



# Undertaking impactful research

Research questions that are of interest to  
regulators and standards-setters

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Presented by

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CEO & Chair – AUASB



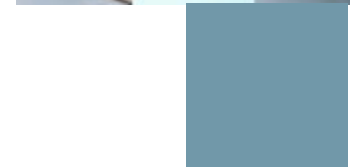
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# Structure for Session

1. Why undertake impactful research?
2. How well do we inform policy?  
*Review Of International Archival  
Audit Research*
3. How well do we inform policy?  
*Review Of International Behavioral  
Audit Research*
4. Summary: Evidence informed  
standard-setting implications for  
budding academics



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# Who I am and what do I believe in

Who I am, what I believe in and positions I hold define this presentation. At all times research what you enjoy and what you believe is important.

- I believe that society is **asking more of people and organisations than just making financial returns**

Thus **accounting and auditing has a broader role than measuring financial position and performance**

- Held positions **on numerous policy and standard-setting Boards, both nationally and internationally.**
- My **research, both behavioural and archival,** is aligned to informing these positions.



# Why undertake impactful auditing and assurance research?

**Impactful Research**

- Try to undertake auditing and assurance research that is impactful.

- International clients, audit firms and standards, but national regulators
- Profession under pressure

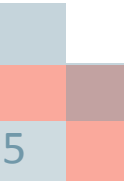
Adds to current body of knowledge.  
Academics best placed to undertake, especially today.

**Changes behaviour**

- Whose behaviour are we changing? (may differ)

# Trends in policy making

- The use of evidence through economic analysis or appropriate theoretical lens in policy making is on the rise.
- Accounting and auditing are prime examples.
- Using sound theory and robust empirical evidence should lead to better policies and regulations.
- Despite its obvious appeal and substantial promise, evidence-informed policymaking is easier demanded than done.



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# The Opportunity for Academics

Need for evidence-informed standard-setting and policy making



**Academics** in a unique position to play a leading role:

- Independent.
- Expert at devising appropriate research questions, research design and analysis.



All **other parties** have vested interest, or lack the expertise.

# Regulators push for evidence Informed Standard-Setting Strategy



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- Big push to ensure AUASB have evidence informed decision-making at Board level (basis for comment).
- Evidence informed standard setting strategy recently approved by AUASB

- IAASB is planning to have a defined research stage before project approval. Is a no-brainer.
- How does it effect academics? For each IAASB project, can we get an academic team together to synthesise the relevant research?



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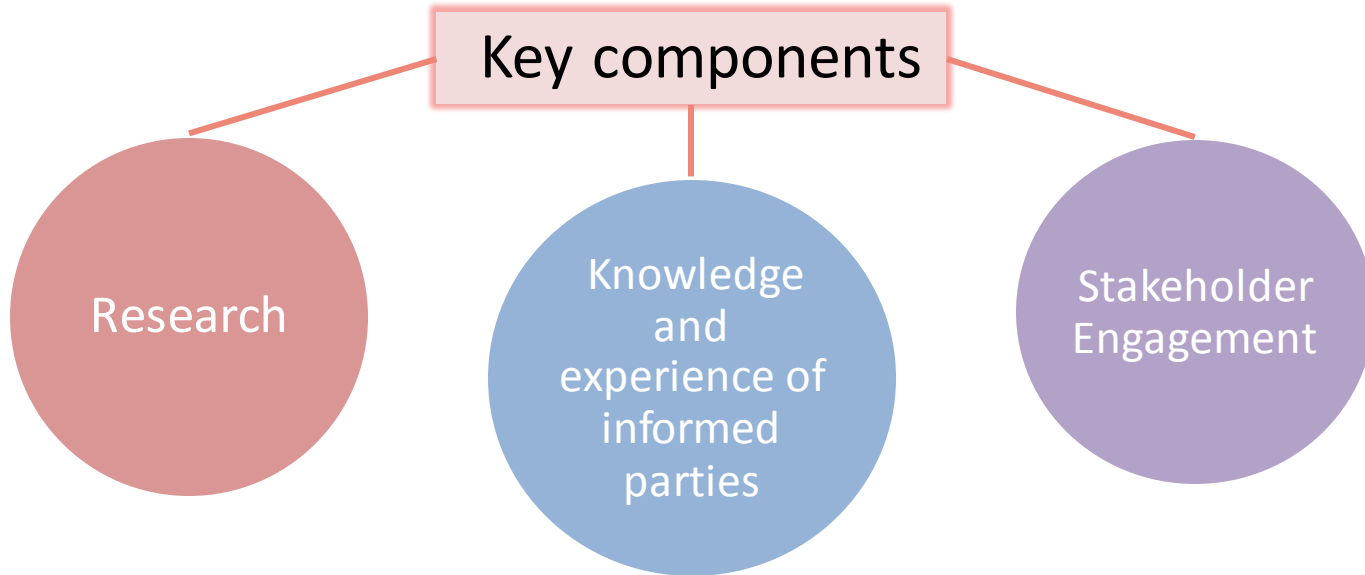


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# AUASB Evidence Informed Standard-Setting Strategy

## Objectives

1. Ensures the AUASB has a robust and transparent evidence gathering process
2. Encourages formalising collaboration with academics





