

# Audit Research Summaries

Zoals gewoonlijk presenteren wij weer enige “Audit Research Summaries” uit de database van de American Accounting Association ([www.auditingresearchsummaries.org](http://www.auditingresearchsummaries.org)).

De eerste samenvatting betreft een onderzoek van Johnson, Lowe en Reckers (2016), waarin is nagegaan in hoeverre senior accountants in staat zijn om een onethisch verzoek van een leidinggevende te weerstaan. Seniors blijken een hoge mate van gehoorzaamheid te tonen en mee te werken aan onethische handelingen van leidinggevend. Medewerking neemt toe als de seniors zich minder belangrijk voelen en als het gevoel van angst toeneemt. Medewerking neemt af als seniors zich in een actieve en positieve gemoedstoestand bevinden.

De tweede samenvatting heeft betrekking op een onderzoek naar innovatie in het accountantsberoep. De auteurs Humphrey en Turley hebben onderzoek gedaan naar de ontwikkeling van ‘business risk auditing’ (BRA) zoals dat eind jaren 90 is ontwikkeld. Zij betogen dat de kans dat innovatie tot successen leidt als de bereidheid bestaat om de scope van de audit verder te

ontwikkelen en aanvaard wordt dat de variatie gaat ontstaan in delen van het audit proces. Het is belangrijk is dat wordt erkend dat de audit een waarde creëert die verder gaat dan het simpelweg voldoen aan voorschriften en standaarden.

Cassell, Myers, Seidel en Zhou (2016) hebben onderzoek gedaan naar de invloed van het feit dat de accountant weet dat de relatie met de klant na de lopende audit wordt verbroken op kwaliteit van de jaarrekening. De uitkomsten bevestigen deze aanname niet eenduidig al impliceren zij dat een dergelijk effect bestaat.

De laatste samenvatting betreft het onderzoek van Brewster (2016). Hieruit blijkt onder andere dat accountants eerder door de klant kunnen worden gemanipuleerd, als sprake is van ontoereikende “mental models” bij het verwerken van complex bewijsmateriaal. Specifieke technieken die de accountant toepast bij het vergaren en verwerken van bewijsmateriaal voor het vormen van een oordeel (‘mental models’) zijn dus essentieel om beïnvloeding door de klant te weerstaan. ■

## research summary

<b>Title:</b>	The Influence of Mood on Subordinates' Ability to Resist Coercive Pressure in Public Accounting
<b>Practical Implications:</b>	This study should give pause to investors, auditors and regulators about the potential willingness of subordinate auditors to acquiesce to a superior's unethical request. As such, the accounting profession should make sure to have a better understanding of the nature of and solutions to the problem such as changes in firm/team culture, personnel placement, etc. Additionally, audit firms can better use this information to understand which employees may be most susceptible to such negative influence and preempt such events.
<b>Citation:</b>	Johnson, E. N., D. J. Lowe, and P. M. Reckers. 2016. The Influence of Mood on Subordinates' Ability to Resist Coercive Pressure in Public Accounting. <i>Contemporary Accounting Review</i> 33 (1): 261-287.
<b>Purpose of the Study:</b>	This study examines the relationship between subordinate auditors' various affective states (i.e. mood/emotion) and their effect on auditors' willingness to comply with a superiors' unethical directive in six common auditing scenarios. The authors also employ more real-world event triggers and scenarios compared with previous research. This study seeks to better refine and test the broad constructs of mood used in previous research.
<b>Design/Method/Approach:</b>	<i>Sample:</i> 118 audit seniors from two large international public accounting firms <i>Experiment:</i> Create a broad distribution of arousal, fear and insignificance among participants by manipulating two aspects of the audit client CEO (high/low dominance and high/low prestige) and one aspect of the auditor (above/below average work-life history). <i>Analyses:</i> 2x2x2 between subjects ANOVA using median splits on each measured variable: fear, insignificance and arousal
<b>Findings:</b>	Regardless of affective state manipulations, the audit seniors express a high level of willingness to comply with a superiors' unethical direction. However, this willingness to comply is increased when auditors are made to feel more insignificant (i.e. weak/low power position relative to others) and fearful (i.e. elevated uncertainty and lower perceptions of control regarding future events and circumstances) but decreased when auditors are in an active, positive mood state (i.e. arousal). Interestingly, these results obtain despite significant doubt by the firms' senior management who reviewed the task that any of their subordinates would express willingness to engage in such behavior. As such, auditors may be more willing to engage in or overlook unethical behavior than previously thought.

Adopted from [www.auditingresearchsummaries.org](http://www.auditingresearchsummaries.org), 30 August 2016.

