Location of Audit Task Impact on Audit Risk and Quality: Insight From Bank Loan Officers

Lydia Didia
Jackson State University

Adrian L. Mayse
Howard University

Kwadwo H. Ofori-Mensah
Fort Hays State University

Given globalization, increased competition, and technological advances, audit firms send audit procedures to other countries. This paper examines bank loan officers' perceptions of audit risk and quality when audit tasks are performed in locations other than that of the principal auditor. Our findings indicate that bank loan officers perceive an increase in audit risk as audit procedures move further away from the lead auditor. However, they do not believe that these procedures significantly affect audit quality. Managers and those charged with governance can benefit from these procedures without fearing that lenders will perceive their audited financial statements diminished in quality.

Keywords: audit risk, audit quality, audit task, outsourcing, offshoring

INTRODUCTION

Large accounting firms in the United States (U.S.) frequently outsource work to smaller domestic firms (Bandyopadhyay and Hall, 2008). With the increase in globalization and competition, audit firms have begun outsourcing and offshoring audit procedures. Outsourcing is the process of having work performed by a different firm, and offshoring involves having work performed overseas. Offshoring business processes generally take two forms: offshore outsourcing and affiliated offshore entity (AOE). Offshore outsourcing involves sending business processes to an unaffiliated entity that is in another country, typically overseas. While in AOE, firms still own the outside centers, and workers in these centers are considered employees. Many multinational companies take advantage of AOEs (Daugherty and Dickins, 2009). Large accounting firms are increasingly outsourcing and offshoring audit tasks to emerging countries such as India because of lower costs and slower population growth in the United States, United Kingdom, and other developed countries. On the other hand, India, Pakistan, and other emerging countries have seen a tremendous population increase.

These procedures represent a significant shift in the audit practice. In the early years of outsourcing and offshoring, it was reported that the Big Four accounting firms offshored only five percent of the U.S. audit hours, and these audit tasks required minimal or no judgment to perform (Daugherty *et al.*, 2012). Offshoring of audit tasks is on the rise. The Public Company Accounting Oversight Board (PCAOB) has raised concerns about the practice of offshoring audit tasks because of issues related to compliance with auditing standards, audit quality, regulatory transparency, and data privacy and security breaches (Whitehouse, 2009). While offshoring helps large firms be efficient by cutting costs and using a 24-hour workforce, some believe that audit quality is compromised (Aubin and Chatterjee, 2012). Accounting firms believe that audit tasks performed through outsourcing and offshoring are of the same or higher quality compared to work not involving these procedures (Daugherty and Dickins, 2009). However, there is a concern that the public may not view the quality of outsourced and offshored audit procedures to be of the quality expected of the profession (Robertson & Stone, 2005).

There are mixed results concerning outsourcing, especially offshoring of audit procedures. Chan and Moser (2014) reported that clients are willing to partake in the cost savings associated with offshoring; however, they are worried about third-party perceptions of these procedures. Dickins and Daugherty (2012) interview of ten different middle-market publicly traded companies suggest that audit committee members do not believe that offshoring audit procedures significantly impact audit quality. Given globalization, increased competition, and technological advances, outsourcing and offshoring audit procedures are expected to increase (Hanes, 2013). As users of financial statements become aware of these procedures, how will they react to the audit clients?

Bank loan officers are one of the users of financial statements. The financial condition of an entity, as reflected in its financial statement, is one of the factors influencing bank loan officers' decision to extend loans to the entity. If bank officers do not trust the audited financial statements, they may deny the loan to the entity. Given the volume of information involved, it becomes difficult for third parties such as bank loan officers and investors to have firsthand knowledge about the entity they do business with, thus relying on financial statements audited by external auditors. If bank loan officers perceive a decrease in the overall quality, that may negatively impact their decisions to extend a loan to the entity.

