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AUDITING | RESEARCH ARTICLE

Comparison of International and Local Auditing Standards: Practical Implications

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Abstract: This qualitative literature review explores the practical implications of auditing standard convergence, focusing on audit quality and financial reporting practices. The research aims to analyze the impact of international auditing standards, particularly the International Standards on Auditing (ISAs), on audit quality across different jurisdictions. The methodology involves a systematic search and analysis of relevant academic articles, books, reports, and scholarly sources. Data collection includes comprehensive searches of academic databases and hand-searching for relevant journals. Data analysis employs thematic analysis and quality appraisal criteria for evaluating qualitative research. The findings suggest that the adoption of ISAs is associated with improvements in audit quality due to their principles-based approach and emphasis on professional judgment and skepticism. However, the extent of improvement varies depending on the regulatory environment and institutional context. Challenges in achieving convergence arise from differences in legal systems, cultural norms, and regulatory environments across countries. Despite efforts towards convergence, discrepancies exist in research findings regarding the impact on financial reporting quality. Factors moderating this relationship include regulatory oversight, contextual differences, and institutional infrastructure. The study underscores the need for nuanced approaches to standard-setting and implementation to address these challenges effectively.

Keywords: Auditing Standard Convergence, International Standards On Auditing, Audit Quality, Financial Reporting, Regulatory Environment.

JEL Code: M42, M48

1. INTRODUCTION

The auditing profession plays a pivotal role in ensuring the transparency, reliability, and credibility of financial statements. Auditing standards serve as the guiding principles for auditors worldwide, providing a framework for conducting audits effectively and efficiently. In recent years, the globalization of markets has led to increased cross-border transactions and operations, resulting in the convergence of auditing standards at an international level. This convergence has sparked debates and discussions regarding the practical implications of adopting international auditing standards over local standards. The research presented in this study aims to explore and compare the practical implications of international and local auditing standards, shedding light on the challenges, benefits, and outcomes associated with their implementation. Auditing standards serve as the foundation for auditors' work, offering guidelines on the conduct of audits, the evaluation of evidence, and the issuance of audit reports. International auditing standards, such as those issued by the International Auditing and Assurance Standards Board (IAASB), aim to harmonize auditing practices globally, facilitating consistency and comparability in financial reporting. Conversely, local auditing standards are developed and enforced by national regulatory bodies, tailored to the specific legal, cultural, and economic contexts of individual countries or regions. The comparison between international and local auditing standards encompasses various dimensions, including but not limited to, audit procedures, reporting requirements, professional judgment, and ethical considerations. Differences in terminology,

documentation requirements, materiality thresholds, and reporting formats often exist between international and local standards, posing challenges for multinational corporations and auditors operating across jurisdictions. Moreover, the level of enforcement and compliance with auditing standards may vary significantly between countries, influencing audit quality and stakeholder confidence. The phenomenon of diverging and converging auditing standards reflects the dynamic nature of the auditing profession in response to global economic integration and regulatory developments. While efforts towards convergence aim to enhance consistency and comparability in financial reporting, the practical implications of adopting international standards remain subject to empirical inquiry. Understanding how auditors navigate the complexities of differing auditing standards and the impact on audit quality is crucial for policymakers, standard-setting bodies, practitioners, and users of financial information.

Research in this area is highly relevant given the ongoing debates surrounding the adoption of international auditing standards and their practical implications. Existing literature has explored various aspects of this topic, including the drivers of convergence, the challenges of implementation, and the effects on audit quality and financial reporting. However, empirical evidence on the practical implications of adopting international standards, particularly in diverse organizational and regulatory environments, remains limited. This study seeks to fill this gap by providing empirical insights into the experiences and perceptions of auditors and stakeholders regarding the comparison of international and local auditing standards. A comparison of international and local auditing standards reveals both similarities and differences. Quality assurance review programs, for example, vary significantly across countries, with more developed economies tending to require them (Alkafaji, 2007). Similarly, the comparison of audit risk and materiality standards between the US and international standards shows both similarities and differences (Colbert, 1996). The optimal auditing standards for a country are influenced by its legal system (Simunic, 2015), and the adoption of international standards can lead to significant advances in the accounting profession (Lin, 2000). However, the differences in accounting and auditing standards across countries can pose challenges (Smith, 2008). The primary objective of this research is to systematically compare the practical implications of international and local auditing standards on audit processes, outcomes, and stakeholders' perceptions. Specifically, the study aims to:

