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# Report of the President

By Chad Stefaniak



As we move into Spring, I want to thank the Executive Committee team: Jennifer Joe (Past President), Yi-Jing Wu (Vice-President Academic), James Powell (Vice-President Practice), Steve Perreault (Treasurer), Marcy Shepardson (Secretary), and Chad Simon (Council Representative). Everyone has been a pleasure to work with and cares greatly for the well-being of the Auditing Section and its members. They have been responsive and creative in the way they have helped lead the Section.

## **Auditing Section Midyear Meeting, Doctoral Consortium, and Audit Educator's Workshop**

I hope you enjoyed the Midyear Meeting in Charlotte as much as I did. Our meeting Co-Chairs Eric Condie, Christine Gimbar, Roy Schmardebeck, and Tim Seidel helped plan and execute an incredible conference. I have complete confidence that next year's Co-Chairs Zach Kowaleski, Melissa Carlisle, and Nathan Berglund will put an equally incredible program together for next year's Midyear meeting in San Antonio!

This year's Midyear meeting had such incredible memories. I enjoyed everything, from meeting the PIPELine students to hearing about the financial undercarriage of NASCAR. Speaking of NASCAR, our reception at the NASCAR Hall of Fame definitely took the checkered flag. Of course, we are incredibly grateful to Scott Vandervelde and the Turner School of Accountancy at the University of North Carolina Charlotte! Speaking of gratitude, I am also incredibly grateful to The CAQ and KPMG for their financial support, which helps ensure that our Midyear Meeting can meet the expectations of our members.

The section gave out its annual awards during the meeting luncheon on Friday. These awards are all chosen by volunteer committees comprised of people too numerous to mention. Thank you to all the committees and congratulations to all the award recipients. You can find the award listings and pictures of all the winners on our brand new [Auditing Section LinkedIn Page!](#) Thank you to our Communications Committee – Leah Muriel, Kerri-Ann Sanderson, Biyu Wu, and Aretha Hill – for the efforts in getting the page up and running and continuously providing intriguing content. If you aren't following the page already, please be sure to follow us!

In addition to the events at the MYM, the Section hosted the Doctoral Consortium and the Excellence in Audit Education Workshop. I am thankful for Jonathan Shipman (Chair) and Tamara Lambert (Vice Chair) for their leadership of the Doctoral Consortium this year. The Consortium represents a great opportunity for emerging scholars to learn from senior colleagues and to get to know their peers.

I am also thankful for Kim Westermann, Eric Rapley, and Vanessa Teitelbaum for their leadership of the Excellence in Audit Education Workshop. The Workshop is a great resource for us to keep current and learn from front-line auditors how to better prepare the next generation for a changing profession. They assembled a great group of practitioners to help us with the workshop as well as the rest of the meeting.

### **Committee Activities**

Our committees are always hard at work to fulfill the mission of the Section. Please see our web page for their names and responsibilities <http://aaahq.org/AUD/Officers-and-Committees#comchair>. They all do an outstanding job and are the lifeblood that keeps our section moving along and excelling. We are coming up on the season where we will need a lot of volunteers. Yi-Jing Wu would love for you to reach out to her if you would like to serve on a committee this coming year. She will be filling committees starting in May.

### **Annual Meeting 2025**

Planning for the Annual Meeting is well underway. The meeting will be held in Chicago, IL from August 2<sup>nd</sup> through 6<sup>th</sup>. I would like to thank the Auditing Section planning committee led by Co-Chairs Stephani Mason, Anne Albrecht, and Xinning Xiao. They are assisted by Vice-Chairs Eric Rapley, Andrew Imdieke, and Erin Hamilton. These individuals have been working hard to coordinate the review process, put together concurrent sessions and panel sessions, and assist the AAA staff in ensuring a valuable experience for all of our members. If you haven't already, please volunteer as a moderator or discussant so that all presenters can receive high quality feedback on their papers. When you see these individuals over the course of the next six months or so, please thank them for their effort on this enormous task.

