

ANNUAL REPORT 2024



Foundation *for*
Auditing Research

The Foundation

The Foundation for Auditing Research (FAR) is dedicated to advancing knowledge on what defines a high-quality audit today and continuously improving audit practices. In an environment of evolving expectations and demands, FAR facilitates rigorous academic research with practical relevance for the auditing profession. FAR research is aimed at disseminating new academic knowledge and insights, as well as scientifically informing ongoing debates about the subject of audit quality. To achieve this, FAR investigates the key drivers of audit quality, collaborates with international research institutions, and shares its findings through research conferences and masterclasses.

ANNUAL REPORT 2024

Strengthening the audit profession's learning curve
Financial year from 1 January 2024 up to and including 31 December 2024



Foundation for
Auditing Research

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About FAR

We are pleased to present the 2024 Annual Report of Stichting Foundation for Auditing Research (FAR). This report provides an overview of our activities, research efforts, and key developments over the past year.

About Stichting Foundation for Auditing Research

Since its establishment in 2015, FAR has committed itself to advancing knowledge on what defines a high-quality audit today and providing academic insights to support the continuous improvement of audit practices. In a rapidly changing landscape of expectations and regulatory demands, FAR facilitates rigorous academic research that is both practically relevant to the auditing profession and informative for public policy development. That is, FAR is committed to conducting research that will provide clear insights to audit firms, law makers, and regulators to implement policies geared to improve the work of the auditor in its ecosystem.

FAR's research is designed to generate new academic insights, contribute to informed discussions on audit quality, and bridge the gap between theory and practice. To achieve this, FAR examines the forces that determine audit quality, collaborates with leading research institutions worldwide, and shares its findings through research conferences, dedicated meetings in audit firms, masterclasses, and publications.

Affiliated audit firms and departments play a crucial role by granting FAR access to research data and subjects needed for its projects. With its scientific contributions, FAR aims to enhance auditing education, support evidence-based improvements in audit practice, and strengthen the auditing research community in the Netherlands and beyond.

Ensuring Independence in FAR Research

As an independently operating scientific research institute, FAR is committed to conducting high-quality academic research led by top experts in the audit field. Maintaining independence is fundamental to ensuring the integrity and credibility of our work.

To safeguard its autonomous position, FAR board members, staff, and researchers adhere to the FAR Code of Independence, which is founded on three guiding values:

1. Academic

All FAR academic research must be rigorous, traceable, objective, and transparent. All FAR research projects are therefore commissioned externally to (inter-)nationally and independently operating research teams.

The researchers are subject to the ethical and independence principles of the *Netherlands Code of Conduct for Research Integrity* (in force since 1 October 2018). All research publications are subject to and comply with the academic journal standards, amongst which double blind peer review.

2. Rigorous

FAR publications are intended to provide the audit profession with objective academic research outcomes, regardless of the impact it may have on the profession or audit firms. FAR intends to be the objective source of scientific accurate information to inform the professional development and public policy making regarding audit quality.

3. Autonomous

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

Cooperation with the Nine Largest Audit Firms in the Netherlands

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

With the nine largest audit firms of the Netherlands (Baker Tilly, BDO, Deloitte, EY, Flynth, Grant Thornton, KPMG, Forvis Mazars and PwC) providing data access and EUR 1.55 million of financial support annually, FAR is a unique collaboration between practice and science in the auditing profession, both in the Netherlands and globally.

Board Report



Board Report

An Overview

In 2024, the FAR has taken the initiative for regular meetings (also extending to 2025) with assurance boards and key persons in the participating firms. The main goal is to ask their input on the performance of the FAR and how the FAR should operate towards the firms and other stakeholders in the Netherlands. The feedback we received is very valuable to us and will be used to further improve the FAR's knowledge sharing outside academia. It also put emphasis on the need to be pro-active in writing and conduct research about topics that can be expected to be on the agenda of regulators, politicians and opinion leaders in the Netherlands.

In Spring 2024, the FAR has said goodbye to our interim COO Frank Verdouw. Frank has been very important for the FAR and we were sad to see him go, but we are happy for him to have moved on outside the FAR. Frank has been succeeded by Klaas Springer, who started in April 2024. Klaas has a background in treasury, econometrics and politics.

The FAR projects continue to produce valuable research findings relevant for our mission: contributing to improving audit quality (see section 1 for our output). Our aim is to generate findings that are of high academic quality and practical relevance. That these two goals can go hand in hand was underscored in a keynote speech by prof Mike Wilkins at the EIASM workshop on Audit Quality in Palermo in October 2024. His main advice to PhDs in Auditing was that in order to be successful in having research published in top journals it is important to choose topics that are "genuinely of interest to practitioners, regulators and/or investors, are discussed in the popular press, viewed as important by academics and are timely/relatively unexplored".

The FAR was present at this conference with various research findings and we had an information stand to promote the FAR and its output. The consul for the Netherlands in Palermo, Emanuele Pirazzoli Escalante, expressed his interest in the FAR and came to visit the conference location.

Our own FAR international academic conference, held in June 2024, had as its theme 'Auditing and Assurance - the Role of Audit Firm Culture'. This conference is unique in that it presents academic research to an audience of both academics, practitioners, regulators and others interested in audit quality. As in previous years, the conference was a success in terms of attendance and quality with around 70% of the audience from the academic side and 30% practitioners.

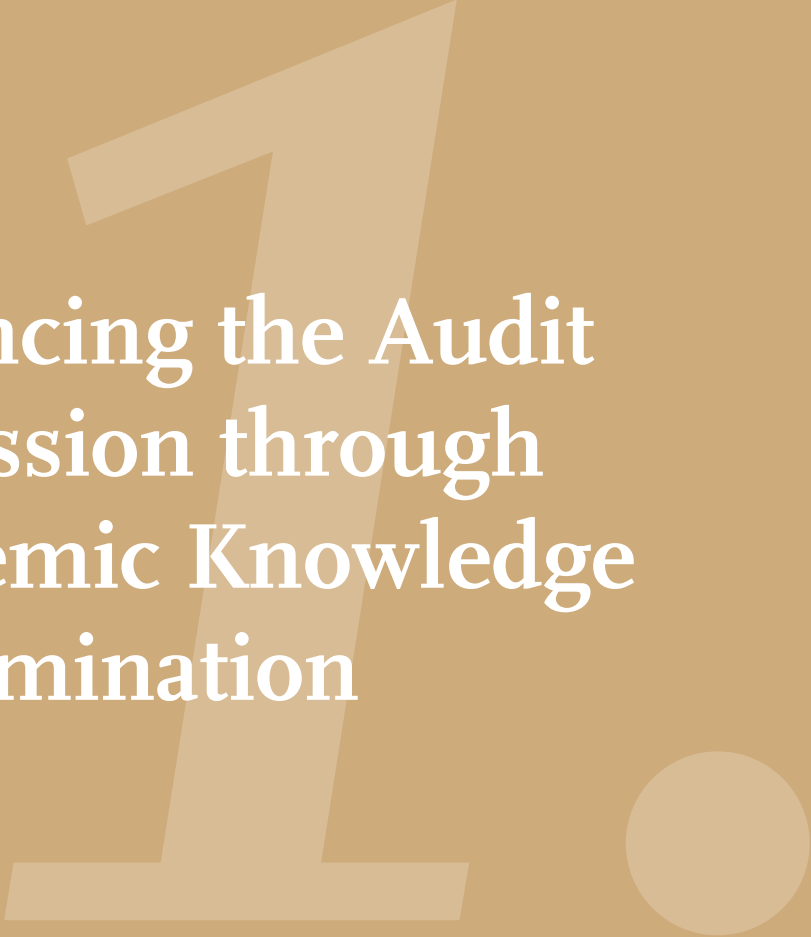
In addition to the conference, the FAR also organizes other events including master classes (for details, see section 1) to facilitate knowledge dissemination.

A special word of thanks to the participating firms who make FAR possible, the firm board members that are willing to contribute to the quality of the FAR, the liaisons at the firms and last but not least to the FAR team that is dedicated to the FAR and has worked very hard to make it work in 2024. Carlo Ang, Alexandra Brewer, Sergei van der Hoef, Mustafa Pamuk and managing directors Jan Bouwens and Klaas Springer: thank you!

On behalf of the board of the
Foundation for Auditing Research

Prof. dr. Henriëtte Prast
Chair of the board



A large, light brown stylized number '1' is positioned in the background. To its right is a solid light brown circle.