# Issues with Informing IAASB Standards

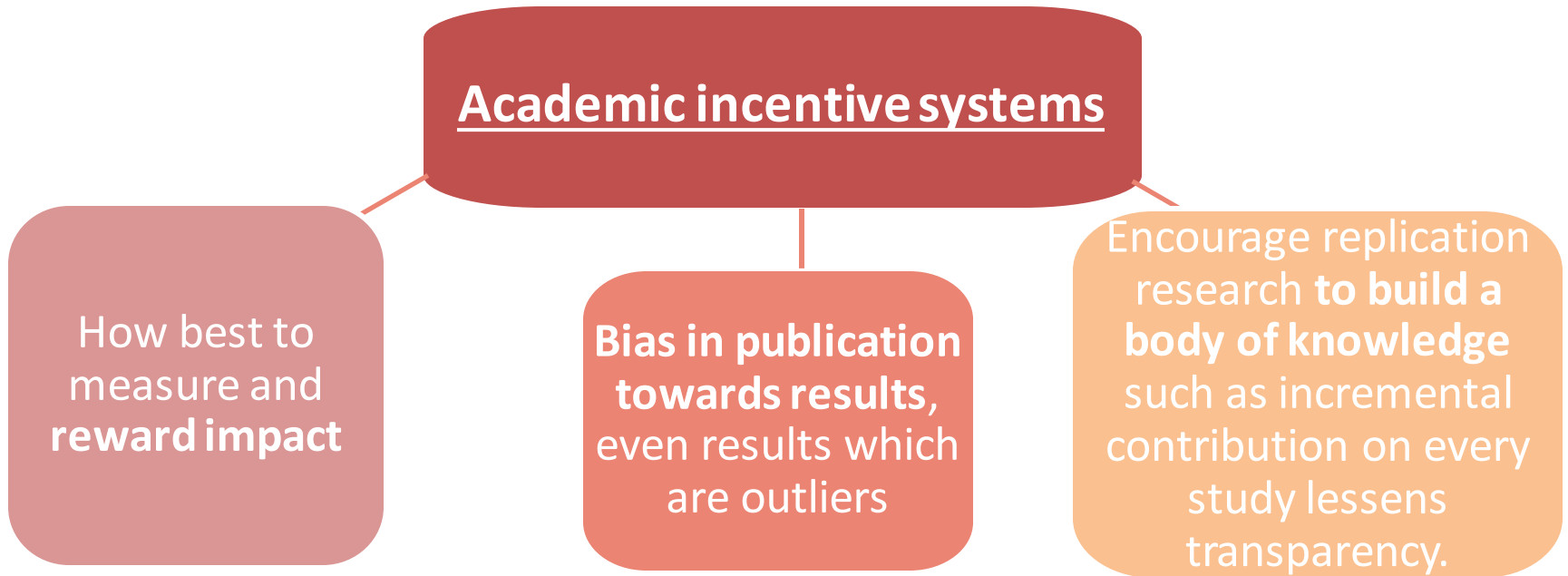
## Environment

- Audit profession is truly international, with regard standard-setting (through IAASB, exception PCAOB),
- Regulation is national (but regulators co-operate through IFIAR).
- Audit firms truly international through GAFN and FoF.
- This a unique structure.

## Audience

- The structure gives academics natural audiences for their research.
- There is a natural interest in cross-country research.
- But we do not do it well. Many studies are motivated by regulatory issues, but do they address and answer?

# How do we support the system?



## Support to academics

**Regulators, standard-setters and key players** in the accounting and auditing profession can play a key role in **creating a research infrastructure to inform policy making**, including data and participants



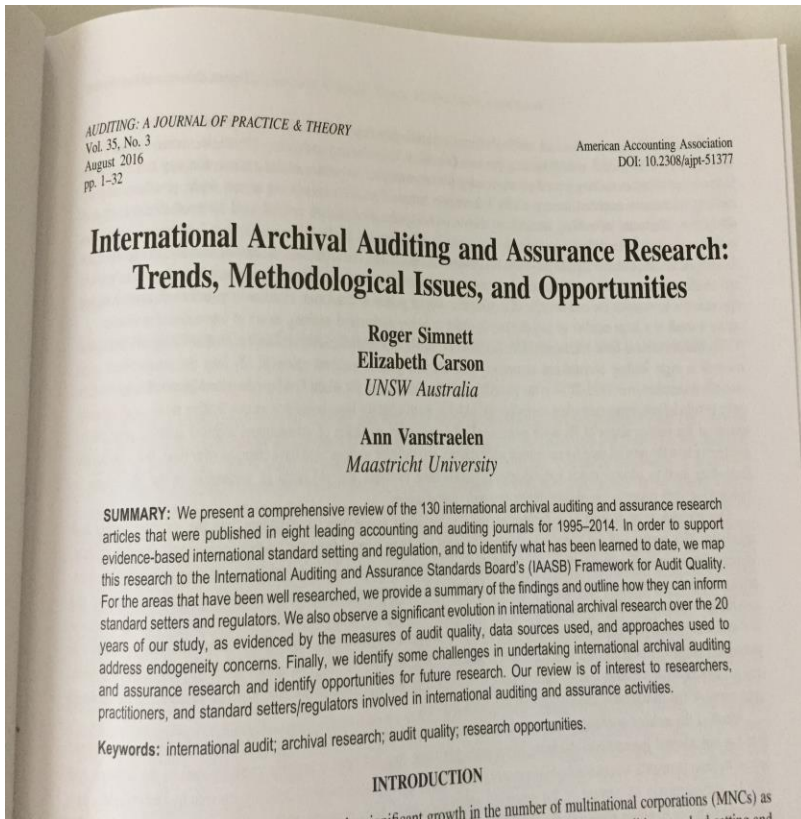
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# How well do we inform policy?