***Finally, we are excited to announce that at this year's Annual Meeting, we will forego the traditional "business lunch" and award ceremony.*** Many participants have trouble purchasing the additional lunch ticket for this event, so we have decided instead to host an Auditing Section Networking Reception and Business Meeting. ***This reception will be free for Auditing Section members and will be held on Monday during the last session time (4:00 to 5:30), before the Annual Meeting's general reception.*** Be sure to stop by and pre-reception reception with us, participate in our business meeting, and celebrate award winners. Because I know you're curious, yes, you'll get a drink ticket. There will also be light snacks available as well. We hope this new format will increase participation over the traditional section lunch (and save you money in the process!).

## **Closing Remarks**

I would like to apologize to all of those who I have inevitably incorrectly pronounced your name, misspelled your name, or forgotten to say your name (particularly you, Marcus Doxey – from the University of Alabama – whom I will never overlook again and definitely will not try to bring an inordinate amount of attention to). I appreciate you all being willing to overlook my flaws, embrace the changes and initiatives we have incorporated into the Section this year, and always lean into the Section and its needs (which is why it's the best Section). I was humbled to have been nominated for this position, and I continue to be humbled by the incredible volunteers, staff, researchers, instructors, editors, and [insert the group(s) that I have, of course, forgotten] whom I have been able to interface with over the last 9 months.

Can't wait to see you in Chicago!

~CmS

# PCAOB Update

By Barbara Vanich and Elena Bozhkova

PCAOB Acting Chief Auditor and PCAOB Assistant Chief Auditor

## Introduction

This Update addresses select Public Company Accounting Oversight Board (PCAOB) developments since the Fall 2024 Update that are likely to be of interest to accounting and auditing researchers, educators, and students. The developments include:

- 2025 PCAOB/Management Science Registered Reports Conference
- 2025 Conference on Auditing and Capital Markets
- Supplement to Staff Guidance Concerning the Remediation Process
- Meeting of PCAOB Standards and Emerging Issues Advisory Group
- Existing Auditor Responsibilities Related to Illegal Acts
- Audit Focus Publication Series
- Adoption of a Rule Amendment Regarding Firm Registration
- Withdrawn Requirements Related to Firm and Engagement Metrics, Firm Reporting
- Spotlight on Audit Firm Culture
- Spotlight on 2025 Staff Priorities and Interactions With Audit Committees
- New Resource Page for Smaller Audit Firms
- Spotlight on Using the Work of Specialists
- Briefing on Quality Control Implementation Efforts
- Implementation Resources for Recent Standards
- Settled Disciplinary Orders

## PCAOB Developments

### 2025 PCAOB/Management Science Registered Reports Conference

The PCAOB and *Management Science* announced a joint conference focused on registered report proposals relating to audit-related topics. The conference will be held in-person in Washington, DC, on September 26-27, 2025. Researchers are invited to submit registered report proposals for consideration for presentation at the conference.

The conference aims to facilitate collaboration among academics, practitioners, and regulators to address emerging challenges in the audit landscape by stimulating academic interest in areas of significance to the PCAOB's mission.

More information about the conference, including submission details, are available at <https://pcaobus.org/news-events/events/2025-pcaob-management-science-registered-reports-conference>.

## **2025 Conference on Auditing and Capital Markets**

The PCAOB, in conjunction with *The Accounting Review*, announced the 2025 Conference on Auditing and Capital Markets. This year's conference will be held in-person in Washington, DC, on October 16-17, 2025. Attendance is free and open to academics and Ph.D. students.

The conference aims to:

- Foster rigorous economic research on audit-related topics, including the economic impact of auditing, audit regulation, and audit oversight on capital markets;
- Inform the academic community about PCAOB activities and developments; and
- Obtain input from the academic community on topics of interest to the PCAOB.

More information about the conference, including registration and submission details, are available at <https://pcaobus.org/news-events/events/conference-auditing-capital-markets/2025-pcaob-conference-on-auditing-and-capital-markets>.

## **Supplement to Staff Guidance Concerning the Remediation Process**

On October 31, 2024, the PCAOB published a supplement to its "Staff Guidance Concerning the Remediation Process." The supplement provides audit firms with additional guidance regarding remediation, including making the most of the remediation period, the potential influence of non-technical factors on persistent quality control criticisms, and more.

The supplement, the original staff guidance, and related materials on remediation are available at <https://pcaobus.org/oversight/inspections/remediation>.

