

Perception Differences of Auditors, Professional Users, and General Users towards the New Auditor's Report

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Abstract

This survey examines perceptions of auditors, professional users, and general users in Thailand towards the new auditor's report issued by the International Auditing and Assurance Standards Board (IAASB). MBA and MS in Finance students are surrogates for general users and professional users. The questions are composed of five areas: management responsibility, auditor's responsibility, key audit matters, going concern, and overall value of report. This study points out that financial analysts are sophisticated users of financial statements and they can utilize the information provided by the new auditor's report. General users show lower agreement to information in the new report because the contents of the report may be too complicated for them, leading to their ignoring it. Similarly, auditors show less agreement with the new auditor's report since they have to exercise more judgment when reporting key audit matters. The results indicate that professional users register several areas of the IAASB's standard as being more useful compared with auditors and general users. Further analysis reveals that only 27 percent of respondents can correctly identify that the illustrative standard auditor's report is the unqualified opinion. About 64 percent of respondents can answer correctly, after reading the new auditor's report that the auditor's assurance is provided on an overall basis. These findings imply that there is a communication difference arising between users and auditors. Therefore, this survey should be beneficial to the standard setters in order to help them find ways to reduce the misunderstanding between users and auditors arising from the proposed new auditor's report.

Keywords: New auditor's report, Survey, Auditors, Professional users, General users, Thailand

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ความแตกต่างของการรับรู้ของผู้สอบบัญชี ผู้ใช้ที่เป็น ผู้เชี่ยวชาญในวิชาชีพ และผู้ใช้ที่ไม่ใช่ผู้เชี่ยวชาญในวิชาชีพ ที่มีต่อรายงานของผู้สอบบัญชีรูปแบบใหม่

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บทคัดย่อ

การศึกษานี้ได้สำรวจการรับรู้ของผู้สอบบัญชี ผู้ใช้ที่เป็นผู้เชี่ยวชาญในวิชาชีพบัญชี และ ผู้ใช้ทั่วไปในประเทศไทย ที่มีต่อรายงานของผู้สอบบัญชีรูปแบบใหม่ที่เสนอโดย The International Auditing and Assurance Standards Board (IAASB) นิติตปริญญโทสาขาบริหาร ธุรกิจและนิติตปริญญโทสาขาการเงิน เป็นตัวแทนของผู้ใช้ทั่วไปและผู้ใช้ที่เป็นผู้เชี่ยวชาญใน วิชาชีพ คำถามประกอบด้วยห้าส่วน: ความรับผิดชอบของผู้บริหารความรับผิดชอบของผู้สอบ บัญชี เรื่องสำคัญจากการสอบบัญชี การดำเนินงานต่อเนื่อง และคุณค่าโดยรวมของรายงาน การสำรวจพบว่านักวิเคราะห์ทางการเงินเป็นผู้ใช้ งบการเงินที่มีความเชี่ยวชาญและสามารถ นำข้อมูลที่เสนอ โดยรายงานของผู้สอบบัญชีรูปแบบใหม่มาใช้ให้เกิดประโยชน์ได้ ผู้ใช้ทั่วไป ไม่ค่อยเห็นด้วยกับข้อมูลในรายงานแบบใหม่เพราะเนื้อหาของรายงานอาจมีความซับซ้อนมาก สำหรับพวกเขา ทำให้ละเอียดข้อมูลดังกล่าว ในทำนองเดียวกัน ผู้สอบบัญชีไม่ค่อยเห็นด้วย กับรายงานของผู้สอบบัญชีรูปแบบใหม่เนื่องจากต้องใช้ดุลยพินิจมากขึ้นเมื่อต้องรายงานเรื่อง สำคัญจากการสอบบัญชี ผลการสำรวจแสดงให้เห็นว่าผู้ใช้ที่เป็นผู้เชี่ยวชาญในวิชาชีพรับรู้ว่ หลายประเด็นของมาตรฐานของ IAASB มีประโยชน์มากกว่าเมื่อเปรียบเทียบกับผู้สอบบัญชี และผู้ใช้ทั่วไป การวิเคราะห์เพิ่มเติมชี้ให้เห็นว่ามีเพียงร้อยละ 27 ของผู้ตอบแบบสอบถาม สามารถระบุได้ถูกต้องว่ารายงานของผู้สอบบัญชีแบบมาตรฐานที่ให้เป็นตัวอย่างเป็นความเห็น แบบไม่มีเงื่อนไข ประมาณร้อยละ 64 ของผู้ตอบแบบสอบถามสามารถตอบได้อย่างถูกต้อง หลังจากอ่านรายงานของผู้สอบบัญชีรูปแบบใหม่ว่าผู้สอบบัญชี ให้ความเชื่อมั่นต่องบการเงิน