## Review Of International Archival Audit Research



### Article:

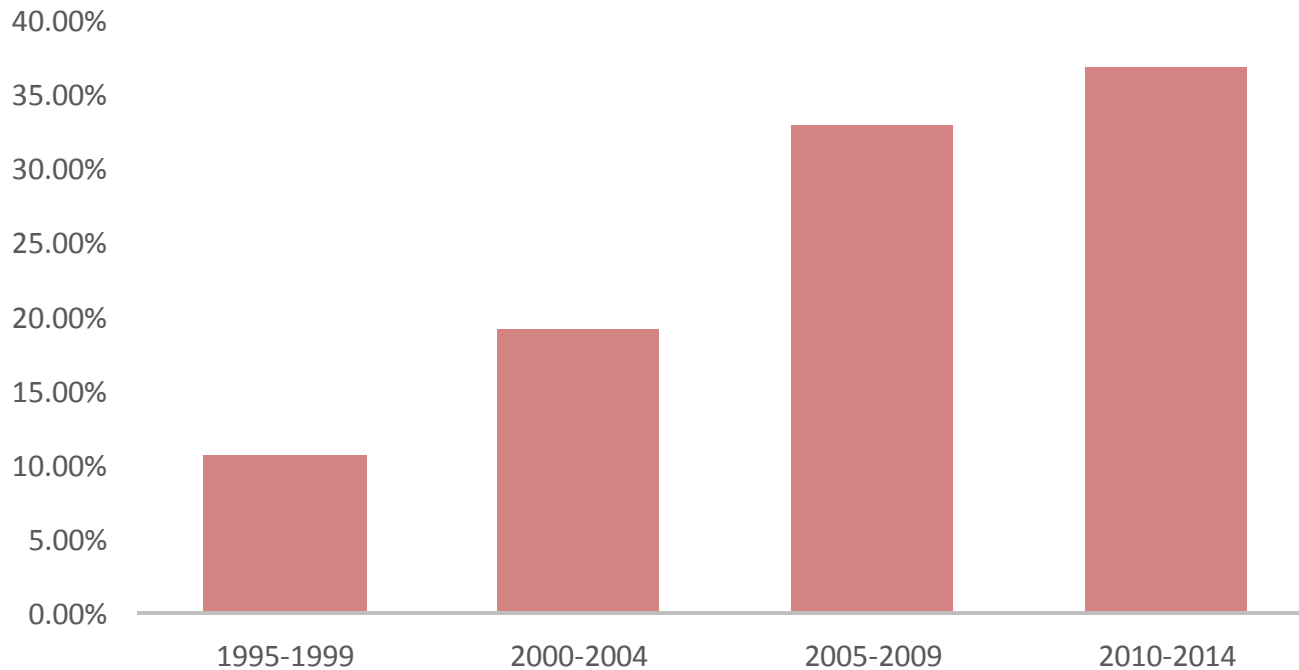
- Simnett, Carson & Vanstraelen (AJPT, 2016)

### Sample

- 130 international archival auditing and assurance research articles published
  - from 1995-2014
  - in 8 leading accounting and auditing journals: *AOS, AJPT, CAR, JAE, JAPP, JAR, RAST, TAR.*

# Trends in publication

Publication trend over time



- Published international archival auditing and assurance research articles **by year**
- **130 articles in total**



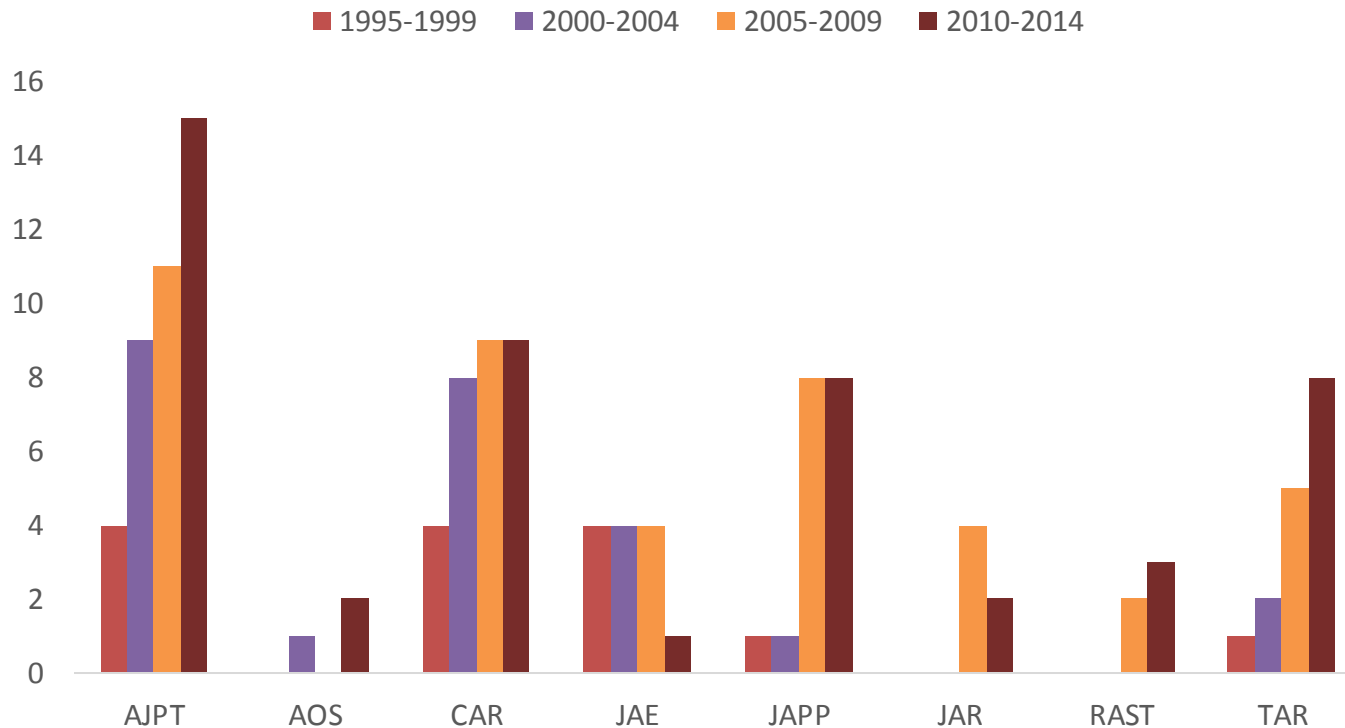
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# Trends in publication

