

„BABEȘ-BOLYAI” UNIVERSITY CLUJ-NAPOCA
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DOCTORAL THESIS

Thesis Title: A background for understanding and researching audit reporting
changes

SUMMARY

Tiron-Tudor Adriana, Full Professor. Ph.D.
Coordinator

Cordoș George-Silviu
Ph.D. Candidate

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TABLE OF CONTENTS

LIST OF FIGURES	III
LIST OF TABLES	III
LIST OF ABBREVIATIONS	V
INTRODUCTION	VI
RESEARCH METHOD	X
CHAPTER 1: AUDIT REPORTING CONCEPTUAL DELIMITATIONS	1
1.1. THE CONCEPT OF CORPORATE REPORTING	1
1.2. THE CONCEPT OF FINANCIAL STATEMENTS AUDIT	7
1.2.1. AN INTERNATIONAL PERSPECTIVE ON FINANCIAL STATEMENTS AUDIT	7
1.2.2. AN EUROPEAN PERSPECTIVE ON FINANCIAL STATEMENTS AUDIT	12
1.3. AN EXPLANATION OF AUDIT REPORTING THROUGH AUDIT THEORIES	12
1.4. STAKEHOLDERS OF AUDIT REPORTING	22
1.5. CHAPTER CONCLUSIONS	24
CHAPTER 2: DEBATES IN THE LITERATURE REGARDING AUDIT REPORTING	25
2.1. RESEARCH DESIGN	25
2.2. AUDIT REPORTING AND PERCEIVED AUDIT QUALITY	34
2.3. AUDITOR'S REPORT COMMUNICATIVE VALUE	37
2.4. ISSUES REGARDING THE AUDIT EXPECTATION GAP	37
2.5. GOING CONCERN AUDITOR REPORTING	47
2.6. OTHER ISSUES RELATING TO AUDITOR REPORTING	51
2.7. CHAPTER CONCLUSIONS	53
CHAPTER 3: LOGITUDINAL RETROSPECTIVE APPRAISAL OF AUDIT REPORTING REGULATIONS	54
3.1. THE REGULATORY SPACE FOR AUDIT REPORTING CHANGES	54
3.2. THE KEY PLAYERS IN THE AUDIT REPORTING REGULATORY SPACE	58
3.2.1. INTERNATIONAL REGULATORS AND PROFESSIONAL BODIES	58
3.2.2. EUROPEAN REGULATORS AND PROFESSIONAL BODIES	63
3.2.3. NATIONAL REGULATORS AND PROFESSIONAL BODIES FOR EU STATES	65
3.3. STANDARDS AND REGULATIONS IN AUDIT REPORTING	68
3.3.1. AN EVOLUTIONARY APPROACH AND ANALYSIS OF INTERNATIONAL AUDIT REPORTING STANDARDS.	68
3.3.2. EUROPEAN AUDITING REGULATION	80
3.3.3. NATIONAL AUDITING REGULATIONS FOR EU STATES	82
3.4. CHAPTER CONCLUSIONS	84

CHAPTER 4: FEEDBACK FROM STAKEHOLDERS AND GOOD PRACTICES IN AUDIT REPORTING	85
4.1. DISCUSSION REGARDING THE NECESSITY OF AUDIT REPORTING CHANGES	85
4.2. STAKEHOLDERS' FEEDBACK ON AUDIT REPORTING CHANGE PROPOSALS	87
4.2.1. CONTENT ANALYSIS OF COMMENT LETTERS	88
4.2.2. DISCUSSION AND ANALYSIS OF RESULTS	94
4.2.3. CONCLUSIONS TO STAKEHOLDERS' FEEDBACK	105
4.3. GOOD PRACTICES IN AUDIT REPORTING	106
4.3.1. CASE-STUDIES RESEARCH STRATEGY	107
4.3.2. DISCUSSION AND ANALYSIS OF RESULTS	110
4.4. CHAPTER CONCLUSIONS	117
CHAPTER 5: AUDIT EDUCATION'S IMPACT ON THE UNDERSTANDING OF THE AUDIT REPORT	118
5.1. THE CONNECTION BETWEEN THE EXPECTATION GAP AND EDUCATION	119
5.2. THE AUDIT EDUCATION FUNDAMENTALS	124
5.2.1. THE INTERNATIONAL EDUCATION STANDARDS FOR AUDITORS	124
5.2.2. INTERNATIONAL EDUCATION STANDARDS APPLICATION IN PROFESSIONAL MEMBER BODIES AND UNIVERITIES	124
5.3. THE CORRELATION BETWEEN THE AUDIT EDUCATION LEVEL AND THE AUDIT PROCESS COMPREHENSION	132
5.3.1. RESEARCH FRAMEWORK	132
5.3.2. DISCUSSION AND ANALYSIS OF RESULTS	138
5.4. CHAPTER CONCLUSIONS	151
CONCLUSIONS, PERSPECTIVES AND LIMITATIONS	153
REFERENCES	153
ANNEXES	168