## **Meeting of PCAOB Standards and Emerging Issues Advisory Group (SEIAG)**

On November 12, 2024, the PCAOB held a meeting of the SEIAG. Agenda topics included:

- Standard-Setting Update;
- Consideration of a Company's Information Technology Risks and Control Environment;
- Introduction to Artificial Intelligence and Breakout Sessions; and
- Subsequent Events.

The recording and related materials for the meeting are available at <https://pcaobus.org/news-events/events/event-details/pcaob-standards-and-emerging-issues-advisory-group-meeting-2024-11>.

## **Existing Auditor Responsibilities Related to Illegal Acts**

On November 12, 2024, the PCAOB released a new staff Spotlight publication "Auditor Responsibilities for Detecting, Evaluating, and Making Communications About Illegal Acts." The Spotlight provides an overview of existing audit requirements regarding detecting, evaluating, and making communications about illegal acts by a company in an audit of financial statements.

The Spotlight is available at <https://pcaobus.org/documents/illegal-acts-spotlight.pdf>.

### **Audit Focus Publication Series**

On November 13, 2024, the PCAOB released the first staff publication in a new series called Audit Focus. Audit Focus publications aim to provide easy-to-digest information to auditors, especially those who audit smaller public companies. With an eye toward protecting investors and improving audit quality, each edition of Audit Focus reiterates applicable auditing standards and staff guidance and offers reminders and good practices tailored to PCAOB-registered auditors of smaller public companies.

The four publications released so far are:

- Critical Audit Matters, available at <https://pcaobus.org/resources/staff-publications/audit-focus-critical-audit-matters>;
- Audit Committee Communications, available at <https://pcaobus.org/resources/staff-publications/audit-focus-audit-committee-communications>;
- Journal Entries, available at <https://pcaobus.org/resources/staff-publications/audit-focus-journal-entries>; and
- Form AP, available at <https://pcaobus.org/resources/staff-publications/audit-focus-form-ap>.

### **Adoption of a Rule Amendment Regarding Firm Registration**

On November 14, 2024, the PCAOB adopted a rule amendment to address situations in which a registered firm has ceased to exist, is nonoperational, or no longer wishes to remain registered, as demonstrated by its failures to file annual reports (via PCAOB Form 2) and pay annual fees for at least two consecutive reporting years.

The SEC approved the amendment on January 2, 2025. The amendment will be effective initially for annual reports and annual fees that are due in 2025.

The adopting release, comment letters received, and supplemental materials are available at <https://pcaobus.org/about/rules-rulemaking/rulemaking-dockets/docket-054>.

### **Withdrawn Requirements Related to Firm and Engagement Metrics, Firm Reporting**

On November 21, 2024, the PCAOB adopted:

- Requirements for reporting of specified firm-level and engagement-level metrics; and
- Amendments to PCAOB annual and special reporting requirements.

On November 22, 2024, the PCAOB sent the adopted requirements to the Securities and Exchange Commission (SEC) for their consideration. On February 11, 2025, the PCAOB withdrew the requirements from SEC consideration.

More information about the withdrawn requirements can be found at <https://pcaobus.org/about/rules-rulemaking/rulemaking-dockets/docket-41> and <https://pcaobus.org/about/rules-rulemaking/rulemaking-dockets/docket-055>.

### **Spotlight on Audit Firm Culture**

On December 5, 2024, the PCAOB released a new staff Spotlight publication “Insights on Culture and Audit Quality.” Key insights from the Spotlight include the following:

- Audit firm culture can drive audit quality;
- Centralization and standardization may be correlated with audit quality;
- The remote/hybrid work environment affects audit firm culture;
- Audit firms need to promote a culture of accountability to support audit quality;
- Certain firm personnel may lack foundational skills; and
- Audit leadership sends mixed messages.

The Spotlight is available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/culture-spotlight.pdf?sfvrsn=d0a0346e\\_1](https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/culture-spotlight.pdf?sfvrsn=d0a0346e_1).

### **Spotlight on 2025 Staff Priorities and Interactions With Audit Committees**

On December 9, 2024, the PCAOB released a new staff Spotlight publication “Staff Priorities for 2025 Inspections and Interactions With Audit Committees.” The Spotlight highlights risks and other considerations the staff believes auditors should consider when planning and performing their current and upcoming audits, as well as sectors and industries that PCAOB inspection staff will prioritize. The Spotlight also provides a set of suggested questions that audit committees may consider as they exercise their oversight role.

