



Welcome to the Auditing and Assurance Special Interest Group Meeting

Perth July 2013

Schedule

8.45am: Welcome and Annual General Meeting

9am - 10am Editors' Panel

10am - 10.20am Morning Tea

10.20am Partner Presentations

11.00am Perspectives from the Professional Bodies

12 noon Update on Synthesis Projects

12.30pm Lunch

Update on SIG Activity

- Formed in 2010, we met for the first time in 2011 in Darwin with 33 attendees, 2012 in Melbourne with 50 attendees and this year in Perth we have 40 attendees.
- Membership has stabilised at around 70 members.
- We have invited students attending the Doctoral Symposium to attend the SIG Meeting.
- The mailing list is a great way to contact and mobilise Australian and New Zealand audit researchers on areas of interest eg Conferences, Journal Rankings, Special Issues of Journals, etc.
- We will be providing an update on the CPA synthesis projects during the meeting today.

AASIG Objectives

- providing a forum for continuing education in relation to the teaching of audit, assurance, ethics, risk management and governance issues
- providing a forum for continuing education with regard to current professional issues in relation to auditing and assurance
- disseminating information and communicating members' research interests and emerging issues in research
- providing opportunities to present new research ideas and work-in-progress in supportive workshops with more time than is usually available at a conference
- providing opportunities to present emerging issues in research methodologies
- initiating, encouraging and facilitating collaborative research
- encouraging both new and established researchers in auditing and assurance research using a variety of methods

Annual General Meeting

- Election of Office Holders
- Presentation of Accounts
- Plans for 2013/14
- Any Other Business

Election of Officeholders

- Elizabeth Carson, Chair
- Robyn Moroney, Secretary
- Peter Carey, Treasurer
- Noel Harding, Research
- Nives Botica-Redmayne, New Zealand

We thank Nava Subramaniam for her strong support in getting the SIG formed.

Accounts for 31 December 2012

Income	Membership subscriptions	1,520.00
	AFAANZ support	1,000.00
	Conference registration	<u>4,372.73</u>
		6,892.73
Expenses	Conference catering, room hire, av and speaker costs	(3,890.11)
	AFAANZ secretariat (10% of income)	<u>(589.27)</u>
		(4,479.38)
	Surplus for 2012	2,413.35

Accounts for 31 December 2012

Previously reported Closing Balance at 31 December 2011	2,111.03
Less: Conference expense not previously recorded	<u>(240.91)</u>
Corrected Opening Balance at 1 January 2012	1,870.12
Surplus for 2012	<u>2,413.35</u>
Closing Balance at 31 December 2012	<u>4,283.47</u>

Plans for 2014

- 2014 meeting will be held in New Zealand
- Suggestions for panels or presenters most welcome
- Encourage your colleagues and students to join and plan to attend



Any other business?
Announcements from Institutions?

ANCAAR Conference

ANCAAR will be held at ANU on Friday 6th and Saturday 7th December 2013.

The keynote speakers will be Karla Johnstone and Neil Fargher.

If you are interested in being on the mailing list, adding your students to the mailing list or presenting a paper please contact:
ancaar@anu.edu.au

Close of AGM



Editors' Panel

Vicky Arnold, *Behavioral Research in Accounting*

David Hay, *International Journal of Auditing*

Robert Knechel, *Auditing: A Journal of Practice and Theory*

Nonna Martinov-Bennie, *Managerial Auditing Journal* and *Australian Accounting Review*

Gary Monroe, *Accounting and Finance*

To start us off...

- What is the current turnaround time and acceptance rate at your journal?
- (How long should I wait after submitting a paper before I contact you to find out its status?)

Contribution

- For a AAA specialist journal what do we mean by incremental contribution? Is the standard different for behavioural compared to archival?

Contribution

- Does your journal publish comments (brief articles responding to published articles)?
- Can a paper be submitted to your journal as a note or is this an editorial decision?

Contribution

- Is it appropriate (or worthwhile) to inform you that a paper has been previously rejected at another journal (and what you have done to address the issues raised)?

Competing Papers

- What do I do if I believe one of the reviewers has a competing paper/conflict of interest?

Competing Papers

- What weight is placed on unpublished papers? (eg on SSRN) Will my paper be rejected because there is a paper on SSRN on the same topic?

Recognition

- What are you doing to achieve greater recognition for your journal in the research community?



Partner Presentations

Robert Kirkby, Partner, Ernst & Young

Ross Jerrard, Partner, Deloitte



Profession Perspectives on Current Issues for Auditing

Liz Stamford, ICAA

Amir Ghandar, CPA Australia

AASIG/CPA Australia Research Synthesis Partnership

- Last year CPA Australia commissioned two synthesis papers on auditor independence and audit market structure to aid in the dissemination of research findings for policy setting and regulation
- \$5000 support for each project
- Peter Carey, Gary Monroe and Greg Shailer, Elizabeth Carson, Lin Liao and Nives Botica-Redmayne formed two teams
- Completed in early 2013, submitted to AAR



Auditor Independence in Australia Post-CLERP 9

Peter Carey, Deakin University

Gary Monroe, UNSW

Greg Shailer, ANU

Independence Project

- Background

- Independence became a major public policy focus following 2000-03 reporting scandals.
- Academic research informed CLERP 9
- We assess subsequent Australian research (2004-2013)

Independence Project

– Key CLERP 9 reforms

- Employment and financial relations (auditors/clients)
- NAS disclosure and statement by audit committee
- Mandatory audit committees (Top 500)
- Audit partner rotation (5 years)

Independence Project

– Nature of Independence

- We define independence
 - Fundamental to auditors role (Mautz and Sharaf, 1961).
 - Lending credibility to the financial statements (ASA200).

