

A Systematic Literature Review on

Companies' Auditor Selection Processes

Jonas Vandennieuwenhuysen ^a

Kris Hardies ^a

Marie-Laure Vandenhaute ^b

Kris Hoang ^c

^a Department of Accounting and Finance, University of Antwerp, Prinsstraat 13, 2000 Antwerp, Belgium

^b Faculty of Economic, Social and Political Sciences, and Solvay Business School, Vrije Universiteit Brussel, Pleinlaan 2, 1050 Brussels, Belgium

^c Culverhouse School of Accountancy, University of Alabama, 361 Stadium Dr, Tuscaloosa, AL 35487, the United States

Correspondence: Jonas Vandennieuwenhuysen, Department of Accountancy and Finance, Faculty of Business and Economics, Prinsstraat 13, 2000 Antwerpen - Belgium.

E-mail: jonas.vandennieuwenhuysen@uantwerpen.be

A Systematic Literature Review on

Companies' Auditor Selection Processes

ABSTRACT

We provide a systematic review of the academic literature on companies' auditor selection process, that is, the process through which companies select and hire their auditor. Some process elements over which companies exercise discretion include the decision-makers and the extent of their influence (e.g., the audit committee, the CFO); timing (initiation, duration); the procedures and decision-making approach (e.g., formal tendering, assessment criteria, documentation, evaluation); and the eventual appointment of the auditor (e.g., shareholder voting on auditor ratification). By synthesizing the research, we identify key activities, decision points, and participants' expectations in the selection process. We also consider academic research findings in light of practitioner guidance on best practices for auditor selection. Finally, even though most of the relevant studies use archival data to infer aspects of the selection process from associations between publicly observable auditor/company characteristics and auditor appointment outcomes, we highlight the limitations of this evidence for understanding companies' processes, and we offer suggestions for future research. Our review provides valuable insights for audit academics, audit regulators, and practitioners interested in companies' actual practices for auditor selection and appointment.

1. INTRODUCTION

We provide a systematic review of the academic literature on the auditor selection process, that is, the process through which companies select and hire their auditor. This process encompasses decisions about the actors involved in that selection (e.g., the audit committee, the CFO), its timing (initiation, duration), the procedures and decision-making processes (e.g., formal tendering, assessment criteria, documentation, evaluation), and the eventual appointment of the auditor (e.g., shareholder voting on auditor ratification). Hence, this review increases our understanding of *how companies select an external auditor*, as distinct from their initial decision to hire an auditor — and which auditor to hire specifically — or to switch auditors (for a review on auditor choice, see Habib, Wu, Bhuiyan, and Sun, 2019; for a review on auditor switching, see Stefaniak, Robertson, and Houston, 2009). In doing so, we also focus on relevant contextual factors that affect how companies select an external auditor (e.g., mandatory rotation) and on potential consequences of how companies undertake this process (e.g., auditor-client dynamics and relationship building).

The existing academic literature offers a detailed understanding of what happens *before* and *after* the auditor selection process (e.g., the demand for auditing; the causes and consequences of auditor switches; the characteristics of the auditors hired; see reviews by DeFond and Zhang 2014; Habib et al. 2019; Stefaniak et al. 2009). While substantial convergent evidence exists on why companies choose and switch auditors, it is unclear how this affects the subsequent auditor selection process. Nonetheless, the reasons for hiring or changing auditors likely impact the particular practices companies follow to select an auditor.¹ To the best of our knowledge, the only study that speaks directly to this is Jensen and Payne

¹ A company dissatisfied with some characteristic of its incumbent auditor will seek a new auditor satisfying that characteristic (Brown and Knechel, 2016). For example, companies experiencing disagreement with their auditor might be eager to hire a more cooperative auditor (Ayres, Neal, Reid, and Shipman, 2019) and thus want to involve management in the selection process to assess the cooperativeness of a potential new auditor. Companies interested in creating a more transparent image might want to hire higher-quality auditors (Aobdia, 2018) and set up a more transparent selection process.

(2005). Their study showed that US municipalities with higher agency costs have better-developed audit procurement practices (i.e., competitive bidding, multi-year contracts, a focus on technical expertise rather than fees, training and rotation of procurement personnel, and the presence of an audit committee). They also found that better-developed audit procurement practices were associated with hiring auditors with more industry expertise.

However, a systematic understanding and review of the auditor selection process (i.e., *how* companies select an auditor) are currently lacking. Nevertheless, understanding how companies select their auditors is increasingly relevant. Regulatory changes in recent decades have targeted the auditor selection process (e.g., introducing mandatory audit firm rotation in the EU for public-interest entities, expanding the role of audit committees in both the EU and US) because of its asserted role in ensuring auditor independence. In response to regulatory changes and market demands, companies around the globe are also switching auditors more frequently than in the past (FEE, 2016). For example, companies in the EU switched auditors at twice the rate in 2016-2017 than in 2013-2014 (Willekens, Dekeyser, and Simac, 2019). In the US, every week, around 16 public companies change auditors (Audit Analytics, 2022).

In the current review, we synthesize the existing empirical evidence and identify under-researched areas relevant to the auditor selection process. Throughout our review, we also suggest areas for future research to advance our understanding of the auditor selection process (summarized in Table 1). While reviewing this literature, we also discuss if practice, as evidenced by existing empirical research, aligns with best practice guidelines for auditor selection. As the academic literature does not contain specific theories about how companies select their auditors, we organize our review according to the following framework (Figure 1), which we derive from regulatory frameworks, best practice guidelines, and topics from the synthesized literature. Figure 1 illustrates contextual features of companies' auditor selection

process, including procurement procedures, the decision makers who influence the process, and the auditor-client dynamics that underlie the process.

[Table 1 around here]

[Figure 1 around here]

2. METHOD AND SAMPLE DESCRIPTION

To obtain a comprehensive sample of the relevant literature on the auditor selection process, we examined accounting and auditing journals rated as either an A* by the Australian Business Deans Council (ABDC), or 4* or 4 by the Chartered Association of Business Schools (ABS), or as at least an A by the ABDC and 3 by the ABS. Furthermore, we included the *International Journal of Auditing* and *Managerial Auditing Journal* because they are highly specific auditing journals. This resulted in the identification of 25 journals (Table 2, panel C). To search through these journals, we used the Web of Science (WoS) database.² After searching for published documents, we conducted subsequent searches for unpublished studies in SSRN (the Social Science Research Network) to identify emerging auditing studies. Our approach follows existing guidelines and best practices for conducting systematic literature reviews in accounting (see Andiola, Bedard, and Hux 2017; Hardies, Gerken, Mentens, and Vandennieuwenhuysen, 2022) and is similar to that of recent reviews (e.g., Aghazadeh, Brown, Guichard, and Hoang, 2021).

2.1. Literature Search Strategy

We searched for all research studies that examined any aspect of auditor selection and considered their relevance to the question: *How do companies select their external auditor?*

Our literature search was focused on identifying empirical research that addressed issues related to the *process* of auditor selection (i.e., *how the auditor is selected*). Hence, we excluded

² We used the WoS database because not all journal databases have the same “advanced search” option. The WoS database allows searching through different journals by using the search string SO=“journal name”.

papers if they did not focus on the auditor selection process but on other aspects of auditor selection. For example, there is a large literature that examines various factors associated with why companies initiate an auditor selection process (e.g., mandatory rotation, auditor-client disagreements) and which auditors they eventually hire (e.g., Big N, industry specialist). While such factors may correlate with the auditor selection process (i.e., why a company is undertaking an auditor selection process may influence how it selects its auditor), we only included papers if they contained any evidence about the auditor selection process itself. We excluded papers that merely linked auditor or client characteristics with auditor choice or switching decisions, or the consequences thereof. Further, we only included papers that were research articles, containing at least some empirical evidence (archival, field, experimental, survey) about the auditor selection process. Theory papers were excluded.

2.2. Search Method

We determined relevant search criteria upfront and updated them iteratively while reading the literature. Table 2 (Panel B) gives an overview of the search terms we used. Because “process” is a generic term that lacks specificity, we did not use “process” as one of our search terms. Instead, we used our judgment when reading the title and abstract of papers to determine if a paper potentially examined the auditor selection process. Because we used broad search terms, we initially restricted our search to the title, abstract, and keywords of papers. We also restricted our sample to papers from 2000 to 2022 to limit the search to digitally available papers. After deleting duplicates, a total of 1,066 unique, accessible papers remained. We performed the searches during the first week of August 2022.

[Table 2 around here]

2.3. Paper Inclusion

The 1,066 identified papers were reviewed on titles and abstracts to determine their relevance to our study. This first selection round led to deleting 864 papers from our sample

for not investigating the auditor selection process.³ Three retracted papers were also excluded. One of the authors executed a first screening round. The full texts of the 199 articles judged relevant by title and abstract were divided among all four authors for assessment against the eligibility criteria. Disagreements were resolved via discussion. Applying our exclusion criteria (see section 2.1), we deleted another 123 papers, which led to an initial sample of 76 papers on the auditor selection process. We identified 4 additional working papers identified on SSRN, and 9 papers by checking the reference lists of the most important papers in our sample. Figure 2 gives an overview of this selection process. Figure 3 shows the yearly distribution of relevant papers (Panel A) and the number of included papers for each journal (Panel B). The majority of the included papers (80%) are archival papers, with 16 percent of the papers using qualitative methods only and 4% of the papers combining both quantitative and qualitative data. Table 3 summarizes the main characteristics of all 90 studies included in our final sample.

[Figure 2 around here]

[Figure 3 around here]

[Table 3 around here]

3. RESEARCH ON COMPANIES' AUDITOR SELECTION PROCESS

3.1. Procurement of Audit Services

Best practice guidelines suggest that the key features of a robust procurement process are thorough preparation regarding timing, information gathering, team composition, and selection criteria (e.g., AICPA, 2018, KPMG, 2018, Deloitte, 2016). The auditors' proposals and subsequent meetings with the respective auditors (audit firms) should be evaluated objectively and well-documented. A successful auditor procurement process should result in the company hiring an auditor that meets its needs and satisfies the reasons for hiring an auditor.

³ This included, for example, studies investigating general audit firm characteristics, audit fees, or audit competition.

In this section, we synthesize research examining companies' processes to procure audit services. The first key element of the procurement process is firms' formal tendering. Next, we discuss the timing of this process and the auditor appointment. We complete our discussion about the procurement of audit services with a synthesis of the evaluation of prospective auditors, discussing both objective and subjective evaluation criteria.

3.1.1. Formal Tendering Practices

When procuring a new auditor, listed companies typically undergo a formal tendering process and invite audit firms to submit their bids (also described as a Request for Proposal [RFP] process). Audit tendering involves the following key activities: Issuing the RFP with specific selection criteria; identifying the firms to invite; providing necessary access to information, personnel, and the company site for firms to prepare their bid; evaluating the auditors' proposals and presentations; selecting and appointing the auditor (which may involve the board of directors and shareholders); and communicating with both the winner and loser(s) (AICPA 2018, KPMG 2018, Deloitte, 2016). In some jurisdictions, audit retendering is mandatory after a specified tenure period has elapsed with the incumbent auditor, while in others, tendering is voluntary and occurs as needed or desired.⁴ Debates on mandatory rotation and retendering (e.g., Allam et al. (2016) analyzed stakeholder comment letters to the UK Financial Reporting Council's mandatory tendering proposal) highlight potential benefits from greater auditor independence and a fresh pair of eyes performing audit work, while concerns include increased audit costs, reduced expertise, and auditor susceptibility to pressure from management (Allam et al., 2016). Audit practitioners and academics also caution that routine tendering can incentivize audit firms to dedicate efforts to competing for prospective clients (PwC, 2011) and could deepen auditor-client relationships in a way that threatens auditor

⁴ Examples of jurisdictions with an audit tendering requirement (or retendering, where the incumbent auditor is eligible to be reappointed) include the EU Member States and the UK, with mandatory tendering for public-interest entities.

independence (Fiolleau et al., 2013). Weighing the costs and benefits of mandatory tendering is challenging because they depend on particular stakeholder groups' interests (Allam et al. 2016).

Taminiau and Heusinkveld (2017) formulated an audit tendering process framework with three phases (orientation, intake, and presentation) and key actors (CFOs, controllers, managers, and the audit committee). Based on interviews and client evaluations from a Big 4 firm in the Netherlands, they describe auditors' formal and informal procedures for responding to fluctuating client expectations and winning the bid. In a field study of a large public company's voluntary RFP process with the Big 4 firms in Canada, Fiolleau et al. (2013) investigated how company management, the audit committee, and the bidding auditors acquired and communicated information to evaluate each other. Fiolleau et al. (2013) document a 90-day process beginning with the company's RFP issuance, 50 days to acquire and prepare information for auditors' written proposals, a subsequent 30-day period until auditors' oral presentations to all members of the auditor selection committee, and a quick deliberation (approximately 10 days) to select and appoint the auditor. The notable features of the RFP process in Fiolleau et al.'s (2013) case were: the VP Finance was a "project manager" and the single point of contact responsible for providing access to and distributing information between the selection committee and the bidding auditors; the information exchanged and used for evaluation emphasized cultural fit (e.g., rapport, chemistry, attention to needs) rather than expertise and risk; and, even though the audit committee chair was active in the process and met with all of the bidding firms to provide insights about the CFO, the audit committee viewed their role as monitors, rather than drivers, of the process. While all parties agreed that this RFP process was well-specified and followed closely, the researchers highlighted several inconsistencies between the company's stated objectives for the RFP and the new auditor that the company ultimately selected (Fiolleau et al., 2013). These two field studies suggest that,

even though practice guides portray a relatively standardized, formal RFP process, there is variation in how the individuals involved interact, share information, and make decisions within this process.

Several archival studies examine U.S. governmental audit settings where policies for auditor procurement were introduced to strengthen internal controls over fiscal spending and increase service quality. In these settings, mandatory tendering includes policies such as issuing RFPs every five years with audit committee oversight and periodic state inspections (Elder and Yebba, 2020) and restricting auditors from providing fee information in their bids (Hackenbrack et al., 2000; Jensen and Payne, 2005). These studies (Hackenbrack, Jensen, and Payne 2000; Jensen and Payne 2005) find that with bid restrictions, where auditors compete without providing audit fee information, Big 4 firms participated in the governmental audit market and audit fees and audit quality were high. Without the bid restrictions, the Big 4 left the market, but non-Big 4 specialization emerged and quality was unchanged. Likewise, Elder and Yebba (2000) report that the introduction of a formal RFP process led to a more concentrated audit market (due to small, nonspecialized firms leaving), greater usage of specialist audit firms that are associated with higher quality, and higher audit fees.

In Australia, a study of mandatory government audit tendering reports a policy of open tendering every six years, with incumbent auditor eligibility (Boon et al., 2005). Municipalities in Portugal are less likely to adopt the common approach of choosing the lowest price auditor when they employ a more sophisticated procurement process (Marques and Pinto, 2019). Governments adopt procurement policies to control audit costs and quality standards of audit services, and the research generally indicates that these policies succeed in both objectives.

There is very little research on tendering by private companies or voluntary tendering. However, the voluntary choice to undergo an audit tendering process also shapes auditor selection. An experiment with investors shows that they do not favorably evaluate greater audit

committee power under voluntary tendering (versus mandatory rotation or tendering), suggesting that investors anticipate that under voluntary tendering the incumbent auditor will be reappointed (Gold et al., 2018). Results from this research on voluntary tendering imply that audit quality improvements from tendering are only realized when tendering results in hiring a new auditor.

Overall, research on audit tendering suggests that organizations aim to balance meeting their audit service quality needs and receiving a competitive price. Achieving these objectives requires open competition, access to relevant information, and a well-specified process. Open empirical questions remain about how companies design this tendering process, how closely the parties involved adhere to the process, and the influence of differences in this process on eventual auditor selection decisions.

[Table 4 around here]

3.1.2. Timing of Auditor Hiring

Research shows that companies' timing varies in the initiation of their auditor selection process and in its conclusion relative to the fiscal year-end. Gipper et al. (2021) document early rotations of partners (prior to tenure clock lapsing) and audit firms among US publicly listed firms. This indicates that companies initiate auditor selection processes outside of mandated timelines. Pacheco-Paredes et al. (2017) find that most auditor changes happen well before the fiscal year-end, in the 300 to 181 days prior. The appointment of a new CEO or CFO during the fiscal year (but before the auditor change) influences this timing, suggesting that client executives have a significant role in the auditor-hiring process. Auditor changes closer to the year-end are also associated with longer reporting lags and lower audit quality. This finding is also supported by Mande et al. (2017), who report that delays in appointing successor auditors following resignations are associated with higher audit fees, negative stock market responses, and a lower likelihood of being accepted by Big N auditors. Furthermore, Cassell et al. (2020)

find lower audit quality (more likely to misstate audited financial statements) associated with late auditor changes (when the new auditor is hired during or after fourth quarter), inferring that auditors have insufficient time to perform adequate work. These findings suggest that undertaking an auditor selection process that is not timely can be consequential for companies.

[Table 5 around here]

3.1.3. Evaluation of Prospective Auditors

Auditor evaluation criteria may be explicit (e.g., in the form of scorecards) or implicit, in that they are not formally stated but heavily weighted in the minds of individual decision-makers. Best practice guidelines suggest that companies should establish, prioritize, and apply relevant criteria for determining whether the prospective auditor fulfills their needs and preferences. Although extensively researched in the auditing literature, fees should never be the primary factor, and practice guidelines advise considering a fair price for the quality delivered (FRC, 2017, FEE, 2016, AICPA, 2018, KPMG, 2018, Deloitte, 2016). Although not mentioned in most evaluation practice guidelines, field studies report on the importance of work relationships and specific audit partners' organizational "fit" (Folleau et al., 2013; Free, Trotman, & Trotman, 2021; Dodgson et al., 2020). Research on auditor choice identifies several client and auditor characteristics that influence whether a company selects a particular auditor (see Habib et al., 2019). Recall that we are interested in the consideration given to these criteria in the auditor selection process; thus, we scope out papers that merely associate auditor characteristics with auditor choice, absent discussion of how this affects the auditor selection process. Next, we synthesize the literature on the following relevant auditor selection criteria: objective attributes of pricing and expertise and subjective attributes of the partner and organizational 'fit'.

[Table 6 around here]

3.1.3.1. *Objective Criteria: Pricing and Expertise*

Historically, relatively high levels of audit fees were an important driver of companies' decisions to hire and switch auditors (see Stefaniak et al., 2009). Its importance, however, may be smaller for larger companies and may have declined over time. Some evidence suggests that clients indicate that price is not an important criterium (e.g., Almer et al., 2014). Nonetheless, research suggests that auditors adopt pricing strategies when competing for clients, such as pricing the audit to correspond with planned engagement effort (Johnstone et al., 2004). As one strategy, auditors may try to undercut one another and low-ball (i.e., strategically offering fees below costs in the initial year of an engagement) to attract clients. Goddard and Schmidt (2021) report that competing auditors commonly engage in low-balling and that, as a result, most board members expect audit fees to decrease when changing auditors even though they perceive initial fee discounts as negative for audit quality.⁵ In contrast to speculations by the PCAOB (2011), Cameran, Francis, Marra, and Pettinicchio (2015) also found that even under mandatory rotation, auditors engage in low-balling. Conversely, Elder and Yebba (2020) report that the introduction of a formal RFP process in the New York school district audit market led to the emergence of additional industry specialists who were able to charge higher audit fees. Fiolleau et al. (2013) also report that prospective auditors differentiated their proposals by offering a range of fees. The client company ultimately selected the auditor that proposed the lowest fee, despite management and the audit committee explicitly claiming that lowering the fee was not their priority.

In a recent working paper, Baumann et al. (2019) examined the other temporal end of the auditor-relationship, namely when auditors face a tender in the upcoming period. They find that auditors (particularly Big 4 auditors) facing a tender charge higher audit fees but do not

⁵ A recent paper by Barua, Lennox, and Raghunandan (2020) argues that findings of audit fee discounting in initial year audits are attributable to measurement error and that there is in fact no evidence for low-balling.

provide higher quality. In contrast, examining incumbent versus competing auditor behaviors for publicly listed companies, Hallman, Kartapanis, and Schmidt (2022) find incumbents perform higher quality audits and reduce their fees modestly during bidding years. Overall, the research on pricing considerations in the auditor selection process suggests that even though practice guidelines advise that fees should not be the highest priority in auditor selection criteria, auditors strategically price their engagements, and pricing is a relevant factor for company management and audit committees.

Companies frequently cite auditor expertise (i.e., having experienced personnel, specialists, or a critical mass of expert personnel) as the reason for initiating an auditor selection process (see Stefaniak et al., 2009). Expert auditors can help companies compensate for weaknesses in their accounting personnel; for example, Jensen and Payne (2003) find that companies that do not hire internal auditors tend to compensate by selecting external auditors with relatively high levels of industry expertise. Although many studies find an association between auditor choice and auditor expertise, there is little evidence on how companies evaluate this expertise or how auditors distinguish themselves from one another. Audit partners interviewed by Daugherty et al. (2012) indicated that they sometimes need to relocate to maintain industry expertise and continue serving clients in the same industry. Jensen and Payne (2005) report that when entities focus on expertise rather than fees, they are more likely to select a specialist auditor. Conversely, Fiolleau et al. (2013) report that management and the audit committee perceived no differences among the Big 4 audit firms' expertise (see also Free et al., 2021). Nonetheless, the company claimed that depth of expertise was the main attribute driving their search for a new auditor. All auditor proposals also made extensive attempts to convey distinct expertise. Such displays of professionalism might also affect the outlook and presentation of auditors' proposals. In the context of US government audits, Chang and Stone (2019) found some evidence that increased readability of auditors' proposals improved their likelihood of winning

the engagement, although their findings were sensitive to their measurement approaches. Preliminary evidence suggests that Big 4 auditors can potentially distinguish themselves from non-Big 4 auditors through their more extensive PCAOB inspection expertise, which is an attribute that appears to dominate manager's evaluations of auditors during a selection process (Bhaskar et al., 2022).

Research has also looked at the alignment between a company's choice of auditors and comparable companies' choices, suggesting that auditors' expertise from auditing related companies is an input into companies' evaluation of prospective auditors. One consideration for companies is the risk of information spillover between rival firms where the auditor could be the conduit, which leads companies to avoid selecting the auditor of their rival (Aobdia, 2015). This finding contrasts with evidence that more similar peer companies have a greater propensity to select the norm auditor (i.e., the auditor engaged by the greatest proportion of a company's peers) (Li, Sun, and Ettredge, 2017) and to share the same auditor (Bills et al., 2020), suggesting that the benefit of auditor expertise outweighs the risk of information spillover in relevance to evaluating prospective auditors. Research further supports that companies value auditor knowledge of related companies, showing that companies align with their main supplier's Big 4 auditor choice (Corten et al., 2018).

Overall, this body of research indicates that auditors and companies pay attention to audit personnel's technical expertise. However, decision-makers may be unable to differentiate between proposals or lack adequate expert options in their region. Further, one way to discern the auditor's expertise is to consider the auditors of comparable (peer) companies.

[Table 7 around here]

3.1.3.2. *Subjective Criteria: The Individual Engagement Partner and “Fit”*

A few qualitative studies have examined the intangible qualities of organizational fit or alignment between the proposed audit partner and the client company. Audit committees generally consider audit firms (especially the Big 4) to be broadly equivalent, shifting much of their focus from the audit firm to the individual partner (Almer et al., 2014; Beasley et al., 2009; Free et al., 2021). Dodgson et al. (2020) found that management’s (rather than the audit committee’s) preferences for audit partner “chemistry” dominate the client-partner matching evaluations. Consistent with the notion that companies focus on the individual audit partner, Pittman et al. (2022) find that in mandatory partner rotations, partners who have stronger connections with the incumbent are more likely to be appointed as successors, and these strong-connection successors are associated with equal or superior audit quality. Other studies find that audit firms remove an engagement partner with a poor working relationship with the client and replace them with one who is a better match for the client (McCracken et al., 2008; Fiolleau et al., 2013). Fiolleau et al. (2013) report that the audit committee chair spoke with references to gain insights on specific audit partners’ working styles, and the bidding firms sought to align engagement team characteristics with the CFO.

Overall, research suggests that audit firms try to accommodate clients’ preferences for intangible criteria such as “fit” or “chemistry”.⁶ However, the existing literature gives little insight into how such factors actually affect the auditor selection process. For example, do management and audit committee members explicitly account for and communicate about such preferences, or does this affect the selection process unconsciously? How are such considerations incorporated in formal decision-making (e.g., selection criteria, the evaluation of prospective auditors)?

⁶ A related stream of research examines the matching of audit partners and clients based on homophilous preferences (i.e., people’s tendencies to associate with similar others). Such research shows that the selection of specific audit partners increases if they share certain attributes with the client’s top managers and directors, such as ethnicity (Berglund and Eshleman, 2019) and gender (Lee, Nagy, and Zimmerman, 2019).

[Table 8 around here]

3.1.4. Summary and Conclusion: Procurement of Audit Services

Audit practice guidelines and empirical evidence suggest that companies and auditors establish standard procedures for tendering. Using a robust process also improves the chances of selecting a high-quality auditor. However, research shows variation in how companies execute this process, both in terms of how closely they adhere to their established procedures and decision-making processes and the timing of the process. A key area of variation is companies' objective and subjective criteria to evaluate prospective auditors — to which auditors respond. Archival research offers some clues about companies' criteria, namely pricing and expertise. However, field research suggests that subjective criteria and intangible or social qualities matter, and companies might not closely follow their stated priorities when evaluating auditors. The interplay between objective and subjective evaluation criteria in auditor selection seems a fruitful avenue for future research.

Existing research provides very little insight into the features of a winning bid. Fiolleau et al. (2013) report that auditors aim to discern the preferences of the company's key decision-makers and customize their proposals accordingly to distinguish themselves from the competing auditors. The winning auditor in their case study did not have the deepest expertise, but offered the lowest fee, promised the local partner would have decision authority versus national office, featured a tax partner who the company was interested in engaging, and focused on the company's desire to be treated as a star client (a priority expressed by management but not the audit committee). We also have very little evidence about the relative weight of different criteria for auditor selection or how management and audit committees deal with disagreements during this process.

3.2. Parties Involved in the Auditor Selection Process

Both practitioners and academics argue over who should have hiring power, as this could have an influence on the specific choice of the auditor and on auditor behavior.

The selection of an adequate auditor is an important signal from the board to outsiders about their valuation of transparency and financial reporting. Practitioners identify the board's specific roles as being responsible for the audit committee appointment, process oversight, and final recommendation for the shareholder meeting (FEE, 2013; ICAS, 2017; KPMG, 2018). Practitioners recommend the audit committee to be the key or even sole decision-making body (Deloitte, 2016; FRC, 2017; ICAS, 2017; KPMG, 2018). In more and more countries (e.g., Canada, the EU countries, the UK, the US), audit committees are directly responsible for the appointment, compensation, retention, and oversight of the company's auditor, and must be comprised of "independent" directors.⁷ Audit committee requirements, which apply to listed companies and sometimes public interest entities, were introduced in the US with the Sarbanes-Oxley Act in 2002, but only in 2006 for the EU (Statutory Audit Directive, 2006) or 2009 for India (Companies Bill, 2009). Regulators and practitioners also demand at least one financial expert to serve on the audit committee nowadays (KPMG, 2018).

Management should be involved only where appropriate, that is, in an advisory role, to achieve a selection that is 'fit for purpose' (FEE, 2013; KPMG, 2018; FRC, 2017), and audit committees should consider what weight is given to the management's assessment of the audit teams (FRC, 2017). Key influencers could, for example, be the CFO, the Group Financial Controller, and the Head of Internal Audit (Deloitte, 2016; FRC, 2017; ICAS, 2017; KPMG, 2018). Practitioners suggest setting up an auditor selection panel to be responsible for leading and overseeing the whole project and then recommend either one audit firm or a shortlist to the

⁷ Independence in this context is typically understood along the lines of being 'free of material conflict of interest' (EU Recommendation of Feb. 15, 2005). As discussed by Davies and Hopt (2013), the concept of independence in the context of corporate boards is complex and controversial.

board. The board then recommends an auditor for appointment. Lastly, the shareholders vote on the appointment of the auditor (FEE, 2013; ICAS, 2017).

Overall, practitioners and regulators stress the importance of the audit committee in the decision-making, with the involvement of various stakeholders when selecting an auditor. In this section, we discuss the academic literature examining the roles of different stakeholders in the auditor selection process.