1. Identify the key differences between international and local auditing standards in terms of audit procedures, reporting requirements, and ethical considerations.
2. Examine the challenges and benefits associated with the adoption of international auditing standards, particularly in diverse organizational and regulatory contexts.
3. Assess the impact of auditing standard convergence on audit quality, stakeholder confidence, and financial reporting practices.
4. Provide recommendations for auditors, standard-setting bodies, and policymakers to enhance the effectiveness and efficiency of auditing practices in a globalized environment.

The comparison of international and local auditing standards presents a multifaceted phenomenon with significant implications for auditors, regulators, and stakeholders. By investigating the practical implications of auditing standard convergence, this research contributes to the understanding of how global trends shape auditing practices and financial reporting quality. Ultimately, the findings of this study have the potential to inform regulatory reforms, professional standards, and audit practices, thereby promoting transparency, accountability, and trust in the global financial system.

2. LITERATURE REVIEW

The literature on the comparison of international and local auditing standards provides valuable insights into the practical implications of standard convergence in the auditing profession. This review aims to synthesize existing research, examining studies related to auditing standard convergence, defining key concepts, and delving into specific aspects of the comparison between international and local auditing standards.

2.1. Definition of Auditing Standards

Auditing standards serve as guidelines for auditors in conducting audits and issuing audit reports. The International Standards on Auditing (ISAs), developed by the International Auditing and Assurance Standards Board (IAASB), are recognized as the global benchmark for auditing practices (IAASB, 2019). Local auditing standards, on the other hand, are issued by national regulatory bodies and tailored to the legal and regulatory requirements of specific jurisdictions (DeFond et al., 2019). Auditing standards, serving as the backbone of auditing practices, continuously evolve in response to global economic integration, technological advancements, and regulatory changes. The International Standards on Auditing (ISAs), established by the International Auditing and Assurance Standards Board (IAASB), have solidified their position as the gold standard for auditing practices worldwide (IAASB, 2019). These standards provide a comprehensive framework for auditors, emphasizing principles-based approaches to ensure the quality and consistency of audit processes and reports. In parallel, local auditing standards remain crucial, crafted by national regulatory bodies to address the unique legal and regulatory landscapes of individual jurisdictions (DeFond et al., 2019). While the ISAs set overarching principles, local standards offer specific guidance tailored to local legal requirements, cultural norms, and economic conditions. This duality reflects the complex interplay between global convergence and local adaptation in the auditing profession.

Recent research underscores the ongoing relevance and impact of auditing standards in the contemporary business environment. Studies have highlighted the challenges posed by emerging technologies, such as artificial intelligence and blockchain, on audit processes and methodologies (Alles et al., 2021). The increasing prevalence of complex financial instruments and transactions necessitates continuous updates and enhancements to auditing standards to maintain their effectiveness and relevance (Buijink et al., 2020). Moreover, regulatory scrutiny and public expectations for transparency and accountability continue to shape auditing standards and practices. Recent corporate scandals and audit failures have prompted calls for strengthened audit quality and independence, driving regulatory reforms and revisions to auditing standards (Cohen & Simunic, 2020). Auditors are increasingly under pressure to exercise professional skepticism and judgment, as reflected in the revised ISAs and local standards.

The COVID-19 pandemic has further accentuated the need for agility and resilience in auditing standards and practices. The sudden shift to remote work and disruptions to business operations have posed unprecedented challenges for auditors in conducting audits effectively and obtaining sufficient audit evidence (Abbott et al., 2020). Auditing standards have had to adapt rapidly to accommodate remote auditing procedures, risk assessment methodologies, and reporting requirements in response to the pandemic's impact. In light of these developments, auditing standard-setting bodies, such as the IAASB and national regulatory authorities, play a pivotal role in ensuring the continued robustness and relevance of auditing standards. Collaboration between standard setters, auditors, regulators, and other stakeholders is essential to address emerging issues, foster innovation, and maintain public trust in the auditing profession (Knechel & Payne, 2021). Auditing standards, including the ISAs and local standards, serve as essential tools for auditors in upholding the integrity and reliability of financial reporting. The dynamic nature of the business environment, coupled with technological advancements and regulatory changes, necessitates continuous evolution and adaptation of auditing standards. By staying abreast of the latest research findings and developments, auditors and standard setters can navigate these challenges effectively and uphold the highest standards of professional practice.

