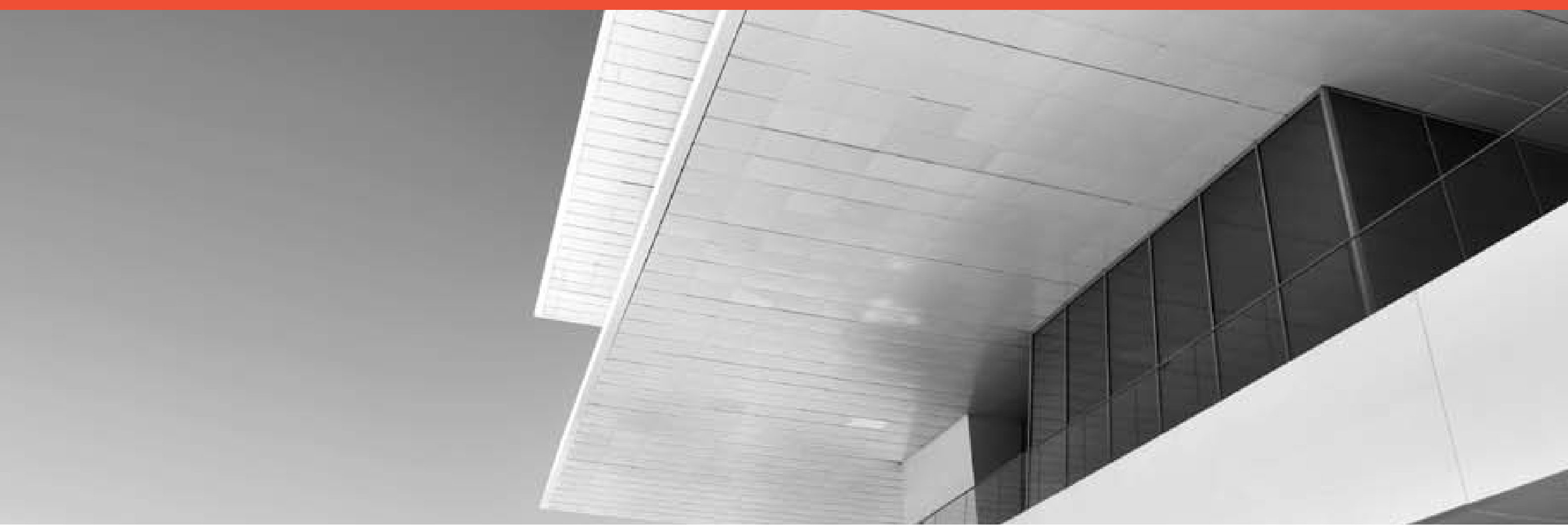
ACCA

The drivers of audit quality: views from Australian CFOs



This report has been produced in partnership with Macquarie University International Governance and Performance Research Centre.

MACQUARIE UNIVERSITY

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 162,000 members and 428,000 students in 173 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of over 89 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development.

About IGAP

The International Governance and Performance (IGAP) Research Centre provides a dynamic, outward-looking research platform that addresses contemporary issues in international governance and performance. IGAP is a recognised interdisciplinary research hub that aims to influence the international governance agenda through rigorous, independent and applicable research.

Based in the Faculty of Business and Economics, Macquarie University, Sydney, Australia, IGAP forges robust networks, and partners with business, government and professional communities. It aims to bring the best minds together to respond to critical and emerging business issues in governance processes, reporting regimes and performance, including research and thought leadership on:

- reporting on performance and risk (financial/non-financial information)
- use of information for ethical/operational decision-making
- auditing, assurance and verification processes
- stewardship and accountability (structures, practices and stakeholder engagement)
- environmental/social/organisational sustainability
- international governance (reporting) standards/business legal frameworks
- financial and non-financial performance measurement and relationships
- performance management (operational/behavioural, etc)
- links between performance evaluation and action (eg policy/strategy)
- risk identification, assessment and control.

IGAP also calls on an extended international network of academic and professional expertise through its visiting academic and executive-in-residence programmes.

This report summarises the findings of an online survey conducted by ACCA and Macquarie University into the views of Australian CFOs about the drivers of audit quality.