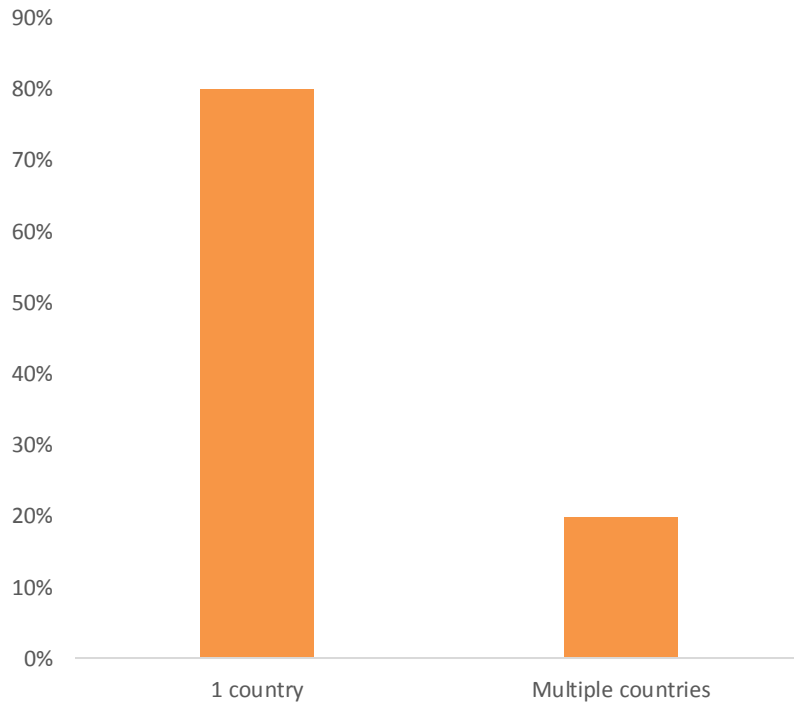
Publication trend by journal over time



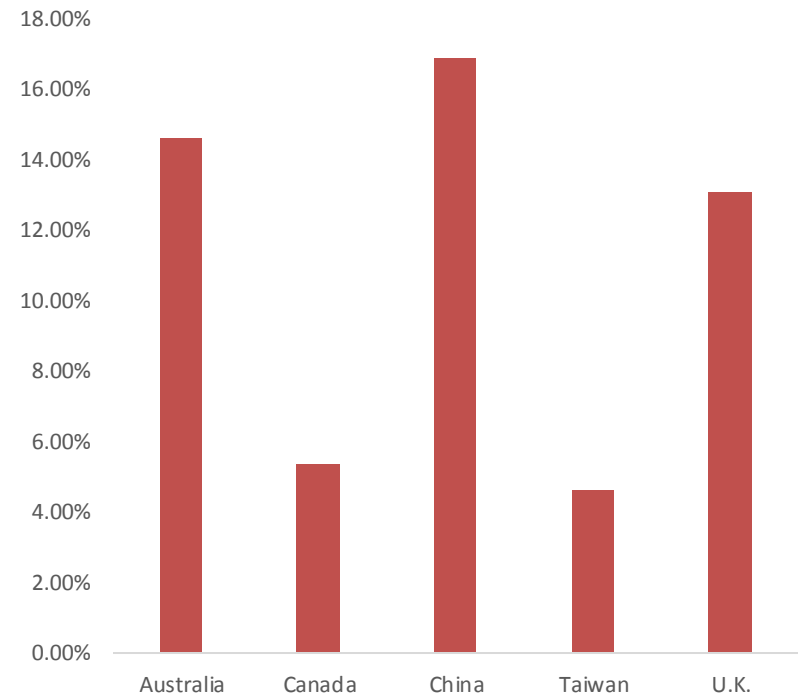
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# Trends in publication

Number of countries



Top 5 countries



- Published international archival auditing and assurance research articles **by country**
- **130 articles in total**