Advancing the Audit Profession through Academic Knowledge Dissemination



Advancing the Audit Profession through Academic Knowledge Dissemination

FAR's Knowledge Dissemination and Stakeholder Engagement in 2024

FAR actively collaborates with stakeholders to exchange and discuss research findings, fostering meaningful dialogue that benefits auditors, audit firms, policymakers, and oversight bodies. By providing valuable insights, FAR helps these groups make informed decisions on key auditing issues, such as policy development, audit methodology enhancements, and team dynamics. This engagement ensures that academic knowledge is not only accessible but also practically relevant.

A core objective of FAR is to bridge the gap between academia and practice by unlocking and sharing academic knowledge. This is achieved through a range of initiatives, including masterclasses, seminars, and the annual conference. Additionally, FAR disseminates research through various channels such as podcasts, literature reviews, practice notes, working papers, and both academic and professional publications.

In 2024, FAR maintained a strong academic output, with four papers submitted to academic journals and three papers accepted for publication. Beyond formal research contributions, FAR actively participates in professional and public discussions on key industry topics. Regular updates on FAR's activities and research are shared via newsletters and LinkedIn, ensuring ongoing engagement with the broader community.

FAR also maintains close ties with participating audit firms through the FAR board and regular liaison meetings, fostering continuous collaboration.

The next section summarizes FAR's 2024 activities and publications related to knowledge dissemination.

FAR Conference 2024: Auditing and Assurance - the Role of Audit Firm Culture

More than one hundred and sixty international scholars and practitioners attended the annual conference of the Foundation for Auditing Research (FAR) held at Nyenrode University on June 24 and 25. With that, the 2024 edition was busier than ever.

The conference discussed what organizational culture is, how it arises and how culture is related to audit quality. According to Professor Jere Francis, who stepped down as Research Chair of FAR after five years, relatively little research has been done on the influence of culture on quality. At the same time, it is a hot topic, also in the Netherlands, although the elephant in the room (exam fraud) was hardly mentioned during the conference. In a compact conference paper, Jere Francis rebuked the opinion of some people in the field who doubt the relevance of academic research on audit quality. Jere stated that research is not focused on quick and easy solutions to an operational issue for practitioners, he emphasizes. "We are scholars, not paid consultants or the R&D unit of audit firms."

Reform

Memorable was Professor Christopher Humphrey's (Alliance Manchester Business School) contribution on rethinking audit. The audit profession is not innovative enough, he argued. Understandably so, because "what audit partner suffers from the expectation gap, while simultaneously taking home a million and a half pounds a year?"

Every few years there is a new study on the future of the profession, but real reform is lacking. We need to move from "thinking differently about audit" to "thinking differently is audit," the professor said. Humphrey was referring to the philosophical Brydon Report on the industry, which has been on the shelf since late 2019 with no follow-up in the UK.

The video streams of the two-day conference can be found here:

[FAR Conference Day 1](#)

[FAR Conference Day 2](#)

An extended summary in Dutch has been published on Accountant.nl:

[Summary Accountant.nl](#)

An English summary has been published in Maandblad voor Accountancy en Bedrijfseconomie:

<https://mab-online.nl/article/141812/>

FAR Masterclasses

The aim of the masterclasses is to stimulate knowledge exchange and interaction between science and practice and to share (intermediate) research findings. In 2024, four masterclasses were organized.

On March 27, there was a masterclass by prof. dr. Eddy Cardinaels and dr. Qinnan Ruan on *All Show and No Know? The Effects of Outcome Transparency and Learning Path Personalization on Employees' Investments in Learning*.

The researchers focus on how online learning programs may produce ineffective learning outcomes, which can be detrimental to audit quality. They showed that outcome transparency (e.g. disclosing learning outcomes to peers on the leaderboards) can lead to more workers resorting to ineffective learning (i.e. they focus on test performance instead of mastering the content). The presenters also showed that a personalized learning path that provides employees with the ability to direct their own learning decreases the propensity to use ineffective learning strategies, thereby offsetting the negative effects of outcome transparency. Therefore, audit firms should find ways to motivate mastery of course content and to spark curiosity.

The recording can be found on YouTube here:

<https://youtu.be/PdMN2zm6XKA?feature=shared>

On April 17, Jere Francis presented a masterclass *Partner & Manager Leadership Behaviors, and their Effects on Audit Team Performance*.

During this masterclass, Francis summarized five studies related to this topic (joint work with Murray Barrick, Olof Bik, Bradley Kirkman, Lena Pieper and Ann Vanstraelen): (1) 'Personality Traits & Job Performance of Partners & Managers;' (2) 'Partner-Manager Dyads;' (3) 'Manager & Partner "Voice Modeling" Behavior;' (4) 'It Takes Two to Make a Team Go Right;' and (5) was called 'Are Partners and Managers Flexible?' The papers are available via the FAR website.

[Please find the presentation slides here.](#)

On June 4, Jonas Vandennieuwenhuysen and dr. Kris Hoang gave a masterclass on *The Auditor Selection Process: From Tender to Relationship Management*. How do companies organize their process to select an auditor? To what degree do actual practices correspond to the formal auditor selection processes that the companies organized? How do auditors and clients engage in interpersonal interactions during the auditor selection process? And what objectives do participants seek to achieve? All these issues were extensively covered during this FAR masterclass. The summary video provides a short overview of the project and the major findings:

- The researchers provide evidence that despite a process that is highly standardized across companies to comply with regulatory requirements, individual decision-makers within each company vary in how they execute the decision-making steps of that process, for example, in their weighting of evaluation criteria.
- Auditors and clients focus on showing and evaluating fit, trust, and commitment to their auditor-client relationship. The researchers show how clients articulate and discern these intangible qualities they seek in their auditor and how auditors compete to win the audit engagement.
- It is considered how the formation of the auditor-client relationship at this early stage can shape the audit. For example, trust and commitment between auditors and clients can contribute to more open communication and better coordination during the audit or to auditors anchoring on promises made during their proposals.

For a video summary of the masterclass, see:
<https://youtu.be/pjmowtsGiyA?feature=shared>

On 18 October there was a masterclass by Xiaoxing Li & Anna Gold on *Data Analytics and Auditor Professional Skepticism*. Data analytics are often believed to offer significant benefits to the auditing process by enhancing its efficiency and effectiveness. However, two recent FAR studies reveal potential adverse effects of data analytics on auditors' professional skepticism, particularly related to investigating fraud red flags. Xiaoxing Li and Anna Gold presented the most important findings of these studies and discussed what the findings mean for audit practice.

The first study explores how inheriting a data analytic test developed by others, rather than developing one's own, can hinder auditors' application of professional skepticism. This insight raises important questions about the current practice of centralizing the data analytic test development activities and separating its development from its use.

The second study examines the ongoing shift in audit practice from sample testing to testing entire populations. We find that full population testing on client-internal data could have unintended consequences on auditors' skepticism related to external red flags. This finding has important implications for audit firms' quality control systems and training programs.

Please find the recording of the masterclass here:
<https://youtu.be/pnQboBU-Ej8?feature=shared>

FAR Literature Reviews

Before the final products of the FAR research projects are published as (academic) papers, practice notes and literature reviews help in disseminating the knowledge accrued by the research teams.

If practitioners and stakeholders want to know more about the research project, they should be able to dig deeper into the theoretical background and existing research. The literature review that will be the basis for a FAR research project (and resulting academic publications) provides an excellent opportunity for this. For auditors and stakeholders, it is particularly interesting to know what the research questions are, how the research questions are substantiated, why they are relevant, what we already know about the research area from previous research and how this all leads to this specific FAR research project.

In 2024, two literature reviews were published:

- *“Sent from Mobile”: The Influence of Mobile phones and Psychological Distance on Auditor Advice-Giving* by Farah Arshad, Sara Bibler, and Anna Gold.
- *How AI's Role and an Innovation Orientation Influence Auditor Reliance on a Hybrid Specialist Team's Advice* by Sara Bibler, Farah Arshad and Anna Gold.

FAR Practice Notes

FAR Practice Notes provide a structured way for academics to present insights from both new and existing research on current challenges and questions in audit practice. These concise publications consolidate rigorous research evidence to support auditors, audit firms, policymakers, and oversight bodies in making informed decisions on various aspects of auditing, such as policy matters, audit methodology, and team dynamics.

While each practice note includes implications and recommendations, it remains objective, allowing readers to form their own conclusions based on scientific evidence rather than opinion-driven perspectives. In cases where existing research does not provide a definitive answer, the Practice Note will highlight key unresolved questions and suggest potential research directions to address them. As part of their FAR projects, research teams are expected to prepare a practice note alongside their literature review and working paper, ensuring that their findings contribute directly to practical discussions in the auditing profession.

The following 2 practice notes were published in 2024.