KEY WORDS

Audit reporting, Audit Report, ISA700, Key Audit Matters, Audit Education, Audit Expectation Gap, GCAR, ISA701, IAASB

INTRODUCTION AND METHODOLOGY

As a consequence of the international financial crisis and financial scandals, the audit report has recently been in the attention of standard setters and regulators, but also under the scrutiny of the public and third-party users. The introduction of revised regulations, focusing on increased disclosure requirements within the audit report has led, in turn, to an increase in the transparency level of the report.

The responsibility of auditors is a controversial topic that has brought much debate amongst academics and experts alike, in recent years. Taking into consideration the global economic shifts, the risks to which auditors are subjected to have also increased and diversified considerably. Thus, the public perception and confidence in the assurance that auditors provide for their services have diminished, which entails negative ramifications. Legislators reacted to this “spectacle” by issuing new rules and codes of practice to better avoid the occurrence of major disturbances, in the future. Conversely, a large part of the financial disparities has arisen due to users being misinformed or misled by the financial statements. Therefore, improvements in reporting and certification of accounting information are necessary. As a consequence, the pressure on audit missions is very high because investors are more cautious in their decisions, making the auditor’s responsibility greater than ever. This situation has led to a gap between what the stakeholders expect from an audit mission and what the responsibility of the auditor actually is, known in the literature as the audit expectation gap, but also a gap in the communication between the auditor and users. International bodies, accounting professionals and users alike are pushing for a quick and efficient solution, by implementing changes in the structure and the reporting manner, to cover the deficiencies mentioned above.

Auditor reporting has become a key topic in the accounting and audit sphere because of its impact on the reliability of financial statements, and, in the end, to the decision-making process of investors and stakeholders. Nowadays, the users of audit reports feel that the auditors have more knowledge about their companies than themselves, which in their opinion is frustrating and unsettling. Auditors are being criticised for using a much too standardised language, for not explaining how they have reached the opinion they provide within the audit report, and for not communicating sufficiently with the people whose interest they should protect – shareholders and potential investors. Thus, the IAASB has pushed for, in the last years, the clarification of auditing standards, with a focus on audit reporting and audit quality. The need

for new and improved audit reports is not a new necessity. Recent changes plan on improving and covering these deficiencies, but even so, the usefulness and efficiency of these proposals are being questioned.

Therefore, this research aims to present the recommendations and proposals issued by the standard-setters relating to users' needs regarding information provided by the audit report; this objective and research subject is of great interest to academics and users of financial reporting similarly. We consider that our research is aimed at a topic of great interest and importance nowadays – the matter of changes conveyed to the audit report in the post-crisis period. Our motivation is built on a **core objective, which is our primary research question:**

Are recent changes in auditor reporting enough to improve the structure, form, content and the understanding of the report?

At the beginning of each chapter, we rely on a qualitative working method, to narrate the aspects that are being discussed in the section. We depend on qualitative research, for instance, when setting the framework of audit reporting, as part of the larger sphere of corporate reporting. By using a general to specific deductive approach, we start our every analysis from the concept being presented, taking into consideration the insights provided by academic research and professional organisations.

In order to achieve the objectives we have set for our research in audit reporting changes in the post-crisis period, our scientific approach is based on a deductive approach (Gray et al., 2007), because our starting point is a theoretical one, but also on an inductive approach, because we rely on the methods of observation and induction. Our research is based on a general to specific approach, which integrates both quantitative and qualitative research.

With regards to human and social sciences, throughout this dissertation, we rely on non-participative observation, document analysis, and comparisons. For instance, these techniques are used for the analysis of international regulations, for the comparisons between the revision proposals, for the comparison of audit reports issued during the 2012-2015 period on the FTSE100, and others. Still, given the fact that within this dissertation we provide our contribution to the research field, by comments on comparisons, ideas for improvements and concluding remarks, we highlight the participative aspects of our research.

