms to pay a constricted fee, the residual risk being tacitly accepted as borne by the politically influential patron. Tee et al. (2017), deploying a Malaysian setting, recycle the proposition and discover that the connection mechanisms again destabilise the formal pricing structure. Collectively, these contributions intimate a covert subsidy: politically tethered clients, while appearing to incur customary pricing, receive a silently documented concession that the risk discourse formally pretends to ignore.

Another viewpoint asserts that tapping into political networks may actually amplify, rather than dampen, risk exposures. Such firms frequently adopt opaque governance designs, rigidly confine outside access to informational flow, and face rising threats of state claim over corporate property. Chaney et al. (2011) document that enterprises of this character regularly register diminished accounting credibility, a finding that inflates the basis risk confronting distant stakeholders and audit teams alike. By this logic, the resulting informational asymmetry ought to push auditors to broaden and deepen substantive procedures; risk-based pricing theory, in turn, interprets this recalibrated scope as a warrant for elevated fee schedules (Bliss and Gul, 2012; Ghanbaria et al., 2014; State Securities Commission, 2023).

Though this topic has been discussed in multiple forums, we argue that the dominant lens for understanding the Vietnamese market—where informal networks and transitional logics predominate—views political ties as a latent "gauntlet" that quietly compresses external auditors' sense of risk. To the firms themselves the pressing risk from a single, politically connected dominant client re-upping a renewal contract overshadows any distant, and at best hazily defined, regulatory threat. By brokering a fee that sits beneath the public market benchmark yet is rationalizable in private, auditors tactfully calibrate client loyalty thresholds and, more importantly, reinforce a tighter, self-renewing loop of client retention. Under our model, these relational aggregates steadily undermine the coercive logics that would typically graduate raised audit fees to the correction of genuine earnings misrepresentation, and in the fragile market equilibrium they come to displace external restraints altogether.

H2: The beneficial association between real earnings management and the audit fees of Vietnamese listed firms is weakened by political ties.

III. RESEARCH METHODOLOGY

Data Collection and Research Sample

Our analysis rests on a carefully curated set of secondary data, a strategy that both preserves analytical neutrality and strengthens the empirical assessment. The foundational dataset is composed of officially audited financial statements and annual reports for all companies listed on the Hanoi Stock Exchange (HNX) and the Ho Chi Minh Stock Exchange (HOSE). These records were extracted from the Vietstock platform, a highly regarded Vietnamese repository noted for its extensive and accurate data archiving (www.vietstock.vn). After retrieval, we conducted a rigorous manual extraction of all key qualitative indicators, followed by a secure cross-referencing of the extracted items with original annual reports and listing prospectuses, ensuring that every relevant data point is cross-verified and that the dataset achieves both broad and coherent exposure. To forestall inconsistencies, the principal variables under examination—political connections, audit qualifications, and the noted presence of Big 4 audit firms—were subjected to a sequential verification process; each item is documented, audited, and confirmed before being finalized for inclusion.

The focus here is on the window 2015-2024, which yields persuasively manageable justification. Over this period, Vietnam's frequently shifting economy functions as an experimental arena for how managers manage reported earnings. The period commencing from 2020—and defined by the pandemic's arrival, the subsequent swift expansion, and the later abrupt retraction subjects' firms to unusually polar and at times oppressively compressed vertical pressures, thereby revealing the choices which governing managers confront when balancing survival with impression management. At the same time, the intervening decade absorbs the gradual introduction of binding disclosure mandates and the accelerating tightening of governance rules, each reform progressively shifting the baseline of acceptability for what must be avowed in publicly transmissible statements. The combination permits observations to span both outer cyclical and residual structural disruptions while remaining compact enough to model within a single institutional regime. This structural compactness enables well-identified panel-estimation strategies without inverting restrictive parameter demands, thereby safeguarding the analysis's econometric degrees of freedom and enhancing the wider plausibility of the resulting inferences.

The complete universe for the strictly stratified sampling frame consists of the full population of listed corporations on the HOSE and HNX for the period spanning 2015 to 2024. The procedure begins with the wholesale removal of all financial intermediaries—specifically banks, brokerages, insurance companies, and mutual funds—whose idiosyncratic disclosure norms, meticulously delineated in long and binding circulars, are likely to engender persistent and systematic bias. Retaining such firms would compromise the vital definitions underlying the study, since the financial sector is precisely the domain where reporting practices for items such as credit loss provisions, insurance contract liabilities, and suspended margin receivables are designed to obscure or, in some cases, accentuate real activities manipulation. The resulting misalignment would render key financial metrics—operating cash flow or the year-on-year growth rate of capitalised borrowing costs—capable of mimicking or, inversely, of departing sharply from patterns that are otherwise observed for non-financial enterprises, thereby contaminating the signal with respect to earnings management. As previously articulated, such a contamination would undermine the clarifying contribution of the early scholarly work on the subject (Dechow et al., 1995).

The original pool of non-financial firms was subjected to three precise filters to safeguard the integrity of the final dataset. Exclusions were mandated when: (i) key financial variables were missing, preventing the calculation of dependent, moderating, and covariate variables; (ii) data for audit fees (designated as variable AF) could not be located; and (iii) records were marked for systematic inconsistency or contained implausible valuations. A structured diagram of the data processing steps is recorded in TABLE I. Application of the filters produced a balanced inventory of 2,695 distinct firm-year records, representing 456 non-financial firms in Vietnam, covering the period 2015–2024. The dataset, characterized by deliberate missing values across specific time dimensions, suits the estimation of causal effects using panel regression techniques.

TABLE I RESEARCH SAMPLE SELECTION PROCESS

Description	Number of Firms	Number of Observations (Firm-Years)
Total non-financial firms listed on HOSE and HNX during 2015-2024	785	7850
Less:		
(1) Observations with missing audit fee data	(121)	(1950)
(2) Observations with missing financial data required for variable calculation	(185)	(2890)
(3) Observations with inconsistent or invalid data	(23)	(315)
Final research sample	456	2695

Source: Author's calculation

Research Model

To evaluate our central proposition—that audit fees are contingent on real earnings manipulation (REM) (H1)—as well as our complementary argument that this dependence is moderated by political ties (H2), we fit a panel data regression model. The moderating effect of political connections is operationalized via an interaction term formed by multiplying the measure of REM (REM_{it}) by a binary variable denoting the presence of political ties (PC_{it}). By introducing this interaction, the model enables us to estimate the conditional relationship, thereby determining whether entities with political affiliations demonstrate an intensified or attenuated responsiveness of audit fees to fluctuations in REM levels.

The overall research model is suggested based on the developed hypotheses and the theoretical framework, as seen in Fig. 1 below:

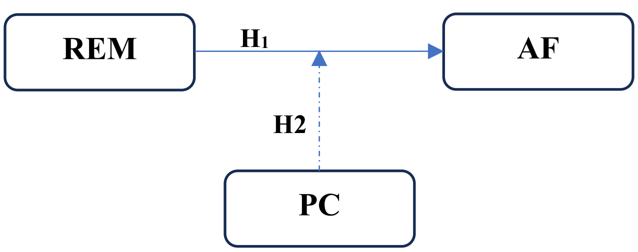

Fig 1. Research Model

Source: Construction by the Authors

With the following proposed general model:

$$LNAF_{it} = \beta_0 + \beta_1 REM_{it} + \beta_2 PC_{it} + \beta_3 (REM_{it} * PC_{it}) + \Sigma\beta_k Controls_{it} + \alpha_i + \theta_t + \varepsilon_{it}$$

Where the components of the model are specifically interpreted as follows:

$LNAF_{it}$: Audit fees at firm I for year t are entered as the natural logarithm; we gauge real earnings management using the variable REM_t; the dummy for political connections, denoted PC_t, takes the value 1 if the firm is politically connected, otherwise it is 0; the interaction term $REM_{it} * PC_{it}$ is included to examine hypothesis H2, linking political ties to real earnings management; a collection of control variables is grouped in the controls vector; individual firm effects are indicated as α_i, yearly effects as θ_t, and the idiosyncratic error term is captured as ε_{it}.