The Spotlight is available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/2025-priorities-spotlight\\_v3.pdf?sfvrsn=f855ffb5\\_2](https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/2025-priorities-spotlight_v3.pdf?sfvrsn=f855ffb5_2).

### **New Resource Page for Smaller Audit Firms**

On January 28, 2025, the PCAOB launched a new online resource page “Information for Smaller Firms.” The page features PCAOB content tailored for smaller firms, including publications, videos, and more.

The new resource page is available at <https://pcaobus.org/resources/information-for-smaller-firms>.

### **Spotlight on Using the Work of Specialists**

On February 4, 2025, the PCAOB released a new staff Spotlight publication “Considerations for Audit Firms Using the Work of Specialists.” The Spotlight highlights recent staff observations that are designed to help audit firms ensure appropriate procedures are performed when using the work of a specialist.



The Spotlight is available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/use-of-specialist-spotlight.pdf?sfvrsn=29f54f7c\\_3](https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/use-of-specialist-spotlight.pdf?sfvrsn=29f54f7c_3).

### **Briefing on Quality Control Implementation Efforts**

On March 19, 2025, the PCAOB staff provided the Board with an overview of the latest implementation efforts related to QC 1000, *A Firm's System of Quality Control*, with a specific focus on the monitoring and remediation process.

The recording and related materials for the Board's open meeting are available at <https://pcaobus.org/news-events/events/event-details/open-board-meeting---pcaob-staff-to-discuss-quality-control-monitoring-and-remediation-process-and-implementation-resources-available-for-firms-auditors>.

### **Implementation Resources for Recent Standards**

The PCAOB staff posted new implementation resources for the Board's recently completed projects on *Quality Control* and *Confirmation*. The implementation resources include staff guidance, presentations, and knowledge checks developed by the staff.

The implementation resources on these and other topics are available at <https://pcaobus.org/oversight/standards/implementation-resources-PCAOB-standards-rules>.

### **Settled Disciplinary Orders**

The PCAOB posted numerous settled disciplinary orders that imposed significant monetary penalties and other sanctions. Settled disciplinary orders are available at <https://pcaobus.org/Enforcement/Decisions/Pages/default.aspx>

## Awards Presented at 2025 Auditing Section Midyear Conference

**Audit Midyear Meeting Best Behavioral Paper**  
**Lori Bhaskar, Andrew Jones, Kathryn Kadous**

*(From Left: Lori Bhaskar, Andrew Jones, Kathryn Kadous)*



**Audit Midyear Meeting Best Archival Paper  
Matthew Ege, Antonis Kartapanis, Benjamin Whipple**

*(From Left: Benjamin Whipple, Matthew Ege, Antonis Kartapanis)*



**Audit Midyear Meeting Best Phd Student Paper  
Will Anding**

*(From Left: Ally Zimmerman, Will Anding, Nate Newton)*



**Auditing: A Journal of Practice & Theory Best Paper Award**  
**David Piercey**

*(Recipient unavailable for photograph)*

**Outstanding Auditing Dissertation and Dissertation Chair  
Lena Pieper and Ann Vanstraelen, Jere Francis**

*(From Left: Ann Vanstraelen, Lena Pieper)*

*(Not pictured: Jere Francis)*





**Notable Contribution to the Auditing Literature**  
**Brant Christensen, Steven Glover, Thomas Omer and Marjorie Shelley**

*(From Left: Steven Glover, Kim Westermann, Brant Christensen, Chad Stefaniak)*  
*(Not Pictured: Thomas Omer, Marjorie Shelley)*



## Distinguished Service David Pearson

*(From Left: John Keyse, David Pearson, Chad Stefaniak)*





**Outstanding Educator  
Jagan Krishnan**

*(Jagan Krishnan)*



**Innovation in Auditing & Assurance Education**  
**Ryan Dunn, Greg Jenkins and Mark Sheldon**

*(Recipients unavailable for photographs)*

**AUDITING: A Journal of Practice & Theory Outstanding Reviewer Awards**  
**Sarah Stuber, Ashleigh Bakke, Andy Imdieke, Yi Luo**