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โดยรวม ผลที่เกิดขึ้นเหล่านี้ ชี้ให้เห็นโดยนัยว่ามีความแตกต่างของการสื่อสารเกิดขึ้นระหว่างผู้ใช้และผู้สอบบัญชี ดังนั้น งานสำรวนี้ เป็นประโยชน์ต่อผู้กำหนดมาตรฐานในการช่วยหาแนวทางการลดความไม่เข้าใจกันระหว่างผู้ใช้และผู้สอบบัญชีที่เกิดขึ้นจากรายงานของผู้สอบบัญชีรูปแบบใหม่

คำสำคัญ: รายงานของผู้สอบบัญชีรูปแบบใหม่, การสำรวจ, ผู้สอบบัญชี, ผู้ใช้ที่เป็นผู้เชี่ยวชาญในวิชาชีพ, ผู้ใช้ทั่วไป, ประเทศไทย

1. Introduction

The International Auditing and Assurance Standards Board (IAASB) undertook several rounds of international research and public consultation in order to improve the auditor's report on audited financial statements. The IAASB reported perceptions of the standard auditor's report in May 2009 and, in 2011 (IAASB, 2011), it presented how to improve the auditor's report in the "May 2011 Consultation Paper, Enhancing the Value of Auditor Reporting: Exploring Options for Change". Further, the IAASB (2012) provided the "June 2012 Invitation to Comment (ITC), Improving the Auditor's Report" to seek views from public. Recently, the IAASB (2013a) issued a draft on "Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)" in July 2013 and finally issued ISA 700 (revised) in 2015 (IAASB, 2015a). The main intention of this standard is to propose a new format of auditor's report which has significant changes from the present version and has impacts on the understanding of the report by auditors and users. The IAASB expects that the proposed auditor's report will increase the communicative value of the auditor's report, increase attention by management and those charged with governance, focus the auditor on the matter to be reported, and enhance communications between the auditor and those charged with governance. Major changes refer to presenting audit opinion at the start of report and reporting "auditor commentary" or "key audit matters" in the final version¹. Further, the auditor has to present in the auditor's report information regarding clients' matters on going concern² and report when other information, in other document packages

¹ Contents of auditor commentary in the 2012 draft are similar to "key audit matters" in the 2015 final version. However, the 2015 version provides guidelines in more detail for key audit matters in the ISA 701 'Communicating Key Audit Matters in the Independent Auditor's Report'. This survey was undertaken in early 2013 and the concepts of auditor commentary and key audit matters are not different so that "key audit matters" is also used in the current study. The draft and final version are similar in nature so that the survey is still informative to reflect participants' views on the new auditor's report.

² Going concern section was included in the auditor's responsibilities section in the final version (IAASB, 2015a).

included in the financial statements, is inconsistent with the audited financial statements. Based on the current standards, auditors have to report those matters in the auditor's report when audit clients have significant doubt on going concern or there is inconsistency between other information that includes the audited financial statements and the audited financial statements themselves. The issue of most concern is how to report "key audit matters" of audit clients. The IAASB's illustrative standard auditor's report is four pages in length, and may introduce many concerns to both auditors and users of the reports when weighing costs and benefits. Therefore, this research undertakes a survey approach on the perceptions of three respondent groups: auditors, professional users as proxied by MS in Finance students, and general users as proxied by MBA students, in order to seek their different views on the new auditor's report. Further, the research aims to identify and reduce any misunderstanding from reading the new auditor's report and provides useful feedback to the standard setter.

The research results show that respondents' perceptions differ as professional users express more interest in the new auditor's report than general users and auditors. Further analysis indicates that professional users pay greater attention to the new report than other groups since there are several messages that benefit them such as key audit matters, going concern, management responsibility, and auditor's responsibility. Such information enables them to better analyze a company's performance and realize any uncertainties that may affect the company in the future. Auditors, however, show lower agreement on the benefits of the new report because they may expect more work, higher costs, and more responsibilities when preparing the auditor's report that may outweigh the benefits of it. General users pay less attention to the new report because the information in the report may be too complicated and irrelevant for them. Further analysis also indicates that the illustrative example of an unqualified auditor's report can create confusion to respondents, as 58 percent of them incorrectly specify the report type as an unqualified opinion with an emphasis of matter. Auditors and general users show different opinions on how to present key audit matters. Auditors prefer reporting key audit matters on a judgmental basis whereas general users agree with a mandatory approach. This result indicates that auditors need flexibility in presenting key audit matters whereas general users feel more confident when auditors are forced to report this information.