- Perspectives on Audit Firm Culture

This practice note by Jere Francis discusses audit firm culture and examines the logic and measurement challenges underlying the “culture initiative” of the Dutch Authority for Financial Market (AFM).

- An Unintended Consequence of Full Population Testing on Auditors’ Professional Skepticism

This practice note by Xiaoxing Li, Joseph Brazel and Anna Gold shows that auditors using full population testing, compared to sample testing, are less likely to exercise skeptical actions when subsequently confronted with a fraud red flag revealed by an external industry growth trend. Furthermore, auditors using full population testing, compared to sample testing, overestimate their evaluation of the appropriateness of client-internal evidence.

FAR Working Papers

In 2024 FAR published the following 8 working papers:

- Audit Externalities and Regulation by Jere Francis.
- It Take Two to Make a Team Go Right - Effects of Dual Team Leaders’ Individualized Consideration and Initiating Structure on Team Efficacy, Performance, and Viability by Murray Barrick, Olof Bik, Jere Francis, Bradley Kirkman, Lena Pieper and Ann Vanstraelen
- When Dual Team Leaders Model Voice Behavior: Boundary Effects of Involvement, Mixed Messages, and Stifling Hierarchy on Team Safety, Voice Climate, and Performance by Murray Barrick, Olof Bik, Jere Francis, Lena Pieper, Ann Vanstraelen
- Silence is not Golden: How Team Consensus and Inclusive Climate Affects Junior Auditors’ Conformity Behavior and Risk Assessment Sharing by Eddy Cardinaels, Viola Darmawan, Evelien Reusen, Kristof Stouthuysen.
- Where does the Time go? Auditors’ Commercial Effort, Professional Effort, and Audit Quality by William A. Ciconte III, Justin Leiby, Marleen Willekens
- Understanding Audit Firm Culture through the Lens of the Competing Values Framework by Murray R. Barrick, Olof Bik, Jere R. Francis, Lena Pieper, Ann Vanstraelen
- An Unintended Consequence of Full Population Testing on Auditors’ Professional Skepticism by Xiaoxing Li, Joseph F. Brazel, Anna Gold
- “Sent from Mobile”: The Influence of Communication Devices and Psychological Distance on Professional Skepticism-Enhancing Advice by Sara Bibler, Anna Gold, Farah Arshad

Furthermore, we are very proud to share that this year three working papers were accepted for publication in reputable journals:

- Where does the Time go? Auditors’ Commercial Effort, Professional Effort, and Audit Quality by William A. Ciconte III, Justin Leiby, Marleen Willekens. Published in Journal of Accounting Research.
- Using Field-Based Evidence to Understand the Antecedents to Auditors’ Skeptical Actions by Kris Hardies, Sanne Janssen, Ann Vanstraelen, Karla M. Zehms. Published in AUDITING: A Journal of Practice & Theory.
- Does Status Equal Substance? The Effects of Specialist Social Status on Auditor Assessments of Complex Estimates by Anna Gold, Justin Leiby, and Kathryn Kadous. Published in The Accounting Review.

LinkedIn Weekly Posts

In September 2023, we started posting content on a weekly basis on FAR’s LinkedIn-account. This resulted in a boost in the number of followers and ‘impressions’ (i.e. the number of times posts, updates, or profile have been viewed by users on the platform). We now have 1679 followers (March 21, 2025), which is 34 percent more than a year ago.

The five best performing Weekly’s in 2024 were:

- If auditors can learn every day, they are more willing to stay!
- Three essays on institutional conditions that enable audit quality
- Does commercial effort hurt audit quality? Well, no!
- Who should pay for the audit?
- Do auditors confuse expert status with competence?

FARview Podcasts

The FARview podcasts have become an important ‘popular’ outlet for disseminating the knowledge accumulated within the FAR research projects. We publish longer as well as shorter pitches (to enhance the speed with which the content can be consumed). The podcasts are available via YouTube and Soundcloud. In 2024, seven podcasts went online:

- *Christian Peters (week 4 and 5)*
Christian discussed two papers by Bennett and Hatfield on social mismatch between auditors and controllers and on email versus face-to-face-communication. In the *second podcast* Christian presents his paper with Kathryn Kadous and Bart Dierynck *Learning in the Auditing Profession: A Framework and Future Directions* was published in *Accounting, Organizations and Society*.
- *Tjibbe Bosman (week 6)*
Tjibbe presented the gist of the article by Christensen, Newton and Wilkins: *How do Team Workloads and Team Staffing Affect the Audit?* Archival evidence from U.S. audits.’
- *Anna Gold (week 7)*
Anna presented two studies from the FAR-project *How do Audit Committees Support Audit Engagement Teams and Encourage Professional Skepticism*.
- *Kris Hardies (week 10)*
Kris presented the paper is *Using Field-Based Evidence to Understand the Antecedents to Auditors’ Skeptical Actions* (co-authored with Sanne Janssen, Ann Vanstraelen and Karla M. Zehms).
- *Therese Grohnert and Petra Tijmstra (week 16)*
Therese and Petra talked about how they have experienced their joint FAR research project. The project can be viewed as a best practice of a symbiotic cooperation between practice and academia with mutual benefits.
- *Sara Bibler (week 46).*
Sara talked about the purpose, findings and takeaways of the study *Thinking Outside of the Box: Engaging Auditors’ Innovation Mindset to Improve Auditors’ Fraud Procedures* (co-authored by Margaret Christ, Tina Carpenter, and Anna Gold).

Contributions to the Professional Debate

FAR research must lead to disseminating new academic knowledge and insights, as well as scientifically informing current public debates on the subject of audit quality. In 2024 FAR also started to actively share knowledge with regulators. The idea is to have regular meetings during which new scientific findings are shared with regulators. In addition, the meetings are geared at bringing together the knowledge base that has the interest of the regulators, for instance what are known drivers of fraud or when and how advisory affects audit quality.



Research Agenda: Drivers of Audit Quality



Research Agenda: Drivers of Audit Quality

FAR recognizes the critical role of research in identifying key factors that influence audit quality in practice. To support this, FAR funds and facilitates research projects that employ diverse methodologies and approaches, ensuring a balanced, evidence-based perspective that contributes to the continuous improvement of audit practices, public discourse, and policymaking.

FAR believes that leveraging multi-disciplinary and multi-method research enables the audit profession to benefit from insights in fields such as management, leadership, organizational behavior, psychology, sociology, and behavioral research. By integrating knowledge from these disciplines, FAR fosters innovation and informed decision-making within the auditing field.

In shaping its research agenda, FAR takes a broad, stakeholder-driven approach, considering the needs of the entire corporate reporting and assurance ecosystem. This agenda follows two main strategies: first, making academic knowledge accessible and applicable to auditing practice, and second, soliciting, evaluating, and supporting research proposals that explore promising new directions. The focus remains on strengthening core aspects of audit quality, including audit inputs, the audit process, auditor behavior and decision-making, audit outcomes, and the management, organization, and culture of audit firms.

FAR's research topics emerge from a structured process involving board members, who collect insights into the key challenges audit firms and companies face in ensuring high-quality audits. Additionally, FAR's Managing Directors hold regular stakeholder meetings to capture the perspectives of practitioners, regulators, and policymakers. These discussions inform the board's decisions on research themes for the year.

Once finalized, FAR announces these topics annually, inviting proposals from audit and accounting research groups worldwide through its Call for Projects. Proposals

are assessed based on academic rigor, relevance, and methodological soundness. FAR welcomes diverse research approaches and places importance on theoretical grounding and empirical validation. The involvement of experienced scholars, as well as Dutch researchers, junior researchers, and PhD candidates, is also a key criterion. Additionally, the feasibility of each proposal, particularly regarding data collection, is carefully evaluated.

The FAR scientific committee conducts the initial review of submissions and provides recommendations to the board. Based on these evaluations, research teams are informed whether their proposals are accepted, require revision and resubmission, or are declined. This structured review process ensures that FAR supports high-quality research that has a meaningful impact on audit practices and policy development.

FAR's research programs can be summarized as follows:

	A - Research Syntheses	B - Empirical Research	C - Joint Working Group Design Oriented Projects
Description	To unlock what we already know about specific practical questions and potential interventions that can be suggested to strengthen audit quality (where possible in joint academic-practitioner teams). Should also inform knowledge gaps and future FAR research projects.	Archival, survey, experimental, interviews (and other qualitative) research by independent research groups. Longitudinal and cross-sectional research could be of specific relevance to study the effectiveness of interventions taken in the firms and the profession.	Projects directed by the FAR Academic Board members for the more pervasive, all-encompassing practical questions and dilemmas, geared towards professional interventions and improvements. Proactive participation of top practitioners and selected top researchers meeting 3 to 5 times over a period of several years on the topic jointly.
Firm Data Needed	No	Yes	Yes
Project Timeline	6 to 12 months	1 to 4 years	1 to 3 years (Depending on depth and breadth of the project)
Outputs	FAR Practice Notes, Working Papers, Masterclasses, and conferences. The potential to be published in research synthesis calls of academic top journals.	FAR Practice Notes, Working Papers, Masterclasses, and conferences. The potential for multiple publications in top journals.	Similar to program B and FAR Joint Working Group meetings.