2.2. Auditing Standard Convergence

The convergence of auditing standards refers to the process of harmonizing international and local standards to enhance consistency and comparability in financial reporting (Barlev & Haddad, 2003). The adoption of international auditing standards is driven by factors such as globalization, cross-border transactions, and the need for high-quality financial information (Beuselinck et al., 2017). However, achieving convergence poses challenges due to differences in legal systems, cultural norms, and regulatory environments across countries (Tepalagul & Lin, 2015). The convergence of auditing

standards, a phenomenon aimed at aligning international and local standards, continues to be a focal point in the auditing profession, driven by the imperatives of globalization, increased cross-border transactions, and the demand for reliable financial information (Beuselinck et al., 2017). This process seeks to promote consistency and comparability in financial reporting practices across different jurisdictions, ultimately enhancing transparency and facilitating the flow of capital in global markets (Barlev & Haddad, 2003). Recent research underscores the evolving landscape of auditing standard convergence and its implications for stakeholders. As global business activities become more interconnected, the need for a common set of auditing standards becomes increasingly apparent. Standard setters, such as the International Auditing and Assurance Standards Board (IAASB), continue to play a crucial role in driving convergence efforts and updating auditing standards to reflect emerging trends and challenges (IAASB, 2020). However, achieving convergence remains a complex endeavor fraught with challenges. Legal systems, cultural norms, and regulatory environments vary significantly across countries, posing obstacles to harmonization efforts (Tepalagul & Lin, 2015). Recent studies have highlighted the importance of addressing these contextual differences and tailoring convergence strategies to accommodate diverse institutional settings (Arens et al., 2021).

Furthermore, technological advancements and digital transformation have introduced new complexities to the convergence process. The rise of big data analytics, artificial intelligence, and blockchain technologies has implications for audit procedures, evidence collection, and reporting standards (Alles et al., 2021). Auditors and standard setters must adapt to these technological shifts while ensuring the continued relevance and effectiveness of auditing standards in a digital age. Amidst these challenges, the COVID-19 pandemic has accelerated the need for agility and resilience in auditing standard convergence. The pandemic has disrupted business operations, challenged traditional audit methodologies, and heightened uncertainties in financial reporting (Abbott et al., 2020). Auditors have had to navigate remote auditing procedures, assess the impact of economic downturns on financial statements, and provide assurance in a volatile environment. In response to these developments, scholars and practitioners advocate for a collaborative approach to auditing standard convergence, involving stakeholders from diverse backgrounds and disciplines (Simunic, 2021). This inclusive approach fosters dialogue, promotes knowledge sharing, and enhances the legitimacy of convergence efforts. The convergence of auditing standards remains a dynamic and multifaceted process, shaped by global economic trends, technological innovations, and regulatory developments. While challenges persist, stakeholders' collective efforts towards convergence are essential for promoting transparency, accountability, and trust in financial reporting. By staying attuned to the latest research findings and adapting to changing realities, auditors and standard setters can navigate the complexities of convergence and uphold the integrity of the auditing profession.

2.3. Practical Implications of Standard Convergence

Research on the practical implications of auditing standard convergence highlights several key areas of consideration. Firstly, differences in terminology and audit procedures between international and local standards may impact audit quality and efficiency (Bédard & Gendron, 2010). Secondly, the level of enforcement and compliance with international standards varies among countries, influencing the effectiveness of audit regulation (Carmona et al., 2020). Thirdly, the adoption of international standards may require adjustments in audit methodology, training, and professional judgment, affecting auditors' practices and perceptions (Hossain et al., 2017).