CHAPTER 1: AUDIT REPORTING CONCEPTUAL DELIMITATIONS

Summary, insights and conclusions

To begin with, Chapter 1 of the doctoral dissertation is aimed at setting the framework in which audit reporting exists: part of the wider landscape of corporate reporting and the final fragment of the sphere of the financial statements audit. Corporate reporting is the concept that connects the company to its stakeholders. Audit reporting is part of corporate reporting, along with financial reporting, corporate governance, corporate responsibility, integrated reporting and others. Corporate governance is an essential part of companies, investors, and stakeholders, for the reason that it assures that the company's assets are secured and are not subject to expropriation by either individuals or groups from the entity. Great financial scandals such as Enron's and WorldCom's have had a great impact on the world economy and corporate governance principles. Their demise had an impact not only on the stock market, but on the audit and accounting profession as well, and since then, the audit mission has gone through a period of challenges because of the public's perception with regards to the auditor's responsibility and independence.

By using a general to specific deductive approach, within the first chapter, we discuss the international and European perspectives on the process of financial statement audits, as well as the stakeholders or audit and audit reporting, in order to clearly define the regulatory space in which any changes in this field occur. At the international level, there are three relevant standard setters in the auditing and assurance field: **The International Auditing and Assurance Standards Board** (part of IFAC), the **Auditing Standards Board** (ASB, part of the American Institute of CPAs) and the **Public Company Accounting Oversight Board**. The synthesis provided for the above examination is a good starting point for the analysis of audit reporting standards, which are part of the auditing regulation drafted by the IAASB, the AICPA, and the PCAOB. Alongside international regulations and regulators in auditing standards, the legislation is completed by the Directives drafted in the European Union, by the **European Parliament**, the **European Commission** and the **European Council**. All EU-28 member states are required to comply with these regulations, and more recently, the Commission has issued a new regulatory framework for statutory audit in the European Union. A more detailed discussion of the audit reporting regulation will be provided in Chapter 3, where we will discuss the evolution of reporting regulations drafted by the IAASB, which are

applied internationally and at the European level, by their indirect enforcement, through the Directives and Regulations.

In Chapter 1 we also discuss the theories that explain the process of audit reporting, with an emphasis on the Lending Credibility Theory, the Inspired Confidence theory, and the sociology of education theory; the connection between these theories and our research objective will be emphasised throughout the doctoral dissertation, as we consider that these theories explain the improvements undertaken to improve the communicative value of the audit report. In our view, the Key Audit Matters section will prove useful to users as it will contain pertinent information, useful in the decision-making process and to test management provided information as to being subjective or not. This is consistent with the theory mentioned above, as the KAM section is meant, as IAASB has stated, to assist users even if what it only accomplishes is to highlight matters which the auditor considers to be relevant regarding the financial statements of the entity (Cordoş & Fülöp, 2015). Given the recent reform of the audit reporting process, we consider this theory an important part of our doctoral research, as it explains why the auditor opinion is vital to stakeholders. The theory is also an explanation for users need of more relevant information from the auditor, thus the increase of the communicative value of the report. The Lending Credibility Theory is directly applicable to the audit reporting process, as the auditor now also presents Key Audit Matters of the audit process, in which, using professional judgement, the auditor tests how the company has dealt with matters found relevant in the audit of the company's financial statement; if the company's response to that particular risk has been adequate, the auditor will backup the management's decisions, thus adding credibility, and providing an economic and social outcome.

CHAPTER 2: DEBATES IN THE LITERATURE REGARDING AUDIT REPORTING

Summary, insights and conclusions

Chapter 2 provides the starting point for our doctoral research, the analysis of the literature review on the topic of audit reporting. The purpose of this literature review is to provide an understanding of the research topic in order to develop the capacity of delivering assessments, judgments, and interpretations. The goal is to outline new elements through which we can contribute and improve the state of scientific knowledge in our research domain, audit reporting, and audit reporting changes. Our research question can be divided into five main areas of research, specifically a) audit reporting and perceived audit quality, b) approaches to

improve audit communication, c) means to reduce the audit expectation gap, d) going concern auditor reporting and e) other matters relating to audit reporting.