	D - Case Studies	E – Auditing Research Chair	F – PhD Program
Description	Case Studies directed by FAR Academic Board members to examine in detail a specific subject or audit case, to arrive at a deep and clear understanding of the matter and mechanisms that come into play in the case (e.g., the objectives and rationale behind firms' policy decisions in relation to audit quality enhancements).	The FAR Audit Research Chair sponsor program is geared towards expanding the research pool in the Dutch auditing research community through appointing a new auditing research chair (including supervision of new PhD students) who drives a strategically focused research agenda closely related to FAR's research and knowledge dissemination agenda.	The FAR PhD Program is aimed at putting auditing on the Dutch research agenda for generations to come – and with that, strategically strengthen the Dutch auditing research community being able to sustainably inform the development and policy making of the (Dutch) auditing profession – Through the PhD sponsoring program, FAR grants new PhD positions for the full four-year period and on a 50/50% basis (50% financing by FAR, 50% financing by the university) with a maximum FAR grant of EUR 100,000. The PhD topic should be closely related to FAR's research and knowledge dissemination agenda.
Firm Data Needed	Yes	Yes	Yes
Project Timeline	6 to 12 months	At least 4 years (50/50% FAR/ University funding).	4 years
Outputs	FAR Practice Notes, Working Papers, Masterclasses, and conferences. The potential for multiple publications in top journals.	FAR Practice Notes, Working Papers, Masterclasses, and conferences. The potential for multiple publications in top journals.	FAR Practice Notes, Working Papers, Masterclasses, and conferences. The potential for multiple publications in top journals.

Research program	B								C							
Year	2024	2023	2022	2021	2020	2019	2018	2017	2024	2023	2022	2021	2020	2019	2018	2017
Beginning of period	34	28	28	25	20	16	12	6	1	5	2	2	2	2	2	0
Research proposals submitted to FAR	5	9	0	8	13	6	8	11	0	0	3	0	0	0	0	2
Research proposals submitted by FAR	1	7	2	3	7	4	4	6	0	0	3	0	0	0	2	0
Intermediate results presented	6	4	3	3	6	6	3	3	0	2	0	0	0	0	0	1
Research projects completed	5	1	2	0	2	0	0	0	1	4	0	0	0	0	0	0
End of period	30	34	28	28	25	20	16	12	0	1	5	2	2	2	2	2
Completed projects	10	5	4	2	2	0	0	0	5	4	0	0	0	0	0	0

Development of FAR's Research Portfolio in 2024

Based on its research objectives and criteria, FAR was able to commit €60.000 to new research projects in 2024. This amount includes gathering of publicly available research data by FAR, mostly financial statements data, required for most research projects currently in progress. The total investment in public data gathering amounts to €9.000. The development of our research activities can be summarized as follows – and is further detailed and illustrated per research program in the sections below (no changes in programs A: research syntheses, and D: FAR Case Studies).

Research program	E								F								
Year	2024	2023	2022	2021	2020	2019	2018	2017	2024	2023	2022	2021	2020	2019	2018	2017	2016
Beginning of period	1	1	1	1	1	1	1	0	5	5	5	5	5	3	0	0	0
Research proposals submitted to FAR	0	0	0	0	0	0	0	2	0	0	0	0	0	2	4	0	0
Research proposals submitted by FAR	0	0	0	0	0	0	0	1	0	0	0	0	0	2	3	0	0
Intermediate results presented	1	0	1	0	0	0	0	0	3	0	0	0	0	0	0	0	0
Research projects completed	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0
End of period	0	1	1	1	1	1	1	1	4	5	5	5	5	5	3	0	0
Completed projects	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0

Advancing Research and Knowledge Dissemination

Since FAR's establishment in 2015, we have initiated a substantial number of research projects and made significant progress in data management and delivery. As a result, the output from these projects is increasingly reaching audit practitioners, supervisory bodies, and other key stakeholders.

We are now entering a phase of expanded knowledge dissemination, ensuring that research findings translate into valuable insights and practical applications for the auditing profession. Moving forward, we will continue to strengthen our efforts to share knowledge and foster meaningful discussions that contribute to audit quality and professional development.

The research project committed to by FAR in 2024 is as follows (listed by project leader only):

Research Program B – Empirical Research Projects

- Integrating Regulatory and AI Innovations for Enhanced ESG Assurance – Dr. W.F.M. Bams (Maastricht University) investment €50.600

Six projects presented intermediate findings at the 2024 FAR conference:

Understanding Audit Firm Culture Through the Lens of the Competing Values Framework – Lena Pieper

- Auditor Automation Usage and Professional Skepticism - **Christian Peters**
- Virtual Audit Teamwork: Working, Learning, and Delivering High-Quality Audits Virtually – **Iver Wiertz**
- Leadership Behaviors of Partners and Managers and the Effects on Audit Teams – **Olof Bik**
- Audit Office Culture and Audit Quality – **Tjibbe Bosman**
- Silence is Not Golden: How do Team Consensus and Inclusive Climate Affect Junior Auditor's Conformity Behavior and Assessment Sharing? – **Eddie Cardinaels & Evelien Reusen**

An overview of all FAR research projects can be found on our website: [Library - FAR](#).

FAR Research Syntheses and Empirical Research (programs A and B): new Research Projects in 2024

The Foundation for Auditing Research issued a new Call for Research in December 2023, focusing on two topics.

- **Audits in the mid-size segment.** This topic was the result of a joint working group of academics and practitioners, seeking to investigate: (1) Audit and Assurance Services for Owner-Managed Businesses, (2) Audits of Less Complex (and / or Smaller) Entities, (3) Learning Climate in Mid-size Audit Firms, (4) Tier-based Market Response on Audit Regulation.
- **Audit Innovation.** This topic was also the result of a joint working group of academics and practitioners, which is funded by the additional contribution of PwC, and seeks to investigate how new data sources and new modes analyses affect the (future) of audit and audit quality. The projects on audit innovation extend to four dimensions: (1) Data and Reliability; (2) Nature of audit services; (3) Organizational impact of data-driven audits and (4) Risk assessments.

FAR Joint Working Groups (research program C)

‘Joint Working Group Design-Oriented Projects’ (JWG) are geared towards the more complex questions that cannot be answered in one single research project. With the proactive participation of high-level practitioners from the affiliated audit firms, expert academic researchers, and selected stakeholders, a JWG will meet at several JWG Research Summits over several years.

The JWG dealing with Root cause analysis methods in auditing has evolved into another active FAR project, dealing with fraud and has resulted in the publication of a paper *Onderzoek: kwaliteit van interne beheersingsmaatregelen, werkzaamheden van accountants en fraude (nba.nl)*.

FAR Case Studies (research program D)

Research Program D involves case studies, with the aim of providing an as real as possible description of an audit through which the reader can learn about the considerations made in and mechanisms underlying the oftentimes complex judgement and decision-making process. The case studies should result in a scientific paper and a case study that can be used in classes. No new case studies were initiated in 2024.

FAR Audit Research Chair (research program E)

In 2017, the FAR Audit Research Chair program was established, and in October 2018, we were honored to announce that renowned American researcher and professor Jere Francis had been appointed the FAR Chair in Auditing Research at Maastricht University’s School of Business and Economics for a four-year term.

Professor Francis concluded his tenure as Research Chair in June 2024, marking the end of his term with the 2024 FAR Conference. During his time in the role, Professor Francis led research focused on audit quality. He also initiated two key FAR projects: “What makes audit partners and their engagement teams successful?” and “Audit firm culture, audit quality, and other organizational outcomes.” To date, the project team has produced seven working papers, with several already submitted to academic journals.

FAR extends its heartfelt congratulations to Dr. Lena Pieper, who was honored with the Best PhD Thesis Award from the American Accounting Association. The award was presented to Lena on January 17, 2025, during the annual mid-year meeting of the Auditing Section of the American Accounting Association. Her dissertation investigates how personal characteristics influence audit quality, an area of significant importance. Previous studies have shown that, despite robust control systems, audit quality is still heavily affected by the individual auditors leading the engagement teams. This highlights the fact that standard control mechanisms do not fully capture the unique qualities of audit team leaders. For audits to consistently meet high standards, firms need to better understand what makes certain auditors and teams more effective.