*(From Left: Mike Wilkins, Yi Luo, Andy Imdieke, Sarah Stuber, Ashleigh Bakke)*



# **PCAOB Standards Update**

## **By Barbara Vanich and Elena Bozhkova**

### **PCAOB Acting Chief Auditor and PCAOB Assistant Chief Auditor**

#### **Introduction**

This Update addresses select Public Company Accounting Oversight Board (PCAOB) developments since the Fall 2023 Update that are likely to be of interest to accounting and auditing researchers, educators, and students. The developments include:

- Revised Standard-Setting, Research, and Rulemaking Agendas
- Meeting of PCAOB Standards and Emerging Issues Advisory Group (SEIAG)
- Spotlight on Priorities for 2025 Inspections and Interactions with Audit Committees
- Spotlight on Observations from the Target Team's 2022 Inspections
- Spotlight on Insights into the PCAOB's Interim Inspection Program Related to Audits of Broker-Dealers
- 2025 PCAOB/TAR Registered Reports Conference on Current Issues in Auditing
- Virtual Roundtable on NOCLAR Proposal, Reopened Comment Period
- Proposed Rule Prohibiting False Statements About PCAOB Registration and Oversight
- Settled Disciplinary Orders

#### **Revised Standard-Setting, Research, and Rulemaking Agendas**

On November 1, 2023, PCAOB staff posted revised standard-setting, research, and rulemaking agendas. The agendas include eight short-term standard-setting projects, six mid-term standard-setting projects, two research projects, and four rulemaking projects.

The revised agendas are available at <https://pcaobus.org/oversight/standards/standard-setting-research-projects>.

#### **Meeting of PCAOB Standards and Emerging Issues Advisory Group (SEIAG)**

On November 2, 2023, the PCAOB held a virtual meeting of the SEIAG. Agenda topics included:

- Standard-Setting and Rulemaking Projects Update
- Emerging Issues in Auditing Subcommittee Discussion
- Auditing Inventories
- Use of a Service Organization

The recording and related materials for the meeting are available at <https://pcaobus.org/news-events/events/event-details/pcaob-standards-and-emerging-issues-advisory-group-meeting-1>.

#### **Spotlight on Priorities for 2025 Inspections and Interactions with Audit Committees**

On December 20, 2023, the PCAOB issued a Spotlight that outlines priorities for 2025 inspections and contains suggested questions for audit committee members to consider amongst themselves or in discussions with their independent auditors. The report highlights key risks, like high interest rates, and other considerations, like audit areas with recurring deficiencies, that auditors should be focused on when planning and performing audit procedures. It notes that the PCAOB will continue to prioritize inspections of financial-services sector audits, digital assets, and more. The report also reiterates the inspection staff's commitment to enhancements to the inspection program, such as increasing the number of engagements reviewed and improving the timeliness of inspection reports.

The Spotlight is available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/2025-priorities-spotlight.pdf?sfvrsn=7c595fae\\_4](https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/2025-priorities-spotlight.pdf?sfvrsn=7c595fae_4).

### **Spotlight on Observations from the Target Team's 2022 Inspections**

On December 21, 2023, the PCAOB issued a Spotlight that provides auditors and other stakeholders with a view into the target team's work in 2022, including observations, good practices, and key insights. The target team is a group of inspectors who execute in-depth reviews across audit firms with a focus on emerging audit risks and other topics.

The Spotlight is available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/target-team-2022-inspections-spotlight.pdf?sfvrsn=7917915b\\_4](https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/target-team-2022-inspections-spotlight.pdf?sfvrsn=7917915b_4).

### **Insights into the PCAOB's Interim Inspection Program Related to Audits of Broker-Dealers**

On January 30, 2025, the PCAOB issued a Spotlight that provides inspection-related insights and reminders from the PCAOB staff regarding potential factors contributing to the high deficiency rates in broker-dealer engagements. Based on results from the PCAOB interim inspection program of broker-dealer audits, PCAOB staff believes there is a need for significant improvement in the quality of broker-dealer audit and attestation engagements.