2.4. Audit Quality and Financial Reporting

Audit quality is a central concern in the comparison of auditing standards, as it directly affects the reliability and credibility of financial statements (Simunic, 2015). Prior research suggests that the adoption of international auditing standards is associated with improvements in audit quality, particularly in countries with weaker regulatory environments (DeFond et al., 2013). However, conflicting evidence exists regarding the impact of standard convergence on financial reporting quality, with some studies indicating positive effects and others finding no significant differences (Beuselinck

et al., 2017). Audit quality remains a paramount concern in the realm of auditing standards, serving as a linchpin for the reliability and credibility of financial statements (Simunic, 2015). Recent studies continue to delve into the intricacies of audit quality, shedding light on its multifaceted nature and the factors influencing its attainment. One prevailing theme in contemporary research is the association between the adoption of international auditing standards and improvements in audit quality, particularly in jurisdictions with weaker regulatory oversight (DeFond et al., 2013). Scholars argue that the principles-based approach of international standards, coupled with enhanced guidance on professional judgment and skepticism, contributes to more robust audit procedures and greater assurance on financial information. However, the impact of auditing standard convergence on financial reporting quality remains a subject of debate and empirical inquiry (Beuselinck et al., 2017). While some studies suggest positive effects, attributing improvements in financial reporting quality to the harmonization of auditing standards, others offer conflicting findings. These discrepancies underscore the nuanced interplay between auditing standards, audit practices, and financial reporting outcomes, which may vary across contexts and over time. Recent research has also explored the role of audit technology and data analytics in enhancing audit quality and effectiveness. Advances in data analytics tools offer auditors opportunities to analyze large volumes of financial data more efficiently and uncover potential risks or anomalies (Bell et al., 2021). By leveraging technology, auditors can enhance the precision and depth of their audit procedures, ultimately bolstering audit quality and the reliability of financial statements.

Moreover, the COVID-19 pandemic has brought new challenges and considerations to the forefront of audit quality discussions. The shift to remote work, disruptions to business operations, and heightened economic uncertainties have necessitated adaptations in audit methodologies and risk assessment approaches (Abbott et al., 2020). Auditors are increasingly tasked with evaluating the impact of the pandemic on financial reporting and providing transparent disclosures to stakeholders. In response to these developments, regulatory bodies and standard setters continue to refine auditing standards and guidance to address emerging risks and enhance audit quality (IAASB, 2020). Collaboration between auditors, regulators, and other stakeholders is essential to promote a culture of continuous improvement and uphold the highest standards of professional practice. Audit quality remains a central concern in the comparison of auditing standards, with ongoing research shedding light on its determinants and implications. While the adoption of international auditing standards is associated with improvements in audit quality, the impact of standard convergence on financial reporting quality remains subject to debate. Advances in audit technology, coupled with adaptations to the challenges posed by the COVID-19 pandemic, underscore the dynamic nature of audit quality considerations in the contemporary auditing landscape.

2.5. Stakeholder Perspectives

Stakeholders' perceptions of auditing standard convergence vary depending on their roles and interests. While multinational corporations may benefit from the harmonization of auditing standards, small and medium-sized enterprises (SMEs) may face challenges in complying with complex international requirements (Owusu-Ansah et al., 2016). Regulators seek to balance the need for global consistency with the preservation of national sovereignty and regulatory autonomy (Zeff, 2018). Investors and financial analysts, meanwhile, rely on auditors to provide assurance on the reliability of financial information, regardless of the auditing standards applied (Francis et al., 2014). The comparison of international and local auditing standards is a complex and multifaceted topic with significant implications for auditors, regulators, and stakeholders. While standard convergence aims to enhance the consistency and comparability of audits globally, achieving this goal requires careful consideration of legal, cultural, and institutional factors. Future research should continue to explore the practical effects of auditing standard convergence on audit quality, financial reporting, and stakeholder perceptions, contributing to the ongoing debate on regulatory harmonization in the auditing profession.

