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## **BOARD INDEPENDENCE, THE INFORMATION ENVIRONMENT, AND AUDIT FEES**

### **Abstract:**

To enhance board oversight, since 2002 US legislation has required listed companies to have a majority independent board. This paper uses this legislative change to examine the relation between board independence and audit fees. To provide a clean estimate of this relation, we adopt a difference-in-difference approach using a sample matched on client firm characteristics. We find that greater board independence is insignificantly associated with a change in audit fees when client firms operate in a weak information environment. When the information environment is strong, greater board independence is associated with an increase in audit fees. Our results are consistent with a nascent theory emphasising information asymmetry and provide insight into the effectiveness of the mandated board independence in relation to audit quality.

### **Keywords:**

audit fee, board independence, information environment