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
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
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.

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

Changes behaviour
- Whose behaviour are we changing? (may differ)

- International clients, audit firms and standards, but national regulators
- Profession under pressure
Why take impactful Research?

Archival Research

Behavioural Research

EISS Implications

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.
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

- 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?
Why take impactful Research?

Archival Research

Behavioural Research

EISS Implications

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

Key components

Research

Knowledge and experience of informed parties

Stakeholder Engagement
Why take impactful Research?

Archival Research

Behavioural Research

EISS Implications

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?
Why take impactful research?

Archival Research

Behavioural Research

EISS Implications

How do we support the system?

Academic incentive systems

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.

How best to measure and reward impact

Bias in publication towards results, even results which are outliers

Encourage replication research to build a body of knowledge such as incremental contribution on every study lessens transparency.
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
Trends in publication

Publication trend by journal over time

- Published # international archival auditing and assurance research articles **by journal**
- 130 articles in total
Trends in publication

- Published international archival auditing and assurance research articles **by country**
- 130 articles in total
IAASB Framework for Audit Quality 2014

Key Elements

- Input
- Process
- Output

Contextual Factors

Interactions

IAASB Framework for Audit Quality

UNSW Sydney

Australian Government Auditing and Assurance Standards Board
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.

<table>
<thead>
<tr>
<th>IAASB Framework</th>
<th>Most Examined and Least Attention</th>
<th>Bodies of literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs/Processing/Outputs</td>
<td></td>
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</table>
| • Input-Values          |                                                                                                  | • Independence and auditor tenure  
• Independence and NAS                                                                 |
| • Input-Knowledge       | • Input-Knowledge at Engagement Level (16.9%): e.g. Partner and staff competency                | • Auditor expertise and audit fee premium  
• Audit market competition and audit fees  
• Client firm ownership structure and auditor choices |
| • Processing            | • Processing at all levels (4.0%)                                                                 |                                                                                       |
| • Outputs               | • Outputs at Engagement Level (18.6%): e.g. Audit reports                                         | • Auditor reporting and market reaction  
• Audit quality and management                                                                                              |
| Key Interactions        | • Auditors - Those Charged with Governance (46.0%)  
• Auditors - Regulators (24.2%)  
• Auditors - Users (2.4%)                                                              |                                                                                       |
| Contextual Factors      | • Audit Laws and Regulations (26.6%)  
• Audit Industry and Structure (25.0%)  
• Information Systems (0.8%)                                                        |                                                                                       |
Very little international research is explicitly linked to standards or framework, or is aimed at informing standard-setters and regulators.

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

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

- Published # international behavioral auditing and assurance research articles by journal
- 468 articles in total
Trends in publication

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

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

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

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

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

92%

68.2%

82.6%

60.7%
### How has experimental research evolved?

<table>
<thead>
<tr>
<th>Participation</th>
<th>Role</th>
<th>Decreased Design</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Auditor Participation</strong></td>
<td><strong>Student Role</strong></td>
<td><strong>Decreased in Controlled</strong></td>
</tr>
<tr>
<td>78.4%</td>
<td>7.9%</td>
<td>Experimental Design</td>
</tr>
</tbody>
</table>
| Bulk of participants are auditors (78.4%) | Students as surrogates for auditors (7.9%) | Decrease in controlled experimental design over time (1991-1995 66.0% and 2011-2015 47.2%, decrease by 18.8% )
| 18.8%                      |                             |                            |
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)
“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.”