

FOUNDATION FOR AUDITING RESEARCH

ANNUAL REPORT

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Stichting Foundation for Auditing Research
Straatweg 25, 3621 BG Breukelen, the Netherlands

WWW.FOUNDATIONFORAUDITINGRESEARCH.ORG

FOUNDATION FOR
AUDITING
RESEARCH





**UNLOCKING THE
BLACK BOX OF**
THE DRIVERS OF AUDIT QUALITY

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THE FAR HAS ACHIEVED MUCH IN THE SHORT TIME SINCE ITS FORMATION THREE YEARS AGO:

AUTUMN 2015 SPRING 2016 AUTUMN 2016 SPRING 2017

The FAR is established. The foundation publishes its 1st call for research projects.

The FAR selects the first six research projects and organises the first International FAR Conference.

The FAR obtains legal clearance for access to audit firm data and launches a data gathering pilot. In addition, the first FAR Masterclass is held and the 2nd call for research projects is published, based on an extended research agenda.

Researchers and audit firms meet each other during the Data Summits, and full data gathering can commence. On 7 and 8 June, the second International FAR Conference is held. New projects are initiated as well, such as Joint Working Groups and Case Studies.

PREFACE

We are happy to present the third annual report of Stichting Foundation for Auditing Research. We are proud to show in this annual report that good progress has been made in opening the “black box” of auditing – and thereby for innovative research through cooperation between academics and audit practitioners. The annual report makes it clear that we are steaming full speed ahead – also with regards to the provision of confidential data and extension of our research programs. The level of efforts put into the FAR research shows that the audit profession is serious in its endeavours to obtain academic insights to help strengthen the continuous improvement of the profession as a whole.

In 2016, we laid the fundament for the Foundation for Auditing Research: the research, data, and legal infrastructure. 2017 was needed to find out how the structured and reliable gathering of research data works best in practice and how much it actually involves – the discovery and learning of which all took the larger part of 2017, with a great deal of interaction between the firms, the research teams and the FAR.

In 2018 we have been able to follow through on our data gathering objectives and sharing of the FAR’s output list of realized and forthcoming research publications.

While we already have been able to unlock research data with regard to surveys, experiments, interviews, case studies, and other qualitative research, we have now also been able to effectively unlock archival data from firms’ audit files and information systems. A large part of 2018 was geared towards the actual data gathering by the affiliated firms and the research teams. We are putting all our efforts into making sure that all firms pass the tipping point of the learning curve. To push the data gathering forward, both the FAR and the affiliated firms have invested in further strengthening their research organizations. This includes action plans and additional guidance and support, as well as getting ready for the FAR’s first ISAE 3000 trusted-third-party controls assurance audit in 2019. All geared towards sustainably realizing both structured and continuous data exchange between researchers and affiliated firms.

At the same time, the research teams have had to exercise considerable patience, but we have reached the tipping point of the learning curve of actual delivery of research data – based on which we expect to be able to share our first research results soon. We have already been able to share intermediate findings at our 2018 international FAR conference, but expect to be able to share the FAR’s first new research findings on the June 2019 conference.

It did not stop us from extending our research program and committing to another four empirical research

AUTUMN 2017 SPRING 2018 AUTUMN 2018 SPRING 2019

Pilot research data are gathered and shared with the research teams. The FAR initiates a FAR Auditing Research Chair and publishes its 3rd call for research projects. Professionalization of the FAR's working organization and move of offices to the Nyenrode estate in Breukelen.

First survey and interview research data and parts of archival data come in and can be delivered to the research teams. First intermediate results are presented at the FAR's 3rd International conference.

The FAR pushes to complete data gathering from the affiliated audit firms' audit files and information systems. The FAR initiates a FAR Auditing Research PhD program and publishes its 4th call for research projects.

Publication of the FAR's output list of realized and forthcoming publications. The FAR's 4th International conference, primarily presenting new FAR research outcomes. The FAR reaches the stage of trusted-third-party controls assurance readiness (ISAE 3000) for its data management processes.

projects and three new full time PhD students in FAR's new Auditing Research PhD Program. 2018 was also the year we have committed to the final terms of the FAR Auditing Research Chair with Maastricht University, which internationally reknown auditing researcher Jere Francis will fulfill from 2019 to 2023 (he will be moving to Maastricht in Spring 2019). Furthermore, the FAR actively participated and contributed to the professional debate in auditing, amongst others through the FAR Joint Working Groups on "Root Cause Analysis" and "The (future) Audit Firm Business Model". To that end, the FAR supports projects using multiple research approaches and methods to arrive at a balanced, evidence-based perspective of informing the auditing practice. In determining the research agenda, the FAR takes the perspective of the profession at large and its stakeholders.

We have all the confidence that, thanks to all participants, various publications will be produced in the coming years that will have a significant impact on science and practice. 2019 will be the year that we will be able to share the first FAR working papers based on new research findings (reference is made to Appendix 2 which includes FAR's output list of realized and forthcoming publications). The FAR believes that research has the potential to identify those factors that influence audit quality in daily practice and informs public policy making with regard to the future of the auditing profession.

There is still much to be done and research takes time, which requires patience. Good work takes time. Accordingly, there is an abundance of ambitions for the coming period. We are excited about the foundations that have been laid, the positive outcome of the FAR's intermediate institutional evaluation, the tenth audit firm having joined the FAR (Flynth), and the learning curve we are in collectively to make further major steps in the coming period towards academic research into the audit quality drivers and thereby the unlocking of the audit 'black box'.

On behalf of the board of the Foundation for Auditing Research

The executive board



Prof. dr. Olof Bik RA

Managing director and academic member of the board



Prof. dr. Jan Bouwens

Managing director and academic member of the board



Prof. dr. Henriëtte Prast

Chair of the board



BOARD REPORT



ABOUT STICHTING FOUNDATION FOR AUDITING RESEARCH

Established in 2015, The Foundation for Auditing Research (FAR) aims to enhance the knowledge of what makes a good audit today and to continuously improve audit practices. In a swiftly changing context regarding expectations and demands, the FAR facilitates rigorous academic research with practical relevance to the auditing field and to inform public policy making with regard to the auditing profession.

FAR research is aimed at disseminating new academic knowledge and insights, as well as scientifically informing ongoing debates about the subject of audit quality. The FAR pursues these objectives by researching the drivers of audit quality, by collaborating with other research institutes internationally, and by sharing its findings through research conferences and masterclasses.

The FAR conducts its research projects through a unique collaboration between science and practice, resulting in a continuous strengthening of the learning curve of audit professionals and stakeholders in the auditing field. By applying specific protocols and established methods geared towards working with confidential data, the affiliated audit firms and departments provide the FAR access to research data including research subjects needed for the research projects defined. With its scientific output, the FAR aims to feed auditing education and to sustainably bolster the auditing research community in the Netherlands and abroad.

THE FAR CODE OF INDEPENDENCE APPLICABLE TO ALL FAR RESEARCH AND RESEARCHERS

The FAR is an independently operating scientific research institute, committed to delivering excellent academic research, conducted by the best academics within the audit field.

The FAR is founded to academically inform the development of the audit profession through academic research in collaboration with currently 10 affiliated audit firms. The FAR is aware of its sensitive position, conducting academic research in the context of the auditing practice, in collaboration with and funded by leading auditing firms. To secure our autonomous position, the FAR Board Members, Staff and Researchers adhere to the FAR Code, encompassing 3 guiding values:

1. ACADEMIC

All FAR Academic Research must be rigorous, traceable, objective and transparent. All FAR Research Projects are therefore commissioned externally to internationally and independently operating research teams. The researchers are subject to the ethical and independence principles of the Netherlands Code of Conduct for Scientific Practice (Version 2014). All research publications are subject to and comply with the academic journal standards, amongst which double blind peer review.

2. RIGOROUS

The FAR publishes scientific outcomes and findings 'as is', [regardless of context or leading opinions.] FAR publications are intended to provide the audit profession with objective academic research outcomes, regardless of the impact it may have on the profession or an indi-



“The FAR is an independently operating scientific research institute”

vidual firm. The FAR intends to be the objective source of scientific accurate information to inform the professional development and public policy making with regard to audit quality.

3. AUTONOMOUS

The FAR operates autonomously from its funding partners. The four academic board members and the independent Chair of the board hold the majority of the votes. The board members representing the funding partners hold a minority of the votes.

COOPERATION WITH THE 10 LARGEST AUDIT FIRMS OF THE NETHERLANDS AND STICHTING ACCOUNTANTSFONDS

The FAR focuses on the audit function at large and smaller audit firms, businesses and government bodies. The FAR is open to all audit practices, both large and small as well as auditors in business and government. Audit firms and departments can affiliate with FAR if they provide data access and commit to a minimum grant of EUR 50,000 or more. Other parties wanting to contribute, either by providing research data or financial means, are welcome as sponsors.

The eight largest audit firms in the Netherlands (Deloitte, EY, KPMG, PwC, Baker Tilly, BDO, Grant Thornton and Mazars) took the initiative to provide financial support to the foundation and to make data available for research over an initial period of five years (with an interim evaluation being held after a two-year period). Accon AVM joined the FAR as per 1 January 2017 and Flynth as per 1 January 2018. This again underlines that the FAR is focused on profession wide research questions, including those in the area of small and medium sized organizations and owner managed businesses. With the 10 largest audit firms of the Netherlands providing data access and EUR 1.55 million of financial support annually, the FAR is a unique collaboration between practice and science in the auditing profession.

In addition, Stichting Accountantsfonds has been a valued FAR sponsor since 2016 with an annual contribution of € 100,000 for a period of five years. The primary objective of this foundation is to subsidize the development of research and education programs.

RESEARCH AGENDA: DRIVERS OF AUDIT QUALITY

The FAR's research agenda is focused on relevant and rigorous academic research into audit quality drivers to inform the audit profession in its further development and improvement of audit quality. We do so by aiming to identify the drivers of audit quality and thus supporting in improving the audit practice. In doing so, the FAR gives consideration to:

- the underlying drivers of auditor judgment and decision-making, such as organisational circumstances that may stimulate auditors or, conversely, prevent them from working in the manner expected of them;
- the underlying causes of good and poor audit quality (rather than the symptoms of those causes); and
- the effectiveness of potential interventions (organisational changes and levers of control) that have been implemented to enhance audit quality, including the monitoring of these interventions.

The FAR believes that research has the potential to identify those factors that influence audit quality in daily practice. To that end, the FAR supports projects using multiple research approaches and methods to arrive at a balanced, evidence-based perspective of informing the audit practice. In the FAR's view, the application of multi-disciplinary and multi-method research approaches enables the audit industry to learn from academic insights gained in other disciplines (such as management, leadership, organisation, psychology, sociology, behavioural research, etc.).

In determining the research agenda, the FAR takes the perspective of the profession at large and its stakeholders. This agenda involves the following two approaches in particular: on the one hand, to unlock academic knowledge in order to apply it in practice and, on the other, to define, invite and evaluate research proposals speaking to promising new research directions. In this, the focus is on strengthening the core aspects of audit quality in areas such as audit inputs, the audit process, the auditor's intention and behavior, audit outcomes, and finally the organisation, management and culture of audit firms.

Research questions that the FAR issues are typically the result of a process where board members collect information on what the types of questions are that audit firms face in assuring high quality audits. Furthermore, FAR's MDs have various (annual) stakeholder meetings to gauge the most important questions of practitioners,

regulators, and public policy makers. The potential themes are subsequently discussed in the board in order to produce final themes.

Such themes are issued once a year and communicated with accounting and audit research groups all over the world. These research groups are invited to submit a proposal (the FAR's Call for Projects). While this proposal may involve any method and multidisciplinary approaches are expected, the FAR does apply criteria to assess the quality, academic rigor, and relevance of the research proposal. The criteria FAR applies include: how well the proposal is supported by the existing theory, and how well this theory is tested according to the proposal. In addition, it is important that the research team is at least comprised of one or more members who have a proven scholarly background. The review process also considers the feasibility – including in terms of data gathering – of the research proposals, and the involvement of Dutch researchers, junior researchers and PhD candidates.

The project proposals are initially reviewed by the FAR academic board members. They prepare an advice for the board to decide on each individual project. During the board meetings, the board may and does amend the advice. Subsequently it is communicated to the research teams that their project is accepted as is, should be adapted to acquire acceptance, or is rejected.

RESEARCH PROGRAMS

The FAR's research programs are aimed to open up additional avenues to achieve the FAR's objectives of stimulating audit quality research, increasing knowledge dissemination, and strengthening the auditing research faculty and community in the Netherlands through support of research funding and data access. In 2018, the FAR committing to four new empirical research projects (program B) as well as on expanding on the ongoing case studies into 'near misses' and quality measures in the profession (program D). In 2018, the FAR also extended its research program by initiating a FAR Audit Research PhD sponsor program (program F) aimed at expanding the base talent pool of future auditing researchers in the Netherlands and strengthening the auditing research community. We have been able to commit to three new PhD student programs.

