



THE AUDITOR'S REPORT

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AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Report of the President

Mark Peecher



Thanks for the wonderful privilege of serving the Audit Section, as doing so creates invaluable opportunities to learn from and work alongside many audit scholar-educators who are dedicated to our Section's shared values. These values include encouraging leading edge auditing and assurance services research and teaching as well as fostering interaction between our academic and practicing communities. Our commitment to these shared values recently was quite evident in Austin.

I would like to begin my report by recapping and highlighting some takeaways of our Section's inaugural Excellence in Auditing Education Workshop. Other articles in this volume of The Auditor's Report recap The Midyear Conference and the Doctoral Consortium.

Inaugural Excellence in Auditing Education Workshop

A major objective of this workshop was to create a forum in which academics and practitioners could exchange ideas and so strengthen audit education. Of course, at the same time, such an exchange would improve our understanding of important and changing institutional features of the audit environment (so that we can better identify appropriate research questions and theoretical models/frameworks to guide our empirical research).

Well, thanks to the careful planning and leadership of Mark Beasley (who spearheaded the organization of this event), Ray Whittington, and Deloitte's Trevor Stewart, the workshop was an enormous success. Our initial hope was that we could interest 50 participants, but we had 70 participants (and could hardly fit any more persons into the hotel's facilities!). Also, consistent with the positive remarks participants voiced in Austin, survey data on the workshop received to date from participants has been very positive. There clearly is a strong appetite for continuing and building upon this successful launch!

In case you missed it, the workshop included three panel sessions and two audit case presentations, and each of these was excellent. The panel sessions focused on the state

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of current audit education, identification of capabilities beneficial to future auditors, and cultivating audit leadership through education. Levering their unique vantage points, academic and practitioner panelists expressed thoughtful and thought-provoking ideas on similar topics and themes. I would like to thank again each panelist who shared insights with us: Chris Earley, Steve Glover, Roger Martin, and Karen Pincus (on the academic side) and Grant Thorton's Susan Jones, KPMG's Vithya Ramadoss, and Deloitte's Tom Criste.

The two cases accentuated how practitioners must exercise sound professional judgment in a variety of contexts such as business analysis, evidence interpretation, authoritative guidance application, and in maintaining independence. Another notable feature of these cases is significant collaboration between practitioners and academics (e.g., Bob Ashton and Tim Bell have extensively collaborated on the KPMG case while Mark Chain and Ira Solomon have done so on the Deloitte video and cases.). The rollout of both cases is such that a broader set of academics will have the chance to help refine their content and application.

What were the key takeaways from the workshop? Well, you probably would get different answers from different participants, but I would like to share three. One is that practitioners clearly are deliberating about how to best adjust (if not overhaul) their audit approaches in light of recent and forthcoming changes in the global audit ecology. Another is that practitioners are not entirely sure about how, going forward, they can best equip and train their professionals so that they deeply understand elements of auditing's conceptual foundation and execute their audit approaches. Perhaps a paraphrase of one of my favorite comments from the workshop will underscore the first two takeaways: Deloitte's Tom Criste exclaimed that, It's not at all clear whether tomorrow's best auditors necessarily will be accountants!

This wise comment reinforced that the very nature of the assertions subjected to verification is changing as financial statements begin to carry more items at (level 3!) fair values and less items at amortized historical cost and as financial reporting frameworks elevate concepts such as representational faithfulness to a status formerly held by reliability.

A third takeaway is that we academic auditors must contemplate our own value proposition. How do we best modify and/or converge the content and pedagogical approaches in our undergraduate and graduate programs to prepare our students for society's global financial statement auditing and related assurance demands? Whatever the approach that emerges, hopefully it will draw appropriate students to the profession and fuel them with an unquenchable thirst for learning and renewal – as more change is on the way.

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From left, Gary Peters and Roger Martin.

2008 Midyear Conference & Audit Section Awards

Our meeting in Austin was excellent and attended by a record 295 registered participants and 312 total participants. We had a strong portfolio of research papers, panel sessions, and plenary talks. Roger Martin and Gary Peters deserve special recognition for diligently and successfully organizing this wonderful event, as do Brian Ballou and Chris Hogan, who oversaw the paper submission and review process and identified discussants. While Roger and Gary recap highlights from the Conference elsewhere in this volume, I have the distinct pleasure of reviewing the winners of the Audit Section's prestigious awards.

