



THE
AUDITOR'S
REPORT

Volume 25, No. 4, Fall 2002

AUDITING SECTION/AMERICAN ACCOUNTING ASSOCIATION

REPORT OF THE PRESIDENT

I thank the members of the Auditing Section for giving me the opportunity to serve as your President during 2002–2003. I owe much of my professional success to the opportunities the Section has provided me. I hope to return some of my debt to the Section by serving you effectively during the next year.

As I take the reins of our Section, I can tell you that it is in good health, thanks in no small part to the excellent leadership provided by my predecessor, Michael Bamber. I thank the outgoing members of the Section's Executive Committee for their excellent service over the past few years: Stan Biggs, Past President; Abe Akresh, Vice President–Practice; and Audrey Gramling, Secretary. Let me also welcome the Executive Committee's new members: Jean C. Bedard, Vice President–Academic; George Krull, Vice President–Practice; and Bill Dilla, Secretary. The Executive Committee's continuing members are: Michael Bamber, Past President; Rick Tubbs, Treasurer; and Andy Bailey, Historian. I am blessed to have such an able and dedicated group of people around me.

The Auditing Section was well represented at the AAA Annual Meeting in San Antonio. There were 30 papers presented at concurrent sessions. In addition, six papers submitted to the



Joseph V. Carcello

Auditing Section were accepted for presentation in interdisciplinary sessions and there were nine Forum papers. The Section owes its gratitude to Randy Elder, Director of the 2002 Annual Meeting Committee; Bryan Church, Assistant Director; and Bill Heninger, CPE Director; and to the many volunteers who reviewed the 77 submitted papers. You might find it interesting that, although submissions to the Annual Meeting were down by over seven percent, submissions to the Auditing Section were up by almost seven percent. Bryan Church, Director of the 2003 Annual Meeting Committee, has a call for submissions in this issue, and Mark Zimelman has a call for CPE proposals. Please remember that the more papers that are submitted to the Auditing Section, the more sessions the Section will be allocated. Because Hawaii is obviously a very desirable location, please consider submitting your

(continued on page 2)



Outgoing President Mike Bamber passes the gavel to Joe Carcello, the new President of the Auditing Section

SPRING 2003 ISSUE DEADLINE

The deadline for material to be included in the Spring 2003 issue of *The Auditor's Report* is January 31, 2003. The preferred, but not mandatory, format is Word files attached to email messages. Please send all material to the Editor at the address below by January 31, 2003 to ensure timely publication of the issue:

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President's Report

(continued from page 1)

Outgoing President Mike Bamber presents plaques to Abe Akresh (top), and Stan Biggs (bottom), to recognize their distinguished service to the Auditing Section



work to the Auditing Section and encourage your colleagues and Ph.D. students to do the same.

On behalf of all the Section's members, I want to take this opportunity to publicly thank Michael Bamber for the excellent job he did in leading the Section last year. The financial condition of the Section was quite precarious when Mike assumed the presidency. Mike, primarily working with Rick Tubbs (the Section's treasurer), took the lead in: (1) putting before the members a dues increase of \$15, which passed overwhelmingly in Orlando, and (2) moving *The Auditor's Report* to electronic dissemination. These two steps have stabilized the Section's financial condition and should enable us to begin rebuilding our depleted cash reserves. I also thank Bill Messier, Editor, *Auditing: A Journal of Practice & Theory*, for deciding to forgo much of the \$20,000 stipend that the Section typically provides editors for hiring an editorial assistant.

During his year as president, Mike also took the lead in getting the Executive Committee to approve the creation of a new award, the Innovation in Auditing and Assurance Education

Award. The inaugural award will be given at the Section's 2003 Midyear Conference in Huntington Beach. Please remember that this award is intended to be broad—it covers not only educational cases, but also classroom innovations of all types. If you are doing innovative things in the classroom, please consider applying for this award next year, and if you know of others doing innovative things in the classroom, please nominate them.

Finally, Mike was interested in expanding Auditing Section members' involvement with assurance services. The Section's Education Committee, under last year's chair, Bill Dilla, has developed a questionnaire to assess the extent to which assurance services are being covered in our courses. This year's Education Committee plans to electronically distribute this questionnaire to the membership sometime during the year.

The phrase "may you live in interesting times" certainly captures the accounting and auditing events of the past year. These events have profound implications for us as auditing educators and researchers. With the recent passage of the Sarbanes-Oxley Act and the imminent beginning of the Public Company Accounting Oversight Board, we, as auditing educators and researchers, are in a unique position to: (1) provide research with significant public policy implications, (2) contribute to the debate on ways to improve audit performance, and (3) share with students the excitement of being part of a profession that, although tarred by recent events, is so obviously essential to the public good. If the events of the past year have had any salutary effect, questions about the value of a high-quality audit have presumably been put to rest for the foreseeable future.

My initiatives for the upcoming year have been developed to dovetail with the unprecedented changes facing our profession. My initiatives include: (1) obtaining more exposure with regulators, standard setters, practitioners, and the financial press for auditing-related research, especially research published in *AJPT*; and (2) increasing Section members' access to research data and subjects and providing information to members on existing opportunities for further development of their research skills. The Section's Research Committee (under the leadership of Steve Salterio) will focus on both of these initiatives, and the Auditing Standards Committee (under the leadership of Brian Ballou) and the Communications Committee (led by Jeff Payne) also will focus on the first initiative.

My other initiatives for this year are to provide more value to Section members at teaching-oriented schools and to increase the Section's membership, particularly among faculty at teaching-oriented schools, international faculty, and practitioners. The Education Committee (led by Don Tidrick), the Communications Committee, and the Auditing Standards Committee all will be working to help the Section provide more value to members, especially those at teaching-oriented schools. The Membership and Regional Coordinators Committee (under the leadership of Bob Tucker) will look to increase the Section's membership.

(continued on page 3)

President's Report

(continued from page 2)

This year, in addition to regional coordinators, this committee has two practitioner members and three international members. I am hopeful that these new members will help the committee to reach out to international faculty and practitioners. I will report on the status of my initiatives at the 2003 Midyear Conference in January.

Any successes that the Section achieves this year will be totally due to the talents and hard work of the many Section members who staff our committees. The Section's successes are their successes. My sincerest thanks to all Section members who are giving of their most precious resource, time, to help make the Section better for all of us.

Finally, let me close by extending a warm invitation to attend the Auditing Section's ninth annual Midyear Conference (MYC) next January 16–18 in

Huntington Beach, California. Bob Ramsay, Chair of the 2003 Midyear Conference Program Committee, and his committee are putting together a superb program. The MYC will include two plenary sessions, both of which I believe will be terrific. On Friday morning, Mary Pat McCarthy, KPMG's vice-chair of their Information, Communications & Entertainment line of business, will talk to us about the "future of audit methodology." On Saturday, the plenary session is a panel entitled "What have we learned? Where do we go?," which we believe is responsive to the events of the past year. Panelists include: Bill Kinney, The University of Texas at Austin; Chuck Noski, Vice Chairman of AT&T and former CFO; and Aulana Peters, former SEC commissioner and

POB member. The MYC also will have a session sponsored by the Auditing Standards Board, a session focusing on internal audit issues, education-related sessions, and numerous sessions devoted to the presentation of research results. And our location, the Hilton Hotel in Huntington Beach, is tremendous—the hotel faces the Pacific Ocean. More information on the 2003 MYC, including the registration form, is included in this issue. I look forward to seeing as many of you as possible in Huntington Beach next January.