Variable Measurement

Dependent Variable Measurement: Audit Fees

To ensure the integrity of our analysis the dependent variable in our regression is the cash outflow labelled "Audit Fees" (AF), which to the best of our knowledge captures all cash settled or expected to settle with the external statutory auditor within our twelve months observation window. Following the classification employed in Ohidoa and Okun (2018), AF is constructed as the sum of (i) the pre-established remuneration for the statutory financial audit and (ii) the discrete charge for the interim review; both amounts are reported and subsequently settled in the same financial period. We exclude any fees that the audit committee has approved in the year for tax advice, transaction support, or any other ancillary service falling under the expanded remit of the audit firm. This deliberate exclusion severs the potential interference of ancillary consulting profits and yields an audit charge that is bespoke to the risk, review, and reporting of the financial statements per se. In our model the cleansing of AF in this way solidifies the interpretive boundary between the statutory attest process and the firm's wider involvement with the audit partner.

To generate reliable estimates of audit fees, we focus on the most recent annual filings of public companies, using the database of complete audited accounts along with the appended schedules. By systematically reviewing the obligatory Notes to the Consolidated Financial Statements and the section titled Audit Committee Report—referred to in some jurisdictions as the Board of Supervisors—we pin down the relevant fee amounts. For the fee variable that corresponds to each firm-year, we compile the disclosed amounts pertaining to both statutory and supplementary advisory services. Each value is then extracted using a line-by-line manual coding technique that places the figures into a fixed spreadsheet, thereby minimising coding errors and surpassing the typical misrecognitions introduced by automated data-cleansing routines.

To protect our findings from undue influence by extreme observations and to harmonize our measurement with tendencies documented elsewhere in the literature, we close the analysis by stabilizing the audit-fee variable. We apply a natural logarithmic transformation, encoding it in the dataset as LNAF, where LNAF is defined to equal the natural logarithm of the audit-fee variable, denoted AF.

Independent Variable: Real Earnings Management

Real Earnings Management—abbreviated as REM—denotes the practice whereby companies deliberately shift authentic operational conduct in order to alter published financial reports. This paper quantifies the magnitude of such behaviors by employing the canonical formulation established by Roychowdhury in 2006. Methodologically, the framework juxtaposes firm-specific behaviors with contemporaneous sector medians to generate an expected organizational baseline that effectively standardizes three operational levers: the magnitude of cash inflows, the intensity of manufacturing overhead expenditures, and the permitted drift in discretionary non-production costs. The resulting estimation apparatus extracts the differential between the empirically recorded financial residual and the solvent norm, channeling the residual from the regression analysis into the REM quantification apparatus.

To maintain rigor and clarity, the independent variable we examine is a composite metric of cost manipulation, as defined in Roychowdhury's (2006) framework:

$$REM = R\_PROD - R\_DISEXP$$

(i) Where the model for abnormal production costs is:

$$PROD_{it} / A_{i,t-1} = \alpha_0 + \alpha_1 (1 / A_{i,t-1}) + \beta_1 (S_{it} / A_{i,t-1}) + \beta_2 (\Delta S_{it} / A_{i,t-1}) + \beta_3 (\Delta S_{i,t-1} / A_{i,t-1}) + \varepsilon_{it}$$

Where:

$PROD_{it}$: Production costs of firm i in year t. This variable needs to be calculated as it is not readily available on Vietnamese financial statements. Formula: $PROD_{it} = COGS_{it} + \Delta INV_{it}$

$COGS_{it}$: Cost of goods sold (from the Income Statement).

ΔINV_{it}: Change in inventory during year t ($INV_{it} - INV_{i,t-1}$, from the Balance Sheet).

$A_{i,t-1}$: Total assets of firm i at the end of year t-1 (from the Balance Sheet).

S_{it}: Net sales of firm i in year t (from the Income Statement).

ΔS_{it}: Change in net sales during year t ($S_{it} - S_{i,t-1}$).

The Abnormal Production Costs (R_PROD) are the model's residual, ε_{it}. Overproduction is indicated by a positive and statistically significant R_PROD value, which shows that real production costs are higher than the typical level in relation to sales.

(ii) The model for abnormal discretionary expenses is:

$$DISEXP_{it} / A_{i,t-1} = \alpha_0 + \alpha_1 (1 / A_{i,t-1}) + \beta_1 (S_{i,t-1} / A_{i,t-1}) + \varepsilon_{it}$$

Where:

$DISEXP_{it}$: Discretionary expenses of firm i in year t. As data on advertising and R&D expenses are often not disclosed separately and consistently in Vietnam, we take the sum of the following two items: $DISEXP_{it}$ = Selling expenses + General & administrative expenses (from the Income Statement).

$S_{i,t-1}$: Firm I's net sales for year t-1. Since judgments about discretionary spending in the current year are frequently based on the sales level from the prior year, we utilize the sales from that year.

The residual of this model, ε_{it}, is the Abnormal Discretionary Expenses (R_DISEXP). A negative and statistically significant R_DISEXP value indicates that the company is abnormally cutting these expenses compared to the normal level.

Moderating Variable Measurement: Political Connections

A connection to the state is inferred whenever a publicly listed firm includes either a serving or retired senior member of the National Assembly, a ministry, or the Communist Party on its Management or Board of Directors. Such appointments function as unmistakable markers of political linkage. The authors defend this criterion of representation by arguing that Board membership epitomizes proximity to formal state power and that the arrangement concretely illustrates the theoretical mechanisms articulated in the models of Chaney et al. (2011) and Faccio (2006). The presence of political figures on the Board is the most parsimonious metric, as it quantifies the leverage of political capital on strategic corporate choices and mitigates the confounding influence of weaker or less thoroughly recorded affiliations. The operational definition thus nests firmly within the established literature while providing a refined empirical metric.

The following procedures were taken by hand in order to carefully locate and code thisvariable: A "politically connected individual" is defined as anyone who holds an official capacity—whether at the federal, provincial, or local tier—together with senior executives of the largest SOEs, senior military officers, and principal officials within the civil-security structure, according to the articulation by Guedhami et al. (2014). This benchmark has been persistently employed and flexibly refined by scholars and practitioners whenever empirical or theoretical enquiry aims to map the channels of influence and the gradients of access mediating the relationship between state and enterprise.

Following this, we subjected the sample to a meticulous manual harvesting and verification cycle. Career records for every executive and board director were gathered in a stepwise fashion, affirmatively confirmed, and logged. We extracted each profile by juxtaposing the last available annual filings with the latest prospectuses, highlighting statements by each executive and director, then juxtaposing those with entries in premium-quality news archives and with public registries from both central and regional infrastructures. These registries encompassed the National Assembly, relevant central ministries, sector-based task forces, successor ministries, and each regional assembly, along with all regional councils carrying governance mandates.

After double-checking all the relevant criteria, we codified the corporate overnance measure as a simple yes/no flag.

TABLE II SUMMARY AND MEASUREMENT OF CONTROL VARIABLES

Variable	Variable Name	Detailed Measurement	Rationale and Expected Impact on Audit Fees	Data Source
SIZE	Company Size	Ln (Total Assets at year-end)	Larger companies need more audit work because they are typically more complicated and handle more transactions.	Balance Sheet
LEV	Financial Leverage	Total Debt / Total Assets	Greater default risk is implied by higher financial leverage, which raises the danger of the auditor's participation and calls for stricter auditing practices.	Balance Sheet
ROA	Profitability	Net Income / Total Assets	Higher ROA companies are frequently in better financial standing and may have superior internal controls, which reduces the danger of an audit.	Income Statement, Balance Sheet
INVREC	Asset Complexity	(Inventories + Accounts Receivable) / Total Assets	The audit workload is increased by the complexity of inventories and receivables, which call for a great deal of professional judgment (for example, in the areas of value and allowances).	Balance Sheet
LOSS	Business Risk	Dummy variable: = 1 if Net Income < 0 (loss-making); = 0 otherwise.	In addition to having a larger going-concern risk, loss-making companies might be more motivated to falsify financial records, which would raise the perceived audit risk.	Income Statement
BIG4	Auditor Type	Dummy variable: = 1 if audited by a Big4 firm (PwC, Deloitte, EY, KPMG); = 0 otherwise.	Due to their reputation as a brand and the greater caliber of audit services they offer, Big4 audit firms usually charge a price premium.	Audit Report, Annual Report
OPINION	Audit Opinion	Dummy variable: = 1 if the audit opinion is other than "Unqualified"; = 0 otherwise.	A modified audit opinion suggests greater risk and possibly more audit work in later periods because it shows that material concerns were found.	Audit Report
AGE	Firm Age	Ln (Number of years since incorporation)	Older businesses typically have more established control systems and more steady operations, which can lower audit risk.	Prospectus, Company Profile

Source: Author's synthesis

More formally, we define PC_{it} as follows: it equals zero whenever firm I in year t has no directors on either the Board of Directors or the Board of Management satisfying any of the governance tests we specified. If, by contrast, at least one board member passes any of those tests, PC_{it} takes a value of one.