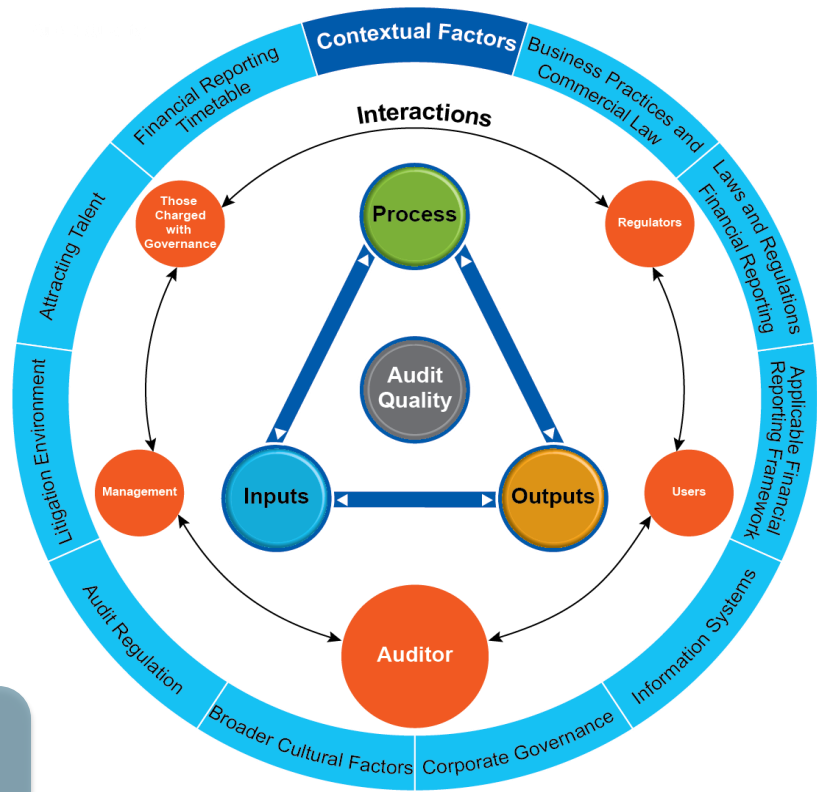
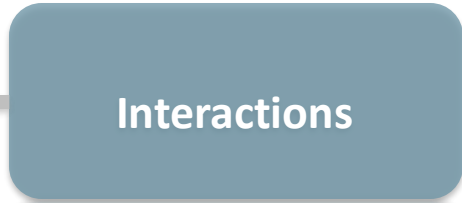
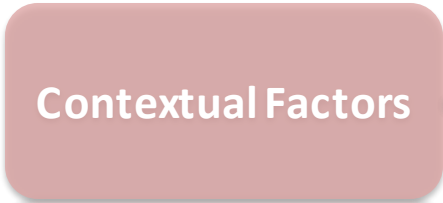
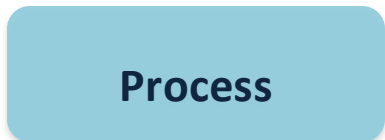
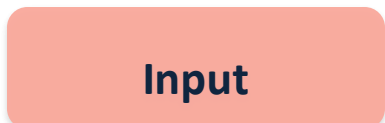
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# IAASB Framework for Audit Quality 2014

## Key Elements



# Research design issues



## Which journals are included?

Top 8

- Bias towards the US.
- Does it mean we should research using US data given this bias?



## How did the coding proceed ?

Dual coded every aspect of IAASB Audit quality framework



# Mapping to IAASB framework

Sample encompasses articles from 1995-2014 in 8 leading accounting and auditing journals: *AOS*, *AJPT*, *CAR*, *JAE*, *JAPP*, *JAR*, *RAST*, *TAR*.

130 international studies in total from these journals. Only 10 refer to auditing standards, and 6 relate to non-financial statement audit

IAASB Framework	Most Examined <u>and</u> Least Attention	Bodies of literature
Inputs/Processing/Outputs		
<ul style="list-style-type: none"> <li>Input-Values</li> </ul>		<ul style="list-style-type: none"> <li>Independence and auditor tenure</li> <li>Independence and NAS</li> </ul>
<ul style="list-style-type: none"> <li>Input-Knowledge</li> </ul>	<ul style="list-style-type: none"> <li>Input-Knowledge at Engagement Level (16.9%): e.g. Partner and staff competency</li> </ul>	<ul style="list-style-type: none"> <li>Auditor expertise and audit fee premium</li> <li>Audit market competition and audit fees</li> <li>Client firm ownership structure and auditor choices</li> </ul>
<ul style="list-style-type: none"> <li>Processing</li> </ul>	<b>Processing at all levels (4.0%)</b>	
<ul style="list-style-type: none"> <li>Outputs</li> </ul>	<ul style="list-style-type: none"> <li>Outputs at Engagement Level (18.6%): e.g. Audit reports</li> </ul>	<ul style="list-style-type: none"> <li>Auditor reporting and market reaction</li> <li>Audit quality and management</li> </ul>
Key Interactions	<ul style="list-style-type: none"> <li>Auditors - Those Charged with Governance (46.0%)</li> <li>Auditors - Regulators (24.2%)</li> <li><b>Auditors - Users (2.4%)</b></li> </ul>	
Contextual Factors	<ul style="list-style-type: none"> <li>Audit Laws and Regulations (26.6%)</li> <li>Audit Industry and Structure (25.0%)</li> <li><b>Information Systems (0.8%)</b></li> </ul>	

# Some major findings

1

Very little international research is explicitly linked to standards or framework, or is aimed at informing standard-setters and regulators

2

There is comparatively a small amount of international archival research compared with US-oriented research (at least published in leading journals).