3. RESEARCH METHOD AND MATERIALS

In this section, the research methodology for conducting a qualitative study based on a literature review will be outlined. Qualitative research methods are particularly suited for exploring complex phenomena, understanding diverse perspectives, and uncovering underlying meanings and patterns within the data (Creswell & Poth, 2018). A qualitative approach to literature review involves synthesizing, analyzing, and interpreting existing literature to gain insights into a specific topic or research question. This methodology section will detail the steps involved in conducting a qualitative literature review on the comparison of international and local auditing standards, focusing on audit quality and the practical implications of standard convergence.

3.1. Research Design

The research design for this qualitative literature review involves a systematic search and analysis of relevant academic articles, books, reports, and other scholarly sources. The review will be guided by a clearly defined research question or objective, such as exploring the impact of auditing standard convergence on audit quality and financial reporting practices. The research design will also consider inclusion and exclusion criteria for selecting literature, ensuring the relevance and quality of the sources included in the review.

3.2. Data Collection

Data collection for the qualitative literature review will involve conducting comprehensive searches of academic databases, such as PubMed, Scopus, Web of Science, and Google Scholar, using relevant keywords and search terms related to auditing standards, audit quality, and standard convergence. Additionally, hand-searching relevant journals and reference lists of key articles will be conducted to identify additional sources. The data collection process will be iterative, with new sources being incorporated and analyzed as the review progresses.

3.3. Data Analysis

Data analysis in qualitative literature review involves synthesizing and interpreting the findings from the selected sources to identify key themes, patterns, and insights related to the research question. This process may involve techniques such as thematic analysis, content analysis, or narrative synthesis, depending on the nature of the data and the research objectives (Thomas & Harden, 2008). The analysis will be conducted systematically, organizing the findings into coherent themes and sub-themes that address different aspects of auditing standard convergence and audit quality. Quality appraisal is a critical component of qualitative literature review, ensuring the rigor and validity of the findings. In this study, quality appraisal will involve assessing the methodological rigor, credibility, and relevance of the selected sources using established criteria for evaluating qualitative research (Dixon-Woods et al., 2006). This may include considering factors such as the author's expertise, the clarity of research methods, the depth of analysis, and the relevance to the research question.

4. RESULTS AND DISCUSSION

The comparison of international and local auditing standards unveils practical implications that influence audit quality, financial reporting, and stakeholder perceptions. This section synthesizes the findings from the literature review and discusses key insights regarding the practical implications of auditing standard convergence. Firstly, the adoption of international auditing standards, such as the International Standards on Auditing (ISAs), is associated with improvements in audit quality across different jurisdictions (DeFond et al., 2013). The principles-based approach of ISAs, coupled with enhanced guidance on professional judgment and skepticism, contributes to more robust audit procedures and greater assurance on financial information. However, the extent to which audit quality

improves may vary depending on the regulatory environment and institutional context. The adoption of international auditing standards, particularly the International Standards on Auditing (ISAs), has been a subject of significant interest and debate within the auditing profession. Scholars have explored the implications of this adoption on audit quality from various perspectives, considering factors such as the principles-based approach of ISAs, the role of professional judgment and skepticism, and the influence of regulatory environments and institutional contexts. One perspective emphasizes the principles-based nature of ISAs as a key driver of improved audit quality. ISAs provide a framework that emphasizes fundamental principles of auditing, such as independence, objectivity, and professional skepticism (IFAC, 2020). By focusing on principles rather than prescriptive rules, ISAs allow auditors flexibility in applying professional judgment to unique audit situations (Abbott et al., 2020). This flexibility enables auditors to adapt their procedures to the specific risks and complexities of each engagement, thereby enhancing the effectiveness and relevance of audit procedures (Alles et al., 2021).

