

JUNE 19

Judgment & decision making in auditing

JDM RESEARCH GOALS:
→ DESCRIBE JUDGEMENT
→ EXPLAIN / PREDICT
→ IMPROVE

IS AUDITOR JUDGMENT (STILL) RELEVANT?



KATHRYN KADOUS

Let's do an Experiment!

IDENTIFY CAUSALITY!
TELL US SOMETHING ABOUT THE INTERVENING PROCESS!

SINCE TECHNOLOGY IS USED MORE & MORE, AUDITORS WILL HAVE TO MAKE MORE COMPLEX JUDGMENTS IN THE FUTURE...

THEME 1

I'M A *flexible* DECISION MAKER!

I TEND TO USE THIS AS A DEFAULT MODE...

routinized "EASY" → critical "DIFFICULT"
thinking

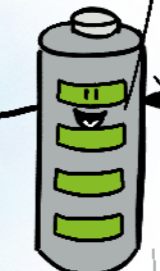
IT'S COGNITIVELY COSTLY!

IT CAN'T BE MAINTAINED

Prompt auditors to think critical!

PROVIDE THE BIGGER PICTURE
ADJUSTING THE MINDSET

CRITICAL THINKING MODE



THIS IS NEEDED TO PERFORM COMPLEX TASKS WELL...

... TO IDENTIFY INCONSISTENCIES, MANAGEMENT BIAS & TO REALLY UNDERSTAND (ESTIMATES IN THE) FINANCIAL STATEMENTS!

IT IMPROVES THE JUDGMENT!

remind auditors of their professional identity

I HAVE A VERY UNIQUE & DIFFICULT TASK IN SOCIETY...

... BUT I'M ONLY HUMAN!

ARTIFICIAL INTELLIGENCE AS A SOLUTION?

I CAN HELP YOU!

HI, I'M SOFIE!



THEME 2

I'M A *social animal*

ACTIONS OF & RELATIONSHIPS WITH

OTHERS AFFECT MY BEHAVIORS RELATED TO AUDIT QUALITY

YES, PRESS THIS BUTTON, MY FRIEND!

AUTOMATION CAN REDUCE THIS RISK?!

HUMAN JUDGMENT IS HERE TO STAY FOR A WHILE!



- OFFLOAD SOME ROUTINE TASKS
- ANSWER QUERIES
- IDENTIFY TRENDS, PATTERNS, ANOMALIES IN DATA SETS
- PREVENT BIAS??

IMPACT OF TECHNOLOGY?

WOULD BE NICE TO BE ABLE TO USE MY BRAIN FOR THE CREATIVE AND VALUABLE TASKS...



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FOUNDATION FOR AUDITING RESEARCH

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FAR CONFERENCE 2023

Auditors and their Judgments

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