The Spotlight is available at [https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/2025-broker-dealer-spotlight.pdf?sfvrsn=b6f72dff\\_2](https://assets.pcaobus.org/pcaob-dev/docs/default-source/documents/2025-broker-dealer-spotlight.pdf?sfvrsn=b6f72dff_2).

### **2025 PCAOB/TAR Registered Reports Conference on Current Issues in Auditing**

On February 21, 2025, the PCAOB and The Accounting Review (TAR) announced a joint conference focused on registered report proposals relating to auditing and audit-related topics. The conference will be held in person in Washington, DC, on June 12-13, 2025. Researchers are invited to submit registered report proposals for consideration for presentation at the conference.

More information about the conference, including topics of interest and submission details, are available at <https://pcaobus.org/news-events/pcaob-tar-registered-reports-conference-on-current-issues-in-auditing-call-for-registered-report-proposals>.

## **Virtual Roundtable on NOCLAR Proposal, Reopened Comment Period**

On February 26, 2025, the PCAOB announced that, on March 6, 2025, staff will host a public virtual roundtable regarding the proposal to amend PCAOB auditing standards related to the auditor's responsibility for considering a company's noncompliance with laws and regulations (NOCLAR). The objective of the roundtable is to obtain additional insight from commenters, stakeholders, and experts as PCAOB staff works toward a final recommendation to the Board. In light of the roundtable, the Board reopened the comment period for the NOCLAR proposal through March 18, 2025.

More information, including a briefing paper for the roundtable, is available at <https://pcaobus.org/news-events/events/event-details/pcaob-staff-virtual-roundtable-on-noclar-proposal>.

## **Proposed Rule Prohibiting False Statements About PCAOB Registration and Oversight**

On February 27, 2025, the PCAOB proposed for public comment new PCAOB Rule 2400, *False or Misleading Statements Concerning PCAOB Registration and Oversight*. The proposed rule would address how auditors present their PCAOB registration status, including the scope of the PCAOB's oversight of their work. If adopted, the rule would prohibit statements regarding a firm's registration status to clients, potential clients, or the public that are false or misleading. The proposal also includes a proposed rule amendment that would permit the Board, under specified conditions, to treat a PCAOB-registered firm's repeated failures both to file annual reports and to pay annual fees as a constructive request for leave to withdraw from PCAOB registration.

The deadline for public comment on the proposal is April 12, 2025.

The proposal, comment letters received, and supplemental materials are available at <https://pcaobus.org/about/rules-rulemaking/rulemaking-dockets/docket-054>.

## **Settled Disciplinary Orders**

The PCAOB posted numerous settled disciplinary orders that imposed significant monetary penalties and other sanctions.

Settled disciplinary orders are available at <https://pcaobus.org/Enforcement/Decisions/Pages/default.aspx>.

## **Have you Seen...?**

**Candice Hux, Northern Illinois University  
Jenny McCallen, University of Georgia  
Delia Valentine, University of Wisconsin-Milwaukee**

**“Where Does the Time Go? Auditors’ Commercial Effort, Professional Effort, and Audit Quality” By William A. Ciconte III, Justin Leiby, and Marleen Willekens. *Journal of Accounting Research* 63 (1): 255-317.**

This study examines whether auditors’ commercial efforts (i.e., activities to maximize compensation and profitability) conflict with their professional obligation to act skeptically and remain independent. The authors predict that commercial effort is positively related to compensation but negatively associated with audit effort. They also predict both direct and indirect effects of commercial efforts on audit quality. Using data from two Big Four firms in the Netherlands, they fail to find a relationship between commercial effort and compensation or audit effort. They also fail to find evidence of a negative direct relationship between commercial effort and audit quality. They generally fail to identify a positive indirect relationship between commercial effort and audit quality through quality control, except when technical consultations are used as a proxy for quality control. This finding suggests that effective quality control through technical consultations allows auditors to maintain their commercial motivations without negative implications on audit quality. Taken together, the findings of this study challenge the assertion that auditors’ commercial motivations and professional obligations conflict.