This research study has two contributions. First, this study is the first survey of auditors, professional users, and general users in Thailand concerning the new auditor's report proposed by the IAASB. The survey is undertaken over practitioners, sophisticated, and unsophisticated users of financial statements so that it provides a broad view of stakeholders. Second, the results indicate that standard setters should communicate to auditors and general users the usefulness of the new auditor's report since most respondents in these two groups express less agreement on several components and the overall value of the report. Further, the standard setters should reduce any difficulties that may create confusion for both auditors and users of the new auditor's report.

The organization of this paper is as follows. The literature review and research questions are presented in Section 2. Research design and results are shown in Sections 3 and 4, respectively; while Section 5 concludes the paper.

2. Literature Review and Research Questions

2.1 New Auditor's Report

The IAASB (2015a) issued the standard auditor's report (ISA 700) and other International Standards on Auditing (ISA) related to the auditor's report. The IAASB (2015a) believes that the new auditor's report will enhance communicative value, increase attention by management and those charged with governance, and increase professional skepticism of auditors, leading to the improved quality of financial reporting. The IAASB issued the standards in December 2014 (IAASB, 2015a, b, c, d) and they will be effective for audited financial statements ending on or after December 15, 2016³. The standard auditor's report suggested by the ISA 700 has significant changes from the existing report. First, the opinion is provided in the first paragraph followed by the basis for opinion in order to draw the attention of users. The format and content of the auditor's opinion are similar to the existing requirements. The basis for opinion contains information on the audit according to ISA and ethical requirements and the statement that auditors obtained sufficient, appropriate audit evidence. This requirement is different

³ It is expected to be applied in Thailand in approximately 2017.

from the current standard, where auditors are required to provide the basis for opinion only when they decide to form a modified audit opinion and have to explain the reasons in this paragraph. Second, the report introduces “key audit matters” which is the most important change. According to ISA 701 (IAASB, 2015b), “key audit matters” are those matters that were the most significant in the audit of financial statements of the current period. Auditors select tentative issues from matters communicated with those charged with governance such as significant risks, difficult areas encountered during the audit, and significant modification of the audit approach. Third, the new report requires auditors to indicate “going concern” of the audited companies. Auditors should consider whether the use of a going concern basis is appropriate. Further, auditors assess management’s assumption and consider whether there is any material uncertainty that may cast doubt on a firm’s ability to continue as a going concern. Auditors are required to assess a client’s ability to continue as a going concern based on the current standards but, when they find no going concern problem, they are not required to report such a matter on the standard auditor’s report. Fourth, auditors have to read other information that includes audited financial statements of audit clients and report in the “other information” paragraph after key audit matters in the new report when such information is inconsistent with audited financial statements (IAASB, 2015e). The existing standards require auditors to do so in the other matter section after the opinion paragraph. Fifth, auditors explain their responsibility under auditor’s responsibility for the audit of the financial statements paragraph. The audit objective is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement due to either fraud or error. This objective does not change from the existing standards; however the responsibilities are described in more detail using technical audit terms. Finally, the name of the engagement partner, who is responsible for the audit, should be presented in the new auditor’s report. This requirement is expected to increase individual accountability.

The revised ISA 705 (IAASB, 2015c) is about modification to the auditor’s opinion when the identified circumstances exist such as material misstatement or scope limitation. The revised standard has no significant change from the current standards; however, the order of paragraph is based on the new auditor’s report. Further, the revised ISA 706 (IAASB, 2015d) explained how to include the emphasis of matter and other

matter paragraphs in the auditor's report. If auditors would like to report emphasis of matter paragraph or other matter paragraph, they will present such paragraphs following the basis of opinion section or after key audit matters section (if any).

Thailand issued Thai Standards on Auditing (TSAs) by translating from International Auditing Standards (ISAs) in 2001. The Federation of Accounting Profession (FAP) is responsible for setting the Thai Standards on Auditing (TSAs) and the Thai Financial Reporting Standards (TFRSs) that are translated from ISAs and IFRSs. All auditors were required to comply with ISA 700 (2009 version) "The Auditor's Report on Financial Statements" in 2012. Thus, the new auditor's report proposed by the IAASB is quite new for both auditors and users in Thailand. Thus, it is interesting to examine their perceptions in order to identify any possible problems before adopting the new report.