The FAR's research programs can be summarised as follows:

	A - RESEARCH SYNTHESSES	B - EMPIRICAL RESEARCH	C - JOINT WORKING GROUP DESIGN ORIENTED PROJECTS
DESCRIPTION	To unlock what we already know about specific practical questions and potential interventions that can be suggested to strengthen audit quality (where possible in joint academic-practitioner teams). Should also inform knowledge gaps and future FAR research projects.	Archival, survey, experimental, interviews (and other qualitative) research by independent research groups. Longitudinal and cross-sectional research could be of specific relevance to study the effectiveness of interventions taken in the firms and the profession.	Projects directed by the FAR Board / MDs for the more pervasive, all-encompassing practical questions and dilemmas, geared towards professional interventions and improvements. Proactive participation of top practitioners and selected top researchers meeting 3 to 5 times over a period of several years on the topic jointly.
RESEARCH SYNTHESIS	Only	Included	Included
EMPIRICAL RESEARCH	No	Yes	Yes
FIRM DATA NEEDED	No	Yes	Yes
PROJECT TIMELINE	6 to 12 months	1 to 4 years	1 to 3 years (depending on depth and breadth of the project)
OUTPUTS	Intermediate: FAR Practice Notes, Masterclasses, and conferences. The potential to be published in, e.g. JAL or a JAE research synthesis call.	Similar like program A and a FAR Research Paper and A-journal academic publication(s).	Similar like program B and FAR Round Table meetings.

	D - CASE STUDIES	E - AUDITING RESEARCH CHAIR	F - PHD PROGRAM
DESCRIPTION	Case Studies directed by the FAR MDs on: the objectives and rationale behind firms' policy decisions in relation to audit quality enhancements; on the root causes of restatements in financial statements after the audit opinion has been issued; and / or the root causes of (near) audit quality failures.	The FAR Audit Research Chair sponsor program is geared towards expanding the research pool in the Dutch auditing research community through appointing a new auditing research chair (including supervision of new PhD students) who drives a strategically focused research agenda closely related to FAR's research and knowledge dissemination agenda.	The FAR PhD Program is aimed at putting auditing on the Dutch research agenda for generations to come – and with that, strategically strengthen the Dutch auditing research community being able to sustainably inform the development and policy making of the (Dutch) auditing profession – one of the main objectives of FAR.
RESEARCH SYNTHESIS	Included	Multiple	Multiple
EMPIRICAL RESEARCH	Yes	Multiple	Multiple
FIRM DATA NEEDED	Yes (detailed case information)	Yes	Yes
PROJECT TIMELINE	6 to 12 months	At least 4 years (50/50% FAR/University funding).	4 years
OUTPUTS	FAR Case Studies and FAR Masterclasses. The potential to be published in scholarly, educational journals.	Intermediate: FAR Practice Notes, Masterclasses, and conferences. The potential to be published in, e.g. JAL or a JAE research synthesis call.	FAR Practice Notes, FAR Masterclasses and conference, the potential to be published in top journals.

DEVELOPMENT OF THE FAR'S RESEARCH PORTFOLIO IN 2018

Based on its research objectives and criteria the FAR was able to commit € 1,128,000 in research grants (of the maximum available research budget of € 1,180,000) for four empirical research projects and three FAR Auditing Research PhD programs. The development of our research activities can be summarized as follows – and is further detailed and illustrated per research program in the sections below.

RESEARCH PROGRAM	A			B			C			D			E			F		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Beginning of period	1	0	0	12	6	0	2	0	0	2	0	0	1	0	0	0	0	0
Research proposals submitted to FAR	0	1	0	8	11	16	0	2	0	0	2	0	1	2	0	4	0	0
Research proposals committed to by FAR	0	1	0	4	6	6	0	2	0	0	2	0	1	1	0	3	0	0
Intermediate results presented	0	0	0	3	3	0	0	1	0	0	0	0	0	0	0	0	0	0
Research projects completed	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
End of period	1	1	0	16	12	6	2	2	0	2	2	0	2	1	0	3	0	0

An overview of all FAR research projects is included in Appendix 1 (p.46) of this Board Report and on our website: www.foundationforauditingresearch.org.

EMPIRICAL RESEARCH (RESEARCH PROGRAM B): NEW RESEARCH PROJECTS IN 2018

Based on further developments of the research agenda and strategy, the FAR was proud to define three topics for its 3rd Call for Research Proposals (2018). The FAR invited researchers to submit research proposals that aim to examine the determinants (drivers and root causes) of audit quality.

In the Call for Research Proposals 2018, the international academic community was invited to submit research proposals for the following Program B projects:

PROJECT NAME	MAIN TOPIC
1. Data Driven Auditing (Program B project)	How are data driven audits (e.g., big data and block chain analytics) impacting audits?
2. Audit quality indicators (Program B project)	What are the most informative engagement level AQI's during the audit?
3. Audit committee involvement (Program B project)	What is the impact of (increased) audit committee involvement with the audit on audit quality?

At the same time, the FAR also invited researchers to submit other topics relevant to the institutional development of the auditing profession and research into the drivers of good audit quality. The FAR believes that research has the potential to identify those factors that influence audit quality in daily practice. To that end, FAR supports projects using multiple research approaches and methods as to arrive at a balanced, evidence-based perspective of informing the auditing practice.

This year, in total we received eight FAR Research Proposals following our call in December 2017. The general conclusions of the FAR Board were that the average quality of the research proposals was again high. Nevertheless, we had to make conscious decisions in selecting proposals that go to the next stage. The FAR believes that it is important that, amongst other criteria, the proposed projects address topical issues of the audit profession, are feasible in terms of data gathering, and that the projects lead to the highest ranked academic publications. Unfortunately, we had to let go four projects for that reason. Next to directly accepted proposals, we also asked teams to enhance their project before we could accept their work.

The four research projects selected in 2018 were:

RESEARCH PROGRAM B – EMPIRICAL RESEARCH PROJECTS

- How auditors’ internal and external interactive relationships impact their judgment and decision-making: experimental evidence on the underlying causes of good and poor audit quality – Prof. dr. E. Cardinaels (KU Leuven)
- Culture controls in audit firms – Prof. dr. J. Bol (Tulane University, USA)
- The drivers and impact of audit committee involvement on audit quality – Prof. dr. A. Vanstraelen (Maastricht University)
- How Can Audit Committee Support Improve Auditors’ Application of Professional Skepticism? – Prof. dr. A. Gold (VU)

FAR JOINT WORKING GROUPS (RESEARCH PROGRAM C)

Research Program C has seen the launch of two ‘Joint Working Group Design-Oriented Projects’ (JWG) in 2017. JWGs are geared towards the more complex questions that cannot be answered in one single research project. With the proactive participation of high-level practitioners from the affiliated audit firms, expert academic researchers, and selected stakeholders a JWG will meet at a number of JWG Research Summits over a number of years, with intermediate reports to be defined and delivered each sum-

mit. We want to be able to do researches on these topics – in-between these summits – so that we can share new knowledge and direct further research at each consecutive summit. This involves the following two projects:

1. The (future) auditing (partner) business model: this JWG is geared towards the following three (interrelated) focal points and illustrative questions:
 - a. Audit firm business models: Is it appropriate to have the same firm deliver both audit and non-audit services (i.e., a multidisciplinary model versus an “audit only” model)? Does the existence of both within the same firm enhance or undermine audit quality (i.e., the relative balance of expertise versus independence)?
 - b. Audit firm partnership, ownership, and governance models: Do the current partner profit sharing, compensation, and performance incentives systems appropriately influence the achievement of audit quality? Does the structure of international firm networks adequately support governance and quality assurance systems?
 - c. The audit profession’s earnings model and audit markets (competition): What is the appropriate process for evaluating, selecting and appointing auditors? What is the role of auditor rotation, and corporate governance (e.g., the audit committee) in providing appropriate incentives to improve audit quality while controlling audit costs?
2. Root cause analysis methods in auditing: What are effective ways to conduct (continuous) Root Cause Analyses within audit firms? We have initiated our literature synthesis (across different fields of research and professions), we have had our first interviews with audit firms to gather the RCA methods currently applied, and provided a “safe haven” for the Root Cause Analysis Working Group meetings of the nine Dutch “OOB” audit firms as to realize sharing of knowledge, skills, and academic insights.

FAR CASE STUDIES (RESEARCH PROGRAM D)

Research Program D involves case studies. The first case study pilots (committed to in 2017) deal with ‘near misses’: audits that nearly went wrong. How do the parties involved respond to these near misses, and what measures are taken to prevent audit quality failure in the future? The idea behind a case study is to provide an as real as possible description of an audit through which the reader can learn about the considerations made in and (theoretical) mechanisms underlying the (oftentimes) complex judgement and decision making process. The case study itself does not come to a judgment, there is no

right or wrong, rather it is a fully anonymized reflection of reality for learning purposes.

While we are in the data collection stage of the first two pilots, we believe that we can learn a lot from these case studies. In 2018 we therefore invited two firms (others than those involved in the current pilot) to volunteer for one of the next two case studies.

FAR AUDIT RESEARCH CHAIR RESEARCH PROGRAM E)

In 2018, the FAR Audit Research Chair program was defined and we were proud to be able to announce in October that leading American researcher and professor Jere Francis had accepted the Foundation for Auditing Research (FAR) Chair in Auditing Research at Maastricht University's School of Business and Economics for a period of four years. As part of this chair position, Professor Francis will conduct scientific research on the quality of audits. He will also boost auditing research education in the Netherlands with the help of several PhD students.

FAR AUDIT RESEARCH PHD PROGRAM (RESEARCH PROGRAM F)

In 2018 the FAR also decided to initiate a FAR Audit Research PhD sponsor program (program F) aimed at expanding the base talent pool of future auditing researchers in the Netherlands and strengthening the auditing research

community. We have been able to commit to three new PhD student proposals, as follows:

- University of Groningen - Faculty of Economics and Business. Supervisor: Prof. dr. P.M.G. van Veen – Dirks.
- Tilburg University - Department of Accountancy. Supervisors: Dr. B. Dierynck and Prof. K. Kadous PhD.
- Vrije Universiteit Amsterdam - Department of Accounting. Supervisor: Prof. dr. A. Gold

Through the PhD sponsoring program the FAR grants new PhD positions for the full four year period and on a 50/50% basis (50% financing by the FAR, 50% financing by the university) with a maximum FAR grant of EUR 100,000. The FAR intended to select and selected three PhD positions in the year 2018. Selection criteria centred on the relevance of the topics, the qualification and research education of the PhD candidate, and the track record of the supervisor(s). The PhD topic should be closely related to the FAR's research and knowledge dissemination agenda. To this end, the PhD students will put forward a PhD research proposal to be evaluated by the FAR. The PhD student can be granted access through the FAR to audit firm data, similar to other FAR Research Teams. The actual future research project(s) is (are) subject to the FAR Board review and approval.



“The case study itself does not come to a judgment, **there is no right or wrong**, rather it is a fully anonymized reflection of reality for learning purposes.”

DATA PROVISION BY THE AFFILIATED AUDIT FIRMS

By the end of 2016, the FAR obtained legal clearance from all the affiliated audit firms. Coordinating this process required much time and effort from all the parties involved: the audit firms, the research teams and the FAR. A milestone had been reached.

SECURITY MEASURES

A number of security measures were agreed in 2016 in order to create research data sets, which can no longer be traced back to a particular firm, specific client file, individual auditor or staff member. The security measures involved here include the following:

- Audit firms do most of the anonymisation. The use of an encryption application prevents data from being directly traceable.
- By applying strict data-management procedures, such as transformation and calculation of derivative research variables, the FAR also eliminates indirect traceability.
- Remote access to the academics. This means that researchers often do not physically receive the data, but can only analyse the data in a secure FAR environment to which they can log in (and from which no data can be copied or exported). This has far-reaching, limiting consequences for the researchers, but these are accepted for the sake of being able to conduct the research.
- NDAs as a 'base line' with each academic involved.
- Confidentiality check by the FAR of each research output or (draft) publication prior to disclosure. In doing so, the FAR makes sure that the publication does not contain any identifiable data, but obviously has no substantive influence on the results of the research.

CentERdata, a specialised scientific data management bureau, supports the FAR in this process. Its activities include management of the FAR's data center, gathering and managing data, and making this data available to research teams – all in a reliable and confidential manner and in accordance with the data processing agreements between the FAR and the affiliated audit firms. In 2019, jointly with CentERdata, the FAR has passed a number of "penetration tests" on its secure data environment and is currently working towards third party assurance (ISAE 3000) on its data processing and security control environment.

DATA COLLABORATION: DIRECT CONTACT BETWEEN AUDIT FIRM AND RESEARCHER

The subsequent year was needed to find out how the structured and reliable gathering of research data works best in practice and how much it actually involves – the discovery and learning of which all took the larger part of 2017, with a great deal of interaction between the firms, the research teams and the FAR.

Based on our experiences over the past years, we have been able in 2018 to work towards an annual "Data gathering cycle" in which the researchers, the affiliated audit firms, and the FAR work in a recurring rhythm of project selection and allocation, setting the data gathering and sampling strategy, up to and including actual data gathering (which also includes data gathering during the audit firms' internal educational programs). The latter is further professionalized with a "12 steps approach" for data gathering including design, piloting, and validation of data gathering, in close collaboration with the research teams. Throughout this process, we have been working with the affiliated audit firms to streamline and systemize their data gathering processes and balancing their data gathering efforts, for example, by making use of existing management information systems for archival data and meeting structures for survey studies. As well as being mutually stimulating and informative, these efforts strengthened mutual understanding. Direct contact with the researchers created enthusiasm among the audit firms about the relevance of the research question. Firms subsequently invited those researchers to their offices in order to experience the practical side of data gathering.