The day before the MYC, the Section will sponsor our annual Doctoral Consortium. Mark DeFond, Chair of the 2003 Doctoral Consortium Committee, has put together a program that would benefit any doctoral student, regardless of research interests and/or year in the

program. Due to the generosity of the KPMG Foundation, the consortium is free to doctoral students, including one free hotel night and meals on the day of the consortium. Please encourage your doctoral students to attend the consortium, and tell your doctoral students that the registration fee for the balance of the MYC is only \$25. New scholars are the lifeblood of our profession, so let's do all we can to encourage Ph.D. students and new faculty to attend the 2003 Midyear Conference.

Thanks again for giving me the opportunity to serve you as President this year. Please feel free to contact me (jcarcell@utk.edu; (865) 974-1757) regarding ways that the Section can better serve you.



Mike Bamber thanks Audrey Gramling for her service as Secretary of the Auditing Section

CALL FOR AUDITING CPE PROPOSALS 2003 AAA ANNUAL MEETING

The Auditing Section plans to sponsor one or more CPE sessions at the 2003 Annual Meeting of the American Accounting Association. The Section's CPE Committee is looking for individuals or groups who are interested in presenting sessions at this meeting.

The Committee also is soliciting ideas for possible auditing CPE topics and speakers, either for the 2003 Annual Meeting, the 2004 Midyear Meeting, or for future meetings. Please respond by December 14, 2002. Early responses will provide sufficient time to fully develop auditing CPE proposals for submission by the AAA's deadline, which is usually in early January. To submit proposals or ideas, please contact:

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ENRON'S SHERRON WATKINS ADDRESSED THE AUDITING SECTION AT THE ANNUAL MEETING IN SAN ANTONIO

Sherron Watkins, Vice President for Corporate Development at Enron Corporation, and one of the key players in exposing the wrongdoings at Enron, spoke at the August 15, 2002 Auditing Section luncheon at the AAA Annual Meeting in San Antonio. Ms. Watkins' speech addressed her experiences at Enron as well as her views about the challenges that the accounting profession faces.

Ms. Watkins joined Enron in 1993 after spending eight years with Arthur Andersen. When speaking about her Enron experiences, she stated that many of Enron's accounting practices were overly creative and, in effect, the company was "hedging itself" through various cleverly constructed special purpose entities. She asserted that many obvious warnings signs of Enron's financial difficulties were evident (e.g., cash flow problems, related-party transactions, high executive turnover, insider chat room tips to sell Enron stock), but were ignored. In particular, she cited the role of a passive Board, management's obsession with meeting earnings targets, auditors who were bullied by management, biased analysts, and the lack of strong controls as factors contributing to Enron's demise.

Some of the problems at Enron also affect the accounting profession as a whole. For example, Ms. Watkins calls for a principles-based, rather than a rules-based, accounting system, which she asserts could help to improve financial reporting. The current system, she contends, has evolved into a system that (much like the tax code) allows financial statement preparers to interpret the accounting rules as liberally



Sherron Watkins, Enron's Vice President for Corporate Development, addresses the Auditing Section luncheon at the 2002 AAA Annual Meeting in San Antonio

as possible to allow companies to report the financial results they desire.

Addressing the expectation gap, she warned that management certification of the financial statements and an unqualified audit opinion should not be interpreted as a recommendation to invest in a company. Finally, she sees the Sarbanes-Oxley Act as having the potential to improve the quality of financial reporting. Ms. Watkins' speech was well attended, and the attendees appeared to gain valuable insights from one of the focal points of the largest corporate failure in history.

CALL FOR VOLUNTEERS

Openings currently exist on the following Auditing Section committees: Auditing Standards Committee, CPE Committee, Research Committee, Communications Committee, Outstanding Auditing Dissertation Selection Committee, Membership and Regional Coordinators Committee, Notable Contributions to the Auditing Literature Award Selection Committee, 2004 Annual Meeting Committee, and 2005 Midyear Meeting Program Committee.

The Section typically receives a larger number of volunteers than there are openings, so, the more flexible you are as to your committee assignment, the better your chances of being appointed to a committee. If you are interested in serving on an Auditing Section Committee, please contact:

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A Summary of a Study on the Effect of Accounting Firm Alumni in Corporate Boardrooms

Ilias G. Basioudis
University of Aston

What do the following clients have in common: Enron, Albright and Wilson, Psion, WPP Group, Safeway, Dorling Kingsley? These clients all have a primary board director who trained and qualified as a CPA¹ with the same Big 4 accounting firm. This article is based on research, sponsored by the Institute of Chartered Accountants in England and Wales (ICAEW), that evaluates the evolution of the large audit firms, their contribution to the training of the U.K.'s listed company directors, the "alumni effect" phenomenon, the connections and networks that professional accounting firms have developed through the dominant positions that their former employees hold in Britain's boardrooms, and the relationship between audit fees and accounting firm alumni (Basioudis 2000).

For example, 105 company directors of U.K.-listed companies trained with one international accounting firm, and 20 percent of these companies use that firm as their auditor. It turns out that this is a result of more than chance. I have discovered that there is a measurable alumni effect in the world of accountancy. Nearly a quarter of large audit firm clients have an inside connection to their auditors, with at least one of their directors being an ex-colleague. For small audit firms, the relationship appears to be even stronger—while some small firms have only one former employee who is a company director, the former employee often is on the board of the small audit firm's only listed company.

Investment in Human Capital

High staff turnover often is viewed as a warning signal for corporations. It often is associated with human resource problems and low morale. Such relationships are not applied to public accounting firms, which seemingly are able to combine an effective business culture with high staff turnover. Perhaps accounting firms should be viewed as, in part, an educational institution with high turnover signifying a "graduating class." This analogy, however, is not precise. The turnover of students is a turnover of served customers, and not a turnover of employees. A graduating student is not an ex-employee whose job, career ambitions, and promotion prospects have, in some cases, been terminated. A former student is an alumnus, and the more prestigious the educational establishment, the more proudly the badge is worn. Are former employees of accounting firms similarly proud of being accounting firm alumni?

I suggest that a former employee is similar to an alumnus, but the association is not only sentimental, but also representative of the investment in knowledge required to become an accountant. An accountant makes investments to obtain both general and specific accountancy knowledge (e.g., accounting standards, tax, specific knowledge of the client's problems). The general investment in human capital can earn a return in any sector of the economy, but the specific investment in understanding a client's business, its systems, processes, problems, etc., can only yield returns by continuing with the client. The more that accountants progress in their career, the more they specialize in specific clients, and the less portable that specialized investment becomes.

Therefore, over time, a greater proportion of an accountant's human capital is specific, rather than general, because it is tied to a client. For productive accountants, a very attractive position and career opportunity would be as a partner in the accounting firm, if partnership were offered. If not, these accountants may seek employment with the firm's clients. It is not for sentimental reasons, but rather because they can capitalize on having become experts in the client's business.

When employees of an audit firm become firm alumni, they also become prospective customers. Even if the former employees are employed by nonclients, these nonclients are prospective clients who could increase the future income of the *alma mater*. This possibility alone is of benefit to the incoming audit firm (i.e., the *alma mater*), even if the audit fees are lower than the fees charged by the predecessor auditor. Engagement risk theory predicts that the audit fees charged should be expected to be lower when there are alumni of the auditor serving in client boardrooms. The placement of audit firm alumni in clients' (prospective or not) boardrooms reduces the client-related risks and, consequently, the audit firm's risk of loss on the engagement (via lack of engagement profitability and/or future litigation). Consequently, the audit fees charged should be lower than those charged by the predecessor auditor.

