Would You Trust an Opinion Signed by a Convicted Auditor?

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Abstract

We relax the assumption often made in empirical auditing research that auditors are homogenous individuals with similar personal characteristics. Using a unique dataset on Swedish auditors’ criminal records, we examine whether auditor’s adverse personal characteristics, as reflected by their criminal convictions, affect the audit engagement. We find that auditors with criminal convictions are more likely to be males employed in Non-Big-N audit firms. Also, firms with large shareholders who have been convicted of crimes are more likely to appoint auditors with criminal convictions. In addition, convicted auditors engage in high-risk audits and charge higher audit fees after controlling for other audit-risk variables. Furthermore, firms audited by auditors with criminal convictions exhibit a lower degree of conditional accounting conservatism than firms audited by auditors without crime convictions. Our findings contribute to the debate on whether identifying the person in charge of the audit engagement increases financial statement transparency.