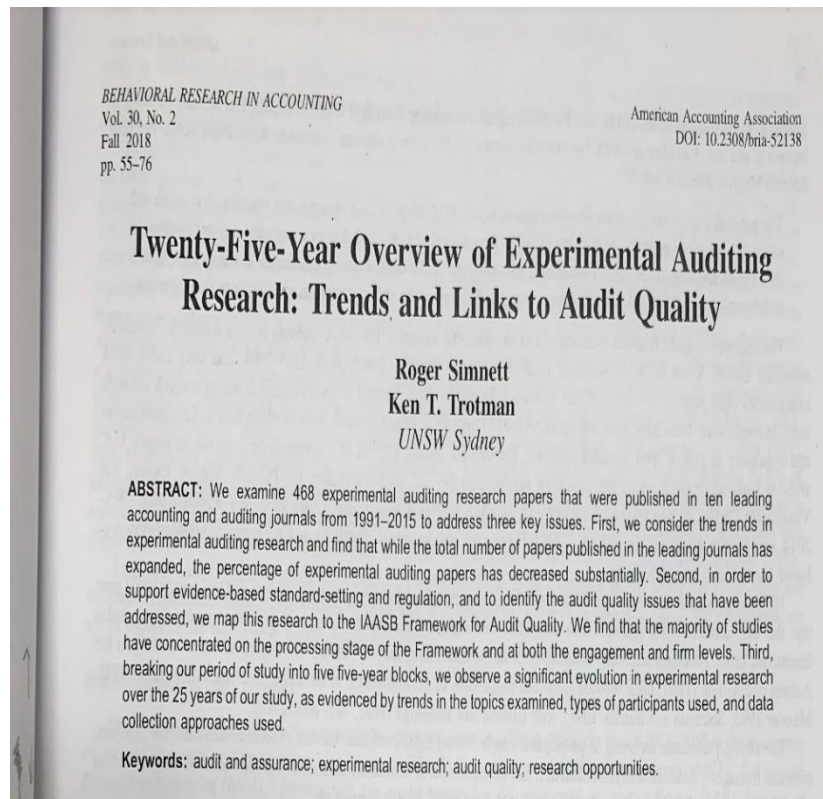
3

Trend in archival is away from theory to interesting research question, and emphasising strength of causal relationship.



# How well do we inform policy?

## Review Of International Behavioral Audit Research



### Article:


- Simnett & Trotman (BRIA, 2018)

### Sample

- 468 international archival auditing and assurance research articles published
  - from 1991-2015
  - in 10 leading accounting and auditing journals: *AOS, AJPT, BRIA, CAR, EAR, JAE, JAPP, JAR, RAST, TAR.*

# Review of Behavioural auditing research

(Simnett and Trotman BRIA 2018)

- Simnett and Trotman undertook a similar analysis of experimental auditing research to look at trends.
    - Sample
      - US research
      - over a 25 year period, 1991-2015
  - Key findings: **Percentage of experimental as a proportion of audit has decreased.**
- 
- Paper is again linked to the **IAASB framework**, to improve standard-setters understanding of experimental auditing research as it informs international standards.

# Trends in publication

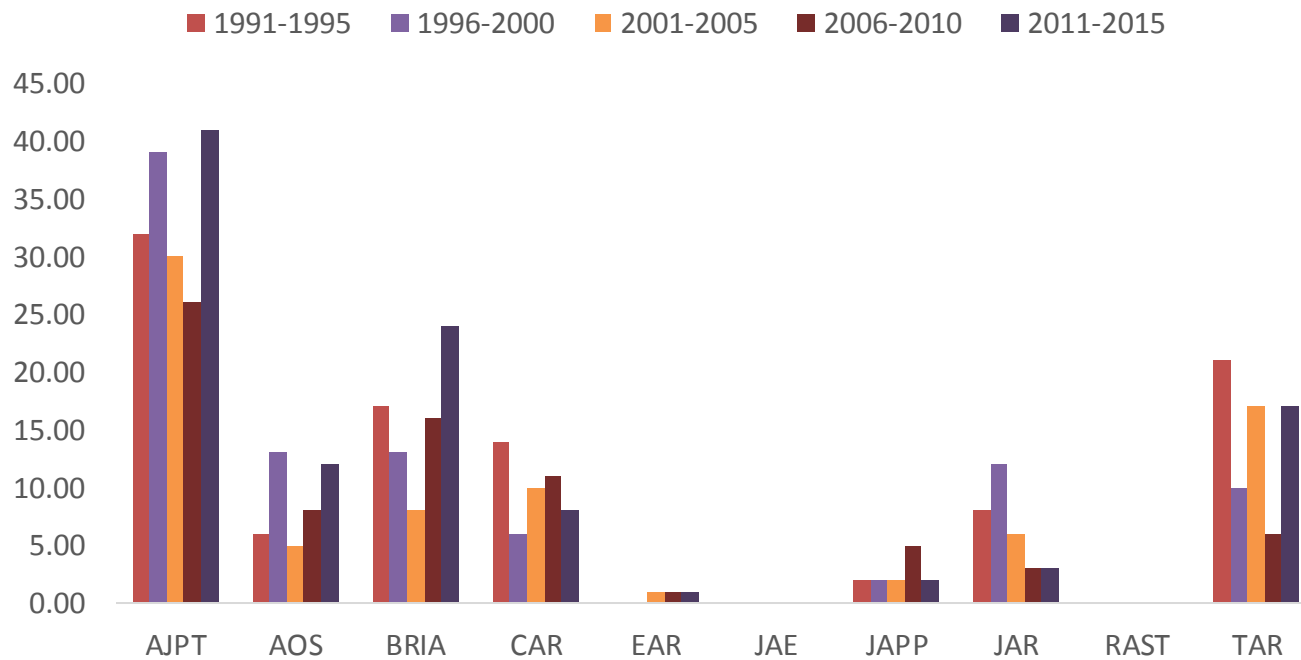
Publication trend over time



- Published international behavioral auditing and assurance research articles **by year**
- **468 articles in total**