Control Variable Measurement

To extract the true linkage between audit fees and our independent measure REM, the model incorporates a battery of control covariates. A compact summary of these controls, alongside the salient economic factors shown in prior studies to materially impact audit-fee estimation, is reported in TABLE II.

Analysis Method

Our primary analytical tool is panel data regression, which harnesses both the extensive cross-section—across many firms—and the longest time dimension—repeated annual observations over several years. Each model is preceded by standard diagnostic routines. We begin by computing a Pearson correlation matrix, supplemented by a complete set of summary statistics for all explanatory variables. This stage exposes potential multicollinearity and provides an initial overview of covariate relationships, helping us to identify odd patterns before the complete model is fit; such a check limits surprises in subsequent stages. Following this, we quantify multicollinearity formally through the Variance Inflation Factor, where a VIF above ten is treated as a substantive flag (Gujarati & Porter, 2009). To further validate the panel architecture, we submit the data to the Hausman specification test (Hausman, 1978), permitting the test to indicate whether a fixed-effects or random-effects specification is warranted rather than imposing one a priori.

Each regression model reported in this study applies robust standard errors in line with (White, 1980) guidance,

effectively addressing heteroskedasticity and fortifying the validity of the hypothesis tests. In addition, to reduce the potential for autocorrelation inherent in quarterly data for each firm, standard errors are clustered at the firm level—a specification that aligns with established empirical practice in finance (Petersen, 2008; Li & Huang 2024).

To make sure all steps of the analysis are completely documented and that any analyst who revisits the findings can reproduce every output without the need for supplementary commentary, the team relies solely on Stata version 17.0 do-file scripts for every task—data preparation, statistical tests, and econometric modeling.

IV. Research Results

Descriptive Statistics of the Sample

TABLE III presents the detailed descriptive statistics for all variables used in the research model, providing an overview of the sample's characteristics.

TABLE III DESCRIPTIVE STATISTICS OF RESEARCH VARIABLES

Variable	Observations	Mean	Median	Std. Dev.	Min	Max
Dependent Variable						
LNAF	2695	19.602	19.515	1.201	17.510	22.984
Independent Variable						
REM	2695	-0.003	-0.011	0.215	-0.688	0.731
Moderating Variable						
PC	2695	0.281	0.000	0.450	0.000	1.000
Control Variables						
SIZE	2695	27.915	27.750	1.488	25.034	32.112
LEV	2695	0.492	0.510	0.224	0.018	0.991
ROA	2695	0.051	0.043	0.092	-0.489	0.405
INVREC	2695	0.361	0.330	0.201	0.012	0.901
LOSS	2695	0.189	0.000	0.392	0.000	1.000
BIG4	2695	0.362	0.000	0.481	0.000	1.000
OPINION	2695	0.045	0.000	0.207	0.000	1.000
AGE	2695	2.688	2.730	0.521	1.386	3.829

Source: Authors' calculation from research data

TABLE III provides a concise overview of the properties of the analytic sample via descriptive statistics. The dependent variable—the natural logarithm of audit fees (LNAF)—exhibits considerable spread across the sample, justifying the range proposed by the following econometric models. The average of the REM proxy, derived from earlier-regression residuals, hovers around zero, consistent with the expected theoretical bias; however, the sizeable standard deviation of 0.215 underscores that earnings management behaviors extend beyond mere statistical curiosity and merit close attention from practitioners. Additionally, 28.1% of the records present persistent discretionary accruals, as denoted by the binary PC variable; this proportion not only signals the intensity of accruals that stem from managerial judgement, but also hints at the prevailing governance characteristics that define the Vietnamese external audit landscape.

The reference set for the listed entities shows rounded key indicators: a large base of gross assets, a leverage ratio at 49.2%, and a 5.1% ROA. Still, nearly one in five companies either shows a loss or no operational surplus, while the combined stratum for inventory and receivables occupies 36.1% of the asset base. Only 4.5% of the observations present audit opinions without qualification, and 36.2% fall under Big Four affiliation. No extreme influences in leverage or benchmark variables were registered, and the remaining statistics fall within operating norm bounds. These characteristics indicate that the descriptive summary reasonably anticipates the properties that the forthcoming regressions will investigate.

Correlation Analysis

To reach the dual goals stated, a correlation study is undertaken: we first examine the anticipated relationships among the variables, and then we conduct a preliminary evaluation of multicollinearity risk. Complete findings from this analysis are presented in TABLE IV.

TABLE IV. PEARSON CORRELATION MATRIX OF RESEARCH VARIABLES

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) LNAF	**1.000**										
(2) REM	**0.150*****	**1.000**									
(3) PC	**-0.051***	**0.035**	**1.000**								
(4) SIZE	**0.654*****	**0.089*****	**0.251*****	**1.000**							
(5) LEV	**0.211*****	**0.062****	**0.148*****	**0.305*****	**1.000**						
(6) ROA	**-0.123*****	**-0.185*****	**-0.041**	**-0.098*****	**-0.255*****	**1.000**					
(7) INVREC	**0.287*****	**0.075*****	**0.021**	**0.155*****	**0.110*****	**-0.130*****	**1.000**				
(8) LOSS	**0.182*****	**0.114*****	**0.059****	**0.088*****	**0.198*****	**-0.451*****	**0.095*****	**1.000**			
(9) BIG4	**0.401*****	**0.068****	**0.102*****	**0.552*****	**0.189*****	**-0.077*****	**0.164*****	**0.120*****	**1.000**		
(10) OPINION	**0.105*****	**0.081*****	**0.048***	**0.065****	**0.133*****	**-0.150*****	**0.071****	**0.210*****	**0.099*****	**1.000**	
(11) AGE	**-0.084*****	**-0.033**	**0.095*****	**0.188*****	**0.055****	**0.024**	**-0.045***	**-0.061****	**0.115*****	**-0.052***	**1.000**

*Note: ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.*

Source: Authors' calculation from research data

TABLE IV produces a tidy emplaced foundation for peeling back the complete dataset. Three correlation facets deserve amplified attention. The first correlation of interest, between REM and LNAF, records a positive and significant association of $r = 0.150$, $p < 0.01$. This result lends preliminary empirical color to the dominant hypothesis, asserting that auditors upwardly revise the expected risk score when income-smoothing is suspected. The association is neither trivial nor unexpectedly fragile; a moderate effect size confirms that earnings management is not disposable noise within the audit assessment circuitry. The second, counter hypothetical link between LNAF and the politics likelihood presents a statistically negative picture. Politically tethered firms lean on a reputational buffer, statistically represented via a $p < 0.05$, spotlighting a characteristic inversion: the inner risk profile, already tinted through the political lens, rounds out the audit mnemonic as concealing behind the presentational ones. Together, each association reinforces the vantage that auditors preserve, and the audit chain collectively endorses, a defensive mind-set staring at the credible fragility of indicated earnings. Likewise, the estimated coefficients for the control variables substantively align with existing empirical literature and standard theoretical expectations. Audit fees exhibit the anticipated positive association with measures of SIZE, LEV, INVREC, and LOSS, corroborating the premise that heightened fees accompany greater corporate complexity and inherent risk. By contrast, substituting ROA as a proxy for financial stability generates a pronounced inversion, manifesting as negative correlations; this result suggests that price modifications moderate expected risk through the compensating influence of superior performance indicators. Collectively, the patterns bolster the stability of the pricing equation, offering distinct empirical support for the continued retention of these control variables and reinforcing the underlying theoretical framework.