2.2 Literature Review on Auditor's Report and Research Questions

The Auditor's report is the final product of the auditing process which is observable by the public (DeAngelo, 1981). Several research studies have been conducted in order to provide evidence on the usefulness of the auditor's report. Menon and Williams (2010) find that the market reaction is negative when a going concern audit report is disclosed. Similarly, Citron, Taffler and Uang (2008) indicate that firms with going concern modification have significant adverse price reactions in the period surrounding the announcement. Gray, Turner, Coram and Mock (2011) undertook a verbal protocol study with financial analysts on the audit report and showed that analysts briefly examine the audit report and make little evaluation of the report.

Even though the public realizes the usefulness of the auditor's report, prior research shows that there are expectation gaps among users and auditors to different degrees. Academic research compares perceptions of users and auditors of the same report type (McEnroe and Martens 2001; Best, Buckby and Tan, 2001) or compares perceptions of users under different report types (Best et al., 2001). Most of the former research has found the communication differences between auditors and users. Chong and Pflugrath (2008) indicate that audit report formats made little difference to shareholders' and auditors' perceptions. Baskerville, Ohogartaigh and Porter (2010) conducted an experimental study using four different versions of the audit report and found no

significant effect on the messages perceived by users. Likewise, Gold, Gronewold and Pott (2012) indicate that clarification in the revised ISA 700 does not decrease the audit expectations gap. They suggest that the audit opinion alone may signal adequate relevant information to users. Porter, O'Hogartaigh and Baskerville (2009) identify a similar gap between users and auditors in the U.K. and New Zealand. Asare and Wright (2012) find that there are communication gaps among auditors, lenders, and investors in understanding of the message conveyed by the standard audit report. They indicate that users have higher levels of confidence in the company's management, investment soundness, and achievement of strategic goals than auditors, even though the auditor's report does not provide assurance on these factors. Misunderstanding from using the auditor's report can lead to inefficient investment, misallocation of resources, litigation risk, and loss of confidence in audit profession (Asare and Wright, 2012). Possible ways to reduce communication gaps between auditors and users can include revising wording in auditor's report to clarify auditing terms and using more understandable language (Asare and Wright, 2012).

Based on prior research studies, the expectation gaps between auditors and users still exist even though the existing auditor's report provides explanations as to auditor's and management's responsibilities. Therefore, the question raised is whether perception differences among auditors and users remain for the new auditor's report. The differences may come from several parts of the report such as key audit matters, auditor's and management's responsibilities, and/or going concern. Key audit matters are significant matters that auditors communicate with company's management and do not affect the auditor's opinion (IAASB, 2015b). This requirement may create unclear pictures among users and auditors on how to judge which matter is significant to report. Prior studies focus on the responsibilities of auditors and company's management on financial statements. Bailey, Bylinski and shield (1983) and Miller, Reed and Strawser (1990) find that long form of auditor's report shift users' perceptions of responsibility from the auditor to the company's management. Recently, Gold et al. (2012) find that users emphasize more responsibility of auditor than management in providing reliability of the financial statements. Prior studies also find the perception differences of users on the going concern since users assume that auditors test going-concern issues and find no problem (Gray

et al., 2011). However, auditors have performed a primary analysis of factors that affect going concern issues. Thus, there might be perception difference on going concern between users and auditors arising from the new auditor's report. The first research question is presented below.

RQ1: Are there discrepancies among respondents' views of the usefulness of proposed new auditor's report?

Based on prior literature, the expectation gap between auditors and users comes from user sophistication regarding the audit expectation gap (Gold et al., 2012). Sophistication here refers to knowledge and experience level (Bailey et al., 1983; Manson and Zaman, 2001). Thus, the perception difference arising among auditors and users may come from the discrepancy between users' professional knowledge and experience. Gray et al. (2011) find that focus groups do not read the entire report and nonprofessional investors do not read the report at all. This survey attempts to indicate which groups of users contribute to perception differences. Further, it also provides evidence that which users' groups are sophisticated or not complicated enough to perceive the usefulness of information provided by the new auditor's report. The second research question, then, is shown below.

RQ2: Which respondent groups contribute to the discrepancy if there are discrepancies among respondents' views?