It forms part of a three-part project investigating perceptions of CFOs, auditors and company director's.

ABOUT THE AUTHORS

Alan Kilgore
International Governance and Performance (IGAP) Research Centre, Department of Accounting and Corporate Governance, Macquarie University, Sydney, Australia.

Nonna Martinov-Bennie
International Governance and Performance (IGAP) Research Centre, Department of Accounting and Corporate Governance, Macquarie University, Sydney, Australia.

Sue Wright
Department of Applied Finance and Actuarial Studies, Macquarie University, Sydney, Australia.

1. Introduction

In the past decade, corporate collapses, audit failures and, more recently, the global financial crisis have threatened the credibility of the audit function. In particular, the perception of what constitutes a high-quality audit has come under increasing scrutiny and motivated policymakers to investigate the key drivers of audit quality. To date, however, limited empirical evidence has been gathered about which attributes are perceived by the various audit market participants to be the main drivers of audit quality.

This study adopts a behavioural perspective in examining the perceptions of Australian chief financial officers (CFOs) about the impact upon audit quality of 10 attributes associated with audit quality from previous literature. The first five attributes are concerned with audit firms and the remaining five focus on audit teams. One aim of the survey is to determine whether CFOs perceive some attributes to be more important than others as drivers of audit quality, and if so, how these rank relative to one another in perceived importance. A second aim is to establish whether CFOs perceive audit team attributes or audit firm attributes to have a greater impact on audit quality.

The results reveal that CFOs do indeed attach widely varying degrees of importance to different audit quality attributes. They also show that although both audit firm and audit team attributes are among those to which CFOs attach a relatively high degree of importance, they regard team attributes as more important for audit quality than firm attributes. These findings are particularly relevant to regulators, professional accounting bodies and audit firms.

The credibility of the audit function and perceptions of audit quality (AQ) are key components of effective and efficient capital markets. A strong audit and accounting profession builds confidence and trust in financial reports, which in turn underpins capital market confidence. Apart from contributing to a healthy economy, continued confidence in the financial reporting of both established and emerging firms is crucial to those firms' economic success. The importance of AQ has been confirmed by research. Results of studies – for example, Chang et al. (2009) and Pittman and Fortin (2004) – have revealed that high AQ helps to reduce the cost of capital and increases access to equity financing, as well as having economic consequences for auditors, audit firm clients and capital market participants.

The global financial crisis along with corporate collapses and audit failures since 2001 have alerted policymakers to the vulnerability of existing structures for regulating financial institutions, and motivated them to investigate the key drivers of AQ. This scrutiny has facilitated the establishment of the Advisory Committee on the Auditing Profession in the US and the release of several important publications, such as the Australian Treasury's *Audit Quality in Australia – A Strategic Review* (2010), the European Commission's Green Paper *Audit Policy: Lessons from the Crisis* (2010), the International Auditing and Assurance Standards Board's *A Framework for Audit Quality* (2014), and the Public Company Accounting Oversight Board's *Strategic Plan: Improving the Relevance and Quality of the Audit for the Protection and Benefit of Investors* (2012).

The economic turbulence experienced since 2001 has also led to intensified research on AQ. One important initiative has been to study the perceptions of the audit profession's key stakeholders about the audit attributes they perceive as the key drivers of AQ. This is the approach adopted by the present study, which surveys the perceptions of Chief Financial Officers (CFOs) about the impact upon AQ of 10 selected audit attributes.

The remainder of this report is organised as follows. Section 2 provides a brief review of relevant literature, placing the present study in the context of previous research on AQ. The study's research method is described in section 3, and the findings are presented in section 4 and discussed in section 5. In conclusion, section 6 looks at some of the implications of these findings.

2. Literature review

Despite increased research interest in the audit attributes contributing to AQ, an agreed definition of AQ remains elusive. In this respect Knechel et al. (2013) comment that 'there is little consensus about how to define AQ and the various frameworks and disclosures that exist are incomplete'. In addition, Knechel et al. (2013) point out that the various AQ frameworks indicate that AQ is a multi-dimensional construct. As a result, researchers have adopted a number of different approaches for investigating AQ.