Research Design

A recent dissertation addressing the topic of audit firm alumni traces every director of every listed company in the London Stock Exchange who was a CPA to the ICAEW membership directories for their year of admission to the Institute. These directors are then traced to the examination pass lists (which names the accounting firm that trained them). Consequently, the researcher constructed the links between directors/CPAs and their former accounting firms (*alma mater*). The results show that one in six directors of U.K.-listed companies were CPAs in 1996 and 1997. On average, one in four alumni employ their *alma mater* as their company's auditor. This statistically significant association between the *alma mater* and the auditor of the company (Basioudis 2000) suggests that the "old-boy network" effect is measurable.

The design of the research may understate the clustering of accountants in the ranks of their former clients, because it counts the firm that an accountant trained with as the one that the accountant qualified with. Many U.K. accountants migrate from smaller firms for post-qualifying experience with larger firms. Post-qualifying associations are not measured, but if they were, then the alumni effect conceivably could be larger. Further, the study did not measure the number of years that CPA-directors worked for the audit firm before leaving public practice for a business career. However, tenure is hypothesized to affect alumni perceptions about the employer (Iyer et al. 1997). Moreover, as noted above, the sample in the study comprises all executive and nonexecutive directors of the companies listed on the London Stock Exchange who also are qualified CPAs. Some directors may have qualified as CPAs previously, and, therefore, it may be argued that any "alumni effect" might have deteriorated since then.

¹ The Certified Public Accountant (CPA) is called Chartered Accountant in the U.K. In this article the term CPA is used, although the study took place in the U.K.

(continued on page 6)

The Alumni Effect on Audit Fees

The large investments that accounting firms have made over the years in training accountants has created a network of connections with the boardrooms of corporate Britain. Such relationships also may be reciprocal. One can investigate how outplacement can ease the path of an employee. The prospect of being outplaced if one is unsuccessful in the “up or out game” reduces the risk of playing the internal promotion game. If the firm decides that one is not qualified to be promoted to partner, one may have other options. The ability to help a client by hiring one’s own staff members for vacant posts is another benefit. But does having an alumnus on the board have a more direct benefit through audit fees?

One could make arguments either way. An ex-employee knows the audit approach, the cost structure, the budgets, and the pricing policies of the audit firm (i.e., the *alma mater*). Alumni might use this information during audit fee negotiations to reduce audit fees. Conversely, audits, like many services, are goods whose quality and value cannot be determined until after consumption. An auditor does not have to prove oneself to a former colleague, so the audit firm may not have to discount the fee because of uncertainties about quality. Further, a large company with financial problems may decide not to replace the incumbent auditor, who in turn charges higher audit fees for bearing higher business risk. Finally, the presence of audit firm alumni could mean that clients understand the need for thorough audits, perhaps resulting in more audit effort and higher audit fees.

As noted earlier, based on audit engagement risk theory, the presence of audit firm alumni in client management positions leads to an expectation that auditors assess lower levels of inherent and control risks which, in turn, result in lower audit effort and lower audit fees (Basioudis 2002). Conversely, based on organizational behavior, social identity, and psychology theories, the identification of alumni with their *alma mater* could be positively related to CPAs’ socialization and adherence to accounting firm policies while alumni are still employees. The identification of alumni with their *alma mater* also is positively associated with the alumni relations applied by the audit firms. Consequently, the degree of alumni identification with their former audit firm (i.e., the *alma mater*) is likely to affect their willingness to support the *alma mater* and possibly exert an upward influence on audit fees (Basioudis and Steele 2002; Iyer et al. 1997). The above theories, therefore, predict that there might be asymmetrical advantages from the alumni effect in the pricing of audit services.

Having measured the effects of the “old-boy network,” the next step was to determine whether alumni presence on boards has an effect on audit fees. The model tested found that the typical determinants of audit fees shown in prior research (e.g., client size, complexity, risk) affected audit fees. In addition, after controlling for these determinants, the results suggested that audit fees were positively affected by having an alumnus on the board (Basioudis 2002).

Implications

Clearly, the alumni effect, a nonprice aspect of competition in the market for audit services, appears to have a more important role in accountancy practice development than previously thought. After the recent corporate failures, the accountancy profession and other regulatory bodies moved quickly to deal with the alumni effect. In Australia, the new standard for audit independence precludes accounting firms from providing public audits for any company whose top management director had worked for them during the previous two years (ICAA 2002). In the U.K., a similar resolution was passed through the ICAEW council during Summer 2002. In the U.S. similar rules on auditor independence are likely to be imposed. Further, calls for more independent regulation of the audit profession, systematic staff rotation among auditors in all firms, and mandatory rotation of audit firms can be heard from various groups.

Future Research

Preliminary findings which show that the effects of training apparently have concurrent effects in the intensely competitive audit market are revealing. However, numerous questions remain unanswered. The study examined a cross-section at a given point in time, and so did not measure audit switching. How are alumni factors implicated in auditor (non)switching decisions? Does the presence of alumni of the incumbent auditor affect the level of nonaudit services provided by the auditor? Do alumni have any effect on the market for new audits? Do accounting firm mergers change the apparent influence that they had previously? Future research may be able to address these and other questions related to accounting firm alumni.

The study was funded by the Research Board of the ICAEW. For further details contact the author at Aston Business School, University of Aston, Birmingham, B4 7ET, U.K., email: i.g.basioudis@aston.ac.uk, tel: +44 121 3593611 Ext. 5046.

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2003 Midyear Meeting Speakers

The 2003 Auditing Section Midyear Meeting will be expanded to two full days to offer sessions with broader appeal to our membership, including education-related papers and panels. The meeting will be highlighted by two plenary sessions, one featuring a speaker from the auditing profession, the other featuring leading figures from the governance, finance, and academic arenas. The speaker is Mary Pat McCarthy, Vice-Chair of the Information, Communications line of business at KPMG LLP, who will share her perspective on the future of the auditing profession, and particularly what developments she sees in audit methodology. The panel will discuss the recent events affecting the profession and their implications for the future.

Ms. McCarthy is a frequent speaker at industry forums. She has delivered speeches at The Software Publishers' Association Conferences, The Software Entrepreneurs' Equity Forum, and Agenda. She has published several White Papers and surveys and is the author of KPMG's book, *SOP 97-2: Software Revenue Recognition*. Ms. McCarthy's comments on industry issues have appeared in media outlets that include *CFO Magazine*, *C/Net*, *Financial Times*, *The Journal of Accountancy*, the MSNBC web site, *The New York Times*, *Software Success*, *VAR Business*, and *Taxation for Accountants*. She and her family have been featured in *Self Magazine*.

The panelists are Bill Kinney, Chuck Noski, and Aulana Peters. Professor Kinney is well known to members of the Auditing Section as a researcher and author. He has served as Director of Research for the American Accounting Association, and Editor of *The Accounting Review*. In 1983 and 1999 he received the Deloitte, Haskins & Sells-AAA, John S. Wildman

Award Medal and in 1985 he was co-recipient of the AICPA-AAA Notable Contribution to the Accounting Literature Award. In 1989 he received the AAA's Outstanding Accounting Educator Award, and has received the Auditing Section's Distinguished Service Award (1993) and Outstanding Educator Award (1996). Bill has served on various AICPA committees including the Auditing Standards Board (1981-1984) and the Special Committee on Assurance Services (1994-1996), and from 1987-1991 he served on the Financial Accounting Standards Advisory Council for the FASB.