With support from the Foundation for Auditing Research, Lena collected data from ten prominent audit firms in the Netherlands to explore the dynamics within audit teams and the leadership styles of audit partners and managers. A key finding of her research is that audit quality improves when there is a balance between structured leadership and autonomy. Teams perform better when one leader provides clear structure and processes, while another allows flexibility for team members to make independent decisions. This underscores the importance of leadership styles that blend structure with adaptability for optimal audit outcomes.

Dr. Pieper conducted her research under the mentorship of Prof. Jere Francis.

The PhD thesis can be downloaded through the following URL:

<https://cris.maastrichtuniversity.nl/ws/portalfiles/portal/139342097/c7909.pdf>

FAR Audit Research PhD program (research program F)

In 2018, FAR launched the FAR Audit Research PhD Sponsorship Program (Program F) with the goal of expanding the talent pool of future auditing researchers in the Netherlands and strengthening the auditing research community. Through this program, FAR funds new PhD positions for the full four-year term on a 50/50 basis (50% financing by FAR and 50% by the university), with a maximum FAR grant of EUR 100,000. The PhD topics are required to align closely with FAR's research and knowledge dissemination objectives. PhD students also have access to audit firm data through FAR, similar to other FAR research teams. Currently, FAR supports five PhD projects, with expected outputs in 2024:

- University of Groningen – Sander Tiggelaar (Supervisor: Prof. dr. P.M.G. van Veen – Dirks)
- Tilburg University – Christian Peters (Supervisor: Prof. dr. B.C.G. Dierynck), who successfully defended his PhD in June 2023 (cum laude). Find his dissertation [here](#). The literature review of this project *Learning in the auditing profession*, was accepted for publication by AOS.
- Free University of Amsterdam - School of Business and Economics - Xiaoxing Li (Supervisor: Prof. dr. A. Gold). Two working papers have now been published on the FAR website for this project: *Inheriting vs. developing audit data analytic tests and auditors' professional skepticism* and *An Unintended Consequence of Full Population Testing on Auditors' Professional Skepticism*.
- University of Amsterdam – Amsterdam Business School – Tjibbe Bosman (Supervisors: Prof. dr. J.F.M.G. Bouwens and Olof Bik). Tjibbe successfully defended his PhD in June 2024. Find his dissertation [here](#).
- Maastricht University – Iver Wiertz (Supervisor: Prof. dr. A. Vanstraelen)



Data Provision by the Affiliated Audit Firms



Data Provision by the Affiliated Audit Firms

Data Collaboration: from Audit Firms to Research Teams

FAR conducts its research projects through a unique collaboration between science and practice in auditing. For each research project a detailed data request is prepared by the research team. This request is discussed with data liaisons from affiliated audit firms to align on feasibility and timing of data delivery. With this data, researchers unlock academic insights in relation to audit quality. These outcomes help to inform the public and academic debate relating to the audit profession and help to improve audit quality.

FAR works with an annual “Data gathering cycle” in which researchers, affiliated audit firms and FAR work in a recurring rhythm of project selection and allocation, setting a data gathering and sampling strategy, up to and including actual data gathering. The latter also includes data gathering during audit firms’ internal educational programs. The data gathering cycle is further substantiated by a “12 step approach” for data gathering including design, piloting, and validation of data gathered in close collaboration with research teams. We focus on existing management information systems for archival data within affiliated audit firms. For survey and experimental studies, we use existing meeting structures, like the firms’ internal training programs. Direct contact with researchers creates enthusiasm among affiliated audit firms about the relevance of research questions. Firms often invite researchers, for whom they provide data, to their offices to experience the practical side of data gathering.

Research Data Processing Security Controls

Each year an independent audit is performed to assess the design, implementation, and operating effectiveness of FAR’s system of internal controls around data gathering, processing, and reporting. IT general controls are also included in the scope of this audit. The outcome of the 2024 audit confirms that FAR affiliated audit firms can share (anonymized and transformed) confidential data with FAR researchers and can rely on the existing FAR-Centerdata processes for the confidentiality of their data.

Research Data Gathering

Since 2019, FAR has put increasing effort into expanding public data gathering for the audit firms and research teams. Because public data for the complete Dutch audit market is only partially available through regular academic and public databases, FAR has deployed a team of student assistants to collect such research data from financial statement reports and other public sources. This is a tedious and complex process which involves a significant amount of manual data collection.

FAR uses several data gathering techniques to scale up data collection from public sources by automating the process. This includes the ability to extract data from PDF’s (the form in which annual reports are oftentimes published) and transform this to machine-readable data (for example through “Optical Character Recognition” techniques). FAR continues to further develop and optimize these techniques so that data can be extracted for research purposes in an efficient and reliable way.

Migration Project

In 2024 FAR completed a major transition project to improve the performance of the remote facility. Collaborating with Centerdata, FAR developed a new remote facility environment and seamlessly migrated all research project data. As a result, FAR researchers can now work more efficiently on their research projects.

Data Library

In 2024, we made significant steps towards developing the data library, which should enable research groups to submit proposals based on existing data. We have been working on a clear list of variables that researchers can use as a starting point. The plan is to make the data library available in 2025. The application procedure remains unchanged: proposals still go through the scientific committee and the data committee, after which the board gives final approval.





FAR Com
Therese Grohniert
Foundation for Building Futures

Landscape



FAR Board and Organization



FAR Board and Organization

The FAR Board

FAR is an autonomous foundation based in the Netherlands. Its board comprises an independent chair, COO, four independent academic board members, and five representatives from affiliated audit firms. In the case of a tie, the chair, COO, holds the casting vote. As a result, both the independent chair and academic board members collectively hold the majority of votes, as do the independent chair and the representatives of the affiliated audit firms.

The complete board consists of the following people:

- **Prof. dr. H.M. Prast**, chair of the board
- **Prof. dr. A. de Bos RA**, board member representing EY (treasurer until 29-11-2024)
- **Prof. dr. J.F.M.G. Bouwens**, chief academic officer
- **Drs. G.C. Hamer RA**, board member representing Deloitte
- **Drs. P.A.J. Hopstaken RA**, board member representing Forvis Mazars, as well as Baker Tilly, BDO and Grant Thornton
- **Drs. R. Jagbandhan RA**, board member representing PwC
- **Prof. dr. W.R. Knechel**, academic board member
- **Drs. M.W.J. van de Luur RA**, board member representing KPMG
- **Dr. K.A. Springer**, chief operational officer and treasurer of the board (board member from 2 April 2024 and treasurer from 29-11-2024)
- **Prof. dr. P. Wallage RA**, academic board member
- **Prof. dr. M.M.T. Willekens**, academic board member

Risk Assessment

Each year, FAR compiles an overview of key risks identified as critical to achieving its mission and objectives. These risks are categorized based on their potential impact and likelihood of occurrence. To address them, management has implemented targeted mitigation measures.

Risk Category	Risk	Risk Appetite	Impact*	Likelihood
Strategic Risks	Inability to timely publish meaningful results	Low	High	Medium
	Reputational damage through partner association	Low	High	Medium
Operational Risks	Inability to attract, develop and retain talent	Low	Medium	High
	Data security risk	Low	High	Medium
	Inability to ensure effective allocation of funds to research	Low	Medium	Medium
Financial Risks	Inability to secure sufficient funding	Low	High	Medium

*Gross risk impact before applying mitigating control measures

To effectively manage these risks, several measures have been implemented to reduce the remaining risk to an acceptable level. A clearly defined 12-step process guides all research projects from initiation to publication. Surrounding this process, a robust control framework has been established, incorporating mitigating controls for every aspect of data collection, sharing, and publication. Each year, an independent auditor assesses the design, existence, and operational effectiveness of these controls, providing a comprehensive ISAE 3000 report with their findings. The board is regularly updated on the progress of research projects in every board meeting. Additionally, biannual update calls are held with all research teams to ensure projects remain on track. Annually, the board reviews and approves the overall financial budget and strategic plan for the coming year, setting targets for research activities and other expenditures.

Board Meetings and Other Consultations and Gatherings

In 2024 five board meetings were held to discuss and decide on, amongst others, FAR's research agenda, strategic priorities, data management and governance.