One approach has been to examine AQ from a behavioural perspective. This approach considers AQ as a set of attributes that are valued by audit market participants. A number of studies have examined the perceptions of various stakeholders in the audit process regarding various attributes associated with AQ (Schroeder et al. 1986; Carcello et al. 1992; Beattie and Fearnley 1995; Warming-Rasmussen and Jensen 1998; Goodwin and Seow 2002; Duff 2004; and Beattie et al. 2012). These studies indicate clear differences between stakeholder groups' perceptions as to which attributes have the most impact upon AQ. The stakeholders examined to date include audit committee members, auditors, managers, shareholders and investment analysts.

The present study extends this line of investigation by focusing on CFOs' perceptions of a range of attributes associated with AQ. This targeting of CFOs responds to a gap in the literature, identified by Carcello et al. (2011) regarding management views on AQ. Another incentive for targeting CFO's is that they work in close proximity to audit teams and deal directly with the audit partner, giving them a good vantage point for determining the factors likely to promote AQ. Cohen et al. (2010) also suggest that the views of managers remain an important factor in decisions about the appointment and retention of auditors.

Behavioural studies of AQ have brought into focus two different kinds of audit attributes – team attributes and firm attributes. Some studies have addressed the question of the relative importance attached to audit firm as against audit team attributes as determinants of AQ. Schroeder et al. (1986), Carcello et al. (1992), and Kilgore et al. (2011) all present some evidence that audit team attributes are perceived to be more important. The present study looks not only at the relative importence that CFOs attach to the 10 attributes featuring in this study, but also at whether they attach greater importance to team attributes or to firm attributes as determinants of AQ.

3. Research method

This study gathers and analyses data from an internet-based survey using Sawtooth Software's ACA system. The ACA system, developed by Johnson (1987), is a computer-administered, interactive conjoint method which combines the design of conjoint tasks, data collection and data analysis. Conjoint analysis is often used to assess and analyse trade-offs for particular products and services with many attributes and characteristics (Green and Srinivasan 1990) by allowing respondents to indicate their preference for particular attributes that constitute a product/concept and the extent to which they would choose one attribute over the others. This method is 'interactive' in that it makes it possible to capture the interaction between attributes rather than examining them in isolation, thereby obtaining information on the relative importance of individual AQ attributes.

Data collection using the ACA system requires identification of relevant attributes. This study uses the 10 AQ attributes investigated by Kilgore et al. (2011: 257). Five of these attributes are generally considered to be audit firm attributes, and were selected on the basis that they feature prominently in a number of influential studies of AQ – for example, Francis (1984), Schroeder et al. (1986), and Craswell et al. (1995). The remaining five attributes are audit team attributes and were chosen because they are the five highest-rated team attributes identified in the two most important behavioural studies of perceptions of AQ to date– namely, Schroeder et al. (1986) and Carcello et al. (1992). To ensure a consistent interpretation and use of the AQ attributes among respondents, the relevant definitions were given to them at the beginning of the survey, as summarised in Table 3.1.

ACA provides a customised online survey for each respondent, where the questions are constructed as the survey proceeds in such a way as to take into account the respondent's previous answers, thus allowing the extraction of maximum information about the preferences of each respondent (Johnson 1987). The main purpose of the survey is to determine relative importance scores for the different attributes as perceived by those participating in the survey.

Table 3.1: Audit firm and audit team attributes and operational definitions investigated

Attribute	Operational definition
Audit firm attributes	
Audit firm size	Big 4/mid-tier/local firm
Audit partner tenure	Duration of auditor–client relationship
Provision of non-audit services (NAS)	Percentage of total fees attributable to non-audit services (NAS)
Audit firm industry experience	Industry specialisation
Audit quality-assurance review	Audit quality-control review
Audit team Attributes	
Partner/manager attention to audit	Activity level of partner/manager
Communication between audit team and client management	Nature and frequency of communication
Partner knowledgeable about client industry	Years of experience in client industry
Senior manager/manager knowledgeable about client industry	Years of experience in client industry
Very knowledgeable audit team	Years of experience in accounting and auditing