3.2.1. Board of Directors and the Audit Committee

Theoretically, the relationship between characteristics of the board of directors, the audit committee, and the external auditor is complex (Cohen, Krishnamoorthy and Wright, 2004) because strong internal corporate governance mechanisms could act as determinants and/or substitutes of high-quality auditing (see, e.g., Abbott and Parker, 2000; Hay, Knechel and Ling, 2008; Jin, Jin, Tian and Xuan, 2021; Srinidhi, He and Firth, 2014). There is substantial empirical evidence that various indicators of strong governance (e.g., larger size, greater independence, more diversity) influence auditor choice to result in a higher quality auditor (for a review, see Habib et al. 2019). For example, there is a lot of evidence showing a positive relation between board independence and a demand for high-quality auditing (e.g., Beasley and Petroni, 2001; Chen and Zhou, 2007; Lee et al. 2004).

Such evidence is consistent with the idea that corporate governance mechanisms impact the auditor selection process. However, there is a remarkable lack of research providing insights into how directors influence the auditor selection process. Likewise, little is known about the mechanisms underlying many of the associations between board characteristics and auditor choice (i.e., how such characteristics affect the way companies select their external auditor). There is some evidence indicating that board members draw from their experiences and network to recommend the appointment of specific audit firms and audit partners, in order

to reduce the uncertainty involved in auditor selection and to protect their reputation capital (Kacanski et al., 2020; Fredriksson et al., 2020).

Contrary to best practices and regulatory demands, considerable evidence exists that audit committee members are heavily influenced by management (e.g., Gendron and Bedard, 2006; Dodgson et al., 2020). Although the audit committee is ultimately responsible for the auditor selection decision (see Dodgson et al. (2020) on regulations and best practices), audit committee independence and influence do not appear to be focal points of concern in practice (Gendron and Bedard, 2006). One respondent in Gendron and Bedard (2006) even mentioned that the audit committee is not involved in the selection process — however, this study took place before the introduction of the aforementioned regulations and guidelines increasing audit committee power. In other cases, they found that audit committee members act as liaisons to the overall board and actively influence auditor selection. Audit committee involvement and oversight may also vary across different types of firms, with Jenkins et al. (2019) providing evidence that audit committees of investment companies oversee audit firm retention and hiring decisions substantially. Conversely, audit committees of public companies perform a more ceremonial role. Nonetheless, some evidence exists that firms with an audit committee select industry specialist lead partners with a large number of clients, having a positive impact on audit quality (Kao, Shiue, and Teng, 2021). Furthermore, audit committees can increase their involvement and become more active in the first year of an audit engagement (Kalelkar, 2016). In addition, audit committees can help safeguard the board's reputation capital (Fredriksson et al., 2020) and provide positive signals to investors when given high appointment power (Gold et al., 2018), although the latter appears to only be the case when mandatory rotation or tendering is present.

According to Habib et al. (2019, p. 316), '[v]ery little research has been done on the impact of independence, financial expertise, and the interlocking of audit committee members on the

appointment of high-quality auditors.' Nevertheless, quite some evidence seems to exist that links audit committee characteristics to auditor choice. For example, audit committee independence, size, and activeness are associated with the demand for high-quality auditing, as evidenced by their hiring of Big 4 auditors (Chen and Zhou, 2007) and industry specialist auditors (Abbott and Parker, 2000. Moreover, some evidence also shows that independence reduces the impact of social ties (Lennox and Park, 2007; Abbott et al., 2016; but see Dhaliwal et al., 2015) and influences shareholder's ratification actions (Raghunandan and Rama, 2003). Arguably, this is due to more independent audit committees being 'more likely to exert greater effort working with the firm's auditor, thus reducing hidden audit risks' (Lee et al., 2004). Likewise, busy and foreign audit committee members are more likely to hire non-Big 4 auditors (Almaqoushi and Powell, 2021). Downes et al. (2021) posit, by investigating voluntary disclosures, that audit committee activity and involvement in the audit partner selection process could lead to selecting a more rigorous partner, resulting in higher audit quality. Further, audit committees with female directors choose higher-quality auditors, especially when these directors are independent or more financially experienced (Lai, Srinidhi, Gul, and Tsui, 2017; Oradi and Izadi, 2019). Finally, there is much evidence to support the regulatory demand for financial expertise in the audit committee, with financial expertise being associated with a host of positive outcomes related to auditor selection and retention (Abbott et al., 2018; Blouin et al., 2007; Chen and Zhou, 2007; Krishnan and Ye, 2005). A recent paper by Baugh, Hallam, and Kachelmeier (2021) shows that audit committees without Big 4 working experience are more likely to engage attractive audit partners. Their results suggest that an important mechanism through which audit committees impact the auditor selection process is by bringing knowledge and experience to the table that allows the selection committee to differentiate auditors based on relevant and meaningful considerations (e.g., auditing philosophy) instead of relying on superficial cues (e.g., attractiveness).

Putting the audit committee in charge of the auditor selection, in general, leads to clients choosing higher-quality auditors and signaling higher objectivity, even when management is heavily involved. As noted by Gold et al. (2018, p.84), ‘[t]he auditor selection process and audit committee appointment power are considered complements, not substitutes in enhancing audit quality.’ How the specific perceptions of external stakeholders are altered is still unclear. Furthermore, there is much evidence that audit committee characteristics (i.e., independence, magnitude, busyness, origin, and diversity) can shape auditor selection. Nonetheless, the specific responsibilities and actions performed and why particular characteristics influence the process are under-investigated. Acknowledging the part audit committees play in the selection process and whether it differs from practitioner best practices and regulatory decisions remains a topic to investigate.

Boards have an important signaling function toward the firms’ stakeholders, evidenced by the various characteristics such as independence and reputation leading to hiring higher quality auditors. Practitioners suggest boards install an audit committee and, after the selection panel recommendation, endorse the choices towards shareholders. However, the board’s influence on the auditor selection process outside forming the audit committee is somewhat unclear.

[Table 9 around here]

3.2.2. Managerial Influence

Much evidence in the literature shows that management is still the most influential body in the auditor selection process (Beasley et al., 2009; Cohen, Krishnamoorty, and Wright, 2010; Dhaliwal et al., 2015; Fiolleau, 2013; Gendron and Bedard, 2006; Taminiau and Heusinkveld, 2017). CFOs often retain substantial power over auditors (Dao et al., 2012; Fiolleau et al., 2013) and may even control auditor negotiation interactions (Beck and Mauldin, 2014). As a respondent in Jenkins et al. (2019) mentioned, management must make the call because

“management works with them on a day-to-day basis”. Overall, management is heavily involved in auditor selection decisions (Cohen et al., 2010; Fatemi, 2012). In group audit scenarios, the management of the parent company influences the auditor selection of the subsidiary company (Branson and Breesch, 2004), as does the auditor of the parent company (Downey and Westermann 2021). In contrast to the preceding studies, Jenkins et al. (2019) found that the influence of management only holds in public companies, not investment companies. Further, their results suggest that this effect is more substantial when the CEO plays a dominant role on the board.

Plenty of evidence exists that shifting the auditor hiring decision toward management lowers audit quality. This can be due to the desire for flexibility in reporting (Hurley, Mayhew, Obermire, and Tegeler, 2021) or the reduction in audit committee independence (Berglund et al., 2022). Additionally, managers are more likely to appoint auditors with whom they were formally affiliated (Dhaliwal et al., 2015) or are currently connected (Yu et al., 2020).⁸ Yu et al. (2020) noticed a decrease in audit quality when hiring connected auditors. Furthermore, some evidence has been found that governmental interventions limiting management influence can improve audit quality (Chi, Lisic, Long, and Wang, 2013). Conversely, Dhaliwal et al. (2015) found that companies hiring affiliated auditors are less likely to receive going-concern opinions but no more likely to meet or beat analyst forecasts or to have higher abnormal accruals.

Several studies highlight the continuing involvement of management in the auditor selection process, even if the responsibility formally lies with the audit committee. This casts doubt on the effectiveness of many regulatory reforms that were intended to reduce management influence. As noted by Fiolleau et al. (2013, 865): ‘If management, with private

⁸ The terms *affiliation* and *connection* refer to any situation in which there are network ties between an auditor and a firm. Such ties can exist, for example, because of former employment (e.g., a manager who previously worked for an audit firm), corporate experiences (e.g., a director of a firm serving as an outside director for another firm), or shared backgrounds and experiences (e.g., school ties, family ties).

information and interests, continues to have substantial influence over hiring the auditor, the regulatory reforms for audit firm rotation and audit committee empowerment are likely to be ineffective.' Questions that remain open include how management precisely exercises its influence throughout the selection process and how this interacts with auditors' ability to challenge management and remain independent.

[Table 10 around here]

3.2.3. Shareholder Voting

Experimental evidence suggests that permitting investors greater say in auditor selection increases both the demand for high-quality auditing and audit quality itself. Specifically, transferring the power to hire and fire the auditor from managers to investors reduces objectivity violations (Fatemi, 2012; Mayhew and Pike, 2004), suggesting increased auditor independence. Replacing auditors' economic accountability to managers with psychological accountability to investors also increases audit quality (Hurley, Mayhew, and Obermire, 2019). It therefore appears that "that auditors' interpretation of information they acquire from investigations is affected by the placement of hiring responsibility" (Fatemi, 2012, p. 91).

In the EU, Directive 2006/43/EC delegated the final responsibility for appointing the auditor to the shareholders (or members of the general meeting in the case of private companies). In the US, no such legal requirement exists, but it is considered good corporate governance practice to ask shareholders to ratify the auditor selected by the audit committee. Such shareholder voting on auditor ratification can be considered a monitoring mechanism, increasing auditors' accountability towards shareholders by enlarging the latter's role in the auditor selection process (Dao et al., 2012; Kirshnan and Ye, 2005). Consistent with the earlier discussed experimental evidence, Dao et al. (2012) provide some evidence from the US audit

market that shareholder ratification is associated with lowers abnormal accruals and a reduction of restatements.

Shareholder voting on auditor ratification has become a common practice among public companies in the US (ACAP, 2008; Cunningham, 2016). Companies are more likely to seek shareholder ratification when they are larger, have more financial expertise on their audit committee, have a Big 4 auditor, purchase more non-audit services, are audited by the same auditor for longer periods, and when shareholder satisfaction with the board is higher (Dao et al., 2008; Krishnan and Ye, 2005; Tanyi and Cathey, 2020). When companies seek shareholder approval on auditor selection, shareholders hardly ever vote against the recommended auditor.⁹ Raghunandan and Rama (2003) suggest that this is because of the large audit firms' good reputations, shareholders' lack of ability to distinguish auditors from one another, and shareholders' belief that their actions will not make much of a difference. This may seem to suggest that shareholder voting on auditor ratification is inconsequential, but research shows that even small increases in the proportion of votes against ratification lead to questions from the audit committee (Dao et al., 2008), subsequent auditor dismissals (Barua et al., 2017; Tanyi and Roland, 2017), and subsequent auditor effort and audit quality (Tanyi, Rama, Raghunandan, and Martin, 2020). Further, there is evidence that the proportion of votes against the auditor increases with the ratio of non-audit fees (Raghunandan, 2003; Raghunandan and Rama, 2003; Mishra, Raghunandan, and Rama, 2005; Tanyi and Cathey, 2020), longer auditor tenures (i.e., 15 or more years) (Dao et al., 2008; Dunn et al., 2021; Tanyi and Cathey, 2020; Tanyi, Rama, and Raghunandan, 2021), when the auditor is a non-Big 4 firm (Tanyi and Cathey, 2020), when there are signs of poor audit quality (e.g., adverse audit opinions,

⁹ Existing research reports that, on average, the rate of shareholders voting against the auditor is only around 2-3% (Barua et al., 2017; Cunningham, 2017; Dao et al., 2008; Raghunandan and Rama, 2003). Some anecdotal evidence, however, suggests that the proportion of votes against auditor ratification is on the rise recently, with some instances where 25% or more of the shareholders voted against (Audit Analytics, 2021; The Wall Street Journal, 2022).

restatements) (Hermanson et al., 2009; Liu, Raghunandan, and Rama, 2009; Tanyi and Cathey, 2020; Tanyi, Rama, and Raghunandan, 2021), and when proxy advisors recommend voting against (Cunningham, 2017; Tanyi and Cathey, 2020). Recommendations by proxy advisors are mainly driven by concerns about auditor independence and audit quality (Cunningham, 2017).

Simply looking at shareholders' votes against auditor ratification would suggest that shareholder voting is a mere formality. However, shareholders' involvement seems to shape the auditor selection process well before voting. There is strong evidence that shareholder voting increases audit quality. Additionally, research suggests that votes against auditor ratification mainly stem from concerns about auditor independence and poor audit quality. An exciting venue for future research is to look at when and how shareholders impact the auditor selection process most.

[Table 11 around here]

3.2.4. Government/State Decision Authority

Regulatory reforms have reduced the influence of management on the auditor selection process over the last few decades (by empowering audit committees and shareholders). Auditors, however, continue to be hired and paid by the companies they audit, which 'creates an inherent conflict of interests' (Gavious 2007, p. 451). According to some, this tension can only be solved by introducing a system in which the hiring and firing of auditors is taken away from companies (e.g., Dontoh et al. 2004; van Brenk et al. 2020).

Two archival studies have exploited specific institutional settings to examine what happens if auditors are not appointed by their auditees. Specifically, the regulatory authority designates auditors for firms that are deemed "problematic" (i.e., firms with strong incentives and/or great potential for opportunistic earnings management) in Korea and for state-owned enterprises

ultimately controlled by the central government (CSOEs) in China. Firms with designated auditors have been found to be associated with lower levels of discretionary accruals, both in Korea (Kim and Yi 2009) and China (Chi et al. 2013). Although both studies are based on relatively large samples, they provide only very indirect evidence on the potential benefits of limiting management's influence over the auditor selection process because they rely on data from very specific subsets of firms. A quasi-experimental study by Shim et al. (2020) provides corroborating evidence that auditor designation by the Korean regulator leads to less aggressive auditor decisions. Similarly, an experiment by Tang, Ruan, and Yang (2017) among Chinese auditors shows that regulatory designation of auditors improves their independence.

Conversely, German management representatives and supervisory board members do not expect auditor appointments by an independent regulator to increase the benefits of audits, such as client-specific expertise and knowledge, professional competence and expertise, independence, professional skepticism, and reputation (Ruhnke and Schmidt, 2016). This casts light on different views in different regulatory regimes. Further, governments may have thorough (political) ties with companies within the market, which may impact the auditor selection process. Some evidence indeed suggests that the termination of corporate political connections (He et al., 2017), governmental influence through shareholdings (Bagherpour, Monroe, and Shailer, 2014), and having militarily-connected directors (Harymawan, 2020) influence auditor selection.

There is some evidence that governmental auditor designation increases audit quality. However, most research on this topic comes from stringent regulatory environments, so it is unclear if this generalizes to other markets. These issues were also raised by Ruhnke and Schmidt (2016) and leave opportunities for further research. Governments can also influence the auditor selection process through other ways, such as political connections, shareholdings,

and militarily-connected auditors. The limited number of studies looking into this issue and the specificity of their research settings should make use careful to generalize these results.

[Table 12 around here]

3.2.5. Summary and Conclusion: Parties Involved in Auditor Selection

Practitioners and regulators suggest the audit committee should be the most important or even sole decision-maker in the auditor selection process (SOX, 2002; FEE, 2013; KPMG, 2018; FRC, 2017). In practice, however, management is the key player driving this process, and the audit committee often plays only a minor role (e.g., Fiolleau et al., 2013; Cohen et al., 2010). The existing evidence suggests that managerial influence is associated with lower audit quality and that “good” audit committees improve audit quality. Hence, future research should investigate if audit committee involvement can be increased and if the adverse effects of management influence can be overcome. Shareholder involvement also seems to improve audit quality, so it seems worthwhile to explore when and how shareholders have the most impact on the auditor selection process. Field studies and experiments seem appropriate to address such questions. Further, more research seems needed on the potential benefits of moving auditor selection out of the hands of the audited companies. It is currently unclear if these benefits are due to the peculiarities of the Chinese and Korean settings or if they generalize to less strictly regulated markets. Finally, there is clear evidence that clients prefer connected auditors.

There is extensive research on all parties involved in the auditor selection process, and we have a fairly good understanding of the characteristics that make up a good audit committee, the characteristics of management that matter, etc. However, research looking at these parties’ exact role and how they interact with each other during this selection process is remarkably limited. For example, it is unclear what drives audit committee involvement, how limited audit

committee involvement is justified (by audit committee members themselves as well as by management) against the backdrop of regulatory requirements and best practice guidelines, or how disagreements between and within different parties are resolved.

3.3. Auditor-Client Relationship Dynamics

Auditor changes (due to audit firm or audit partner rotations) are known to be disruptive to the audit in the early years of tenure (e.g., lower audit quality and reduced efficiency) (Bell, Causholli, and Knechel 2015; Cameran et al., 2015; Daugherty et al., 2012; Gipper et al., 2021). For example, partners interviewed by Daugherty et al. (2021) reported a two- to three-year familiarization period before becoming fully effective on new engagements. Goddard and Schmidt (2021) report that board members perceive the tendering process as costly, they feel skeptical of auditors' pricing strategy of initial low-balling, then they feel deceived by subsequent extra auditor billing that auditors attribute to unforeseen factors. Unsurprisingly, audit firms dedicate resources to minimize disruptions around initial appointments and carefully manage rotations (Dodgson et al., 2020; Gipper et al., 2021). These findings also help explain why client companies may follow their audit engagement partner when that partner changes to another audit firm (Blouin et al., 2007; Chen, Su and Wu, 2009; Chang et al., 2019). These observations highlight that the auditor selection process is not merely an exercise in identifying the most experienced and best-qualified auditor. Auditor-client dynamics and relationship building are equally important (cf. section 3.1.3.2).

Several authors have argued that auditor selection and rotation processes are not a single discrete event that culminates in the appointment of a new auditor and the start of a new audit engagement (Fiolleau et al., 2013; Dodgson et al., 2020; Gipper et al., 2021). Instead, an audit engagement should be considered a continuation of agreements and dynamics established between the company and the auditor during the selection process, either implicitly or explicitly. Both Dodgson et al. (2020) and Gipper et al. (2021) examined how audit firms

manage audit partner transitions under the mandated five-year rotation requirements in the US. These studies provide evidence that audit partner transitions are disruptive to both clients and auditors and, therefore, carefully planned and managed by the audit firms long before the mandatory rotation is due. Incoming partners often undergo an extensive screening and selection process (accounting for clients' preferences and expectations). Incoming partners also invest significant time and resources "shadowing" the outgoing partner well before the actual rotation date to get up to speed on the engagement and build a relationship with the client, especially for larger and more complex clients. For smaller clients, auditors smooth the transition by spending more time on the audit during the initial years after a rotation. Moreover, Dodgson et al. (2020) indicate that auditors remain committed to maintaining favorable working relationships with their clients after partner rotation. For example, they have a client service partner check in with the client after rotation.

The importance of the working relationship between management and engagement partner is also apparent in the study by Fiolleau et al. (2013), where dissatisfaction with the audit partner motivated the search for a new auditor. Their study also further illustrates the importance of auditor-client dynamics and relationship building prior to the start of an engagement. In their setting, which is likely common for larger companies, all bidding auditors had working relationships with the client both before and after the audit tender process. In their proposals, the auditors also tried to convey commitment to the client (e.g., by signaling willingness to relocate audit personnel).

Overall, these studies suggest ample time and opportunity for interaction and relationship management before the auditor selection process is concluded and before the start of the actual audit engagement. How this affects auditor behavior and audit outcomes is largely unknown. In an experimental setting, Bowlin et al. (2015) found that in a mandatory rotation setting, auditors' opportunity to interact informally with management reduced audit effort and made

them less skeptical about management representations (e.g., explanations for unusual fluctuations observed during analytical review). Recent studies have started to look into the management involved in audit firm and partner transitions, but many questions remain unanswered. For example, does the extent of audit committee involvement in auditor selection and rotation decisions impact auditor-client dynamics and relationship building? If audit firms cater to managements' preferences for specific partners, how does this affect these partners' ability to maintain their independence?

[Table 13 around here]

4. CONCLUSION

This paper offers a systematic overview of the literature on the auditor selection process. Reflecting the long-lasting debate about who should have the power to appoint the auditor, there is relatively extensive literature on the different parties involved in the auditor selection process (i.e., the board of directors, audit committee, management, shareholders, and the government). Overall, the evidence suggests that the involvement of audit committees, shareholders, and governments in the selection process leads to the appointment of higher-quality auditors. At the same time, these actors perceive little differentiation between auditors, especially among the Big 4 audit firms. These observations raise questions about how their involvement in the selection process shapes the timing, procedures, and decision-making processes that eventually lead to the appointment of the auditor.

A much smaller number of (mostly field) studies have investigated clients' tender processes. Results of these studies show significant discrepancies between tangible, 'objective' criteria identified by archival studies as essential inputs of the auditor selection process and more intangible, 'subjective' criteria. Specifically, these studies highlight that the focus during the auditor selection process is often on the individual audit partner rather than the audit firm.

This is remarkable given that this is typically left unmentioned in evaluation practice guidelines and regulatory discussions. Moreover, recent research suggests that such intangible criteria also continue to play a role after the appointment of a new auditor. They are an important feature of the auditor-client relationship, a relationship that audit firms carefully plan and manage.

A challenge in synthesizing the evidence on the topic of the auditor selection process is bridging the chasm between relevant archival studies, which infer the process from externally observable characteristics of the auditor and company, and field studies, which provide detailed descriptions but are limited in being able to identify which factors had relatively more or less influence on the process and outcome. Also note that we applied judgment to our inclusion and exclusion criteria when deeming which studies have relevant evidence on the auditor selection process. Furthermore, as a result of the choices made in our search strategy, some relevant studies might have been missed, due to e.g. being published in lower-rated journals, not being available on Web of Science, not including our search terms or not having an abstract.

In sum, despite its importance, we know relatively little about the process by which companies select their auditor, especially compared to our knowledge about the demand for auditing, auditor choice, and auditor switching; in other words, the impetus and outcomes of this process. A challenge of investigating the auditor selection process is the limited access to data on actual practices. Because client companies are not required to publicly disclose information on how an auditor is being selected (Gold et al., 2018), much remains unknown about the auditor selection process. Throughout this review, we developed research questions related to the different elements of the auditor selection process to advance our knowledge further (see Table 1).

REFERENCES

Abbott, L. J., Brown, V. L., & Higgs, J. L. (2016). The Effects of Prior Manager-Auditor Affiliation and PCAOB Inspection Reports on Audit Committee Members' Auditor Recommendations. *Behavioral Research in Accounting*, 28(1), 1-14. <https://doi.org/10.2308/bria-51314>

Abbott, L. J., Buslepp, W., & Notbohm, M. (2018). The audit market effects of disputing a GAAP-deficient PCAOB inspection report. *Advances in Accounting*, 41(C), 126-140. <https://doi.org/10.1016/j.adiac.2018.03.001>

Abbott, L. J., & Parker, S. (2000). Auditor Selection and Audit Committee Characteristics. *Auditing: A Journal of Practice & Theory*, 19(2), 47-66. <https://doi.org/10.2308/aud.2000.19.2.47>

Advisory Committee on the Auditing Profession (ACAP). 2008. Final Report of the Advisory Committee on the Auditing Profession to the U.S. Department of the Treasury. (October 6). Available at: <https://www.treasury.gov/about/organizational-structure/offices/Documents/final-report.pdf>

Aghazadeh, S., Brown, J. O., Guichard, L., & Hoang, K. (2022). Persuasion in Auditing: A Review Through the Lens of the Communication-Persuasion Matrix. *European Accounting Review*, 31(1), 145-172. <https://doi.org/10.1080/09638180.2020.1863243>

AICPA. (2018). Hiring a Quality Auditor. Available at: <https://us.aicpa.org/content/dam/aicpa/interestareas/privatecompaniespracticesection/qualityservicesdelivery/keepingup/downloadabledocuments/hiring-a-quality-auditor.pdf>

Allam, A., Ghattas, N., Kotb, A., & Eldaly, M. K. (2017). Audit Tendering in the UK: A Review of Stakeholders' Views. *International Journal of Auditing*, 21(1), 11-23. <https://doi.org/10.1111/ijau.12076>

Almaqoushi, W., & Powell, R. (2021). Audit committee quality indices, reporting quality and firm value. *Journal of Business Finance & Accounting*, 48(1-2), 185-229. <https://doi.org/10.1111/jbfa.12478>

Almer, E. D., Philbrick, D. R., & Rupley, K. H. (2014). What Drives Auditor Selection? *Current Issues in Auditing*, 8(1): A26–A42. <https://doi.org/10.2308/ciia-50779>

Andiola, L. M., Bedard, J. C., & Hux, C. T. (2017). Writing an effective literature review in behavioral accounting. In T. Libby & L. Thorne (Eds.), *The Routledge Companion to Behavioral Accounting Research*. (pp.473–485). Routledge Taylor & Francis Group

Aobdia, D. (2015). Proprietary information spillovers and supplier choice: evidence from auditors. *Review of Accounting Studies*, 20(4), 1504-1539. <https://doi.org/10.1007/s11142-015-9327-x>

Aobdia, D. (2018). The Impact of the PCAOB Individual Engagement Inspection Process—Preliminary Evidence. *The Accounting Review*, 93(4), 53-80. <https://doi.org/10.2308/accr-51948>

Audit Analytics (2021). A Closer Look at Votes Against Auditor Ratification – 2020. Retrieved June 27, 2022, from <https://blog.auditanalytics.com/a-closer-look-at-votes-against-auditor-ratification-2020/>

Audit Analytics (2022). Auditor changes database: Audit analytics. Retrieved May 5, 2022, from <https://www.auditanalytics.com/products/sec/auditor-changes>

Ayres, D. R., Neal, T. L., Reid, L. C., & Shipman, J. E. (2019). Auditing Goodwill in the Post-Amortization Era: Challenges for Auditors. *Contemporary Accounting Research*, 36(1), 82-107. <https://doi.org/10.1111/1911-3846.12423>

Bagherpour, M. A., Monroe, G. S., & Shailer, G. (2014). Government and managerial influence on auditor switching under partial privatization. *Journal of Accounting and Public Policy*, 33(4), 372-390. <https://doi.org/10.1016/j.jaccpubpol.2014.04.004>

Barua, A., Raghunandan, K., & Rama, D. V. (2017). Shareholder Votes on Auditor Ratification and Subsequent Auditor Dismissals. *Accounting Horizons*, 31(1), 129-139. <https://doi.org/10.2308/acch-51512>

Baugh, M., Hallman, N. J., & Kachelmeier, S. J. (2022). A Matter of Appearances: How Does Auditing Expertise Benefit Audit Committees When Selecting Auditors? *Contemporary Accounting Research*, 39(1), 234-270. <https://doi.org/10.1111/1911-3846.12736>

Barua, A., Lennox, C., & Raghunandan, A. (2020). Are audit fees discounted in initial year audit engagements? *Journal of Accounting and Economics*, 69(2), 101282. <https://doi.org/10.1016/j.jacceco.2019.101282>

Baumann, M., Ratzinger-Sakel, N. V. S., & Tiedemann, T. (2019). Pricing Strategies of Big4 and Non-Big4 Auditors in the Light of Audit Tendering. Working paper. Available at SSRN: <https://ssrn.com/abstract=3342408> or <http://dx.doi.org/10.2139/ssrn.3342408>

Beasley, M. S., Carcello, J. V., Hermanson, D. R., & Neal, T. L. (2009). The Audit Committee Oversight Process. *Contemporary Accounting Research*, 26(1), 65-122. <https://doi.org/10.1506/car.26.1.3>

Beasley, M. S., & Petroni, K. R. (2001). Board Independence and Audit-Firm Type. *Auditing: A Journal of Practice & Theory*, 20(1), 97-114. <https://doi.org/10.2308/aud.2001.20.1.97>

Beck, M. J., & Mauldin, E. G. (2014). Who's Really in Charge? Audit Committee versus CFO Power and Audit Fees. *The Accounting Review*, 89(6), 2057-2085. <https://doi.org/10.2308/accr-50834>

Bell, T. B., Causholli, M., & Knechel, W. R. (2015). Audit Firm Tenure, Non-Audit Services, and Internal Assessments of Audit Quality. *Journal of Accounting Research*, 53(3), 461-509. <https://doi.org/10.1111/1475-679X.12078>

Berglund, N. R., Draeger, M., & Sterin, M. (2022). Management's Undue Influence over Audit Committee Members: Evidence from Auditor Reporting and Opinion Shopping. *Auditing: A Journal of Practice & Theory*, 41(1), 49-74. <https://doi.org/10.2308/AJPT-2020-054>

Berglund, N. R., & Eshleman, J. D. (2019). Client and audit partner ethnicity and auditor-client alignment. *Managerial Auditing Journal*, 34(7), 835-862. <https://doi.org/10.1108/MAJ-10-2018-2036>

