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The development and intellectual structure of continuous auditing research[☆]



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ABSTRACT

The advances and continuous development of technology have been identified as significant influences on the accounting profession (AICPA, 1998). In the last twenty years, both academia and the accounting profession have been giving much attention to the demand and opportunity for audits to be performed automatically, continuously and in nearly real time. This paper presents a comprehensive review of continuous auditing research by providing an overview of the emergence and growth of the continuous auditing literature and classifying the extant continuous auditing research on the basis of four research characteristics indicated by a newly developed research taxonomy.

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1. Introduction

Advances in technology, such as the advent of the Internet and electronization of business processes, are significant forces shaping many aspects of the accounting discipline (AICPA, 1998; Kogan, Sudit, & Vasarhelyi, 1999; Vasarhelyi, 2002). Within this domain, auditing has been particularly impacted by technological advancements. While external auditors assure the adequacy of financial statements in accordance with Generally Accepted Accounting Principles (GAAP), internal auditors evaluate operations relative to risk, internal controls, and governance processes to assure

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operational effectiveness and efficiency.¹ The evolution in how business transactions are created, processed, and reported has necessitated a transformation relative to the structure of audit procedures and techniques for conducting both internal and external audit tasks. For example, the documentation of business events is increasingly being conducted in an exclusively electronic manner, and this suggests that many traditional manual audit activities are becoming less applicable within the contemporary business environment. Cukier and Mayer-Schoenberger (2013) indicate that, in the year 2000, only about 25 percent of all stored information was in a digital form. By contrast, today more than 98 percent of all such accumulated information is electronic. In conjunction with the expanding electronization of business, stakeholders are increasingly demanding more timely access to relevant, reliable, and decision-useful financial information, which motivates the need and provides opportunities for implementation of continuous auditing practices (CICA/AICPA, 1999).

The CICA/AICPA (1999) defines continuous auditing as “a methodology that enables independent auditors to provide written assurance on a subject matter, for which an entity’s management is responsible, using a series of auditors’ reports issued virtually simultaneously with, or a short period of time after, the occurrence of events underlying the subject matter.” A number of prior studies provide similar definitions for continuous auditing, as well as develop and illustrate its theoretical construct (e.g., Kogan et al., 1999; Rezaee, Sharbatoghlie, Elam, & McMickle, 2002). The continuous audit (CA) is differentiated from the traditional audit primarily by its frequency, focus on automated processes, and unique concept of audit by exception (Vasarhelyi & Halper, 1991). The main advantages of continuous auditing relate to enhanced relevance and timeliness of audit results.

To support the proper evolution of continuous auditing, academic research contributions in meaningful combination with experimentation by practitioners and guidance from standard setters is essential (CICA/AICPA, 1999). With the inevitable transformation of audit processes and the need of support from academic research on continuous auditing (Brown, Wong, & Baldwin, 2007; Vasarhelyi, Alles, Kogan, & O’Leary, 2004), this study contributes to the literature by examining the extensive body and multi-faceted characteristics of continuous auditing literature from the most recent three decades. The two-fold analysis encompasses a historical overview of the development and main components of the continuous auditing field, and a systematic content analysis of relevant research. It summarizes the primary research characteristics on dimensions including applied methodologies, areas of emphasis, and geography.

Although the concept of continuous auditing emerged in the late 1980s and early 1990s (e.g., Groomer & Murthy, 1989; Vasarhelyi & Halper, 1991), it was not until the 2000s that its methodology, elements, and scope began to expand into various streams (Brown et al., 2007). Since the late 1980s, auditing researchers have been proposing theoretical principles, conceptual frameworks, and development modules that illustrate the potential for continuous auditing (e.g., Groomer & Murthy, 1989; Kogan et al., 1999; Vasarhelyi & Halper, 1991). Subsequent to this, studies emphasized the need for a more frequent or continuous-based audit, and the grounds for and components of continuous auditing gradually developed. In the most recent decade, numerous studies examine its enabling technologies. Studies have evaluated the costs, benefits, and future research opportunities relative to continuous auditing (Alles, Kogan, & Vasarhelyi, 2002; Alles, Kogan, & Vasarhelyi, 2008; Alles, Kogan, & Vasarhelyi, 2008; Rezaee et al., 2002). Also, positive experiences from preliminary and partial real-world CA implementations have reinforced the importance and utility of this research area (Alles, Kogan, & Vasarhelyi, 2011). Auditing has been evolving substantially by progressively utilizing the latest technologies to improve process and procedure efficiency and effectiveness. In the near future, it is expected that continuous auditing will be more widely adopted and implemented by both internal and external audit practices (Byrnes, Ames, Vasarhelyi, Pawlicki, & McQuilken, 2012).

Given the advancements in technologies and their resulting effects on auditing, both academia and the accounting profession are giving progressively more attention to the demands and opportunities for audit tasks to be performed automatically, continuously, and even nearly in real time. However, prior research suggests that, while progress has been made in terms of theoretical development,

¹ Definition by IIA: Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls, and governance processes.

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