We have followed the technique and the stages of the systematic literature review (Petticrew & Roberts, 2006; Ader et al., 2006; Silva et. al, 2014), for the reason that it offers a more defined approach to highlight the most important concepts discussed in the literature. When compared to a narrative or traditional literature review, the systematic review offers a more defined approach, given that it provides more comprehensive information from the selected sample of papers. Unlike the traditional review, the strengths of the systematic review stand in the fact that it provides a clear time-frame for selected studies (between year and year) in order to make it easier to draw conclusions – a large sample of papers from different time frames might make it difficult to draw conclusions. Also, the systematic review removes the bias the researcher might have only to include papers that might support the research question. Thus we believe that the literature review this dissertation exposes is a contribution in this research field. The analysed papers in the literature review confirm that there is a need for new and improved audit reporting regulations, that the IAASB and other regulating boards have concentrated on revision processes and that stakeholder feedback is crucial in the process. Other findings suggest that interested parties who have a higher level of accounting and audit education, better understand the auditor's responsibility, independence, and level of assurance they provide. Therefore, taking into consideration the research opportunities the current state of literature has presented, in the next chapters of the dissertation we have focused and provided a clear contribution on a) the analysis and evolution of audit reporting standards, including the 2015 new and improved auditing standards, b) the investigation of feedback the IAASB has received in the revision process and examples of good practices in reporting and c) the examination of the impact of audit education on stakeholders' understanding of the audit report.

Based on the current published literature, we consider that auditing can be explained by more than one theory. In our view, because our doctoral dissertation is focused on the changes of audit reporting and not auditing in general, we consider that the best-suited theories to explain the improvements undertaken to improve the communicative value of the audit report, are the following: Limperg's Inspired Confidence Theory and the Lending Credibility Theory (or Assurance theory). All these theories explain the reform of improving the stakeholders' confidence in management's provided data, by the auditor's providing more relevant information in the audit report, thus improving its information value.

A first analysis is the distribution of the selected articles, by publishing years: the 123 articles in our sample are distributed, as a whole, evenly throughout the years, which suggests a continued interest from researchers in the audit reporting topic. The studies analysed in the literature review confirm that there are differences in opinion regarding auditor responsibility, with stakeholders concerned about the ability of auditors to detect fraud, even though the level of trust in auditor activity is still high. Another conclusion is that users who are more informed about audit missions and their objectives, better understand their responsibility, the independence auditors have, and level of assurance they provide. In the end, users search credibility, and that is what auditors are “trading” through their services; we believe that the changes, whether agreed upon by academics or users are consistent with the lending credibility theory (Hayes et al., 1999): any audited financial statement has elements that are required to surge users’ confidence in management provided figures.

We argue that an extended audit report, through the addition of *Key Audit Matters* section, is the first step in this direction. Within Chapter 3 we will apply an evolutionary approach to discussing audit reporting standards and the improvements carried with each revision. This method brings added value to the understanding of recently published standards.

CHAPTER 3: LOGITUDINAL RETROSPECTIVE APPRAISAL OF AUDIT REPORTING REGULATIONS

Summary, insights and conclusions

The aim of this chapter is to provide a longitudinal retrospective analysis of audit reporting regulations. Longitudinal studies are used in medicine to observe the trajectory of changes in longer periods (Shadish et al., 2002), but this working method is consistent and can be adapted to our aim of providing an analysis that features the differences in audit reporting regulations at different moments in time. Our consideration is that by adapting these techniques to our research, the analysis offers clear added-value to the literature, as the working method relies on an inter-disciplinary approach. Also, because the results are objective and not manipulated by any partisanship the researchers might have, it is another contribution to the state of knowledge in the auditing research, by offering a clear time-based order of events (in our case, standard revisions), which is a stepping stone to the comparisons we have accomplished and perspectives for future research. The first step of our research is to provide insight on the regulatory space within which these revision proposals appear, are drafted, are discussed,

modified and published. In our discussion, we will focus on the international, European and regional key player that have had a say in the evolution of regulations.