From a governance perspective, the FAR board appointed several committees within the board (to avoid potential conflicts of interest) and operated on this basis during the year. Based on the revised articles of association, the committees of the FAR board were as follows:

- Data availability & Confidentiality Committee
- Scientific Committee
- Nomination Committee
- Audit Committee

In the period May-November 2024 the FAR board had in-depth discussions on strategy and future plans. As a result of this strategic reorientation a new strategic plan for the period 2025-2030 as well as an accompanying communications plan was finalized with full board approval in November 2024.

Also discussed was the audit of our control framework, ensuring complete data security, by an external auditor (BDO), in accordance with Dutch law and the International Standard on Assurance Engagements, ISAE 3000 (Type 2 – including operating effectiveness).

Finally, the board received regular updates on FAR's knowledge dissemination output, contributions to the professional development of auditing, and FAR's contribution to the auditing research and education community.





Financial Results



Financial Results

Overview of income and expenses

FAR's financial income since inception in 2015 has consisted primarily of financial contributions from the affiliated auditing firms of € 1.55 million each year.

The cost structure is divided in three categories:

Costs for research projects	Endowments to research teams, costs for data collection, project monitoring & communication
Research related costs	Costs for general data management, knowledge dissemination and general research project assistance
General expenses	Board costs, executive management support and other general costs

For 2024 the breakdown of costs is as follows:

Amounts in EUR '000	Actuals	Budget	Variance
	2024	2024	
Costs for research projects	334	735	+401
Research related costs	539	437	-102
General expenses	453	377	-76
Total expenses	1.326	1.549	+223

Analysis of actual 2024 figures against budgeted figures

Overall costs for research projects were €401k lower than budget as a result of less projects approved than budgeted, as part of the call for audit innovation.

Research related costs were ahead of budget by €102k because of the additional investment in 2024 in knowledge dissemination efforts (incl. new website) and higher general data management costs related to the new remote facility. General expenses were €76k higher than budget due to higher board costs as well as higher executive management costs.

A large, light blue, stylized number '6' is positioned in the background, partially obscured by the text. It has a thick stroke and a circular bottom loop.

Outlook for 2025



Outlook for 2025

Research: Expected Output 2025

Several significant publications are anticipated in 2025. Around ten working papers were submitted to journals in 2024 or are set to be submitted early 2025, covering topics such as joint audits, talent development, fraud detection, culture controls, professional skepticism, innovation mindset, auditor selection, and audit technologies. In addition, we are actively planning a series of masterclasses and podcasts to further share and disseminate our research findings.

The 2025 FAR Conference

In June we will be hosting the next FAR Conference: **Audit Organization & Innovation**. This year's conference seeks to understand how the use of evolving audit technologies, especially based on Artificial Intelligence (AI), in combination with auditor judgements relate to audit quality. The program is still under development, but we are already proud to announce a great line up of acclaimed speakers, including Robert Knechel (Distinguished Professor and F.E. Fisher Eminent Scholar, Director International Accounting and Auditing Center), Justin Leiby (Associate Professor of Accountancy, University of Illinois) and Felix Vetter (Associate Professor, MIT Sloan School of Management). We also have confirmed presentations by FAR researchers Xiaoxing Li, Sara Bibler and Lucia Bellora-Bienengräber. For details of the conference, please visit the FAR website under: **Events/Upcoming Events**.

Financial Outlook

The general contributions from affiliated audit firms and other third parties for the coming year are expected to total a maximum of EUR 1,550,000 million (2024: EUR 1,550,000). In addition to this, we expect to use the remainder of the reserved balance of EUR 184,000 for research projects that have been submitted for the innovation call for research. Considering research related costs (budgeted for EUR 492,000) on the one hand and general office costs (budgeted for EUR 419,000) on the other, the maximum research budget for the coming year amounts to approximately EUR 640,000.

When FAR was formed, preference was given to a transitional model based on a coordinating office organization. Although FAR will be further investing in its professional organization in 2025, the aim is still to keep the working organization to a minimum by cooperating as much as possible with the affiliated research groups and the audit firms. Despite FAR's ambitions and the growth of its activities, due to which our cost ratio increases above our initial target of 15% of income, we pursue a stable cost ratio over the coming years.

Breukelen, May 27th, 2025

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

Sgd Prof. Dr. H.M. Prast
Chair of the board

Sgd Prof. Dr. J.F.M.G. Bouwens
Chief academic officer

Sgd. Dr. K.A. Springer
Chief operational officer

Financial Statements



Financial Statements

Financial year from 1 January up to and including 31 December 2024

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1. Balance sheet at the end of the financial year

(after appropriation of the balance of income and expenses)

Amounts in EUR '000	Ref.	31-12-2024	31-12-2023
Assets			
Receivables	1	2,208	2,771
Cash	2	540	287
Total Assets		2,748	3,058
Liabilities			
Equity	3	639	415
Long term liabilities			
• Research commitments	4	1,196	1,522
Short term liabilities			
• Research commitments	4	635	711
• Current liabilities	4	278	409
Liabilities		2,109	2,642
Total Equity and Liabilities		2,748	3,058

2. Statement of income and expenses

Amounts in EUR '000	Ref	Actuals 2024	Budget 2024	Actuals 2023
Income	5			
Financial contributions affiliated firms		1,550	1,550	1,550
Research Contributions		–	–	80
Total Income		1,550	1,550	1,630
Expenses	6			
Research-related costs		539	437	445
Costs of research projects		338	735	1,862
Revaluation of research related costs		-4	-	-
Total project costs	6a	873	1,172	2,307
Office costs		220	192	241
Board costs		82	70	58
Other operating costs		151	115	193
Total general costs	6b	453	377	492
Total Expenses		1,326	1,549	2,799
Operating Result		224	1	-1,169

Amounts in EUR '000	Actuals 2024	Budget 2024	Actuals 2023
Appropriation of the balance of income and expenses:			
Addition or usage to continuity reserve	224	–	-86
Addition or usage to reserve for restricted use	–	1	-1,083
	224	1	-1,169

3. Cash flow statement

Amounts in EUR '000	Ref.	31-12-2024	31-12-2023
Cash Flow from Operating Activities	7		
Cash receipts from contributors	7a	2,113	1,616
Cash paid in research and general expenses	7b	-1,533	-2,801
Net Cash Flow from Operating Activities		580	-1,185
Net Cash Flow from Financing Activities	8	-326	1,144
Total Net Cash Flow		254	-41

4. Accounting principles

4.1 Objectives and activities

General

Stichting Foundation for Auditing Research (hereafter: FAR) has its registered office at Straatweg 25 in Breukelen. Its objectives are to enhance the knowledge of what makes a good audit today and to academically inform audit practices in their continuous improvement efforts.

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

To fund these activities all affiliated audit firms provide financial contributions, which have been secured for a five-year term between 2021 and 2025. In addition, affiliated audit firms also provide access to data.

4.2 Principles of valuation of assets and liabilities

General

The financial statements have been prepared in accordance with the 'Guideline for Non-Profit Organisations' [DAS 640, Dutch Accounting Standards], as published under the responsibility of the Dutch Accounting Standards Board, in line with previous years. The accounting principles proceed from measurement at nominal value unless a different principle is stated. The reporting period comprises the financial year from 1 January up to and including 31 December 2024, the comparative figures relate to the year 2023. The liabilities are presented in long term and short-term liabilities on the face of the balance sheet, in addition to the notes. The financial statements have been prepared in units of thousands of euros, small rounding differences may occur. Reference numbers refer to the explanatory notes.

Receivables

Receivables are valued on initial recognition at the fair value of the counter-performance, including any material transaction costs. After initial recognition, receivables are valued at amortized cost. Bad debt provisions are offset against the book value of the receivables.

Cash

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

Liabilities

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

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

4.3 Principles for the determination of the result

Income

FAR's income consists primarily of contributions committed by the affiliated audit firms. The level of the contribution is determined based on undertaken research projects and approved office costs. These contributions are shown in the statement of income and expenses in the year in which the subsidized expenses or office costs are recognized. Donations and additional grants are recognized in the year that these are committed.

Expenses

The total grants for committed research projects, also if they cover multiple years, are recognized as an expense in the statement of income and expenses and as a liability in the balance sheet insofar as unconditional commitments have been made to research teams by the balance sheet date (other than the condition that the research must be conducted in conformity with the research proposal). FAR simultaneously recognizes the estimated expected (internal and external) costs (other than the commitments to research teams) directly associated with the execution of the research projects to which those commitments relate. These include expected personnel costs with regards to project specific data management, project monitoring, and communication, based on an estimate of time needed for these activities.