Bhaskar, L.S., Carlisle, M., Hux, C., & Zimmerman, A. (2021). How Does an Audit Partner's Perceived Technical Expertise and Objectivity Impact the Audit Partner Selection Process? Experimental Evidence on Managers' Recommendations. Working Paper. Available at SSRN: <https://ssrn.com/abstract=3612296> or <http://dx.doi.org/10.2139/ssrn.3612296>

Bills, K. L., Cobabe, M., Pittman, J., & Stein, S. E. (2020). To share or not to share: The importance of peer firm similarity to auditor choice. *Accounting, Organizations and Society*, 83, 1-24. <https://doi.org/10.1016/j.aos.2020.101115>

Blouin, J., Grein, B. M., & Rountree, B. R. (2007). An Analysis of Forced Auditor Change: The Case of Former Arthur Andersen Clients. *The Accounting Review*, 82(3), 621-650. <https://doi.org/10.2308/accr.2007.82.3.621>

Boon, K., Crowe, S., McKinnon, J., & Ross, P. (2005). Compulsory Audit Tendering and Audit Fees: Evidence from Australian Local Government. *International Journal of Auditing*, 9(3), 221-241. <https://doi.org/10.1111/j.1099-1123.2005.00288.x>

Bowlin, K. O., Hobson, J. L., & Piercy, M. D. (2015). The Effects of Auditor Rotation, Professional Skepticism, and Interactions with Managers on Audit Quality. *The Accounting Review*, 90(4), <https://doi.org/10.2308/accr-51032>

Branson, J., & Breesch, D. (2004). Referral as a determining factor for changing auditors in the Belgian auditing market: An empirical study. *The International Journal of Accounting*, 39(3), 307-326. <https://doi.org/10.1016/j.intacc.2004.06.001>

Brown, S. V., & Knechel, W. R. (2016). Auditor-Client Compatibility and Audit Firm Selection. *Journal of Accounting Research*, 54(3), 725-775. <https://doi.org/10.1111/1475-679X.12105>

Cameran, M., Francis, J. R., Marra, A., & Pettinicchio, A. (2015). Are There Adverse Consequences of Mandatory Auditor Rotation? Evidence from the Italian Experience. *Auditing: A Journal of Practice & Theory*, 34(1), 1-24. <https://doi.org/10.2308/ajpt-50663>

Cassell, C. A., Hansen, J. C., Myers, L. A., & Seidel, T. A. (2020). Does the Timing of Auditor Changes Affect Audit Quality? Evidence From the Initial Year of the Audit Engagement. *Journal of Accounting, Auditing & Finance*, 35(2), 263-289. <https://doi.org/10.1177/0148558X17726241>

Chang, W.-C., Choy, H. L., Lin, H.-Y., & Koo, M. (2019). The Determinants and Effects of Clients Following Audit Partners Who Switch Audit Firms. *European Accounting Review*, 28(3), 541-571. <https://doi.org/10.1080/09638180.2018.1509014>

Chen, C. J. P., Su, X., & Wu, X. (2009). Forced Audit Firm Change, Continued Partner-Client Relationship, and Financial Reporting Quality. *Auditing: A Journal of Practice & Theory*, 28(2), 227-246. <https://doi.org/10.2308/aud.2009.28.2.227>

Chen, K. Y., & Zhou, J. (2007). Audit Committee, Board Characteristics, and Auditor Switch Decisions by Andersen's Clients. *Contemporary Accounting Research*, 24(4), 1085-1117. <https://doi.org/10.1506/car.24.4.2>

Chi, W., Lusic, L. L., Long, X., & Wang, K. (2013). Do regulations limiting management influence over auditors improve audit quality? Evidence from China. *Journal of Accounting and Public Policy*, 32(2), 176-187. <https://doi.org/10.1016/j.jacccpubpol.2013.02.001>

Cohen, J., Krishnamoorty, G., & Wright, A. (2004). The corporate governance mosaic and financial reporting quality. *Journal of Accounting Literature*, 23, 87-152., Available at SSRN: <https://ssrn.com/abstract=1086743>

Cohen, J., Krishnamoorty, G., & Wright, A. (2010). Corporate Governance in the Post-Sarbanes-Oxley Era: Auditors' Experiences. *Contemporary Accounting Research*, 27(3), 751-786. <https://doi.org/10.1111/j.1911-3846.2010.01026.x>

Corten, M., Steijvers, T., & Lybaert, N. (2018). Auditor choice in private firms: a stakeholders perspective. *Managerial Auditing Journal*, 33(2), 146-170. <https://doi.org/10.1108/MAJ-03-2017-1535>

Cunningham, L. M. (2016). Auditor Ratification: Can't Get No (Dis)Satisfaction. *Accounting Horizons*, 31(1), 159-175. <https://doi.org/10.2308/acch-51652>

Dao, M., Mishra, S., & Raghunandan, K. (2008). Auditor Tenure and Shareholder Ratification of the Auditor. *Accounting Horizons*, 22(3), 297-314. <https://doi.org/10.2308/acch.2008.22.3.297>

Dao, M., Raghunandan, K., & Rama, D. V. (2012). Shareholder Voting on Auditor Selection, Audit Fees, and Audit Quality. *The Accounting Review*, 87(1), 149-171. <https://doi.org/10.2308/accr-10159>

Daugherty, B. E., Dickins, D., Hatfield, R. C., & Higgs, J. L. (2012). An Examination of Partner Perceptions of Partner Rotation: Direct and Indirect Consequences to Audit Quality. *AUDITING: A Journal of Practice & Theory*; 31 (1): 97–114 <https://doi.org/10.2308/ajpt-10193>

Davies, P. L., & Hopt, K. J. (2013). Corporate Boards in Europe—Accountability and Convergence. *The American Journal of Comparative Law*, 61(2): 301-375. Available at SSRN: <https://ssrn.com/abstract=2212272>

DeFond, M. L., & J. Zhang (2014). A Review of Archival Auditing Research. *Journal of Accounting and Economics*, 58(2-3): 275-326. <https://doi.org/10.1016/j.jacceco.2014.09.002>

Deloitte. (2016). Audit Tendering: the Evolution. Available at: https://www2.deloitte.com/content/dam/Deloitte/za/Documents/audit/za_Audit_Tendering_2016.pdf

Dhaliwal, D. S., Lamoreaux, P. T., Lennox, C. S., & Mauler, L. M. (2015). Management Influence on Auditor Selection and Subsequent Impairments of Auditor Independence during the Post-SOX Period. *Contemporary Accounting Research*, 32(2), 575-607. <https://doi.org/10.1111/1911-3846.12079>

Dodgson, M. K., Agoglia, C. P., Bennett, G. B., & Cohen, J. R. (2020). Managing the Auditor-Client Relationship Through Partner Rotations: The Experiences of Audit Firm Partners. *The Accounting Review*, 95(2), 89-111. <https://doi.org/10.2308/accr-52556>

Dontoh, A., Radhakrishnan, S., & Ronen, J. (2004). The Declining Value-relevance of Accounting Information and Non-Information-based Trading: An Empirical Analysis*. *Contemporary Accounting Research*, 21(4), 795-812. <https://doi.org/10.1506/J6P4-2UYP-HFXY-RBT1>

Downes, J. F., Draeger, M. A., & Sadler, A. E. (2021). Does Audit Committee Disclosure of Partner-Selection Involvement Signal Greater Audit Quality? *Accounting Horizons*, 36(1), 49-75. <https://doi.org/10.2308/HORIZONS-2020-080>

Dunn, R. T., Lundstrom, N. G., & Wilkins, M. S. (2021). The Impact of Mandatory Auditor Tenure Disclosures on Ratification Voting, Auditor Dismissal, and Audit Pricing. *Contemporary Accounting Research*, 38(4), 2871-2917. <https://doi.org/10.1111/1911-3846.12708>

Elder, R. J., & Yebba, A. A. (2020). The Introduction of State Regulation and Auditor Retendering in School Districts: Local Audit Market Structure, Audit Pricing, and Internal Controls Reporting. *AUDITING: A Journal of Practice & Theory*, 39(2), 81-115. <https://doi.org/10.2308/CIIA-2019-506>

European Parliament (2006). Directive 2006/43/EC of the European Parliament and of the Council. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02006L0043-20140616>

Fatemi, D. J. (2012). An Experimental Investigation of the Influence of Audit Fee Structure and Auditor Selection Rights on Auditor Independence and Client Investment Decisions. *Auditing: A Journal of Practice & Theory*, 31(3), 75-94. <https://doi.org/10.2308/ajpt-10289>

Federation of European Accountants (FEE). (2013). Auditor Selection: Towards Best Practices. Available at: https://www.kacr.cz/data/pdf/FEE_Auditor%20Selection.pdf?v=02

Federation of European Accountants (FEE). (2016). 4 steps to a more effective process. Available at: <https://www.accountancyeurope.eu/publications/auditor-selection-4-steps-effective-process/>

Free, C., Trotman, A. J., & Trotman, K. T. (2021) How Audit Committee Chairs Address Information-Processing Barriers. *The Accounting Review*, 96(1): 147–169. <https://doi.org/10.2308/tar-2018-0379>

Financial Reporting Council (FRC). (2017). Audit Tenders: Notes on Best Practice. Available at: https://www.frc.org.uk/getattachment/53c85956-d712-47d2-989f-2f8eff42be29/Audit-Tenders_notes-on-best-practice-Feb-2017.pdf

Fiolleau, K., Hoang, K., Jamal, K., & Sunder, S. (2013). How Do Regulatory Reforms to Enhance Auditor Independence Work in Practice? *Contemporary Accounting Research*, 30(3), 864-890. <https://doi.org/10.1111/1911-3846.12004>

Fredriksson, A., Kiran, A., & Niemi, L. (2020). Reputation Capital of Directorships and Demand for Audit Quality. *European Accounting Review*, 29(5), 901-926. <https://doi.org/10.1080/09638180.2020.1724550>

Gavious, I. (2007). Alternative perspectives to deal with auditors' agency problem. *Critical Perspectives on Accounting*, 18(4), 451-467. <https://doi.org/10.1016/j.cpa.2006.01.011>

Gendron, Y., & Bédard, J. (2006). On the constitution of audit committee effectiveness. *Accounting, Organizations and Society*, 31(3), 211-239. <https://doi.org/10.1016/j.aos.2005.03.002>

Gipper, B., Hail, L., & Leuz, C. (2021). On the Economics of Mandatory Audit Partner Rotation and Tenure: Evidence from PCAOB Data. *The Accounting Review*, 96(2), 303-331. <https://doi.org/10.2308/tar-2018-0347>

Goddard, F., & Schmidt, M. (2021). Exploratory insights into audit fee increases: A field study into board member perceptions of auditor pricing practices. *International Journal of Auditing*, 25(3), 637– 660. <https://doi.org/10.1111/ijau.12242>

Gold, A., Klynsmit, P., Wallage, P., & Wright, A. M. (2018). The Impact of the Auditor Selection Process and Audit Committee Appointment Power on Investment Recommendations. *AUDITING: A Journal of Practice & Theory*, 37(1), 69-87. <https://doi.org/10.2308/ajpt-51808>

Habib, A., Wu, J., Bhuiyan, M. B. U., & Sun, X. (2019). Determinants of auditor choice: Review of the empirical literature. *International Journal of Auditing*, 23(2), 308-335. <https://doi.org/10.1111/ijau.12163>

Hackenbrack, K., Jensen, K., & Payne, J. (2000). The effect of a bidding restriction on the audit services market. *Journal of Accounting Research*, 38(2), 355-374. <https://doi.org/10.2307/2672937>

Hallman, N. J., Kartapanis, A., & Schmidt, J. J. (2022). How do auditors respond to competition? Evidence from the bidding process. *Journal of Accounting and Economics*, 73(2), 101475. <https://doi.org/10.1016/j.jacceco.2021.101475>

Hardies, K., Gerken, F., Mentens, J., & Vandennieuwenhuysen J. (2022) A Guide for Accounting Researchers to Conduct and Report Systematic Literature Reviews. Working paper.

Harymawan, I. (2020). Military reform, militarily-connected firms and auditor choice. *Managerial Auditing Journal*, 35(6), 705-729. <https://doi.org/10.1108/MAJ-04-2019-2258>

Hay, D., Knechel, W.R. and Ling, H. (2008), Evidence on the Impact of Internal Control and Corporate Governance on Audit Fees. *International Journal of Auditing*, 12: 9-24. <https://doi.org/10.1111/j.1099-1123.2008.00367.x>

He, K., Pan, X., & Tian, G. G. (2017). Political Connections, Audit Opinions, and Auditor Choice: Evidence from the Ouster of Government Officers. *Auditing: A Journal of Practice & Theory*, 36(3), 91-114. <https://doi.org/10.2308/ajpt-51668>

Hermanson, D. R., Krishnan, J., & Ye, Z. (2009). Adverse Section 404 Opinions and Shareholder Dissatisfaction toward Auditors. *Accounting Horizons*, 23(4), 391-409. <https://doi.org/doi:10.2308/acch.2009.23.4.391>

Hurley, P. J., Mayhew, B. W., & Obermire, K. (2019). Realigning Auditors' Accountability: Experimental Evidence. *The Accounting Review*, 94(3): 233-250. <https://doi.org/10.2308/accr-52224>

Hurley, P. J., Mayhew, B. W., Obermire, K. M., & Tegeler, A. C. (2021). The Impact of Risk and the Potential for Loss on Managers' Demand for Audit Quality. *Contemporary Accounting Research*, 38(4), 2795-2823. <https://doi.org/10.1111/1911-3846.12682>

ICAS (2017). Selecting your auditors. Available at: https://www.icas.com/_data/assets/pdf_file/0004/298480/ICAS-Selecting-your-Auditors-Tender-Guidance-2017_FINAL.pdf

India (2009). The companies bill. Available at https://www.mca.gov.in/Ministry/actsbills/pdf/Companies_Bill_2009_24Aug2009.pdf

Jenkins, J. G., Pyzoha, J., & Taylor, M. H. (2019). Insights from an Analysis of Audit Committee Governance Practices at US Registered Investment Companies and Public Operating Companies. *SSRN Electronic Journal*. Available at SSRN: <https://ssrn.com/abstract=3486312> or <http://dx.doi.org/10.2139/ssrn.3486312>

Johnstone, K.M., Bedard, J.C. & Ettredge, M.L. (2004), The Effect of Competitive Bidding on Engagement Planning and Pricing. *Contemporary Accounting Research*, 21: 25-53. <https://doi.org/10.1506/47TF-WHQ1-RG39-8JX4>

Jensen, K. L., & Payne, J. L. (2003). Management Trade-Offs of Internal Control and External Auditor Expertise. *Auditing: A Journal of Practice & Theory*, 22(2), 99-119. <https://doi.org/10.2308/aud.2003.22.2.99>

Jensen, K. L., & Payne, J. L. (2005). Audit Procurement: Managing Audit Quality and Audit Fees in Response to Agency Costs. *AUDITING: A Journal of Practice & Theory*, 24(2), 27-48. <https://doi.org/10.2308/aud.2005.24.2.27>

Jin, Q., Jin, Y., Tian, G.G. and Xuan, Y. (2021), Does Internal Corporate Governance Complement or Substitute for External Auditing? Evidence from China's Anti-corruption Campaign. *Abacus*, 57: 153-182. <https://doi.org/10.1111/abac.12215>

Kacanski, S., Lusher, D., & Wang, P. (2021). Auditor Selection Process: An Interplay of Demand Mechanisms – A Multilevel Network Approach. *European Accounting Review*, 30(1), 115-142. <https://doi.org/10.1080/09638180.2020.1740755>

Kalelkar, R. (2016). Audit committee diligence around initial audit engagement. *Advances in Accounting*, 33, 59-67.

Kao, M.-F., Shiue, M.-J. and Tseng, C.-H. (2021), "Voluntary audit committees, auditor selection and audit quality: evidence from Taiwan", *Managerial Auditing Journal*, Vol. 36 No. 4, pp. 616-642. <https://doi.org/10.1108/MAJ-04-2020-2632>

Kim, J.-B., & Yi, C. H. (2009). Does auditor designation by the regulatory authority improve audit quality? Evidence from Korea. *Journal of Accounting and Public Policy*, 28(3), 207-230. <https://doi.org/10.1016/j.jacccpubpol.2009.04.006>

KPMG (2016). Getting real value from the audit tender process. Available at: <https://assets.kpmg/content/dam/kpmg/pdf/2016/07/getting-real-value-from-the-audit-tender-process-aci.pdf>

KPMG (2018). Getting Real Value from the Audit Tender Process. Available at: <https://assets.kpmg/content/dam/kpmg/uk/pdf/2018/01/getting-real-value-from-audit-tender-process.pdf>

Krishnan, J., & Ye, Z. (2005). Why Some Companies Seek Shareholder Ratification on Auditor Selection. *Accounting Horizons*, 19(4), 237-254. <https://doi.org/10.2308/acch.2005.19.4.237>

Lai, K. M. Y., Srinidhi, B., Gul, F. A., & Tsui, J. S. L. (2017). Board Gender Diversity, Auditor Fees, and Auditor Choice. *Contemporary Accounting Research*, 34(3), 1681-1714. <https://doi.org/10.1111/1911-3846.12313>

Lee, H. Y., Mande, V., & Ortman, R. (2004). The Effect of Audit Committee and Board of Director Independence on Auditor Resignation. *Auditing: A Journal of Practice & Theory*, 23(2), 131-146. <https://doi.org/10.2308/aud.2004.23.2.131>

Lee, H. S., Nagy, A. L., & Zimmerman, A. B. (2019). Audit Partner Assignments and Audit Quality in the United States. *The Accounting Review*, 94(2), 297-323. <https://doi.org/10.2308/accr-52218>

Lennox, C. S., & Park, C. W. (2007). Audit Firm Appointments, Audit Firm Alumni, and Audit Committee Independence. *Contemporary Accounting Research*, 24(1), 235-258. <https://doi.org/10.1506/F024-686L-7233-N62J>

Li, X., Sun, L., & Ettredge, M. (2017). Auditor selection following auditor turnover: Do peers' choices matter? *Accounting, Organizations and Society*, 57, 73-87. <https://doi.org/10.1016/j.aos.2017.03.001>

Liu, L. L., Raghunandan, K., & Rama, D. (2009). Financial Restatements and Shareholder Ratifications of the Auditor. *Auditing: A Journal of Practice & Theory*, 28(1), 225-240. <https://doi.org/10.2308/aud.2009.28.1.225>

Mande, V., Son, M., & Song, H. (2017). Auditor search periods as signals of engagement risk: Effects on auditor choice and audit pricing. *Advances in Accounting*, 37, 15-29. <https://doi.org/10.1016/j.adiac.2017.03.001>

Marques, A., & Pinto, A. (2019). Procurement Practices and the Municipality Auditing Market. *Journal of Accounting, Auditing & Finance*, 34(4), 524-545. <https://doi.org/10.1177/0148558X18761294>

Mayhew, B. W., & Pike, J. E. (2004). Does Investor Selection of Auditors Enhance Auditor Independence? *The Accounting Review*, 79(3), 797-822. <https://doi.org/10.2139/ssrn.321294>

McCracken, S., Salterio, S. E., & Gibbins, M. (2008). Auditor-client management relationships and roles in negotiating financial reporting. *Accounting, Organizations and Society*, 33(4), 362-383. <https://doi.org/10.1016/j.aos.2007.09.002>

Mishra, S., Raghunandan, K., & Rama, D. V. (2005). Do Investors' Perceptions Vary with Types of Nonaudit Fees? Evidence from Auditor Ratification Voting. *Auditing: A Journal of Practice & Theory*, 24(2), 9-25. <https://doi.org/10.2308/aud.2005.24.2.9>

Oradi, J., & Izadi, J. (2019). Audit committee gender diversity and financial reporting: evidence from restatements. *Managerial Auditing Journal*, 35(1), 67-92. <https://doi.org/10.1108/MAJ-10-2018-2048>

Pacheco-Paredes, A. A., Rama, D. V., & Wheatley, C. M. (2017). The Timing of Auditor Hiring: Determinants and Consequences. *Accounting Horizons*, 31(3), 85-103. <https://doi.org/10.2308/acch-51732>

Payne, J. L., & Williamson, R. (2021). An examination of the influence of mutual CFO/audit firm tenure on audit quality. *Journal of Accounting and Public Policy*, 40(4), 106825. <https://doi.org/10.1016/j.jaccpubpol.2021.106825>

PCAOB (2011). Concept release on auditor independence and audit firm rotation. PCAOB Release No. 2011-006. Available at https://pcaobus.org/Rulemaking/Docket037/Release_2011-006.pdf

Pittman, J., Wang, L. and Wu, D. (2022), Network Analysis of Audit Partner Rotation†. *Contemp Account Res*, 39: 1085-1119. <https://doi.org/10.1111/1911-3846.12743>

PricewaterhouseCoopers (2011). *Letter from PwC to the PCAOB: PCAOB rulemaking docket No. 37, Concept release on auditor independence and audit firm rotation*. Available at https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/rulemaking/docket037/429_pwc.pdf?sfvrsn=36d44a61_0

Raghunandan, K. (2003). Nonaudit Services and Shareholder Ratification of Auditors. *Auditing: A Journal of Practice & Theory*, 22(1): 155-163. <https://doi.org/10.2308/aud.2003.22.1.155>

Raghunandan, K., & Rama, D. V. (2003). Audit Committee Composition and Shareholder Actions: Evidence from Voting on Auditor Ratification. *Auditing: A Journal of Practice & Theory*, 22(2), 253-263. <https://doi.org/10.2308/aud.2003.22.2.253>

Ruhnke, K., & Schmidt, M. (2016). Changing the Institutional Framework of Statutory Audit: Internal Stakeholders' Perceptions of the Associated Benefit and Costs. *European Accounting Review*, 25(1), 59-79. <https://doi.org/10.1080/09638180.2014.939683>

Shim, T. S., Pae, S. J., & Choi, E. (2019). The Effects of Auditor Designation by the Regulator on Auditor Decisions: Evidence from Korea. *Behavioral Research in Accounting*, 32(1), 21-36. <https://doi.org/10.2308/bria-52629>

Srinidhi, B. N., He, S., & Firth, M. (2014). The Effect of Governance on Specialist Auditor Choice and Audit Fees in US Family Firms. *The Accounting Review*, 89(6), 2297-2329. <https://doi.org/10.2308/accr-50840>

Stefaniak, C. M., Robertson, J. C., & Houston, R. W. (2009). The causes and consequences of auditor switching: A review of the literature. *Journal of Accounting Literature*, 28, 47-121.

Taminiau, Y., & Heusinkveld, S. (2017). Role expectations and agency in the audit tendering process. *Accounting, Auditing & Accountability Journal*, 30(8), 1820-1842. <https://doi.org/10.1108/AAAJ-10-2015-2258>

Tang, F., Ruan, L., & Yang, L. (2017). Does regulator designation of auditors improve independence? *Managerial Auditing Journal*, 32(1), 2-18. <https://doi.org/10.1108/MAJ-03-2016-1334>

Tanyi, P., & Cathey, J. (2020). Why do firms seek shareholders ratification of the independent audit function? The case of foreign cross-listed companies in the United States. *International Journal of Auditing*, 24(1), 24-36. <https://doi.org/10.1111/ijau.12175>

Tanyi, P. N., Rama, D. V., & Raghunandan, K. (2021). Auditor Tenure Disclosure and Shareholder Ratification Voting. *Accounting Horizons*, 35(4), 167-190. <https://doi.org/10.2308/HORIZONS-2020-082>

Tanyi, P. N., Rama, D. V., Raghunandan, K., & Martin, G. W. (2020). Shareholder Dissatisfaction and Subsequent Audit Outcomes. *Accounting Horizons*, 34(4), 181-200. <https://doi.org/10.2308/horizons-18-167>

Tanyi, P. N., & Roland, K. C. (2017). Market Reaction to Auditor Ratification Vote Tally. *Accounting Horizons*, 31(1), 141-157. <https://doi.org/10.2308/acch-51656>

The Wall Street Journal (2022) More Investors Are Voting Against Big Companies' Auditors. May 31, 2022, retrieved from <https://www.wsj.com/articles/more-investors-are-voting-against-big-companies-auditors-11653996601>

United States. (2002). Sarbanes-Oxley Act of 2002: Conference report (to accompany H.R. 3763). Washington, D.C.: US G.P.O..

van Brenk, H., Renes, R., & Trompeter, G. M. (2022). Auditing in the public interest: Reforming the profession by building on the strengths of the existing accounting firms. *Critical Perspectives on Accounting*, 83, 102184. <https://doi.org/10.1016/j.cpa.2020.102184>

Willekens, M., Dekeyser, S., Simac, I. (2019). EU Statutory Audit Reform: Impact on costs, concentration and competition. Available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2019/631057/IPOL_STU\(2019\)631057_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2019/631057/IPOL_STU(2019)631057_EN.pdf)

Yu, J., Kwak, B., Park, M. S., & Zang, Y. (2021). The Impact of CEO/CFO Outside Directorships on Auditor Selection and Audit Quality. *European Accounting Review*, 30(4), 611-643. <https://doi.org/10.1080/09638180.2020.1807381>

Table 1: Summary of questions for future research

| |
|---|
| <p>In addition to the specific research questions identified below relating to each of the three phases of the auditor selection process, there are a number of topics and domains related to the auditor selection process more generally that have received little research attention to date. Therefore, we encourage more research about the auditor selection process in relation to:</p> <ul style="list-style-type: none"> - Voluntary audits - Audit markets other than the market for US publicly listed firms - Audits of non-profit organizations - Group audits |
| <p>Phase 1: Preparation</p> |
| <p>RQ1: How do auditor-client disagreements affect subsequent auditor selection processes?</p> <ul style="list-style-type: none"> - For example: Selection criteria, timing, participation of the incumbent auditor |
| <p>RQ2: What role do audit committees play in curtailing opportunistic auditor switching?</p> |
| <p>RQ3: Does auditor independence play a more prominent role in auditor selection processes initiated because of auditor-client disagreements?</p> <ul style="list-style-type: none"> - For example: Heightened scrutiny by audit committees or shareholders |
| <p>RQ4: Why does auditor-client misalignment occur?</p> |
| <p>RQ5: How can the auditor selection process be improved to reduce the occurrence of auditor-client misalignments?</p> |
| <p>RQ6: How do companies decide on criteria to evaluate prospective auditors and implement their process to select a new auditor?</p> <ul style="list-style-type: none"> - For example: How do companies translate concerns about audit quality in objective selection criteria and hiring decisions? Do companies consider subtle cues of audit quality in their evaluation of auditors or do they only focus on vivid and highly erroneous signals of low quality? Do criteria differ between different parties in the firm and how are such differences reconciled? |
| <p>RQ7: Have audit fees become less important as a selection criteria over time?</p> |
| <p>Phase 2: Procurement</p> |
| <p>RQ8: What role do best practice guidelines play in shaping companies' tendering?</p> |
| <p>RQ9: What are the effects of using formal tendering processes?</p> <ul style="list-style-type: none"> - For example: On audit quality, on audit fees, on auditor-client misalignment |
| <p>RQ10: What factors increase the chances of an auditor winning a bid?</p> <ul style="list-style-type: none"> - For example: How much variation is there in bid documents between and within audit firms, do clients favor standardization or tailoring of bid documents? |
| <p>RQ11: How does timing affect the selection process?</p> <ul style="list-style-type: none"> - For example: How much time do companies need to allocate to selecting an auditor, when should they initiate this process? Does it affect auditor-client misalignment? |
| <p>RQ12: How do companies evaluate prospective auditors?</p> <ul style="list-style-type: none"> - For example: What criteria are used, how are different attributes weighted and applied? |
| <p>RQ13: Can the role that subjective criteria play in evaluating auditors be reduced?</p> |
| <p>RQ14: How do different actors involved in the selection process resolve disagreements about how to evaluate prospective auditors?</p> |

- For example: Disagreement among members of the audit committee or between management and the audit committee.

RQ15: When and how do shareholders have the most impact on the auditor selection process?

RQ16: How does government involvement affect the auditor selection process?

- For example: Stronger focus on auditor independence and audit quality. Under what circumstances does auditor selection by a (semi-)governmental body improves audit quality?

RQ17: What drives audit committee involvement in the auditor selection process?

For example: Can audit committee involvement be increased, can the negative effects of management influence be overcome?

RQ18: How is limited audit committee involvement justified (by audit committee members themselves and by management)?

Phase 3: Appointment

RQ21: How do regulatory requirements affect the auditor selection process?

For example: Cooling-off requirements, restrictions on non-audit services.

RQ22: How do companies transition from one auditor to another?