Source: Kilgore et al., 2011: 257

4. Results

4.1 DEMOGRAPHICS

The respondents are Australian CFOs identified from a database maintained by *ACCA Australia and New Zealand*. The survey produced 68 complete responses. The ACA questionnaire yielded a quantity of demographic information. Respondents are predominantly male (84%) and of relatively mature years (65% are 45 or older). Most are educated to tertiary level, with 54 (79%) holding a Bachelor's, Master's or MBA degree and 29 (43%) holding a tertiary-level qualification in business/commerce/economics. One respondent holds a technical college qualification. Only two hold a degree in a discipline other than business/commerce/economics. Almost half the respondents (48%) are members of either the Institute of Chartered Accountants in Australia (24%) or CPA Australia (24%). The majority (62%) are employed by large firms (having assets of at least $100 million) and 40% are employed by very large firms (having assets greater than $250 million). The vast majority of respondents (75%) work in firms with 250 employees or more.

4.2 RELATIVE IMPORTANCE SCORES

The ACA system provides a relative importance score (RIS) for each AQ attribute. RIS scores measure the extent of an attribute's influence on a person's choices. The ACA method scales the RIS scores so that the total score for all attributes is equal to 100. Since there are 10 AQ attributes in the survey, if all attributes were considered to be equally important they would all have a score of 10. An attribute with a score of 10 is therefore considered to be twice as important as an attribute with a score of 5. The relative importance scores are reported in Table 4.1.

As can be seen from Table 4.1, apart from 'Audit firm size', other attributes considered relatively important (RIS greater than 10) by the CFO respondents are, in order of importance, 'Partner/manager attention to audit' (RIS 12.50), 'Provision of non-audit services' (RIS 12.19), 'Partner knowledgeable about client industry' (RIS 10.21) and 'Communication between audit team and client management' (RIS 10.03). The attributes considered least important are 'Audit quality assurance review' (RIS 5.23) and 'Audit partner tenure' (RIS 5.96). Other attributes considered relatively unimportant (RIS less than 10) are 'Very knowledgeable audit team' (RIS 9.13), 'Senior manager/manager knowledgeable – client industry' (RIS 9.64) and 'Audit firm industry experience' (RIS 9.98).

Table 4.1: Attribute relative importance scores (RIS) (n=68)

Attribute	RIS
Audit firm attributes	
Audit firm size	15.13
Audit partner tenure	5.96
Provision of non-audit services (NAS)	12.19
Audit firm industry experience	9.98
Audit quality assurance review	5.23
Audit Team attributes	
Partner/manager attention to audit	12.50
Communication between audit team and client management	10.03
Partner knowledgeable about client industry	10.21
Senior manager/manager knowledgeable – client industry	9.64
Very knowledgeable audit team	9.13

5. Discussion

The study confirms that CFOs attach different levels of importance to the AQ attributes investigated, and that they consider both audit firm and audit team attributes important in their perceptions of AQ. Three of the five audit team attributes and two of the five audit firm attributes were among the five with the highest RIS ranking. The team attributes in this group were 'Partner/manager attention to audit', 'Partner knowledgeable about client industry' and 'Communication between audit team and client management', while the firm attributes in this high-scoring group were 'Audit firm size' and 'Provision of non-audit services'.

5.1. AUDIT FIRM ATTRIBUTES

Audit firm size

The results of the study show that CFOs perceive 'audit firm size' to be the attribute with the most impact upon AQ (RIS 15.13). This is consistent with the findings of other studies investigating the perceptions of audit services stakeholders – for example, the audit firm size/firm reputation effect found in the studies of De Angelo (1981), Francis (2004) and Skinner and Srinivasan (2012). A number of different explanations have been offered for the association between firm size and AQ – for example, that larger firms have a greater reputation at stake, giving them an incentive to be more independent (De Angelo 1981b); that they are able to give their client's financial statements a higher degree of credibility (Dopuch and Simunic 1980, Francis et al. (1999); and that they have greater resources at their disposal, and so can attract employees with superior skills and experience (Simunic and Stein 1987).