Moreover, the principles-based approach of ISAs encourages auditors to exercise professional skepticism throughout the audit process. Professional skepticism entails a questioning mindset and critical evaluation of audit evidence, enabling auditors to identify and address potential misstatements or irregularities in financial statements (IAASB, 2019). By fostering a culture of skepticism, ISAs promote thoroughness and diligence in audit procedures, ultimately enhancing the reliability and credibility of audit findings (Simunic, 2015). However, the impact of adopting ISAs on audit quality may vary depending on the regulatory environment and institutional context in which auditors operate. In jurisdictions with robust regulatory oversight and enforcement mechanisms, the adoption of ISAs may complement existing regulatory frameworks and enhance audit quality (Beuselinck et al., 2017). Conversely, in countries with weaker regulatory regimes or cultural norms that prioritize compliance over professional judgment, the effectiveness of ISAs in improving audit quality may be limited (DeFond et al., 2013). Furthermore, the practical implications of adopting ISAs extend beyond audit quality to encompass broader considerations such as auditor independence, investor confidence, and financial market stability. Research has shown that the alignment of auditing standards across jurisdictions enhances comparability and transparency in financial reporting, thereby facilitating cross-border investment and capital allocation (Barlev & Haddad, 2003). Additionally, the convergence of auditing standards promotes consistency in audit practices and fosters trust and confidence in the reliability of financial information (Tepalagul & Lin, 2015).

Secondly, while international auditing standards aim to promote consistency and comparability in financial reporting, achieving convergence poses challenges due to differences in legal systems, cultural norms, and regulatory environments across countries (Tepalagul & Lin, 2015). Local auditing standards, tailored to specific jurisdictional requirements, may diverge from international standards in certain aspects, leading to complexities in implementation and interpretation. The pursuit of convergence in international auditing standards represents a laudable effort towards fostering consistency and comparability in financial reporting practices worldwide. However, the realization of this objective is fraught with challenges stemming from the diverse legal systems, cultural norms, and regulatory environments prevailing across countries. As Tepalagul and Lin (2015) aptly pointed out, achieving convergence entails navigating through these complexities, which often manifest in the form of divergences between international and local auditing standards.

One of the primary challenges in achieving convergence lies in the inherent differences in legal frameworks governing auditing practices. Legal systems vary significantly across jurisdictions, with some countries adhering to common law principles while others follow civil law traditions. These differences influence the development and interpretation of auditing standards, leading to divergent approaches to audit procedures and reporting requirements (Abbott et al., 2020). For instance, common law jurisdictions may emphasize judicial precedent and case law in shaping auditing standards, whereas civil law jurisdictions may rely more heavily on statutory regulations. Cultural norms and societal expectations also play a pivotal role in shaping auditing standards and practices. Cultural factors such as attitudes towards risk, trust in institutions, and perceptions of accountability can influence auditors' behavior and decision-making processes (Beuselinck et al., 2017). In some cultures, auditors may be expected to exercise greater discretion and flexibility in applying auditing standards, while in others, adherence to rigid procedures and protocols may be prioritized. These cultural nuances

contribute to variations in audit approaches and may hinder efforts towards standard convergence. Furthermore, regulatory environments differ significantly in terms of their scope, rigor, and enforcement mechanisms. While some jurisdictions have robust regulatory oversight bodies with extensive powers to enforce compliance with auditing standards, others may have weaker regulatory regimes characterized by limited resources and capacity (DeFond et al., 2013). In such contexts, the effectiveness of international auditing standards may be compromised, as compliance with these standards depends heavily on the willingness and ability of regulators to monitor and enforce adherence.

Local auditing standards, tailored to specific jurisdictional requirements, often reflect these contextual differences and may diverge from international standards in certain aspects. These deviations may arise due to legitimate differences in legal, cultural, or economic considerations, or they may be driven by protectionist motives aimed at preserving national interests (Barlev & Haddad, 2003). Consequently, auditors operating in multicultural and multi-jurisdictional environments face challenges in reconciling conflicting requirements and interpreting standards in a manner that ensures compliance with both international and local regulations. Despite these challenges, efforts towards convergence continue to progress, albeit at varying paces and with mixed outcomes. The International Auditing and Assurance Standards Board (IAASB) and other standard-setting bodies play a crucial role in facilitating convergence through the development of internationally recognized auditing standards (IAASB, 2019). However, achieving true convergence requires concerted efforts from stakeholders across the global auditing profession, including regulators, professional bodies, and audit firms. While international auditing standards aim to promote consistency and comparability in financial reporting, achieving convergence remains a complex and multifaceted endeavor. The challenges posed by differences in legal systems, cultural norms, and regulatory environments underscore the need for nuanced approaches to standard-setting and implementation. By acknowledging and addressing these challenges, stakeholders can work towards harmonizing auditing practices and enhancing the quality and reliability of financial reporting on a global scale.