Independence Project

– Nature of Independence

- Independence not directly observable
- Describe key research methods investigating impediments /complements to independence
 - Archival
 - Survey
 - Experimental

Table 1: Australian studies of auditor independence published post-CLERP 9

Paper	Journal	Method	Data period	Audit firm size	Client has audit alumni	Tenure/Rotation	Purchase of NAS/IA	Other
Fargher et al. (2008)	MAJ	Archival	1991-04			x		
Ruddock et al. (2006)	CAR	Archival	1993-00				x	
Gul et al. (2006)	A&F	Archival	1993-94	x			x	
Carey & Simnett (2006)	TAR	Archival	1995			x		
Bugeja (2011)	BAR	Archival	1996-06	x			x	
Azizkhani et al. (2010)	A&F	Archival	1995-05	x				
Azizkhani et al. (2013)	AJPT	Archival	1995-05			x		
Patel & Saune (2010)	JAPB	Archival	2000-04				x	
Ye et al. (2011)	AJPT	Archival	2002		x	x	x	
Rusmin et al. (2009)	JCIBG	Archival	2004				x	
Wines (2012)	MAJ	Experiment	2004-05		x	x	x	
Wines (2006)	PAR	Experiment	2004-06		x		x	
Martinov-Bennie et al. (2011)	MAJ	Experiment	post-CLERP 9		x			
Carey et al. (2006)	A&F	Survey	1998-99				x	
Butcher et al. (2011)	MAJ	Survey	2006			x		Tendering (Local government audits)
Butcher et al. (2012)	IJA	Survey	2006			x		Incumbency (Local government audits)

Independence Project

- Key Findings

- Audit firm size
 - Big 4 effect goes away post CLERP 9
- Alumni
 - No impact post CLERP 9
- Partner rotation and tenure
 - Evidence inconclusive
- General gap in our knowledge of the efficacy of the CLERP 9 reforms
 - **Little published evidence**

Independence Project Impacts

- Substantial need for further research on
 - impact of the CLERP 9 amendments on auditor independence
 - any enduring independence issues
- It remains difficult for researchers to observe independence in fact and archival data offers only weak proxies

Future Research

- Desirable for regulatory agencies, accounting profession and audit firms to provide access to materials
 - ASIC inspection program data
 - Firms proprietary data
 - Profession encouraging practitioners to responding to surveys
- Academics to embrace topical and timely research.



Structure and Competitiveness of the Australian Audit Market

Elizabeth Carson, UNSW

Lin Liao, UNSW

Nives Botica-Redmayne, Massey University

Australian Audit Market and Competition

- We reviewed the existing literature on audit market structure and competition in Australia, with the aim of producing an accessible document for regulators, standard-setters and other interested parties (we did the same for New Zealand in an appendix).
- We went beyond this to evaluate the metrics identified as key indicators of market structure and competition in the Australian listed company market for 2000 to 2011.

Key Findings

- Number of companies listed on the ASX with audit opinions signed in Australia and disclosing audit fees in Australian dollars increased from 1200 to 1858, over the period of analysis
- Total listed audit market by audit fees increased from \$183m in 2000 to \$518m in 2011, with a peak in market size by audit fees in 2009 of \$545m
- The impact of CLERP 9 and related reforms in increasing audit effort appears to be evident in the trend in market size by audit fees of \$222m to \$461m between 2003 to 2007

Key Findings

- Market share by unit (listed companies audited) of Big 4 audit firms decreased from 63% to 44%, over the period of analysis
- Market share of Big 4 audit firms by audit fees decreased from 91% to 87%, over the period of analysis

Key Findings

- Smaller decrease in market share by audit fees compared to units indicates:
 - larger firms are focusing on larger company financial statement audits, while small and medium firms have taken on many newly listed companies over the period of analysis
 - impact of increase in the scale of largest listed companies due to global and national merger activity

Key Findings

- We observe that the listed company audit market in Australia is competitive yet complex with audit firms meeting the needs of differing client groups. Specifically, larger firms increasingly focus on larger company financial statement audits, whilst small and medium firms focus on small and medium company financial statement audits

Impact of Audit Market Structure

Synthesis

- BRW, Nassim Khadem, 21 March 2013
- AFR, Agnes King, 6 March 2013
- ITB Digital, Amir Ghandar, 5 March
<http://www.itbdigital.com/opinion/2013/03/05/competition-healthy-in-asx-audit-market-research/>
- The Accountant industry blogs, Alex Malley, 27 February 2013 <http://www.theaccountant-online.com/blog/mapping-the-audit-market/>
- CPA Australia testimony to Parliamentary Joint Committee on Corporations and Financial Services on 21 March 2013

Future Research

- NAS fees
- Private companies
- New Zealand data