The latter also formed the basis for further explorations, such as the research team holding discussions with each firm individually in order to gather data. This is because combining the data requests from so many research projects (each with its own specific data requests and selection criteria) into one large data request proves to be difficult. The FAR provides the audit firms with intensive support, also by lending a hand in actually unlocking data.

ILLUSTRATING THE LEARNING CURVE OF DATA GATHERING

In addition to survey, experiment, interview, and case study data, the FAR also explicitly focuses on “archival data” – so research data from audit files, from (financial) administrations of the firms themselves, from personnel files and from the quality assurance systems of the audit firms. All those involved realize that it concerns large numbers of cases (e.g., a significant sample of audit files per year per firm) and a multitude of variables and information points that are to be gathered. An important observation in the first is that for firms to ensure client confidentiality most of the data is behind digital lock and key and cannot easily be accessed.

An important observation in the latter is that the requested information points need to be clearly defined - but even when this is the case, there will still be important differences in measurement between the firms, which need to be solved by the researchers. It also often involves data that has to be collected from multiple systems (which must be linked and combined) or that has to be hand collected or gathered by the audit teams by means of an additional information request. It was necessary to learn how to collect such rich and complex data in a structured way, and to organize the internal organization accordingly. This is already a challenge for structured, digitally available data, let alone for non-structured information, which often needs to be collected and recorded through information requests to audit teams or even by hand. Thus in 2018, continued discussions took place between the FAR and the audit firms about how best to collect which types of data for the research project.

INTERMEDIATE RESULTS

All this means that more than two years have been invested in the foundation, to be able to provide the first usable (archival) research data to research teams in the spring of 2018, on the basis of which they have started their research. In the meantime, much has been learned – and achieved. For example, enriching the firms’ own management information systems because the FAR is requesting information that in turn makes the firms wonder: should we not also know this for our own management of quality assurance? That is, it is quite possible that information which currently still needs to be collected by hand can, in time, be easily obtained from the audit firms’ central systems.

The FAR reached a point that researchers were able to share the first interim or preliminary research results on a number of first research projects at the FAR’s 3rd International Conference (5 and 6 June 2018). Is the FAR thus over the “tipping point” of the learning curve? The first major hurdles have been taken; the groundwork has been done. At the same time it is fair to say that in the future this will only be possible by means of a great deal of interaction between, and with the clear commitment of both the researchers as well as the audit firms involved.

Now that we are passing the tipping-point of the learning curve of gathering research data with the 10 FAR affiliated audit firms – something unique in the field of auditing research for years to come – data gathering continues to have our highest priority in 2019.

“Based on our experiences over the past years, we have been able in 2018 to work towards an annual **“Data gathering cycle”**”

KNOWLEDGE DISSEMINATION TO ACADEMICALLY INFORM THE DEVELOPMENT OF THE AUDITING PROFESSION

Whilst stimulating research aimed at gaining new insights, the FAR also focuses on unlocking existing knowledge with the objective to contribute to evidence-informed (policy) development of the auditing profession. Examples of this are the International FAR Conference, the FAR Masterclasses, and contributions to the professional debate on important topics in the profession.

THE 3RD INTERNATIONAL FAR CONFERENCE “MOVING THE AUDIT PROFESSION FORWARD – NEW RESEARCH AND BEST PRACTICES”

On 5 and 6 June 2018 the third International FAR Conference took place at which the exchange of knowledge and experience supported the idea that different perspectives provide different insights about the audit profession. Understanding each other's vision and everyone's role in the entire financial reporting and assurance supply chain, finding a common language, and opening a dialogue about the working disciplines within the audit profession helps to stimulate quality. That was one of the conclusions at the closing of the conference.

Under the heading “Moving the Audit Profession Forward – New Research and Best Practices” around 130 practitioners from the field and academics from universities in the Netherlands and abroad shared their knowledge and insights about the audit profession.

QUALITY DEFINITION

Professor Preeti Choudhary (University of Arizona, USA) as one of the first speakers posed the question on whose quality the discussion should focus, in the search for the factors that determine audit quality: should it be the quality of the auditee or that of the auditor? Choudhary used data that she obtained through the American counterpart of the AFM: the PCAOB. Her research showed that although auditors will carry out more adjustments as the internal controls of the company get worse, (small) misstatements will remain. Furthermore, she noted that the auditor was only able to carry out these adjustments if the managers of the audited company also recognized these misstatements as such. In her research, she shows that for larger companies often stricter requirements are set in terms of permitted deviation between reported and actual figures: materiality. As soon as this is less the case, we see more and larger misstatements in the financial statements.

LEARNING CAPACITY

In their presentation of the research findings on a learning culture in audit teams, Wim Gijsselaers and Therese Grohnert of Maastricht University argued for a safe environment with room for reflection and feedback. The role of ‘gray hairs’ within the audit teams appears to be of great importance for audit quality. The experience built up by auditors in the age group of 40 to 60 increases the likelihood that knowledge will be applied and that procedures and rules will actually be followed. They also established that the use of experienced auditors gives a significant boost to the quality of the audit. Next to that, another interesting finding shows that a healthy learning climate has a positive effect on the retention of talent in auditing.

NO ‘SILVER BULLET’

In the panel discussion about quality between academics and practitioners, a recently published report by the Monitoring Committee Accountancy (MCA) was also debated. In the discussion about the scientifically identified factors that determine the quality of an audit, it appeared that the practitioners do not yet have an unequivocal answer. On the other hand, as one of the speakers aptly articulated: there is no ‘silver bullet’ to solve all issues. There is still a lot of research to be done.

Mark Peecher of the University of Illinois brought new scientific insights into the Fraud Detection theme. He showed that more experienced auditors who listen to so-called ‘earnings calls’ by management are able to detect fraud cues early on, purely based on the intonation that managers use during these calls. He himself qualified this research as the result of an unprecedented collaboration between science and practice.

BUILDING BRIDGES THROUGH COMMUNICATION

Provided science and practice do their best to speak a common language, both can learn a lot from each other. It enables academics to ask, as well as answer, better questions. In practice, one can take advantage of the insights from science. Here we can think of the importance of experience, which emerged twice as a quality-deter-



mining factor during the conference. Steven Salterio of Queen’s University, Canada, noted the following: “This FAR conference is the best example of how the interaction should be between science and practice.”

Bert Albers from Deloitte concluded the conference by reflecting on the discussions that took place during the conference. When he asked the practitioners in the room whether the FAR was helping to improve the audit profession, a large majority raised their hand. Albers indicated that he himself, as a practitioner, was inspired and that he was confirmed in the choice of subjects he and his colleagues are currently focusing on in practice: “It is important that we keep this new relationship between science and practice flourishing, because I think we can actually make progress in our field.”

THE FAR MASTERCLASSES

On 16 May 2018, the FAR hosted a Masterclass about “The Loss of Talent” by Prof. Dr. Frank Moers and Dr. Judith Künneke from Maastricht University. The high turnover in the auditing practice puts the quality of audits under pressure, undermining the investments in human capital and leading to a future leadership vacuum. During the FAR Masterclass, representatives of theory and practice discussed an effective approach to counterbalance this potential loss of talent. The essence: identify talent earlier, more managers with tacit knowledge, reintroduce on-the-job training and help mentors give constructive feedback.

‘Due to workload, there is a threat of many young accountants leaving firms’; this was the headline of the Financieel Dagblad on talent loss on the day of the Foundation for Auditing Research’s Masterclass. It outlines the topicality, urgency and relevance of the theme that the thirty participants discussed for one afternoon with Frank Moers and Judith Künneke, who together form part of a FAR research team. The departure of talent threatens the quality of audits and leads to human capital destruction within the audit firms, according to their research.

THE MOST IMPORTANT LEARNING POINTS WERE:

- present a realistic picture of the auditing practice on the job market as well as with candidates and respond to the motives of millennials;
- start early on in the careers of young professionals with identifying, retaining and developing talent;
- realize that managers with a lot of implicit knowledge play a pivotal role in creating (firm) commitment and are important for transferring interpersonal skills to the next leadership generation;
- make technically oriented managers aware of bias in the assessment of employees;
- reserve time for good on-the-job training: involve juniors more actively in audit engagements, challenge them to give their opinion, take them aside regularly so they are comfortable in sharing their concerns and provide an open learning culture where mistakes are taken as opportunity to learn;
- invest in the development of mentors with feedback training, co-counseling and leadership programs;
- make it clear that a good mentor is more likely to be promoted.

MASTERCLASS “THE (CHANGING) ECONOMIC PERSPECTIVES ON AUDITING”

On 6 December 2018, the FAR hosted a Research Masterclass about “The (changing) economic perspectives on auditing” by Robert Knechel, Professor of Accounting at the University of Florida and academic board member of the FAR. In this research masterclass, Robert Knechel shared and discussed with us why he thinks auditing researchers should reconsider the main economic paradigms underlying current auditing research. Based on his lecture in the doctoral program of the University of Illinois recently, we believed this masterclass was essential to accountancy researchers willing to challenge and sharpen the underlying theoretical underpinning of their (future) research.



“ There is still a lot of research to be done ”

CONTRIBUTIONS TO THE PROFESSIONAL DEBATE

FAR research focuses on disseminating new academic knowledge and insights, as well as scientifically informing current debates on the subject of audit quality.

In that context, included in appendix 2 is the literature overview produced by the FAR over the past three years. The overview also contains links to the relevant publications.

The main contributions by the FAR include the following:

- The FAR chaired panel discussion and presentation on **“How culture, ethics, and leadership impact audit quality”** at the 24th International Symposium on Audit Research in Maastricht, the Netherlands.
- Invited presentation of the FAR at the Audit and Assurance Policy Expert Group of Accountancy Europe on **“How research informs policy making”** in London, UK.
- Representing the FAR at the Audit Quality Workshop of EIASM in Maiori, Italy.

- Invited FAR panel presentation in panel on **“Communication is a two-way street: Analyzing approaches undertaken to enhance audit research knowledge transfer to policymakers”** at the 23rd Audit Quality Conference of the University of Illinois, USA
- Representing the FAR at the **PCAOB/JAR conference** in Washington, USA

The FAR furthermore had a number of stakeholder meetings with the objective of knowledge exchange, amongst which with the Authority for the Financial Markets (AFM), the Ministry of Finance, the NBA Steering Committee “In the public interest”, the Monitoring Committee Accountancy, Eumedion (the policy institution representing the investor community) and Stichting Accountantsfonds.

FAR BOARD AND ORGANISATION

THE FAR BOARD

The FAR is established as an autonomous foundation in the Netherlands. The board of the FAR consists of an independent chair, four independent academic board members, and five board members representing the affiliated audit firms. In the event of a tie, the chair of the board shall have the casting vote (i.e., the independent chair and the independent academic board members jointly hold the majority of board votes; likewise do the independent chair and the board members representing the affiliated audit firms).

Together with Prof. dr. Jan Bouwens (Cambridge Judge Business School) and Prof. dr. Olof Bik RA (Nyenrode Business Universiteit), both FAR managing directors, the chair also forms the executive board of the foundation. The board consists of the following persons:

- **Prof. dr. H.M. Prast**, chair of the board
- **Prof. dr. O.P.G. Bik RA**, managing director and academic board member
- **Prof. dr. J.F.M.G. Bouwens**, managing director and academic board member
- **Prof. dr. W.F.J. Buijink**, academic board member
- **Prof. dr. W.R. Knechel**, academic board member
- **drs. L. Albers RA**, board member representing Deloitte
- **Prof. drs. E. Eeftink RA**, board member representing KPMG
- **drs. P.A.J. Hopstaken RA**, board member representing Mazars, as well as Accon AVM, Baker Tilly, BDO and Grant Thornton
- **N.M. Pul RA**, board member representing EY
- **drs. M. de Ridder RA**, board member representing PwC, as well as treasurer of the board

BOARD MEETINGS AND OTHER CONSULTATIONS AND GATHERINGS

In 2018 five board meetings were held to discuss and decide on, amongst others, the FAR's research agenda and programs, review and selection of submitted research proposals, data gathering and its related infrastructure, knowledge dissemination and contributions to the professional development of auditing, and the FAR's contribution to the auditing research and education community. Over 2018, the FAR Board paid specific attention to action plans and processes to realize the data gathering with the affiliated audit firms.

The FAR periodically consulted with Stichting Accountantsfonds about the research agenda and wider professional developments. In addition, the FAR met with various stakeholders about the FAR's objectives and research agenda, including the AFM, NBA, MCA, Ministry of Finance, IAASB, IIA and NBA Young Professionals. The FAR was represented at a number of academic conferences.