For the analysis of international audit reporting standards, we use an evolutionary approach, and we rely on observation, document analysis and comparisons of regulation provisions. The **Auditor Reporting** project has been the priority for IAASB since 2006. The project's objectives are to enhance the communication and relevance of the audit report and to revise current International Standards on Auditing (ISAs) to accommodate the proposed changes. To achieve these objectives, the IAASB works in close collaboration with the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA). Input from the European Commission (EC), the Public Company Accounting Oversight Board (PCAOB) and the Financial Reporting Council United Kingdom (FRC) is also taken into consideration and sought by the IAASB. Member States are required to implement and enforce European regulations (Directives and Regulations) into national laws and inform the Commission. Each member state has competent authorities for the tasks provided in the Statutory Audit Directive (2006/43/EC) and the new **Directive 2014/56/EU** on statutory audits. During the **Audit Reporting projects'** life, several research reports have been commissioned and published, and also a number of *Discussion Papers (DP)*, *Consultation Papers (CP)* and an *Exposure Draft (ED)*. In 2011, the **IAASB** released the consultation paper "*Enhancing the Value of Auditor Reporting: Exploring Options for Change*", in 2012 the *Invitation to Comment (ITC)* "*Improving the Auditor's Report*" and in 2013, the IAASB published the Exposure Draft with the title "*Proposed New and Revised International Standards on Auditing. An invitation to comment*". Changes in the 2013 revision proposal include the attachment of revised standards (ISA 700 and ISA 570 included) and the addition of a new standard: the *ISA 701 - Communicating Key Audit Matters* in the Independent Auditor's Report (**IAASB**, 2013). As previously stated, the concept of providing matters of importance from the audit mission is not necessarily new in the auditor reporting field, because users and professional bodies have been pushing for more relevant information provided by the auditor report for some time now.

Given the fact that ISA700 standard has been revised multiple times, its structure has changed over time, probably the most prominent change occurring with the 2015 revision; several paragraphs that were present in previous versions of the standards (such as the *Emphasis of Matter* and *Other Matters*) have been dropped in favour of the new *Key Audit Matters* section and *Going Concern* section. In our opinion, the development of these projects, aimed at

improving the content and the application of international auditing standards is a response to the practical needs of action, detached from international practice and in order to restore the financial market trust. Thus we consider as useful a comparative presentation of changes and improvements to the audit report through the international and regional regulations, drafted by: European Union (European Commission), IAASB, US PCAOB and the UK. The comparison exposes differences in disclosed information within the report, with regards to the format, in what entities the provisions are applied, and others.

Taking into consideration the fact that most members of regulatory space consider that the new standards improve auditor communication and fully endorse and plan on applying the new regulations, we believe that the revision process has been successful. In the next chapter, we will provide an examination of stakeholders' responses to the 2013 Exposure Draft revision proposal, but also examples of good practices in revised auditor reporting. Our view is that the revised ISA 700 will help reduce the deficient standards gap. As for the reasonableness gap, whether stakeholders still have unreasonable expectations regarding the auditor's responsibilities, Chapter 5 will provide a possible solution.

CHAPTER 4: FEEDBACK FROM STAKEHOLDERS AND GOOD PRACTICES IN AUDIT REPORTING

Summary, insights and conclusions

As we have discussed in Chapter 2, many academics have expressed their mostly favourable opinion on the revision process of auditing standards and need of audit reporting changes. A significant number of researchers (Church et al., 2008; Turner et al., 2010; Coram et al., 2011; Vanstraelen et al., 2012; Glover et al., 2012; Mock et al., 2013) have analysed the previous audit reporting model (IAASB, 2009), in light of proposed new and revised standards by standard setters and regulating bodies such as the IAASB, the AICPA, the PCAOB and the European Commission.

The fourth chapter of this dissertation will expose feedback from stakeholders regarding the audit change proposals and good practices in audit reporting. Therefore, in Subchapter 4.2, our aim is to present the feedback the IAASB has received to one its publications in the consultation process for revising audit reporting standards. By employing a quantitative and qualitative examination, based on content analysis and statistical methods, to the comment letters the

IAASB has received for the 2013 Exposure Draft, our aim is to determine whether the stakeholders of the audit report consider that the introduction of Key Audit Matters is beneficial. Given the fact that the concept has not changed significantly between the publication of Exposure Draft and issuance of the revised auditing standards, we consider that this analysis will provide added-value, for the reason of being a linear analysis of feedback from stakeholders. We use a quantitative and qualitative examination, based on content analysis (Krippendorff, 2004) of comment letters, Likert scale encoding of comment letter responses level of agreement and statistical methods (Post-Hoc Analysis and Comparison of Means), to determine correlations between respondent types of respondent origins. The IAASB published new and revised auditing standards in January 2015, taking into account the feedback received from stakeholders, in the consultation process. The new standards will go into effect for financial statements issued after December 2016, thus, to what degree the new standards will achieve their desired effect, by offering more relevant information to stakeholders, remains to be seen.