# Trends in publication

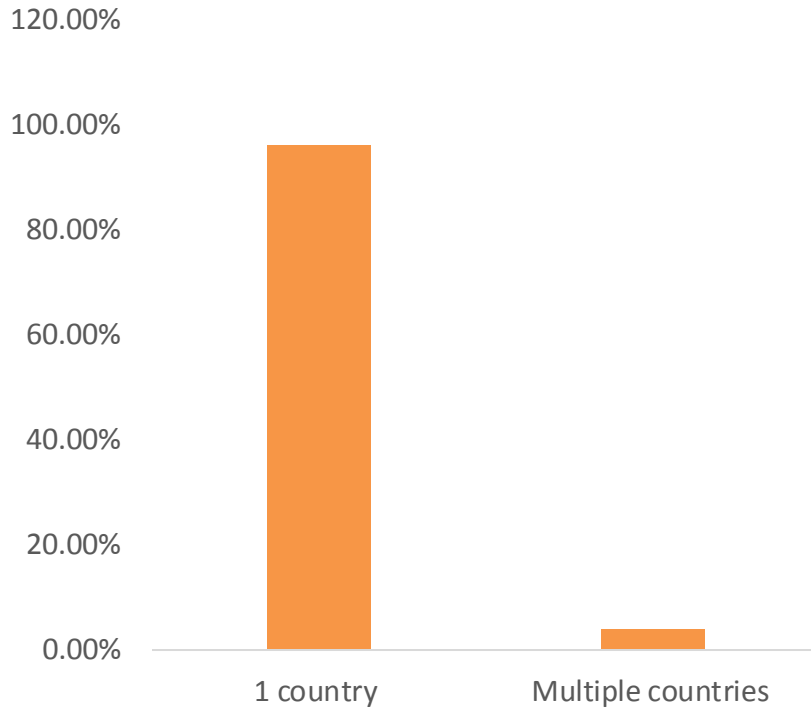
## Publication trend by journal over time



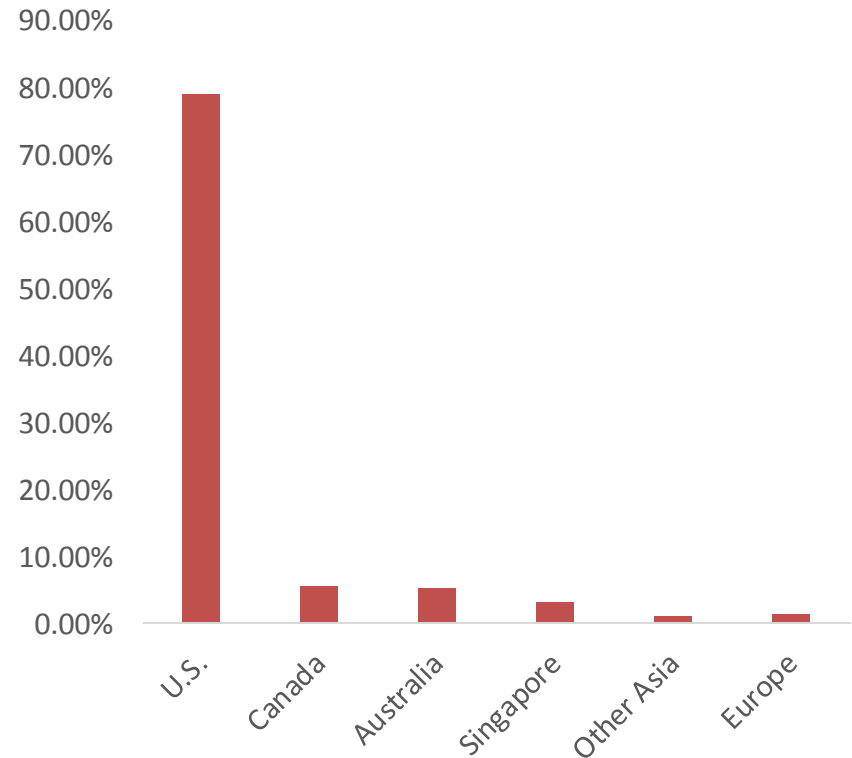
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# Trends in publication

Number of countries



Publication tend by countries



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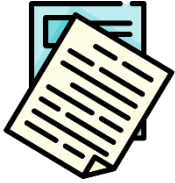


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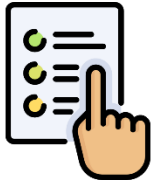


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# Research design issues



Effectively the same as Simnett, Carson & Vanstraelen (2016), but in behavioural research rather than archival



## Which journals are included?

Top 10

- two added to Simnett, Carson and Vanstraelen (2016) are BRIA, which is experimental and EAR, European, and ABDC lists



## Experiment

“a scientific investigation in which an investigator manipulates and controls one or more independent variables and observes the dependent variables...” (p.57)



## Standard-Setting

Consider and discuss how archival and experimental research together or differentially inform standard-setting.



# Trends in publication

## Journals

- Very few in JAPP, EAR, RAST and JAE
- Numbers are holding up in most journals but as percentage, decreasing, especially in generalist journals (TAR, CAR and JAR) and AJPT.
- Reasons? (pp59-60).

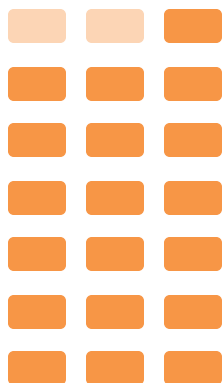
## Data

- Increased availability of archival data

## Subjects

- Difficulty in obtaining experienced subjects
- Where are subjects from?
  - Predominantly US (79%), Canada (6%), Australia (5%) and Singapore (3%).

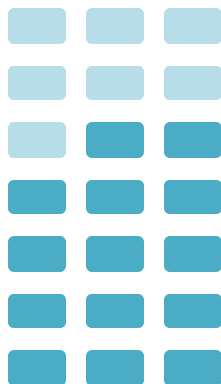
# Mapping to framework and standards



92%

## International Framework

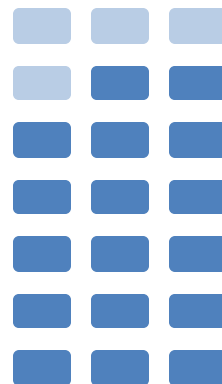
- Able to code 430/468 (92%) to International framework



68.2%

## Processing Element

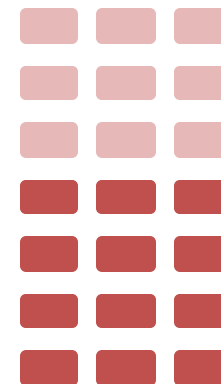
- Most were processing element (68.2%), followed by input knowledge element (14.9%).



