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INVESTIGATION OF STUDIES IN THE FIELD OF KEY AUDIT MATTERS BY CONTENT ANALYSIS

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Abstract

Accounting and audit scandals around the world in the early 2000's, have shaken the confidence in the audit mechanism and the audit reports which constitute the final product of this mechanism. The form, the scope of the audit reports and the value of the audit reports for shareholders are discussed intensively. As a result of these scandals that have a staggering effect on the world economy, both the national and international regulatory/supervisory authorities reviewed and revised the existing audit standards and issued new standards. IAASB within IFAC, Which has a pioneering role in this change and renewal process, started a project called "new audit reporting" in 2011 by considering public's necessities, demands and criticisms about audit reports and it also issued new standard called "ISA 701: Communicating Key Audit Matters in the Independent Auditor's Report" in 2015. Following this issue, the authorized organization of many countries and POA in our country issued the TSA 701 in 2017 in full compliance with ISA 701. In this study, the content analysis was conducted in order to determine the direction of the studies performed in the field of key audit matters and to create awareness for the subsequent studies. For this purpose, articles in Ebsco, Wiley, Jstor, and Google Scholar databases were examined. In the study, articles in related databases were evaluated with an author, journal name, year, research methodology, data collection tools and techniques, sample and related topics.

Keywords: *Key Audit Matters, KAM, ISA 701, Critical Audit Matters, Audit Reporting, Content Analysis.*

INTRODUCTION

The outputs of the audit and assurance services offered by the audit firms are of great importance for the healthy and effective functioning of financial markets. But, the major audit scandals in the early 2000s brought the current regulations on auditing into discussion. The globalized economic system has caused the effects of the developments in all enterprises, especially international enterprises, to be felt more intensively on the markets. Audit and accounting scandals in large-scale enterprises such as Enron and Worldcom have caused great grievances in society. Due to the fact that one of the main reasons of the scandals is the irregularities in the audit, it strengthened the idea that the quality of the audit should be increased and a more transparent audit environment should be established. For this reason, arrangements were made immediately following the audit scandals. In the United States, The Sarbanes - Oxley Act was enacted to further institutionalize business management to prevent new scandals. The Sarbanes - Oxley Act also includes important regulations for internal and external audits, as well as regulations on corporate governance. Sarbanes - Oxley Act affected many legal regulations which about business management and auditing in the world. The Sarbanes - Oxley Act together with the International Auditing and Assurance Standards Board (IAASB) also reviewed the International Standards on Auditing (ISA). The International Standards on Auditing, which was started writing in 1991 and published in 1994, reviewed in under the "Auditing Clarity Project", which began in 2004 and was completed in 2008. In order to increase the quality of auditing, the updated standards are an important guide to the audit applications in the world. These standards, which were updated in 2010, have taken its place in the literature under the name of "Turkish Standards on Auditing" with the entry into force of Turkish Commercial Code No. 6102 in our

country.