Thirdly, conflicting evidence exists regarding the impact of auditing standard convergence on financial reporting quality. Some studies suggest positive effects, attributing improvements in financial reporting quality to the harmonization of auditing standards (Beuselinck et al., 2017). However, other research findings indicate no significant differences in financial reporting quality between countries adopting international standards and those adhering to local standards. These discrepancies underscore the need for further investigation into the mechanisms through which auditing standard convergence influences financial reporting outcomes. The debate surrounding the impact of auditing standard convergence on financial reporting quality reflects the complexities inherent in global standardization efforts. While some studies indicate positive effects of convergence on financial reporting quality, attributing improvements to the harmonization of auditing standards, others present conflicting findings, suggesting no significant differences in financial reporting quality between countries adopting international standards and those adhering to local standards (Beuselinck et al., 2017). One perspective posits that auditing standard convergence leads to improvements in financial reporting quality by enhancing consistency, comparability, and transparency in financial statements. Proponents argue that harmonized auditing standards facilitate clearer communication of financial information, enabling investors and stakeholders to make more informed decisions (Barlev & Haddad, 2003). Additionally, convergence may promote greater adherence to best practices and higher standards of professional conduct among auditors, contributing to enhanced trust and confidence in financial reporting (Simunic, 2015). However, the relationship between auditing standard convergence and financial reporting quality is not straightforward, and conflicting evidence exists in the literature. Some studies find no discernible differences in financial reporting quality between jurisdictions with converged standards and those with divergent standards (DeFond et al., 2013). These findings challenge the notion that convergence inherently leads to improvements in financial reporting quality and suggest that other factors may play a significant role in shaping reporting outcomes.

One factor that may moderate the relationship between auditing standard convergence and financial reporting quality is the effectiveness of regulatory oversight and enforcement mechanisms. In jurisdictions with robust regulatory regimes, convergence may be accompanied by stringent

enforcement of auditing standards, leading to improvements in reporting quality (Abbott et al., 2020). Conversely, in countries with weaker regulatory oversight, convergence efforts may have limited impact on reporting quality if compliance is not rigorously enforced. Furthermore, contextual factors such as institutional infrastructure, economic development, and corporate governance practices may influence the effectiveness of auditing standard convergence in enhancing financial reporting quality. For instance, countries with well-developed capital markets and strong investor protection mechanisms may experience greater benefits from convergence compared to countries with less developed financial infrastructures (Beuselinck et al., 2017). Additionally, cultural norms and societal expectations regarding financial transparency and accountability may shape the extent to which auditing standard convergence translates into improvements in reporting quality (Tepalagul & Lin, 2015).

The discrepancies in research findings underscore the need for further investigation into the mechanisms through which auditing standard convergence influences financial reporting outcomes. Longitudinal studies examining the long-term effects of convergence on reporting quality, as well as comparative analyses across different regulatory contexts and institutional settings, can provide valuable insights into the complex dynamics at play (IAASB, 2019). Additionally, qualitative research approaches that delve into the experiences and perspectives of auditors, regulators, and other stakeholders can offer nuanced understandings of the challenges and opportunities associated with convergence. While some studies suggest positive effects of auditing standard convergence on financial reporting quality, conflicting evidence exists, highlighting the need for a nuanced understanding of the underlying mechanisms and contextual factors at play. Future research should continue to explore these issues from multiple perspectives, taking into account the diverse regulatory environments, institutional contexts, and cultural norms shaping the relationship between convergence and reporting quality. Moving forward, future research in this area should explore several avenues to deepen our understanding of the practical implications of auditing standard convergence. Firstly, longitudinal studies examining the long-term effects of standard convergence on audit quality and financial reporting quality are warranted. By tracking changes in audit practices and financial reporting practices over time, researchers can assess the sustainability and durability of the improvements associated with standard convergence. Secondly, comparative studies across different industries, sectors, and regulatory environments can provide insights into the contextual factors influencing the effectiveness of auditing standard convergence. By examining variations in audit quality and financial reporting quality across diverse settings, researchers can identify best practices and regulatory approaches that optimize the benefits of standard convergence. Moreover, research should continue to explore the role of technology and digital innovation in shaping audit quality and financial reporting practices. Advances in data analytics, artificial intelligence, and blockchain technologies have the potential to revolutionize audit procedures and enhance the reliability and timeliness of financial information. Understanding how auditors leverage technology to navigate the complexities of auditing standard convergence is essential for driving future advancements in the auditing profession.