82.6%

## Engagement Level

- Most were at engagement level (82.6%), followed by firm level (15.7%).

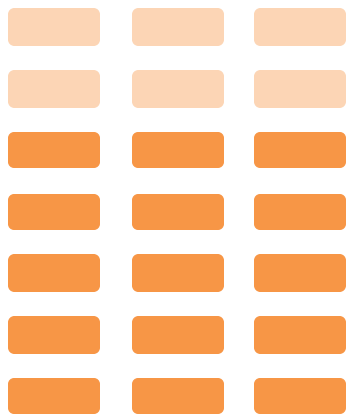


60.7%

## Audit Standards

- Research questions with reference to auditing standards were 60.7%
- Compare these with archival (SCV).

# How has experimental research evolved?



78.4%

## Auditor Participation

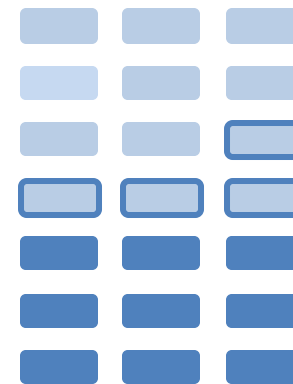
- Bulk of participants are auditors (78.4%)



7.9%

## Student Role

- Students as surrogates for auditors (7.9%)
- Very few non-US studies published with students



18.8%

## Decreased in Controlled Experimental Design

- Decrease in controlled experimental design over time (1991-1995 66.0% and 2011-2015 47.2%, decrease by 18.8% )



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# Some major findings

1

Much higher proportion of international research published and is explicitly linked to standards or framework, mainly at process stage.

2

There is a trend away from experienced auditors and controlled experiments to students and uncontrolled experiments.

3

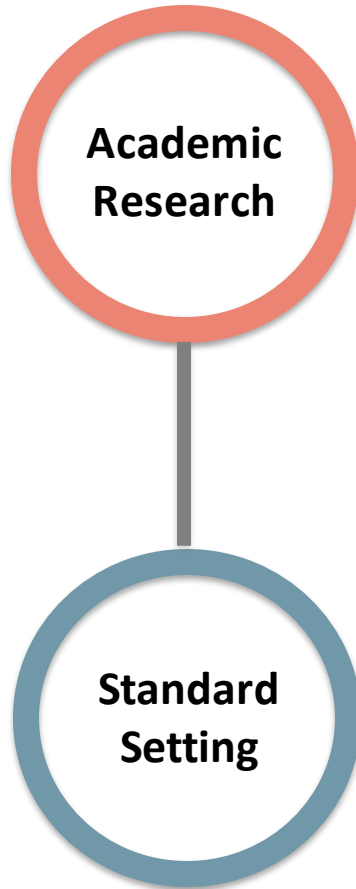
Trend in behavioral is to theoretical contribution, incremental contribution, and multiple experiments.

# My current research agenda

- 1 Group audit research. Australian data informing ISA 600 and PCAOB
- 2 International data aimed at benefits and costs of inspections
- 3 International: Benefits of providing NAS, especially assurance of EER reports
- 4 Australian: Audit quality of Australian charities
- 5 International: Assuring <IR> and “other information”
- 6 International: Benefits of reporting and assuring GhG

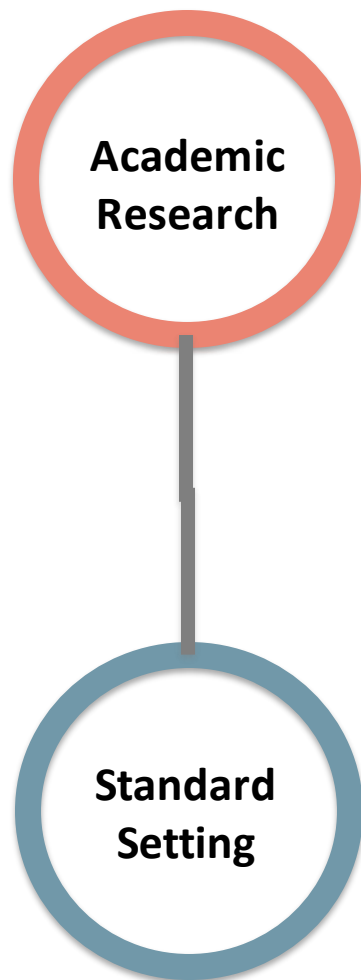


# EISS - Opportunities



- ✓ Archival and behavioral research complimentary in informing policy
- ✓ Current regulatory and standard-setting environment is throwing up many interesting policy questions
- ✓ Never been a time where academic research has been more in demand

# EISS - Challenges



- Policy making research is difficult. International policy related research is very difficult.
- Archival research with Australian or International data is difficult to publish in A\* US journals. Behavioral research easier.
- The divide between practitioners and researchers in accounting is one of the largest of the professions (social science much more removed compared with STEM)

# Accounting in 2036: A learned profession.

Barth M. 2019, *The Accounting Review*

“My vision is that by 2036 accounting is known as the learned profession that provides information for informed decision-making to support a prosperous society.

To achieve this vision, academics need to:

- 1) conduct fundamental and applied research;
- 2) communicate research insights outside of academia;
- 3) interact with practicing accountants and others who use accounting information, such as managers, capital providers, regulators, and government officials; and ensure that everyone understands that academic accountants are responsible for the “learned” part of accounting as a learned profession.”