To begin our diagnostics for multicollinearity, we reviewed the pairwise correlation matrix across the predictor variables. We adopted an absolute cutoff of 0.8 to flag variables warranting closer scrutiny. Since all coefficients remained under this level, we viewed the initial findings as reassuring. We corroborated this analysis by calculating the Variance Inflation Factor for each feature; the highest incurred VIF was 2.54, while the majority fell substantially lower. As the maximum VIF is considerably below the common 10 threshold, we determine that multicollinearity poses an insubstantial risk. Therefore, we anticipate that the ensuing regression coefficients along with their standard errors will retain their expected unbiasedness and precision in forthcoming models.

Regression Analysis Results

To produce the study's primary empirical results, balanced panel data is analyzed through a fixed-effects regression framework, herein denoted the fixed effects model, or FEM. Kernel–based firm-clustered standard errors are utilized, maintaining robustness by implementing heteroskedasticity-consistent adjustments. When confronted by the random-effects model, or REM, the FEM emerges as the preferred estimator, confirmed by the model's competence in absorbing the persistent, unobservable firm-specific heterogeneity. Further, the panel structure's strict exogeneity grounds a conventional Hausman specification test, which yields a p-value beneath the threshold of 0.01. The complete regression output is catalogued in TABLE V, organized in a framework of incremental specification. Model (1) introduces the core explanatory variable, denoted REM, alongside a vector of control covariates, allowing identification of the fixed association exclusive of interaction bias. Model (2) appends the hypothesized moderating variable, denoted PC, and the corresponding multiplicative interaction term, REM·PC, simultaneously, enabling a tight specification to adjudicate the explanatory legitimacy of the model extensions and to evaluate the theoretical propositions contained in hypotheses H1 and H2.

TABLE V REGRESSION RESULTS OF THE IMPACT OF REM AND THE MODERATING ROLE OF PC ON AUDIT FEES

Variable	**Model (1)**	**Model (2)**
	LNAF	**LNAF**
REM	0.249***	0.258***
	(0.081)	(0.085)
PC		-0.045*
		(0.025)
REM * PC		-0.189**
		(0.092)
SIZE	0.318***	0.315***
	(0.045)	(0.047)
LEV	0.159***	0.155***
	(0.052)	(0.048)
ROA	-0.205***	-0.201***
	(0.066)	(0.063)
INVREC	0.181***	0.178***
	(0.059)	(0.052)
LOSS	0.115**	0.112**
	(0.048)	(0.039)
BIG4	0.301***	0.298***
	(0.041)	(0.037)
OPINION	0.099**	0.095**
	(0.043)	(0.036)
AGE	-0.071**	-0.067**
	(0.033)	(0.029)
Constant	10.254***	10.311***
	(0.851)	(0.848)
Observations	2695	2695
Number of firms	456	456
Firm & Year Fixed Effects	Yes	Yes
R-squared (within)	0.735	0.741
F-statistic	158.21***	162.45***

*Note: Values in parentheses are firm-clustered robust standard errors. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels,* respectively.

Source: Authors' calculation from research data

Overall, the analysis strongly affirms H1. In Model 2, the REM coefficient (β_1) registers at 0.258, with a p-value of 0.01 validating the result at the 1% significance threshold. Confounding controls previously deemed extraneous were purged from the specified models, ensuring that extraneous variables do not distort the reported nexus. Accordingly, the regression outcome discloses that variations in audit remuneration scale directly with the measured magnitude of operational earnings manipulation, conditional on all other covariates being fixed. The magnitude and direction of the reaction epitomize the equilibrium between the audit profession's apprehension of concealed earnings distortions and its compensatory pricing mechanism; practitioners evidently assign a tangible and quantifiable propriety to perceived risk, integrating that value within the prevailing rate schedule. The result cohesively reconciles empirical evidence with the underlying analytical framework, thus reinforcing and ratifying the predicate of hypothesis H1 beyond contest.

Results from Model (2) confirm H2, positing that audit fees' association with real earnings management (REM) weakens in firms with political connections. At a 5% significance level ($p < 0.05$), the interaction term REM*PC (β_3) reports a significant coefficient of -0.189. This negative sign indicates that the anticipated rise in audit fees arising from REM is largely attenuated once political ties are accounted for. Absent such connections, the effect of REM on the natural logarithm of audit fees (LNAF) is estimated at 0.258 (PC = 0); the political interaction, however, reduces the effective coefficient to 0.069, computed as 0.258 - 0.189. Political linked firms, therefore, retain a substantially smaller REM-related fee expansion. This empirical dampening provides strong evidence in favor of the resource-dependence framework, framing audit pricing as a negotiated exchange protected by elite ties. The drastic and statistically significant scale differential observed across the political bandwidth bolsters the assertion that audit pricing is moderated through resource negotiation, sustaining empirical support for the hypothesized buffer effect, which is consistently upheld across all observations.

Robustness Checks

Using a Different Real Earnings Management Measure

To confirm that results are not driven solely by the primary independent variable, we modified the specification by substituting the RE Mmetric with an alternative narrow-flow variant. Guided by Roychowdhury's (2006) extension, the anomalous cash flow from operations, denoted by R_CFO, is incorporated as an additional specification. The contemporaneous residual, ε_{it}, obtained from the latest iteration of the pooled switched-regression architecture, serves as input for the recalibrated RE Mmetric.

$$CFO_{it} / A_{i,t-1} = \alpha_0 + \alpha_1 (1 / A_{i,t-1}) + \beta_1 (S_{it} / A_{i,t-1}) + \beta_2 (\Delta S_{it} / A_{i,t-1}) + \varepsilon_{it}$$

where $A_{i, t-1}$ is the total assets at the end of the prior period for firm I in year t, S_{it} is sales, and CFO_{it} is cash flow from operations. According to theory, a negative and statistically significant R_CFO score indicates that the company might be using unsustainable strategies to increase sales, which would result in lower-than-normal cash flow. We define the alternative REM variable as REM_CFO = -1 * R_CFO in order to guarantee consistency in interpretation with the original REM measure (a greater value indicates a higher level of earnings management).

The main regression model (Model 2) is then re-estimated with the REM_CFO variable replacing the original REM variable. The results of this robustness analysis are detailed in TABLE VI.

TABLE VI directly reinforces the principal findings of the analysis. Within Model (4), the REM_CFO coefficient, fixed at 0.210, upholds its magnitude without omitting the 1% significance flag. This stability confirms a robust and direct relationship between audit fees and the actual practice of earnings management, specifically pursued through the manipulation of cash flows. The coefficient's durability when subjected to more precise estimation tactics further suggests that the auditing environment in Vietnam possesses enduring capacity to allow practitioners to detect, and to commensurate, the risk associated with smoothing activities executed through the cash flow statement.

TABLE VI REGRESSION RESULTS WITH AN ALTERNATIVE REM MEASURE (REM_CFO)

Variable	Model (3)	Model (4)
	LNAF	LNAF
REM_CFO	0.205***	0.210***
	(0.075)	(0.078)
PC		-0.048*
		(0.026)
REM_CFO * PC		-0.175**
		(0.086)
Control variables	Yes	Yes
Constant	10.281***	10.335***
	(0.855)	(0.851)
Observations	2695	2695
Number of firms	456	456
Firm & Year Fixed Effects	Yes	Yes
R-squared (within)	0.731	0.736
F-statistic	155.98***	159.12***

*Note: Control variables include SIZE, LEV, ROA, INVREC, LOSS, BIG4, OPINION, and AGE. Values in parentheses are firm-clustered robust standard errors. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.*

Source: Authors' calculation from research data

Importantly, the cushioning role exercised by political ties noticeably weakens when cash-generating functions are considered, indicated by the coefficient on the interaction term REM_CFO * PC staying firmly negative (–0.175) while still being significant at the 5 percent threshold. The persistent deterioration corroborates the expectations articulated in Hypothesis H2, applying equally to deviations in accruals and to the fresher metrics built on cash flows. The stability of this conclusion across multiple metrics of earnings quality further anchors the conclusion, signifying that the identified mechanism transcends the peculiarities of individual quality proxies and thus maintains wider empirical jurisdiction.