Furthermore, in Sub-chapter 4.3 we will examine new audit reports that have already applied new auditing regulations, to highlight examples of good practices. To achieve this objective, we have analysed auditor reports issued for UK companies, where revised audit reporting has been adopted since 2013, using a content analysis methodology with the scope of investigating the changes in structure, form and most importantly, their content. The working method is a **case study analysis**, as it relates to a situation that has been studied over a period (Mills et al., 2010; Yin, 2014), in our case, auditor reports for the specified companies, in the selected timeframe. Another feature of case studies is the fact that they can be “illustrative” - used to generalise their findings and to provide a design for future implementation of the results (Creswell, 2009). When comparing the Audit Report from 2012 with the audit report in the following years, the length has been increased from a one-page report, to a report comprising of multiple pages in 2013 (the first year after the audit reform had been implemented) and further increased in 2014 and 2015. In psychology and sociology, researchers have discovered a concept called the **serial position effect** and **the primacy effect**, which is the bias of a person remembering the first information being presented, rather the subsequent information presented later on (Murdock & Bennet, 1962; Anderson, 1965). The need to position the issued opinion in the first paragraph of the auditor’s report can be explained by this psychological effect, because in this approach, the reader of the auditor report will remember the issued opinion better. We consider the inclusion of the opinion of the first paragraph a necessary

measure, given the fact that the report now features the *Key Audit Matters* section as well. If the opinion paragraph had remained in the middle of the report, the readers might have had difficulties in clearly understanding the issued opinion and the matters discussed in the *Key Audit Matters* section. Initial stakeholder feedback regarding these reports is encouraging, as users of the audit report consider that the new disclosed information is useful in the decision-making process.

The new standards and the new Audit Report, because of the improved communicative value, offer relevant information to stakeholders, which is what they have expressed to desire. Consequently, by publishing and enforcing new standards, the regulatory space has managed to cover a part of the *audit expectation gap*: the *deficient standards gap* and the *deficient performance gap*. However, what about the *reasonableness gap*? Stakeholders continue to have unreasonable expectations regarding the auditor's responsibilities, and this aspect cannot be concealed by the new standards. We consider that accounting and audit education has a role here, and in the following Chapter, we will argue that the level of accounting and audit knowledge has an impact on how stakeholders understand the audit mission, the auditor's responsibilities and the message conveyed by the Audit Report, even when considering the new and extended reports.

CHAPTER 5: AUDIT EDUCATION'S IMPACT ON THE UNDERSTANDING OF THE AUDIT REPORT

Summary, insights and conclusions

The last chapter of the dissertation brings forward the discussion of the manner in which the level of accounting and audit knowledge has an impact on how stakeholders understand the audit mission, the auditor's responsibilities and the message conveyed by the Audit Report. The preliminary results of this analysis show that audit education does have an impact on the audit expectation gap (the reasonableness gap) and, if measures would be taken to upsurge the stakeholder's levels of education in auditing and accounting, combined with new and revised standards, the audit expectation gap can be reduced. We consider that our results are an added value to the literature, given the fact that many studies focus on improving auditing standards, instead of improving the levels of audit education, as means to reducing the audit expectation gap.

Given the fact that the audit report has a number of different stakeholders, with diverse backgrounds, we also consider that the differences in their understanding of the audit report

conclusion can be explained by the **sociology of education theory** (Marshall, 1998). In this sense, this theory is relevant to explain how students, used as proxies for stakeholders, have different understanding of the auditor's responsibility, based on their accounting and auditing educational level – so based on how the institutions (educational) affect their education and the outcomes of their education, with the curricula aligned to international accounting education standards. To achieve our objective, we have turned to the link between the audit education system and the audit profession. The reason for this is simple: this connection is the frame that sets the foundations of audit studies. Some researchers have pointed out that we cannot expect current stakeholders to fully understand the outcome of an audit mission and have reasonable expectations from an auditor when even graduates or students of accounting and auditing specialisations sometimes lack fundamental knowledge in this area of expertise.