THE FAR'S MID-TERM INSTITUTIONAL EVALUATION

With the FAR's establishment in October 2015, and per Article 4.4 of the FAR's Articles of Association, it was decided to have an intermediate institutional evaluation of the FAR's activities. Based on the five objectives included in a questionnaire to all the FAR Board members and the FAR affiliated audit firms and an in-depth discussion of the feedback received in the February 2018 board meeting, the board evaluated the extent to which the FAR as an institution is on its way to meeting its mission. These evaluation objectives were:

1. The research agenda and initiatives of the FAR are designed to encourage and assist in the publication of high quality, original research in reputable international journals that contribute to the profession, and to communicate the acquired knowledge with people who work in practice and students.
2. Research projects supported by the FAR are (in anticipation) recognized as significant contributions to the field of auditing.
3. The FAR activities contribute to the practice of auditing, to inform policy and regulatory debates, and to improve practice (knowledge dissemination).
4. The FAR supports with its activities graduate and post-graduate programs by providing them with a comprehensive and up-to-date body of knowledge.
5. The FAR activities improve the long-term infrastructure for research and teaching that will meet the needs of future participants in the auditing profession.

The conclusion is that the potential is there, but for now understandable reasons with regards to data gathering mostly, there is less materialization than was hoped for. The FAR Board underlines the importance of disseminating new FAR knowledge with the general public and

to monitor the progress of actual output. The intermediate progress is that the FAR is actively disseminating knowledge through its conferences, master classes, and practice notes, and is increasingly involved in terms of academically informing public policy making. The FAR's potential contributions to the auditing profession through its research projects is positive because of the combination of the quality of the research groups and the topic selection on the one hand and opening of the "black box" of data on the other. The FAR Board concludes that the FAR's contributions to accountancy education and the auditing research community have not materialized yet, but looks promising. The FAR may need to be more transparent in its communication about its activities and progress and proactive in feeding forward new knowledge and insights to both academic and practice fields to spark new discussions about audit quality.

Based on the intermediate institutional evaluation the FAR Board agrees unanimously that the FAR should continue for the next three years of the initially committed five years at establishment of the FAR.



FINANCIAL RESULTS

The FAR's financial income primarily consists of contributions of the affiliated audit firms of € 1.55 million (2017 € 1.50 million) on the basis of committed research projects and approved office costs. In addition, we are very grateful to Stichting Accountantsfonds for its annual contribution of € 100,000 (2017 € 100,000).

The maximum research grants available were spent largely on the selected research projects. The total amount of multi-year grants for these committed research projects is € 1,128,000 (2017: € 1,170,000), which includes the costs directly relating to the execution of the research projects. These are recognised as an expense in the statement of income and expenses and as a liability in the balance sheet as unconditional commitments for this amount were made to research teams. An updated management estimate of these research commitment resulted in a revaluation of € 18,000 (release). In addition, an amount of € 345,000 (2017: € 185,000) is recognised as project-related research costs. This increase of project related expenses reflects the growth of research and knowledge dissemination activities of FAR, more specifically FAR's decision to expand its support capacity to actively support the audit firms in their data gathering commitments and to accelerate the FAR's knowledge dissemination and communication of research findings.

The office costs, including board costs and the general working organization, amount to € 222,000 (2017 € 181,000). The increase is primarily related to external consultancy costs in relation to FAR's data management and security controls and trusted-third-party controls assurance readiness.

To appropriate the balance of income and expenses 2017 to research projects the board decided to allocate the positive balance of 2017 of € 64,000 to a reserve for restricted use for research project funding still to be committed in 2018. This reserve has been used in 2018. In light of the increased operations, the surplus from the results appropriation 2018 of € 37,000 has been added to the continuity reserve.

Funding through invoicing will only take place if there is a liquidity requirement as the research projects progress, or in order to cover the approved and budgeted office costs. This means that the FAR has limited unused financial resources.

The FAR has an external auditor, RSM Netherlands Accountants N.V., who audits the financial statements. These 2018 financial statements were discussed with the auditor on 9 April 2019.

OUTLOOK FOR 2019

We are looking forward to continuing at full steam in the coming financial year. Our particular aim for this year is to deliver the research data for the current cycles of research projects and to increase our output of new research publications and knowledge dissemination activities in order to share new research and insights and realise the research agenda. Although the foundations for the FAR are solid and we have been able to follow through on our data gathering objectives and sharing of FAR's output list of realized and forthcoming research publications, there is still much to be done and research takes time, which requires patience and perseverance.

RESEARCH: CALL FOR RESEARCH PROPOSALS 2019 TO INFORM PUBLIC POLICY MAKING

As in previous years, the FAR issued its 4th call for research proposals in January 2019 to invite multidisciplinary research groups in accounting and auditing to submit a written proposal to the Scientific Committee of the FAR. In order to optimize data collection for a large number of archival studies that the FAR started over the past three years we chose to give priority to finish data collection for the projects that have commenced already, rather than to start many new projects requiring extensive archival data from the audit firms.

Therefore, this year the FAR emphasized three research programs in its call for projects:

- Research Program A1: Research practice notes, to academically inform the current professional and public debate with regard to the audit profession in the Netherlands.
- Research Program A2: Research syntheses, to unlock what we already know from science (in accounting and in other fields) about a specific question and potential interventions that can be suggested to strengthen audit quality.
- Research Program B: Empirical research projects, including a research practice note and synthesis (program A1+A2, within same timelines), with a project timeline of 1 to 4 years (depending on scope of the research project).

Within these three programs, the call put forward eight topics:

1. Joint audits: What do we already know from academic research on the potential audit quality effect of conducting joint audits?
2. Fraud: What do we already know from academic research on auditors' role and effectiveness in detecting frauds during a financial statement audit?
3. Governance structure and audit engagements: Whether and how the quality of the audit engagement is affected by whether audit committees or members of the executive board take the lead in appointing the auditor and managing the audit process.
4. Auditing expectation and performance gap: The auditing "expectation gap" refers to the difference between (1) what the public and other financial statement users perceive auditors' responsibilities to be and (2) what auditors believe their responsibilities entail. Given differing perceptions, it is likely that disappointments arise in terms of whether the audit profession achieves a level of assurance that matches the public requirements. A relevant question in this regard would be whether auditors induce an expectation gap.
5. Audit effort: How do audit firms decide on the effort they require to conduct an audit – given the level of internal controls and quality of un-audited financial statements of the auditee? How do auditors establish a balance between the budgeted effort and the required effort given the quality of the financial statements



and the underlying accounting information systems?

6. Audit quality indicators: What are the most informative engagement level AQI's during the audit? According to recent literature, audit quality is very difficult to measure. Yet, we know little of what measures are de facto available and if it is true that auditing quality is difficult to measure. It would seem to be of importance if these ideas could be reconciled in a study that looks into audit quality. This study would seek to understand how quality can be measured.
7. Checklist and substance: What is the effect on audit and financial reporting quality of an emphasis on compliance with ISA's, including detailed documentation of audit work? How does audit quality, as measured by compliance with ISA's, translate in client financial reporting quality (the ultimate aim, important for shareholders and potential investors)?
8. The auditor's mandate: How do audited companies (and their supervisory boards / audit committees / shareholders) select and appoint their auditors and set the auditor's mandate? What are primary selection criteria in design and practice (i.e., what are actual selection and appointment decisions based on)? How are the (total) costs of auditing (thus including potential switching costs) considered in selection and appointment?

The FAR also invited researchers to submit other topics relevant to the institutional development of the auditing profession and research into the drivers of good audit quality. So far this year, in total we received seven FAR Research Proposals following our 2019 call. The general conclusions of the FAR Board were that the average quality of the research proposals was again high. We will finalize this year's project review and selection before summer. We furthermore strive for a balanced development over our different research programs (A to F).

FIRST RESEARCH PROJECT OF THE NEW FAR AUDIT RESEARCH CHAIR

Professor Francis, fulfilling FAR's first Auditing Research Chair, will start this chair position in the spring of 2019. His first FAR Chair research project, entitled "What makes audit partners and their engagement teams successful?" follows from the following broad topic from the FAR research agenda: "Structured diversity of audit teams, partner personality, cognition, and leadership styles, and team dynamics in relation to audit quality". This project represents the initial phase of what will be a multi-year investigation of these complex and inter-related issues. The research objective is to understand the primary factors that make audit partners and their engagement teams successful in terms of the quality of their teamwork and engagement outcomes. In terms of audit practice, the benefit of the research is to provide a scientific basis for organizing and managing audit teams in order to achieve audit firms' quality control objectives. One major goal of this research project is to answer this fundamental question: what is it about audit partners and managers that matters? What makes some audit teams perform better than other teams? To the extent one can successfully identify linkages between audit partner characteristics in relation to the performance of his/her team, then audit firms will be able to understand better and respond in a targeted manner to characteristics that differ within their partner and manager pools. This should facilitate firms in effectively managing audit team composition, achieving better and consistent audit outcomes, and improving the internal dynamics of audit teams (how teams work).

THE 4TH INTERNATIONAL FAR CONFERENCE: EVIDENCE-INFORMED POLICY MAKING FOR THE FUTURE AUDITING PROFESSION

Conferences are an excellent opportunity to bridge the gap in knowledge between academics and practitioners. When it comes to effectively informing the future development of the auditing profession, it is most relevant to developing evidence-based ‘best practice’ and ‘public policy making’ that are well-informed based on the evidence from research whilst accepting that such research cannot speak for itself. Such an evidence-based approach is informative, but not all-powerful as academic research is unable to answer every question. To do this, it is sometimes necessary to draw upon other disciplines and sources, such as knowledge from practice, supervisory bodies or other policy-makers. That is when evidence-based knowledge development evolves towards evidence-informed knowledge development.

It is for this reason that the central theme of the 4th conference of the FAR, to be held on 3 and 4 June 2019 at the Nyenrode Business University estate, is “Evidence informed policy making for the future of the auditing profession”. The conference is focused on sharing findings from the FAR Research Projects as well as introducing new projects, disseminating existing knowledge on relevant questions from auditing practice, and discussing views from practice, standard setters and regulators.

Keynote speakers for this year’s conference will be Robert Knechel (University of Florida and FAR Board member) on “Reclaiming the Economic Imperative of Auditing” and Miguel Minutti-Meza (University of Miami) on “Influential observations and inference in accounting research”. Furthermore, the following FAR Research Groups will present their (intermediate) research findings or new research projects (which will be discussed at the conference by audit practitioners to reflect practical relevance of the research):

- Fraud cues in the audit by Mark Peecher (University of Illinois)
- How auditors may confuse status of experts with skills by Justin Leiby (University of Illinois)
- Multiple team membership by Reggy Hooghiemstra (University of Groningen)
- Going concern judgments by Marshal Geiger (University of Richmond)
- Professional skepticism by Ann Vanstraelen (Maastricht University) & Sanne Janssen (University of Antwerp)

Lastly, Murray Barrick (Texas A&M University) and Jere Francis (FAR Audit Research Chair at Maastricht University) will be invited speakers on “Accounting students’ values fit to the firms during recruiting”.

Provided science and practice do their best to speak a common language, both can learn a lot from each other. It enables academics to ask, as well as answer, better questions. In practice, one can take advantage of the insights from science. Different perspectives provide different insights about the audit profession. Understanding each other’s vision and everyone’s role in the entire financial reporting and assurance supply chain, finding a common language, and open dialogue about the working disciplines within the audit profession helps to stimulate quality.

FINANCIAL OUTLOOK

To help us flesh out our research agenda, unlocking of knowledge and contribution to the development of the profession, the FAR will also in the coming year rely on the financial contributions committed by the affiliated audit firms and donor(s). These contributions at present total a maximum of € 1,650,000 million for 2019 (2018 € 1,650,000). Taking account of the project-related research costs (budgeted at € 335,000) and the general office costs (budgeted at € 215,000) on the other, the maximum research budget for the coming year again amounts to approximately € 1,100,000. It appears that financial resources do not always have the highest priority for the research teams – their principal concern is access to data. While the FAR expressly wants to invest in building up the research community in the auditing discipline – which entails funding PhD students, for example – this does not mean that large financial contributions will be requested all the time, and it is therefore not certain that the entire budget will be required to fund the projects we want to conduct. At the same time, the FAR explores the best approach to realize its strategy, for example by extending the research programs. In addition, the unlocking of data by the audit firms requires considerable efforts and investments from those firms. Where possible, the FAR actively supports them in this.

When the FAR was formed, preference was given to a transitional model based on a coordinating office organisation. The aim is still to keep the working organisation to a minimum by cooperating as much as possible with the affiliated research groups and the audit firms. Despite the FAR’s ambitions and growth of activities, we continue to pursue a cost ratio not exceeding approximately 15 percent of the current basis of financial contributions.

Accordingly, there is an abundance of ambitions for the coming period. We are excited about the foundations that have been laid and the learning curve we are in collectively, and have every confidence that further major steps can be taken in the coming period towards academic research into the audit quality drivers and thereby the unlocking of the 'black box' of auditing.