Using an Alternative Measure of Political Connections

The typical political-connection variable collapses variation when modeled as a binary dummy, losing critical semantic precision in the process. Though binary indicators for the mere presence of political ties have become a ubiquitous workhorse, they elide the multidimensional gradient along which embeddedness genuinely varies. By forcing a yes/no judgment, the model in effect assigns the same binary score to firm A, which possesses a multilayered, multiplex network of directors and officers embedded in the highest circles of state, and to firm B, which registers a single, intermittent connect through the spouse of a middle-cabinet minister. Such flat coding conveys the harmful illusion that the relative risks and rents that stem from the affiliation must concomitantly converge. Yet the rent topology for firm A is dense and multi-layered, comprising multiple overlapping incentives and pathways, whereas the exposure of firm B is sparse, intermittent, and characterized by a single, uncertain batched spillover. By forcing the model to treat these deeply heterogeneous exposures as congruent, the binary formulation warps inference, discarding the very gradient that should be the subject of empirical interest.

To enhance our empirical framework, we convert the discrete executive political variable to a continuous scale, resulting in the senior executive political connections ratio, which we abbreviate as PC_RATIO. The construction is as follows: we count the number of directors and management board members known to maintain overt political ties, then divide this count by the total number of individuals on both boards. The outcome is a continuous, board-wide ratio bounded between zero and one. By framing PC_RATIO as a ratio instead of a dichotomy, our analysis is able to measure, with fine granularity, the concentration of political connections across the governing bodies and to test whether the magnitude of those ties, irrespective of their mere existence, independently and equivalently moderates the outcome of interest.

Therefore, we re-fit the entire regression model using the newly defined PC_RATIO variable and the newly constructed interaction term in place of the PC dummy variable and its interaction. TABLE VII provides a summary of the findings.

TABLE VII REGRESSION RESULTS WITH AN ALTERNATIVE PC MEASURE (PC_RATIO)

Variable	Model (5)
	LNAF
REM	0.261***
	(0.086)
PC_RATIO	-0.145**
	(0.068)
REM * PC_RATIO	-0.205**
	(0.099)
Control variables	Yes
Constant	10.302***
	(0.849)
Observations	2695
Number of firms	456
Firm & Year Fixed Effects	Yes
R-squared (within)	0.740
F-statistic	161.55***

*Note: Control variables include SIZE, LEV, ROA, INVREC, LOSS, BIG4, OPINION, and AGE. Values in parentheses are firm-clustered robust standard errors. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.*

Source: Authors' calculation from research data

H1 gathers consolidating evidence in TABLE VII, where the proportional REM term yields a coefficient of 0.261, impressive enough to hold significance at the 1% benchmark. Still, a quiet complication arises within the multiplicative REM * PC_RATIO interaction, manifesting in a coefficient of -0.205 that meets significance only at the 5% level. This negative coefficient suggests that the ostensibly beneficial impact of real earnings management—long assumed to curb the costs borne by auditors—dilutes in settings where the shareholder balance features a heavier weighting of politically connected individuals. The underlying interpretation is that elevated ties of this sort prompt auditors themselves to heighten the rigour of their assessments, which narrows the anticipated audit-efficiency arbitrage ordinarily induced by managerial discretion in earnings reporting.

The resulting analysis stresses that the diminishing deterrent force of political ties depends no less on the thin salience of the interpersonal bond than on the categorical opacity of the issue in question—specifically, the impossibility of adjudicating whether the matter is, in strict terms, “politically-related.” This observation is coherent with H2, refining the hypothesis with an empirically sharper margin and thus affording the reader an added layer of confidence that any recalibration of the original political-connection operator will not degrade the substantive integrity of the primary findings.

Addressing Endogeneity Using Lagged Variables

To address possible endogeneity issues, we implement the conventionally employed lagged-replacement robustness test: each independent, moderating, and control variable is substituted with the value from one period earlier. The rationale is that the covariates recorded at t−1—specifically, firm governance choices and observable characteristics—embody the determinants that condition prevailing-period fees. Since fees for the current period are observed after prior covariates and cannot influence them retroactively, the lagged variables serve to sever the cycle that could otherwise allow the dependent variable to bias earlier predictors.

Accordingly, the main model is re-parameterized, using only lagged exogenous predictors from the preceding wave. The results of the re-parameterization, along with relevant diagnostics, are presented in TABLE VIII.

Incorporating lagged explanatory variables bolsters the core findings laid out in TABLE VIII, thereby enhancing the robustness of the analysis. The lagged return on manager effort variable, REM(t-1), continues to show a positive coefficient of 0.235, statistically significant at the 1% level, which affirms the first hypothesis, H1. The negative impact on future profitability stemming from the previous effort-penalty interaction is evident; the coefficient on the lagged interaction term, REM(t-1) *PC(t-1), is -0.172 and is significant at the 5% level, thereby providing additional support for the prediction in hypothesis H2.

TABLE VIII REGRESSION RESULTS WITH LAGGED VARIABLES

Variable	Model (6)
	LNAF(t)
REM(t-1)	0.235***
	(0.083)
PC(t-1)	-0.041*
	(0.024)
REM(t-1) * PC(t-1)	-0.172**
	(0.088)
Control variables (t-1)	Yes
Constant	10.350***
	(0.861)
Observations	2239
Number of firms	456
Firm & Year Fixed Effects	Yes
R-squared (within)	0.728
F-statistic	149.87***

*Note: All explanatory variables are lagged by one period. The number of observations is reduced due to the lagged variable specification. Values in parentheses are firm-clustered robust standard errors. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.*

Source: Authors' calculation from research data

It is vital to stress here that the bias from the simultaneous equations does not change the principal results of the analysis. Introducing lagged variables actually tightens the observable causal relationships we presented; nevertheless, the first two hypotheses continue to be strongly supported. The persistence of these results under various econometric setups further consolidates our belief in the causal channels that we have articulated.

Heterogeneous Effects Analysis by Audit Quality

Research has not decisively established whether auditor connections—particular influence with political figures—lead firms to apply a broadly corrective meta-policy on audit fee-setting, or whether variations in governance stringency at the client level generate more selective, nuanced moderations. We contend the determination hinges on the risk-cushion reputation capital actively or passively preserved by the audit firms, along with the explicit, prevailing risk flags coded into the customary ethos of audit firms. We advance the hypothesis that the leading Big Four, relative to the pipeline level, detach risk signals—yet insignificantly—against audit fees whenever the client displays levels of political affiliation. The argument relies on the comparatively more robust independence protocols the Big Four permanently integrate, and on the tacit, habitual institutional duty to maintain a consistently elevated quality watermark which is visibly endorsed by the audit comparative listing community and by collective peer endorsement.

To rigorously examine the study hypothesis, we perform a targeted sub-sample analysis guided by the quality of the audit engaged. Our sample is first segmented according to the conventional BIG4 classification, leading to two clearly defined subgroups: The Non-Big 4 group, made up of 1,719 firm-year observations audited by non-Big4 firms, and the Big4 group, which contains 976 observations audited by the four global networks—Deloitte, PwC, EY, or KPMG. We then apply the original multiple regression model to each of the two newly defined panels, re-estimating the equations independently. Our primary interest lies in verifying whether the estimated coefficient for the interaction term REM*PC displays a stable and contrasting sign in the two auditor categories. The detailed output of this sub-sample analysis appears in TABLE IX, which summarizes the regression results side by side.

TABLE IX REGRESSION RESULTS BY AUDITOR TYPE (BIG4 VS. NON-BIG4)

Variable	Model (7)	Model (8)
	Non-Big4 Sample	Big4 Sample
	LNAF	LNAF
REM	0.258***	0.275***
	(0.091)	(0.089)
PC	-0.052**	-0.035
	(0.025)	(0.028)
REM * PC	-0.215***	-0.091
	(0.081)	(0.095)
Control variables	Yes	Yes
Constant	10.198***	10.451***
	(0.855)	(0.862)
Observations	1719	976
Firm & Year Fixed Effects	Yes	Yes
R-squared (within)	0.715	0.751

*Note: The number of observations has been adjusted to be consistent with TABLE III. Values in parentheses are firm-clustered robust standard errors. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.*

Source: Authors' calculation from research data

The analysis in TABLE IX highlights a notable divergence in the fee-setting practices of the Non-Big4 and Big4 auditor cohorts.