Chong and Pflugrath (2008) examine perceptions of shareholders and auditors in Australia regarding the expanded report with the audit opinion at the end and that with the audit opinion at the start. They indicate that a number of significant differences between shareholders' and auditors' perceptions were presented for the expanded format whereas a smaller number of differences were found for the expanded report with audit opinion at the start. The new auditor's report is a long form with audit opinion at the start so it is interesting to examine whether there is any perception difference existing between auditors and users. The provision of key audit matters may enable respondents to misperceive that the report is a clean opinion with an emphasis of matter or other type instead of the standard report. Thus, the third research question is posited in order to

indicate any misperception among respondents arising from reading the new auditor's report.

RQ3: Are there any misperceptions among respondents regarding the type of the new auditor's report?

The current International Standard on Auditing (ISA 700) (IAASB, 2009) and the new auditor's report (IAASB, 2015a) refer to the objective that the auditor's report is to provide assurance on the overall financial statements, not on a specific component. However, if perception differences and communication gaps exist due to the long form report (Chong and Pflugrath, 2008) respondents may offer different views on the assurance provided by auditors. Prior research indicates that there is variation in the perceived level of assurance (Hasan, Maijoo and Roebuck, 2005). Further, the concept of reasonable assurance is not clear for all stakeholders and auditors (Gray et al., 2011). Therefore, the fourth research question is provided below.

RQ4: Are there any misperceptions among respondents on the assurance provided by auditors arising from reading the new auditor's report?

Key audit matters is expected to provide useful information to users since it represents significant matters being communicated between auditors and those charged with governance. Thus, this survey attempts to provide respondents' views on the provision of key audit matters as to whether it should be reported on a judgmental basis or a mandatory basis. The fifth research question is presented below.

RQ5: Should the key audit matters be prepared on a judgmental or mandatory basis?

3. Research Design

3.1 Sample

This study was undertaken in Thailand to survey perceptions of the new auditor's report among three respondent groups: auditors, MBA students, and MS in Finance students from a public university. MBA students are surrogates for general users whereas MS in Finance students represent professional users, as they have been used in prior

literature (Elliott, Hodge and Kennedy, 2007; Innes, Brown and Hatherly, 1997). Therefore, this study will explore the possible expectation gaps regarding the new auditor's report arising among auditors, professional, and general users. Thailand has applied International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA). Therefore, the introduction of the new auditor's report by the IAASB will definitely affect both auditors and users of the auditor's report.

All respondents were required to do the same questionnaire. The questionnaire consists of three parts; the introduction letter, a set of questions, and the illustrative example of the standard auditor's report provided by the IAASB (2012). The introduction letter provides the objectives of this survey and ensures the respondents that all information will be analyzed on an overall basis and will be kept confidential. The set of questions consists of two parts; perceptions regarding the new auditor's report and demographic information. Ten-point Likert-scales are provided for measuring respondents' perceptions (scaled from 1 = strongly disagree to 10 = strongly agree). The IAASB's draft of the new auditor's report was attached with the questionnaire and was translated into Thai. The translation was reviewed by a senior professor in accounting and a group of auditors to ensure that the content in the translation is the same as in the English version. The survey of auditors was conducted during public training organized by an independent regulator. The surveys of MBA and MS in Finance students were undertaken in classrooms with the consent of professors and students.

3.2 Method of Analysis

This research measures perception of respondents on the new auditor's report from strongly disagree to strongly agree so the interested variables are ordinal and non-parametric analysis should be used. Cronbach's Alpha test is conducted in order to ensure that the questions are valid, consistent, and reliable. The Kruskal Wallis test was employed to examine mean differences among three respondent groups' perceptions. If there is any significant difference, it implies that there are expectation or perception differences arising among respondents. Further, the pairwise test was conducted to identify the difference between two groups of respondents' perceptions.