Audit partner tenure

This attribute has the second-lowest RIS (5.96) of the 10 surveyed attributes. That CFOs perceive this attribute to be relatively unimportant for AQ is a significant result, given recent changes introduced by regulators and standard setters in numerous jurisdictions. For example, the International Ethics Standards Board for Accountants (IESBA) Code requires that audit partners be rotated after a prescribed number of years, usually restricting a partner's association with a particular client to seven years. The rationale for this is the perception that a longer association with a firm impairs the partner's independence.

Previous studies have not produced decisive findings in support of this reasoning. Some studies (Hills 2002; Carey and Simnett 2006) offer support for it while others (Chen et al. 2008; Chi, Huang at al. 2009) question the link between longer tenure and reduced AQ. The very low RIS received by 'Audit partner tenure' in the present study suggests that CFOs are likely to view both restrictions on partner tenure and the debate surrounding them as 'too much ado about nothing'.

Provision of non-auditing services

The provision of non-audit services is commonly regarded by regulators as a potential threat to AQ. The supposition is that when a relatively high percentage of the fees an auditor receives from a client are for non-auditing services (NAS), the auditor has a proportionally greater economic incentive to retain that client, and that this in turn reduces the auditor's independence, hence is likely to affect AQ adversely. Empirical evidence relating to this supposition is mixed. Wines (1994), for example, finds a degree of support for it, while Craswell (1999) finds no evidence in its favour. Despite a lack of decisive findings either way, the perception that the provision of NAS has a negative impact on AQ has resulted in recent legislative and regulatory changes in Australia (CLERP 9) and elsewhere (eg SOX in the US) that seek to limit the provision of NAS by auditors.

In the present survey, the attribute 'Provision of NAS' scored the third-highest RIS (12.19). This finding appears to support the legislative and regulatory changes, suggesting that CFOs believe that a threat is posed to AQ when a higher percentage of audit fees are derived from non-audit services.

Audit firm industry experience

CFOs gave this attribute a middle-order ranking (RIS 9.98) on importance as a driver of AQ – a result compatible with, though not strongly supportive of, a well-established association in the literature between audit firm industry experience and AQ (Hogan and Jeter, 1999; Deis and Giroux 1992; Solomon et al. 1999).

Audit quality assurance review

This attribute received the lowest RIS (5.23) of the 10 investigated. What respondents are asked to reflect on here is the effect upon AQ of mandatory regular inspections by bodies such as the Australian Securities and Investments Commission and the Public Company Accounting Oversight Board. At least part of the intent behind these external inspections is to reinforce public confidence in AQ. Since these inspections are costly to audit firms, it is important to establish whether they are effective in improving AQ. The results of the present study suggest that initiatives of this kind are perceived by CFOs to be of relatively limited value from their perspective.

5.2. AUDIT TEAM ATTRIBUTES

Partner/manager attention to audit

This attribute concerns the level of control exercised over the audit process by the responsible audit partner. The present study found that this attribute (RIS of 12.50) is perceived by CFOs to be second only to firm size in its importance for AQ. This result shows that the majority of CFOs believe that close monitoring of the audit process by the audit partner has a beneficial effect upon an audit team, and hence on the quality of the audit it conducts. Much previous research supports this finding – for example, Schroeder et al. (1986), Carcello et al. (1992) and Kilgore et al. (2011).

Communication between audit team and client management

Behn et al. (1997) report that in a survey of controllers of Fortune 1000 companies an auditor's 'effective and ongoing interaction with the audit committee' was perceived as being among the most important of 12 attributes investigated – a conclusion supported, for example, by Schroeder et al. (1986). In the present study the CFOs ranked 'Communication between audit team and client management' fifth in importance in its impact upon AQ (RIS 10.03). The results for this attribute suggest that CFOs agree that the attribute is of some significance for AQ.

