

## **Key take-aways Masterclass & podcast Prof. Jasmijn Bol: 'The effect of audit culture on audit quality'**

Professor Jasmijn Bol (Tulane University) recently gave a Masterclass and a podcast for FAR. Both were about her FAR research with Isabella Grabner, Katlijn Haesebrouck and Mark Peecher. Below you will find the most important take-aways in a nutshell. It should be mentioned that these are preliminary results.

In Bols', still ongoing, research the relationship between the culture within accountancy firms and audit quality is investigated. First, 33 interviews were held with various employees (partner, managers, seniors, juniors, but also HR staff) of Big4 and non-Big4 accountancy firms. These interviews yielded around 25 hours of material and give a good picture of the cultural views and instruments within accountancy firms. Subsequently, a questionnaire survey was conducted among 409 participants, again from different job levels and offices.

The researchers looked at the willingness of auditors to 'push for audit quality'. In this context, the researchers speak of sufficient action-oriented exercise of professional skepticism. The researchers measured this based on four specific questions for participating auditors, with answer options ranging from 1-7 (1 = never; 7 = always):

- How often do you ensure high audit quality by pushing back to e.g., colleagues, your supervisor, the client?
- How often do you ensure high audit quality by following up with the client when appropriate?
- How often do you ensure high audit quality by being vigilant about things that are in the grey zone?
- How often do you ensure high audit quality by getting expert help if necessary?

These questions do not necessarily measure audit quality, but they do measure things that research has found to have a higher score associated with higher audit quality.

In the area of culture, the survey contained about 20 different questions about company values, performance evaluation, tone at the top, budget pressure, etc.

The good news is that the people who (among other things) understood the core values of their audit firm better also had a greater willingness to push for audit quality.

But there is also less good news, for example, data clearly shows that auditors still experience a lot of budget pressure. There is only a small proportion of participants who have sufficient time in 90-100% of the audits, while a large group of auditors say they only have sufficient time in 60-70% of the audits. And some even say that they are always short of time.

Tone at the top also seems to be an issue. This has been investigated by presenting two propositions to the participating auditors:

- I feel like the partners take on too many clients.
- I feel like the partners would fire a client when its deliverables threaten audit quality.

For good audit quality you do not want to have too many clients and you want to gather reliable evidence. Unfortunately, on average the participants score quite negatively on these statements (and therefore largely agree with the first statement and disagree with the second statement).

The preliminary analyses show that the experienced budget pressure and the tone at the top as expected adversely affect the willingness of the auditors to push for audit quality.

These findings are not the result of the situation within some of the firms investigated. It really is a finding that is generally present.

It is a complex problem for which there is no simple solution.

Incidentally, the survey also shows that the willingness to push quality depends on the personality of the auditor. Auditors who consider the social relevance to be of paramount importance and who like to get to the bottom of things are also more willing to push audit quality. Accountancy firms can pay attention to this during their selection process.

Another interesting finding of research to date is that younger auditors who did not see their future within the audit firm in the somewhat longer term did not push hard for audit quality. On the contrary, the somewhat more senior accountants with longer-term ambitions within the firm did push harder. Bol encourages the sector on this basis to think about the pyramid system of the growth of employees in accountancy firms. Perhaps a rethink is in order.