

2017-2018 AFAANZ Research Grant Report

(1) Name, Position, Contact Details for each applicant

Principle investigator:

Dr. Meiting Lu

Lecturer, Department of Accounting and Corporate Governance,
Macquarie University

Email: meiting.lu@mq.edu.au

Tel: +612 9850 1928

(2) Project Title

Integrated Reporting, Audit Fees and Audit Quality

(3) Updated Project Summary including any variations between the project undertaken and the original application

Recent development of Integrated Reporting (<IR>) presents theoretical and empirical challenges for the accounting profession. The implications of <IR> for auditors are important as the revised International Standard on Auditing (ISA) 720 emphasizes auditor's involvement with "other information", namely financial and non-financial information included in annual reports, other than audited financial statements. This raised the question as to whether a more integrated report makes a difference to auditors in terms of audit fees charged and audit quality delivered. The findings will provide academics and regulators with insights into the implication of <IR> that help inform improvements in policy and practice.

(4) Funds Granted: \$5,000

(5) Detailed Report on Expenditure of Funds against Budget Items, with variations explained

Funds Granted	5,000
Payroll for Research Assistants	5,000
Total expenditures to date	5,000

The usage of funds is consistent with the budget outlined in the application.

(6) Outcomes, for example, working papers, presentations and publications

The project sponsored by the AFAANZ research grant has resulted in:

a) A working paper which is currently under revision, and will be submitted to an A* ranked journal for publication soon. The abstract of the working paper is as follows: “The global trend of Integrated Reporting (<IR>) which incorporates non-financial information (NFI) such as Environmental, Social and Governance (ESG) information into the main corporate report has given rise to the practice of audit firms providing assurance service on NFI in addition to financial statement audit service. This raised the question as to whether a more integrated report makes a difference to auditors in terms of audit fees charged and audit quality delivered. We find that companies with the same provider attesting to both financial and NFI have higher audit quality without paying significantly higher audit fees. We also find that the incumbent auditor is much more likely to be selected as the NFI assessor if he/she is also the “market leader” in the NFI assurance area. The findings provide academics and regulators with insights into the implication of <IR> that help inform improvements in policy and practice.”

b) A comprehensive database of Integrated Reporting (<IR>) data over the period of 2000-2017 with detailed information with respect to company information, Integrated Reporting assurance provider, type and scope of Integrated Reporting, corporate governance information as well as disclosed financial information over the sample period.

(7) Future Intentions for this Project

The working paper is currently under revisions to incorporate additional analysis after receiving insightful comments and suggestions from our colleagues. We plan to submit the revised version to the following conferences and journal:

- a) Journal submissions – The Accounting Review or Contemporary Accounting Research;
- b) Conference submissions – American Accounting Association Annual Conference 2019.

(8) Summary of Outcomes and Benefits

The AFAANZ research grant has provided the resources necessary to facilitate research assistance on data collection and empirical analysis. As a result, we can focus on identifying research questions, reviewing the literature and justifying the potential contributions of the project. Overall, the AFAANZ research grant has helped us conduct a quality research project that would contribute to the accounting literature.