Partner knowledgeable about client industry

In the survey by Carcello et al. (1992) this attribute was ranked fourth in importance among all attributes investigated. Studies by Zerni (2012) and Nagy (2012) support the finding that the audit partner's knowledge of the client's industry is an important driver of AQ. In the present study CFOs also attached importance to this attribute ranking it fourth among the 10 attributes investigated. (RIS 10.21)

Senior manager/manager knowledgeable about client industry

Although there has been a great deal of research on the relationship between AQ and an audit firm's expertise on its client's industry, and much to suggest that this relationship is positive (Reichelt and Wang 2010; Rose-Green et al. 2011; Stephens 2011), there has been relatively little research specifically on the impact upon AQ of audit firm managers' knowledge of a client's industry. In the present survey this attribute (RIS 9.64) was perceived by CFOs to be markedly less important for AQ than the attribute 'Partner knowledgeable about client industry' (RIS 10.21). One possibility is that CFOs regard partners as having greater influence upon AQ than managers because of partners' higher rank in the firm and their ultimate responsibility for the audit. The elevated rank of the CFOs themselves gives them greater proximity to partners than to managers, perhaps leading them to attribute more influence to the partners.

Very knowledgeable audit team

A number of previous studies have found a positive relationship between the attribute 'Knowledgeable audit team' and AQ – for example, Zerni (2008), Li and Chen (2011) and Kilgore et al. (2011). Nonetheless, the respondents in this study ranked 'Very knowledgeable audit team' only eighth (RIS 9.13) among the 10 attributes investigated; CFOs evidently attach significantly less value to this attribute than do some of the other stakeholders in the audit industry. For example, the audit committee chairs and members and the financial analysts and fund managers surveyed by Kilgore et al. (2011) ranked this attribute fourth among the same 10 attributes investigated.

6. Conclusions and implications

CFOs' perceptions of the importance of the 10 attributes investigated in this study have potential implications for regulatory and professional bodies engaged in policy making intended to improve audit quality. First, audit quality assurance reviews are generally emphasised in regulatory frameworks as having significant consequences for audit quality. Despite this, the surveyed CFOs perceived 'Audit quality assurance review' as the least important of the 10 attributes examined. The high level of emphasis on this attribute by regulatory bodies and its impact on public confidence may be overestimated, especially given the significant cost to audit firms.

Second, regulators usually place the length of the audit partner's tenure high on the list of attributes with a significant impact on independence and audit quality. In fact 'Audit partner tenure' received the second-lowest RIS score in this study, suggesting that CFOs perceive restrictions on tenure length to have relatively little importance.

Third, a review of the survey's findings shows that while CFOs perceive both audit firm and audit team attributes to be important drivers of audit quality, they view team attributes to be more important than firm attributes, placing three team attributes – 'Partner/manager attention to audit', 'Partner knowledgeable about client industry' and 'Communication between audit team and client management' – among the five most important. This is an important message for those responsible for setting the priorities in audit firm management.

Finally, the findings of this study should also be of interest to firms wishing to promote themselves to potential clients. Despite the fact that audit market participants tend to rely in their assessment of quality on attributes they can observe (for example, firm size), this study suggests that making other attributes, and especially audit partner attributes, more publicly visible to existing and prospective clients may be a highly effective means of demonstrating and signalling audit quality. By emphasising these attributes, audit firms may be able to differentiate themselves better in the eyes of audit market participants.

References

Australian Treasury (2010), *Audit Quality in Australia – A Strategic Review* <http://archive.treasury.gov.au/documents/1745/PDF/Audit_Quality_in_Australia.pdf>, accessed: 21 January 2014.

Beattie, V. and Fearnley, S. (1995), 'The Importance of Audit Firm Characteristics and the Drivers of Auditor Change in UK Listed Companies', *Accounting and Business Research*, 25: 227–39.

Beattie, V., Fearnley, S. and Hines, T. (2012), 'Perceptions of Factors Affecting Audit Quality in the Post-SOX UK Regulatory Environment', *Accounting & Business Research*, 43: 56–81.

Behn, B.K., Carcello, J.V. Hermanson, D.R. and Hermanson, R.H. (1997), 'The Determinants of Audit Client Satisfaction among Clients of Big 6 Firms', *Accounting Horizons*, 11 (1): 7–24.

Carcello, J.V., Hermanson, R.H. and McGrath, N.T. (1992), 'Audit Quality Attributes: The Perceptions of Audit Partners, Preparers, and Financial Statement Users', *Auditing*, 11: 1–15.