RQ23: How does the relationship between auditors, management, and audit committees unfold after the appointment of a new auditor?

RQ24: How does management involvement in the selection process affect the power dynamics in audit-client interactions after appointment?

RQ25: What role does audit partner rotation play in the auditor selection process?

RQ26: When and what role do shareholders explicitly play in the auditor selection

Table 2: Search Strategy

| Panel A: Search strings and limiters | |
|--|---|
| WoS (Core Collection) | Search string: (TS=(audit* AND “[Search term]”) OR AB=(audit* AND “[Search term]”) OR TI=(audit* AND “[Search term]”) AND (SO=journal) AND PY=(2000-2022) Limiters: Document type: Article, Review Article |
| Panel B: Search terms | |
| Select* | |
| Rotat* | |
| Tender | |
| Choice | |
| Switch* | |
| Change | |
| Auditor-client | |
| Hir* | |
| Appoint* | |
| Procure* | |
| Request for proposal | |
| RFP | |
| Ratif* | |
| Bid* | |
| Panel C: Journals | |
| <i>Abacus</i> | |
| <i>Accounting Horizons</i> | |
| <i>Accounting and Business Research</i> | |
| <i>Accounting, Auditing & Accountability Journal</i> | |
| <i>Accounting, Organizations and Society</i> | |
| <i>Accounting Review</i> | |
| <i>Auditing: a Journal of Practice and Theory</i> | |
| <i>Behavioral Research in Accounting</i> | |
| <i>British Accounting Review</i> | |
| <i>Contemporary Accounting Research</i> | |
| <i>Critical perspectives on Accounting</i> | |
| <i>European Accounting Review</i> | |
| <i>Financial Accountability and Management</i> | |
| <i>International Journal of Accounting</i> | |
| <i>International Journal of Auditing</i> | |
| <i>Journal of Accounting & Economics</i> | |
| <i>Journal of Accounting and Public Policy</i> | |
| <i>Journal of Accounting Auditing and Finance</i> | |
| <i>Journal of Accounting Literature</i> | |
| <i>Journal of Accounting Research</i> | |
| <i>Journal of Business Finance & Accounting</i> | |
| <i>Journal of Management Accounting Research</i> | |
| <i>Management Accounting Research</i> | |
| <i>Managerial Auditing Journal</i> | |
| <i>Review of Accounting Studies</i> | |

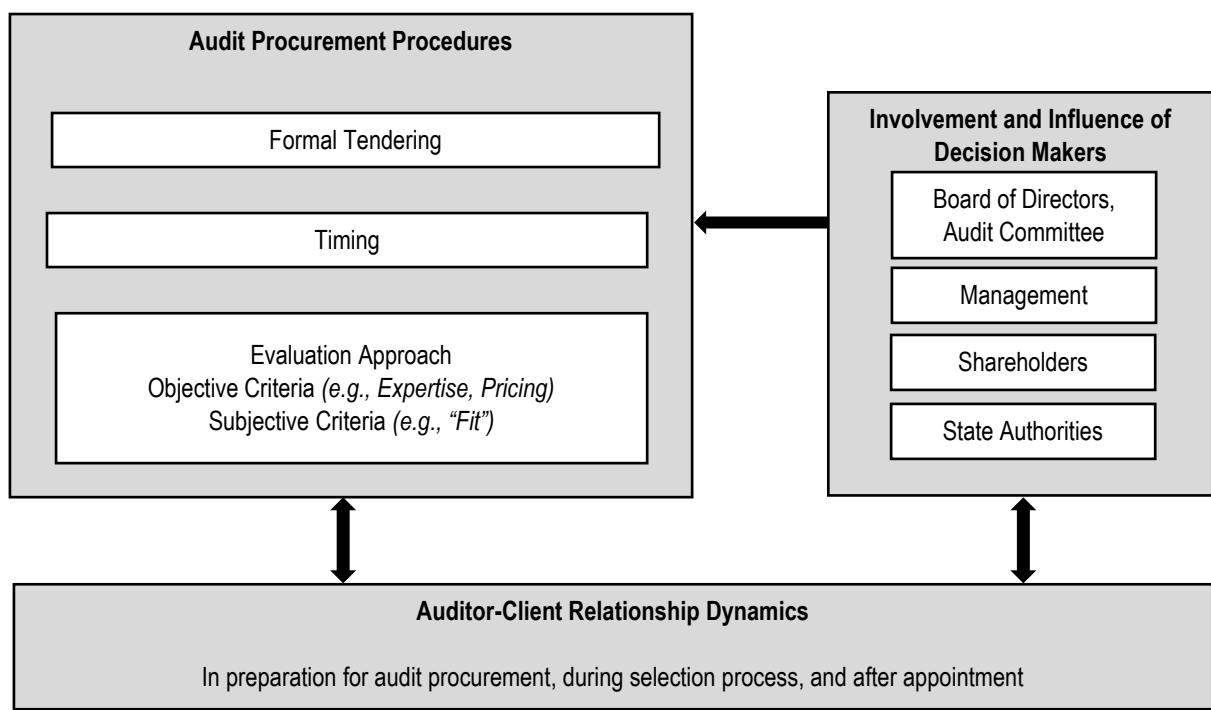


Figure 1. Organizing Framework Contextual Features of the Auditor Selection Process

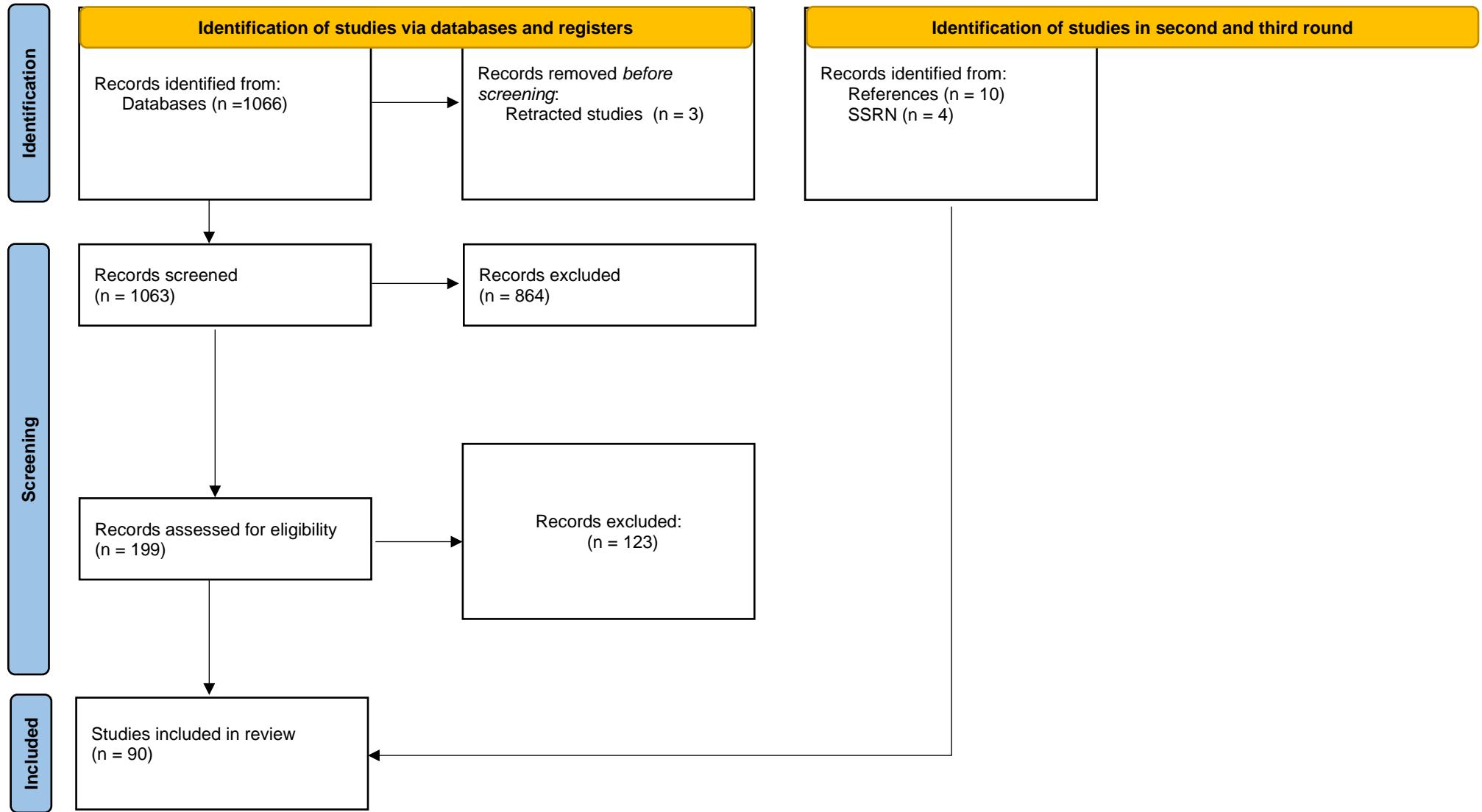
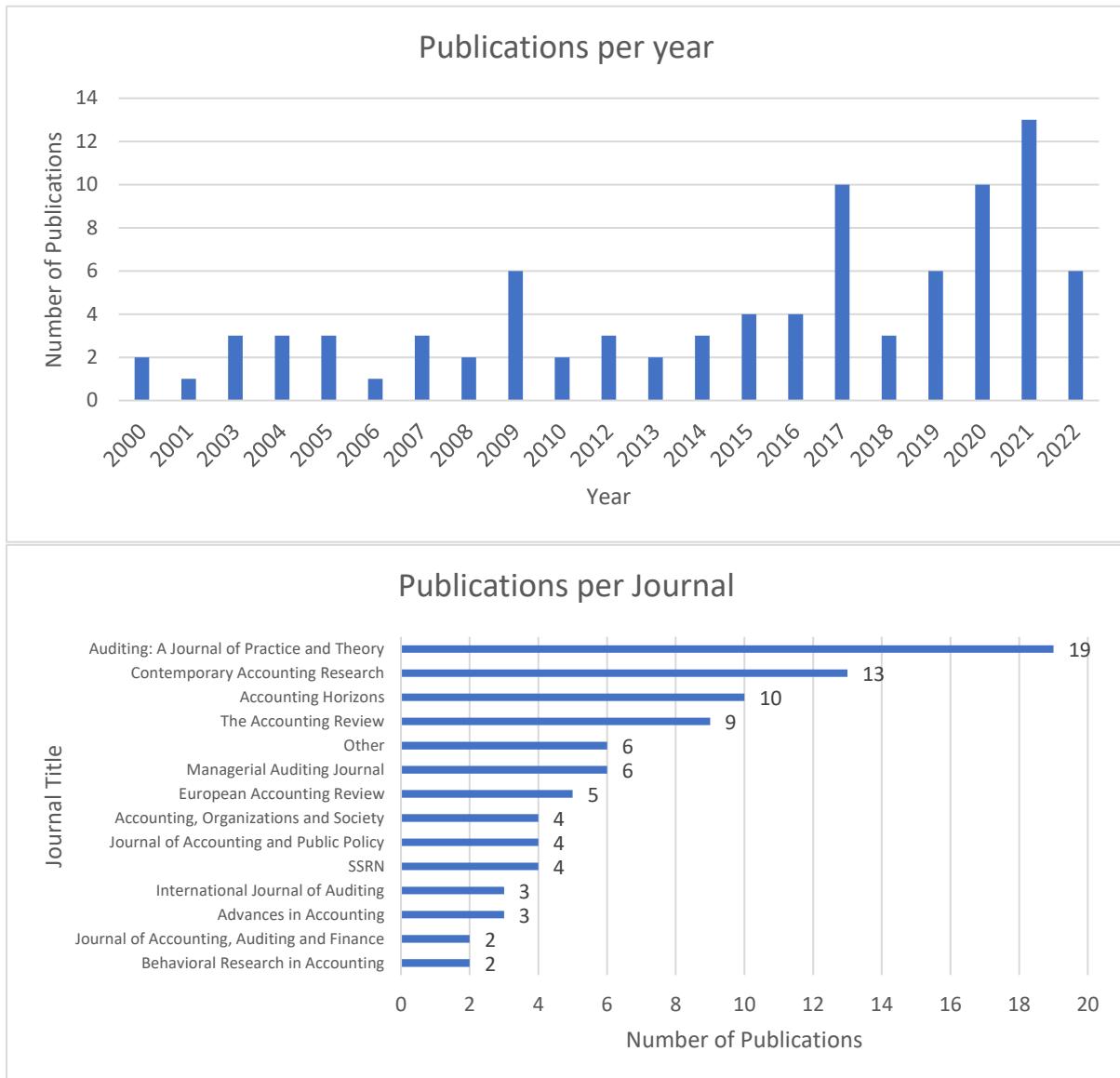


Figure 2: Flow diagram



The following journals have one publication included: Accounting, Auditing & Accountability Journal, International Journal of Accounting, Journal of Accounting and Economics, Journal of Accounting Research, Journal of Business, Finance & Accounting, Review of Accounting Studies

Figure 3: Sample overview

| Title | Author(s) | Year | Journal | Purpose | Setting | Design | Sample Size | Main DV | Main IV | Key Results Related to the Auditor Selection Process |
|--|---|------|--|---|---------------|----------|-----------------------|------------------------|-------------------------|---|
| A Matter of Appearances: How Does Auditing Expertise Benefit Audit Committees When Selecting Auditors | Baugh, M., Hallman, N.J., Kachelmeier, S.J. | 2022 | Contemporary Accounting Research | Investigate the moderating effect of audit committee expertise on auditor selection. | US, 2007-2010 | Archival | 1605 firm-years | Partner Attractiveness | AC Characteristics | - Audit committees without Big 4 working experience are more likely to engage attractive audit partners. |
| A Reexamination of Audit Fees for Initial Audit Engagements in the Post-SOX Period | Desir, R., Casterella, J.R., Kokina, J. | 2014 | Auditing: A Journal of Practice and Theory | Investigate whether lowballing exists in new auditor-client relationships in an “extended” post-SOX environment. | US, 2006-2010 | Archival | 12961 firm-years | Audit fees | Initial year audit fees | - Both Big 4 and non-Big 4 accounting firms discounted their initial-year audit fees during the entire sample period. |
| Adverse Section 404 Opinions and Shareholder Dissatisfaction toward Auditors | Hermanson, DR., Krishnan, J., Ye, Z.X. | 2009 | Accounting Horizons | Examine how shareholder voting on management’s proposal to reappoint the external auditor is influenced by adverse internal control opinions. | US, 2006 | Archival | 480 firms | Auditor Ratification | Material weakness | - Shareholders are less likely to vote for auditor ratification if the company received an adverse opinion because of only noncompany-level material weaknesses. - Shareholders may blame the auditor for being partly responsible for material weaknesses. |
| An Analysis of Forced Auditor Change: The Case of Former Arthur Andersen Clients | Blouin, J., Grain, B., Rountree, B. | 2007 | The Accounting Review | Provide evidence on the factors involved in their selection of new auditors after Andersen’s collapse. | US, 2002 | Archival | 407 former AA clients | Follow AA | AC financial expert | - The presence of a financial expert on the audit committee had a marginal influence on the committee’s choice of an auditor, other board characteristics were unassociated with a company’s auditor selection. - Client companies may follow their audit engagement partner when that partner changes to another audit firm, trading off switching costs and agency concerns. |

| | | | | | | | | | | |
|---|---|------|--|--|----|---|---|------------------------|--------------------------|---|
| An Examination of Partner Perceptions of Partner Rotation: Direct and Indirect Consequences to Audit Quality | Daugherty, B.E., Dickins, D., Hatfield, R.C., Higgs, J.L. | 2012 | Auditing: A Journal of Practice and Theory | Examine the perceptions of practicing audit partners with regard to mandatory audit partner rotation and cooling-off periods, focusing on how more stringent rules may lead to unintended consequences (i.e., negative impact on audit quality) through their effect on partners' quality of life. | US | Semi-structured interview s and survey | Survey: 370 partners , semi structured interviews: partners | Audit Quality | Partner perceptions | <ul style="list-style-type: none"> - Audit partners sometimes need to relocate to maintain industry expertise and continue serving clients in the same industry. - Partners report a two- to three-year new-client familiarization period before they are fully effective on new engagements, increasing the amount of time audit engagements suffer from “start-up” efficacy concerns. |
| An Experimental Investigation of the Influence of Audit Fee Structure and Auditor Selection Rights on Auditor Independence and Client Investment Decisions | Fatemi, D.J. | 2012 | Auditing: A Journal of Practice and Theory | The purpose of this paper is to discuss results of an experiment that provides evidence on the effect of audit fee structure on auditors, their clients (referred to as managers in the paper), and investors. | US | Experiment, 2x2 between subjects design | 150 undergraduate majors | Objectivity Violations | Selection responsibility | <ul style="list-style-type: none"> - Auditors' interpretation of information they acquire from investigations is affected by the placement of hiring responsibility. - Under manager selection, when lowballing exists, auditors initially attribute a higher accuracy to favorable test results (those indicating a high asset value) than to unfavorable test results (those indicating a low asset value). The difference in accuracy assessments dissipates with time. - Under investor selection, accuracy assessments of favorable and unfavorable test results do not differ. Management is heavily involved in auditor selection decisions. - Transferring the power to hire and fire the auditor from managers to investors reduces objectivity violations |

| | | | | | | | | | | |
|---|---|------|--|---|------------------|----------|----------------|----------------------|------------------------------|--|
| Are There Adverse Consequences of Mandatory Auditor Rotation? Evidence from the Italian Experience | Cameran, M., Francis, J.R., Marra, A., Pettinicchio, A. | 2015 | Auditing: A Journal of Practice and Theory | Investigate if there are potential negative consequences of mandatory audit firm rotation in Italy, | Italy, 2006-2009 | Archival | 667 firm-years | Audit Fees/hours | Mandatory/Voluntary Rotation | <ul style="list-style-type: none"> - For the outgoing auditor, there is no evidence of lower-quality audits due to shirking in the final-year engagement. - There is some evidence of abnormally higher fees, as the final-year fees are 7 percent higher than normal. - For the incoming auditor, audit effort (hours) is abnormally higher by 17 percent in the initial engagement, but initial fees are discounted by 16 percent relative to ongoing engagements. |
| Audit Committee Composition and Shareholder Actions: Evidence from Voting on Auditor Ratification | Raghunandan, K., Rama, D.V. | 2003 | Auditing: A Journal of Practice and Theory | Provide empirical evidence about the association between audit committee composition and shareholder actions. | US, 2001 | Archival | 199 firms | Auditor Ratification | AC quality | <ul style="list-style-type: none"> - In companies with a high non-audit fee ratio, shareholders are less likely to vote against auditor ratification if the audit committee has solely independent directors. - The results suggest that good audit committees can affect shareholder perceptions related to the auditor, particularly in those situations where shareholders might perceive an increased threat to auditor independence. - The proportion of shareholders not voting for ratification of the auditor in the presence of high non-audit fee ratios (relative to companies with low non-audit fee ratios) will be lower at companies that have (1) solely independent members on the audit committee and (2) have at least one member with accounting or finance expertise on the audit committee. |
| Audit committee diligence around initial audit engagement | Kalelkar, R. | 2016 | Advances in Accounting | Examine whether firms support auditor monitoring with audit committee monitoring when auditor oversight is deemed weak. | US, 2006-2012 | Archival | 368 firm-years | AC meetings | First-year audit | <ul style="list-style-type: none"> - Audit committees meet more frequently in the first year of the audit engagement. |
| Audit committee gender diversity and financial reporting: evidence from restatements | Oradi, J., Izadi, J. | 2019 | Managerial Auditing Journal | Investigate the association between gender diversity on audit committees and the incidence of financial restatements. | Iran, 2013-2017 | Archival | 683 firm-years | Restatements | AC female director | <ul style="list-style-type: none"> - There is a significant positive relationship between audit committee gender diversity measures and hiring industry specialist auditors. |

| | | | | | | | | | | |
|---|--|------|--|--|-------------------|----------|-------------------|-------------------------------|----------------------|---|
| Audit committee quality indices, reporting quality and firm value | Almaqoushi, W., Powell, R. | 2021 | Journal of Business, Finance & Accounting | Investigate the relation between audit committee (AC) quality indices, financial reporting, internal control quality and auditor change. | US, 2002-2012 | Archival | 12,301 firm-years | Auditor switch, audit quality | AC quality indices | - Low AC quality firms are more likely to switch from a Big 4 auditor to a non-Big 4 auditor, indicating a preference for lower quality auditing. |
| Audit Committee, Board Characteristics, and Auditor Switch Decisions by Andersen's Clients | Chen, K., Zhou, J. | 2007 | Contemporary Accounting Research | Shed light on the differences in the timing of auditor dismissal and in the choice of successor auditor made by former Andersen clients by examining the role of audit committees. | US, 2001 | Archival | 821 firms | Timing of AA dismissal | AC and board indices | <ul style="list-style-type: none"> - Clients with more independent boards dismissed Andersen sooner and were more likely to choose a Big 4 successor auditor. - Firms with more effective audit committees and boards of directors responded quickly to the Andersen-Enron situation and were more likely to demand higher reputation auditors. - Firms with more independent audit committees, audit committees with greater financial expertise, and audit committees with larger boards dismissed Andersen earlier. |
| Audit fee lowballing: Determinants, recovery, and future audit quality | Cho, M., Kwon, S.Y., Krishnan, J. | 2021 | Journal of Accounting and Public Policy | Research the link between lowballing (LB) of audit fees and audit quality. | US, 2000-2012 | Archival | 1402 firm-years | Audit fees | Initial year audit | <ul style="list-style-type: none"> - Both Big N and non-Big N auditors offer cuts in the initial fees; the initial audit fees are, on average, about 11 percent less than those charged in the later years. - The discounts on initial audit fees increase to about 20 percent for the audit engagements in more recent years. |
| Audit fees for initial audit engagements before and after SOX | Huang, H.W., Raghunandan, K., Rama, D. | 2009 | Auditing: A Journal of Practice and Theory | Examine if initial-year audit fee discounts persist in the post-SOX period. | US, 2001 and 2006 | Archival | 3683 firm-years | Audit fees | Initial year audit | - The Big 4 priced initial-year audits more conservatively in the post-SOX period. |

| | | | | | | | | | | |
|---|--|------|--|--|---------------|------------------|-----------------------|---|----------------------------------|--|
| Audit Firm Appointments, Audit Firm Alumni, and Audit Committee Independence | Lennox, C.S., Park, C.W. | 2007 | Contemporary Accounting Research | Investigate (a) whether alumni influence audit firm appointment decisions, and (b) whether independent audit committees mitigate the tendency of companies to select officers' former firms. | US, 1995-2000 | Archival | 1198 changing clients | Officers' former audit firm selection | Alumnus | <ul style="list-style-type: none"> - An audit firm is more likely to be appointed if the company has an officer who is an alumnus of that firm. - Companies are less likely to appoint officers' former firms if audit committees are more independent. |
| Audit Procurement: Managing Audit Quality and Audit Fees in Response to Agency Costs | Jensen, K.L., Payne, J.L. | 2005 | Auditing: A Journal of Practice and Theory | Examine (1) the association between agency costs and audit procurement practices, and (2) the association between audit-procurement practices, audit quality, and audit fees. | US, 1998 | Survey, archival | 228 surveys | Audit quality metrics/procurement metrics | Procurement metrics/agency costs | <ul style="list-style-type: none"> - US municipalities with higher agency costs have better-developed audit procurement practices (i.e., competitive bidding, multi-year contracts, a focus on technical expertise rather than fees, training and rotation of procurement personnel, and the presence of an audit committee). - Better-developed audit procurement practices were associated with hiring auditors with more industry expertise. |
| Audit Tendering in the UK: A Review of Stakeholders' Views | Allam, A., Ghattas, N., Kotb, A., Eldaly, M.K. | 2016 | International Journal of Auditing | Investigate the different views of various stakeholder groups on audit tendering. | UK | Content analysis | 61 comment letters | N/A | N/A | <ul style="list-style-type: none"> - Mandatory tendering could have potential benefits from greater auditor independence and a fresh pair of eyes performing audit work. - There is clear conflict of interests among some stakeholder groups such as audit firms and companies on one side and institutional investors on the other side. - Mandatory tendering concerns include increased audit costs, reduced expertise, and auditor susceptibility to pressure from management. |

| | | | | | | | | | | |
|--|--|------|-----------------------------|---|---------------|------------------|-----------------|----------------------|---|--|
| Auditor choice in private firms: a stakeholders perspective | Corten, M., Steijvers, T., Lybaert, N. | 2018 | Managerial Auditing Journal | Examine whether a private firm's demand for a Big4 auditor is influenced by the auditor choice of its main supplier, customer and competitor. | Belgium, 2015 | Survey, archival | 210 surveys | Big 4 | Competitor, Supplier, Customer Big 4 choice | - Companies value auditor knowledge of related companies, showing that companies align with their main supplier's Big 4 auditor choice |
| Auditor Ratification: Can't Get No (Dis)Satisfaction | Cunningham, L.M. | 2017 | Accounting Horizons | Examine the impact of proxy advisor recommendations in the auditor ratification vote and the factors used by proxy advisors in making their recommendations. Provide insight into why there are not more proxy advisor recommendations against the auditor. | US, 2009-2012 | Archival | 9003 firms | Auditor Ratification | Recommendation against ratification by proxy advisors | <ul style="list-style-type: none"> - Proxy advisors have a statistically significant influence over shareholder voting outcomes when they recommend against auditor ratification. - The against recommendation is rare, and the qualitative significance is less clear. Proxy advisor 'against recommendations' are based on concerns about auditor independence and poor audit quality, but there appears to be variation in the extent to which proxy advisors issue 'against recommendations' for each of these criteria. |
| Auditor search periods as signals of engagement risk: Effects on auditor choice and audit pricing | Mande, V., Son, M., Song, H. | 2017 | Advances in Accounting | Examine the effect of auditor search periods on successor auditor choice. | US, 2002-2012 | Archival | 5524 firm-years | Big N choice | Auditor search period | <ul style="list-style-type: none"> - Clients associated with long search periods are less likely to be accepted by Big N auditors. - Delays in appointing successor auditors following resignations are associated with higher audit fees and negative stock market responses. |

| | | | | | | | | | | |
|---|------------------------------------|------|--|---|--------------------|----------|------------------------|-------------------------------|---|---|
| Auditor Selection and Audit Committee Characteristics | Abbott, L.J., Parker, S. | 2000 | Auditing: A Journal of Practice and Theory | Examine the association between audit committee characteristics (member independence and activity) and the engagement of an industry-specialist auditor. | US, 1994 | Archival | 500 firms | Specialized auditor choice | AC Characteristics | - Active and independent audit committees are more likely to employ an industry-specialist auditor. |
| Auditor selection following auditor turnover: Do peers' choices matter? | Li, X.D., Sun, L., Ettredge, M. | 2017 | Accounting, Organizations and Society | Investigate the influences of peer (similar) firms' prior choices on whether or not a client chooses to affiliate with a "social norm" audit office in its metropolitan area, following auditor turnover. | US, 2001-2012 | Archival | 4,074 auditor switches | Choice for social norm office | Proportion of local peers audited by social norm office, proportion of local auditor-switching peers selecting social norm office | - More similar peer companies have a greater propensity to select the norm auditor (i.e., the auditor engaged by the greatest proportion of a company's peers). |
| Auditor Selection Process: An Interplay of Demand Mechanisms – A Multilevel Network Approach | Kacanski, S., Lusher, D., Wang, P. | 2021 | European Accounting Review | This study addresses the following research question: How does recommendation and reputation, as two demand mechanisms, create an interplay in the auditor selection process. | Denmark, 2010-2014 | Archival | 774 annual statements | Auditor choice | Network characteristics | <ul style="list-style-type: none"> - Results show that supervisory boards tend to select auditors who are preferably affiliated with the Big Four rather than the non-Big Four. - The results appear to show that interlocking directorships are not only driven by the same principle, but by combining the reputation effect with the auditor popularity effect. They have a strong influence on aligning corporate decisions across multiple boards. |