In order to find whether the level of audit education has an impact on the understanding of the audit report, based on the questionnaires developed in previous studies (Fadzly & Ahmad, 2004; Siddiqui et al., 2009; Pourheydari & Abousaiedi, 2011; De Muylder et al., 2012), we constructed our own survey with 17 questions through which we analyse responses gathered from three categories of students, used as substitutions for stakeholders: with a minimal audit education, with typical audit education and with advanced audit education. Similarly, based on the results from the previous literature, we have constructed research hypotheses, which is tested in the survey analysis. The answers of respondents are encoded in Likert-scale answers, and analysed with statistical methods (Post-Hoc Analysis and Comparison of Means), to determine correlations between respondent levels of education.

We have validated two of our four hypotheses: *H2: Stakeholders with a lower level of audit education misunderstand the responsibilities of the board and the auditor* – has been validated. Respondents with Advanced Audit Studies and even Typical Audit Studies were able to pinpoint the auditors' responsibility in issuing an opinion on the true view of the financial statements, and not in the preparing of the financial statements. Also, *H3: Stakeholders with a lower level of audit education are not as accustomed to audit procedures as those with a higher level of audit education* has been validated. Our conclusion on this matter is the fact that respondents with a higher level in audit studies have responded more closely towards the "correct" answer. Thus, audit education does have a role in closing the reasonableness gap.

The results of our analysis show that audit education does have an impact on the audit expectation gap and the way users understand the responsibilities of the auditor, and, if

measures would be taken to increase the stakeholder's education in audit, combined with new and revised standards, the audit expectation gap can be reduced. While we have proven that audit education can and does have an impact on users understanding of the auditor's responsibility, the real challenge still lies ahead: now that we know what the matters are, how can we change them? How can we improve audit education, and where do we go from here? We subscribe to the idea that completion of any research is a new beginning for future developments or new approaches in research. Thus, the present investigation concludes with a series of conclusions, limitations, and perspectives of research.

CONCLUSIONS

The aim of this research has been to provide an answer to the question of whether the recent changes in auditor reporting are sufficient to improve the structure, form, content and understanding of the audit report. As a result of the revision process, the auditor report now includes additional disclosures, which has led to an increase in the transparency and the communicative value of the report. Therefore, based on stakeholder feedback, we consider that recent that the 2015 standards bring forward a number of significant enhancements that improve the structure, form, content of the auditor's report, thus reducing the audit expectation gap. More details regarding the audit mission are disclosed, and the addition of the *Key Audit Matters* paragraph is an essential aspect in this regard.

Taking into consideration the insights provided by academic research and professional organisations, we accomplished to highlight the international and European perspectives on financial statements audit, but also the most important auditing theories that explain the objectives and the results of our dissertation. We also underlined the stakeholders of the audit reporting process, and how their different perspectives have an influence on their understanding of the audit mission. Audit reporting is a key topic of discussion in the larger audit space, and one of our aims has been to present the regulatory space in which these regulations are being discussed. Taking into consideration the fact that most members of regulatory space consider that the new standards improve auditor communication and fully endorse and plan on applying the new regulations, we believe that the revision process has been successful.

Consistent with the Inspired Confidence Theory and the Lending Credibility theory, an increase in the value of the report, regarding provided information, will provide stakeholders with a real sense of usability of the audit report, by providing assurance on the financial statements. We consider that

further research on this topic is welcomed, as the new standards have been published in 2015 and will go into effect for financial statements starting on December 15th, 2016. As such, we contribute to the research field with the analysis within Chapter 4 of this dissertation, a study which provides an overview of stakeholder views of change proposals before the standards were finalised, bringing added value to the academic research. Also discussed in Chapter 4 are examples of good practices on audit reporting, another clear contribution of this doctoral research. The potential for future studies in this field is clear: the new standards are just starting to be applied. Therefore we consider that a perspective examination of stakeholder's opinion on the new audit report can be achieved in the period of post-implementation.