General costs are recognized in the period to which they relate. For its working organization, FAR entered into a service level agreement with Nyenrode Business Universiteit which includes human resources, housing, ICT, and other activity-based facilities. Related costs are charged to FAR on a not-for-profit basis but include a risk premium as well as coverage for employer costs like social charges. These costs (including VAT) are allocated to research related projects costs or general expenses based on the activities concerned. In 2024 an average of 3.6 FTE (2023: 3.1 FTE) of staff has been charged to FAR, which expenses are accounted for under the related activities of research related activities, costs of research projects, and general expenses.

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

5. Notes to the balance sheet

1. Receivables

Amounts in EUR '000	Ref.	31-12-2024	31-12-2023
Accrued income	(a)		
Still to invoice to 'Big 4' firms		1,709	2,345
Still to invoice to 'Next 5' firms		415	365
		2,124	2,710

Amounts in EUR '000	Ref.	31-12-2024	31-12-2023
Debtors		–	–
Prepaid expenses		23	1
Other receivables		61	60
		2,208	2,771

Accrued income

Accrued income relates to the financial contributions still to be invoiced to the affiliated audit firms in respect of the research projects committed in the period 2016 – 2024 and the additional grant from PwC in 2019. These contributions are payable by the firms during the term of the projects and in line with their progress (as detailed under 4a). No provision is considered needed.

2. Cash

The cash is at FAR's free disposal.

Amounts in EUR '000	31-12-2024	31-12-2023
Current account at financial institution	540	287
	540	287

3. Equity

Amounts in EUR '000	Ref	Balance on 31-12-2023	Movements 2024	Balance on 31-12-2024
Continuity reserve	(a)	235	224	459
Reserve for restricted use	(b)	180	–	180
		415	224	639

a. Continuity reserve

The guiding principle is that only reserves with a pre-defined purpose are allowed. To ensure that FAR will be able to meet its future obligations from existing commitments, the board has created a continuity reserve in 2016. In determining the continuity reserve amount FAR follows the guidelines of Fundraising Institutions Association (Goede Doelen Nederland). These guidelines allow for a maximum reserve of 1.5 times annual organizational costs (including costs of staff, accommodation, administration, and board). As per 31 December 2024 the continuity reserve was EUR 459,000, which equals 0.74 times the budgeted organizational costs for 2025 (EUR 618,000).

b. Reserve for restricted use

The reserve for restricted use was initially formed from an additional grant of EUR 845,000 by PwC in 2019. The main initiative to be funded through this grant is additional research on audit innovation for which a call for research was sent out in December 2023. This research is focused on how "data science" may affect and aid audit engagements and audit quality. Researchers will investigate the tools and techniques that data science offers and how these affect the way audit engagements are designed and how audit evidence can be gathered effectively and efficiently. The board has allocated €661.000 of this grant to incoming proposals up to 2024.

The addition in 2022 of EUR 418,000 relates to a reservation by the board for a thematic research proposal. This project was presented to and discussed in the FAR board in 2022 and after a revise and resubmit process approval was granted in 2023. The full amount was therefore released in 2023. EUR 1.083.000 of this reserve was used up in the same year.

4. Research commitments and current liabilities

a. Research commitments

Research commitments comprise of accrued project costs (including expected personnel costs) for financial grants relating to committed research projects and expected research and project costs directly associated with these projects. Research commitments have a long-term and short-term part, presented as follows:

Amounts in EUR '000	31-12-2024	31-12-2023
Research commitments – long-term	1,196	1,522
Research commitments – short-term	635	711
	1,831	2,233

Total research commitments can be detailed as follows:

Amounts in EUR '000	Balance as of 31-12-2023	Costs of research projects	Usage	Revaluation of research related costs	Balance as of 31-12-2024
Endowments to research teams	1,836	62	-385	–	1,513
Project-specific data management	34	0	-2	–	32
Data gathering and management	131	3	-36	–	98
Public data gathering by FAR	155	2	-49	–	108
Project management and monitoring	41	3	-1	–	43
Project reports and communication	36	1	–	–	37
Total	2,233	71	-473	–	1,831
Thereof committed in 2019	51	0	-29	–	93
Thereof committed in 2020	129	0	-121	–	49
Thereof committed in 2021	211	11	-95	–	153
Thereof committed in 2022	65	0	-47	–	18
Thereof committed in 2023	1,637	0	-173	–	1,470
Thereof committed in 2024	–	60	-9	–	51

Expected usage of research commitments

Amounts in EUR '000	Balance 2024	Exp. usage 2025	Exp. usage 2026	Exp. usage 2027+
Endowments to research teams	1,513	493	648	372
Project-specific data management	32	12	19	1
Data gathering and management	98	53	40	5
Public data gathering by FAR	108	54	49	5
Project management and monitoring	43	16	23	4
Project reports and communication	37	7	15	15
Total	1,831	635	794	402
Thereof committed in 2019	93	19	74	-
Thereof committed in 2020	49	49	-	-
Thereof committed in 2021	153	84	69	-
Thereof committed in 2022	18	15	1	2
Thereof committed in 2023	1,470	440	630	400
Thereof committed in 2024	51	30	20	-

The non-current part of this liability as of year-end amounts to EUR 1,196,000 (31-12-2023 EUR 1,522,000).

There was a positive (currency) revaluation to projects in 2024 of EUR 4,000 (no revaluation in 2023). For 2024 no changes were applied to the hourly rate or other relevant assumptions.

b. Current liabilities

Current liabilities as of year-end amounting to EUR 278,000 (31-12-2023 EUR 409,000) mainly comprise costs payable in relation to the working organization and management fees.

6. Notes to the statement of income and expenses

5. Income

As per December 31, 2024 nine audit firms are affiliated to FAR, being Deloitte, EY, KPMG, PwC, and (collectively) Baker Tilly, BDO, Grant Thornton, Forvis Mazars (all four from 2017), and Flynth (as from 2018). Jointly, FAR's funding primarily consists of a maximum of EUR 1,550,000 of funds that are committed by and received from the audit firms based on the committed research projects and approved budget. In this context, the audit firms undertake at the

time of the commitment to pay the contributions to cover the approved multi-year research projects for their entire duration, to enable research teams to complete the research for which they obtained FAR's approval. The affiliated audit firms are invoiced for committed contributions as the research projects progress that is, at the moment when the project costs have been incurred, taking account of the cash position required to cover the general office costs.

6. Expenses

6a. Project costs

Amounts in EUR '000	2024	2023
Research-related costs		
Representation costs	2	2
FAR conferences and master classes	165	132
Attendance of research conferences	7	–
General data management	241	219
General research project assistance	124	92
	539	445
Costs of research projects:		
Endowments to current year new research projects	62	1,341
Additional endowments to existing research projects	11	25
Project-specific data management	–	10
Data gathering and management	20	82
Public data gathering by FAR	243	375
Project management and monitoring	2	17
Project reports and communication	–	12
	338	1,862
<i>Revaluation of research related costs:</i>	-4	–
Total project costs	873	2,307

6b. General costs

General costs are specified as follows:

Amounts in EUR '000	Ref.	2024	2023
Office costs:			
Financial administration		13	12
Executive management support		207	229
		220	241
Board costs	(I)	82	58
Other operating costs:			
Communication		13	2
General operations		138	189
Other		-	2
		151	193
Total general costs		453	492

I. Board costs

The board costs comprise the fees paid to the chair of the board, to the institution providing the managing director of the executive board (the chief academic officer and also an academic board member) and to the (other) academic

board members. In addition, academic board members are reimbursed for expenses incurred, including expenses for travel and stay. Part of the board costs are recognized under direct research-related costs. This can be detailed as follows:

Amounts in EUR '000	2024	2023
Total board fees paid (including EUR 14,000 non-deductible VAT in 2023, EUR 22,000 in 2022)	113	105
Board fees recognized under direct research-related costs	-/-46	-/-58
Expenses for travel, stay and board meetings	15	11
Board costs recognized under general costs	82	58

7. Notes to the cash flow statement

7. Cash flow from operating activities

7a. Cash receipts from contributors

Amounts in EUR '000	2024	2023
Financial contributions affiliated firms	1,550	1,550
Research contributions	–	80
Movements in receivables	563	-14
Total cash receipts from contributors	2,113	1,616

7b. Cash paid in research and general expenses

Amounts in EUR '000	2024	2023
Total project costs	873	2,307
Total general costs	453	492
Movements in short term liabilities	207	2
Total cash paid in research and general expenses	1,533	2,801

8. Net cash flow from financing activities

The net cash flow from financing activities comprises the movements in long-term liabilities, i.e. the change in the amount of long-term research commitments in that year.

9. Events after the balance sheet date

There are no noteworthy events after the balance sheet date.

10. Proposed recognition of balance of income and expenses for the financial year 2024

The FAR board has approved the amount of EUR 224,000 to be added to the continuity reserve. This has been recognized in the financial statements.