| | | | | | | | | | | |
|---|---|------|---------------------------------------|---|---------------|---|--------------------------------------|-------------------------------|--|--|
| Auditor Tenure and Shareholder Ratification of the Auditor | Dao, M., Mishra, S., Raghunandan, K. | 2008 | Accounting Horizons | Investigate investor perceptions about tenure and audit quality. | US, 2006 | Archival | 635 firms | Auditor ratification | Tenure | <ul style="list-style-type: none"> - Shareholder votes against or abstaining from auditor ratification are positively correlated with auditor tenure. - The results suggest that shareholders view long auditor tenure as adversely affecting audit quality, and provide an empirical basis for arguments related to the impact of long auditor tenures on shareholders' perceptions of audit quality. |
| Auditor Tenure Disclosure and Shareholder Ratification Voting | Tanyi, P.N., Rama, D.V., Raghunandan, K. | 2021 | Accounting Horizons | Provide empirical evidence about the following question: Does public disclosure of the tenure of the auditor-client relationship influence the association between auditor tenure and shareholder voting to (not) ratify the auditor? | US, 2017-2018 | Archival | 6436 firm-years | Auditor Ratification | Tenure, Post PCAOB rule 2017 (tenure disclosure) | <ul style="list-style-type: none"> - In the case of clients with long (short) auditor tenure, the proportion of shareholder votes not ratifying the auditor increased (decreased) after public disclosure of auditor tenure. |
| Auditor-client management relationships and roles in negotiating financial reporting | McCracken, S., Salterio, S.E., Gibbins, M. | 2008 | Accounting, Organizations and Society | Examine the assumption that the roles played by each side and the nature of the relationships are similar across negotiations. | Canada | Field-study, interview-based (open-ended) | 16 interviews, 8 with CFO, 8 with AP | N/A | N/A | <ul style="list-style-type: none"> - Audit firms appear to manage the assignment of partners to engagements based on CFO preferences and remove those partners who are in "poor" relationships, irrespective of why the relationship is considered by the CFO to be "poor". |
| Board Gender Diversity, Auditor Fees, and Auditor Choice | Lai K.M.I., Srinidhi, B., Gul, F.A., Tsui, J.S.L. | 2017 | Contemporary Accounting Research | Examine whether the presence of female directors and female audit committee members affect audit quality in terms of audit effort and auditor choice. | US 2001-2011 | Archival | 2576 firm-years | Audit fees and auditor choice | Board gender diversity | <ul style="list-style-type: none"> - Firms with gender-diverse boards (audit committees) pay 6 percent (8 percent) higher audit fees and are 6 percent (7 percent) more likely to choose specialist auditors compared to all-male boards (audit committees). |

| | | | | | | | | | | |
|--|--|------|--|---|----------|----------------------------|---|---------------------------|---|--|
| Board Independence and Audit-Firm Type | Beasley, M.S., Petroni, K.R. | 2001 | Auditing: A Journal of Practice and Theory | Investigate the role of outside members of the board of directors in the choice of external auditor for property-liability insurance companies. | US, 1993 | Archival | 681 insurers | Auditor choice | Outside board directors | - The likelihood of an insurer employing a brand name auditor that specializes in the insurance industry is increasing in the percentage of the members of the board of directors that are considered outsiders. - However, there is no significant association between board composition and the choice of using a non-specialist brand name (Big 6) auditor and a nonbrand name auditor, suggesting specialization is considered to be important, but not brand name in this setting. |
| Challenging Global Group Audits: The Perspective of US Group Audit Leads* | Downey, D.H., Westermann, K.D. | 2021 | Contemporary Accounting Research | Better understand the group audit process and their perceptions of challenges that arise on such engagements. | US, 2019 | Survey, Interview | Survey: 148 managers, semi-structured interviews: 16 (14 GGA leads, 2 national practice partners) | N/A | N/A | - GGA leads overtly impose their dominance on the CA firms during partner selection. Specifically, rather than permit the local firm to choose a CA partner, the group audit lead actively manages selection of the CA partner(s) identifying a local partner they deem qualified, likely as a way to manage regulatory risk. |
| Changing the Institutional Framework of Statutory Audit: Internal Stakeholders' Perceptions of the Associated Benefit and Costs | Ruhnke, K., Schmidt, M. | 2016 | European Accounting Review | Analyse the expected benefits and costs associated with changes to the institutional framework of statutory audits. | Germany | Survey | Surveys: 273 (121 management representatives, 152 supervisory board members) | Audit quality perceptions | Mandatory external rotation, selection by independent regulator | - German management representatives and supervisory board members do not expect auditor appointments by an independent regulator to increase the benefits of audits, such as client-specific expertise and knowledge, professional competence and expertise, independence, professional skepticism, and reputation. |
| Corporate Governance in the Post-Sarbanes-Oxley Era: Auditors' Experiences* | Cohen, J., Krishnamoorty, G., Wright, A. | 2010 | Contemporary Accounting Research | Capture the experiences of auditors in their interactions with the audit committee, board, and internal auditors in the post-SOX environment. | US | Semi-structured Interviews | Interviews: 30, 10 Audit managers and 18 audit partners | N/A | N/A | - The actual selection influence assigned to the management was 53 percent while that assigned to the audit committee was 41 percent. |

| | | | | | | | | | | |
|--|--|------|--|---|-----------------|----------|-----------------|----------------------|------------------------------------|--|
| Do Investors' Perceptions Vary with Types of Nonaudit Fees? Evidence from Auditor Ratification Voting | Mishra, S., Raghunandan, K., Rama, D.V. | 2005 | Auditing: A Journal of Practice and Theory | Test the SEC's assertion about investors perceiving audit-related and tax fees differently than other nonaudit fees paid to the independent auditor in the context of shareholder voting related to auditor ratification. | US, 2003 | Archival | 248 firms | Auditor Ratification | Non-audit fees | - The proportion of shareholders voting against auditor ratification in 2003 is (1) positively associated with both the tax fee ratio and the "other" fee ratio, but (2) negatively associated with the audit-related fee ratio. |
| Do regulations limiting management influence over auditors improve audit quality? Evidence from China | Chi, W.C., Lisic, L.L., Long, X.H., Wang, K. | 2013 | Journal of Accounting and Public Policy | Examine whether regulations that limit management influence over auditors improve audit quality. | China 2001-2009 | Archival | 5533 firm-years | Abnormal Accruals | Limitation of management influence | - Audit quality for CSOEs relative to other companies improves after the enactment of these rules (that limit management influence over auditors). |
| Does Audit Committee Disclosure of Partner-Selection Involvement Signal Greater Audit Quality? | Downes, J.F., Draeger, M.A., Sadler, A.E. | 2022 | Accounting Horizons | Investigate whether audit committees use voluntary disclosures to signal the committees' higher level of involvement in the audit partner-selection process, which contributes to higher levels of audit quality. | US, 2014-2019 | Archival | 3690 firm-years | AQ | AP disclosure | - Disclosure of audit committee activity and involvement in the audit partner selection process could lead to selecting a more rigorous partner, resulting in higher audit quality. |

| | | | | | | | | | | |
|--|--------------------------------|------|---|---|------------------|---------------------|-----------------|------------------------|---------------------------------------|--|
| Does auditor designation by the regulatory authority improve audit quality? Evidence from Korea | Kim, J.B., Yi, C.H. | 2009 | Journal of Accounting and Public Policy | Investigate whether the auditor designation rule (the regulatory authority designates external auditors) in Korea is effective in deterring managers from making income increasing earnings management. | Korea, 1991-2000 | Archival, 1991-2000 | 2750 firm-years | Discretionary Accruals | Designated auditor | <ul style="list-style-type: none"> - The level of discretionary accruals is significantly lower for firms with designated auditors than firms with a free selection of auditors. - Firms with mandatory auditor changes (i.e., auditor designation) report significantly lower discretionary accruals compared to firms with voluntary auditor changes. |
| Does Investor Selection of Auditors Enhance Auditor Independence? | Mayhew, B.W., Pike, J.E. | 2004 | The Accounting Review | Examine whether investor selection of auditors enhances auditor independence, explore the effect on independence of different institutional rules as to who hires and fires auditors and to directly measure independence violations. | US | Experiment | 40 participants | Auditor effort | Selection Responsibility | <ul style="list-style-type: none"> - Transferring power to hire and fire the auditor from managers to investors decreases the proportion of independence violations, especially combined with eliminating the auditor's moral hazard over effort and this increases the overall economic surplus in the markets examined. Violations reduced from 69-82 to 26-36 percent. |
| Does regulator designation of auditors improve independence? | Tang, F.C., Ruan, L., Yang, L. | 2017 | Managerial Auditing Journal | Investigate the effects of regulator designation of auditors and litigation risk on auditor independence in a Chinese setting. | China | Experiment | 81 auditors | Auditor recommendation | Selection responsibility (government) | <ul style="list-style-type: none"> - The regulatory designation of auditors improves their independence. |

| | | | | | | | | | | |
|--|--|------|---|--|-------------------------|----------------------------|---|---|--|--|
| Does the Timing of Auditor Changes Affect Audit Quality? Evidence From the Initial Year of the Audit Engagement | Cassell, C.A., Hansen, J.C., Myers, L.A., Seidel, T.A. | 2020 | Journal of Accounting, Auditing and Finance | Investigate whether audit quality varies with the timing of the new auditor's appointment. | US, 2000-2014 | Archival | 7715 auditor changes | Misstatement | Engagement start during or after fourth fiscal quarter | - The extent to which audit quality suffers in the first year of audit engagements is affected by both the amount of time required to understand the client's business, assess risks, and perform the audit (all of which are driven by client complexity), as well as the amount of time available for auditors to perform these tasks. |
| Exploratory insights into audit fee increases: A field study into board member perceptions of auditor pricing practices | Goddard, F., Schmidt, M. | 2021 | International Journal of Auditing | Provide exploratory insights into the perceptions of board members vis-à-vis pricing practices used by auditors to achieve audit fee increases. | Mainly Luxembourg, 2018 | Semi-structured interviews | 12, 10 board members, two audit managers, | N/A | N/A | - Competing auditors commonly engage in low-balling and that, as a result, most board members expect audit fees to decrease when changing auditors. |
| Financial Restatements and Shareholder Ratifications of the Auditor | Liu, L.L., Raghunandan, K., Rama, D.V. | 2009 | Auditing: A Journal of Practice and Theory | Provide empirical evidence about the association between financial restatements and subsequent shareholder actions. | US, 2005-2006 | Archival | 194 firms | Auditor Ratification | Restatements | - Financial restatements can affect shareholder perceptions related to the auditor and thereby influence their decision of voting on ratifying the auditor. |
| Forced Audit Firm Change, Continued Partner-Client Relationship, and Financial Reporting Quality | Chen, C.J.P., Su, X.J., Wu, X. | 2009 | Auditing: A Journal of Practice and Theory | Provide partner-level evidence regarding the effect of continued auditor-client relationships on financial reporting quality over a three-year post-switch period. | China, 2001 | Archival | 174 auditor changes | Client follows the former audit partner to a new audit firm | Accruals | <ul style="list-style-type: none"> - Clients with greater earnings management activities are more likely to follow their former audit partners to a new audit firm, and aggressive follower clients. - New audit firms are more likely to rotate former partners in the auditing of follower clients in the first post-switch year, a large number of these partners return to their former clients in subsequent years. |

| | | | | | | | | | | |
|---|--|------|---|--|-----------------|-----------------|---------------------------|------------------------|------------------------|--|
| Government and managerial influence on auditor switching under partial privatization | Bagherpour, M.A., Monroe, G.S., Shailer, G. | 2014 | Journal of Accounting and Public Policy | Investigate how auditor switching is affected by government influence, misalignment between the auditor the controlling shareholder, and between an incumbent auditor and imputed preferences of managers. | Iran, 1999-2003 | Archival | 657 firm-years | Auditor switch | Governmental influence | <ul style="list-style-type: none"> - The likelihood of auditor switches is strongly associated with measures of misalignment between type of auditor and type of controlling shareholder and auditor-managerial misalignment, but these associations are constrained by significant government influence. |
| How Audit Committee Chairs Address Information-Processing Barriers | Free, C., Trotman, A.J., Trotman, K.T. | 2021 | The Accounting Review | Investigate the way that experienced audit committee Chairs address barriers to effective performance. | Australia, 2017 | Semi-Structured | 24 audit committee chairs | N/A | N/A | <ul style="list-style-type: none"> - Management and the audit committee perceived no differences among the Big 4 audit firms' expertise. - The engagement partner is extremely important for the audit committee. |
| How do auditors respond to competition? Evidence from the bidding process | Hallman, N.J., Kartapanis, A., Schmidt, J.J. | 2022 | Journal of Accounting and Economics | Develop and validate a company-year measure of audit engagement bidding among Big 4 auditors. Test whether audit engagement bidding affects audit quality and pricing. | US, 2005-2016 | Archival | 17,979 firm-years | Fees and Audit Quality | Competitive Bidding | <ul style="list-style-type: none"> - Incumbents perform higher quality audits and reduce their fees modestly during bidding years. - Big 4 competitive bidding is positively associated with audit quality as measured by a lower likelihood of misstatement. - Big 4 competitive bidding is associated with modest fee reductions in the two years following an auditor change, regardless of whether the incumbent auditor wins reappointment or not. |

| | | | | | | | | | | |
|---|--|------|----------------------------------|--|----|-------------|--|------------------------|----------------------------------|---|
| How Do Regulatory Reforms to Enhance Auditor Independence Work in Practice | Fiolleau, K., Hoang, K., Jamal, K., Sunder, S. | 2013 | Contemporary Accounting Research | Investigate how regulatory reforms designed to promote auditor independence (specifically audit committee reforms and proposed audit firm rotation requirements) may actually work in the context of auditor change. | US | Field Study | 1 firm: Semi-structured interviews: AC chair, 4 ACM, CEO, CFO, CIA, 2 VP's, 4 participating audit partners, audit proposals and financial data | N/A | N/A | <ul style="list-style-type: none"> - Tendering in the case was a 90-day process beginning with the company's RFP issuance, 50 days to acquire and prepare information for auditors' written proposals, a subsequent 30-day period until auditors' oral presentations to all members of the auditor selection committee, and a quick deliberation (approximately 10 days) to select and appoint the auditor. - The information exchanged and used for evaluation emphasized cultural fit (e.g., rapport, chemistry, attention to needs) rather than expertise and risk. - The audit committee viewed their role as monitors, rather than drivers, of the process. Management is very involved. - Management and the audit committee perceived no differences among the Big 4 audit firms' expertise. - The bidding firms sought to align engagement team characteristics with the CFO. - Auditors aim to discern the preferences of the company's key decision-makers and customize their proposals accordingly. |
| How Does an Audit Partner's Perceived Technical Expertise and Objectivity Impact the Audit Partner Selection Process? Experimental Evidence on Managers' Recommendations | Bhaskar, L.S., Carlisle, M., Hux, C. | 2021 | SSRN | Examine managers' audit partner selection recommendations. | US | Experiment | 200 accounting and finance executives and managers | Auditor recommendation | Social ties, technical expertise | <ul style="list-style-type: none"> - Managers appear to be more likely to recommend audit partners with prior Big 4 experience and less likely to recommend audit partners with social ties. |

| | | | | | | | | | | |
|---|---|------|--|---|---------------|-----------------------|---|----------------------------|-----------------------------|---|
| Insights from an Analysis of Audit Committee Governance Practices at U.S. Registered Investment Companies and Public Operating Companies | Jenkins, J.G., Pyhoza, J., Taylor, M.H. | 2019 | SSRN | Investigate the influence of the unique aspects of investment companies (ICs) on audit committee (AC) governance and compare AC IC and operating company (OC) governance practices. | US | Survey and Interviews | Survey: 107 IC ACM, interviews: ten AC, ten management members at ICs, ten OC AC members, follow-up interviews of the ten IC AC members | N/A | N/A | <ul style="list-style-type: none"> - Overall, management is heavily involved in auditor selection decisions only in public companies, not investment companies. - This effect is more substantial when the CEO plays a dominant role on the board. - Audit committees of investment companies oversee audit firm retention and hiring decisions substantially. - Conversely, audit committees of public companies perform a more ceremonial role. |
| Management Influence on Auditor Selection and Subsequent Impairments of Auditor Independence during the Post-SOX Period | Dhaliwal, D.S., Lamoreaux, P.T., Lennox, C.S., Mauler, L.M. | 2015 | Contemporary Accounting Research | Examine managerial involvement in auditor selection decisions when audit committees are “directly responsible” for auditor relationships, including selection of the audit firm. | US, 1995-2009 | Archival | 2145 Big 4 appointments | Firm appointment | Management Affiliation | <ul style="list-style-type: none"> - Management affiliation continues to have a significant impact on auditor selection during the post-SOX period. - No consistent evidence is found that management influence over auditor selection leads to impaired auditor independence during the post-SOX period. - The lower propensity of hired affiliate auditors to issue going-concern opinions is partially offset by audit committees that are larger and audit committees with accounting expertise. |
| Management Trade-Offs of Internal Control and External Auditor Expertise | Jensen, K.L., Payne, J.L. | 2003 | Auditing: A Journal of Practice and Theory | Examine whether managers of organizations who are required to have independent audits substitute external auditor expertise for certain closely related internal control mechanisms in their overall control systems. | US, 1992 | Archival, survey | 405 cities | Auditor industry expertise | Internal control mechanisms | <ul style="list-style-type: none"> - Companies that do not hire internal auditors tend to compensate by selecting external auditors with relatively high levels of industry expertise. |

| | | | | | | | | | | |
|--|---|------|--|---|---------------|----------------------------|-----------------|-----------|----------------------|---|
| Management's Undue Influence over Audit Committee Members: Evidence from Auditor Reporting and Opinion Shopping | Berglund, N.R., Draeger, M., Sterin, M. | 2022 | Auditing: A Journal of Practice and Theory | Examine the threat of undue influence, whereby an individual inappropriately subordinates his or her judgment to another individual. | US, 2004-2017 | Archival | 9868 firm-years | GCO | Management influence | <ul style="list-style-type: none"> - Higher relative management influence over audit committee members is associated with less conservative auditor reporting and increased opinion shopping behavior.. |
| Managing the Auditor-Client Relationship Through Partner Rotations: The Experiences of Audit Firm Partners | Dodgson, M. K., Agoglia, C., Bennett, B., Cohen, J. | 2020 | The Accounting Review | Investigate firms' motivation to manage the auditor-client relationship through the lens of Social Exchange Theory (SET). | US | Semi-structured interviews | 20 partners | N/A | N/A | <ul style="list-style-type: none"> - Partner assignment is typically not random. - Partner rotation is an extended process (rather than a single discrete event). - Interviewees report assigning non-decision-making senior partners as relationship liaisons. - When the auditioning of engagement partners is complete and the next partner is selected, interviewees depict the logistical challenges, time commitments, and firm resources invested to ensure that the incoming engagement partner is equipped to hit the ground running when rotation takes place. - Interviewees stress that firms' emphasis on the auditor-client relationship is not limited to the period immediately preceding an engagement partner rotation matching evaluations. |
| Market Reaction to Auditor Ratification Vote Tally | Tanyi, P.N., Roland, K.C. | 2017 | Accounting Horizons | Provide evidence that the proportion of shareholder votes against the ratification of the auditor is informative to investors' perception of the auditor-client relationship. | US, 2010-2015 | Archival | 6621 dismissals | Dismissal | Auditor Ratification | <ul style="list-style-type: none"> - High shareholder disapproval of the auditor's appointment is positively associated with the dismissal of the auditor. |

| | | | | | | | | | | |
|---|---------------------------------|------|--|---|----------------------|------------|---------------------------------------|----------------------|--------------------|---|
| Military reform, militarily-connected firms and auditor choice | Harymawan, I. | 2020 | Managerial Auditing Journal | examine the auditor choice preference of the militarily-connected firms in Indonesia, an emerging country where there is a strong influence from the military on political decision-making. | Indonesia, 2003-2017 | Archival | 3473 firm-years | Big 4 choice | Military directors | - Firms with a militarily-connected director are less likely to appoint one of the Big 4 auditors. |
| Network Analysis of Audit Partner Rotation | Pittman, J., Wang, L., Wu, D.H. | 2022 | Contemporary Accounting Research | Examine the importance of within-firm network connections to the selection of successor partners and the impact of those connections on post-rotation audit performance | China, 2003-2017 | Archival | 3145 rotated-off partners (2003-2017) | Partner selection | Connections | - Connections are a major determinant in the selection process. - Engagements are more likely to be rotated to well-connected successors when the audit engagements are more complex, client-specific knowledge is not readily available to the succeeding partners, and the engagements are more valuable to the audit firms. |
| Non-audit services and shareholder ratification of auditors | Raghunandan, K. | 2003 | Auditing: A Journal of Practice and Theory | Examine differences in shareholder votes of the ratification of the external auditor (selected by management) based on the relative magnitude of non-audit fees. | US, 2001 | Archival | 172 firms | Auditor Ratification | Non-audit fees | - The proportion of votes against the auditor increases with the ratio of non-audit fees. |
| On the constitution of audit committee effectiveness | Gendron, Y., Bedard, J. | 2006 | Accounting, Organizations, and Society | Understand the process why which meanings regarding AC effectiveness are internally developed and sustained. | Canada | Case study | 22 interviews at 3 companies | N/A | N/A | - AC opinions on their role in the auditor selection process are mixed, ranging from influential to not having a direct impact but having a monitoring function. |

| | | | | | | | | | | |
|---|---|------|--|--|--------------------|----------|---|---------------------|-----------------------|---|
| On the Economics of Mandatory Audit Partner Rotation and Tenure: Evidence from PCAOB Data | Gipper, B., Hail, L., Leuz, C. | 2021 | The Accounting Review | Analyze partner tenure and mandatory rotation for a large cross-section of U.S. publicly listed firms over an extended period. | US, 2008-2014 | Archival | 17,900 firm-years, 2,385 mandatory engagement-partner rotations (Big 6 clients) | Audit economics | Partner tenure | <ul style="list-style-type: none"> - There are audit fee pressures around partner rotations, particularly in less concentrated local markets. - There is an increase in total audit hours, engagement partner and review partner hours shortly after rotations. - Audit firms manage transitions differently depending on client size. For larger and more complex clients, evidence of earlier onboarding of incoming partners and shadowing of outgoing partners is found. - For smaller clients, partners spend more time on the assignment in the initial years after rotation. - Audit team rotations are more disruptive than rotating just the lead partner, although not as disruptive as changing the audit firm. |
| Political Connections, Audit Opinions, and Auditor Choice: Evidence from the Ouster of Government Officers | He, K., Pan, X.F., Tian, G.G. | 2017 | Auditing: A Journal of Practice and Theory | Examine changes in audit opinions and auditor choice decisions in politically connected firms before and after the exogenous termination of their political connections. | China, 2004-2014 | Archival | 84 anti-corruption cases, | MAO, auditor choice | Political connections | <ul style="list-style-type: none"> - Connected state-owned enterprises (SOEs) receive more favorable audit opinions than their non-connected counterparts, whereas connected non-SOEs obtain less favorable opinions. - After the termination of political connections, connected SOEs are more likely, while connected non-SOEs are less likely, to hire local small auditors. |
| Pricing Strategies of Big4 and Non-Big4 Auditors in the Light of Audit Tendering | Baumann, M., Ratzinger-Sakel, N.V.S., Tiedemann, T. | 2022 | SSRN | Investigate the effects of mandatory audit tendering on audit pricing. | Germany, 2016-2019 | Archival | 1028 firm-years | Audit fees | Mandatory tendering | <ul style="list-style-type: none"> - Auditors (particularly Big 4 auditors) facing a tender charge higher audit fees but do not provide higher quality audits. |

| | | | | | | | | | | |
|---|--|------|---|--|----------------------|---------------------------|---|------------------------|-----------------------|--|
| Procurement Practices and the Municipality Auditing Market | Marques, A., Pinto, A. | 2019 | Journal of Accounting, Auditing and Finance | Analyse municipal auditing, exploring its several steps: procurement, decision on selection criteria, selection, render and payment of services, and opinion provided. | Portug al, 2007-2011 | Survey | 170 surveys of 38 municipalities | Lowest price criterion | Procurement metrics | - The majority of municipalities acquire auditing services through direct selection and choose their auditors based upon the lowest price selection criterion. - However, municipalities where the procurement process is more sophisticated employ the lowest price selection criterion less frequently. |
| Proposal readability, audit firm size and engagement success | Chang, Y.T., Stone, D.N. | 2019 | Managerial Auditing Journal | Examine the effects of firm size on audit proposal readability and audit proposal readability on auditor selection using readability metrics. | US | Archival/Content analysis | 370 audit proposals | Winning bid | Proposal readability | - Increased readability of auditors' proposals improves their likelihood of winning the engagement. |
| Proprietary information spillovers and supplier choice: evidence from auditors | Aobdia, D. | 2015 | Review of Accounting Studies | Examine the reluctance of rivals to share auditors and tie this reluctance to concerns about information spillovers. | US, 1985-2011 | Archival | 721 firm-years | Auditor switch | Auditor overlap | - Rival firms become less (more) likely to share the same auditor when the costs of information spillovers increase (decrease). |
| Realigning Auditors' Accountability: Experimental Evidence | Hurley, P.J., Mayhew, B.W., Obermire, K.M. | 2019 | The Accounting Review | Examine the impact on audit quality of altering auditors' accountability to both managers and investors. | US | Experiment | 248 undergraduate and graduate students | Audit quality | Hiring responsibility | - Auditors do not simply require increased accountability to investors, but also an elimination of managers' ability to economically punish them through decreased hiring, to increase audit quality. |

| | | | | | | | | | | |
|--|--|------|---|---|-----------------------|---------------------------------|---|-----------------------------------|----------------------|--|
| Referral as a determining factor for changing auditors in the Belgian auditing market: An empirical study | Branson, J., Breesch, D. | 2004 | International Journal of Accounting | Investigate the importance of referral in the Belgian audit market. | Belgium, 1996 | Archival, Survey | 1434 parent companies,, 279 surveys | Same Auditor Choice | Referral | <ul style="list-style-type: none"> In group audit scenarios, the management of the parent company influences the auditor selection of the subsidiary company. |
| Reputation Capital of Directorships and Demand for Audit Quality | Fredriksson, A., Kiran, A., Niemi, L. | 2020 | European Accounting Review | Examine whether boards of directors use external auditing to protect their reputation capital. | Finland, 2007-2016 | Archival | 1249 firm-years | Audit quality | Reputation capital | <ul style="list-style-type: none"> Companies that have directors with multiple directorships pay higher fees to their auditors and choose better-known auditors to protect their reputation capital. |
| Role expectations and agency in the audit tendering process | Taminiau, Y., Heusinkveld, S. | 2017 | Accounting, Auditing & Accountability Journal | Explore the way auditors respond to complex client expectations related to the audit tendering process. | The Netherlands, 2012 | Content analysis and Interviews | 75 client evaluations of auditors & 8 in-depth interviews with partners and directors | N/A | N/A | <ul style="list-style-type: none"> In the context of auditor-client relationships, expectations cannot be considered stable but may vary significantly throughout the tendering process. Auditors are not only determined by the formal tendering procedures, but are also influenced by their level of agency. Tendering processes exist of three phases (orientation, intake, and presentation). The key actors are CFOs, controllers, managers, and the audit committee. |
| Shareholder Dissatisfaction and Subsequent Audit Outcomes | Tanyi, P.N., Rama, D.V., Raghunandan, K., Martin, G.W. | 2020 | Accounting Horizons | Examine the association between shareholder dissatisfaction, as proxied using auditor ratification voting, and subsequent auditor effort and audit quality. | US, 2004-2015 | Archival | 12085 shareholder ratifications | Auditor effort, reporting quality | Auditor ratification | <ul style="list-style-type: none"> Increases in shareholder dissatisfaction, as proxied by shareholder votes against auditor ratification, are associated with higher audit fees and longer audit report lags, which reflect higher auditor effort, in the following fiscal year. Increases in shareholder dissatisfaction are associated with lower abnormal accruals and a lower likelihood of financial statement misstatements in the following year, indicating higher financial reporting quality. |

