How the profession can learn from results of academic audit research

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Auditors fulfil an important societal role by assuring the reliability of companies’ financial statements. However, the audit profession is quite often under scrutiny because of bankruptcies, mismanagement and frauds by their clients. Also, auditors, responsible for discovering material misstatements in their clients’ financial reports, are increasingly being criticized for their making errors themselves, sometimes with far-reaching consequences for the financial markets and society as a whole.

In a world characterized by a rapidly changing information environment and increased media attention, necessary root cause analyses and opportunities for reflection and learning are potentially compromised by the need for urgent decision-making in times of turmoil and crises. This pressure for sometimes immediate decision-making could lead to the risk that actions taken do not ever really solve the actual problem and instead may even trigger unintended side effects.

As a result, the global audit profession, (inter)national policy makers and regulators are struggling with the fundamental question of how to improve audit quality which has led to a growing demand for audit research (CAQ, 2015; IAASB, 2015; PCAOB, 2015). Following some incidents and negative reports by the oversight body of auditors, the Netherlands Institute

Figure 1 ARS Topical Framework (AAA, 2015)
of Chartered Accountants (NBA) took several recent measures to improve the quality and independence of the audit in the Netherlands (NBA, 2014). Among others actions, the NBA recommended that the accountancy sector should undertake an initiative to set up an independent scientific research institute. This institute should be charged with reviewing the: 1) effects of audits; 2) drivers of audit quality; and 3) effects of measures taken (internationally) about the sector. This initiative should be started from the Netherlands, including a contribution from the firms to provide for the financial means, future researchers (i.e., PhD students), data, and increased access to practitioners, such as senior partners and directors (NBA, 2014, p. 102).

As a result the Foundation for Auditing Research (FAR) was incorporated in autumn 2015. Notwithstanding the growing demand for audit research, it is important to remember that a vast amount of audit research has already been published in internationally highly ranked academic Journals over the last several decades. In fact, the Auditing Section of the American Accounting Association (the Auditing Section) has recently provided a mechanism to help improve the understandability and access to the vast body of academic audit research that has previously been conducted. Indeed, recognizing that much of this research has been designed to help our colleagues in practice improve audit quality, the Executive Committee of the Auditing Section recently articulated a strategic initiative to develop and disseminate research summaries. The initiative was explicitly designed to further its mission of taking actions to help improve the practice of auditing through basic academic research.

Quite recently, a team led by Dr. Jennifer Mueller (Auburn University) opened up access to very valuable summaries of published audit research papers, that have been prepared by Ph.D. Student Members of the Auditing Section and made available online without charge (AAA, 2015). The Audit Research Summary (ARS) database was created with the objective to support policy makers and regulators and to foster proactive exchanges of research ideas and current state of knowledge between academics and professionals. The ARS database includes summaries of papers that were published (2005-current) in the following academic journals:
- Accounting Horizons
- Accounting, Organizations and Society
- Auditing: A Journal of Practice & Theory
- Behavioral Research in Accounting
- Contemporary Accounting Research
- Journal of Accounting Research (added late 2015)
- The Accounting Review

The summaries are indexed by topic while each topic area has numerous sub-topics (see figure 1). Additional summaries will be added on a regular basis.
Already since 1924 the editorial policy of the Dutch journal ‘Maandblad voor Accountancy en Bedrijfseconomie’ (MAB) is to publish academic papers for a broad range of practitioners. The MAB Editorial Board therefore wishes to contribute to the AAA initiative by informing readers and potential readers in the Netherlands about relevant audit research findings and make existing research findings available for practitioners and policymakers. As the FAR will start to invest in audit research in the Netherlands, we intend to contribute by preparing ARS of the FAR’s research output. Finally we will consider cooperation with other European Journals to disseminate auditing research findings. Starting with this issue we will publish examples of relevant ARSs (figure 2) that are relevant for the Dutch audit profession. On the MAB website (MAB-online) you will find further information about the ARS database, the ARS twitter account (@AuditResearch) and ARS Facebook page. We expect this development to help bridging the worldwide gap between academics and practitioners to support the highly relevant audit profession.

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Noten

- PCAOB Center for Economic Analysis, conducts high quality, independent academic research on audit-related topics, including the role and relevance of the audit in capital markets, informs the PCAOB in its oversight activities and provides evidence regarding the possible outcomes of policy decisions.

Literatuur