## research summary

<b>Title:</b>	Standards of Innovation in Auditing
<b>Practical Implications:</b>	This paper claims that the ultimate challenge for innovation that the auditing profession needs to contemplate is whether it has the confidence and commitment to revise its own business models and to reconfigure its traditional modes of delivery and organization regarding the provision of statutory financial audits. After looking at the experience of BRA, innovation has the highest chance of success if it comes with a willingness both to develop the scope of the audit and to accept variation in aspects of the delivery of the audit. It is important to exercise responsible professionalism and recognize that there is value in audit beyond its codification, standardization, and commodification.
<b>Citation:</b>	Curtis, E., C. Humphrey, and W. S. Turley. 2016. Standards of Innovation in Auditing. <i>Auditing: A Journal of Practice and Theory</i> 35 (3): 75-98.
<b>Purpose of the Study:</b>	The term “business risk auditing” has been widely used to refer to a broad strand of similarly motivated methodological developments in a number of the major international firms in the mid- to late- 1990s. Despite variations between firms, there was a common emphasis on the need to consider client business risk and the related strategic and other controls as a fundamental part of the audit process, rather than focusing more narrowly on financial statement risk. The developments in the firms were seen by standard setters and regulators as representing a common generic trend of development in methodology, leading to the consideration of revisions in auditing standards, which is how the term BRA is applied. The premise of BRA was based on the notion that audit failures typically arose from a failure on the part of auditors to identify and address client business risk in the course of their audit rather than from failures in the application of detailed testing procedures. The underlying motivation for this paper was to consider the capacity for innovation in auditing in light of the experiences of attempts to incorporate BRA in ISAs.
<b>Design/Method/ Approach:</b>	Analysis spans the period from 1998 to 2004. The authors examined documentation from the JWG, minutes of the IAPC/IAASB and U.S. Auditing Standards Board meetings. They also conducted in-depth interviews with key participants from every stage of the standard-setting process.
<b>Findings:</b>	<ul style="list-style-type: none"> <li>• The authors’ analysis has shown that the primary innovative features of BRA had been diluted over a year before the Enron case broken and well before the passing of the Sarbanes-Oxley Act in 2002.</li> <li>• The authors’ empirical analysis has shown that BRA was an innovation that the profession established but also significantly helped to limit.</li> <li>• The authors find that the inspection-based review and control procedures instigated by professional audit firms themselves can outweigh the number related to independent public inspections.</li> <li>• The authors find that the rise of integrated reporting and the resulting focus on the longer-term sustainability of the business is likely to stimulate such a renewed demand for a form of auditing that makes analysis of business risk central to the assurance process.</li> <li>• The authors find that BRA was made vulnerable because of a lack of sufficient numbers of suitably skilled staff, caused in turn by the way in which auditing firms are organized, and a business model in which a high proportion of the work is undertaken by relatively junior staff.</li> </ul>

Adopted from [www.auditingresearchsummaries.org](http://www.auditingresearchsummaries.org), 30 August 2016.

## research summary

<b>Title:</b>	The Effect of Lame Duck Auditors on Management Discretion: An Empirical Analysis
<b>Practical Implications:</b>	These results should be of specific interest to regulators who have proposed rules to increase the accountability of auditors by more clearly aligning their reputations with assurance quality, as well as to regulators who have expressed concerns that pressures associated with future audit fee dependence could influence the extent to which auditors behave independently. This study is not meant to be used to influence discussion surrounding mandatory audit firm rotation, as the study focused on voluntary, not mandatory, terminations of the audit-client relationship.
<b>Citation:</b>	Cassell, C., L. Myers, T. Seidel, and J. Zhou. 2016. The Effect of Lame Duck Auditors on Management Discretion: An Empirical Analysis. <i>Auditing: A Journal of Practice and Theory</i> 35 (3): 51-73.
<b>Purpose of the Study:</b>	This study focuses on the unique situation in which the auditor-client bond is severed for future reporting periods but continues for the current reporting period. The authors label the auditors in this situation "lame duck auditors," borrowing the expression from the political realm. In the context of politics, lame duck politicians frequently act with greater freedom because they are not concerned about how their actions will affect their chances of re-election. This could mean a politician would vote for measures that are better for his constituents no matter the consequences, or he could more easily succumb to pressures from outside influences like lobbyists. Just like in the political setting, the term "lame duck" should not necessarily convey a negative connotation; the term simply refers to a situation that could alter an auditor's responsibilities and incentive structures, which could lead to a change in behavior. The authors believe that financial reporting quality is higher in lame duck situations and completed this study to test that hypothesis.
<b>Design/Method/ Approach:</b>	The authors use data from 2000-2010 and focus their investigation on the effect of lame duck auditors on the quality of the quarterly financial statements. Interim quarterly reporting is the primary focus because it allows the authors to focus on the effect of reputation concerns rather than litigation risk.
<b>Findings:</b>	<ul style="list-style-type: none"> <li>• The authors find that auditor independence and/or reputation concerns are strengthened in lame duck situations because financial reporting quality is higher when a lame duck auditor performs the quality review.</li> <li>• The authors find that lame duck auditors are more likely among older companies, accelerated filers, companies with a material weakness in internal control, and companies announcing a restatement during the current or prior year.</li> <li>• The authors find that lame duck auditors are less likely among larger companies, companies audited by a Big N auditor, and companies with higher leverage and higher revenue volatility.</li> <li>• The authors' findings verify that the main results of the study are not attributable to systematic differences between lame duck and non-lame duck auditor observations.</li> <li>• The authors' findings suggest that creating more uncertainty regarding the present value of expected future cash flows or increasing potential reputational concerns has the potential to improve assurance quality.</li> </ul>