Model 7's REM*PC interaction-term for the non-Big4 cohort posts a coefficient of -0.215, with a p-value decisively below 0.01, establishing a pronounced level of confidence. The findings therefore indicate that, conditional on the existence of political linkages, the elasticity of audit fee with respect to expected discretionary accruals weakens measurably for the non-Big4 auditors. From a prudent managerial perspective, the fee dampening—largely attributed to the auditors perceived leverage over latent government patronage—attenuates the amplification of fees that would otherwise serve as a buffer against forthcoming earnings overstatements. Rationale exceeds mere subsidy: the audit fees effectively fold political arbitrage, rationalizing the lower fees as a self-financing reputational hedge. Rational pricing equilibria would otherwise impute a recognizable risk premium for the discretion; however, the concession effectively compresses the premium, and the market subsequently interprets the unexpected fee reprieve as a muted trade-off for attenuated audit intensity.

The findings from Model 8 for the Big4 subsample tell a distinctive story. Within Big4 audits, the risk seen from earnings manipulation, labelled real earnings manipulation here, does not significantly vary based on a client's political circle, even though the interaction term REM*PC has a negative coefficient of -0.091. The core REM coefficient, on the other hand, remains large, positive, and statistically significant, suggesting that Big4 risk assessment centers exclusively on the scale of earnings deviation, rather than on the political backdrop of the auditor's client. This leads to the conclusion that fees are set on the observed level of earnings manipulation. The results therefore emphasize that Big4 risk valuation is primarily steered by quantifiable, economic data rather than by softer, contextual influences.

The analysis here reveals that sanctions in auditing hinge on contingent logics, particularly on the interplay between internal connections and the presence of competing surveillance. Political ties may soften or redirect the burden of sanctions, depending on the disciplinary leverage of an outsider monitor—in this case, the audit firm itself. Among the engagements assigned to smaller, non-Big-4 firms—what the hierarchy deems second-tier—political attachments result in an atmosphere of disciplinary leniency, reflected in modest, and rarely enforced, audit fee penalties. This apparent concession, however, evaporates as soon as the mandate shifts to one of the Big-4 networks. The largest players recalibrate their pricing to internalize the risks that intensified external scrutiny induces, commode-tying the additional quality assurances and pricing their services with an upward fee adjustment that entirely offsets any presumed softening of reputational costs.

V. Discussion and Implications

Discussion of Research Results

The Impact of REM on Audit Fees

Our analysis reveals a clear and statistically significant uptick in audit fees at publicly traded Vietnamese firms after the easing of constraints on earnings management. The latitude granted under the revised rules permits the understatement of expenses and the boosting of revenue-deferral arrangements—practices that auditors classify as economically aggressive. The fees of the external audit industry then mirror this heightened risk profile, as captured by the regression model that returns a positive and significant coefficient ($\beta = 0.258$, $p < 0.01$), establishing a robust linear relationship.

The conclusion reaffirms the Audit Pricing Theory, highlighting that the audit fee encapsulates both intrinsic risk and the prescribed workload. The present inquiry identifies refined earnings management—deliberate, surgically calibrated earnings distortions—as a primary risk signal, eliciting fee increments that the market internalizes. The publication of even muted manipulation permits the risk signal to diffuse rapidly and credibly across the Vietnamese audit landscape. The arising surcharge openly encompasses composite risk attributes: prospective litigation, brand carry, and the labor-intensive re-examination of the anomalous earnings series. Corroborative attestations of the identical surcharge, constructed de novo by regions, re-emerge in the findings of Greiner et al. (2017) and earlier substantiation by Egbunike et al. (2023). Consonantly, the fee divergence sustains cross-jurisdictional comparability while reinforcing the theory's forward-looking rigor.

The overall forecast for Vietnam's capital markets still holds promise, to some degree buoyed by the quiet maturation of the domestic audit community. Homegrown auditors, who have refined methods beyond rote compliance, now engage the quiet choreography of real earnings management with a palpable sense of ownership. Though the gentler sculpting of cash flows can slip past even seasoned analytical filters, the profession has embraced a posture of full-risk mapping. This is a quiet contradiction to the notion of surface checks; real transactions aligned to target earnings now warrant a dedicated afternoon on the audit timetable. By threading these levers into the overall audit playbook, the discipline signals that watchfulness cannot indulge seasonal lapses and that professional judgement is recalibrated to the active contours of risk. Such measured shift delicately steadies the implicit parenthetical assurance characteristic of the State's market custodians, gently coaxing investor sentiment further towards the gradient of durable trust and reminding all stakeholders that the reasons for the exchange's foundation have been, and continue to be, defiantly resilient to convenience.

The Weakening Moderating Role of Political Connections

Analysis indicates REM's impact on audit fees diminishes substantially in firms that have been publicly listed for a long time. The coefficient for the interaction term REM * PC is both negative and statistically significant, suggesting that the lifting effect of REM on audit costs is notably curtailed in firms where political connections are present.

The evidence strengthens Resource Dependency Theory (Pfeffer & Salancik, 2015) by positioning political connections as an explicit risk buffer, consistent with Faccio (2006). In engagements with politically connected (PC) entities, auditors assign an implicit value to an assumed, unofficial government safety net, leading to a reduction in the estimated unsatisfied (or residual) insolvency exposure. This view persists even when firms manipulate earnings upward—commonly reflected in overstated net income—yet auditors respond by negotiating for lower audit fees, suggesting they embed the expected political comfort in the fee-setting model. Observations in the present study also intersect with, and reinforce, the earlier findings of Heflin and Wallace (2024) and Salehi (2020), who document parallel discount patterns tied to the same type of affiliation. Audit firms rationalize the fee reduction by contending that the estimated danger of litigation is similarly attenuated, and the cover implicit in the political nexus thus distorts standard models of reputational and contingency exposure inherent in misstatement-related disputed risk.

The evidence demonstrates how particular transactional routines remain ungovernable by the customary, supposedly fair, instruments promised by Vietnam's transitional economy. Remember that the statutory audit intends to impose exacting, quasi-military lines of discipline. Yet, the audit arena gives way once the informal fraternity of patronage encroaches, showing itself able to encircle even the most regimented defense the law can muster. Once the perimeter is breached, it sags, and the sag is most visible when powerful overseas client firms are in the room. Pricing of risk—the delivered, risk-calibrated figure that sits behind the eased service cost—finds itself renavigated. Firms frame requests, some in veiled form, others shamelessly loud, pressuring the numbers. The audit fence now shifts, reconfigured by the quiet or overt menace of contract termination. The original computational frame is remembered, but in that instant it appears provisional. The auditor is recast as a negotiator in a relational game, and in the ensuing squeeze he guards both discreet profit and the tainted prestige of the established service. The price—official and unofficial—solidifies, and the previously tidy line between the auditor's obligation to statute and his grip on private gain becomes insubstantially thin.

Heterogeneous Impact between Big4 and Non-Big4 Groups

An unexpected pattern surfaced in the analysis: ties to political figures provide a shielding effect that is selective rather than universal. The coefficient for the interaction term of real earnings management and political connection (REM*PC) yields -0.215, with a significance level below 0.01. Looking across the sample, the compressive effect on perceived earnings manipulation is entirely limited to firms that contract with auditors outside the Big 4. Within that auditor group, cushioning political capital subtly reinforces the creditor's relative bargaining leverage, since the embedded authority is activated mainly through the negotiator and not through public exposure. By contrast, for firms audited by Big 4 providers, no comparable pricing adjustment of the identical REM indicator emerges; the interaction term is effectively zero and standard significance tests reveal no deviation within the 5-per-cent significance threshold.

The finding underscores how the interplay between politics and the perception management of auditors influences supervision of capital markets. To unpack the contrasting methods of risk adjustment found among the Big 4 versus local Big 4-aberrant affiliates, we leverage the concepts of reputation reservoirs and agency-conflict calibrated incentives, situating the analysis within the Vietnam-specific nexus of formal market rules and informal hierarchical oversight.