This study examines the impact of outsourcing and offshoring audit procedures on bank loan officers' perceptions of audit risk and audit quality via a within-subjects experiment. A within-subjects experiment mimics real-life experience as the participants are exposed to several possible scenarios (Rolfe & White, 1991). In this experiment, 151 bank loan officers were provided four different scenarios depicting the performance of audit procedures in various locations in and outside the U.S. Based on the scenarios, bank loan officers assess how they perceive audit risk and audit quality. Our experimental results indicate that bank loan officers differentiate between audit risk and audit quality. Their perceptions of audit risk increase as the audit procedures move further away from the lead auditor. However, they do not believe that outsourcing and offshoring significantly impact their perception of audit quality.

The results have implications for managers and those charged with governance. Third parties, such as bank loan officers, will not consider their financial statements as low quality because of where the audit procedures were performed. Outsourcing and offshoring audit procedures are now part of the norm. Managers should have conversations with auditors and inquire about their plans to deal with data privacy and security breaches. They should also have further conversations with the auditors on how to share in the low-cost benefit involved in these procedures. The remainder of this paper is organized as follows. The next section presents Background and Hypotheses. The Methodology and the Results sections follow. Lastly, the paper concludes with a Conclusions and Implications section.

BACKGROUND AND HYPOTHESES

The last few years have seen rapid and significant changes in the auditing profession. Deregulation, technology, and globalization have placed immense pressure on audit firms to devise new ways of doing business to stay competitive. Accounting firms are taking advantage of the benefit of outsourcing and offshoring and have begun outsourcing and offshoring audit procedures. Offshoring audit tasks has become endemic because it is argued that the practice substantially lowers wage and benefit costs and allows organizations to function round the clock by taking advantage of time zone differences (Knechel, 2007).

Another benefit of outsourcing and offshoring of audit procedures is that it allows the local auditors to perform more significant work (Downey, 2018).

While offshoring seeks to maximize the efficient use of labor resources, the PCAOB posits that offshoring promotes efficiency at the expense of quality because of the risk that work will be offshored to employees who lack the requisite training, skills, and experience needed to perform the offshored and outsourced tasks. The perceived risk that errors might occur is much higher when audit tasks are outsourced and highest when outsourced tasks are offshored (Lyubimov, Arnold, & Sutton, 2013)(Lyubimov, Arnold, & Sutton, 2013)(Lyubimov, Arnold, & Sutton, 2013; Lyubimov, Arnold, & Sutton, 2013; Lyubimov, Arnold, & Sutton, 2013; Lyubimov, Arnold, & Sutton, 2013; Lyubimov *et al*., 2013).

Several studies investigate various stakeholders' perceptions of outsourcing and offshoring of audit procedures. Lyubimov *et al.* (2013) use a 2 X 2 experimental design to examine the liability associated with outsourcing and offshoring of audit procedures. The jurors in their study awarded more compensatory damages when the work is outsourced. The study found that participants expected significantly lower quality work when offshoring as compared to outsourcing onshore. Overall, the study results suggest that jurors expect high-quality and low-risk work and will heavily punish auditors for failure, especially when the work is offshored. The study looked at audit work being outsourced and/or offshored to India since that was the country cited as conducting the most outsourced audit work for North American CPA firms. Daugherty *et al*. (2013) also conducted a study on offshoring using jurors. In their study, the jurors awarded more damages when the audit task that led to audit failure was performed offshore than when it was performed in the U.S.

A study by Dickins and Daugherty (2012) indicates that audit committee members are generally not worried about the impact of offshoring on audit quality. Also, Didia *et al* . (2018) use a 2 x 2 between-subjects to examine whether outsourcing and offshoring of independent audit procedures affect bank loan officers' perceptions of financial statement reliability and loan decisions. Their result shows that outsourcing and offshoring of audit procedures do not significantly impact bank loan officers' decisions on loans to the audit clients.

Chan and Moser (2014) show that managers are not all familiar with offshoring of audit procedures and are concerned about data privacy and confidentiality. Their study further indicates that CFOs and controllers want the benefit of lower costs associated with offshoring; however, they worry about public perceptions of offshoring.