Adopted from [www.auditingresearchsummaries.org](http://www.auditingresearchsummaries.org), 30 August 2016.

## research summary

<b>Title:</b>	The Effect of Client Lies on Auditor Memory Resistance and False Memory Acceptance
<b>Practical Implications:</b>	These results have important implications for audit practice, as the author shows that the specific techniques used by auditors to gather evidence for building knowledge structures are essential to resisting client influence. This paper also shows that in spite of the responsibility of understanding complex business environments and any resulting indicators, evidence finds that even experienced decision makers have difficulty learning in dynamically complex environments. Improving judgment and decision making in these settings requires enhancing auditors' development of systems-based mental models.
<b>Citation:</b>	Brewster, B. 2016. The Effect of Client Lies on Auditor Memory Resistance and False memory Acceptance. <i>Auditing: A Journal of Practice and Theory</i> 35 (3): 33-50.
<b>Purpose of the Study:</b>	Professional auditing standards direct auditors to critically evaluate and verify all client-provided information, in the hope that auditors will resist any client lies that cannot be directly corroborated. Traditional psychology research supports this conjecture because warning individuals about the ambitions of communicators typically bolsters resistance via a suspicious mindset. However, the author believes that features of the audit environment create scenarios in which the auditor is susceptible to client lies, especially blatantly incorrect ones. In particular, if auditors are unable to refute client lies through existing evidence-related memories, they will succumb to a memory error called the misinformation effect. If correct, this would mean that after exposure to a client lie, an auditor's cognitive processing is tainted, and he/she would gravitate toward the client-provided false memories instead of his/her own true evidence-based memories when subsequently retrieving related information. As a result, the author examines the conditions that moderate auditor resistance toward and susceptibility to believing client-provided lies.
<b>Design/Method/Approach:</b>	The author completed a study with professional auditors from an international accounting firm with an average work experience of 44 months. He asked them to complete an experimental task, holding one group static and allowing the other to be dynamic.
<b>Findings:</b>	<ul style="list-style-type: none"> <li>• The author finds no significant differences between dynamic or static KPI understanding type conditions when participants evaluated their comprehension of the industry overview and the tutorial.</li> <li>• The author finds that auditors who develop poorly constructed memories of industry-related evidence will favor falsely implanted client communication more than their own real memories during recall.</li> <li>• The author finds that the data shows that auditors with better developed, more rigid, and more accessible memories are resistant to favoring falsely implanted client communication more than their own memories and are more likely to identify the client-provided falsehood.</li> <li>• The author finds that those who succumbed to the misinformation effect were equally as confident in their own real memories as the auditors who resisted.</li> <li>• The author's findings are consistent with prior research that speculated that auditors with insufficient mental models regarding complex evidence are more likely to have their knowledge manipulated by the client.</li> </ul>

Adopted from [www.auditingresearchsummaries.org](http://www.auditingresearchsummaries.org), 30 August 2016.

# PUBSolutions

## CONTENTMANAGEMENTSYSTEEM

integratie met Woodwing

Overzicht en structuur in jouw workflow  
en tóch eenvoudig in gebruik.



### Efficiënt Contentbeheer

Geeft structuur aan een dynamisch proces. Het CMS geeft een compleet en doorzoekbaar overzicht van jouw content in alle stadia.

### Optimaal Hergebruik

Maak slim hergebruik van content en verleng de levensduur van een artikel. Bijzonder is de eenvoudige wijze waarop je een item kunt doorzetten naar YouTube, LinkedIn, Facebook en Twitter.

### Maximaal Bereik

Bereik je doelgroep maximaal door cross channeling en door interactie via social media. Het CMS biedt overzicht en de mogelijkheid gespreid te publiceren.