

Report Type

Mid Term Award Report

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Project Title

The effect of auditor educational characteristics on audit quality

Project Abstract

In this project we plan to examine the effect of auditor educational characteristics on audit quality. In doing so, we exploit an unusual (and possibly unique) characteristic of the audit profession in the U.K., whereby accounting professional bodies do not require entrants to the profession to have an accredited university degree in accounting. We also exploit a second institutional feature of the UK (and Europe) whereby under The European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010 the individual audit partner signing the audit report has to be named.

Activities and Achievement

We have developed a database consisting of educational background information on approximately 700 unique auditors over the 2009-2014 period. We have completed data collection of the auditors' educational and other professional backgrounds via published

financial reports, linkedin profiles and individual surveys. In addition, we have done literature review and research design for the project, collected and cleaned relevant financial data from FAME.

Our preliminary empirical results indicate that an auditor's education background, in particular, as it relates to training in numeracy, are related to the earnings quality of their client firms. After controlling for extensive firm and auditor characteristics and time trends, we find that client firms with audit partners with degrees in Accounting, Business, Economics and Sciences have better earnings quality in terms of lower discretionary accruals and higher audit fees than those with audit partners with degrees in social studies.

Dissemination

We are in the process of fine tuning our empirical results and will start writing in the late summer/early fall. Our target journals for the study include The Accounting Review and Management Science.

Outputs

While we are making progress and hitting milestones, we do not have a written paper yet.

Major Difficulties and Any Other Issues

There are no major difficulties.

Web Links

None

Additional Information

Declaration

This award has not yet produced any relevant outputs, but details of any future publications will be submitted to the CERF database as soon as they become available.

Signature - Main Award Holder