Breukelen, 25 April 2019

On behalf of the executive board of Stichting Foundation for Auditing Research

sgd Prof. dr. O.P.G. Bik RA

Managing director and academic member of the board

sgd Prof. dr. J.F.M.G. Bouwens

Managing director and academic member of the board

sgd Prof. dr. H.M. Prast

Chair of the board



“ Provided science and practice do their best to speak a common language, both can learn a lot from each other. ”



FINANCIAL STATEMENTS

Financial year from 1 January up to and including 31 December 2018

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1. BALANCE SHEET AT THE END OF THE FINANCIAL YEAR

(after appropriation of the balance of income and expenses)

Amounts in TEUR		31-12-2018	31-12-2017
ASSETS	Ref.		
Receivables	1	2,250	2,000
Cash	2	616	412
TOTAL ASSETS		2,866	2,412
LIABILITIES			
Equity	3	266	293
Research commitments	4	2,392	1,849
Current liabilities	4	207	270
LIABILITIES		2,599	2,119
TOTAL EQUITY AND LIABILITIES		2,866	2,412

2. STATEMENT OF INCOME AND EXPENSES

<i>Amounts in TEUR</i>		Actuals 2018	Budget 2018	Actuals 2017
	Ref.			
INCOME	5			
Financial contributions 'Big 4'		1,200	1,200	1,200
Financial contributions 'Next 6'		350	350	300
Donation Stichting Accountantsfonds		100	100	100
TOTAL INCOME		1,650	1,650	1,600
EXPENSES	6			
Research-related costs		345	263	185
Costs of research projects		1,128	1,180	1,170
Revaluation of research related costs		-18	-	-
<i>Total project costs</i>	<i>6a</i>	<i>1,455</i>	<i>1,443</i>	<i>1,355</i>
Office costs		104	41	72
Board costs		79	79	69
Other operating costs		39	86	40
<i>Total general costs</i>	<i>6b</i>	<i>222</i>	<i>206</i>	<i>181</i>
TOTAL EXPENSES		1,677	1,649	1,536
OPERATING RESULT		-27	1	64

<i>Amounts in TEUR</i>		Actuals 2018	Budget 2018	Actuals 2017
APPROPRIATION OF THE BALANCE OF INCOME AND EXPENSES:				
Addition (usage) to continuity reserve		37	1	-
Addition (usage) to reserve for restricted use		-64	-	64
		-27	1	64

3. ACCOUNTING PRINCIPLES

3.1. OBJECTIVES AND ACTIVITIES

Stichting Foundation for Auditing Research [hereafter: the FAR] has its registered office at Straatweg 25 in Breukelen. Its objectives are to make a structural contribution to the learning curve and to the continuous development in general of audit firms, the audit profession and audit training and research in the Netherlands, among other things in order to:

- bring about continuous improvement in the audit practice (including the applicable or associated laws and regulations);
- feed audit training programs; and
- at the same time reinforce academic auditing research.

In order to achieve its objectives, the FAR initiates (often multi-year) research projects on the basis of a research agenda. These projects are awarded through procedures such as the Calls for Research Proposals, which are open to universities and research teams at both national and international level. By means of these research projects, the FAR also aims to stimulate auditing research (in the Netherlands) and to disseminate the knowledge thus obtained via research articles, education and contributions to the professional debate (for example, by organising conferences and masterclasses and by publishing professional articles). Furthermore, the FAR focuses on unlocking existing scientific insights for audit practitioners.

To this end, the FAR obtains financial contributions from the affiliated audit firms and donors, initially for a period of five years up to and including 2020 (with a positive interim evaluation completed in 2018). In addition, affiliated audit firms have undertaken to provide access to data.

3.2. PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

3.2.1. GENERAL

The financial statements have been prepared in accordance with the 'Guideline for Non-Profit Organisations' [DAS 640], as published under the responsibility of the Dutch Accounting Standards Board. The accounting principles proceed from measurement at nominal value, unless a different principle is stated. The reporting period comprises the financial year from 1 January up to and including 31 December 2018, the comparative figures relate to the year 2017. The expenses

in relation to research conferences, master classes, and knowledge dissemination are presented as research-related costs (the comparative figures are reclassified accordingly). Furthermore, the costs relating to executive management support are classified as office costs (the comparative figures are reclassified accordingly). The financial statements have been prepared in units of thousand euros, small rounding differences may occur. Reference numbers refer to the explanatory notes.

3.2.2. RECEIVABLES

Receivables are valued on initial recognition at the fair value of the counter-performance, including any material transaction costs. After initial recognition, receivables are valued at amortised cost. Bad debt provisions are offset against the book value of the receivables. However, as the relate to affiliated audit firms the book value is usually the nominal value.

3.2.3. CASH

Cash consists of bank balances with a term to maturity of less than 3 months.

3.2.4. LIABILITIES

Current liabilities are accounted for at fair value on initial recognition. After initial recognition, current liabilities are valued at amortised cost. This is usually the nominal value.

The current liabilities have a remaining term to maturity of less than one year.

3.3. PRINCIPLES FOR THE DETERMINATION OF THE RESULT

3.3.1. INCOME

The FAR's income consists primarily of contributions committed by the affiliated audit firms. The level of the contribution is determined on the basis of undertaken research projects and approved office costs. These contributions are shown in the statement of income and expenses in the year in which the subsidised expenses or office costs are recognised.

3.3.2. EXPENSES

The total grants for committed research projects, also if they cover multiple years, are recognised as an expense in the statement of income and expenses and as a liability in

the balance sheet insofar as unconditional commitments have been made to research teams by the balance sheet date (other than the condition that the research must be conducted in conformity with the research proposal). The FAR simultaneously recognises the estimated expected costs (other than the commitments to research teams) directly associated with the execution of the research projects to which those commitments relate.

The general costs are recognised in the period to which they relate.

The FAR is not recognized as an enterprise for VAT purposes and is therefore not liable to pay VAT on the contributions of the affiliated firms, or able to reclaim VAT paid.

4. NOTES TO THE BALANCE SHEET

1. RECEIVABLES

Amounts in TEUR		31-12-2018	31-12-2017
	Ref.		
Accrued income:	(a)		
Still to invoice to 'Big 4' firms		1,800	1,600
Still to invoice to 'Next 6' firms		450	400
		2,250	2,000

a. Accrued income

Accrued income relates to the financial contributions still to be invoiced to the affiliated audit firms in respect of the research projects committed in 2016, 2017 and 2018. These contributions are payable by the firms during the term of the projects and in line with their progress (as detailed under 4a).

The non-current part of the accrued income as of year-end amounts to TEUR 1,250 (31-12-2017 TEUR 1,150).

2. CASH

Amounts in TEUR		31-12-2018	31-12-2017
Current account at financial institution		616	412
		616	412

The cash is at the FAR's free disposal.

3. EQUITY

Amounts in TEUR		Balance on 31-12-2018	Movements 2018	Balance on 31-12-2017
	Ref.			
Continuity Reserve	(a)	266	37	229
Reserve for restricted use	(b)	-	-64	64
		266	-27	293

a. Continuity reserve

Guiding principle is that no reserves are allowed to be made without a pre-defined purpose. The money received has to be managed responsibly.

To ensure that the FAR will be able to also meet its obligations in the future, the board has created a continuity reserve in 2016. In light to the increase in operations, the surplus from the results appropriation 2018 is added to the continuity reserve.

In determining the level of the continuity reserve, the FAR follows the guidelines of the Fundraising Institutions Association (Goede Doelen Nederland). The guidelines permit a maximum reserve of 1.5 times the annual organisational costs (including costs of staff, accommodation, administration and board). The 2019 budgeted organisational costs are TEUR 215. The continuity reserve now equals 1.2 times the organisational costs and is considered adequate.

b. Reserve for restricted use

To appropriate the balance of income and expenses 2017 to research projects the board decided last year to allocate the positive balance of 2017 of TEUR 64 to a reserve for restricted use for research project funding still to be committed in 2018. This reserve has been used in 2018.

4. RESEARCH COMMITMENTS AND CURRENT LIABILITIES

<i>Amounts in TEUR</i>		31-12-2018	31-12-2017
	Ref.		
Research commitments	(a)	2,392	1,849
Accounts payable		79	157
Other accrued costs	(b)	128	113
		2,599	2,119

a. Research commitments

The accrued project costs concern the financial grants relating to the research projects committed and the expected research and project costs directly associated with these projects. These can be detailed as follows:

<i>Amounts in TEUR</i>	Balance as of 31-12-2017	Costs of research projects	Usage	Revaluation of research related costs	Balance as of 31-12-2018
Endowments to research teams	1,349	984	-342	-	1,991
Project-specific data management	56	24	-57	27	50
Data gathering and management	310	75	-102	-61	223
Project management and monitoring	58	20	-24	-	54
Project reports and communication	77	24	-42	16	74
Total	1,849	1,128	-567	-18	2,392
Thereof committed in 2016	740	133	-371	-17	485
Thereof committed in 2017	1,109	90	-146	-1	1,052
Thereof committed in 2018	0	905	-50	-	855

Expected usage of research commitments

Amounts in TEUR	Balance 2018	Exp. usage 2019	Exp. usage 2020	Exp. usage 2021	Exp. usage 2022	Exp. usage 2023
Endowments to research teams	1,991	744	622	334	252	40
Project-specific data management	50	19	15	8	6	1
Data gathering and management	223	83	70	37	28	4
Project management and monitoring	54	20	17	9	7	1
Project reports and communication	74	28	23	12	9	1
Total	2,392	894	747	401	303	48
Thereof committed in 2016	485	229	220	19	15	2
Thereof committed in 2017	1,052	403	281	197	167	3
Thereof committed in 2018	855	262	246	184	121	43

The non-current part of this liability as of year-end amounts to TEUR 1,499 (31-12-2017 TEUR 1,177).

Revaluation of projects (TEUR 18 release) is related to an updated management estimate of the expected research and project costs directly associated with these projects.

b. Other accrued costs

Other accrued costs as of year-end amounting to TEUR 128 (31-12-2017 TEUR 113) mainly comprise costs payable in relation to the working organization and management fees.

5. NOTES TO THE STATEMENT OF INCOME AND EXPENSES

6. INCOME

The eight founding affiliated audit firms have committed themselves to pay an annual financial contribution up to a maximum of € 1,500,000 for an initial period of five years from inception (with an interim evaluation after the initial two-year period). As per December 31, 2018 ten audit firms are affiliated to FAR, being Deloitte, EY, KPMG, PwC, and (collectively) Accon AVM (as from 2017), Baker Tilly Berk, BDO, Grant Thornton, and Mazars, and Flynth (as from 2018). Jointly, the FAR's funding primarily consists of a maximum of € 1,550,000 of funds that are committed by and received from the audit firms on the basis of the committed research projects and approved budget. In this context, the audit firms undertake at the time of the commitment to pay the contributions to cover the approved multi-year research projects for their entire duration, so as to enable research teams to complete the research for which they obtained the FAR's approval. The affiliated audit firms are invoiced for committed contributions as the research projects progress that is, at the moment when the project costs have been incurred, taking account of the cash position required to cover the general office costs.

In addition, Stichting Accountantsfonds and the FAR entered into a donorship agreement effective from 1 January 2016. Under this agreement, Stichting Accountantsfonds makes an annual contribution of € 100,000 for a period of five years up to and including 2020.

7. EXPENSES

The positions "Research Agenda and Call for Research Proposals" and "Review and selection of proposals" have been combined in the new position "Research agenda and selection of proposals" as this better reflects the nature of these expenses.

a. Project costs

<i>Amounts in TEUR</i>	2018	2017
<i>Research-related costs:</i>		
Research agenda and selection of proposals	67	71
FAR conferences and master classes	38	32
Attendance of research conferences	10	3
General data management	140	21
General research project assistance	89	58
	345	185
<i>Costs of research projects:</i>		
Endowments to current year new research projects	762	844
Additional endowments to existing research projects	223	60
Project-specific data management	24	34
Data gathering and management	75	144
Project management and monitoring	20	40
Project reports and communication	24	48
	1,128	1,170
<i>Revaluation of research related costs:</i>	-18	-
Total project costs	1,455	1,355

b. General costs

The position “Secretarial support” is combined in the position “Executive management support”. Furthermore, the position “Executive management support” has been reclassified from the “Other operating costs” (previously called overhead) to the “Office costs”, as this better reflects the nature of these expenses.

Amounts in TEUR	Ref.	2018	2017
<i>Office costs:</i>			
Financial administration		7	7
Executive management support		97	65
		104	72
<i>Board costs:</i>			
	(I)	79	69
<i>Other operating costs:</i>			
Communication		6	14
General operations		29	26
Other		3	0
		39	40
Total general costs		222	181

The FAR does not employ any staff. For its working organization, FAR entered into a service level agreement with Nyenrode Business Universiteit which includes human resources, housing, ICT, and other activity based facilities. The related costs are charged to FAR on a not-for-profit basis and are allocated to research related projects costs or general expenses based on activities concerned.

1. Board costs

The board costs comprise the fees paid to the chair of the board, to the institutions providing the other two members of the executive board (also academic board members) and to the (other) academic board members. In addition, board members are reimbursed for expenses incurred, including expenses for travel and stay. Part of the board costs are recognized under direct research-related costs. This can be detailed as follows:

Amounts in TEUR	2018	2017
Total board fees paid (including TEUR 21 non-deductable VAT in 2018, TEUR 20 in 2017)	127	125
Board fees recognized under direct research-related costs	-/- 60	-/- 59
Expenses for travel, stay and board meetings	12	3
Board costs recognized under general costs	79	69

8. ANALYSIS OF ACTUAL 2018 FIGURES AGAINST BUDGETED FIGURES

Based on its research objectives and criteria (and considering that access to data is at least equally valuable for academic research) FAR was able to commit TEUR 905 (2017 TEUR 1,110) research grants and related expenses for four new empirical research projects and three PhD positions this financial year. In addition, FAR committed TEUR 223 (2017 TEUR 60) additional endowments in relation to existing research projects, mainly research extensions due to data gathering efforts.