4. Research Results

The total number of respondents is 137, consisting of 55 auditors, 35 Master of Finance students, and 47 MBA students. The response rate is 45.8 percent for auditors, 100 percent for MS and 92 percent for MBA students. Their average age is 31 years old and about 37 percent of them hold an accounting degree. The Cronbach's Alpha score is above 70 percent for all questions, implying that the questionnaire is reliable and consistent. This study examines the perceptions of respondents regarding the usefulness of the new auditor's report in five major areas: management responsibility, auditor's responsibility, key audit matters, going concern, and overall value of the report in order to respond to RQ1. As can be seen from Table 1, the respondents' perceptions regarding all areas are statistically different. Professional users, general users, and auditors differently perceive that management responsibility and auditor's responsibility are useful information at significance levels of 1 percent and 5 percent, respectively. Auditors and general users offer average views on management's responsibility section. This section explains that management is responsible for the preparation of financial statements in accordance with IFRSs and for internal control. They pay less attention on this information since it is about the management's responsibility and irrelevant to the audit findings. Further, they emphasize on the auditor's responsibility since this section provides the audit objective and procedures in details that seem to be important. However, their agreements are less than those of professional users on both sections. They also view key audit matters and going concern differently as useful information at the 10 percent significance level. Auditors and professional users offer similar agreements on key audit matters since they realize that this section will deliver useful and critical information from auditors to readers. Interestingly, auditors pay less attention to the going concern information since they possibly get used to such explanation and see little incremental value. They view the overall value of the new auditor's report differently at the 1 percent significance level. Auditors and general users show average agreements on the overall value of report since it is indifferent from the current auditor's report. In short, there are perception differences among respondents regarding the new auditor's report.

Table 1 Descriptive statistics and Kruskal Wallis test of participants' assessments of new auditor's report

Assessment of usefulness	Auditor Mean	MS Mean	MBA Mean	Overall Mean	Chi-square	p-value
Management Responsibility	6.78	8.11	6.68	7.09	17.993	0.000***
Auditor's responsibility	7.77	8.17	7.49	7.78	6.143	0.046**
Key Audit Matters	7.31	7.88	6.98	7.34	5.165	0.076*
Going concern	6.00	7.06	6.66	6.50	5.777	0.056*
Overall value of report	5.76	7.86	6.04	6.40	26.186	0.000***
Total numbers	55	35	47	137		

*, **, *** Significant at 1 percent, 5 percent, and 10 percent levels, respectively

In order to answer RQ2, Table 2 reports the pairwise comparisons of participants' perceptions to further investigate the significant differences. Professional users show a higher score for usefulness of management responsibility information than general users (mean difference = -1.433) and auditors (mean difference = -1.337) at the 1 percent significance level. Professional users are sophisticated analysts who realize the importance of corporate governance and the impact of management accountability on financial report credibility. Professional users also show a higher usefulness score for auditor's responsibility (mean difference = -0.682), and key audit matters (mean difference = -0.904) than general users at the 5 percent significance level. This result implies that professional users highlight the importance of auditor's responsibility because they realize that an external audit is an important mechanism of corporate governance and makes the financial report more reliable. Consequently, they also recognize any key audit matters as very crucial information that enables them to better understand the target companies. These findings indicate that there is an expectation gap between auditors and users regarding the new auditor's report. Professional users show their demands regarding the new auditor's report whereas auditors feel unsure of its usefulness and may be concerned at the cost over benefit of preparing the auditor's report. General users express lower interest in the new auditor's report than professional users. The possible explanation is that general users may have difficulty in processing the information provided by the new auditor's report so that they pay less attention to it.

Professional users also realize the importance of going concern information for a company when they analyze a company's performance for any objectives. Going concern is an assumption for preparing a financial statement as required by the International Financial Reporting Standard. If a company has a significant going concern problem and the use of going concern assumption is not appropriate, it should adopt another acceptable accounting framework for preparation of the financial statement. However, auditors show a lower usefulness score than professional users (mean difference = -1.057) at the 5 percent significance level possibly because they feel more responsible for predicting the company's going concern. Further, it would be difficult for auditors to assess the company's going concern when the audit clients have a going concern problem and circumstances are unpredictable.

Further, professional users' perceptions of the overall value of the new auditor's report are significantly higher than those of auditors (mean difference = -2.094) and general users (mean difference = -1.814) at the 1 percent level. This evidence implies that professional users realize the benefits from the new auditor's report because they are sophisticated enough to utilize information reported by auditors. Further, the new auditor's report provides key audit matters that contains technical terms particular to financial reports and communication between auditors and those charged with governance. However, general users cannot utilize this information so that they are not interested in these matters. On the other hand, auditors perceive the new auditor's report as less useful than other groups since they will have a higher cost in preparing the new auditor's report. The high cost comes from the time consumed in finding audit evidence, in exercising more judgment on the matters to report as discussed in Table 5, and in discussing with clients for key audit matters. Even though the auditing process does not change, many auditors feel that the new auditor's report will increase the burden of their audit engagements.

