

Original Paper

A Discussion of the Individual Auditor Who Have Been Punished and Audit Quality

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Abstract

High quality independent audit can enhance the reliability of financial statement information, reduce the cost of principal-agent and improve the efficiency of market resource allocation. In China, the audit report should be signed and sealed by auditor. This means that audit liability can be traced directly to signed auditor individuals, it is even more important to carry out the research on individual audit behavior and audit quality of signed auditor. The research contribution of this paper is to expand the relevant research on auditor discipline, and to deduce from “prior research” through theory. It is found that the low-quality audit behavior is a special case caused by the chartered accountant’s personal characteristics.

Keywords

individual auditor, auditor discipline, audit quality

1. Introduction

Since 1980s, when the CPA audit system was restored, the relevant government departments have attached importance to the audit supervision. The audit is entrusted by independent institutions and personnel according to law to obtain and evaluate evidence relating to the identification of economic activities and economic matters, and to confirm the degree to which these determinations conform to established standards. The basic value of independent audit is to authenticate the information of the company’s financial statements. The higher the quality of audit, the lower the risk of material misstatement in financial statements, and thus the better the role of financial statement information in the allocation of resources. At the same time, audit as an external governance mechanism, it also helps to ease the principal-agent problem and enhance the value of the company.

From 2001 to 2016, a total of 137 certified public accountants were administratively punished by the

China Securities Regulatory Commission, and the audit services provided by them were undoubtedly of low quality. Is it a special case caused by the individual characteristics of the signed CPA who failed to audit, or is it a common phenomenon caused by the weak quality control within the firm?

From the point of view of the audit process, from the planning, the execution of the audit procedure to the final determination of the type of audit opinion, the signed CPA is undoubtedly the most direct and important role in influencing the audit opinion. The audit results are naturally influenced by the individual characteristics of the CPA, and the auditor's personal characteristics may also affect the behavior and decision-making style of the auditor in the course of his practice, when making the same type of decision, the same signed CPA is likely to react the same way. It is inferred that if an auditor is found to have an audit failure in the course of his practice, the audit quality of the other companies audited by the auditor is likely to be lower.

2. Literature Review

From the end of 1980s to the beginning of 1990s, a small number of scholars have paid close attention to the influence of the characteristics of the individual level of signed CPA, the final executor of audit entrustment, on the audit results and their quality. DeAngel (1981) believes that large firms have a large number of customers, high quasi-rental, and a corresponding higher independence of certified public accountants, so the audit quality is higher. Earlier experimental studies, such as Libby (1990) and Tan (1995) have found that the personal experience of certified public accountants has an impact on their audit decision-making behavior, and thus on audit quality. Hambrick (2007) mentions that both in accounting and in other disciplines, the importance of the individual characteristics of decision makers to the quality of decision-making also suggests that the individual characteristics of auditors echo those of other disciplines. Hardies and Breesch et al. (2009) compared 20 men and women who worked in the audit and found that women auditors found more misstatements in financial statements than men. Male auditors are more accurate about the type of misstatement than women auditors. Barua et al. (2010) believe that women finance workers are more risk-averse. Keller et al. (2007) believe that when certified public accountants receive education in auditing, they may take more moral courses and get more books on professional ethics than signed certified public accountants with low academic qualifications. Therefore, in the practice of certified public accountants, it is possible to do a better job in complying with the professional conduct of certified public accountants. Chin and Chi (2009) found that the auditor's individual industry expertise significantly reduced the likelihood of a company rewriting its financial statements.

3. Theoretical Analysis

Auditors can reasonably guarantee the truth and fairness of accounting information by issuing audit verification opinions, so as to give play to the role of corporate governance. From the point of view of the supplier of audit services, the audit quality is restricted by the audit subject. Auditors obtain

adequate and appropriate audit evidence through a series of audit procedures, and draw audit conclusions. Individual auditors develop their own behavior characteristics and work style in the course of their practice, and when faced with the same type of decision, it is likely that the auditor's personal characteristics, such as expertise, risk perception, risk appetite, etc. will likely have a similar systemic impact on his or her audit decisions and opinions, in other words, during the audit process. The individual characteristics of a signed CPA also affect the conduct and decision-making style of the CPA in the course of his practice. If the signed CPA finds that the company's financial statements are misstated, if the signed CPA has a higher tolerance for risk, the audit report issued by him is likely to be relatively radical. The client will seek advice from the auditor in the preparation of the financial report. The auditor is likely to give similar advice on similar issues to the client, thereby having a systemic impact on the client audited. If an auditor is found to have an audit failure in the course of his practice, it is very likely that the audit quality of other companies audited by the auditor is also low. Especially in the same accounting firm quality control environment, the low quality audit is mainly due to the audit failure of the signed CPA's personal characteristics.

4. Conclusion and Suggestions

The conclusions of this paper are as follows: first, according to the previous literature, it can be found that, besides the factors at the customer level and the audit company level, the auditor's personal factors also play an important role in the audit quality. The auditor's gender, profession, age, experience, learning ability, and position all significantly affect the accrual of financial statements, gender, accounting and auditing related majors, older, Experienced and highly qualified auditors provide better quality audit services than other auditors. Second, the audit results are influenced by the individual characteristics of the CPA. The low-quality audit is largely due to the personal characteristics of the signed CPA who failed the audit.

Therefore, it is necessary for the regulatory authority to deepen the supervision of the individual audit behavior and audit quality of the signed CPA. The regulatory authority should strengthen the inspection of the certified public accountant's practice, especially the audit work manuscript. And the penalties for violations, to create a quality-oriented audit environment so as to urge them to be diligent and work hard to improve the audit quality. The regulatory authorities can choose individual signed accountants who have been penalized in previous years as the focus of supervision, and continue to pay attention to their practice behavior, on the other hand, the research in this paper provides inspiration for accounting education and accounting talent training, as well as recruitment and training for audit companies, and also for the Ministry of Finance, the China Institute of Certified Public Accountants, the China Accounting Society, and so on to strengthen accounting education. Perfecting the talent training mechanism (for example, carrying out regular training of accounting practical leaders, providing overseas study funds for the outstanding talents in practice) provides an empirical basis, which is proved by the data. The professional competence and independence of auditors have an important

impact on the quality of audit services. Therefore, academic research should be comprehensive and in-depth, and provide practical research conclusions for audit practice.

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