At Friday's luncheon, Trevor Stewart presented our 2008 Distinguished Service Award to William F. Messier, Jr. Bill Messier's outstanding and sustained service to the profession and the Auditing Section undoubtedly will have a lasting and significant impact on the field of auditing. In addition, Ray Whittington presented Michael Gibbins our 2008 Outstanding Audit Educator Award in light of his truly exceptional and sustained contribution to the field of auditing education. I would also note that all of us have learned a great deal from Bill's research and Mike's research over time.

On Saturday, three awards were presented. Joel Pike presented the 2008 Innovation in Auditing Education Award to Jeffrey Cohen, Ganesh Krishnamoorthy, and Arnold Wright for the educational benefits of, "Corporate Governance and Auditors' Evaluation of Accounting Estimates". Bill Messier presented our 2008 Outstanding Dissertation Award to Elisabeth Carson for her excellent thesis "Global Industry Specialization by Audit Firm Networks" and to her advisor Roger Simnett. Finally, Audrey Gramling presented our 2008 Notable Contribution to the Auditing Literature Award to Jay Rich and Ira Solomon for their most influential 1997 piece in Accounting, Organizations & Society, "The Audit Review Process: A Characterization from the Persuasion Perspective."

Summer 2008 Issue Deadline

The deadline for material to be included in the Summer 2008 issue of *The Auditor's Report* is May 30, 2008. The preferred format is a Word file attached to an e-mail message. We also are open to any proposals for materials that anyone would like to submit. Please send all material and proposals to the Editor at the address below by May 30, 2008, to ensure timely publication of the issue:

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The address of the Auditing Section's
Home Page on the
World Wide Web is:
<http://aaahq.org/audit/index.htm>



Vicky Hoffman (left) recognized by Mark Peecher (right).

2008 Doctoral Consortium

As summarized elsewhere in this volume, our doctoral consortium was a huge success and over-subscribed due to ever-growing demand. Event organizers Vicky Hoffman and Mark Zimbelman secured the participation of some of accounting and auditing's best scholars. Students heard from Bill Felix, Katherine Schipper, and Bill Kinney about how to have a desirable mix of theory and practical problems in their studies as well as from Reed Smith, Jane Kennedy, Steve Kachelmeier, and Joe Carcello about how to use alternative methods to conduct audit research. They also heard from a diverse panel consisting of Dan Simunic, Brian Mayhew and Steve Kachelmeier about how to go about getting one's research published. We all thank Vicky and Mark as well as each speaker for his or her substantial contribution and look forward to the Consortium's continued success and growth in future years.

2008 PCAOB Conference

Thanks to the prescience of two former officers of the Section, Jean Bedard and Linda McDaniel, selected members of the Auditing Section are being invited to the fourth PCAOB/AAA Conference. At this year's conference, expert Panels will explore the practice, research, and education implications of the PCOAB inspections process, auditing fair values, and the global convergence to IFRS. Another promising Panel will explore how to sustain and grow auditing research and development. This promises to be another wonderful event for invitees.

Officer Elections

At the Annual Business Meeting, our Secretary Julia Higgs announced the results of the Fall 2007 officer elections. Urton Anderson (University of Texas – Austin) was elected to serve as Vice President-Academic, and Jay Thibodeau (Bentley College) was elected to serve as Secretary. Urton and Jay will assume their offices at our Auditing Section Luncheon in August 2008. Congratulations to these new officers! We look forward to working with them on the Executive Committee.

Also, the Section needs to elect our next Vice President – Practice. Please see the Call for Nominations in this volume. We will hold a (potentially uncontested) election beginning very shortly after July 1 for this position, so please watch for an email announcing when electronic voting has begun for this office.

Thank You to The KPMG Foundation

Before looking ahead to our annual meeting, I would like to reiterate a familiar, albeit most welcome refrain: Thank you KPMG Foundation! We are flourishing in no small part because of The KPMG Foundation's generous, unwavering, and substantial support. This support includes sponsoring two of our marquee events: our Midyear Conference and our Doctoral Consortium. It was wonderful that Bernie Milano, President of the KPMG Foundation and Manny Fernandez, National Managing Partner University Relations and Recruiting, could attend our Midyear Conference, so that many of us could thank them in person.

On the Horizon — Annual Meeting

To close, I encourage you to mark you calendars for our annual meeting in Anaheim (August 3-6). Our Section has received over 150 submissions, so the program promises to be stellar. Chris Hogan and Tim Louwers are working hard to organize our Section's activities. When registering, please be sure to register for the Audit Section's luncheon. We will have an excellent luncheon speaker and announce details about our 2009 Excellence in Auditing Education Workshop, Midyear Conference, and Doctoral Consortium. Brian Ballou and Chris Hogan already are organizing our 2009 Midyear