**“Control Issues: How Providing Input Affects Auditors’ Reliance on Artificial Intelligence” By Ben P. Commerford, Aasmund Eilifsen, Richard C. Hatfield, Kathryn M. Holmstrom, and Finn Kinserdal. *Contemporary Accounting Research* 41: 2134-2162.**

This study examines auditors’ reliance on AI-based evidence compared to human specialists and explores how providing input affects this reliance. Results from an experiment show that auditors exhibit algorithm aversion, relying less on AI-based evidence than on human specialists. However, when auditors provide input into the specialist system, their reliance on specialist advice increases, regardless of the source. Importantly, the mitigation of algorithm aversion depends on auditors’ locus of control (LOC). Providing input significantly increases reliance on AI-based evidence for auditors with an external LOC (those who believe they have little control over outcomes), but not for those with an internal LOC (those who perceive themselves as having some control over outcomes). Interviews with experienced auditors reinforce these findings, highlighting ongoing hesitation toward AI use due to concerns about incorporating client-specific knowledge.

**“PCAOB Inspection Deficiencies and Future Financial Reporting Quality: Do the Types of Deficiencies Matter?” By Patience Constance, Clive Lennox, and Chan Li. *Contemporary Accounting Research* 42 (1): 121-152.**

This study finds that PCAOB inspection reports can predict future financial misstatements. Economically significant, an increase in the overall deficiency rate from the 25th to the 75th percentile is associated with a 14.2% increase in the likelihood of a future misstatement. Next, the authors manually classify 2,489 inspection reports from 2005 to 2018 into five different types of deficiencies and find an auditor's failure to understand the client's accounting is most strongly predictive of future misstatements. Additionally, for Big 4 audit firms, only these failures to understand the client's accounting predict future misstatements. However, for non-Big 4 firms, future misstatements are predicted by an auditor's failure to understand the client's accounting procedures or policies, inadequate substantive testing, and inadequate going concern assessments. Collectively, these findings provide important insights into the informativeness of PCAOB inspections and the effectiveness of audit firms' remediation process following a deficiency.

**"Do Signatory Auditors with Tax Expertise Facilitate or Curb Tax Aggressiveness?" By Mark DeFond, Baolei Qi, Yi Si, and Jieying Zhang. *Journal of Accounting and Economics* 79: 101715.**

Prior studies examine and find that auditors facilitate tax aggressiveness when they provide non-audit tax services given conflicting incentives. The authors re-examine this question using Chinese data on Certified Tax Agents (CTAs) and the difference between book income and taxable income and the current effective tax rate as proxies for tax aggressiveness. Findings suggest companies are less aggressive with their taxes when audited by CTAs who do not provide non-audit tax services. Moreover, tax-expert auditors attenuate tax aggressiveness that leads to tax-related misstatements. Collectively, results are consistent with tax-expert auditors curbing tax aggressiveness, contrary to prior research.

**"Leadership Ability: Labor Market Outcomes, Organizational Benefits, and Talent Management in the Auditing Profession" By Ting Dong, Juha-Pekka Kallunki, Henrik Nilsson, and Ann Vanstraelen. *Contemporary Accounting Research* 42 (1): 153-186.**

This study examines auditors' leadership ability and its impact on labor market outcomes, audit firm performance, and talent management. Using unique data taken during mandatory military service for males in Sweden at age 18, results suggest leadership ability is a strong predictor of auditors' income and career success. However, there is a delayed recognition via compensation of leadership ability in the labor market until after age 40. Additional analysis suggests leadership ability enhances auditors' ability to obtain and retain clients as well as withstand client pressure not to modify opinions. There is also a documented benefit at the firm level and client portfolio size and profitability. Somewhat surprisingly, there is no significant difference in leadership ability between auditors who stay and those who leave the profession.

**"Surviving Busy Season: Using the Job Demands-Resources Model to Investigate Coping Mechanisms" By Devon P. Jefferson, Lindsay M. Andiola, and Patrick J. Hurley. *Contemporary Accounting Research* 42 (1): 187-216.**

This paper examines auditor fatigue using two field studies with practicing accountants – one during busy season and one during a normal work week. Drawing on the job demands-resources theory, they test and find that microbreaks and supervisor support reduce reported fatigue during busy season.



However, neither mechanism reduces end-of-day fatigue during a normal work week. In a follow-up experiment, they consistently find evidence that a one-minute microbreak reduces fatigue and that this reduction directly increases error detection rates.