Due to FAR’s growth of activities and, related to that, the professionalization of the working organization, the research related costs were TEUR 81 higher than budgeted (TEUR 263). This is related to increase personnel costs due to the expansion of FAR’s support capacity to actively support the audit firms in their data gathering commitments and to accelerate FAR’s knowledge dissemination. Furthermore, FAR incurred additional research related expenses for external support for the formalization of and assurance over the information security controls for the data management processes (ISAE 3000 certification). The higher personnel costs and information security control expenses are partly offset by the income from the revaluation of research relates costs.

The office costs were TEUR 63 higher than budgeted (TEUR 41) which was mainly due to the absence of one of FAR’s employees, for which external staff had to be hired to continue ongoing business.

9. EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date.

10. PROPOSED RECOGNITION OF BALANCE OF INCOME AND EXPENSES FOR THE FINANCIAL YEAR 2018

The usage of the reserve for restricted use of TEUR 64 is related to committed research projects in 2018 (Note 3b). The FAR's board has approved that the balance of income and expenses for 2018, in the amount of TEUR 37 (operating loss of TEUR 27 offset by usage of reserve for restricted use of TEUR 64), will be allocated in full to the continuity reserve. This has been recognised in the financial statements.

The financial statements were adopted by the FAR board in Breukelen on 25 April 2019:

sgd Prof. dr. H.M. Prast
Chair of the board

sgd drs. L. Albers RA
Board member representing Deloitte

sgd Prof. dr. O.P.G. Bik RA
Managing director and academic board member

sgd Prof. drs. E. Eeftink RA
Board member representing KPMG

sgd Prof. dr. J.F.M.G. Bouwens
Managing director and academic board member

sgd drs. P.A.J. Hopstaken RA
Board member representing Mazars, BDO,
Baker Tilly, Grant Thornton and Accon avm

sgd Prof. dr. W.F.J. Buijink
Academic board member

sgd N.M. Pul RA
Board member representing EY

sgd Prof. dr. W.R. Knechel
Academic board member

sgd drs. M. de Ridder RA
Board member representing PwC



**“UNLOCKING THE
BLACK BOX OF
THE DRIVERS OF AUDIT QUALITY”**

OTHER INFORMATION

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INDEPENDENT AUDITOR'S REPORT

To: the Board of Stichting Foundation for Auditing Research

A. Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of Stichting Foundation for Auditing Research, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Foundation for Auditing Research as at 31 December 2018, and of its result for 2018 in accordance with the the 'RJ-Richtlijn 640 Organisaties zonder winststreven' (Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board).

The financial statements comprise:

1. the balance sheet as at 31 December 2018;
2. the statement of income and expenses for 2018; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting Foundation for Auditing Research in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the preface;
- the board report;
- Appendix 1 Detailed overview of the FAR's research program;
- Appendix 2 Output list of realized and forthcoming FAR publications.

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Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board is responsible for the preparation of the other information, including the preface and the board report in accordance with the 'RJ-Richtlijn 640 Organisaties zonder winststreven' (Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board).

C. Description of responsibilities regarding the financial statements

Responsibilities of the executive board and members of the Board who are not members of the Executive board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with the 'RJ-Richtlijn 640 Organisaties zonder winststreven' (Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board). Furthermore, the Executive Board is responsible for such internal control as the board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the foundation's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the board either intends to liquidate the foundation or to cease operations, or has no realistic alternative but to do so.

The Executive Board should disclose events and circumstances that may cast significant doubt on the foundation's ability to continue as a going concern in the financial statements.

Members of the Board who are not members of the Executive Board are responsible for monitoring the process of financial reporting of the foundation.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a foundation to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, April 25, 2019

RSM Netherlands Accountants N.V.

was signed drs. W.J.O. Castricum RA

APPENDIX 1:

DETAILED OVERVIEW OF THE FAR'S RESEARCH PROGRAM A AND B

Details of the FAR's current projects in Research Programs A (Research Syntheses) and B (Empirical Research) are included in the overview below. Details of FAR's current projects in Research Programs C (Joint Working Groups), D (Case Studies), E (Auditing Research Chair), and F (Audit Research PhD program) are included in FAR's board report.

TITLE	WHAT?	WHY?	WHO?	TIMELINE
<p><i>The loss of talent - A threat for audit quality</i></p> <p>PROJECT NUMBER 2016B01</p>	<p>Understanding the drivers of potential talent loss across experience years and its consequences in terms of audit quality – in order for the firms to be better able to retain talent over the years (and thus better capitalize on their investment in learning and development). Focus is on the effectiveness and potential improvements of the firms' Performance Management Systems (being one of the most influential conditions in the work environment under control of the firms), taking the firm's business models into account.</p>	<p>Firms invest many resources in new professionals to build up their human capital to achieve quality audits, only to see many with talent leave (too early) over the years. Talent loss is very costly for audit firms that rely on knowledge workers – especially as the main loss of talent seems to be just after the firms have incurred the major parts of the training costs – hence, not only jeopardizing audit quality but also generating high replacement costs.</p>	<p><i>Prof. dr. F. (Frank) Moers</i> Professor of Management Accounting and Control, Maastricht University School of Business and Economics Dr. I. (Isabella) Grabner Associate Professor of Accounting, Maastricht University School of Business and Economics Dr. J. (Judith) Künneke MSc Assistant Professor, Maastricht University School of Business and Economics</p>	01/17- 08/20
<p><i>Why some auditors thrive while others struggle - The effects of multiple team membership on audit quality</i></p> <p>PROJECT NUMBER 2016B02</p>	<p>Identify the conditions where under audit firms can most effectively leverage on Multiple Team Memberships (specific to the firms' business model) and team members to most effectively cope with the demands of fluid team membership in securing both high quality audits, a motivated workforce, and appropriate team culture. I.e., increasing the benefits of working with fluid teams, while mitigating the negative effects of MTM to employees.</p>	<p>To learn why in the given business model (i.e., fluid audit teams, MTM) one employee thrives, while another suffers. I.e., identify previously unconsidered factors for firms to learn how to better capitalize on HC within the audit team and firm context (create appropriate organizational conditions). Furthermore, for audit staff to learn how to deal with the potential adverse effect and make use of the potential benefit (e.g., training on the job).</p>	<p><i>Prof. dr. R.B.H. (Reggy) Hooghiemstra</i> Associate Professor, University of Groningen <i>Prof. dr. F.A. (Floor) Rink</i> Full Professor, University of Groningen <i>Dr. D.B. (Dennis) Veltrop</i> Assistant Professor, University of Groningen; Economist, De Nederlandsche Bank</p>	01/17 -12/20

TITLE	WHAT?	WHY?	WHO?	TIMELINE
<p><i>Moving audit teams forward</i> - Designing firm environments for sustainable learning from errors</p> <p>PROJECT NUMBER 2016B03</p>	<p>This study will (provide a diagnostic tool to) investigate the appropriate conditions audit firms may want to consider to strengthen their (audit team's) learning from error climate (i.e., the organizational context wherein audit teams effectively learn from errors) to strengthen the interplay between individual auditors' characteristics and the firm's organizational environment in order to strengthen audit judgment quality.</p>	<p>Above and beyond auditors' experience (and other audit inputs), the research team's recent research shows that audit firms are able to improve performance significantly when auditors are able to actively learn from errors in audits. Furthermore, given that audits are (sometimes) complex social interactions within an audit team, above and beyond auditors' individual learning, audit quality is ultimately the outcome of team work and interaction.</p>	<p><i>Prof. dr. W.H. (Wim) Gijsselaers</i> Full Professor in Education, Maastricht University School of Business and Economics <i>Prof. dr. R.H.G. (Roger) Meuwissen</i> RA Professor of Control and Auditing, Maastricht University School of Business and Economics <i>Prof. dr. P. (Piet) van den Bossche</i> Professor Learning in Organisations University of Antwerp; Associate Professor Maastricht University School of Business and Economics <i>Dr. T. (Therese) Grohnert</i> Assistant Professor, Maastricht University School of Business and Economics <i>Prof. A.C. (Amy) Edmondson</i> Novartis Professor of Leadership and Management, Harvard Business School</p>	<p>01/17 - 12/19</p>
<p><i>The auditor's evaluation of misstatements</i> - Exploration, drivers, and consequences</p> <p>PROJECT NUMBER 2016B04</p>	<p>Improve understanding and potential improvement recommendations about the process and the consequences of evaluating misstatements – when and why does the auditor waive or require adjustment? Focus is on the drivers in the process (not on evaluation of the misstatements itself). What is the type, nature, direction, magnitude, and recurrence of detected and adjusted misstatements? To what extent are such adjustments effective in improving actual financial reporting quality (i.e., the value of auditing)?</p>	<p>Auditors detect misstatements during the audit process for which the auditor (through a (social) negotiation process with management), either requires or waives an adjustment. Because this decision will directly influence the financial reporting quality, it is important for firms to know how to positively influence the effectiveness of the negotiation process over audit findings.</p>	<p><i>Prof. dr. A. (Ann) Vanstraelen</i> Professor of Accounting and Assurance Services, Maastricht University School of Business and Economics; <i>U. (Ulrike) Thürheimer</i> MSc PhD Candidate in Accounting, Maastricht University School of Business and Economics <i>Prof. R. (Roger) Simnett</i> Full Professor, Scientia Professor, Macquarie Group Foundation Chair and Academic Director,, University of New South Wales (UNSW) Australia; <i>Prof. G.V. (Gopal) Krishnan</i> Tenured Full Professor, Chairman Department of Accounting and Taxation and Kogod Research Professor, American University <i>Prof. T.L. (Teri) Yohn</i> Professor, Indiana University</p>	<p>01/17 - 12-20</p>

TITLE	WHAT?	WHY?	WHO?	TIMELINE
<p><i>Professional skepticism profiles, effects on audit processes and outcomes, and the moderating role of audit firm culture</i></p> <p>PROJECT NUMBER 2016B05</p>	<p>This study focuses on a firm's potential improvement of professional skepticism in the interplay between an auditor's innate professional skepticism (personality trait), audit firm culture and audit quality by addressing three questions: How skeptical are auditors by nature in different ranks and experience levels? How does this professional skepticism affect the audit process auditors apply and the ultimate audit quality achieved? And how does firm and team culture affect professional skepticism in the audit?</p>	<p>This study will provide insights into what more skeptical auditors by nature do differently during the audit process and whether or not this leads to higher levels of audit quality (nature, timing, and extent of audit procedures) – and, through that, it will enable firms to strengthen firm culture in promoting professional skepticism (and more specifically how to provide the fruitful ground for less skeptical auditors by nature to perform a skeptical audit nevertheless). These insights are also highly relevant in relation to regulators (IFIAR, AFM, PCAOB) and standard setters (IAASB).</p>	<p><i>Dr. K. (Kris) Hardies</i> Assistant Professor, University of Antwerp</p> <p><i>Prof. A. (Ann) Vanstraelen</i> Professor of Accounting and Assurance Services, Maastricht University School of Business and Economics; additional part-time (0.1) position at University of Antwerp</p> <p><i>Prof. K.M. (Karla) Johnstone</i> EY Chaired Professor of Accounting, University of Wisconsin-Madison</p> <p><i>S. (Sanne) Janssen</i> Joint-PhD, University of Antwerp and Maastricht University School of Business and Economics; PhD student and teaching assistant, University of Antwerp</p>	01/17 - 12/20
<p><i>Coordination and communication challenges in global group audits - Evidence from component audit leaders</i></p> <p>PROJECT NUMBER 2016B06</p>	<p>This study aims to identify barriers and best practices to achieve high audit quality of component audits from the component auditor perspective. What is the influence of specific engagement characteristics on the degree of coordination and communication challenges of component auditors? What coordination and communication strategies (are thought to) help mitigate these challenges?</p>	<p>While the group auditor is ultimately responsible for the whole audit of the consolidated financial statements, irrespective of the extent of use of component auditors throughout the global group audit, the group auditor needs to make sure that the component audits are effective and efficient, despite at the same time having to deal with many coordination and communication challenges – which the group auditor (sub sample included in the study) may be able to overcome based on the recommendation of this study.</p>	<p><i>Prof. A. (Anna) Gold</i> Professor of Auditing, Free University of Amsterdam; Adjunct Professor, Norwegian School of Economics (NHH)</p> <p><i>Dr. D. (Denise) Hanes Downey</i> Assistant Professor, Villanova University</p> <p><i>Dr. A.J. (Andrew) Trotman</i> Assistant Professor, North-eastern University</p>	01/17 - 04/18