| | | | | | | | | | | |
|---|--|------|----------------------------------|--|---------------|----------------------------|--|---------------------------|---|---|
| Shareholder Votes on Auditor Ratification and Subsequent Auditor Dismissals | Barua, A., Raghunandan, K., Rama, D.V. | 2017 | Accounting Horizons | Provide empirical evidence about the association between shareholder voting on auditor ratification and subsequent auditor dismissals. | US, 2011–2014 | Archival | 12,664 shareholder ratifications, 423 auditor dismissals | Auditor dismissal | Auditor Ratification | - Subsequent auditor dismissals become more likely with increases in the proportion of shareholders not ratifying the auditor. |
| Shareholder Voting on Auditor Selection, Audit Fees, and Audit Quality | Dao, M., Raghunandan, K., Rama, D.V. | 2012 | The Accounting Review | Examine the association between shareholder involvement in auditor selection and (1) audit fees and (2) audit quality. | US, 2006 | Archival | 1382 firms | Audit fees, audit quality | Auditor Ratification | <ul style="list-style-type: none"> - Firms that started having a shareholder vote pay higher fees than firms that stopped having a shareholder vote. - In firms with shareholder voting on auditor selection (1) subsequent restatements are less likely and (2) abnormal accruals are lower. |
| Shareholder Ratification of Auditors After PCAOB Censures | Tanyi, P.N., Rama, D.V., Raghunandan, K. | 2021 | SSRN | Investigate investor perceptions about audit quality. | US, 2007-2019 | Archival | 3396 firm-years | Auditor Ratification | PCAOB censure | <ul style="list-style-type: none"> - The proportion of votes against the auditor increases with longer auditor tenures, and when there are signs of poor audit quality. |
| The Audit Committee Oversight Process* | Beasley, M.S., Carcello, J.V., Hermanson, D.R., Neal, T.L. | 2009 | Contemporary Accounting Research | Provide extensive information about the audit committee process. | US, 2004-2005 | Semi-structured interviews | 42 ACM | N/A | N/A | <ul style="list-style-type: none"> - Audit committees generally consider audit firms (especially the Big 4) to be broadly equivalent, shifting much of their focus from the audit firm to the individual partner. - Management is still highly influential in the auditor selection process. |
| The audit market effects of disputing a GAAP-deficient PCAOB inspection report | Abbott, L.J., Buslepp, W., Notbohm, M. | 2018 | Advances in Accounting | Investigate whether and to what extent the auditor's response – which is also encapsulated in the inspection report – impacts the reaction to GAAP-deficient inspection reports. | US, 2005-2014 | Archival | 113 inspection reports, 805 client companies | Auditor dismissal | Auditor disagreement of PCAOB inspection report, AC financial expertise | <ul style="list-style-type: none"> - Triennially inspected auditors that dispute the PCAOB findings are far less likely to be dismissed when a client has an audit committee director with accounting-related financial expertise. |

| | | | | | | | | | | |
|--|---|------|--|--|--------------------|------------------|--------------------------|---------------------|---|---|
| The Determinants and Effects of Clients Following Audit Partners Who Switch Audit Firms | Chang, W.C., Choy, H.L., Lin, H.Y., Koo, M.H. | 2019 | European Accounting Review | Examine the determinants of clients' decision to follow departing partners to new audit firms and the effect of this decision on the likelihood of financial restatements. | Taiwan , 1984-2010 | Archival | 1258 company-years | Client moves | firm tenure, partner tenure, specialization | <ul style="list-style-type: none"> - Clients are more likely to follow departing partners when the partners have more clients, longer tenure, and when both lead and concurring partners leave simultaneously. - Clients are more likely to stay with their incumbent audit firms when the firms are one of the Big Four or when only the concurring partners leave. client companies may follow their audit engagement partner when that partner changes to another audit firm. |
| The effect of a bidding restriction on the audit services market | Hackenbrack, K., Jensen, K.L., Payne, J.L. | 2000 | Journal of Accounting Research | Document the price and quality effects of an unusual state-mandated market restriction that required nonprice competition and prohibited price competition among auditors. | US, 1995 | Survey, Archival | 675 financial statements | Audit fees | Bidding restriction metrics | <ul style="list-style-type: none"> - Municipalities covered by the statute paid higher audit fees, engaged larger audit firms and firms with larger municipal audit client bases, and were more likely to be recognized for excellence in financial reporting than municipalities not covered by the statute. - The bidding statute created a market climate in which required nonprice competition impeded the entry of lesser qualified auditors, whereas the anticipated financial rewards induced the entry of more qualified auditors. |
| The Effect of Audit Committee and Board of Director Independence on Auditor Resignation | Lee, H.Y., Mande, V., Ortman, R. | 2004 | Auditing: A Journal of Practice and Theory | Provide empirical evidence about the association between audit committee and board characteristics and auditor resignations. | US, 1996-2000 | Archival | 190 auditor resignations | Auditor resignation | Board and AC characteristics | <ul style="list-style-type: none"> - Audit committee and board independence are both negatively and significantly related to the likelihood of an auditor resignation. - The financial expertise of the audit committee members is inversely related to auditor resignations. |

| | | | | | | | | | | |
|--|---|------|-----------------------------------|---|---------------|------------------|---------------------------------------|---------------------------|-------------------------|--|
| The effect of competitive bidding on engagement planning and pricing | Johnstone, K.M., Bedard, J.C., Ettredge, M.L. | 2010 | Contemporary Accounting Research | Investigate how clients' choices regarding whether or not to engage in competitive bidding affect a bidding firm's decisions about planned engagement effort and pricing. | US, 1997-1998 | Archival | 336 firms between | Fees, Hours | Risk metrics | <ul style="list-style-type: none"> - Competitive bidding is associated with higher planned engagement effort and decreased fees, relative to non-competitive bidding. - Both enhanced service and price discounts are associated with competitive bidding. - An individual partner benefits if an engagement can be gained through service enhancement rather than revenue reduction. - About 50 percent of the clients in the sample chose not to solicit competitive bids. |
| The Effects of Auditor Designation by the Regulator on Auditor Decisions: Evidence from Korea | Shim, T.S., Pae, S.J., Choi, E. | 2020 | Behavioral Research in Accounting | Examine the effect of audit engagement system (ADS versus FAES) on audit quality. | Korea | Quasi-experiment | 375 surveys | Auditor aggressiveness | Audit engagement system | <ul style="list-style-type: none"> - Auditor designation by the Korean regulator leads to less aggressive auditor decisions. |
| The Effects of Auditor Rotation, Professional Skepticism, and Interactions with Managers on Audit Quality | Bowlin, K.O., Hobson, J.L., Piercy, M. D. | 2015 | The Accounting Review | Examine whether the effect of mandatory auditor rotation on audit quality depends on the mental frame auditors adopt in evaluating management representations. | US | Experiment | 226 undergraduate student volunteers, | Effort and Aggressiveness | Rotation | <ul style="list-style-type: none"> - The effect of auditor rotation on audit quality depends on the auditor's assessment frame. - When auditors assess the honesty of management representations (i.e., a client integrity frame), auditor rotation increases audit effort and decreases the frequency of low-effort audits paired with aggressive financial reporting, decreasing the likelihood of audit failure. - When auditors assess the dishonesty of management representations (i.e., a skepticism frame), auditor rotation decreases audit effort and increases low-effort audits paired with aggressive reporting. |

| | | | | | | | | | | |
|--|--|------|-----------------------------------|---|---------------|------------|-------------------|---|-------------------------|--|
| The Effects of Prior Manager-Auditor Affiliation and PCAOB Inspection Reports on Audit Committee Members' Auditor Recommendations | Abbott, L.J., Brown, V.L., Higgs, J.L. | 2016 | Behavioral Research in Accounting | Investigate the extent to which ACM of small publicly traded companies utilize PCAOB inspection reports in their auditor selection recommendations when management recommends hiring the auditor, and whether the SOX Act's one-year cooling-off period mitigates independence concerns of ACM resulting from a prior management-auditor affiliation. | US | Experiment | 118 professionals | Audit firm selection | Inspection, Affiliation | <ul style="list-style-type: none"> - Triennially inspected auditors with unfavorable inspection reports receive less favorable hiring recommendations when management's recommendation is to hire the auditor. - Prior manager-auditor affiliation decreases the participants' hiring recommendations. |
| The Impact of CEO/CFO Outside Directorships on Auditor Selection and Audit Quality | Yu, J., Kwak, B., Park, M.S., Zang, Y. | 2020 | European Accounting Review | Examine whether outside directorships of CEO/CFO and resulting network ties to auditors affect auditor selection decisions and subsequent audit quality. | US, 2003-2015 | Archival | 757 firms | Firm selection/hiring connected auditor | Connections | <ul style="list-style-type: none"> - Managers are more likely to appoint auditors with whom they are currently connected, leading to a decrease in audit quality. |

| | | | | | | | | | | |
|---|---|------|--|---|-----------------|------------|---|---|------------------------------|--|
| The Impact of Mandatory Auditor Tenure Disclosures on Ratification Voting, Auditor Dismissal, and Audit Pricing | Dunn, R.T., Lundstrom, N.G., Wilkins, M.S. | 2021 | Contemporary Accounting Research | Investigate whether the tenure disclosures now mandated by AS 3101 are associated with changes in stakeholder behavior.. | US | Archival | 8802 client-year observations between 2014 and 2018 | Auditor ratification, auditor dismissal, audit fees | Tenure and tenure disclosure | <ul style="list-style-type: none"> The probability of auditor dismissal increases after disclosure for long-tenured versus short-tenured auditors. shareholder ratification votes against the auditor increase for long-tenured auditors compared to short-tenured auditors in the post-disclosure period. |
| The Impact of Risk and the Potential for Loss on Managers' Demand for Audit Quality* | Hurley, P.J., Mayhew, B.W., Obermire, K.M., Tegeler, A.C. | 2021 | Contemporary Accounting Research | Investigate the impact of risk and the potential for loss on managers' audit quality demand. | US | Experiment | 166 undergraduate, graduate, and other students | Auditor choice | Risk, potential for loss | <ul style="list-style-type: none"> Management choice of the auditor can lead to lower audit quality due to the desire for flexibility in reporting. Increased risk, the potential for loss, and to a lesser extent their interaction, significantly reduce managers' likelihood of hiring the best available auditor in the market. |
| The Impact of the Auditor Selection Process and Audit Committee Appointment Power on Investment Recommendations | Gold, A., Klynsmit, P., Wallage, P., Wright, A.M. | 2018 | Auditing: A Journal of Practice and Theory | Examine the impact of the auditor selection process and the appointment power of the audit committee on investment recommendations. | The Netherlands | Experiment | 118 experienced investment professionals | Recommendation likelihood | AC power | <ul style="list-style-type: none"> Audit committees can provide positive signals to investors when given high appointment power. Audit committee appointment power affects investment recommendations only when a possible auditor change is anticipated (i.e., in the case of rotation and tendering), but not when the auditor selection is voluntary. Rotation and tendering lead to a higher recommended investment likelihood than voluntary selection, but only when an audit committee has high appointment power. |
| The Introduction of State Regulation and Auditor Retendering in School Districts: Local Audit Market Structure, Audit Pricing, and Internal Controls Reporting | Elder, R.J., Yebba, A.A. | 2020 | Auditing: A Journal of Practice and Theory | Investigate the consequences of the legislative acts on the audit market, audit pricing, audit reporting lag, and disclosure of internal control exceptions and provide evidence on how changes in state regulation impact local audit markets. | US, 1998-2012 | Archival | 6353 firm-years | Auditor choice, auditor switch | State regulation impact | <ul style="list-style-type: none"> Retendering policies resulted in greater use of specialist audit firms and increased market concentration. Audit fees increased substantially after the Acts, with increased fee premiums for specialist auditors. Audit firms that grew their practices over the sample period and became specialists had higher pricing strategies than established specialists in the market. |

| | | | | | | | | | | |
|--|---|------|---------------------------------------|--|---------------|---------------------|--|---|--|--|
| The Timing of Auditor Hiring: Determinants and Consequences | Pacheco-Paredes, A.A., Rama, D.V., Wheatley, C.M. | 2017 | Accounting Horizons | Examine (1) the timing of the auditor change relative to the fiscal year-end, and (2) the gap between announcements of the dismissal of the predecessor auditor and the hiring of the successor auditor. | US, 2006-2012 | Archival | 1,860 client dismissals | Engagement timing/Hiring lag/AQ | firm characteristics/engagement timing | <ul style="list-style-type: none"> - Most auditor changes happen well before the fiscal year-end, in the 300 to 181 days prior. - The appointment of a new CEO or CFO during the fiscal year (but before the auditor change) influences this timing, suggesting that client executives have a significant role in the auditor-hiring process. - Auditor changes closer to the year-end are associated with longer reporting lags and lower audit quality. |
| To share or not to share: The importance of peer firm similarity to auditor choice | Bills, K.L., Cobabe, M., Pittman, J., Stein, S.E. | 2020 | Accounting, Organizations and Society | Investigate firm's decisions on whether to choose the same auditor as a close competitor. | US, 2000-2015 | Survey and archival | Survey: 40 audit partners, archival: 1,130,588 firm-peer years | Firms sharing auditor | Similarity | <ul style="list-style-type: none"> - More similar peer companies have a greater propensity to share the same auditor. |
| Voluntary audit committees, auditor selection and audit quality: evidence from Taiwan | Kao, M.F., Shiue, M.J., Tseng, C.H. | 2021 | Managerial Auditing Journal | Investigate the effects of the formation of voluntary ACs on the selection of individual audit partners, and, in turn, the audit quality. | US, 2007-2012 | Archival | 6749 firm-years | Firm has AC/Audit partner characteristics /AQ | Client characteristics/firm has AC | <ul style="list-style-type: none"> - Voluntary audit committee formation is positively related to an industry specialist lead partner and a lead partner that has a larger number of clients. - Voluntary audit committee formation has a positive impact on audit quality (proxied by discretionary accruals). |
| Who's Really in Charge? Audit Committee versus CFO Power and Audit Fees | Beck, M.J., Mauldin, E.G. | 2014 | The Accounting Review | Shed light on the relative influence of the audit committee and the CFO on fee negotiations. | US, 2006-2009 | Archival | 9214 firm-years | Audit fees | Relative AC vs CFO tenure | <ul style="list-style-type: none"> - Larger fee reductions exist in the presence of more powerful CFOs, and smaller fee reductions in the presence of more powerful audit committees. - The CFO or the audit committee primarily influences fees when their counterpart is less powerful. |

| | | | | | | | | | | |
|---|-----------------------|------|-----------------------------------|---|---------------|----------|------------------|----------------------|-------------------------|--|
| Why do firms seek shareholder ratification of the independent audit function? The case of foreign cross-listed companies in the United States | Tanyi, P., Cathey, J. | 2020 | International Journal of Auditing | Examine factors that increase or decrease the likelihood of shareholders' involvement in the ratification of the independent auditor's appointment for foreign cross-listed companies in the United States. | US, 2010-2014 | Archival | 1,148 firm-years | Seeking ratification | Company characteristics | - Bank financing, the location of the cross-listed firm's independent auditor (U.S.-based vs. non-U.S.-based audit office), and non-audit fee ratio have the highest marginal effects on the probability of companies requiring their shareholders to ratify the auditor's appointment. |
| Why some companies seek shareholder ratification on auditor selection | Krishnan, J., Ye, Z. | 2005 | Accounting Horizons | Identify why some companies seek shareholder ratification on auditor selection. | US, 2011 | Archival | 383 companies | Seeking ratification | AC characteristics | - Companies are more likely to seek shareholder ratification when they are larger, have more financial expertise on their audit committee, have a Big 4 auditor, purchase more non-audit services, are audited by the same auditor for longer periods, and when shareholder satisfaction with the board is higher. |

Tabel 3: Study Characteristics

| Title | Author(s) | Year | Setting | Design | Sample | Key Results | | |
|---|--|------|----------|------------------|--------------------|---|--|--|
| Audit Procurement: Managing Audit Quality and Audit Fees in Response to Agency Costs | Jensen, K.L., Payne, J.L. | 2005 | US, 1998 | Survey, archival | 228 surveys | - US municipalities with higher agency costs have better-developed audit procurement practices (i.e., competitive bidding, multi-year contracts, a focus on technical expertise rather than fees, training and rotation of procurement personnel, and the presence of an audit committee). - Better-developed audit procurement practices were associated with hiring auditors with more industry expertise. | | |
| Audit Tendering in the UK: A Review of Stakeholders' Views | Allam, A., Ghattas, N., Kotb, A., Eldaly, M.K. | 2016 | UK | Content analysis | 61 comment letters | - Mandatory tendering could have potential benefits from greater auditor independence and a fresh pair of eyes performing audit work, concerns include increased audit costs, reduced expertise, and auditor susceptibility to pressure from management. | | |

| | | | | | | | |
|--|---|------|-----------------------|---------------------------------|---|---|--|
| How Do Regulatory Reforms to Enhance Auditor Independence Work in Practice | Fiolleau, K., Hoang, K., Jamal, K., Sunder, S. | 2013 | US | Field Study | 1 firm | - | Tendering in this case lasted 90 days days, beginning with the company's RFP issuance, receiving proposals, receiving presentations and deliberating the decision. Auditors aim to discern the preferences of the company's key decision-makers and customize their proposals accordingly. |
| Management Trade-Offs of Internal Control and External Auditor Expertise | Jensen, K.L., Payne, J.L. | 2003 | US, 1992 | Archival, survey | 405 cities | - | Companies that do not hire internal auditors tend to compensate by selecting external auditors with relatively high levels of industry expertise. |
| Procurement Practices and the Municipality Auditing Market | Marques, A., Pinto, A. | 2019 | Portugal, 2007-2011 | Survey | 170 surveys of 38 municipalities | - | The majority of municipalities acquire auditing services through direct selection and choose their auditors based upon the lowest price selection criterion. |
| Role expectations and agency in the audit tendering process | Taminiau, Y., Heusinkveld, S. | 2017 | The Netherlands, 2012 | Content analysis and Interviews | 75 client evaluations of auditors & 8 in-depth interviews with partners and directors | - | However, municipalities where the procurement process is more sophisticated employ the lowest price selection criterion less frequently. |
| The effect of a bidding restriction on the audit services market | Hackenbrack, K., Jensen, K.L., Payne, J.L. | 2000 | US, 1995 | Survey, Archival | 675 financial statements | - | In the context of auditor-client relationships, expectations cannot be considered stable but may vary significantly throughout the tendering process. |
| The Impact of the Auditor Selection Process and Audit Committee Appointment Power on Investment Recommendations | Gold, A., Klynsmit, P., Wallage, P., Wright, A.M. | 2018 | The Netherlands | Experimental | 118 experienced investment professionals | - | Auditors are not only determined by the formal tendering procedures. |
| | | | | | | - | Tendering processes exist of three phases (orientation, intake, and presentation). |
| | | | | | | - | The key actors are CFOs, controllers, managers, and the audit committee. |
| | | | | | | - | Municipalities covered by the statute paid higher audit fees, engaged larger audit firms and firms with larger municipal audit client bases, and were more likely to be recognized for excellence in financial reporting than municipalities not covered by the statute. |
| | | | | | | - | The bidding statute created a market climate in which required nonprice competition impeded the entry of lesser qualified auditors, whereas the anticipated financial rewards induced the entry of more qualified auditors. |
| | | | | | | - | Audit committee appointment power affects investment recommendations only when a possible auditor change is anticipated (i.e., in the case of rotation and tendering), but not when the auditor selection is voluntary. |
| | | | | | | - | Rotation and tendering lead to a higher recommended investment likelihood than voluntary selection, but only when an audit committee has high appointment power. |

| | | | | | | |
|---|--------------------------|------|---------------|----------|-----------------|---|
| The Introduction of State Regulation and Auditor Retendering in School Districts: Local Audit Market Structure, Audit Pricing, and Internal Controls Reporting | Elder, R.J., Yebba, A.A. | 2020 | US, 1998-2012 | Archival | 6353 firm-years | <ul style="list-style-type: none"> - Retendering policies resulted in greater use of specialist audit firms and increased market concentration. - Audit firms that grew their practices over the sample period and became specialists had higher pricing strategies than established specialists in the market. |
|---|--------------------------|------|---------------|----------|-----------------|---|

Table 4: Papers synthesized in section 3.1.1.

| Title | Author(s) | Year | Setting | Design | Sample | Key Results |
|--|---|------|----------------------|----------|--|--|
| Auditor search periods as signals of engagement risk: Effects on auditor choice and audit pricing | Mande, V., Son, M., Song, H. | 2017 | US, 2002- 2012 | Archival | 5524 firm- years | <ul style="list-style-type: none"> - Clients associated with long search periods are less likely to be accepted by Big N auditors. - Delays in appointing successor auditors following resignations are associated with higher audit fees and negative stock market responses. |
| Does the Timing of Auditor Changes Affect Audit Quality? Evidence From the Initial Year of the Audit Engagement | Cassell, C.A., Hansen, J.C., Myers, L.A., Seidel, T.A. | 2020 | US, 2000- 2014 | Archival | 7715 auditor changes | <ul style="list-style-type: none"> - The extent to which audit quality suffers in the first year of audit engagements is affected by both the amount of time required to understand the client's business, assess risks, and perform the audit (all of which are driven by client complexity), as well as the amount of time available for auditors to perform these tasks. |
| On the Economics of Mandatory Audit Partner Rotation and Tenure: Evidence from PCAOB Data | Gipper, B., Hail, L., Leuz, C. | 2021 | US, 2008- 2014 | Archival | 17,900 firm- years, 2,385 mandatory engageme nt-partner rotations (Big 6 clients) | <ul style="list-style-type: none"> - Audit firms manage transitions differently depending on client size. For larger and more complex clients, the authors find evidence of earlier onboarding of incoming partners and shadowing of outgoing partners. For smaller clients, partners spend more time on the assignment in the initial years after rotation. |
| The Timing of Auditor Hiring: Determinants and Consequences | Pacheco- Paredes, A.A. Rama, D.V., Wheatley, C.M. | 2017 | US, 2006- 2012 | Archival | 1,860 client dismissals | <ul style="list-style-type: none"> - Most auditor changes happen well before the fiscal year-end, in the 300 to 181 days prior. - The appointment of a new CEO or CFO during the fiscal year (but before the auditor change) influences this timing, suggesting that client executives have a significant role in the auditor-hiring process. - Auditor changes closer to the year-end are associated with longer reporting lags and lower audit quality. |

Table 5: Papers synthesized in section 3.1.2.

| Title | Author(s) | Year | Setting | Design | Sample | Key Results |
|---|---|------|-----------------|----------------------------|---------------------------|---|
| How Audit Committee Chairs Address Information-Processing Barriers | Free, C., Trotman, A.J., Trotman, K.T. | 2021 | Australia, 2017 | Semi-Structured | 24 audit committee chairs | <ul style="list-style-type: none"> - Management and the audit committee perceived no differences among the Big 4 audit firms' expertise. - The partner is extremely important in the selection process, as well as work relationships and an 'organizational fit'. |
| How Do Regulatory Reforms to Enhance Auditor Independence Work in Practice | Fiolleau, K., Hoang, K., Jamal, K., Sunder, S. | 2013 | US | Field Study | 1 case | <ul style="list-style-type: none"> - The information exchanged and used for evaluation emphasized cultural fit (e.g., rapport, chemistry, attention to needs) rather than expertise and risk. |
| Managing the Auditor-Client Relationship Through Partner Rotations: The Experiences of Audit Firm Partners | Dodgson, M. K., Agoglia, C., Bennett, B., Cohen, J. | 2020 | US | Semi-structured interviews | 20 partners | <ul style="list-style-type: none"> - Partner assignment is typically not random. - Partner rotation is an extended process (rather than a single discrete event) - Interviewees stress that firms' emphasis on the auditor-client relationship is not limited to the period immediately preceding an engagement partner rotation matching evaluations. |

Table 6: Papers synthesized in section 3.1.3.

| Title | Author(s) | Year | Setting | Design | Sample | Key Results |
|---|---|------|---------------|---------------------------------------|---|---|
| Audit Procurement: Managing Audit Quality and Audit Fees in Response to Agency Costs | Jensen, K.L., Payne, J.L. | 2005 | US, 1998 | Survey, archival | 228 surveys | <ul style="list-style-type: none"> - US municipalities with higher agency costs have better-developed audit procurement practices (i.e., competitive bidding, multi-year contracts, a focus on technical expertise rather than fees, training and rotation of procurement personnel, and the presence of an audit committee). |
| A Reexamination of Audit Fees for Initial Audit Engagements in the Post-SOX Period | Desir, R., Casterella, J.R., Kokina, J. | 2014 | US, 2006-2010 | Archival | 12961 firm-years | <ul style="list-style-type: none"> - Both Big 4 and non-Big 4 accounting firms discounted their initial-year audit fees during the entire sample period. |
| An Examination of Partner Perceptions of Partner Rotation: Direct and Indirect Consequences to Audit Quality | Daugherty, B.E., Dickins, D., Hatfield, R.C., Higgs, J.L. | 2012 | US | Semi-structured interviews and survey | Survey: 370 partners, 7 semi structured interviews : partners | <ul style="list-style-type: none"> - Audit partners sometimes need to relocate to maintain industry expertise and continue serving clients in the same industry. - Partners report a two- to three-year new-client familiarization period before they are fully effective on new engagements, increasing the amount of time audit engagements suffer from "start-up" efficacy concerns. |

| | | | | | | |
|--|---|------|-------------------------|----------------------------|---|---|
| Are There Adverse Consequences of Mandatory Auditor Rotation? Evidence from the Italian Experience | Cameran, M., Francis, J.R., Marra, A., Pettinicchio, A. | 2015 | Italy, 2006-2009 | Archival | 667 firm-years | - For the outgoing auditor, there is no evidence of lower-quality audits due to shirking in the final-year engagement. - There is some evidence of abnormally higher fees, as the final-year fees are 7 percent higher than normal. - For the incoming auditor, audit effort (hours) is abnormally higher by 17 percent in the initial engagement, but initial fees are discounted by 16 percent relative to ongoing engagements. |
| Audit fee lowballing: Determinants, recovery, and future audit quality | Cho, M., Kwon, S.Y., Krishnan, J. | 2021 | US, 2000-2012 | Archival | 1402 firm-years | - Big N and non-Big N auditors offer cuts in the initial fees; the initial audit fees are, on average, about 11 percent less than those charged in the later years. - The discounts on initial audit fees increase to about 20 percent for the audit engagements in more recent years. |
| Audit fees for initial audit engagements before and after SOX | Huang, H.W., Raghunandan, K., Rama, D. | 2009 | US, 2001 and 2006 | Archival | 3683 firm-years | - The Big 4 priced initial-year audits more conservatively in the post-SOX period |
| Auditor choice in private firms: a stakeholders perspective | Corten, M., Steijvers, T., Lybaert, N. | 2018 | Belgium, 2015 | Survey, archival | 210 surveys | - Companies value auditor knowledge of related companies, showing that companies align with their main supplier's Big 4 auditor choice. |
| Auditor selection following auditor turnover: Do peers' choices matter? | Li, X.D., Sun, L., Ettredge, M. | 2017 | US, 2001-2012 | Archival | 4,074 auditor switches | - More similar peer companies have a greater propensity to select the norm auditor (i.e., the auditor engaged by the greatest proportion of a company's peers). |
| Exploratory insights into audit fee increases: A field study into board member perceptions of auditor pricing practices | Goddard, F., Schmidt, M. | 2021 | Mainly Luxembourg, 2018 | Semi-structured interviews | 12, 10 board members, two audit managers, | - Competing auditors commonly engage in low-balling and that, as a result, most board members expect audit fees to decrease when changing auditors. |
| How do auditors respond to competition? Evidence from the bidding process | Hallman, N.J., Kartapanis, A., Schmidt, J.J. | 2022 | US, 2005-2016 | Archival | 17,979 firm-years | - Incumbents perform higher quality audits and reduce their fees modestly during bidding years. - Big 4 competitive bidding is positively associated with audit quality as measured by a lower likelihood of misstatement. - Big 4 competitive bidding is associated with modest fee reductions in the two years following an auditor change, regardless of whether the incumbent auditor wins reappointment or not. |
| How Do Regulatory Reforms to Enhance Auditor Independence Work in Practice | Fiolleau, K., Hoang, K., Jamal, K., Sunder, S. | 2013 | US | Field Study | 1 firm | - Prospective auditors differentiated their proposals by offering a range of fees. |

| | | | | | | | |
|---|---|------|--------------------|---------------------------|---------------------|---|---|
| Management Trade-Offs of Internal Control and External Auditor Expertise | Jensen, K.L., Payne, J.L. | 2003 | US, 1992 | Archival, survey | 405 cities | - | Companies that do not hire internal auditors tend to compensate by selecting external auditors with relatively high levels of industry expertise. |
| Pricing Strategies of Big4 and Non-Big4 Auditors in the Light of Audit Tendering | Baumann, M., Ratzinger-Sakel, N.V.S., Tiedemann, T. | 2022 | Germany, 2016-2019 | Archival | 1028 firm-years | - | Auditors (particularly Big 4 auditors) facing a tender charge higher audit fees but do not provide higher quality audits. |
| Proposal readability, audit firm size and engagement success | Chang, Y.T., Stone, D.N. | 2019 | US | Archival/Content analysis | 370 audit proposals | - | Increased readability of auditors' proposals improves their likelihood of winning the engagement. |
| Proprietary information spillovers and supplier choice: evidence from auditors | Aobdia, D. | 2015 | US, 1985-2011 | Archival | 721 firm-years | - | Rival firms become less (more) likely to share the same auditor when the costs of information spillovers increase (decrease). |
| The effect of competitive bidding on engagement planning and pricing | Johnstone, K.M., Bedard, J.C., Ettredge, M.L. | 2010 | US, 1997-1998 | Archival | 336 firms between | - | <ul style="list-style-type: none"> Competitive bidding is associated with higher planned engagement effort and decreased fees, relative to non-competitive bidding. Both enhanced service and price discounts are associated with competitive bidding An individual partner benefits if an engagement can be gained through service enhancement rather than revenue reduction. About 50 percent of the clients in our sample chose not to solicit competitive bids. |

| | | | | | | |
|---|--|------|----------------------|---------------------------|--|--|
| To share or not to share: The importance of peer firm similarity to auditor choice | Bills, K.L., Cobabe, M., Pittman, J., Stein, S.E. | 2020 | US, 2000- 2015 | Survey and archival | Survey: 40 audit partners, archival: 1,130,588 firm-peer years | - More similar peer companies have a greater propensity to share the same auditor. |
|---|--|------|----------------------|---------------------------|--|--|