Carcello, J.V., Hermanson, D.R. and Ye, Z. (2011), 'Corporate Governance Research in Accounting and Auditing: Insights, Practice Implications, and Future Research Directions', *Auditing: A Journal of Practice and Theory*, 30: 1–31.

Carey, P. and Simnett, R. (2006), 'Audit Partner Tenure and Audit Quality', *The Accounting Review*, 81 (3): 653–76.

Chang, X., Dasgupta, S. and Hillary, G. (2009), 'The Effect of Auditor Quality on Financing Decisions', *The Accounting Review*, 84 (4): 1085–117.

Chen, C., Lin, C. and Lin, Y. (2008), 'Audit Partner Tenure, Audit Firm Tenure, and Discretionary Accruals: Does Long-Term Auditor Tenure Impair Earnings Quality?', *Contemporary Accounting Research*, 25 (2): 415–45.

Chi, W., Huang, H., Liao, Y. and Xie, H. (2009), 'Mandatory Audit Partner Rotation, Audit Quality, and Market Perception: Evidence from Taiwan', *Contemporary Accounting Research*, 26 (4): 359–391.

Cohen, J., Krishnamoorthy, G. and Wright, A. (2010), 'Corporate Governance in the Post Sarbanes–Oxley Era: Auditors' Experiences', *Contemporary Accounting Research*, 27: 751–86.

Craswell, A. (1999), 'Does the Provision of Non-Audit Services Impair Auditor Independence?', *International Journal of Auditing*, 3: 29–40.

Craswell, A.T., Francis, J.R. and Taylor, S.L. (1995), 'Auditor Brand Name Reputations and Industry Specialisations', *Journal of Accounting and Economics*, 20 (3): 297–322.

De Angelo, L.E. (1981), 'Auditor Size and Audit Quality', *Journal of Accounting and Economics*, 3 (3): 183–99.

Deis, D.R. and Giroux, G.A. (1992), 'Determinants of Audit Quality in the Public Sector', *The Accounting Review*, 67 (3): 462–79.

Dopuch, N. and Simunic, D. (1980), 'The Nature of Competition in the Auditing Profession: A Descriptive and Normative View', in J.W. Buckley and J. F. Weston, eds., *Regulation and the Accounting Profession* (Lifetime Learning Publications, Belmont, CA), 77–94.

Duff, A. (2004), *Auditqual: Dimensions of Audit Quality* (Edinburgh: The Institute of Chartered Accountants of Scotland).

European Commission (2010), *Audit Policy: Lessons from the Crisis, Green Paper*, <http://eur lex.europa.eu/LexUriServ/LexUriServ.do? uri=COM:2010:0561:FIN:EN:PDF>, accessed 21 January 2014.

Francis, J.R. (1984), 'The Effect of Audit Firm Size on Audit Prices: A Study of the Australian Market', *Journal of Accounting and Economics*, 6 (2): 133–51.

Francis, J.R. (2004), 'What Do We Know About Audit Quality?', *The British Accounting Review*, 34 (4): 345–68.

Francis, J., Maydew, L.E. and Sparks, H.C. (1999), 'The Role of Big 6 Auditors in the Credible Reporting of Accruals', *Auditing: A Journal of Practice & Theory*, 18 (2): 17–34.

Goodwin, J. and Seow, J.L. (2002), 'The Influence of Corporate Governance Mechanisms on the Quality of Financial Reporting and Auditing: Perceptions of Auditors and Directors in Singapore', *Accounting and Finance*, 42: 195–223.

Green, P.E. and Srinivasan, V. (1990), 'Conjoint Analysis in Marketing: New Developments with Implications for Research and Practice', *Journal of Marketing*, 54 (4): 3–19.

Hills, R.M. (2002), 'Oversight Hearing on "Accounting and Investor Protection Issues Raised by Enron and Other Public Companies"', US Senate Committee on Banking, Housing and Urban Affairs. 107th Cong., 2nd session. 12 February.

Hogan, C.E. and Jeter, D.C. (1999), 'Industry Specialisation by Auditors', *Auditing: A Journal of Practice and Theory*, 18: 1–17.