The comparison of international and local auditing standards yields valuable insights into the practical implications for audit quality, financial reporting, and stakeholder perceptions. While international standards offer a framework for harmonizing auditing practices globally, challenges remain in achieving convergence across diverse regulatory environments. By addressing these challenges and embracing technological advancements, the auditing profession can continue to uphold the highest standards of transparency, accountability, and integrity in financial reporting. This discussion sets the stage for further research that explores the nuanced dynamics of auditing standard convergence and its implications for audit practices, regulatory frameworks, and stakeholder interests. By advancing our understanding of these issues, researchers can contribute to the ongoing evolution of the auditing profession and the global financial system.

5. CONCLUSION

The comparison of international and local auditing standards presents multifaceted implications for audit quality, financial reporting, and regulatory practices. Through an in-depth exploration of the literature, this study has shed light on the complexities and nuances inherent in the convergence of

auditing standards and its impact on various stakeholders within the auditing profession and the broader financial ecosystem. From a theoretical standpoint, the adoption of international auditing standards, particularly the International Standards on Auditing (ISAs), is associated with improvements in audit quality across different jurisdictions. The principles-based approach of ISAs, coupled with enhanced guidance on professional judgment and skepticism, contributes to more robust audit procedures and greater assurance on financial information. However, the extent to which audit quality improves may vary depending on the regulatory environment, institutional context, and cultural norms prevailing in different countries. This underscores the importance of considering contextual factors in assessing the effectiveness of auditing standard convergence.

Furthermore, conflicting evidence exists regarding the impact of auditing standard convergence on financial reporting quality. While some studies suggest positive effects, attributing improvements to the harmonization of auditing standards, others present contradictory findings, indicating no significant differences in financial reporting quality between countries adopting international standards and those adhering to local standards. These discrepancies underscore the need for further investigation into the mechanisms through which auditing standard convergence influences financial reporting outcomes.

From a managerial perspective, the implications of auditing standard convergence are far-reaching and extend beyond the realm of auditing firms to encompass regulators, standard-setting bodies, investors, and other stakeholders. The pursuit of convergence requires concerted efforts from all stakeholders to address the challenges posed by differences in legal systems, cultural norms, and regulatory environments. Regulatory bodies play a crucial role in facilitating convergence through the development and enforcement of internationally recognized auditing standards. Moreover, audit firms need to adapt their practices to comply with converged standards while navigating the complexities of diverse regulatory landscapes. In light of the findings presented in this study, several implications emerge for both theoretical advancement and managerial practice. Theoretical implications include the need for further research to explore the contextual factors shaping the effectiveness of auditing standard convergence, as well as the mechanisms through which convergence influences audit quality and financial reporting outcomes. Additionally, future research should adopt a multi-dimensional approach that considers diverse perspectives and methodologies to gain a comprehensive understanding of the complexities involved.

From a managerial standpoint, stakeholders in the auditing profession should collaborate to promote convergence and enhance the quality and reliability of financial reporting on a global scale. This may entail investing in capacity-building initiatives, promoting knowledge-sharing platforms, and fostering a culture of continuous improvement and innovation within the profession. By working together, stakeholders can navigate the challenges of convergence more effectively and realize the potential benefits of harmonized auditing standards for all parties involved. In conclusion, the comparison of international and local auditing standards offers valuable insights into the complexities of standard convergence and its implications for audit practices, regulatory frameworks, and stakeholder interests. By addressing the theoretical and managerial implications outlined in this study, stakeholders can contribute to the ongoing evolution of the auditing profession and the global financial system, ultimately fostering greater transparency, accountability, and trust in financial reporting practices.

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