We can conclude that the audit expectation gap is an issue that has surrounded the audit profession and process for more than two decades, ever since Porter (1993) acknowledged its presence and its structure. Regarding the deficient standards gap and deficient performance gap, we consider that the recent revision of auditing standards is targeted at covering these deficiencies, with more clear provisions regarding the auditor's responsibilities, their independence and their conduit in the audit mission. The new standards also help increase the communicative value of the report, but when it comes to the stakeholders' understanding of the auditor's responsibilities, we consider that more actions are necessary. In this sense, our view is that audit education can have an impact in reducing the last component of the audit expectation gap, the audit reasonableness gap, and in Chapter 5 we have provided our contribution to the academic research by exposing how the accounting education level of stakeholders has an impact on their understanding of the responsibilities of the auditor, the audit process, the Board and other related aspects.

We reflect that our findings are important for the regulating bodies and professional members' organisations, to try to educate the public as to what an audit mission accomplishes and who is responsible for each process. Also discussed in Chapter 5 are the international accounting education standards, which are the standards that help prepare aspiring accounting professionals for their future career as accounting professionals. By correctly applying these standards, member organisations can contribute to assure that future accounting professionals will respect the provisions of auditing standards and ethical standards, to reduce the deficient performance gap.

The audit profession continues to face numerous, multifaceted challenges. Investors and markets rely on the ability of the profession to overcome them. As it has in the past, the profession will

do so – meeting not only the known challenges but also the unknown, as they unfold. Since the request for the auditor to provide additional information originally came from investors, these stakeholders can be seen as successful in this circumstance, as the new standards proposed and issued by the IAASB will bring adequate and consistent changes in the desired direction.

In the next paragraphs, we will expose the limitations and perspectives of our research.

LIMITATIONS

In the previous paragraphs, we have emphasised the conclusions and contributions that this research has added to the research field. However, we must also highlight the limits of our research, as following:

- In the 1st chapter our only aim has been to set audit reporting in the larger corporate reporting sphere; by expanding on the relationship between audit reporting and corporate reporting and governance, our research might have better emphasised the impact that corporate governance has in audit reporting;
- In the 1st chapter, there might have been other audit theories that could better explain our research results, given the extensive literature on the auditing topic;
- In the 2nd chapter, the sample of papers selected in the analysis of the literature review might not feature all papers that focus on the research field, in the selected timeframe; our approach relied on the search of papers, based on certain keywords. Therefore, papers might have been omitted if the keywords were not found in the search process;
- In the 3rd chapter, when discussing the evolutionary analysis of audit reporting standards, in the case of national auditing regulations for EU states, we have only focused on regulations and regulators in Romania and the UK. Extending the sample to all EU states is desirable.
- In the 4th chapter, when discussing the stakeholders' feedback on audit reporting changes, we have used the feedback provided to the 2013 exposure draft, because of the resemblance of the proposed standards to the final standards. For a more precise analysis, comments after the implementation of the new standards could be collected;
- In the 4th chapter, for the examples of good practices in revised audit reporting, we have only focused on reports issued for companies in the Retail sub-sector, for comparability issues. Consequently, the provided analysis of result and the examples of Key Audit Matters presented might only be applicable to the specificity of the Retail sub-sector.

For a more accurate examination, the sample of analysed results can be expanded to reports issued by all FTSE100 companies;

- In the 5th chapter, when analysing responses to the questionnaire, we must take into account the fact that these reactions are subject to respondent bias; also, we analyse the level of education of respondents, based on their studies level (Bachelor, Masters), without taking into consideration the fact that some Bachelor students might have more knowledge on auditing, because of personal experience;
- In the 5th chapter, when analysing respondent results, we could have tried to modify the Likert scale, to exclude Neutral responses, in order to see if there are any correlations between answers – to test whether the neutral answers have an impact on the overall correlations between respondent categories.

PERSPECTIVES

There are many current research opportunities in the topic of auditor reporting, such as:

- Expanding on the relationship between audit reporting and corporate reporting and governance, to better emphasise the impact that corporate governance has in audit reporting;
- An extension of the evolutionary analysis of audit reporting standards, in the case of national auditing regulations for all EU states;
- An investigation on stakeholder feedback regarding the new audit reporting regulations, with a questionnaire, at either a national level or, better suited, a European or international level.
- With regards to good practices examples, an extension of the sample of analysed results to reports issued by all FTSE100 companies;
- An examination audit education impacts the level of understanding of the audit report, there is the perspective of a study on different categories of stakeholders (auditor, professional investors, non-professional investors, bankers, and others) understanding of auditor responsibilities, at either a national level or, better suited, a European or international level.
- Developing methods for improving audit education, either with the help of member bodies organisations, regulating boards, investor associations, and others.