Guest Editorial

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This issue of the journal is dedicated to the current state and future of auditing. In addition to a general call for papers, we invited a number of eminent practitioners and academic members of the profession to contribute. The response was excellent, so much so that we have an embarrassment of riches – more accepted contributions than we can publish in one issue. As a result, we have divided the papers thematically and plan a second issue in early 2011.

Auditors play a crucial role in the capital markets in an ever more challenging environment characterized by increasing complexity, globalization and regulation. In ‘How and Why an Independent Audit Matters’, Bob Kueppers and Kristen Sullivan explain the value of auditing and how the role of auditors in the financial reporting value chain complements that of management, internal audit and the audit committee.

The world’s largest capital markets and accounting profession, those located and regulated in the United States, are increasingly influenced by what happens elsewhere. In ‘The Global Accounting Profession in the United States’, Barry Melancon provides insights on the increasingly important global influences on American practice from his perspective as President and CEO of the AICPA.

Nick Fraser picks up the narrative in his paper, ‘A Single Set of Worldwide Auditing Standards: The Road Is Long ...’, in which he discusses the need for internationally accepted standards and coherent international regulation in a globalized world, and he discusses from firsthand experience the challenges of auditing global companies in a world where both are lacking and progress is painfully slow and politicized.

Auditing standards set the tone and the ground rules for how audits are conducted and quality achieved. In ‘Approaches to Audi-

ting Standards and Their Possible Impact on Behavior’, Jennifer Burns and John Fogarty describe the critical role of standards, the processes by which they are set, and the bodies and agencies involved in setting them.

While standards establish the principles for conducting audits, quality depends critically on the countless professional judgments auditors make in the course of an audit. In ‘A Discussion of Auditor Judgment as the Critical Component in Audit Quality – A Practitioner’s Perspective’, Phil Wedemeyer also covers the inevitable risks, increased scrutiny by regulators and the expansion of judgment as accounting standards become more principles-based.

In the United States, audit reports are signed by audit firms rather than by individual audit partners. The PCAOB has floated the idea that changing this would improve audit quality. In ‘A Discussion of Public Identification of US Audit Engagement Partners: Who Benefits? Who Pays?’ Rose Bailey, Denise Dickins and John Reisch explore the pros, the cons and the costs of this highly contentious idea.

The largest, most complex, most global companies have tended to engage the largest audit firms (currently the Big 4). In ‘Perceptions of Preparers, Users, and Auditors Regarding Financial Statement Audits Conducted by Big 4 Accounting Firms’, Glen Gray and Nicole Ratzinger look at the performance and value provided by the Big 4 firms relative to others as perceived by companies, investors, analysts and others.

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Trevor Stewart
Deloitte (Retired), New York, USA
Rutgers University, Newark, New Jersey
Vrije Universiteit, Amsterdam,
The Netherlands

J. Donald Warren
Barney School of Business,
University of Hartford,
West Hartford,
USA

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