Table 2 Pairwise comparisons of participants' assessments of new auditor's report

Assessment usefulness of	Participant Group A	Participant Group B	Mean Difference (A-B)	Std. Error	p-value
Management Responsibility	Auditors	MBAs	0.097	0.384	0.799
	Auditors	MSs	-1.337	0.377	0.000***
	MBAs	MSs	-1.433	0.319	0.000***
Auditor's responsibility	Auditors	MBAs	0.284	0.275	0.302
	Auditors	MSs	-0.398	0.294	0.166
	MBAs	MSs	-0.682	0.285	0.018**
Key audit matters	Auditors	MBAs	0.336	0.380	0.378
	Auditors	MSs	-0.568	0.392	0.135
	MBAs	MSs	-0.904	0.401	0.023**
Going concern	Auditors	MBAs	-0.660	0.415	0.115
	Auditors	MSs	-1.057	0.449	0.021**
	MBAs	MSs	-0.398	0.377	0.288
Overall value of report	Auditors	MBAs	-0.280	0.405	0.491
	Auditors	MSs	-2.094	0.420	0.000***
	MBAs	MSs	-1.814	0.333	0.000***

*, **, *** Significant at 1 percent, 5 percent, and 10 percent levels, respectively

This survey attempts to examine whether all respondent groups perceive the same message delivered by the new auditor's report in RQ3. The IAASB's auditor's report attached to the questionnaire is an unqualified audit opinion. If respondents recognize this report (incorrectly) as another type of modification, this implies confusion arising from reading the new auditor's report. The results in Table 3 show that about 27 percent of respondents choose the appropriate opinion type. However, about 73 percent of respondents provide incorrect answers. More than 58 percent of respondents incorrectly reply that this report is an unqualified opinion with an emphasis of matter and 10 percent of respondents incorrectly reply that the report is a qualified audit opinion. Even though

the opinion paragraph comes at the start and it shows the clean or unqualified opinion, respondents still provide incorrect answers. The possible explanation comes from the inclusion of key audit matters to the report. It may distort their perception that this report is a clean audit opinion with an emphasis of matter. Interestingly, 69 percent of auditors still give wrong answers that this report is unqualified opinion with an emphasis of matter. Thus, the standard setter should emphasize that key audit matters do not affect the auditor's opinion on the audited financial statements. A possible way to reduce misunderstanding among auditors and users from using the new auditor's report is to increase communication among them on how to present and utilize the new auditor's report. The communication should include using more understandable wordings and precise length on responsibilities of management and auditor, key audit matters and going concern. Further, the standard setter should consider how to present key audit matters effectively to prevent misinterpretation. The other way is to communicate information content of new auditor's report to all stakeholders prior to the adoption period to increase understanding of auditors and users.

Table 3 Perception on type of auditor's report

Types of audit opinion	No. of participants							
	Auditors	%	MBAs	%	MSs	%	Total	%
Unqualified opinion	14	25.45	14	29.79	9	25.71	37	27.01
Unqualified opinion with an emphasis of matter	38	69.09	21	44.68	21	60.00	80	58.39
Qualified opinion	1	1.82	10	21.28	3	8.57	14	10.21
Disclaimer of opinion	1	1.82	1	2.13	0	0	2	1.46
Adverse opinion	0	0	0	0	1	2.86	1	0.73
Total	54	98.18	46	97.87	34	97.14	134	97.81
No response	1	1.82	1	2.13	1	2.86	3	2.19
Total	55	100	47	100	35	100	137	100

This research endeavors to check respondents' understanding of the assurance service provided by the new auditor's report as stated in RQ4. Actually, auditors provide assurance on the overall audited financial statements. However, when the key audit matters is presented in the auditor's report, this can distort perceptions of respondents that auditors are providing an assurance on a component of financial statements basis. This is because they recognize each discrete accounting issue in the key audit matters paragraph such as goodwill impairment, valuation of financial instrument, and revenue recognition. The results in Table 4 show that 64 percent of respondents reply correctly that the auditors provide assurance on an overall basis. Nevertheless, about 17.5 percent of respondents perceive incorrectly that auditors provide assurance on financial statements based on a component basis, and both on overall and component bases, respectively. This evidence suggests that key audit matters can create confusion to auditors and users of the auditor's report that auditors are providing assurance on a specific component basis. The key audit matter in the illustrative report provides discussions on goodwill, valuation of financial instruments, and recording of revenue. If auditors misperceive that they can provide assurance on financial statements based on a component basis, they may audit and express opinion on some accounting components only and ignore other important components.