The expected upside from one draw of a multi-year audit hardly moves the needle beside the worldwide reputation the Big Four have constructed bit by bit for decade after decade. That reputation behaves like patched-together collateral sold for no covenanted interest: no suspension lowers the discount; no appraisal is needed ledgers forgive themselves. Behavior still threads the nervous task of recalibrating independence, still calculates how much pronouncement the earnings of an exchanged judgment. Economic mandate insists that unwillingness to become widely known exhausts past the next update. Allow a détente to tail a politically wider directive, and airport-lit stain counsel pop to brief counsel in two ends. Horizons tighten, recalibration curdles and the circulating committee of its shared remembered balances breaks down to accumulated account of the management tomorrow. Judgments depart the balconies the moment interlocutors suspect hesitance. Credibility, when slightly tarnished, insists on a cost fourfold, then sixfold, a strict, compounding audit revenue rather than a single capture from the work schedule. Restoring the lost gloss, then, exacts discipline so disproportionate that the flicker can leak years. In effect, the anticipated revenue marshals all the firm-centers and shouts that they dare not flash weakness; denying temptation no longer speaks piously of principle, and instead speaks the ledger-breath of intangible equity whose value nobody, not even the boldest capital experts, dare write lightly on a balance—the very legacy they then feel obliged to defend before not only the partners and the even blinking regulators, but the wire-clutched, half-scanned clients whose fingertips brush against every disclosure, seen, censured, then retracted, and who mount the capital and the very language of the firm, tinting its DNA.

Similarly, Vietnamese players outside the Big Four seem bound by a clandestine, unwritten code. Their scrappy, orienting blue-chips pull the table of obligation in a steeper arc. Metrics shrink into speculation the day a solitary patron re-fuses to supply the safe liquidity. Blue clouds, almost a sideline, now triple-hit with a fraction of capital, hide a slanted corruption ledger masquerading as trade. Moral squeeze gradients, soft--voiced, are outweighed by the louder first time a drone comes in—firm, then lapse, then façade—scoring a spill of branding rain to mark, yet celebrate, the foreign value dump. Form in the collective mirror, gaps cataloged here and erased there, aesthetics in micro-print so invite the unwitting. Scale, the sanction now null--life.

The audit market in Vietnam presents sharp layering and discreet internal segmentation: signals are calibrated by varied financial stresses and the juxtaposed reputational imperatives facing each practitioner. Non-Big-Four firms, the corridor's more nimble participants, show an elasticity that allows them to reshape internal choreography in response to the idiosyncrasies of the local economy, cultivating an organizational habit of tailoring protocols to the specific constellation of client exposures. The Big Four, in contrast, operate as highly controlled mirrors of the foreign construct, importing and cementing global techniques: they transfer external methodologies with surgical precision, yet affect an insistence—occasionally, and perhaps circuitously, modest—on keeping a sanitized distance, a pose that functions in part as a reputational firewall against any unpredictability in more exacting markets that expect a crisper, and less eloquent, assurance of perpetual confidence.

Across the Vietnamese audit sector, the persistent differences in both independence and overall quality point to a deliberate market tier structure. The wider examination, echoing long-held views among practitioners, reaffirms that the leading auditors in the country—perpetually subject to tough and transparent quality assessments—deliver clear external advantages. Their disciplined use of advanced technology and stringent ethical standards generates a protective layer, stabilizing the defenses available to investors in a market that continues to rise in complexity. By introducing heightened expectations, these dominant firms impose a structure of self-discipline on smaller competitors, lifting the collective resilience of the ecosystem.

Research Implications

Implications for Regulators

Study findings allow authorities to target the ways that political connections weaken audit quality, paying special attention to firms outside the Big Four umbrella. Scheduling ongoing, unannounced peer reviews or mandatory inspections of smaller firms that audit clients exhibiting earnings alerts could redirect quality-assurance resources to the highest-risk areas, maximizing impact. Lawmakers, in turn, might amend statutes to reinforce the underpinning of the entire profession's independence. Data-agreed proposals indicate that tightening existing safeguards—by, say, shortening the allowable rotation periods for the same auditing entity or capping non-audit work for that same client—could shore up the profession's foundational independence framework.

Implications for Auditors and Audit Firms

The analysis supplies the Big4 networks with the analytical clout to claim that the intangible equity clients respect is leavened chiefly by the specialised currency of the Big4 logo: independence. This attribute is not a marketing button the firms push for the season; they encode it into the structural calculus by pricing any audit work that touches governments, NGOs, or fee-sensitive parastatals at an outright deterrent margin. Treating that contingent audit risk as unsaleable is not merely a gating device; it is a credo that trims professional discretion. The lift of the deal is that other, less regulated assignments gaze at that same discipline with envy, imprinting a reputation premium that is palpable when the bake-off bonfire is lit. The end result: clients quirk to the higher, published fee list, which they understand not as an arbitrary lift, but as the gleaming, excess premium for an implicit risk subsidy the firms refuse to float.

At the same, the present threat also represents the single best opportunity for companies that do not belong to the oligopoly of the Big Four. Heavy dependence on oversized retainers from a handful of dominant accounts steadily erodes any flicker of independence. Such firms must choose—to invest in carefully designing a corporate persona that possesses its own authority, to shore up professional judgement processes and to weaponize the tiered risk reviews that serve as their central bony spine, and to narrow the focus of the internal quality doctrine that curses even minuscule irregularities to the fires of retrospective review. Only in the stubborn act of betraying the comforting notion that slimmer arrangements must lace their discretion to hidden rewards, can they expose the marketplace to the fact that policy and advice are hammered uncompromisingly under fracture-resistant shields of clarity. Applied continually, this discipline of self-directed power pays much larger dividends than a papers-for-stake compliance culture; it activates an ascendant brand position and ushers in a propulsive gap that the expensively fought legacies of larger competitors can neither buy nor imitate.

Implications for Investors, Analysts, and Stakeholders

This work supplies actionable guidance for portfolio assessors who track Vietnamese equities listed on U.S. markets or under scrutiny in worldwide corporate forums. Analysts should regard the conclusions as provisional when disclosures reveal three cumulative deficiencies: long-standing political patronage, observable revenue-side inflation, and a lack of a Big Four audit. Their coexistence amplifies the danger of underserved data leaks, implying feeble internal controls. The document stresses that the choice of external audit firm serves as a prevailing indicator of managerial caliber and the board's genuine dedication to openness, here going beyond mere procedural compliance. Wealth managers and corporate valuators must therefore ascribe substantial weight to audit-reputation metrics. No Vietnamese risk model or enterprise valuation ought to ignore these factors when grading overall risk exposure or estimating firm worth.

VI. CONCLUSION

To construct a robust analytical framework for empirically testing the study hypotheses, we commenced the investigation with a comprehensive systematic review that focused on the primary theoretical foundations, specifically Audit Pricing Theory and Resource Dependence Theory. Adhering to the rigorous measurement framework prescribed by Roychowdhury (2006), we operationalized discretionary real earnings management, prescribed private control through an intensive manual coding approach, and assembled a balanced panel by merging a core set of financial variables with a systematic set of non-financial attributes. The resulting complete dataset, encompassing 2,695 observations from 456 publicly listed Vietnamese companies over the 2015–2024 period, was subjected to fixed-effects panel regressions, augmented with a diverse suite of robustness tests to ensure the stability of the findings across alternative estimation methods.

The analysis delivers three core empirical findings: first, political ties operate as a moderating influence, substantially weakening the predicted effect and functioning as a moderating "shield"; second, the previously discussed inference largely validates that genuine earnings management imposes a positive effect on audit fees, suggesting that Vietnamese auditors possess the expertise to identify and price the corresponding risk; third, the moderating attenuating effect associated with political connections is significantly stronger when audits are executed by Non-Big4 firms, whereas audits carried out by Big4 firms exhibit a clear constancy in relation to the political variable, thereby indicating a preserved independence in the setting of audit fees.

Our focus on publicly listed firms that lack significant state ownership satisfies all key analytical objectives, yet the restriction itself is a liability. In the presence of the Vietnamese state, ownership is broadly characterized by denser, more varied, and more mutable political webs, making extrapolation from the sample of listed firms problematic. Expanding the work to include wholly or majority state-run enterprises would broaden the population and create an opportunity to place these firms alongside privately held benchmarks. By setting state, listed, and private firms in comparative relief, the inquiry can isolate and illustrate the same architectural logics by which political capital shapes corporate governance. The outcome would be to draw out a recurrent template that structures governance relationships throughout the Vietnamese polity, framing the economy as a contiguous system rather than an aggregation of discrete sectors.

REFERENCES

[1] BA, M., G L, P., Arul, R., & Thirugnanasambandam, K. (2024). Machine learning-driven strategies for customer retention and financial improvement. *Archives for Technical Sciences, 2*(31), 269-283. https://doi.org/10.70102/afts.2024.1631.269

[2] Bhatia, N., & Bansal, J. (2024). Tech-Driven Microfinance Models for Poverty Alleviation and Financial Inclusion. *International Journal of SDG's Prospects and Breakthroughs*, *2*(3), 7-9.