Chuck Noski has been very visible as CFO and Vice-Chairman of AT&T—one of Corporate America's toughest CFO jobs, according to CFO.com. Mr. Noski was responsible for conducting the auction of AT&T Broadband, and overseeing AT&T's restructuring into four publicly held businesses. He has also served as partner of Deloitte & Touche, and Hughes Electronics as its President and COO. Mr. Noski is also a member of the California State University, Northridge Foundation Board of Directors.

Aulana Peters is a retired partner of the law firm of Gibson, Dunn & Crutcher of Los Angeles, California. She has served as Commissioner of the United States Securities and Exchange Commission and as a member of the Public Oversight Board Panel of the AICPA. She was a member of the Steering Committee for the Financial Accounting Standards Board's Financial Reporting Project, and a member of the Board's Blue Ribbon Panel on Audit Effectiveness. Ms. Peters is a director of Deere & Co., Minnesota Mining and Manufacturing Company, Northrop Grumman, and Merrill Lynch & Co., Inc.

CALL FOR NOMINATIONS

2003 Innovation in Accounting Education Award

The American Accounting Association requests nominations for the Innovation in Accounting Education Award.

AWARD INTENT: The intent of the award is to encourage innovation and improvement in accounting education. The award will recognize significant programmatic changes or a significant activity, concept, or set of materials. The winner may be an individual, a group of individuals, or an institution.

AWARD CRITERIA: The primary criteria used by the Selection Committee to judge submissions include: (1) innovation; (2) demonstrated educational benefits; and (3) adaptability by other educational institutions or to other situations.

AWARD PROCESS: Nomination letters are encouraged from individuals who are aware of innovative work done by others, as well as from those involved with the innovation. The nomination letter should include the name(s) of the individuals or institution involved and a brief description of the innovative work, and must be submitted no later than **January 15, 2003**. Once nomination letters are received, the Committee will request application materials from nominees and will provide details on the submission process and deadline.

MAILING INSTRUCTIONS: Nomination letters should be sent to Jane F. Mutchler, Ernst & Young Professor of Accountancy, Robinson College of Business, University Plaza, Georgia State University Atlanta, GA 30303-3083. **Electronic submissions are preferred and encouraged. Send electronic submissions to jmutchler@gsu.edu.**

AWARD PRESENTATION: The winner will be announced in *Accounting Education News*. The award—a plaque and \$5,000—funded by the Ernst & Young Foundation will be presented at the 2003 AAA Annual Meeting.

Although publication is not a requirement for receiving the award, the award-winning innovation will be eligible for publication in *Issues in Accounting Education* as a scholarly article, subject to the normal manuscript review process.

ASB Update as of September 15, 2002

Ray Whittington, DePaul University
Academic Member of the Auditing Standards Board

You can expect to see in the near future a number of new standards and exposure drafts that will significantly affect the standards of fieldwork. At the September meeting of the Auditing Standards Board (ASB), the revision of SAS No. 82 titled *Consideration of Fraud in a Financial Statement Audit* was unanimously voted out as SAS No. 99. In addition, the ASB is scheduled to vote out two additional final standards at its October meeting, the revision of SAS No. 71, *Interim Financial Information*, and a new SAS titled *Auditing Fair Value Measurements and Disclosures*. Finally, the Joint Risk Assessments Task Force will bring to the ASB for approval as exposure drafts replacements for a number of existing standards. In this update, I will briefly review these standards and exposure drafts.

New Fraud Standard

SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*, makes a number of changes to the requirements currently set forth in SAS No. 82. While the Statement does not change the auditor's responsibility with regard to detection of fraud, it does provide guidance to auditors in fulfilling this responsibility. Highlights of the major changes in existing standards are as follows:

- *Introduction of the fraud triangle*—the fraud risk factors have been revised and are organized around the three fraud conditions of incentive/pressure, opportunity, and attitude/rationalization.
- *Discussion among engagement personnel regarding the risks of material misstatement due to fraud*—SAS No. 99 requires a planning discussion among the audit team members to “brainstorm” about fraud risks, the importance of maintaining the proper state of mind throughout the audit, and how the team might respond to the fraud risks identified.
- *Obtaining the information to identify fraud risks*—to identify fraud risks, the standard requires the auditor to make expanded inquiries of management and others within the organization, and to consider the results of analytical procedures and the existence of fraud risk factors.
- *Responding to fraud risk*—SAS No. 99 requires the auditor to consider two types of responses to the risk of fraud—overall responses and alterations in the nature, timing, and extent of audit procedures. In addition, the auditor is required to perform certain procedures to address further the possibility of management override of internal control. These procedures include (1) examining journal entries and other adjustments for evidence of possible material misstatement due to fraud, (2) reviewing accounting estimates for biases, and (3) evaluating the business rationale for significant unusual transactions. The exposure draft allowed for the possibility that the auditor of a nonpublic company might be able to omit the required procedures based on an assessment of low risk of management override. However, the final SAS will require such procedures on all audits.

- *Other requirements*—the standard also includes new requirements for evaluating audit evidence for indications of material misstatement due to fraud, communicating to management and the audit committee about fraud, and documenting the consideration of fraud.

The final standard also places additional emphasis on exhibiting the appropriate level of professional skepticism throughout the audit.

SAS No. 99 benefited significantly from the academic research in the fraud area and the input of the two academics on the Task Force, Mark Beasley and Zoe-Vonna Palmrose.

Interim Financial Information

The revision of SAS No. 71 is designed to improve the guidance on performing reviews of interim financial information of public companies and incorporate the new SEC requirement for timely reviews of the information. It also is responsive to the recommendations of the Panel on Audit Effectiveness, and Practice Alert 2000–2004, “Quarterly Review Procedures for Public Companies,” issued by the Professional Issues Task Force of the SEC Practice Section. The revisions in the standard are expected to:

- Provide guidance on how the accountant may develop the knowledge required to perform an initial review engagement.
- Require the performance of certain specific procedures, including:
 - Analytical comparisons of disaggregated revenue data,
 - Procedures designed to obtain evidence that interim information reconciles to the accounting records, and
 - Inquiries of members of management about fraud or alleged or suspected fraud.
- Provide guidance on the accountant's consideration of an entity's ability to continue as a going concern.
- Provide example analytical procedures that the accountant may consider in performing a review of interim financial information.
- Provide examples of unusual or complex situations an accountant would ordinarily consider inquiring about.

Auditing Fair Values

The second standard slated for approval at the October meeting is titled *Auditing Fair Value Measurements and Disclosures*, and it provides general guidance for auditing fair values. It is intended to provide a framework for auditing financial statement items where there is no specific auditing guidance, and support standards that provide specific guidance, such as SAS No. 92, *Auditing Derivative Instruments, Hedging Activities, and Investments in Securities*. The SAS will require the auditor to:

- Obtain sufficient competent audit evidence to provide reasonable assurance that fair value measurements and disclosures are in conformity with GAAP.