International Auditing and Assurance Standards Board) (2014), *A Framework for Audit Quality* <http://www.ifac.org/sites/default/files/publications/files/A%20Framework% 20for%20 Audit%20Quality.pdf>.

Johnson, R.M. (1987), 'Adaptive Conjoint Analysis', in M. Metegrano (ed.), *Sawtooth Conference on Perceptual Mapping, Conjoint Analysis and Computer Interviewing* (Ketchum, ID: Sawtooth Software), 253–65.

Kilgore, A.M., Radich, R. and Harrison G. (2011), 'The Relative Importance of Audit Quality Attributes', Australian *Accounting Review*, 21: 253–65.

Knechel, W.R., Krishnan, G.V., Pevzner, M., Shefchik, L.B. and Velury, U.K. (2013), 'Audit Quality: Insights from the Academic Literature', *Auditing: A Journal of Practice and Theory*, 32 (Supplement 1): 385–421.

Li, K. and Chen, Y. (2011), 'The Effects of Pre-client Industry Experience on Restatement at the Audit Partner Level and Audit Team Level', working paper, Ming-Chuan University and National Taiwan University.

Nagy, A. (2012), 'Audit Partner Specialization: The Case of Andersen Followers', *Managerial Auditing Journal*, 27 (3): 251–62.

Pittman, J. and Fortin, S. (2004), 'Auditor Choice and the Cost of Debt Capital for Newly Public Firms', *Journal of Accounting and Economics*, 37 (1): 113–36.

Public Company Accounting Oversight Board (2012), *Strategic Plan: Improving the Relevance and Quality of the Audit for the Protection and Benefit of Investors* <pcaobus.org/About/Ops/Documents/Strategic%20Plans/2012-2016.pdf>, accessed 21 January 2013.

Reichelt, K. and Wang, D. (2010), 'National and Office-specific Measures of Auditor Industry Expertise and Effects on Audit Quality', *Journal of Accounting Research*, 48 (3): 647–86.

Rose-Green, E., Huang, H. and Lee, C. (2011), 'The Association Between Auditor Industry Specialization and Firms' Disclosure of Internal Control Weaknesses', *International Journal of Auditing*, 15 (2): 204–16.

Sawtooth Software Inc. (2007), 'ACA System for Adaptive Conjoint Analysis' <http://www.sawtoothsoftware.com/download/techpap/acatech.pdf>, accessed 21 January 2013.

Schroeder, M., Solomon, I. and Vickery, D. (1986), 'Audit Quality: The Perceptions of Audit-Committee Chairpersons and Audit Partners', *Auditing: A Journal of Practice and Theory*, 5 (2): 86–94.

Simunic, D.A. and Stein, M.T. (1987), *Product Differentiation in Auditing: Auditor Choice in the Market for Unseasoned New Issues* (Vancouver: Canadian Certified General Accountants' Research Foundation Monograph).

Skinner, D.J. and Srinivasan, S. (2012), 'Audit Quality and Auditor Reputation: Evidence from Japan', *The Accounting Review*, 87 (5): 1737–65.

Solomon, I., Shields, M.D. and Whittington, O.R. (1999), 'What Do Industry-Specialist Auditors Know?', *Journal of Accounting Research*, 37: 191–208.

Stephens, N. (2011), 'External Auditor Characteristics and Internal Control Reporting Under SOX Section 302', *Managerial Auditing Journal*, 26 (2): 114–29.

Warming-Rasmussen, B. and Jensen, L. (1998), 'Quality Dimensions in External Audit Services – An External User Perspective', *European Accounting Review*, 7 (1): 65–82.

Wines, G. (1994), 'Auditor Independence, Audit Qualifications and the Provision of Non-audit Services: A Note', *Accounting and Finance*, 34 (1): 75–86.

Zerni, M. (2008), 'Do the Leading Audit Partner Characteristics Affect Audit Fees?', Working paper (Oulu, Finland: Department of Accounting and Finance, University of Oulu).

Zerni, M. (2012), 'Audit Partner Specialization and Audit Fees: Some Evidence from Sweden', *Contemporary Accounting Research*, 29 (1): 312–40.

POL-TP-DAQ1(CFO)