

The Future of Auditing: A Critical Review

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ABSTRACT

This is a book review of David Hay's *The Future of Auditing*, published by Routledge (London and New York, 2021). The review provides a critical analysis as well as insight into its value to students, faculty, business managers, and potential researchers in the field of auditing.

Keywords: auditing, audit quality, auditing research, corporate organizational governance, internal controls, risk management

INTRODUCTION

The Future of Auditing, written by David Hay, Professor of Auditing at the University of Auckland in New Zealand, is an ambitious undertaking that seeks three endeavors. The first is to explain the value of auditing. The second is to explore the future of auditing, and the third is to examine opportunities for auditing research. The book is divided accordingly with each chapter providing ample notes and references at the end.

Auditing's value is primarily viewed by most, including many academicians, as a means of verifying financial statements with all the assurance that is provided to stakeholders and potential consumers of equity of publicly owned corporations. However, the author provides a richer argument for the complexity of the value of auditing. Beyond the role of confirmation of data, auditors serve as monitoring agents on behalf of shareholders and in a bond with managers to reduce costs. They aid in management control for better information that allows for more informed decision-making. Auditing can also enhance corporate governance regarding risk management strategies. Finally, it also serves to provide insurance for stakeholders attempting to recover investment or other losses. Explanations for each of these roles is provided with ample citations of corresponding academic research.

The second portion of the book explores the future of auditing. The author looks at existing and pending global trends regarding economic development and demographics. Increasing

globalization is examined with the challenges of audit applications in different cultural settings and with clashing regulations and adaption to new technologies. The author suggests the creation or further development of audits in the areas of quality control, internal controls, environment, and privacy as well as innovative practices such as crypto currencies.

The third portion of the book examines opportunities for auditing research. Here the author focuses on where there has been a lack of contribution to the existing body of literature in this field either by neglect or because of recent evolution. Forensics of the concept of audit quality is suggested by examining links between different indicators of audit quality leading to establishing a refinement in the definition of audit quality in terms of the outcome of financial statements as well as in assisting earnings management.

Suggestions are made for research in auditor independence, specifically studies that can demonstrate a causal relationship between auditing attributes and audit quality. Returning to the evolutionary impact of globalization, the author encourages research focused on the extent to which audit quality differs across nations and cultures including their respective regulatory settings. This is particularly relevant regarding multinationals and all cross-border transactions.

The author provides other areas which he feels have deficiencies in research. These include audit market segmentation, auditing to improve corporate organizational governance, internal

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controls, and how audit committees can enhance their practical role as to oversight. This last one would probably require a strong degree of qualitative research.

Areas cited as suffering from virtually no research include auditing within innovative settings, within emerging economies, and involving fraud as well as the development of auditing ethics, in general. Also, studies are needed to examine the expectation gap in auditing — the difference between the expectation of society regarding the performance of auditors in their financial reporting and what is perceived to have been delivered. Finally, the author finds that there is a dearth in the replication of studies in the field of auditing. This may be an unfortunate, contemporary consequence of some academic journals requiring what is perceived as the need for fresh material that can be marketable to sell.

CONCLUSION

As a prior internal and external auditor and as a teacher of accounting and auditing, this reviewer finds this well-written and well-organized book to be a substantial

contribution to the body of literature regarding auditing. This is mainly due to its utility. This work can be of great value to teachers, students, business managers, and researchers. Teachers would do well to include this book as a supplemental read in their syllabi since it provides a comprehensive view of auditing, which is lacking in most basic auditing texts. In particular, reading the first portion of the book, which amplifies the value of auditing in a very substantial and thoughtful way, would well serve both teacher and student. Business managers would do well to discover the value of bonding with both internal and external auditors to benefit far beyond improving internal controls for compliance testing or efficient cooperation in substantive testing for verification of financial statements. Finally, the author took great efforts to explain and provide new areas within the field of auditing that point to current and future opportunities for researchers.

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