(continued on page 9)

ASB Update

(continued from page 8)

- Obtain an understanding of the entity's process for determining fair value measurements and disclosures and of the relevant controls sufficient to develop an effective audit approach.
- Evaluate whether the fair value measurements and disclosures in the financial statements are in conformity with GAAP.
- Evaluate management's intent and ability to carry out specific courses of action where relevant to the fair value measurements and disclosures.
- Evaluate whether the entity's method of measurement is appropriate (this requirement applies where alternative methods for measuring fair value are available under GAAP, or where the method of measurement is not prescribed).
- Evaluate whether the entity's fair value measurements are applied consistently.
- Consider whether to use the work of a specialist.
- Test the entity's fair value measurements and disclosures (based on the assessment of the risk of material misstatement).
- Determine that the audit committee is informed about the process used by management in formulating particularly sensitive accounting estimates, including fair value estimates, and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Risk Assessments

The exposure drafts resulting from the joint risk assessments project will make significant changes in the requirements for audits. The project will revise the standards on planning and supervision, internal control, audit risk and materiality, evidence, and audit sampling. In addition, it will add new guidance on assessing risks and linking risks to audit procedures. The ASB hopes that the changes will improve audit performance by:

- Requiring a broader understanding of the entity's business to:
 - Better recognize issues and identify risks,
 - Better assess risks of misstatement and design and perform procedures, and
 - Better evaluate test results.
- Requiring inherent risk assessment on all audits.
- Encouraging control testing.
- Improving the linkage between risks of misstatement and audit procedures.

I encourage the membership of the Auditing Section to comment on this significant revision to the audit process.

CALL FOR PAPERS EIGHTH SYMPOSIUM ON ETHICS IN ACCOUNTING: ETHICS IN THE POST-ENRON ERA

The Professionalism and Ethics Committee of the AAA invites papers for the Eighth Symposium on Ethics in Accounting, to be held immediately preceding the 2003 AAA Annual Meeting in Hawaii. Because of the current importance of the issue, we hope to devote at least one session to focus on ethics in the post-Enron era. We also welcome papers examining other aspects of ethics in accounting. At the author's discretion, papers can be considered for publication in either *Research on Accounting Ethics* or *Accounting and the Public Interest*.

Scope and Aims of Symposium

The purpose of the symposium is to explore new frontiers of ethics research in an accounting context. The symposium will provide an opportunity for researchers and practitioners interested in ethics in accounting to discuss recent research, exchange information, network, and discuss emerging issues encountered in practice. Research, case, and educational paper submissions are welcome from all members. A prize will be awarded for best overall paper and a separate award will be presented for the best paper authored by a Ph.D. student. Both presentation and forum sessions will be included in the program. All faculty and doctoral students are invited to attend, with a waiver of enrollment fees available for doctoral students. Doctoral students are invited to attend with registration covered by the Professionalism and Ethics Committee.

Location and Dates

The symposium will be held in Hawaii as a CPE session, immediately prior to the 2003 AAA Annual Meeting. The meetings will be held in the main convention hotel, or within a convenient walking distance from the hotel.

Details for Paper Submission

Dawn Massey at Fairfield University is coordinator for the conference. One (1) copy of the completed manuscript should be transmitted as an attached Microsoft Word file to Dawn Massey (dmassey@mail.fairfield.edu) on or before **Friday, March 7, 2003**. To preserve the anonymity of the review process, please remove any references to authors on the cover page and in the body of the paper. Author names and affiliations should appear in the submission letter (i.e., cover email). A nonrefundable submission fee of U.S.\$20 (made payable to the American Accounting Association) should be submitted concurrently to: **Dawn W. Massey; Charles F. Dolan School of Business; Fairfield University; 1073 North Benson Road; Fairfield, CT 06824; dmassey@mail.fairfield.edu; Phone: (203) 254-4000, Ext. 2844; Fax: (203) 254-4105.**

Please indicate in your submission letter whether you want your submission to be concurrently considered for publication in either *Research on Accounting Ethics* OR *Accounting and the Public Interest*. The editors of these journals have graciously agreed to waive the initial journal submission fee.

“Have You Seen These Instructional Resources”

By the Education Committee of the Auditing Section of the AAA: Donald E. Tidrick, chair; James Bierstaker; Christine Earley; Susan Parker; Pamela B. Roush; Charles W. Stanley; and C. William Thomas

The Education Committee is compiling educational resources of interest to faculty who teach assurance or audit-related courses. Accounting educators’ collective interest in a wide range of current events was apparent at the AAA Annual Meeting in San Antonio. Similarly, students appreciate exposure to “real world” issues. To help Section members identify supplementary course materials (e.g., timely videos and articles), the Education Committee will summarize instructional resources in *The Auditor’s Report* and ensure that these materials (and more) are added to the Section’s web site [<http://raw.rutgers.edu/raw/aaa/audit/>]. Our goal is that these efforts increase the discussion among Section members about instructional materials and resources that are effective for assurance and auditing classes. Sharing experiences and ideas can enhance the substance and image of auditing education. Accordingly, feel free to solicit Section members’ ideas for projects, assignments, or other instructional resources. We welcome your comments or suggestions regarding this effort to identify useful instructional materials.

Format	Title	Date	Source	Description	How to Obtain
Video/VHS	“Frontline: Bigger than Enron”	6/20/02	PBS	Examines recent breakdowns in corporate oversight that contributed to accounting scandals. Commentary by Arthur Levitt with “big picture” view of accounting problems. (Includes “pre-Enron” footage of Andersen’s Joseph Berardino and SEC’s Harvey Pitt.) 60 minutes	Video can be ordered by phone at (800) 328-7271 or online at www.pbs.org (click on “Shop PBS”). The cost for personal use is \$29.95 (plus S&H)—an additional \$30 charge is imposed for institutional use. Obtain more information at: http://www.pbs.org/wgbh/pages/frontline/shows/regulation/
Video/VHS	60 Minutes II “Taken on Faith”	3/06/02	CBS	Reviews the Baptist Foundation of Arizona case, including Andersen’s role. 15 minutes	Video can be ordered by phone at (800) 848-3256. The cost is \$29.95 (plus S&H)—no site license needed for classroom use. A related article can be obtained at www.cbsnews.com/stories/2002/07/30/60II/main516922.shtml
Video/VHS	Nightline: “Lying, Cheating, and Picking Stocks”	6/26/02	ABC	Covers the “early days” of the WorldCom scandal. 22 minutes	Video can be ordered by phone at (800) 505-6139 (item # N020626-01) or online at http://www.abcnews.com/product-details.cgi?searchref=67369634.3860687&_category=4 —click on “Home Video” or “Institutional Video,” as applicable (see pricing below). The personal price is \$29.95 (with \$5.95 S&H); the institutional price is \$69.95—in other words, a \$40 charge for a site license for classroom usage.
Video/VHS	Nightline: “A Cautionary Tale”	12/12/01	ABC	Covers Enron around the time of its bankruptcy with insightful commentary by Arthur Levitt. 22 minutes	Video can be ordered by phone at (800) 505-6139 (item # N011212-01) or online at http://www.abcnews.com/product-details.cgi?searchref=67369634.3860687&_category=4 . The personal price is \$29.95 (with \$5.95 S&H); the institutional price is \$69.95—in other words, a \$40 charge for a site license for classroom usage.
Video/VHS	Various	Various	C-SPAN	C-SPAN provides videos of congressional testimony and other programs (e.g., Sherron Watkins’ testimony, DOJ and SEC briefings).	Videos can be ordered through the C-SPAN online store at: http://www.c-spanstore.com/ Prices vary depending on the length of the videotape.
Article(s)	“Tribune Special Report: A Final Accounting”	9/01/02–9/04/02	<i>Chicago Tribune</i>	Insightful four-part series focusing on cultural and client issues at Andersen involving Enron and other Andersen audit controversies.	All related articles can be found at: http://www.chicagotribune.com/business/showcase/chi-andersen.special
Article(s)	“The Fall of Enron”	7/28/02–8/01/02	<i>Washington Post</i>	A detailed five-part series on Enron prior to its collapse. Part 4 of the series is particularly relevant because it focuses on Andersen’s role. There are extensive supporting materials, including a timeline, photos, and original documents.	First of five articles (with links to other articles and resources) is at: http://www.washingtonpost.com/wp-dyn?page=article&node=&contentId=A9783-2002Jul27&notFound=true For links to related information, go to: http://www.washingtonpost.com/wp-dyn/business/specials/energy/enron/
Article	“Fall From Grace”	8/12/02	<i>Business Week</i>	Cover story on Joseph Berardino and the demise of Andersen	Can be accessed by subscribers on www.businessweek.com , or through Dow Jones interactive or academic universe.
Report	“Report of Investigation by the Special Investigative Committee of the Board of Directors of Enron Corp.”	2/01/02	Investigative Committee of Enron’s Board of Directors	Also known as “the Powers Report,” it documents certain Enron transactions underlying the company’s collapse.	http://energycommerce.house.gov/107/hearings/02052002Hearing481/hearing.htm
Various links	“The Changing Accounting Regulatory Landscape”	Various	AICPA	An extensive set of resources (links) that may interest faculty and students.	http://www.aicpa.org/info/index.htm