Table 7: Papers synthesized in section 3.1.3.1.

| Title | Author(s) | Year | Setting | Design | Sample | Key Results |
|--|--|------|------------------|---|---------------------------------------|--|
| Auditor-client management relationships and roles in negotiating financial reporting | McCracken, S., Salterio, S.E., Gibbins, M. | 2008 | Canada | Field-study, interview-based (open-ended) | 16 interviews, 8 with CFO, 8 with AP | - Audit firms appear to manage the assignment of partners to engagements based on CFO preferences and remove those partners who are in “poor” relationships, irrespective of why the relationship is considered by the CFO to be “poor”. |
| How Audit Committee Chairs Address Information-Processing Barriers | Free, C., Trotman, A.J., Trotman, K.T. | 2021 | Australia, 2017 | Semi-Structured | 24 audit committee chairs | - Management and the audit committee perceived no differences among the Big 4 audit firms’ expertise. - Partner is extremely important for the selection. |
| How Do Regulatory Reforms to Enhance Auditor Independence Work in Practice | Fiolleau, K., Hoang, K., Jamal, K., Sunder, S. | 2013 | US | Field Study | 1 firm | - Audit firms remove an engagement partner with a poor working relationship with the client and replace them with one who is a better match for the client. The bidding firms sought to align engagement team characteristics with the CFO. - Auditors aim to discern the preferences of the company’s key decision-makers and customize their proposals accordingly. |
| Management’s Undue Influence over Audit Committee Members: Evidence from Auditor Reporting and Opinion Shopping | Berglund, N.R., Draeger, M., Sterin, M. | 2022 | US, 2004-2017 | Archival | 9868 firm-years | - Higher relative management influence over audit committee members is associated with less conservative auditor reporting and increased opinion shopping behavior. |
| Managing the Auditor-Client Relationship Through Partner Rotations: The Experiences of Audit Firm Partners | Dodgson, M.K., Agoglia, C., Bennett, B., Cohen, J. | 2020 | US | Semi-structured interviews | 20 partners | - Management’s (rather than the audit committee’s) preferences for audit partner “chemistry” dominate the client-partner matching evaluations. |
| Network Analysis of Audit Partner Rotation | Pittman, J., Wang, L., Wu, D.H. | 2022 | China, 2003-2017 | Archival | 3145 rotated-off partners (2003-2017) | - Connections are a major determinant in the selection process. - Engagements are more likely to be rotated to well-connected successors when the audit engagements are more complex, client-specific knowledge is not readily available to the succeeding partners, and the engagements are more valuable to the audit firms. |
| The Audit Committee Oversight Process* | Beasley, M.S., Carcello, J.V., Hermanson, D.R., Neal, T.L. | 2009 | US, 2004-2005 | Semi-structured interviews | 42 ACM | - Audit committees generally consider audit firms (especially the Big 4) to be broadly equivalent, shifting much of their focus from the audit firm to the individual partner. - Management is still highly influential in the auditor selection process. |

Table 8: Papers synthesized in section 3.1.3.2.

| Title | Author(s) | Year | Setting | Design | Sample | Key Results |
|--|---|------|-----------------|----------|-----------------------|---|
| A Matter of Appearances: How Does Auditing Expertise Benefit Audit Committees When Selecting Auditors | Baugh, M., Hallman, N.J., Kachelmeier, S.J. | 2022 | US, 2007-2010 | Archival | 1605 firm-years | <ul style="list-style-type: none"> - Audit committees without Big 4 working experience are more likely to engage attractive audit partners. |
| An Analysis of Forced Auditor Change: The Case of Former Arthur Andersen Clients | Blouin, J., Grain, B., Rountree, B. | 2007 | US, 2002 | Archival | 407 former AA clients | <ul style="list-style-type: none"> - The presence of a financial expert on the audit committee had a marginal influence on the committee's choice of an auditor, other board characteristics were unassociated with a company's auditor selection. - Client companies may follow their audit engagement partner when that partner changes to another audit firm, trading off switching costs and agency concerns. |
| Audit Committee Composition and Shareholder Actions: Evidence from Voting on Auditor Ratification | Raghunandan, K., Rama, D.V. | 2003 | US, 2001 | Archival | 199 firms | <ul style="list-style-type: none"> - The proportion of shareholders not voting for ratification of the auditor in the presence of high non-audit fee ratios (relative to companies with low non-audit fee ratios) will be lower at companies that have (1) solely independent members on the audit committee and (2) have at least one member with accounting or finance expertise on the audit committee. |
| Audit committee diligence around initial audit engagement | Kalelkar, R. | 2016 | US, 2006-2012 | Archival | 368 firm-years | <ul style="list-style-type: none"> - Audit committees meet more frequently in the first year of the audit engagement |
| Audit committee gender diversity and financial reporting: evidence from restatements | Oradi, J., Izadi, J. | 2019 | Iran, 2013-2017 | Archival | 683 firm-years | <ul style="list-style-type: none"> - There is a significant positive relationship between audit committee gender diversity measures and hiring industry specialist auditors. |
| Audit committee quality indices, reporting quality and firm value | Almaquahi, W., Powell, R. | 2021 | US, 2002-2012 | Archival | 12,301 firm-years | <ul style="list-style-type: none"> - Low AC quality firms are more likely to switch from a Big 4 auditor to a non-Big 4 auditor, indicating a preference for lower quality auditing |
| Audit Committee, Board Characteristics, and Auditor Switch Decisions by Andersen's Clients | Chen, K., Zhou, J. | 2007 | US, 2001 | Archival | 821 firms | <ul style="list-style-type: none"> - Clients with more independent boards dismissed Andersen sooner and were more likely to choose a Big 4 successor auditor. - Firms with more independent audit committees, audit committees with greater financial expertise, and audit committees with larger boards dismissed Andersen earlier. |

| | | | | | | |
|---|---|------|--------------------|-------------------|---|---|
| Audit Firm Appointments, Audit Firm Alumni, and Audit Committee Independence | Lennox, C.S., Park, C.W. | 2007 | US, 1995-2000 | Archival | 1198 changing clients | <ul style="list-style-type: none"> - An audit firm is more likely to be appointed if the company has an officer who is an alumnus of that firm. - Companies are less likely to appoint officers' former firms if audit committees are more independent. |
| Auditor Selection and Audit Committee Characteristics | Abbott, L.J., Parker, S. | 2000 | US, 1994 | Archival | 500 firms | <ul style="list-style-type: none"> - Active and independent audit committees are more likely to employ an industry-specialist auditor. |
| Auditor Selection Process: An Interplay of Demand Mechanisms – A Multilevel Network Approach | Kacanski, S., Lusher, D., Wang, P. | 2021 | Denmark, 2010-2014 | Archival | 774 annual statements | <ul style="list-style-type: none"> - Results show that supervisory boards tend to select auditors who are preferably affiliated with the Big Four rather than the non-Big Four. - The results appear to show that interlocking directorships are not only driven by the same principle, but by combining the reputation effect with the auditor popularity effect. They have a strong influence on aligning corporate decisions across multiple boards. |
| Board Gender Diversity, Auditor Fees, and Auditor Choice | Lai K.M.I., Srinidhi, B., Gul, F.A., Tsui, J.S.L. | 2017 | US 2001-2011 | Archival | 2576 firm-years | <ul style="list-style-type: none"> - Firms with gender-diverse boards (audit committees) pay 6 percent (8 percent) higher audit fees and are 6 percent (7 percent) more likely to choose specialist auditors compared to all-male boards (audit committees). of female directors (members) on the board (audit committee). |
| Board Independence and Audit-Firm Type | Beasley, M.S., Petroni, K.R. | 2001 | US, 1993 | Archival | 681 insurers | <ul style="list-style-type: none"> - The likelihood of an insurer employing a brand name auditor that specializes in the insurance industry is increasing in the percentage of the members of the board of directors that are considered outsiders. - The authors do not find a significant association between board composition and the choice of using a non-specialist brand name (Big 6) auditor and a nonbrand name auditor, suggesting specialization is considered to be important, but not brand name in this setting. |
| Challenging Global Group Audits: The Perspective of US Group Audit Leads* | Downey, D.H., Westermann, K.D. | 2021 | US, 2019 | Survey, Interview | Survey: 148 managers, semi-structured interviews: 16 (14 GGA leads, 2 national practice partners) | <ul style="list-style-type: none"> - GGA leads overtly impose their dominance on the CA firms during partner selection. Specifically, rather than permit the local firm to choose a CA partner, the group audit lead actively manages selection of the CA partner(s) identifying a local partner they deem qualified, likely as a way to manage regulatory risk. |
| Does Audit Committee Disclosure of Partner-Selection Involvement Signal Greater Audit Quality? | Downes, J.F., Draeger, M.A., Sadler, A.E. | 2022 | US, 2014-2019 | Archival | 3690 firm-years | <ul style="list-style-type: none"> - Disclosure of audit committee activity and involvement in the audit partner selection process could lead to selecting a more rigorous partner, resulting in higher audit quality |

| | | | | | | |
|---|---|------|--------------------|----------------------------|---|---|
| How Do Regulatory Reforms to Enhance Auditor Independence Work in Practice | Fiolleau, K., Hoang, K., Jamal, K., Sunder, S. | 2013 | US | Field Study | 1 firm | <ul style="list-style-type: none"> - The audit committee viewed their role as monitors, rather than drivers, of the process. - Management is very involved - Management and the audit committee perceived no differences among the Big 4 audit firms' expertise. |
| Insights from an Analysis of Audit Committee Governance Practices at U.S. Registered Investment Companies and Public Operating Companies | Jenkins, J.G., Pyhoza, J., Taylor, M.H. | 2019 | US | Survey and Interviews | Survey: 107 IC ACM, interviews: ten AC, ten management members at ICs, ten OC AC members, follow-up interviews of the ten IC AC members | <ul style="list-style-type: none"> - Audit committees of investment companies oversee audit firm retention and hiring decisions substantially. - Conversely, audit committees of public companies perform a more ceremonial role. |
| Management Influence on Auditor Selection and Subsequent Impairments of Auditor Independence during the Post-SOX Period | Dhaliwal, D.S., Lamoreaux, P.T., Lennox, C.S., Mauler, L.M. | 2015 | US, 1995-2009 | Archival | 2145 Big 4 appointments | <ul style="list-style-type: none"> - The lower propensity of hired affiliate auditors to issue going-concern opinions is partially offset by audit committees that are larger and audit committees with accounting expertise. |
| Managing the Auditor-Client Relationship Through Partner Rotations: The Experiences of Audit Firm Partners | Dodgson, M. K., Agoglia, C., Bennett, B., Cohen, J. | 2020 | US | Semi-structured interviews | 20 partners | <ul style="list-style-type: none"> - The audit committee should be the ultimate responsible for the auditor selection decision, but very often management is heavily involved. |
| On the constitution of audit committee effectiveness | Gendron, Y., Bedard, J. | 2006 | Canada | Case study | 22 interviews at 3 companies | <ul style="list-style-type: none"> - AC opinions on their role in the auditor selection process are mixed, ranging from influential to not having a direct impact but having a monitoring function. |
| Reputation Capital of Directorships and Demand for Audit Quality | Fredriksso n, A., Kiran, A., Niemi, L. | 2020 | Finland, 2007-2016 | Archival | 1249 firm-years | <ul style="list-style-type: none"> - Companies that have directors with multiple directorships pay higher fees to their auditors and choose better-known auditors to protect their reputation capital. |

| | | | | | | | |
|--|---|------|-----------------------|---------------------------------|---|---|---|
| Role expectations and agency in the audit tendering process | Taminiau, Y., Heusinkvel, S. | 2017 | The Netherlands, 2012 | Content analysis and Interviews | 75 client evaluations of auditors & 8 in-depth interviews with partners and directors | - | The key actors are CFOs, controllers, managers, and the audit committee. |
| The audit market effects of disputing a GAAP-deficient PCAOB inspection report | Abbott, L.J., Buslepp, W., Notbohm, M. | 2018 | US, 2005-2014 | Archival | 113 inspection reports, 805 client companies | - | Triennially inspected auditors that dispute the PCAOB findings are far less likely to be dismissed when a client has an audit committee director with accounting-related financial expertise |
| The Effect of Audit Committee and Board of Director Independence on Auditor Resignation | Lee, H.Y., Mande, V., Ortman, R. | 2004 | US, 1996-2000 | Archival | 190 auditor resignations | - | Audit committee and board independence are both negatively and significantly related to the likelihood of an auditor resignation. - The financial expertise of the audit committee members is inversely related to auditor resignations. |
| The Impact of the Auditor Selection Process and Audit Committee Appointment Power on Investment Recommendations | Gold, A., Klynsmit, P., Wallage, P., Wright, A.M. | 2018 | The Netherlands | Experimental | 118 experienced investment professionals | - | Audit committee appointment power affects investment recommendations only when a possible auditor change is anticipated (i.e., in the case of rotation and tendering), but not when the auditor selection is voluntary. - Rotation and tendering lead to a higher recommended investment likelihood than voluntary selection, but only when an audit committee has high appointment power. |
| Voluntary audit committees, auditor selection and audit quality: evidence from Taiwan | Kao, M.F., Shiue, M.J., Tseng, C.H. | 2021 | US, 2007-2012 | Archival | 6749 firm-years | - | Voluntary audit committee formation is positively related to an industry specialist lead partner and a lead partner that has a larger number of clients. - Voluntary audit committee formation has a positive impact on audit quality (proxied by discretionary accruals). |
| Why some companies seek shareholder ratification on auditor selection | Krishnan, J., Ye, Z. | 2005 | US, 2011 | Archival | 383 companies | - | Companies are more likely to seek shareholder ratification when they are larger, have more financial expertise on their audit committee, have a Big 4 auditor, purchase more non-audit services, are audited by the same auditor for longer periods, and when shareholder satisfaction with the board is higher. |

Table 9: Papers synthesized in section 3.2.1.

| Title | Author(s) | Year | Setting | Design | Sample | Key Results |
|---|--|------|-----------------|---|---|--|
| An Experimental Investigation of the Influence of Audit Fee Structure and Auditor Selection Rights on Auditor Independence and Client Investment Decisions | Fatemi, D.J. | 2012 | US | Experiment, 2x2 between subjects design | 150 undergraduate majors | <ul style="list-style-type: none"> - Management is heavily involved in auditor selection decisions. - Transferring the power to hire and fire the auditor from managers to investors reduces objectivity violations |
| Corporate Governance in the Post-Sarbanes-Oxley Era: Auditors' Experiences* | Cohen, J., Krishnamoorty, G., Wright, A. | 2010 | US | Semi-structured Interviews | Interviews: 30, 10 Audit managers and 18 audit partners | <ul style="list-style-type: none"> - The actual selection influence assigned to the management was 53 percent while that assigned to the audit committee was 41 percent. |
| Do regulations limiting management influence over auditors improve audit quality? Evidence from China | Chi, W.C., Lisic, L.L., Long, X.H., Wang, K. | 2013 | China 2001-2009 | Archival | 5533 firm-years | <ul style="list-style-type: none"> - Audit quality for CSOEs relative to other companies improves after the enactment of these rules (that limit management influence over auditors) |
| How Do Regulatory Reforms to Enhance Auditor Independence Work in Practice | Fiolleau, K., Hoang, K., Jamal, K., Sunder, S. | 2013 | US | Field Study | 1 firm | <ul style="list-style-type: none"> - The audit committee viewed their role as monitors, rather than drivers, of the process. - Management is very involved - Management and the audit committee perceived no differences among the Big 4 audit firms' expertise. - The bidding firms sought to align engagement team characteristics with the CFO. |
| How Does an Audit Partner's Perceived Technical Expertise and Objectivity Impact the Audit Partner Selection Process? Experimental Evidence on Managers' Recommendations | Bhaskar, L.S., Carlisle, M., Hux, C. | 2021 | US | Experiment | 200 accounting and finance executives and managers | <ul style="list-style-type: none"> - Managers appear to be more likely to recommend audit partners with prior Big 4 experience and less likely to recommend audit partners with social ties. |

| | | | | | | |
|---|---|------|-----------------------|---------------------------------|---|--|
| Insights from an Analysis of Audit Committee Governance Practices at U.S. Registered Investment Companies and Public Operating Companies | Jenkins, J.G., Pyhoza, J., Taylor, M.H. | 2019 | US | Survey and Interviews | Survey: 107 IC ACM, interviews: ten AC, ten management members at ICs, ten OC AC members, follow-up interviews of the ten IC AC members | <ul style="list-style-type: none"> - Overall, management is heavily involved in auditor selection decisions only in public companies, not investment companies. - This effect is more substantial when the CEO plays a dominant role on the board. |
| Management Influence on Auditor Selection and Subsequent Impairments of Auditor Independence during the Post-SOX Period | Dhaliwal, D.S., Lamoreaux, P.T., Lennox, C.S., Mauler, L.M. | 2015 | US, 1995-2009 | Archival | 2145 Big 4 appointments | <ul style="list-style-type: none"> - Management affiliation continues to have a significant impact on auditor selection during the post-SOX period. - We find no consistent evidence that management influence over auditor selection leads to impaired auditor independence during the post-SOX period. - The lower propensity of hired affiliate auditors to issue going-concern opinions is partially offset by audit committees that are larger and audit committees with accounting expertise. |
| On the constitution of audit committee effectiveness | Gendron, Y., Bedard, J. | 2006 | Canada | Case study | 22 interviews at 3 companies | <ul style="list-style-type: none"> - AC opinions on their role in the auditor selection process are mixed, ranging from influential to only having a monitoring function. |
| Referral as a determining factor for changing auditors in the Belgian auditing market: An empirical study | Branson, J., Breesch, D. | 2004 | Belgium, 1996 | Archival, Survey | 1434 parent companies, 279 surveys | <ul style="list-style-type: none"> - In group audit scenarios, the management of the parent company influences the auditor selection of the subsidiary company |
| Role expectations and agency in the audit tendering process | Taminiau, Y., Heusinkve Id, S. | 2017 | The Netherlands, 2012 | Content analysis and Interviews | 75 client evaluations of auditors & 8 in-depth interviews with partners and directors | <ul style="list-style-type: none"> - The key actors are CFOs, controllers, managers, and the audit committee. |

| | | | | | | |
|---|--|------|---------------|----------------------------|---|---|
| Shareholder Voting on Auditor Selection, Audit Fees, and Audit Quality | Dao, M., Raghunandan, K., Rama, D.V. | 2012 | US, 2006 | Archival | 1382 firms | - Firms that started having a shareholder vote pay higher fees than firms that stopped having a shareholder vote. - In firms with shareholder voting on auditor selection (1) subsequent restatements are less likely and (2) abnormal accruals are lower. |
| The Audit Committee Oversight Process* | Beasley, M.S., Carcello, J.V., Hermanson, D.R., Neal, T.L. | 2009 | US, 2004-2005 | Semi-structured interviews | 42 ACM | - Audit committees generally consider audit firms (especially the Big 4) to be broadly equivalent, shifting much of their focus from the audit firm to the individual partner - Management is still highly influential in the auditor selection process |
| The Impact of CEO/CFO Outside Directorships on Auditor Selection and Audit Quality | Yu, J., Kwak, B., Park, M.S., Zang, Y. | 2020 | US, 2003-2015 | Archival | 757 firms | - Managers are more likely to appoint auditors with whom they are currently connected, leading to a decrease in audit quality |
| The Impact of Risk and the Potential for Loss on Managers' Demand for Audit Quality* | Hurley, P.J., Mayhew, B.W., Obermire, K.M., Tegeler, A.C. | 2021 | US | Experiment | 166 undergraduate, graduate, and other students | - Management choice of the auditor can lead to lower audit quality due to the desire for flexibility in reporting. - Increased risk, the potential for loss, and to a lesser extent their interaction, significantly reduce managers' likelihood of hiring the best available auditor in the market. |
| Who's Really in Charge? Audit Committee versus CFO Power and Audit Fees | Beck, M.J., Mauldin, E.G. | 2014 | US, 2006-2009 | Archival | 9214 firm-years | - Larger fee reductions exist in the presence of more powerful CFOs, and smaller fee reductions in the presence of more powerful audit committees. - The CFO or the audit committee primarily influences fees when their counterpart is less powerful. |

Table 10: Papers synthesized in section 3.2.2.

| Title | Author(s) | Year | Setting | Design | Sample | Key Results |
|---|--|------|---------------|---|--------------------------|---|
| Adverse Section 404 Opinions and Shareholder Dissatisfaction toward Auditors | Hermanson, DR., Krishnan, J., Ye, Z.X. | 2009 | US, 2006 | Archival | 480 firms | <ul style="list-style-type: none"> - Shareholders are less likely to vote for auditor ratification if the company received an adverse opinion because of only noncompany-level material weaknesses. Shareholders may blame the auditor for being partly responsible for material weaknesses. |
| An Experimental Investigation of the Influence of Audit Fee Structure and Auditor Selection Rights on Auditor Independence and Client Investment Decisions | Fatemi, D.J. | 2012 | US | Experiment, 2x2 between subjects design | 150 undergraduate majors | <ul style="list-style-type: none"> - Transferring the power to hire and fire the auditor from managers to investors reduces objectivity violations |
| Audit Committee Composition and Shareholder Actions: Evidence from Voting on Auditor Ratification | Raghunandan, K., Rama, D.V. | 2003 | US, 2001 | Archival | 199 firms | <ul style="list-style-type: none"> - In companies with a high non-audit fee ratio, shareholders are less likely to vote against auditor ratification if the audit committee has solely independent directors. - The proportion of shareholders not voting for ratification of the auditor in the presence of high non-audit fee ratios (relative to companies with low non-audit fee ratios) will be lower at companies that have (1) solely independent members on the audit committee and (2) have at least one member with accounting or finance expertise on the audit committee. |
| Auditor Ratification: Can't Get No (Dis)Satisfaction | Cunningham, L.M. | 2017 | US, 2009-2012 | Archival | 9003 firms | <ul style="list-style-type: none"> - Proxy advisors have a statistically significant influence over shareholder voting outcomes when they recommend against auditor ratification. |
| Auditor Tenure and Shareholder Ratification of the Auditor | Dao, M., Mishra, S., Raghunandan, K. | 2008 | US, 2006 | Archival | 635 firms | <ul style="list-style-type: none"> - Shareholder votes against or abstaining from auditor ratification are positively correlated with auditor tenure. - The results suggest that shareholders view long auditor tenure as adversely affecting audit quality, and provide an empirical basis for arguments related to the impact of long auditor tenures on shareholders' perceptions of audit quality. |
| Auditor Tenure Disclosure and Shareholder Ratification Voting | Tanyi, P.N., Rama, D.V., Raghunandan, K. | 2021 | US, 2017-2018 | Archival | 6436 firm-years | <ul style="list-style-type: none"> - In the case of clients with long (short) auditor tenure, the proportion of shareholder votes not ratifying the auditor increased (decreased) after public disclosure of auditor tenure. |

| | | | | | | | | | |
|--|--|------|---------------|------------|--|---|--|---|--|
| Do Investors' Perceptions Vary with Types of Nonaudit Fees? Evidence from Auditor Ratification Voting | Mishra, S., Raghunandan, K., Rama, D.V. | 2005 | US, 2003 | Archival | 248 firms | - | The proportion of shareholders voting against auditor ratification in 2003 is (1) positively associated with both the tax fee ratio and the “other” fee ratio, but (2) negatively associated with the audit-related fee ratio | | |
| Does Investor Selection of Auditors Enhance Auditor Independence? | Mayhew, B.W., Pike, J.E. | 2004 | US | Experiment | 40 participants | - | Transferring power to hire and fire the auditor from managers to investors decreases the proportion of independence violations, especially combined with eliminating the auditor's moral hazard over effort and this increases the overall economic surplus in the markets examined. Violations reduced from 69-82 to 26-36 percent. | | |
| Financial Restatements and Shareholder Ratifications of the Auditor | Liu, L.L., Raghunandan, K., Rama, D.V. | 2009 | US, 2005-2006 | Archival | 194 firms | - | Financial restatements can affect shareholder perceptions related to the auditor and thereby influence their decision of voting on ratifying the auditor. | | |
| Market Reaction to Auditor Ratification Vote Tally | Tanyi, P.N., Roland, K.C. | 2017 | US, 2010-2015 | Archival | 6621 dismissals | - | High shareholder disapproval of the auditor's appointment is positively associated with the dismissal of the auditor. | | |
| Non-audit services and shareholder ratification of auditors | Raghunandan, K. | 2003 | US, 2001 | Archival | 172 firms | - | The proportion of votes against the auditor increases with the ratio of non-audit fees | | |
| Realigning Auditors' Accountability: Experimental Evidence | Hurley, P.J., Mayhew, B.W., Obermire, K.M. | 2019 | US | Experiment | 248 undergraduate and graduate students | - | Auditors do not simply require increased accountability to investors, but also an elimination of managers' ability to economically punish them through decreased hiring, to increase audit quality. | | |
| Shareholder Dissatisfaction and Subsequent Audit Outcomes | Tanyi, P.N., Rama, D.V., Raghunandan, K., Martin, G.W. | 2020 | US, 2004-2015 | Archival | 12085 shareholder ratifications | - | Increases in shareholder dissatisfaction, as proxied by shareholder votes against auditor ratification, are associated with higher audit fees and longer audit report lags, which reflect higher auditor effort, in the following fiscal year. | - | Increases in shareholder dissatisfaction are associated with lower abnormal accruals and a lower likelihood of financial statement misstatements in the following year, indicating higher financial reporting quality. |
| Shareholder Votes on Auditor Ratification and Subsequent Auditor Dismissals | Barua, A., Raghunandan, K., Rama, D.V. | 2017 | US, 2011-2014 | Archival | 12,664 shareholder ratifications, 423 auditor dismissals | - | Subsequent auditor dismissals become more likely with increases in the proportion of shareholders not ratifying the auditor. | | |

| | | | | | | | |
|---|--|------|---------------|----------|---|---|--|
| Shareholder Voting on Auditor Selection, Audit Fees, and Audit Quality | Dao, M., Raghunandan, K., Rama, D.V. | 2012 | US, 2006 | Archival | 1382 firms | - | Firms that started having a shareholder vote pay higher fees than firms that stopped having a shareholder vote. - In firms with shareholder voting on auditor selection (1) subsequent restatements are less likely and (2) abnormal accruals are lower. |
| Shareholder Voting on Auditor Selection, Audit Fees, and Audit Quality | Dao, M., Raghunandan, K., Rama, D.V. | 2012 | US, 2006 | Archival | 1382 firms | - | Firms that started having a shareholder vote pay higher fees than firms that stopped having a shareholder vote. - In firms with shareholder voting on auditor selection (1) subsequent restatements are less likely and (2) abnormal accruals are lower. |
| The Impact of Mandatory Auditor Tenure Disclosures on Ratification Voting, Auditor Dismissal, and Audit Pricing | Dunn, R.T., Lundstrom, N.G., Wilkins, M.S. | 2021 | US | Archival | 8802 client-year observations between 2014 and 2018 | - | The probability of auditor dismissal increases after disclosure for long-tenured versus short-tenured auditors. shareholder ratification votes against the auditor increase for long-tenured auditors compared to short-tenured auditors in the post-disclosure period |
| Why do firms seek shareholders ratification of the independent audit function? The case of foreign cross-listed companies in the United States | Tanyi, P., Cathey, J. | 2020 | US, 2010-2014 | Archival | 1,148 firm-years | - | Bank financing, the location of the cross-listed firm's independent auditor (U.S.-based vs. non-U.S.-based audit office), and non-audit fee ratio have the highest marginal effects on the probability of companies requiring their shareholders to ratify the auditor's appointment |
| Why some companies seek shareholder ratification on auditor selection | Krishnan, J., Ye, Z. | 2005 | US, 2011 | Archival | 383 companies | - | Companies are more likely to seek shareholder ratification when they are larger, have more financial expertise on their audit committee, have a Big 4 auditor, purchase more non-audit services, are audited by the same auditor for longer periods, and when shareholder satisfaction with the board is higher. |