The financial statements were adopted by the FAR board on May 27th, 2025:

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

Sgd Prof. dr. A. de Bos RA
Board member representing EY

Sgd drs. G.C. Hamer RA
Board member representing Deloitte

Sgd drs. R. P.R. Jagbandhan RA
Board member representing PwC

Sgd Dr. K.A. Springer
Chief Operational Officer
(Board member since 02-04-2024)

Sgd. Prof. dr. P. Wallage RA
Academic board member

Sgd Prof. dr. J.F.M.G. Bouwens
Chief academic officer

Sgd drs. P.A.J. Hopstaken RA
Board member representing Forvis Mazars, BDO, Baker Tilly, and Grant Thornton

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

Sgd drs. M.W.J. van de Luur RA
Board member representing KPMG

Sgd Prof. dr. .M.T. Willekens
Academic board member

Other Information



INDEPENDENT AUDITOR'S REPORT

To: the board of directors of Stichting Foundation for Auditing Research

Report on the audit of the financial statements 2024 included in the annual report

Our opinion

We have audited the financial statements 2024 of Stichting Foundation for Auditing Research, based in Breukelen.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Stichting Foundation for Auditing Research as at 31 December 2024 and of its result for 2024 in accordance with the 'RJ-Richtlijn 640 Organisaties zonder winststreven' (Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board).

The financial statements comprise:

1. the balance sheet as at 31 December 2024;
2. statement of income and expenses for 2024; and
3. the notes comprising of a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

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

Report on the other information included in the annual report

The annual report contains other information, in addition to the financial statements and our auditor's report thereon.

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

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

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

The board of directors is responsible for the preparation of the other information in accordance with RJ-Richtlijn 640.

Description of responsibilities regarding the financial statements

Responsibilities the board of directors for the financial statements

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

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

The board of directors should disclose events and circumstances that may cast significant doubt on the entity's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

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

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material misstatements whether due to fraud or error, during our audit.

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

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

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- evaluating the overall presentation, structure, and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Hoofddorp, 2 June, 2025
RSM Netherlands Accountants N.V.

Digitaal ondertekend door:

Wilfred Castricum
2 juni 2025 16:10 +02:00

Drs. W.J.O. Castricum RA

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 - Early belief in w



Appendix I

Research Project Committed to in 2024

Integrating Regulatory and AI Innovations for Enhanced ESG Assurance

PROJECT NUMBER: 2024B01

Dr. Dennis Bams (Maastricht University)

Dr. Peiran Jiao (Maastricht University)

Ge Wang (PhD, Maastricht University)

As the corporate sustainability landscape rapidly evolves, the emphasis of stakeholders on Environmental, Social, and Governance (ESG) performance over mere profitability has ushered in an era where organizations are progressively enhancing their ESG disclosures. This transition, while reflective of a broader commitment to sustainability, raises critical questions about the authenticity of these disclosures and the potential for greenwashing. The voluntary nature of ESG assurance, juxtaposed with mandatory financial audits, casts doubt on its effectiveness and reliability, exacerbated by unclear regulatory standards and the diverse expertise of assurance providers. This backdrop sets the stage for our research, which seeks to explore the intersection of regulatory and technological innovations, specifically Artificial Intelligence (AI), in refining ESG assurance practices to address these challenges. The imperative for this research is accentuated by the inherent complexities within the prevailing assurance framework, marked by variable assurance scopes and a disparate array of service providers. Such a landscape not only jeopardizes the uniformity and dependability of assurance reports but also underscores the risk of regulatory interventions potentially leading to unintended cost increases and negatively affecting market dynamics. In this context, the role of strategic regulatory actions becomes crucial, particularly in identifying and curbing greenwashing practices, thereby directly enhancing the quality of assurance. Simultaneously, the advent of AI as a tool to improve operational efficiency, effectiveness, and overall quality of assurance processes emerges as a pivotal development. This study endeavors to leverage AI's capabilities to streamline procedures, diminish the dependence on highly specialized knowledge, and enhance assurance quality in a cost-efficient way. The ultimate goal is to foster more authentic and reliable ESG disclosures, with a significant focus on utilizing regulatory measures to detect and mitigate greenwashing and AI advancements to improve the efficiency and effectiveness of assurance practices, thereby reinforcing assurance quality.

Appendix 2

FAR's Contributions and Activities in 2024

(Please see the FAR website for all publications)

“Sent from Mobile”: The Influence of Communication Devices and Psychological Distance on Professional Skepticism-Enhancing Advice

FAR WORKING PAPER — 2023B01

by Sara Bibler, Anna Gold, Farah Arshad

(2 December 2024)

Thinking Outside of the Box: Auditors' Innovation Mindset & Auditors' Fraud Procedures

FARVIEW #34 — 2019B02

with Sara Bibler

(11 November 2024)

An Unintended Consequence of Full Population Testing on Auditors' Professional Skepticism

FAR WORKING PAPER — 2021B01

by Xiaoxing Li, Joseph F. Brazel, Anna Gold

(29 October 2024)

Data Analytics and Auditor Professional Skepticism

FAR MASTERCLASS — 2021B01

by Xiaoxing Li & Anna Gold

(18 October 2024)

Understanding Audit Firm Culture through the Lens of the Competing Values Framework

FAR WORKING PAPER — 2020B04

by Murray R. Barrick, Olof Bik, Jere R. Francis, Lena Pieper, Ann Vanstraelen

(27 September 2024)

An Unintended Consequence of Full Population Testing on Auditors' Professional Skepticism

FAR PRACTICE NOTE — 2021B01

by Xiaoxing Li, Joseph Brazel, Anna Gold

(30 August 2024)

What can we learn about culture from Jere's completed FAR Research?

2019E01

(15 July 2024)

Where does the time go? Auditors' commercial effort, professional effort, and audit quality

FAR WORKING PAPER — 2017B06

by William A. Ciconte III, Justin Leiby, Marleen Willekens

(21 June 2024)

The auditor selection process: From tender to relationship management

FAR MASTERCLASS — 2020B01

by Jonas Vandennieuwenhuysen and Kris Hoang

(4 June 2024)

Silence is not Golden: How Team Consensus and Inclusive Climate Affects Junior Auditors' Conformity Behavior and Risk Assessment Sharing

FAR WORKING PAPER — 2018B01

by Eddy Cardinaels, Viola Darmawan, Evelien Reusen, Kristof Stouthuysen

(7 May 2024)

When Dual Team Leaders Model Voice Behavior: Boundary Effects of Involvement, Mixed Messages, and Stifling Hierarchy on Team Safety, Voice Climate, and Performance

2023/09 - 18: FAR WORKING PAPER — 2019E01

by Murray Barrick, Olof Bik, Jere Francis, Lena Pieper, Ann Vanstraelen

(3 May 2024)

Perspectives on Audit Firm Culture

FAR PRACTICE NOTE — 2020B04

by Jere Francis
(2 May 2024)

Partner & Manager Leadership Behaviors Effects on Audit Team Performance

FAR MASTERCLASS — 2019E01

by Jere Francis on
(17 April 2024)

What are the main drivers of auditors' skeptical actions?

FARVIEW #33 — 2016B05

with Kris Hardies
(16 April 2024)

How can auditing practice and academia fruitfully work together?

FARVIEW #32

with Therese Grohnert and Petra Tijmstra
(16 April 2024)

It Take Two to Make a Team Go Right - Effects of Dual Team Leaders' Individualized Consideration and Initiating Structure on Team Efficacy, Performance, and Viability

FAR WORKING PAPER — 2019E01

by Murray Barrick, Olof Bik, Jere Francis, Bradley Kirkman, Lena
Pieper and Ann Vanstraelen
(4 April 2024)

All Show and No Know? The Effects of Outcome Transparency and Learning Path Personalization on Employees' Investments in Learning

FAR MASTERCLASS

by Eddy Cardinaels & Qinnan Ruan
(27 March 2024)

Audit Externalities and Regulation

FAR WORKING PAPER — 2019E01

by Jere Francis
(25 March 2024)

Gaan lange werkweken ten koste van controlekwaliteit?

FARVIEW PITCH

with Tjibbe Bosman
(7 February)

Leren in het accountantsberoep

FARVIEW #31 — 2020B03

with Christian Peters over
(2 February 2024)

Sociale mismatch & e-mail- versus face-to-face-contact

FARVIEW#30 — 2020B03

with Christian Peters
(2 February 2024)

FAR PhD Seminar

with Robert Knechel
(2 February 2024)





Contact

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

info@foundationforauditingresearch.org
www.foundationforauditingresearch.org