HAVE YOU SEEN...?

Brad Reed, Southern Illinois University Edwardsville, and John T. Reisch, East Carolina University

“Auditor Economic Incentives and Going-Concern Opinions in a Limited Litigious Continental European Business Environment: Empirical Evidence From Belgium,” by A. Vanstraelen, *Accounting and Business Research*, (Vol. 32, No. 3, 2002): 171–186.

This study examines the relationship between auditor economic incentives and the propensity to issue going-concern opinions. Prior research demonstrates that the risk of litigation is one of the important factors in the auditor’s opinion decision. To examine other factors affecting the auditor’s opinion, the author uses a sample of firms from Belgium, a limited litigious business environment. The results suggest that the auditor’s going-concern opinion decision in Belgium is associated with factors relating to the perceived consequences of disclosing a going-concern opinion. Specifically, the results suggest that auditors in Belgium are less likely to issue going-concern opinions to clients that pay higher audit fees, and when the audit firm has lost a relatively high proportion of its clients in the preceding year. The auditor’s going-concern opinion does not appear to be significantly influenced by the length of the auditor-client relationship, the auditor engagement period, or auditor type.

“Market Response to Earnings Surprises Conditional on Reasons for an Auditor Change,” by K. E. Hackenbrack, and C. E. Hogan, *Contemporary Accounting Research*, (Vol. 19, No. 2, Summer, 2002): 197–223.

The authors investigate the relative informativeness of earnings announcements reported before and after Form 8-K disclosures of the reason for an auditor change. The results indicate that the 8-K disclosures have a systematic effect on the relationship between abnormal returns and unexpected earnings. Specifically, the average price response per unit of earnings surprise is lower following an auditor change for companies that switched for disagreement-related or fee-related reasons and higher for those that switched for service-related reasons. The authors note that these results are consistent with models that predict that the price adjustment associated with earnings announcements is an increasing function of the perceived precision of reported earnings and the hypothesis that the 8-K disclosures aid investors in updating expectations of earnings precision by providing useful information about the financial reporting process that produced the earnings report.

“Investor Dissatisfaction Toward Auditors,” by B. J. Sainty, G. K. Taylor, and D. D. Williams, *Journal of Accounting Auditing & Finance*, (Vol. 17, No. 2, Spring, 2002): 111–135.

Shareholders, as owners of the firm, often ratify management’s selection of an auditor through a formal vote during the annual shareholders’ meeting. This vote represents the primary vehicle for investor communication concerning auditor-related issues and thus can be used as an indicator of investor

dissatisfaction with the auditor. This study examines the variables that contribute to investor dissatisfaction with auditors, with investor dissatisfaction measured by the shareholders’ vote to ratify management’s auditor selection. This study finds that investor dissatisfaction is associated with a firm having engaged a less credible auditor and the issuance of a going concern audit opinion. Additionally, managers are sensitive to shareholder dissatisfaction signals by noting a higher occurrence of auditor changes for firms with high investor dissatisfaction.

“The Impact of the Financial Reporting Review Panel on Aspects of the Independence of Auditors and Their Attitudes to Compliance in the U.K.,” by S. Fearnley, T. Hines, K. McBride, and R. Brandt, *British Accounting Review*, (Vol. 34, No. 2, June, 2002): 109–139.

The U.K. Financial Reporting Review Panel (FRRP) enforces the regulatory framework for larger companies and requires companies to restate noncompliant accounts. It is authorized to deal with directors, but not auditors. The authors of this study perform 15 semi-structured interviews with finance directors and audit firm partners who experienced an FRRP inquiry, and combine these interviews with publicly available information to determine the impact of the FRRP on aspects of audit quality. The FRRP is found to have motivated auditors to improve accounting compliance by increasing the possibility of some errors being exposed. FRRP inquiries cause auditors to incur nonrecoverable costs, undermine the auditor-client relationship, and increase the risk of client loss. The FRRP is found to provide auditors with an additional negotiating tool in dealing with directors, thus making it easier for auditors to prevent noncompliance.

“On the Role of the Organization in Auditors’ Client-Acceptance Decisions,” by Y. Gendron, *Accounting, Organizations and Society*, (Vol. 27, October, 2002): 659–684.

A field study of three Big 6 firms in Canada examines the relationship between accounting firm organization and auditors’ decision making in difficult client-acceptance decisions. The paper addresses the client-acceptance issue by examining how audit firm organization affects the way auditors reconcile two types of logic related to actions: (1) the professional logic that represents the “ideal” professional (i.e., professionals consider serving the public their main objective); and (2) the commercial logic that is driven by remuneration (e.g., auditors are concerned with satisfying needs of managers who influence audit renewals and consulting engagements). The author finds that firms set the stage for decision making by configuring their formal organizational components so that the professional and commercial logics are under a moderate level of tension.

(continued on page 12)

CALL FOR PAPERS

FINANCIAL REPORTING UNDER PUBLIC SCRUTINY: REFLECTING ON THE SERIES OF RECENT ACCOUNTING ABUSES

Edmonton, Alberta • May 2–3, 2003

Sponsored by the Department of Accounting & MIS, School of Business, University of Alberta,
with the assistance of Alberta's Chartered Accountants

A Web search for Enron, Andersen, or WorldCom turns up more than a million hits each. Waves of comments about collapses, recriminations, and consequences continue to wash through the media. Enough time has passed since the trouble started to provide some perspective. The University of Alberta's School of Business invites scholars and practitioners to reflect on what happened, and especially on why it happened and its consequences.

Thoughtful academic papers (which could be at a moderately advanced stage of completion) or informed essays by practitioners are invited for a conference to be held May 2–3, 2003 in Edmonton, Alberta. The main objective of the conference is to provide a forum for scholars and practitioners to consider and exchange ideas on the conference's main theme. Any research method is welcome; the choice of the papers to invite for the conference will be based on substance, not method. Papers already submitted to journals—but not yet published—are welcome, as are papers at an earlier stage of development.