Table 11: Papers synthesized in section 3.2.3.

| Title | Author(s) | Year | Setting | Design | Sample | Key Results |
|--|--|------|----------------------|---------------------|--|---|
| Changing the Institutional Framework of Statutory Audit: Internal Stakeholders' Perceptions of the Associated Benefit and Costs | Ruhnke, K., Schmidt, M. | 2016 | Germany | Survey | Surveys: 273 (121 management representatives, 152 supervisory board members) | <ul style="list-style-type: none"> - German management representatives and supervisory board members do not expect auditor appointments by an independent regulator to increase the benefits of audits, such as client-specific expertise and knowledge, professional competence and expertise, independence, professional skepticism, and reputation |
| Do regulations limiting management influence over auditors improve audit quality? Evidence from China | Chi, W.C., Lisic, L.L., Long, X.H., Wang, K. | 2013 | China 2001-2009 | Archival | 5533 firm-years | <ul style="list-style-type: none"> - Audit quality for CSOEs relative to other companies improves after the enactment of these rules (that limit management influence over auditors) |
| Does auditor designation by the regulatory authority improve audit quality? Evidence from Korea | Kim, J.B., Yi, C.H. | 2009 | Korea, 1991-2000 | Archival, 1991-2000 | 2750 firm-years | <ul style="list-style-type: none"> - The level of discretionary accruals is significantly lower for firms with designated auditors than firms with a free selection of auditors. - Firms with mandatory auditor changes (i.e., auditor designation) report significantly lower discretionary accruals compared to firms with voluntary auditor changes |
| Does regulator designation of auditors improve independence? | Tang, F.C., Ruan, L., Yang, L. | 2017 | China | Experiment | 81 auditors | <ul style="list-style-type: none"> - The regulatory designation of auditors improves their independence |
| Government and managerial influence on auditor switching under partial privatization | Bagherpour, M.A., Monroe, G.S., Shailer, G. | 2014 | Iran, 1999-2003 | Archival | 657 firm-years | <ul style="list-style-type: none"> - The likelihood of auditor switches is strongly associated with measures of misalignment between type of auditor and type of controlling shareholder and auditor–managerial misalignment, but these associations are constrained by significant government influence. |
| Military reform, militarily-connected firms and auditor choice | Harymawan, I. | 2020 | Indonesia, 2003-2017 | Archival | 3473 firm-years | <ul style="list-style-type: none"> - Firms with a militarily-connected director are less likely to appoint one of the Big 4 auditors. |
| Political Connections, Audit Opinions, and Auditor Choice: Evidence from the Ouster of Government Officers | He, K., Pan, X.F., Tian, G.G. | 2017 | China, 2004-2014 | Archival | 84 anti-corruption cases, | <ul style="list-style-type: none"> - Connected state-owned enterprises (SOEs) receive more favorable audit opinions than their non-connected counterparts, whereas connected non-SOEs obtain less favorable opinions. - After the termination of political connections, connected SOEs are more likely, while connected non-SOEs are less likely, to hire local small auditors. |

| | | | | | | | |
|--|---------------------------------|------|-------|------------------|-------------|---|--|
| The Effects of Auditor Designation by the Regulator on Auditor Decisions: Evidence from Korea | Shim, T.S., Pae, S.J., Choi, E. | 2020 | Korea | Quasi-experiment | 375 surveys | - | Auditor designation by the Korean regulator leads to less aggressive auditor decisions |
|--|---------------------------------|------|-------|------------------|-------------|---|--|

Table 12: Papers synthesized in section 3.2.4.

| Title | Author(s) | Year | Setting | Design | Sample | Key Results | |
|---|---|------|------------------|---------------------------------------|---|---|--|
| An Analysis of Forced Auditor Change: The Case of Former Arthur Andersen Clients | Blouin, J., Grain, B., Rountree, B. | 2007 | US, 2002 | Archival | 407 former AA clients | - Client companies may follow their audit engagement partner when that partner changes to another audit firm, trading off switching costs and agency concerns. | |
| An Examination of Partner Perceptions of Partner Rotation: Direct and Indirect Consequences to Audit Quality | Daugherty, B.E., Dickins, D., Hatfield, R.C., Higgs, J.L. | 2012 | US | Semi-structured interviews and survey | Survey: 370 partners 7 semi structured interviews: partners | - Partners report a two- to three-year new-client familiarization period before they are fully effective on new engagements, increasing the amount of time audit engagements suffer from “start-up” efficacy concerns. | |
| Are There Adverse Consequences of Mandatory Auditor Rotation? Evidence from the Italian Experience | Cameran, M., Francis, J.R., Marra, A., Pettinicchio, A. | 2015 | Italy, 2006-2009 | Archival | 667 firm-years | - For the incoming auditor, audit effort (hours) are abnormally higher by 17 percent in the initial engagement, but initial fees are discounted by 16 percent relative to ongoing engagements. | |
| Forced Audit Firm Change, Continued Partner-Client Relationship, and Financial Reporting Quality | Chen, C.J.P., Su, X.J., Wu, X. | 2009 | China, 2001 | Archival | 174 auditor changes | - Clients with greater earnings management activities are more likely to follow their former audit partners to a new audit firm. - New audit firms are more likely to rotate former partners in the auditing of follower clients in the first post-switch year, a large number of these partners return to their former clients in subsequent years. | |

| | | | | | | |
|---|---|------|-------------------|----------------------------|--|---|
| Managing the Auditor-Client Relationship Through Partner Rotations: The Experiences of Audit Firm Partners | Dodgson, M. K., Agoglia, C., Bennett, B., Cohen, J. | 2020 | US | Semi-structured interviews | 20 partners | <ul style="list-style-type: none"> - Partner rotation is an extended process (rather than a single discrete event). - When the auditioning of engagement partners is complete and the next partner is selected, interviewees depict the logistical challenges, time commitments, and firm resources invested to ensure that the incoming engagement partner is equipped to hit the ground running when rotation takes place. - Interviewees stress that firms' emphasis on the auditor-client relationship is not limited to the period immediately preceding an engagement partner rotation matching evaluations. |
| On the Economics of Mandatory Audit Partner Rotation and Tenure: Evidence from PCAOB Data | Gipper, B., Hail, L., Leuz, C. | 2021 | US, 2008-2014 | Archival | 17,900 firm-years, 2,385 mandatory engagement -partner rotations (Big 6 clients) | <ul style="list-style-type: none"> - There are audit fee pressures around partner rotations, particularly in less concentrated local markets. - There is an increase in total audit hours, engagement partner and review partner hours shortly after rotations. - Audit firms manage transitions differently depending on client size. For larger and more complex clients, we find evidence of earlier onboarding of incoming partners and shadowing of outgoing partners. For smaller clients, partners spend more time on the assignment in the initial years after rotation. - Audit team rotations are more disruptive than rotating just the lead partner, although not as disruptive as changing the audit firm. |
| The Determinants and Effects of Clients Following Audit Partners Who Switch Audit Firms | Chang, W.C., Choy, H.L., Lin, H.Y., Koo, M.H. | 2019 | Taiwan, 1984-2010 | Archival | 1258 company-years | <ul style="list-style-type: none"> - Clients are more likely to follow departing partners when the partners have more clients, longer tenure, and when both lead and concurring partners leave simultaneously. - Clients are more likely to stay with their incumbent audit firms when the firms are one of the Big Four or when only the concurring partners leave. client companies may follow their audit engagement partner when that partner changes to another audit firm. |
| The Effects of Auditor Rotation, Professional Skepticism, and Interactions with Managers on Audit Quality | Bowlin, K.O., Hobson, J.L., Piercy, M. D. | 2015 | US | Experiment | 226 undergraduate student volunteers, | <ul style="list-style-type: none"> - When auditors assess the honesty of management representations (i.e., a client integrity frame), auditor rotation increases audit effort and decreases the frequency of low-effort audits paired with aggressive financial reporting, decreasing the likelihood of audit failure. - When auditors assess the dishonesty of management representations (i.e., a skepticism frame), auditor rotation decreases audit effort and increases low-effort audits paired with aggressive reporting. |

Table 13: Papers synthesized in section 3.3.

Appendix B: Review Protocol

Review protocol

A Systematic Literature Review on Companies' Auditor Selection Process

August 8, 2022

5 Administrative information

6 Authors: Jonas Vandennieuwenhuysen^a, Kris Hardies^a, Marie-Laure Vandenhaute^b, Kris
7 Hoang^c

8 Author Affiliations:

- a) Department of Accounting and Finance, University of Antwerp, Prinsstraat 13, 2000 Antwerp, Belgium
- b) Faculty of Economic, Social and Political Sciences, and Solvay Business School, Vrije Universiteit Brussel, Pleinlaan 2, 1050 Brussels, Belgium
- c) Culverhouse School of Accountancy, University of Alabama, 361 Stadium Dr, Tuscaloosa, AL 35487, the United States

15 E-mail: Jonas Vandennieuwenhuysen jonas.vandennieuwenhuysen@uantwerpen.be -
16 Kris Hardies kris.hardies@uantwerpen.be - Marie-Laure Vandenhaut [laure.vandenhaute@vub.be](mailto:marie-
17 laure.vandenhaute@vub.be) - Kris Hoang khoang@cba.ua.edu

19 All authors contributed to deciding the method of the review (information sources, search
20 strategy, eligibility criteria). Jonas Vandennieuwenhuysen will independently search for,
21 screen, select, and extract the relevant data from identified articles (based on the criteria
22 discussed below). All authors discussed the final inclusion of the papers. Jonas
23 Vandennieuwenhuysen, Kris Hoang, and Marie-Laure Vandenhaute will contribute to the
24 writing of the manuscript, a major revision will be done by Kris Hardies. All authors will read
25 and approve the final manuscript. Kris Hardies is the guarantor of this research.

27 Registration

28 This protocol is not pre-registered.

30 Amendments

31 No amendments were made to the current search protocol. In case of any future amendments
32 in our search strategy, we will update the search protocol and keep track of the date of the
33 changes.

34 **Support**

35 The authors received financial support from the Foundation for Auditing Research. The
36 authors declare that they have no competing interests.

37

38 **Background to the review**

39 *Rationale*

40 The existing academic literature offers a detailed understanding of what happens *before* and
41 *after* the auditor selection process (e.g., the demand for auditing; the causes and consequences
42 of auditor switches; the characteristics of the auditors hired; see reviews by DeFond and
43 Zhang 2014; Habib et al. 2019; Stefaniak et al. 2009). However, a systematic understanding
44 and review of the auditor selection process itself (i.e., *how* companies select an auditor) are
45 currently lacking. Nevertheless, understanding how companies select their auditors is
46 increasingly relevant. Regulatory changes in recent decades have targeted the auditor
47 selection process (e.g., introducing mandatory audit firm rotation in the EU for public-interest
48 entities, expanding the role of audit committees in both the EU and US) because of its asserted
49 role in ensuring auditor independence.

50

51 *Objectives*

52 Our primary objective is to provide a systematic review of the academic literature on
53 companies' auditor selection process, that is, the process through which companies select and
54 hire their auditor. This process encompasses decisions about the actors involved in that
55 selection (e.g., the audit committee, the CFO), its timing (initiation, duration), the procedures
56 and decision-making processes (e.g., formal tendering, assessment criteria, documentation,
57 evaluation), and the eventual appointment of the auditor (e.g., shareholder voting on auditor
58 ratification). We aim to identify key activities, decision points, and participants' expectations
59 in the selection process. We also consider academic research findings in light of practitioner
60 guidance on best practices for auditor selection.

61

62 **Methods**

63 *Eligibility criteria*

64 Studies eligible for this literature review must correspond to the following criteria:

65 - Review question: Our study only includes studies directly related to the auditor selection
66 process. We exclude papers that merely linked auditor or client characteristics with
67 auditor choice or switching decisions or the consequences thereof. In addition, there is a

68 large literature that examines various factors associated with why companies initiate an
69 auditor selection process (e.g., mandatory rotation, auditor-client disagreements) and
70 which auditors they eventually hire (e.g., Big N, industry specialist). While such factors
71 may correlate with the auditor selection process (i.e., why a company is undertaking an
72 auditor selection process may influence how it selects its auditor), we only include papers
73 if they contained any evidence about the auditor selection process itself.

74 - Study design: We include only empirical studies. Theoretical studies are therefore
75 excluded from our sample.

76 - Publication status: We include both published and unpublished studies.

77 - Publication year: 2000-2022. We chose this time to limit the search to digitally available
78 papers.

79 - Language: We focus on studies in English because of resource constraints not allowing
80 translations from articles in other languages.

81

82 *Information sources*

83 The literature search will be performed using electronic databases, namely the *Social Sciences*
84 *Citation Index (SSCI)* in *Web of Science* (WoS). These searches will be performed by JV.

85

86 *Search strategy and search terms*

87 The search strategy was developed by all authors and will be executed by JV. We will use the
88 following search strings, limiters, and search terms.

| Panel A: Search strings and limiters | |
|---|---|
| WoS (Core Collection) | Search string: (TS=(audit* AND “[Search term]”) OR AB=(audit* AND “[Search term]”) OR TI=(audit* AND “[Search term]”) AND (SO=journal) AND PY=(2000-2022) Limiters: Document type: Article, Review Article |
| Panel B: Search terms | |
| Select* | |
| Rotat* | |
| Tender | |
| Choice | |
| Switch* | |
| Change | |
| Auditor-client | |
| Hir* | |
| Appoint* | |
| Procure* | |
| Request for proposal | |
| RFP | |

| |
|--|
| Ratif* |
| Bid* |
| Panel C: Journals |
| <i>Abacus</i> |
| <i>Accounting Horizons</i> |
| <i>Accounting and Business Research</i> |
| <i>Accounting, Auditing & Accountability Journal</i> |
| <i>Accounting, Organizations and Society</i> |
| <i>Accounting Review</i> |
| <i>Auditing: a Journal of Practice and Theory</i> |
| <i>Behavioral Research in Accounting</i> |
| <i>British Accounting Review</i> |
| <i>Contemporary Accounting Research</i> |
| <i>Critical perspectives on Accounting</i> |
| <i>European Accounting Review</i> |
| <i>Financial Accountability and Management</i> |
| <i>International Journal of Accounting</i> |
| <i>International Journal of Auditing</i> |
| <i>Journal of Accounting & Economics</i> |
| <i>Journal of Accounting and Public Policy</i> |
| <i>Journal of Accounting Auditing and Finance</i> |
| <i>Journal of Accounting Literature</i> |
| <i>Journal of Accounting Research</i> |
| <i>Journal of Business Finance & Accounting</i> |
| <i>Journal of Management Accounting Research</i> |
| <i>Management Accounting Research</i> |
| <i>Managerial Auditing Journal</i> |
| <i>Review of Accounting Studies</i> |

89

90 *Study records*

91 The records retrieved from the search will be imported into Zotero, allowing the removal of
 92 duplicates and screening of the titles and abstracts of all records. Then, all records will be
 93 checked manually to remove any duplicates that were not removed due to, for example,
 94 punctuation differences. The selection process will be conducted by JV, with feedback from
 95 all other authors if necessary. After initial eligibility checking by JV, the authors will screen
 96 the remaining studies for inclusion. Any disagreements will be resolved through discussion.
 97 Finally, we will check the references of the most important studies in our sample as well as
 98 the Social Science Research Network (SSRN) for unidentified studies.

99

100 After the screening process, JV will read and manually extract the data from each eligible
 101 study for the final sample of identified literature reviews. A Microsoft Excel form will be used

102 for this. The authors will resolve disagreements by discussion. Each study is also read by at
103 least one other author.

104

105 *Data items*

106 The items to be extracted into the Microsoft Excel form include:

107 - Publication year

108 - Authors

109 - Title

110 - Publication title (Journal)

111 - Setting

112 - Purpose

113 - Research design

114 - Sample size

115 - Main dependent variables

116 - Main independent variables

117 - Key results

118 - Limitations

119

120 *Outcomes and prioritization*

121 We will focus on the results directly related to the auditor selection process, even though a
122 specific study's main focus might be another topic.

123

124 *Risk of bias in individual studies*

125 We will assess the risk of bias in individual studies by subjective rules, taking into account the
126 sample size, study design, methodology, and setting. However, we will only assess the risk of
127 bias at a topic-level, indicating the quality of evidence for a certain group of studies.

128

129 *Data synthesis*

130 All analyses will be descriptive, with data from the relevant papers summarized in tables per
131 subtopic.

132

133 *Meta-bias(es) and confidence in cumulative evidence*

134 Only a basic assessment of meta-bias will be performed, initially by selecting only high-
135 quality accounting journals. Furthermore, we investigate unpublished studies via SSRN. By

136 combining this information with the individual study bias, we subjectively assess the evidence
137 strength and indicate this in the paper.

Appendix C: PRISMA Checklists

PRISMA-P checklist

The following table contains the PRISMA-P checklist for review protocols. The line numbers in the final column correspond to the review protocol presented in Appendix B: Review Protocol. The checklist is available on <https://prisma-statement.org/Extensions/Protocols>. From: Shamseer L, Moher D, Clarke M, Ghersi D, Liberati A, Petticrew M, Shekelle P, Stewart L, PRISMA-P Group. Preferred reporting items for systematic review and meta-analysis protocols (PRISMA-P) 2015: elaboration and explanation. BMJ. 2015

| Section/topic | # | Checklist item | Information reported | | Line number(s) | | | |
|-----------------------------------|----|---|-------------------------------------|-------------------------------------|----------------|--|--|--|
| | | | Yes | No | | | | |
| ADMINISTRATIVE INFORMATION | | | | | | | | |
| Title | | | | | | | | |
| Identification | 1a | Identify the report as a protocol of a systematic review | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1 | | | |
| Update | 1b | If the protocol is for an update of a previous systematic review, identify as such | <input type="checkbox"/> | <input checked="" type="checkbox"/> | N/A | | | |
| Registration | 2 | If registered, provide the name of the registry (e.g., PROSPERO) and registration number in the Abstract | <input type="checkbox"/> | <input checked="" type="checkbox"/> | N/A | | | |
| Authors | | | | | | | | |
| Contact | 3a | Provide name, institutional affiliation, and e-mail address of all protocol authors; provide physical mailing address of corresponding author | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6-17 | | | |
| Contributions | 3b | Describe contributions of protocol authors and identify the guarantor of the review | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 20-25 | | | |
| Amendments | 4 | If the protocol represents an amendment of a previously completed or published protocol, identify as such and list changes; otherwise, state plan for documenting important protocol amendments | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 31-33 | | | |
| Support | | | | | | | | |
| Sources | 5a | Indicate sources of financial or other support for the review | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 35-37 | | | |
| Sponsor | 5b | Provide name for the review funder and/or sponsor | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 35-37 | | | |

| Section/topic | # | Checklist item | Information reported | | Line number(s) |
|-------------------------|-----|---|-------------------------------------|--------------------------|----------------|
| | | | Yes | No | |
| Role of sponsor/funder | 5c | Describe roles of funder(s), sponsor(s), and/or institution(s), if any, in developing the protocol | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 35-36 |
| INTRODUCTION | | | | | |
| Rationale | 6 | Describe the rationale for the review in the context of what is already known | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 40-49 |
| Objectives | 7 | Provide an explicit statement of the question(s) the review will address with reference to participants, interventions, comparators, and outcomes (PICO) | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 52-60 |
| METHODS | | | | | |
| Eligibility criteria | 8 | Specify the study characteristics (e.g., PICO, study design, setting, time frame) and report characteristics (e.g., years considered, language, publication status) to be used as criteria for eligibility for the review | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 63-80 |
| Information sources | 9 | Describe all intended information sources (e.g., electronic databases, contact with study authors, trial registers, or other grey literature sources) with planned dates of coverage | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 83-84 |
| Search strategy | 10 | Present draft of search strategy to be used for at least one electronic database, including planned limits, such that it could be repeated | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 87-89 |
| STUDY RECORDS | | | | | |
| Data management | 11a | Describe the mechanism(s) that will be used to manage records and data throughout the review | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 90-94 |
| Selection process | 11b | State the process that will be used for selecting studies (e.g., two independent reviewers) through each phase of the review (i.e., screening, eligibility, and inclusion in meta-analysis) | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 94-98 |
| Data collection process | 11c | Describe planned method of extracting data from reports (e.g., piloting forms, done independently, in duplicate), any processes for obtaining and confirming data from investigators | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 100-103 |
| Data items | 12 | List and define all variables for which data will be sought (e.g., PICO items, funding sources), any pre-planned data assumptions and simplifications | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 105-118 |

| Section/topic | # | Checklist item | Information reported | | Line number(s) |
|---|-----|---|-------------------------------------|-------------------------------------|----------------|
| | | | Yes | No | |
| Outcomes and prioritization | 13 | List and define all outcomes for which data will be sought, including prioritization of main and additional outcomes, with rationale | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 120-122 |
| Risk of bias in individual studies | 14 | Describe anticipated methods for assessing risk of bias of individual studies, including whether this will be done at the outcome or study level, or both; state how this information will be used in data synthesis | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 124-127 |
| DATA | | | | | |
| Synthesis | 15a | Describe criteria under which study data will be quantitatively synthesized | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 129-130 |
| | 15b | If data are appropriate for quantitative synthesis, describe planned summary measures, methods of handling data, and methods of combining data from studies, including any planned exploration of consistency (e.g., I^2 , Kendall's tau) | <input type="checkbox"/> | <input checked="" type="checkbox"/> | N/A |
| | 15c | Describe any proposed additional analyses (e.g., sensitivity or subgroup analyses, meta-regression) | <input type="checkbox"/> | <input checked="" type="checkbox"/> | N/A |
| | 15d | If quantitative synthesis is not appropriate, describe the type of summary planned | <input type="checkbox"/> | <input checked="" type="checkbox"/> | N/A |
| Meta-bias(es) | 16 | Specify any planned assessment of meta-bias(es) (e.g., publication bias across studies, selective reporting within studies) | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 133-137 |
| Confidence in cumulative evidence | 17 | Describe how the strength of the body of evidence will be assessed (e.g., GRADE) | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 133-137 |

PRISMA-P checklist

PRISMA 2020 Checklist

The following table contains the PRISMA 2020 checklist for systematic literature reviews. The locations in the final column correspond with the page numbers in the text. From: Page MJ, McKenzie JE, Bossuyt PM, Boutron I, Hoffmann TC, Mulrow CD, et al. The PRISMA 2020 statement: an updated guideline for reporting systematic reviews. *BMJ* 2021;372:n71. doi: 10.1136/bmj.n71. More information can be found on: <http://www.prisma-statement.org/>

| Section and Topic | Item # | Checklist item | Location where item is reported |
|-------------------------------|--------|--|---------------------------------|
| TITLE | | | |
| Title | 1 | Identify the report as a systematic review. | P1 |
| ABSTRACT | | | |
| Abstract | 2 | See the PRISMA 2020 for Abstracts checklist. | N/A |
| INTRODUCTION | | | |
| Rationale | 3 | Describe the rationale for the review in the context of existing knowledge. | P2-3 |
| Objectives | 4 | Provide an explicit statement of the objective(s) or question(s) the review addresses. | P3 |
| METHODS | | | |
| Eligibility criteria | 5 | Specify the inclusion and exclusion criteria for the review and how studies were grouped for the syntheses. | P4-5 |
| Information sources | 6 | Specify all databases, registers, websites, organisations, reference lists and other sources searched or consulted to identify studies. Specify the date when each source was last searched or consulted. | P4 |
| Search strategy | 7 | Present the full search strategies for all databases, registers and websites, including any filters and limits used. | P5, 39 |
| Selection process | 8 | Specify the methods used to decide whether a study met the inclusion criteria of the review, including how many reviewers screened each record and each report retrieved, whether they worked independently, and if applicable, details of automation tools used in the process. | P9-10 |
| Data collection process | 9 | Specify the methods used to collect data from reports, including how many reviewers collected data from each report, whether they worked independently, any processes for obtaining or confirming data from study investigators, and if applicable, details of automation tools used in the process. | Review Protocol |
| Data items | 10a | List and define all outcomes for which data were sought. Specify whether all results that were compatible with each outcome domain in each study were sought (e.g. for all measures, time points, analyses), and if not, the methods used to decide which results to collect. | Review Protocol |
| | 10b | List and define all other variables for which data were sought (e.g. participant and intervention characteristics, funding sources). Describe any assumptions made about any missing or unclear information. | Review Protocol |
| Study risk of bias assessment | 11 | Specify the methods used to assess risk of bias in the included studies, including details of the tool(s) used, how many reviewers assessed each study and whether they worked independently, and if applicable, details of automation tools used in the process. | Review Protocol |
| Effect measures | 12 | Specify for each outcome the effect measure(s) (e.g. risk ratio, mean difference) used in the synthesis or presentation of results. | N/A |
| Synthesis | 13a | Describe the processes used to decide which studies were eligible for each synthesis (e.g. tabulating the study intervention characteristics and | Review |

| Section and Topic | Item # | Checklist item | Location where item is reported |
|-------------------------------|--------|--|---------------------------------|
| methods | | comparing against the planned groups for each synthesis (item #5). | Protocol |
| | 13b | Describe any methods required to prepare the data for presentation or synthesis, such as handling of missing summary statistics, or data conversions. | N/A |
| | 13c | Describe any methods used to tabulate or visually display results of individual studies and syntheses. | N/A |
| | 13d | Describe any methods used to synthesize results and provide a rationale for the choice(s). If meta-analysis was performed, describe the model(s), method(s) to identify the presence and extent of statistical heterogeneity, and software package(s) used. | N/A |
| | 13e | Describe any methods used to explore possible causes of heterogeneity among study results (e.g. subgroup analysis, meta-regression). | N/A |
| | 13f | Describe any sensitivity analyses conducted to assess robustness of the synthesized results. | N/A |
| Reporting bias assessment | 14 | Describe any methods used to assess risk of bias due to missing results in a synthesis (arising from reporting biases). | Review Protocol |
| Certainty assessment | 15 | Describe any methods used to assess certainty (or confidence) in the body of evidence for an outcome. | Review Protocol |
| RESULTS | | | |
| Study selection | 16a | Describe the results of the search and selection process, from the number of records identified in the search to the number of studies included in the review, ideally using a flow diagram. | P5-6, P40 |
| | 16b | Cite studies that might appear to meet the inclusion criteria, but which were excluded, and explain why they were excluded. | P4 |
| Study characteristics | 17 | Cite each included study and present its characteristics. | Lit review table |
| Risk of bias in studies | 18 | Present assessments of risk of bias for each included study. | N/A |
| Results of individual studies | 19 | For all outcomes, present, for each study: (a) summary statistics for each group (where appropriate) and (b) an effect estimate and its precision (e.g. confidence/credible interval), ideally using structured tables or plots. | N/A |
| Results of syntheses | 20a | For each synthesis, briefly summarise the characteristics and risk of bias among contributing studies. | N/A |
| | 20b | Present results of all statistical syntheses conducted. If meta-analysis was done, present for each the summary estimate and its precision (e.g. confidence/credible interval) and measures of statistical heterogeneity. If comparing groups, describe the direction of the effect. | N/A |
| | 20c | Present results of all investigations of possible causes of heterogeneity among study results. | N/A |
| | 20d | Present results of all sensitivity analyses conducted to assess the robustness of the synthesized results. | N/A |
| Reporting biases | 21 | Present assessments of risk of bias due to missing results (arising from reporting biases) for each synthesis assessed. | N/A |
| Certainty of evidence | 22 | Present assessments of certainty (or confidence) in the body of evidence for each outcome assessed. | In results section |
| DISCUSSION | | | |

| Section and Topic | Item # | Checklist item | Location where item is reported |
|--|--------|--|---------------------------------|
| Discussion | 23a | Provide a general interpretation of the results in the context of other evidence. | P15, P25-26, P28-29 |
| | 23b | Discuss any limitations of the evidence included in the review. | N/A |
| | 23c | Discuss any limitations of the review processes used. | N/A |
| | 23d | Discuss implications of the results for practice, policy, and future research. | P28-29 |
| OTHER INFORMATION | | | |
| Registration and protocol | 24a | Provide registration information for the review, including register name and registration number, or state that the review was not registered. | Review protocol |
| | 24b | Indicate where the review protocol can be accessed, or state that a protocol was not prepared. | P4 |
| | 24c | Describe and explain any amendments to information provided at registration or in the protocol. | N/A |
| Support | 25 | Describe sources of financial or non-financial support for the review, and the role of the funders or sponsors in the review. | Review protocol |
| Competing interests | 26 | Declare any competing interests of review authors. | Review Protocol |
| Availability of data, code and other materials | 27 | Report which of the following are publicly available and where they can be found: template data collection forms; data extracted from included studies; data used for all analyses; analytic code; any other materials used in the review. | N/A |

PRISMA 2020 checklist