Considering its historical background, the first major revisions to the International Standards on Auditing were carried out as a result of corporate scandals. The main objective of the amendments was improving the quality of audit services. Quality and clarity of auditing standards were tried to be improved by taking the necessary lessons from the audit scandals. However, the arrangements were not sufficient for the business concerned. Increasing and differentiating the information needs of the business concerned together with the emerging and complex financial markets put new responsibilities on the auditing mechanism. All business stakeholders, especially investors, waited more than the opinion reported in the audit reports. They requested the audit reports to be an information and communication instrument with more useful and comprehensive information. This change requirement and demand for audit reports considered by the IAASB and the subject was been studied. The IAASB started the New Auditor Report project in 2011, and the arrangements made within the scope of the project were published on 15.01.2015. "ISA 700: Forming an Opinion and Reporting on Financial Statements" updated with published edits and added "ISA 701: Communicating Key Audit Matters in the Independent Auditor's Report" to existing standards. With this project, it was aimed to increasing the value and clarity of the auditor report in terms of communication (Yanık and Karataş, 2017: 3). Following these developments, the Turkish Standards on Auditing - TSA 700 in accordance with the relevant international auditing standards was updated by the Public Oversight Accounting and Auditing Standards Authority (POA) in Turkey and the TSA 701 was published in 09.03.2017. In this way, while the communication between the elements playing a role in the audit process increased, the business concerned was going to also have the opportunity to reach some key information about that business. Among the issues communicated to those responsible for the senior management of the client, the most important issues that are defined as matters of the most important issues (ISA 701) according to the professional judgment of the auditor are a very new concept for audit literature. For this reason, although the number of academic studies on key audit matters is not high, the studies have a short history including the years 2015-2018. Some of the studies that have been conducted in the international literature in the field of key audit matters with a few-year application history yet, are: Responsibilities of the auditor regarding the disclosure of key audit matters (Brasel, Doxey, Grenie and Reffett, 2016; Brown, Majors and Peecher, 2015; Gimbar, Hansen and Ozlanski, 2016; Backof, Bowlin and Goodson 2014; Kachelmeier, Schmidt and Valentine, 2014), reaction of financial markets (Sirois, Bédard and Bera, 2018; Lennox, Schmidh and Thompson, 2018; Bédard, Gonthier-Besacier and Schatt, 2015; Djadvarpour and Larsson, 2014); effects of individual investors on decision making and evaluations (Christensen, Glover and Wolfe, 2014; Köhler, Ratzinger-Sakel and Theis, 2016; Gutierrez, Minutti-Meza, Tatum and Vulcheva, 2015; Long, Jones, Ling Lei, Michas, Pawlewicz and Pevzner, 2013) and opinions of audit report users (Cordoş and Fülöp, 2015). The studies carried out in Turkey is very limited: determination of the content of key audit matters reported in the audit report (Kavut and Güngör, 2018; Gökgöz, 2018), examining of identification and reporting of key audit matters (Biçer and Erol, 2017; Doğan, 2018; Ciğer, Çopur Vardar and Kınay (2018), investigation of auditor's expectations about reporting of key audit matters in the auditor's reports (Can, 2017).

In this study, the articles written about key audit matters, which have an important role in the auditing mechanism and which is a new concept, will be examined with content analysis. In this way, the importance given to the subject of key audit matters, the tendency of the studies, the methods and which countries are more interested in this subject in their academic literature will be examined. Articles written on the subject of key audit matters in the world will be categorized according to various criteria, and as a result of these classifications, the perspective of the academy will be put forward on the subject of key audit matters.

The Main Problem of the Research

The main motivation of the research; to determine the point where the key audit matters come from. Thus, suggestions can be developed on how the academic studies evolve in the face of changes in the field of auditing. In this context, the main problems mentioned below are taken into consideration.

In the study;

- What is the distribution of articles on key audit matters on the basis of journals?
- What is the distribution of articles on key audit matters by years?
- What is the research methodology for key audit matters?
- What are the methods of data collection for key audit matters?
- What are the data collection methods and sample sizes, if any, regarding key audit matters?

Purpose and Importance of Research

In this study, it is aimed to determine the direction of the studies in the field of key audit matters and to create awareness for the subsequent studies. Since the studies in this field are new in our country and abroad, it is important to determine the direction of the studies and to shed light on the future studies. It is also planned to create awareness in terms of literature.

Scope of the Research

Within the scope of the research, articles in Google Scholar, Ebsco, Wiley and Jstor databases were examined. Articles in related databases; author, journal name, year, research methodology, data collection method and technique, if any, were evaluated together with the sample and related topics. Although the articles examined in the study are not restricted to the country, the inability to reach all articles due to technical facilities has created a natural border for research. In the study, 27 open articles were examined.