The following list is illustrative, but not exhaustive, of topics fitting the conference:

- Canadian implications
- Standard setting
- Self-regulation by the accounting/auditing profession
- Auditor independence
- Corporate governance
- Professional ethics
- Capital market functioning and response
- Contractual issues
- Financial analysis and prediction
- Effects of new legislation and regulations
- Teaching challenges

The deadline for submission of proposed papers is January 31, 2003. Papers should be submitted as an email attachment in Microsoft Word to Yves Gendron, at yves.gendron@ualberta.ca. Authors of accepted papers will be notified by February 28, 2003. The School of Business will reimburse reasonable travel and accommodation costs of one presenter for every paper accepted. The full conference agenda will be emailed by mid-March to all who submit papers.

Authors also are encouraged to submit their work to *Canadian Accounting Perspectives*' Special Issue on Enron. A submission fee of \$75 for CAAA members and *CAP* subscribers or \$125 for nonmembers/nonsubscribers (payable to the Canadian Academic Accounting Association [CAAA]) should be included with any submission to be considered by *CAP*. For more information about the *CAP* special issue, see <http://www.caaa.ca/publications/cap.html>. *CAP*'s consideration of papers will be unaffected by choices made for the University of Alberta conference, and vice versa.

Have You Seen...?

(continued from page 11)

“Auditor-Provided Consultancy Services and their Associations with Audit Fees and Audit Opinions,” by M. Firth, *Journal of Business Finance & Accounting*, (Vol. 29, June/July, 2002): 661–693.

Using a sample of public companies in Great Britain, the author provides new insight into the association between audit and consultancy fees. Prior studies consistently demonstrate a positive association between audit and consultancy fees. The results of this study, however, indicate that, when specific events that create a demand for non-audit services (e.g., M&A activity, new issues of shares, new accounting, and information systems), as well as client size are controlled, there is no longer a dependence between audit and consultancy fees. These results support the notion that the previously reported positive association is created by specific events that simultaneously require non-audit services and more auditing. The author also reports that high non-audit services increase the incidence of clean audit reports, perhaps because of an impairment of auditor independence or, less skeptically, because consultancy services clear up uncertainties and disagreements prior to the audit, additional research is needed to distinguish between the two reasons cited.

“An Application of Data Envelopment Analysis to the Evaluation of Audit Risk,” by M. E. Bradbury and P. Rouse, *ABACUS*, (Vol. 38, June, 2002): 263–279.

In this article, the authors demonstrate how data envelopment analysis (DEA) can be used to measure audit risk in a manner consistent with recent audit methodology (e.g., the business measurement process). The authors suggest that DEA is a viable method of scoring audit units according to risk by aggregating and weighting audit risk assessments. Cited advantages of DEA include its ability to handle multiple input and output variables measured in different units and to be adapted for high- and low-risk perspectives.

“Legal Liabilities, Audit Accuracy and the Market for Audit Services,” by S. De and P. K. Sen, *Journal of Business Finance & Accounting*, (Vol. 29, April/May, 2002): 353–410.

This paper develops an economic model to provide insights into how auditors would respond to changing liability levels and regimes by modifying their audit effort and fees. In addition, the model examines how such choices would influence the supply of audit accuracy (quality) and the demand for audit services. A

(continued on page 14)



Announcement
and
CALL FOR PAPERS

University of Waterloo
Symposium on Information Systems Assurance

October 30–November 1, 2003

**Governance, Transparency and Integrity:
The Role of Information Technology**

The Center for Information Systems Assurance at the University of Waterloo (UWCISA) is pleased to announce a symposium to be held October 30–November 1, 2003 in Toronto, Canada. The Symposium is sponsored by the Canadian Institute of Chartered Accountants, the Information Systems Audit and Control Association, the Information Integrity Coalition and the *International Journal of Accounting Information Systems (IJ AIS)*. Accepted papers will be published together with discussants' comments subject to editorial review and approval.

Papers are invited from academe and practice. All research methods are welcome. Information about previous Symposia and the Center may be obtained from the UWCISA web site: <http://watarts.uwaterloo.ca/ACCT/uwcisa>.

Research Grants Available

To support research on the theme of this symposium, the Information Integrity Coalition (<http://informationintegrity.org/>) will provide three research grants of U.S.\$5,000 each. The UWCISA will provide travel grants to authors, reviewers, and discussants. Please contact the UWCISA for information.

Submissions Due June 1, 2003

Submitted papers should be at an advanced stage of completion. Papers will be subject to blind review by academics and practitioners. Authors must adhere to the editorial style of *IJAIS*. Please send an electronic copy of the paper and a submission fee of U.S.\$50.00 payable to the University of Waterloo to:

Professor J. Efrim Boritz, Director
Center for Information Systems Assurance
School of Accountancy, University of Waterloo
Waterloo, Ontario N2L 3G1 Canada
Tel: (519) 888-4567 ext. 5774 Fax: (519) 888-7562
Email: jeboritz@uwaterloo.ca

Notice of acceptance or rejection will be sent by July 15, 2003. Papers accepted subject to revision must be revised by August 30, 2003.

Have You Seen...? (continued from page 12)

number of findings are presented, including that an increase in legal liability induces an auditor to increase effort and improve accuracy. However, the demand for a high quality audit is inversely related to audit fees as well as audit accuracy.

“**Timeliness of Corporate Audit Reports,**” by B. Soltani, *The International Journal of Accounting*, (Vol. 37, No. 2, 2002): 215–246.

This paper looks at the reporting delay of corporate reports

and audit reports in France. The author gathers data from more than 5,000 annual reports of French publicly held companies for the 10-year period from 1986–1995. The data suggests an improvement in the timeliness of corporate and audit reports. The improvement is greater for reports from consolidated accounts of groups than those from annual accounts of companies. The author also provides evidence that qualified audit opinions were released later than unqualified opinions and that, in general, the more serious the qualification, the greater the delay.

CALL FOR PAPERS 2003 AAA Annual Meeting August 3–6, 2003 • Honolulu, Hawaii

The Program Advisory Committee invites academic and practitioner members of the American Accounting Association to submit papers and proposals for special concurrent sessions and to volunteer to serve as moderators or discussants for the 2003 Annual Meeting. When making submissions, please comply with the instructions below. All submissions should be made electronically. Submissions are accepted online and must be received by January 6, 2003 to be considered for inclusion in the program. To encourage early submissions, there will be no fee required for those submissions received before 12:00 Midnight (Eastern Standard Time) on December 16, 2002. Email notification of accepted submissions will be issued no later than March 31, 2003. When making a submission, you will create a password that will be required for future access to information about your submission. An email confirmation of your submission, including a submission ID number, will be returned to you by email. Please contact the American Accounting Association if you are unable to transmit your submission electronically. A submission fee of U.S.\$50 must accompany each paper or special session proposal submitted after December 16, 2002. Submission fees may be paid electronically by credit card (VISA and MasterCard only) at the time of submission, or by check. Checks must be in U.S. dollars and be made payable to the American Accounting Association. Checks should be mailed, along with a copy of the email confirmation, to:

Annual Meeting Submissions
American Accounting Association
5717 Bessie Drive
Sarasota, FL 34233

Guidelines for Online Submission of Papers

DO NOT INCLUDE a cover page with your submission: Information typically provided on a cover page will be entered on the online submission form. Also, DO NOT INCLUDE the abstract with the body of your submission.

