

Does the PCAOB's International Inspection Program Improve Audit Quality for Non-US-listed Foreign Companies?

**K.K. Raman,
University of Texas at San Antonio
Date: 26.05.2015 & Venue: P22 @ 2:30 PM**

Abstract

We examine whether the PCAOB's international inspection program improves audit quality for a sample of non-US-listed foreign companies from 55 countries audited by foreign (i.e., non-US) auditors. Specifically, for a sample of non-US-listed foreign companies, we find audit quality to be higher (a) after the foreign auditor is PCAOB-inspected (relative to foreign auditors who are PCAOB-registered but not inspected), and (b) when the foreign auditor is PCAOB-registered (relative to foreign auditors who are not registered with the PCAOB) but only in countries that allow PCAOB inspections. For completeness, we also establish whether audit quality improves for US-listed companies with foreign auditors after the foreign auditor is inspected by the PCAOB. Collectively, our findings suggest that the PCAOB's international inspection program has a positive externality, i.e., PCAOB inspections improve audit quality not only for the foreign audit firm's US-listed clients but also for its non-US-listed foreign clients. These findings are of potential interest to the Board (as well as regulators overseas) in documenting the benefits of PCAOB international inspections for overseas investors in non-US-listed foreign companies thereby increasing the acceptability of the PCAOB's international inspection program abroad.

Speaker Profile

<http://business.utsa.edu/faculty/kraman/>