Data Analysis

In the research, content analysis was used as data analysis technique. Content analysis is the analysis that allows the data to be objective, systematic and generalizable (Haggarty, 1996: 99). The main purpose of this analysis is to bring together the concepts related to each other and to create themes, so it is to organize and express the data in a method that the reader will understand (Yıldırım and Şimşek, 2006: 227). For this purpose, “**key / critical** (In the US, “critical” is used instead of “key”) **audit matters**” are defined as selection criteria.

Findings and Comments

When the distribution of 27 studies examined according to journals is examined; 9 (33.3%) of these studies were published in SSRN Journal, 2 (7.4%) were published in Current Issues in Auditing journal and the remaining 16 (59.3%) in other journals (Table 1). As can be seen from these findings, most of the studies on the subject were published in SSRN Journal.

Table 1. Distribution of Articles by Journals

Name of Journal	Frequency	%
SSRN Journal	9	33,3
Current Issues in Auditing	2	7,4
Other	16	59,3

When considering at the printing places of the articles in the national context, 5 (18.5%) and 22 (81.5%) articles in the international context were published (Table 2). Although the number of publications abroad seems to be high in this table, it can be said that the publications related to the subject in our country are at a good rate.

Table 2. Distribution of Articles by Printing Place

Publishing Place of Journal	Frequency	%
National	5	18,5
International	22	81,5

When the distribution of articles by country is examined; USA 18 (51.9%), Turkey 5 Total (18.5%) and other countries in 8 (29.6%) seen that the published article (Table 3). Considering that the starting point of the issue is the United States, it can be concluded that the concentration of studies in this country is a natural result.

Table 3. Distribution of Journals By Country

Name of Journal	Frequency	%
USA	18	51,9
Turkey	5	18,5
Other	8	29,6

When the distribution of articles by years is examined, it is determined that 12 articles (44,4) were published in 2018, 7 articles (26%) in 2017 and 6 articles in 2016. In 2014 and 2015, 1 (3.7%) articles were published (Table 4). In this context, it can be thought that researches have concentrated and formed awareness especially in the last 3 years.

Table 4. Distribution of Articles by Years

Years	Frequency	%
2018 (October)	12	44,4
2017	7	26
2016	6	22,2
2015	1	3,7
2014	1	3,7

When the research methodology of the articles was examined, it was seen that 18 (66.7%) of the mixed (quantitative and qualitative) methods were used, 8 of them were made by theoretical method and 1 of them were made by qualitative method (3.7%) (Table 5). In this context, it is seen that researches are carried out specially with mixed method.

Table 5. Methodology of Articles

Research Methodology	Frequency	%
Mixed	18	66,7
Theoretical	8	29,6
Qualitative	1	3,7

When the sample sizes of the articles are examined; 10 (52.6%), 101 (101.6), 7 (36.9%), and 300 and above 300 2 (10.5%) were seen (Table 6).

Table 6. Sample Size of the Articles

Sample Sizes	Frequency	%
1-100	10	52,6
101-200	7	36,9
300 and Above	2	10,5

Conclusion and Recommendations

Starting of standard studies on key/critical audit matters that are required to be included in the reports as an important necessity of the change and renewal process in the audit reports which are a valuable communication instrument between the auditors and the business concerned, publication of relevant drafts, With the opinions of the authorized institutions and organizations, academic studies have increased. Nowadays, it is observed that the interest in the subject has increased and the studies have intensified. The subject of academic studies is also associated to the objectives expected from the standard. In other words, it is predominantly the responsibility of the auditor in this matter, the investor response to the new reporting method and the reaction of the financial markets.

When the results of the research are examined, it is seen that the most descriptive statistical analysis (frequency, percentage, mean, standard deviation) are found in the articles. These data are mostly obtained from surveys and annual reports. It is also seen that demographic characteristics are associated to the subject. In this context, it has been observed that the subject has behavioral dimensions. When articles examined in the distribution of country the United States and Turkey are in the first two rows. SSRN Journal is the most published journal in this field. The number of articles in this area has increased rapidly in the last three years. This study can be extended by including it in other articles in Web of Science and analysis of the studies can be evaluated with a meta-analysis study.

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