DO INCLUDE

- A 150-word (maximum) ABSTRACT on the online submission form only.
- The body of your submission including ONLY the title and content of your submission in .PDF (preferred) or Microsoft Word format. The body of your submission MUST NOT include any information that identifies the author(s).
- Any ancillary files (e.g., tables, Excel® worksheets, PowerPoint® slides, etc.) should be converted to .PDF format and appended to the main submission .PDF file prior to submission. Only ONE FILE may be uploaded at the time of submission. For assistance with multiple file submissions, contact Kathy@aaahq.org.
- Indication of the AAA Section(s) to which your submission should be directed. Choose the Section that most closely matches your submission’s topic area. Papers and proposals will be considered ONLY if directed to one of the Sections on the following list:

AAA Sections

Accounting, Behavior and Organizations	Government and Nonprofit
Accounting Programs Leadership Group	Information Systems
American Taxation Association	International Accounting
Artificial Intelligence/Emerging Technologies	Management Accounting
Auditing	Public Interest
Faculty Diversity and Initiatives	Teaching and Curriculum
Financial Accounting and Reporting	Two-Year College
Gender Issues in Accounting	At-Large

Submission Limitations

- Papers that have been published, accepted for publication, or that will have been presented at more than one AAA Section or Regional Meeting during Spring 2003 should not be submitted.
- Submission of a paper implies a commitment by at least one author to register for and attend the meeting and to present the paper at the appointed time.
- Presenters must provide an adequate supply of handouts or papers for distribution to session attendees.

2003 Auditing Doctoral Consortium Program

Thursday, January 16, 2003
Huntington Beach, California

The Auditing Section of the American Accounting Association and KPMG are sponsoring the fourth annual Auditing Doctoral Consortium to be held in conjunction with the Auditing Section's Midyear Conference, January 16–18, 2003, in Huntington Beach, California. The purpose of the Consortium is to stimulate students' research by exposing them to the very latest ideas from leading researchers in auditing, and by providing opportunities for networking with other Ph.D. students interested in auditing, established auditing researchers, and editors of journals in which they will seek to publish. I ask you to help in publicizing the Consortium to your Ph.D. students and in supporting and encouraging their attendance. Students may be at any stage in their program, and there is no limit as to how many students may attend from each university. However, there is a limit on the total number of students who can attend the Consortium, and applicants will be accepted on a first-come basis.

Program

7:00 – 8:00 AM	Breakfast
8:00 – 8:15 AM	Welcome – Mark DeFond
8:15 – 9:30 AM	Zoe-Vonna Palmrose – Research on Current Auditing Issues
9:30 – 9:45 AM	Break
9:45 – 11:00 AM	Galen Sevcik – Experimental Economics Auditing Research
11:00 – 11:15 AM	Break
11:15 – 12:30 PM	Jere Francis – Empirical Auditing Research
12:30 – 1:45 PM	Lunch
1:45 – 3:00 PM	Mark Peecher – Experimental-Psychology-Based Auditing Research
3:00 – 3:15 PM	Break
3:15 – 5:15 PM	Panel on issues in publishing research: Author's perspective – Ron King; Editor's perspective – Bill Messier, <i>AJPT</i> ; Terry Shevlin, <i>TAR</i> ; and Dan Simunic, <i>CAR</i> and <i>APJAE</i> .
5:30 – 6:30 PM	Informal Reception for Doctoral Students and Faculty
6:30 – 9:00 PM	Auditing Midyear Meeting Reception

Reception Information

The Consortium is sponsored by the Auditing Section and KPMG.

- Registration is free. For those students wishing to attend the Auditing Midyear Meeting (January 16–18) which follows the Consortium (January 16), the meeting registration fee is \$25.
- The Consortium is open to all Ph.D. students with an interest in auditing research. The size of the Consortium is limited, so students will be accepted on a first-come basis.
- Meals will be provided during the Consortium. The Meeting also provides breakfast and lunch for attendees, with a reception in the evening.

For additional information call (213) 740-5016 or email Mark DeFond (defond@marshall.usc.edu). Register by emailing Mark DeFond. Please provide your name, mail and email addresses, phone and fax numbers, stage/year in program, and auditing research interests. Additional information will then be forwarded to you.

AUDITING SECTION 2003 MIDYEAR MEETING

January 16–18, 2003 • Huntington Beach, CA

Registration Form and Hotel Information

Full Name _____

Nickname for badge _____

University Name or Affiliation _____

Mailing Address _____

City _____ State _____ Country _____ Zip _____

Phone _____ Fax _____ Email _____

Early Registration for Auditing Section Member (by December 10, 2002)	\$145.00
Auditing Section Member (after December 10, 2002)	\$165.00
Non-Member of Auditing Section*	\$180.00
Student	\$25.00
CPE Session: Thursday January 16, 1:00 – 4:00 PM	\$50.00

_____ Please register me for the CPE Session: “Integrating Fraud Topics into Your Curriculum in a Post-Enron World”

_____ I plan to attend the Saturday luncheon

_____ I have dietary restrictions for the luncheon

Please indicate nature of restrictions _____

In addition to regular activities, the University of Southern California will be hosting a post-conference reception, which will be held on Saturday from 5:00 – 6:30 PM

_____ I plan to attend the post-conference reception

* Members of the American Accounting Association may allocate \$35 of their registration fee to join the Auditing Section. Membership in the Auditing Section includes subscriptions to *Auditing: A Journal of Practice & Theory* and the Section’s newsletter.

_____ I am an American Accounting Association member and would like to allocate \$35 of my registration fee to join the Auditing Section.

Member ID# _____ Total Amount Paid \$ _____ Name on Card _____

Signature _____

Card Number for VISA or MC (only) _____ Exp. Date _____

If you are paying by credit card, you can fax this form to: (941) 923-4093. If paying by check, please make check payable to the American Accounting Association for the Conference fee.

Mail the completed application form and fees to the:

American Accounting Association
5717 Bessie Drive
Sarasota, FL 34233-2399

Cancellation Policy

All cancellations must be received in writing at AAA in order to be processed. Cancellation requests received after December 10 will incur a \$25 cancellation charge. No refunds will be available for cancellations after January 9, or for no-shows.

(continued on page 17)

**2003 Midyear Meeting Registration Form
and Hotel Information** *(continued from page 16)*

Hotel Information

Hilton Waterfront Beach Resort
21100 Pacific Coast Highway
Huntington Beach, CA 92648-5307
Phone: (714) 845-8000; Toll-free: (800) 822-7873
Fax: (714) 845-8424
Web site: <http://www.hilton.com>

The Hilton Waterfront Beach Resort is situated in the beautiful seaside community of Huntington Beach and overlooks the Pacific Ocean and miles of white sand beaches. This four-diamond resort is only 35 minutes from Los Angeles International Airport, 15 miles from Long Beach Airport, and 13 miles from John Wayne Airport. Designed in true California style but with a Mediterranean flair, this dramatic hotel features indoor fountains and waterfalls and breathtaking views of the Pacific. Its location makes it very convenient for guests visiting Disneyland, Knott's Berry Farm, The Aquarium of the Pacific, or nearby Laguna and Newport Beach. Recreational amenities range from relaxing on the soft sandy beach to a vigorous work out in the fully equipped fitness center. There is on-site sand volleyball, basketball hoops, and two lighted tennis courts. The Resort is a private place where waves wash miles of uninterrupted beaches and spectacular golden sunsets.

Ground Transportation

John Wayne Orange County Airport (SNA). The hotel has a complimentary shuttle available, call 48 hours in advance (714) 960-7873, ext. 2180. The shuttle picks up every hour on the half hour.

For any other airport, the hotel recommends using Super Shuttle if you are traveling alone, otherwise a cab may be cheaper (approximately \$70). If flying into LAX, no reservation is required and the hotel has a contract rate of \$25 each way. For any other airport (Long Beach [\$19], Burbank, Ontario), a reservation is required, either call (562) 498-6670 or www.supershuttle.com.