



Key Research Into Global Audit Issues Is Announced

Research into pressing global auditing issues has been commissioned by the International Association for Accounting Education and Research (IAAER) and funded by ACCA (the Association of Chartered Certified Accountants).

Four projects have been announced which are intended to support the work of the International Auditing and Assurance Standards Board (IAASB). They will look at whether there is consistency in the application of auditing standards; the implications of eXtensible Business Reporting Language (XBRL) for the financial statement audit; the audit methodology for smaller audit firms and the nature of professional judgement in auditing.

Research teams from Australia, Germany, the Netherlands, the UK and US will present research designs and preliminary results at the International Symposium on Audit Research) in Singapore in June, with interim research findings presented to the IAASB in the US in Spring 2011 and final results at a conference in Europe in October 2011.

Dr Steve Priddy, Director of Technical Policy and Research at ACCA said: “These projects will look into a number of critical questions which are facing the global audit community. ACCA believes it is important to fund this research as it will provide valuable insight into some pressing matters for the profession, which will demonstrate how much more work needs to be done to ensure auditors are working to the same global standards.”

Professor Donna Street, President of IAAER, said: “The audit profession is fast approaching a crossroads and needs to make some important decisions regarding the direction to take. These decisions have far reaching implications, and IAAER believes that commissioning academic research that will contribute significantly towards developing a road map for auditors is of the utmost importance.”

The four research teams will pursue their projects over the next two years, and results will be showcased at three events involving representatives from the IAASB as well as renowned researchers specializing in the area of audit and assurance. The ACCA, IAASB and IAAER plan to publish a practice-focused briefing report summarizing the primary research findings.

Funded projects include

International Consistency and Convergence in the Application of International Auditing Standards: Evidence from Going Concern Modifications

Per Christen Trønnes, University of New South Wales
Elizabeth Carson, University of New South Wales
Roger Simnett, University of New South Wales

The IAASB has made significant progress since its inception in developing a single set of high-quality, principles-based international auditing standards for listed and public interest entities. This is a necessary first step towards achieving consistency of audit practice across the globe. The expectation of users of financial statements is that uniform standards will result in uniform application of these standards across national boundaries and firms. The proposed research aims to provide evidence to regulators and users by empirically investigating whether there is consistency in the application of auditing standards across countries, between audit firms and over time. This will enable us to examine forces that impede or promote consistency of application of auditing standards. The current study will examine international adoption and implementation of standards related to audit reporting (ISAs 700, 705 and 706) in Australia, Hong Kong, Singapore, South Africa, New Zealand, the United Kingdom and the United States over the period 2001-2008. In particular, the study will aim to examine the consistency of audit reporting behaviour with respect to auditors' evaluation of the going concern assumption.

The Implications of XBRL for the Financial Statement Audit

Roger Debreceny, University of Hawaii at Manoa
Stephanie Farewell, University of Arkansas at Little Rock
Hans Verkruijsse, Tilburg University

The eXtensible Business Reporting Language (XBRL) plays an important role in a wide variety of information value chains in nearly twenty countries. Several of those value chains include the transmission of audited financial statements to regulators and capital market exchanges and other information to consumers and intermediaries. Currently, some of these value chains have XBRL as the primary, or sole, communication method, or are planning to move in that direction.

XBRL is currently on the IAASB agenda – although the direction that the Board will take in regard to XBRL is not clear. In large part, this uncertainty is the result of the paucity of professional guidance, academic or applied research on assurance on XBRL-based reports. This study will develop a research position paper to answer the research question: What are the implications of XBRL for the Financial Statement Audit? The paper will address issues such as the influence of XBRL taxonomy design and instance document production; the interaction between international and national standards and national XBRL implementations; the impact of distribution of financial data in XBRL after reporting; user perceptions and the expectation gap; auditing XBRL instance documents and auditor factors. The research method is largely qualitative and will employ structured interviews, focus groups and surveys.

Audit Methodology with a Business-risk Perspective by non-Big 4 Audit Firms in the Netherlands and Germany

C. M. van Nieuw Amerongen, Nyenrode Business University

J. P. van Buuren, Nyenrode Business University

A. Wright, Northeastern University

C. Koch, Mannheim University

In the past decade Big 4 audit firms have implemented the ‘business risk audit methodology’ (BRM). Prior research has addressed the drivers of this significant change by the Big 4. However, little is currently known about audit methodology changes for smaller audit firms. The current study is based on interviews with non-Big 4 auditors in the Netherlands and Germany and hence will contribute to our understanding of the current status quo of implementation of ISA 315 by small and medium-sized audit firms when conducting SME audits. Related is a more philosophical question: What are non-Big 4 auditors’ perceptions regarding the completeness and sufficiency of audit evidence? In other words, is it necessary to conduct a full-scale audit, utilizing the BRM irrespective of differences in company size and complexity?

The Nature of Professional Judgement in Auditing

Ian Dennis, Oxford Brookes University

This research will investigate the concept of professional judgement in the auditing context. The importance of professional judgement has long been recognised in auditing. ISA 200 requires that the auditor shall exercise professional judgement in planning and performing an audit of financial statements. Exercising judgement in following standards is a hallmark of a ‘principles-based’ system of standards. The project will investigate the meaning of ‘professional judgement’ in the professional and academic literature relating to auditing. It will also consider the use of the expression in *International Standards on Auditing*, in the IESBA’s *Code of Ethics for Professional Accountants* and in the IAASB’s *Framework for International Education Pronouncements*. The professional auditor’s understanding of the nature of professional judgement will be explored through interviews with practitioners. Understanding the nature of professional judgement is important to the IAASB in setting auditing standards that allow for its exercise, to auditors who are supposed to exercise such judgement in following ISAs and meeting the requirements of the *Code of Ethics* and to educators who teach practitioners how to apply them.

Programme Advisory Committee

Members of the Programme Advisory Committee include:

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