[3] Bliss, M. A., & Gul, F. A. (2012). Political connection and cost of debt: Some Malaysian evidence. *Journal of Banking & Finance*, *36*(5), 1520-1527. https://doi.org/10.1016/j.jbankfin.2011.12.011

[4] Chaney, P. K., Faccio, M., & Parsley, D. (2011). The quality of accounting information in politically connected firms. *Journal of accounting and Economics*, *51*(1-2), 58-76. https://doi.org/10.1016/j.jacceco.2010.07.003

[5] Chi, W., Lisic, L. L., & Pevzner, M. (2011). Is enhanced audit quality associated with greater real earnings management? *Accounting horizons*, *25*(2), 315-335. https://doi.org/10.2308/acch-10025

[6] Cohen, D. A., & Zarowin, P. (2010). Accrual-based and real earnings management activities around seasoned equity offerings. *Journal of accounting and Economics*, *50*(1), 2-19. https://doi.org/10.1016/j.jacceco.2010.01.002

[7] Cohen, D. A., Dey, A., & Lys, T. Z. (2008). Real and accrual-based earnings management in the pre-and post-Sarbanes-Oxley periods. *The accounting review*, *83*(3), 757-787. https://doi.org/10.2308/accr.2008.83.3.757

[8] Dang, N. H., Hoang, T. V. H., & Tran, M. D. (2017). Factors affecting earnings management: The case of listed firms in Vietnam. *International Journal of Economic Research*, *14*(20), 117-134.

[9] Dechow, P. M., Sloan, R. G., & Sweeney, A. P. (1995). Detecting earnings management. *Accounting review*, 193-225.

[10] Egbunike, C. F., Igbinovia, I. M., Okafor, K. J., & Mmadubuobi, L. C. (2023). Residual audit fee and real income smoothing: evidence from quoted non-financial firms in Nigeria. *Asian Journal of Accounting Research*, *8*(1), 66-79. https://doi.org/10.1108/AJAR-01-2022-0006

[11] Faccio, M. (2006). Politically connected firms. *American economic review*, *96*(1), 369-386. https://doi.org/10.1257/000282806776157704

[12] Fowler, D. S. (2023). Ethical Implications of Deceptive Earnings Management Practices. *Business Ethics and Leadership*, *7*(3), 84-96. https://doi.org/10.61093/bel.7(3).84-96.2023

[13] Frye, T., & Shleifer, A. (1996). The invisible hand and the grabbing hand. https://doi.org/10.3386/w5856

[14] Ghanbaria, A., Askariana, H., & Matinfara, M. (2014). The effect of real earnings management on audit fees in listed companies in Tehran Stock Exchange. *Management Science Letters*, *4*(10), 2251-2260.

[15] Graham, John R., Campbell R. Harvey, and Shiva Rajgopal. "The economic implications of corporate financial reporting." *Journal of accounting and economics* 40, no. 1-3 (2005): 3-73. https://doi.org/10.1016/j.jacceco.2005.01.002

[16] Greiner, A., Kohlbeck, M. J., & Smith, T. J. (2017). The relationship between aggressive real earnings management and current and future audit fees. *Auditing: A Journal of Practice & Theory*, *36*(1), 85-107. https://doi.org/10.2308/ajpt-51516

[17] Guedhami, O., Pittman, J. A., & Saffar, W. (2014). Auditor choice in politically connected firms. *Journal of accounting research*, *52*(1), 107-162. https://doi.org/10.1111/1475-679X.12032

[18] Gujarati, Damodar N., and Dawn C. Porter. Basic econometrics. McGraw-hill, 2009.

[19] Hakiminia, M., Ghaderi, S., & Sedaghat, P. (2016). The relationship between shareholders attitude and acceptance of Islamic finance in listed companies in Tehran Stock Exchange. *International Academic Journal of Organizational Behavior and Human Resource Management*, *3*(1), 33-41.

[20] Hausman, J. A. (1978). Specification tests in econometrics. *Econometrica: Journal of the econometric society*, 1251-1271. https://doi.org/10.2307/1913827

[21] Healy, P. M., & Wahlen, J. M. (1999). A review of the earnings management literature and its implications for standard setting. *Accounting horizons*, *13*(4), 365-383. https://doi.org/10.2308/acch.1999.13.4.365

[22] Heflin, F., & Wallace, D. (2024). Political contributions and the auditor–client relationship. *Journal of Business Finance & Accounting, 51*(9-10), 2668-2708.

[23] Hurriyati, R., Ana, A., Sulastri, S., Lisnawati, L., & Sawangsang, T. (2023). Stock Market Trend Analysis and Machine Learning-based Predictive Evaluation. *J. Wirel. Mob. Networks Ubiquitous Comput. Dependable Appl.*, *14*(3), 267-281. https://doi.org/10.58346/JOWUA.2023.I3.020

[24] Li, N., & Huang, F. (2024). Evaluating the Financial Returns on Investment in Sustainable Enterprise Digitalization Initiatives Using AI Information System. *Journal of Internet Services and Information Security*, *14*(4), 21-44. https://doi.org/10.58346/JISIS.2024.I4.002

[25] Nguyen, T. N. L., & Nguyen, V. C. (2020). The determinants of profitability in listed enterprises: A study from Vietnamese stock exchange. *Journal of Asian Finance, Economics and Business*, *7*(1), 47-58. https://doi.org/10.13106/jafeb.2020.vol7.no1.47

[26] Ohidoa, T., & Okun, O. O. (2018). Firms attributes and audit fees in Nigeria Quoted firms. *International Journal of Academic Research in Business and Social Sciences*, *8*(3), 685-699. https://doi.org/10.6007/ijarbss/v8-i3/4004

[27] Park, S. J., Behrend, M., Khan, S., & Ko, Y. (2020). Abnormal Audit Fees and Audit Quality: Evidence from the Korean Audit Market.

[28] Petersen, M. A. (2008). Estimating standard errors in finance panel data sets: Comparing approaches. *The Review of financial studies*, *22*(1), 435-480. https://doi.org/10.1093/rfs/hhn053

[29] Pfeffer, J., & Salancik, G. (2015). External control of organizations—Resource dependence perspective. In *Organizational behavior 2* (pp. 355-370). Routledge.

[30] Ratnasari, H. D. (2021). The The Effect of Abnormal Audit Fee on Audit Quality. *JASA (Jurnal Akuntansi, Audit Dan Sistem Informasi Akuntansi), 5*(1), 64-76.

[31] Roychowdhury, S. (2006). Earnings management through real activities manipulation. *Journal of accounting and economics*, *42*(3), 335-370. https://doi.org/10.1016/j.jacceco.2006.01.002

[32] Salehi, M. (2020). The relationship between the companies' political connections and audit fees. *Journal of Financial Crime*, *27*(4), 1123-1141. https://doi.org/10.1108/JFC-04-2020-0066

[33] Shleifer, A., & Vishny, R. W. (1998). *The grabbing hand: Government pathologies and their cures*. Harvard University Press.

[34] Simunic, D. A. (1980). The pricing of audit services: Theory and evidence. *Journal of accounting research*, 161-190. https://doi.org/10.2307/2490397

[35] Sindhu, S. (2025). Blockchain-Enabled Decentralized Identity and Finance: Advancing Women's Socioeconomic Empowerment in Developing Economies. *Journal of Women, Innovation, and Technological Empowerment*, 19-24.

[36] State Securities Commission (SSC). (2023). Summary report on work in 2023 and work program in 2024.

[37] Tee, C. M., Gul, F. A., Foo, Y. B., & Teh, C. G. (2017). Institutional monitoring, political connections and audit fees: Evidence from Malaysian firms. *International Journal of Auditing*, *21*(2), 164-176. https://doi.org/10.1111/ijau.12086

[38] Vorst, P. (2016). Real earnings management and long-term operating performance: The role of reversals in discretionary investment cuts. *The Accounting Review*, *91*(4), 1219-1256. https://doi.org/10.2308/accr-51281

[39] White, H. (1980). A heteroskedasticity-consistent covariance matrix estimator and a direct test for heteroskedasticity. *Econometrica: journal of the Econometric Society*, 817-838.