TITLE	WHAT?	WHY?	WHO?	TIMELINE
<p><i>Going concern opinions research synthesis</i></p> <p>PROJECT NUMBER 2017A01</p>	<p>In this study the team aims at writing a literature review on going concern decisions. The study wants to update, extend what we know about going concern audit opinions. It also wants to identify whether new avenues for research can be identified.</p>	<p>What are the main determinants, considerations and hurdles for auditors to move on to a going concern opinion? What are the primary stakeholders' expectations in relation to auditors' detection and reporting of an auditees going concern risks? What are the determinants of auditors' effective going concern judgments (e.g., fear of self-fulfilling prophecy)?</p>	<p><i>Prof. M.A. (Marshall) Geiger Professor of Auditing and CSX Chair in Management and Accounting, University of Richmond</i> <i>Prof. dr. A. (Anna) Gold Professor of Auditing, Free University of Amsterdam;</i> <i>Prof. dr. P. (Philip) Wallage Professor of Auditing, University of Amsterdam and Free University of Amsterdam</i></p>	09/17 - 05/19
<p><i>Does the private owner-managed firm audit market serve a different purpose?</i></p> <p>PROJECT NUMBER 2017B01</p>	<p>This study is designed to examine whether economic forces and regulation (institutions) affect different audits conditional on whether these audits are executed for Public interest entities, privately owned business or owner-managed business. The researchers want to start to ask the question whether regulation should be the same for the different type of firms.</p>	<p>Does the OMB environment call for different audits and auditing standards? What institutional factors (e.g., complexity, size, capital market structure, legal environment, audit risks, etc.) in the OMB environment may call for a specific audit approach and auditing standards for OMB audits?</p>	<p><i>Prof. dr. J. (Jeroen) Suijs Professor Economics of Accounting, Tilburg University</i> <i>Dr. M (Mahmoud) Gad Assistant Professor, Tilburg University; Teaching Assistant, University of Bristol</i> <i>Dr. H.J.R. (Robin) Litjens Assistant Professor Accounting, Tilburg University</i></p>	01/18- 03/19
<p><i>Audit production</i></p> <p>PROJECT NUMBER 2017B02</p>	<p>The authors propose to examine how the production of audits and its quality is affected by the accounting information system design of the client. The idea would be to gauge audit production efficiency and the quality of the client's AIS. They want to examine the magnitude of how the production surplus (price production versus price clients pay) is affected by these AIS designs.</p>	<p>What is the mutual impact of the audit and the auditee's internal controls and financial reporting quality? What is the impact of the quality of the auditee (e.g., internal controls, governance, management accounting, etc.) on audit quality and value?</p>	<p><i>Prof. J. (Joseph) Gerakos Associate Professor of Business Administration, Dartmouth College</i> <i>Prof. C. (Chad) Syverson J. Baum Harris Professor of Economics, University of Chicago</i> <i>U. (Ulrike) Thürheimer MSc PhD Candidate in Accounting, Maastricht University School of Business and Economics</i></p>	01/18- 12/21

TITLE	WHAT?	WHY?	WHO?	TIMELINE
<p><i>Auditor judgment on internal control quality and audit quality</i></p> <p>PROJECT NUMBER 2017B03</p>	<p>This study aims at identifying what client characteristics affect the perception of internal control quality and whether this perception is substantiated by the quality of the internal controls that are actually present. They want to use archival data to examine their research question.</p>	<p>What is the mutual impact of the audit and the auditee's internal controls and financial reporting quality? What is the impact of the quality of the auditee (e.g., internal controls, governance, management accounting, etc.) on audit quality and value?</p>	<p><i>Prof. J. (Jean) Bédard Professor and Holder of the Chair in Corporate Governance, Université Laval</i> <i>Dr. A. (Annelies) Renders Assistant Professor, Maastricht University School of Business and Economics</i> <i>Dr. C.C.M. (Caren) Schelleman Assistant Professor, Maastricht University School of Business and Economics</i> <i>Dr. M. (Mathijs) van Peetghem Assistant Professor, Maastricht University School of Business and Economics</i> <i>L. (Lei) Zou PhD Candidate in Accounting, Maastricht University School of Business and Economics</i> <i>Dr. M. (Mieke) Jans Assistant Professor, Hasselt University</i></p>	<p>01/18 - 12/20</p>
<p><i>Improving audit quality by enhancing auditor's detection of markers of management deception</i></p> <p>PROJECT NUMBER 2017B04</p>	<p>Based on two experiments, this study explores the effectiveness of using a (negative affect) instruction to improve auditor fraud detection and skepticism. Given the importance of auditor interview of management during field work (e.g., the ISA 240 fraud enquiry) and resulting narratives in the audit process, this intervention (i.e., instruction) may help auditors overcome their experientially learned avoidance of false positives.</p>	<p>Auditors' knowledge, skills, and experience of repeatedly interacting with managers gives them the rare ability to detect (client) deception. Although they have a learned ability to detect deception, they need a prompt to use those abilities – because the ability is subconsciously suppressed due to learned disincentives (e.g., over time, auditors experientially learn that there are few rewards and numerous costs to undertake skeptical actions). In other words, auditors can detect deception, but they subconsciously avoid it (the “illusion of objectivity”).</p>	<p><i>Prof. M.E. (Mark) Peecher Deloitte Professor in Accounting and Academic Professor, University of Illinois</i> <i>Prof. J.L. (Jesse) Hobson Associate Professor, University of Illinois</i> <i>Sebastian Stirnkorb, PhD student Erasmus University Rotterdam.</i></p>	<p>01/18- 09/21</p>

TITLE	WHAT?	WHY?	WHO?	TIMELINE
<p><i>The effects of expert status on the audit of complex estimates</i></p> <p>PROJECT NUMBER 2017B05</p>	<p>It is proposed that auditors overestimate specialists' competence. The team wants to conduct an experiment to examine whether auditors rely more on the high status specialists than the situation would warrant.</p>	<p>To study the impact of specialist involvement on audit quality.</p>	<p><i>Dr. J. (Justin) Leiby</i> Associate Professor of Accounting, University of Illinois <i>Prof. dr. A. (Anna) Gold</i> Professor of Auditing, Vrije Universiteit of Amsterdam <i>Prof. K. (Kathryn) Kadous</i> Schaefer Chaired Professor of Accounting, Emory University</p>	<p>01/18- 12/20</p>
<p><i>How is auditor commercialism related to audit quality and efficiency?</i></p> <p>PROJECT NUMBER 2017B06</p>	<p>This study will (1) examine whether a tradeoff actually exists between auditors' commercial and professional motivations and (2) whether audit firms' quality control mechanisms create conditions in which the two sets of motivations are (or can be) even mutually reinforcing.</p>	<p>Stakeholders to the auditing process have frequently asserted that there is a fundamental conflict between auditors' professional obligations and commercial interests, i.e., auditing as a profession versus auditing as a business – fueling regulatory and standard-setting interventions. The study may very well contribute to the demystification of current perceptions of (partners' and firms') focus on commercialism versus professionalism (or regulatory focus on quality over the firms' business model).</p>	<p><i>Prof. W.A. (William) Ciconte</i> Professor of Accountancy, University of Illinois <i>Prof. M. (Marleen) Willekens</i> Full Professor of Accounting and Auditing, KU Leuven; <i>additional part-time (0.1) position at BI Norwegian School of Business</i> <i>Dr. J. (Justin) Leiby</i> Associate Professor of Accounting, University of Illinois</p>	<p>01/18 - 12-21</p>
<p><i>How Auditors' internal and external interactive relationships impact their judgement and decisions making: experimental evidence on the underlying causes of good and poor audit quality</i></p> <p>PROJECT NUMBER 2018B01</p>	<p>The project explores junior auditors' tendency to imitate senior auditors' auditing practices styles and, additionally, how the firm's promotion pressures may affect audit quality through such mimicking behavior. Second, the research project considers audit team engagements and investigates factors that may either foster or hamper auditors' herd behavior in fraud assessment tasks. Third, the project examines how auditor tenure and shareholder involvement in the selection of auditors influence auditors' decision to report more original information than management discloses in the financial report.</p>	<p>The main goal of this research project is to investigate key elements that affect the quality of auditor judgment and decision-making and the resulting quality of audits. This project gives consideration to: (1) the underlying drivers of auditor judgment and decision-making, such as organizational circumstances that may stimulate auditors or, conversely, prevent them from working in the manner expected of them; (2) the underlying causes of good and poor audit quality such as the role of imitation and herding (and related reputation concerns); and (3) the effectiveness of potential interventions that could be implemented to enhance audit quality.</p>	<p><i>Prof. E. Cardinaels</i> Professor of accounting at Tilburg University and KU Leuven <i>Kristof Stouthuysen</i> Associate Professor in Accounting en Control at Vlerick Business School and professor in Management Accounting at KU Leuven <i>Dr. Evelien Reusen</i> Assistant Professor Department of Accounting and Control at RSM <i>Jeffrey Goris</i> PhD student KU Leuven</p>	<p>11/18 -10/22</p>

TITLE	WHAT?	WHY?	WHO?	TIMELINE
<p><i>Culture controls in audit firms</i></p> <p>PROJECT NUMBER 2018B02</p>	<p>This study investigates the way audit firms in the Netherlands use culture controls, the extent to which these culture controls result in employees internalizing the organizational objective of high audit quality, and the factors that influence this relationship. More traditional employee controls, such as pay-for-performance and subjective performance evaluation, have not resulted in satisfactory high levels of audit quality (Rapport OOB-accountant-organisaties 2017). Audit organizations therefore have been using and emphasizing culture controls in their Management Control Systems.</p>	<p>This research highlights several important themes that can be adapted for education of future and current control system designers and audit managers. This research investigates the importance of culture control. This study provides insights into the unique incentive problem that audit firms face when it comes to motivating their employees. By examining the approach to Culture Controls of different audit firms, the audit firm can also learn from each other's best practices.</p>	<p><i>Jasmijn Bol</i> Professor at Tulane University, USA, <i>Mark Peecher</i> Professor at Illinois University <i>Katlijn Haesebrouck</i> Assistant Professor at Maastricht University <i>Isabella Grabner</i> Professor at Vienna University</p>	09/18 - 12/23
<p><i>The drivers and the impact of audit involvement on audit quality</i></p> <p>PROJECT NUMBER 2018B03</p>	<p>The key objectives of the project are to understand, in the Dutch context: (1) the determinants of audit committee involvement with a particular focus on audit committee leadership, social cohesion of the audit committee and its fit in the overall board; (2) the impact of audit committee involvement on audit input factors; (3) the impact of audit committee involvement on audit process factors; (4) the impact of audit committee involvement on audit output factors; and (5) the impact of audit committee involvement on pre-audit financial reporting quality.</p>	<p>The insights of the proposed project will not only be relevant for the academic community, but also for audit practice, standard setters and regulators to better understand the role of audit committee leadership, social cohesion of the audit committee and its fit in the overall board, and how it affects the core input, process and output factors relevant to audit quality, as well as the incremental contribution of the external auditor in improving financial reporting quality conditional on the extent of audit committee involvement.</p>	<p><i>Prof. dr. Ann Vanstraelen</i> Professor of Accounting and Assurance Services, Maastricht University School of Business and Economics <i>Prof. Ganesh Krishnamoorthy</i> Professor of Accounting at Northeastern University (Boston, USA) <i>Dr. Rogier Deumes</i> Assistant Professor at Maastricht University School of Business and Economics <i>Dr. Caren Schelleman</i> Assistant professor, Maastricht University <i>Dr. Matthijs van Peteghem</i> Assistant Professor at Maastricht University <i>Ulrike Thürheimer</i> PhD Student at Maastricht University <i>Sanne Jansen</i> PhD Student at the University of Antwerp</p>	09/18 - 08/21

TITLE	WHAT?	WHY?	WHO?	TIMELINE
<p><i>How can audit committee support improve auditor's applications of professional skepticism</i></p> <p>PROJECT NUMBER 2018B04</p>	<p>The study has three main objectives: (1) assess the current state, best practices, and potential innovations that could occur in relation to audit committee support for the audit engagement team and its effects on the application of professional skepticism, (2) determine whether expressing greater audit committee support causes audit seniors to more appropriately apply skepticism, and (3) evaluate whether the application of skepticism can be enhanced if the message of support comes directly from the audit committee chair to the audit senior.</p>	<p>Highly skeptical auditors increase the likelihood that material misstatements are detected, which is important in promoting audit quality, investor confidence, and global financial stability. While skepticism is undoubtedly essential to audit quality, prior research has shown that it may come at a cost, which forms a significant barrier to the appropriate application of skepticism. The study investigates how support of the audit committee may reduce this barrier, enhance the appropriate application of professional skepticism, and hence lead to higher audit quality.</p>	<p><i>Anna Gold</i> Professor of Auditing, Vrije Universiteit of Amsterdam</p> <p><i>Justin Leiby</i> Associate Professor at Illinois University</p> <p><i>Joseph Brazel</i> Professor at North Carolina State University</p> <p><i>Tammie Schaefer</i> Assistant professor of accounting at University of Missouri-Kansas</p>	<p>09/18 - 08/20</p>