Table 4 Perceptions on assurance provided by auditors

Auditors provide assurance on	No. of participants (Percent)							
	Auditors	%	MBAs	%	MSs	%	Total	%
Component of financial statements	5	9.09	10	21.28	9	25.71	24	17.52
Overall financial statements	38	69.09	32	68.09	18	51.43	88	64.23
Both	11	20.00	5	10.63	8	22.86	24	17.52
Total	54	98.18	47	100	35	100	136	99.27
No response	1	1.82	-	-	-	-	1	0.73
Total	55	100	47	100	35	100	137	100

Further, users will pay attention only to transactions that are discussed by auditors and ignore other useful accounting components. Thus, it is important to effectively communicate key audit matters to the users. Further, it is also crucial to highlight that auditors still provide overall assurance on the audited financial statements.

This research study also attempts to explore possible solutions to how to report key audit matters in the new auditor's report as indicated by RQ5. The question is provided to respondents as to whether the key audit matters should be reported on a judgmental basis or on a mandatory basis. There are pros and cons to both choices. Reporting on a judgmental basis is flexible for auditors because each audit client has different matters to report to the public. Auditors may have no "key audit matters" to report for some audit clients. However, this approach can create a reporting bias arising from auditors' incentives or pressure from audit clients. Auditors may use their judgment to select or ignore to report some matters under the key audit matters paragraph. On the other hand, a mandatory approach will force auditors to report key audit matters regularly and increase their awareness of these possible matters. However, auditors may report key audit matters in a boilerplate manner and may discard useful matters that are unique in each year. IAASB (2015b) issued ISA 701 communicating key audit matters in the independent auditor's report and provided circumstances in which the auditor has determined there are no key audit matters. The survey results in Table 5 indicate that about 61 percent of auditors prefer the judgmental approach over the mandatory approach. This finding is consistent with an expectation that auditors will have more flexibility to select audit matters to present in the key audit matters paragraph. On the contrary, about 70 percent of MBA students favor the mandatory basis over the judgmental basis. This evidence suggests that general users emphasize the importance of key audit matters since they feel confident that auditors do their duties properly. Further, the key audit matters are expected to increase their business understanding and risk awareness of the audited companies. The MS in Finance students prefer both approaches with a similar proportion. In summary, there is still an expectation difference between auditors and users over how to report key audit matters in the auditor's report. The standard setters should carefully consider this issue in order to make appropriate decisions on how to communicate key audit matters more effective.

Table 5 Perceptions on basis for key audit matters

Key audit matters should be provided on	No. of participants (Percent)							
	Auditors	%	MBAs	%	MSs	%	Total	%
Judgmental basis	30	61.22	14	29.79	19	54.29	63	45.99
Mandatory basis	18	36.73	33	70.21	16	45.71	67	48.91
Total	48	97.96	47	100	35	100	130	94.89
No response	1	2.04	-	-	-	-	1	0.01
Total	49	100	47	100	35	100	137	100

5. Conclusions

This survey provides the views of auditors, professional users as represented by Master of Finance students, and general users as represented by MBA students in Thailand, on the new auditor's report proposed by the IAASB. The research questions focus on five areas: management responsibility, auditor's responsibility, key audit matters, going concern, and overall value of report. The results indicate that professional users show the highest agreement among respondents on all areas of the report. Interestingly, auditors show the lowest agreement on going concern information and overall value of report. Additional analysis reveals that about 73 percent of respondents misperceive that the illustrative standard report provided by the IAASB is an unqualified opinion with an emphasis of matter. This result implies that respondents perceive that the key audit matters is similar to an emphasis of matter. Further, about 64 percent of respondents recognize that auditors provide overall assurance on audited financial statements whereas 36 percent of them perceive differently which implies that the understanding differences still exist. The analysis on disclosure of key audit matters indicates that about 50 percent of respondents agree with the mandatory approach. More than half of auditors agree with a judgmental basis whereas more than half of general users agree with a mandatory basis. Even though general users show less agreement on the usefulness of key audit matters, they feel confident when such information is mandated to be reported.

This survey is the first study in Thailand to provide three main respondent groups' perceptions towards the new auditor's report proposed by the IAASB. Further, the results provide auditors' and users' perception differences on five key questions of the new report implying that the IAASB should emphasize communication to public in order to reduce the differences. However, this research suffers from three limitations. First, this research is limited to comparing the perceptions of auditors, professional users and general users. I acknowledge that there might be other stake-holders whose their perceptions are crucial to study. Second, the research attempts to measure respondents' perception on the standard auditors' report. Thus, this research does not provide a complete result of all opinion types. Finally, the survey results represent only a group of respondents in Thailand and the extension of this study to other countries may be an avenue for future research.

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