APPENDIX 2: OUTPUT LIST OF REALIZED AND FORTHCOMING FAR PUBLICATIONS

REALIZED CONTRIBUTIONS AND ACTIVITIES		
Financial Times “ Proven audit solutions are being overlooked ” by Prof. dr. Jan Bouwens	5 April 2019	http://foundationforauditingresearch.org/wp-content/uploads/2019/04/UK-BEIS-committee-letter-in-FT-5-april-2019.pdf
FAR Practice Note (and literature review) on “ How auditors may confuse status with skills - The Effects of Expert Status on the Audit of Complex Estimates ” by Dr. Justin Leiby, Prof. dr. Anna Gold, and Prof. Kathryn Kadous.	14 February 2019	http://foundationforauditingresearch.org/wp-content/uploads/2019/02/2017B05-FAR-Project-Practice-Note-08022019_English.pdf
FAR Masterclass on “ Why some auditors thrive while others struggle: The effects of multiple team membership on audit quality ” by Prof. dr. Reggy Hooghiemstra and Dr. Dennis Veltrop	6 February 2019	http://foundationforauditingresearch.org/far-masterclass-by-reggy-hooghiemstra-dennis-veltrop-6-february-2019-2/
Article on Accountant.nl “ Het risico dat de accountant loopt is Hoog! ” by Prof. dr. Jan Bouwens	January 2019	https://www.accountant.nl/ opinie/2019/1/het-risico-dat-de-accountant-loopt-is-hoog/
Article on Accountant.nl “ Laat Hoekstra bewezen maatregelen nemen voor accountants ” by Prof. dr. Jan Bouwens	December 2018	https://www.accountant.nl/ opinie/2018/12/laat-hoekstra-bewezen-maatregelen-nemen-voor-accountants/
FAR Research Masterclass on “ The (changing) economic perspectives on auditing ” by Prof. Robert Knechel	6 December 2018	http://foundationforauditingresearch.org/far-masterclass-6-dec-2018-2/
Het Financieele Dagblad, “ Hoogleraar Olof Bik: accountants willen best hun cultuur aanpassen ” by Jeroen Piersma	8 October 2018	https://fd.nl/ondernemen/1272952/volgens-hoogleraar-bik-willen-accountants-best-hun-cultuur-aanpassen
Het Financieele Dagblad “ Laat de Europese Unie geen eigen koers varen bij verslaggevingsregels ” by Prof. dr. Jan Bouwens	September 2018	https://fd.nl/ opinie/1272154/laat-de-europese-unie-geen-eigen-koers-varen-bij-verslaggevingsregels

REALIZED CONTRIBUTIONS AND ACTIVITIES

<p>Special FAR Issue of the Maandblad voor Accountancy en Bedrijfseconomie (MAB) on “Moving the Audit Profession Forward – New Research and Best Practices”</p> <ul style="list-style-type: none"> - “Moving the Audit Profession Forward – New Research and Best Practices” – Bik, Bouwens, Künneke, Wallage & Knoops - “Moving the Audit Profession Forward” – Wallage - “Non-replicable?” – Buijink - “The view from practice: Improving audit quality is a joint responsibility” – Wallage, Bouwens & Bik - “Who is responsible for ensuring a high-quality audit that achieves accurate financial reporting?” – Choudhary - “Preliminary research findings of three FAR-studies: what has been found so far?” – Quadackers & van Zanten - “Three new FAR research projects: what’s going to happen?” – Quadackers & van Zanten - “Global trends in audit quality, supervision, and standard setting” – van Diggelen - “Bridging the knowledge gap between academia and practice: how research can help develop the auditing profession (vice versa)” – Bik & Bouwens 	<p>September 2018</p>	<p>http://foundationforauditingresearch.org/wp-content/uploads/2018/11/MAB-927-8-volledig.pdf</p>
<p>Financial Times “Abandoning quarterly reporting would increase the cost of capital” by Prof. dr. Jan Bouwens</p>	<p>August 2018</p>	<p>https://www.ft.com/content/631dba1e-a6de-11e8-926a-7342fe5e173f</p>
<p>FAR’s 3rd International Conference entitled “Moving the Audit Profession Forward – New Research and Best Practices”</p>	<p>5 and 6 June 2018</p>	<p>http://foundationforauditingresearch.org/international-far-conference-2018/</p>
<p>FAR Practice Note on The Salterio Papers: “Hoe de wetenschap de beroepsontwikkeling van accountants effectief kan informeren” by Prof. dr. Olof Bik RA and Prof. dr. Jan Bouwens</p>	<p>May 2018</p>	<p>http://foundationforauditingresearch.org/wp-content/uploads/2018/05/The-Steven-Salterio-papers-20180508.pdf</p>
<p>FAR Masterclass on “The loss of talent – a threat for audit quality” by Prof. dr. Frank Moers and Dr. Judith Künneke</p>	<p>16 May 2018</p>	<p>http://foundationforauditingresearch.org/foundation-for-auditing-research-masterclass-may-2018-the-loss-of-talent/</p>
<p>Het Financieele Dagblad “Toets het effect van een wet, en schaf die af als hij niet werkt” by Prof. dr. Jan Bouwens</p>	<p>May 2018</p>	<p>https://fd.nl/ opinie/1252623/toets-het-effect-van-een-wet-en-schaf-die-af-als-hij-niet-werkt</p>
<p>Literature Review “What is the relationship between audit quality and non-audit services?” By Prof. dr. Jan Bouwens</p>	<p>May 2018</p>	<p>http://foundationforauditingresearch.org/far-literature-reviews/</p>

REALIZED CONTRIBUTIONS AND ACTIVITIES

FAR consultation response to the NBA Green Paper on Structure Models	April 2018	http://foundationforauditingresearch.org/wp-content/uploads/2018/04/FAR-reactie-Structuurmodellen-greenpaper-20180409.pdf
De Accountant, interview with Prof. dr. Willem Buijink: “We moeten retoriek bestrijden!”	March 2018	http://foundationforauditingresearch.org/wp-content/uploads/2018/03/WB-We-moeten-retoriek-bestrijden.pdf
Financial Times “Evidence does not support ‘conflict of interest’ worries” by Prof. dr. Jan Bouwens	March 2018	https://www.ft.com/content/78116a6a-2b78-11e8-a34a-7e7563b0b0f4
Accountant.nl “De positieve spillover van advies op controle” by Prof. dr. Jan Bouwens	January 2018	https://www.accountant.nl/opinie/2018/1/de-positieve-spillover-van-advies-op-controle/
FAR Masterclass on “The identification and negotiation of audit findings” by Prof. dr. Ann Vanstraelen and Ulrike Thürheimer	15 November 2017	http://foundationforauditingresearch.org/masterclass-november-2017/
Special FAR Issue of the Maandblad voor Accountancy en Bedrijfseconomie (MAB) on “Controversies in Future Audit Quality: A multi-stakeholder perspective” : - “Controversies in Future Audit Quality: A multi-stakeholder perspective” – Bik, Bouwens, Wijnmalen, Wallage & Knoops - “In the Public Interest” – Wallage - “The future of audit quality - A multistakeholder perspective” – Bik - “Can research improve audit practice?” – Bouwens - “Panel discussion: A true and fair value of the audit sector” – Bik & Wijnmalen - “FAR Research Project: The loss of talent: A threat for audit quality?” – Grabner, Künneke & Moers - “FAR Research Project: Professional skepticism: A trending concept in need of understanding” – Hardies & Janssen - “FAR Research Project: The effects of multiple team memberships on individual auditors’ performance” – Hooghiemstra, Rink & Veltrop - “FAR Research Project: What do we know about group audits?” – Hanes Downey & Gold	October 2017	http://foundationforauditingresearch.org/wp-content/uploads/2017/10/MAB-september-oktober-FAR-2017.pdf
FAR consultation response to the NBA Green Paper on Audit Quality	29 September 2017	http://foundationforauditingresearch.org/wp-content/uploads/2017/11/Audit-quality-greenpaper-reactie-FAR-20170929.pdf

REALIZED CONTRIBUTIONS AND ACTIVITIES

De Accountant, editorial article by Geert Dekker, interviewing Prof. dr. Olof Bik RA (and others): “Auditkwaliteit: publiek belang moet voorop staan”	21 September 2017	-
Het Financieele Dagblad, interviewing Prof. dr. Jan Bouwens and Prof. dr. Olof Bik RA: “Accountants openen hun ‘black box’ – Geheime gegevens zijn nu eindelijk toegankelijk voor onderzoekers FAR”	9 June 2017	http://foundationforauditingresearch.org/wp-content/uploads/2017/06/20170609-FD-Accountants-openen-hun-black-box.pdf
FAR’s 2nd International Conference entitled “Controversies in Future Audit Quality - A multi-stakeholder perspective”	7 and 8 June 2017	http://foundationforauditingresearch.org/reflections-on-the-2nd-international-far-conference-2017/
FAR Masterclass on “Designing audit firm environments for sustainable learning from errors” by Prof. dr. Wim Gijsselaers and Dr. Therese Grohnert	22 November 2016	http://foundationforauditingresearch.org/report-far-masterclass-22-november-2016/
Special FAR Issue of the Maandblad voor Accountancy en Bedrijfseconomie (MAB) on “What do we know about audit quality?” : - “What practitioners and academics want to know about audit quality” – Bouwens - “If auditors are like Belgian beers, which style would you prefer?” – Bruynseels & van Brenk - A discussion of “Auditor-client coproduction of the audit and the effect on production efficiency” – Duiverman & Nolder - “Opportunities to improve the measurement of audit quality: a call for collaboration between the profession and academics” – van Raak & Thürheimer - “Debate on Public Audit Oversight enforcement: it is all about procedural justice?” – van Buuren & Wong - “Panel discussion” – Wallage - “A view from practice” – Bik - “Puzzle” - Buijink	September 2016	http://foundationforauditingresearch.org/wp-content/uploads/2016/01/MAB-September-2016.pdf
Het Financieele Dagblad “Toezichthouder die altijd slaat kweekt bange accountants” by Robert Knechel	May 2016	https://fd.nl/ondernemen/1152143/toezichthouder-die-altijd-slaat-kweekt-bange-accountants
FAR’s 1st International Conference entitled “What do we know about audit quality?”	9 and 10 May 2016	http://foundationforauditingresearch.org/wp-content/uploads/2016/01/MAB-September-2016.pdf

FORTHCOMING CONTRIBUTIONS AND ACTIVITIES

FAR Masterclass on “ Judgment biases in auditing ” by Prof. dr. Anna Gold	29 March 2019	http://foundationforauditingresearch.org/far-masterclass-29-march-2019/
FAR Practice note by Prof. dr. Jeroen Suijs on “ Auditing in the Owner-Managed-Business (OMB) environment ”	April 2019	-
FAR Practice note on “ Improving audit quality by enhancing auditor’s detection of markers of management deception ” by Prof. Mark Peecher.	April 2019	-
FAR Practice note by Prof. Joseph Gerakos on “ The auditees internal controls and financial reporting quality – Audit production ”	May 2019	-
FAR Practice Note on “ Root Cause Analyses methods in Auditing ” by Prof. dr. Olof Bik RA	May 2019	-
FAR Practice Note and literature review of Jean Bedard on “ The auditees internal controls and financial reporting quality - Auditor judgment on internal control quality and audit quality ”	May 2019	-
FAR Practice Note of Prof. William Ciconte on “ Audit firm business model ”	June 2019	-
FAR Practice Note on “ A Synthesis of Research on Auditor Reporting on Going-Concern Uncertainty: An Update and Extension ” by Marshall Geiger, Prof. dr. Anna Gold and Prof. dr. Philip Wallage	June 2019	-

FORTHCOMING CONTRIBUTIONS AND ACTIVITIES

<p>FAR's 4th International Conference entitled “Evidence informed policy making for the future of the auditing profession”</p>	<p>3 and 4 June 2019</p>	<p><i>Keynote Speakers this year will be Robert Knechel (University of Florida and FAR Board member) on “Reclaiming the Economic Imperative of Auditing” and Miguel Minutti-Meza (University of Miami) on “Influential observations and inference in accounting research”.</i></p> <p>Presentations by FAR Research Groups on (intermediate) research findings or new research projects:</p> <ul style="list-style-type: none"> • Fraud cues in the audit by Mark Peecher (University of Illinois) • How auditors may confuse status of experts with skills by Justin Leiby (University of Illinois) • Multi team membership by Reggy Hooghiemstra (University of Groningen) • Going concern judgments by Marshal Geiger (University of Richmond) • Professional skepticism by Ann Vanstraelen (Maastricht University) & Sanne Janssen (University of Antwerp) • Audit partner performances & compensation by Olof Bik (FAR / Nyenrode University) & Jan Bouwens (FAR / University of Amsterdam) • Accounting students' values fit to the firms during recruiting by Murray Barrick (Texas A&M University) & Jere Francis (FAR Audit Research Chair at Maastricht University) <p>http://foundationforauditingresearch.org/4th-international-far-conference/</p>
<p>FAR Case Study on “Near misses: fraud detection and response in auditing” by Prof. dr. Jan Bouwens and Prof. dr. Olof Bik RA</p>	<p>September 2019</p>	<p>-</p>
<p>FAR Masterclass on “Professional skepticism” by Dr. Kris Hardies</p>	<p>9 October 2019</p>	<p>-</p>
<p>FAR's 5th International Conference</p>	<p>tbc</p>	<p>-</p>

FOUNDATION FOR AUDITING RESEARCH

THE FOUNDATION

The Foundation for Auditing Research aims to enhance the knowledge of what makes a good audit today and to continuously improve audit practices. In a swiftly changing context regarding expectations and demands, FAR facilitates rigorous academic research with practical relevance for the auditing field.

FAR research is aimed at disseminating new academic knowledge and insights, as well as scientifically informing ongoing debates about the subject of audit quality. FAR pursues these objectives by researching the drivers of audit quality, by collaborating with other research institutes internationally, and by sharing its findings through research conferences and masterclasses.

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