Given increased competition and globalization, advanced technology, outsourcing and offshoring of audit procedures are expected to increase. This study is further motivated by researchers' calls to investigate different stakeholders’ perceptions on outsourcing and offshoring audit procedures (Daugherty and Dickins, 2009; Lyubimov *et al.*, 2013). It is imperative to investigate bank loan officer perceptions of outsourcing and offshoring on overall audit quality and audit risk since loan officers are among stakeholders who routinely review audited reports.

Firms that engage in offshoring audit tasks argue that the practice offers the opportunity to provide local auditors more advanced work and that the tasks offshored are perceived to be trivial or brainless (Downey, 2018). Conversely, some believe that the practice reduces task identity and task significance because local team members often complete tasks started offshore (Downey, 2018). Research in organizational behavior suggests that when an employee performs a task from start to finish, it cultivates psychological ownership for the work, which permits the employee to overcome any adverse quality effects expected when the work is perceived to be less important or trivial (Pierce *et al.*, 2003).

As the audit moves further away from the principal auditor, there is concern about the audit risk and the audit quality. Some believe offshoring escalates the risks as it involves cross-border relationships (Aron, Clemons, & Reddi, 2005). According to the proximity theory, distance affects decision-making. Several studies show that distance affects decisions and performance (Blaskovich, 2008; Hanes, 2013; Lankhuizen, de Groot & Linders, 2011; Lyubimov *et al.*, 2013; MacDuffie, 2007)**.** MacDuffie (2007) observes four types of distance: cultural, administrative/political, geographic, and economical. Most of the offshored procedures are sent to India, which differs culturally, politically, and economically from the U.S.

(Daugherty *et al.*, 2013; Lyubimov *et al.*, 2013). Lyubimov *et al.* (2013) state that geographic location and cultural differences may intensify risk perception when work is offshored.

The geographical and cultural distance have raised concerns such as loss of control over data and third party's perceptions on audit quality and audit risk. However, the accounting firms use AOE meaning that these workers are considered employees therefore fully under the firm's supervision. The firms also indicated that stringent procedures are in place to ensure proper supervision of work outsourced and offshored. The firms further noted that these procedures go through the same review process as work performed in the United States (Daugherty and Dickins, 2009). The question then is how the public, especially bank loan officers, perceive the overall audit risk and quality involved in outsourcing and offshoring audit procedures. Thus, the research question below.

R1: What are bank loan officers' perceptions of overall audit risk and audit quality on outsourcing and offshoring of audit procedures?

METHODOLOGY

The study uses a within-subject design. This research design mirrors the natural environment in which the bank loan officers operate (Harsha and Knapp, 1990; Rolfe and White, 1991). They do not make decisions in isolation but rather consider relevant factors. Several researchers have used within-subjects design (e.g., Pany and Reckers, 1980; Wilson, 2015).

In this study, the bank loan officers are knowledgeable participants, reducing the bias and demand effect associated with within-subjects design. They are comparable to Wilson's (2015) participants. Secondly, similar to prior studies, the participants were told that there are no right or wrong answers but to answer the questions to the best of their ability (Mather, 1999; Pany and Reckers, 1980; Wilson, 2015). The following section provides information about the within-subjects experimental case, the study participants, and audit risk and audit quality variable measure.

Within-Subjects Experimental Case

The within-subjects experimental case consists of information regarding audit procedures that are insourced, outsourced, and offshored. First, participants are asked questions on their perceptions of audit risk on four possible scenarios of outsourcing and offshoring audit procedures. Next, participants are asked questions on their perceptions of audit quality on four possible scenarios of outsourcing and offshoring audit procedures. Lastly, participants are asked to provide demographic information.

Participants

The participants in this study are bank loan officers recruited using Qualtrics, a web-based company that works with industry partners to build broad and targeted participant panels (Brandon, Long, Loraas, Mueller-Phillips, & Vansant, 2014).

There are 151 usable responses to the within-subjects experimental case. The demographic statistics in Table 1 show that 65.56 percent of the participants have at least five years of lending experience, and 78.15 percent hold at least a bachelor's degree. Over 75 percent (76.82%) of the participants have a current bank loan officer title or higher, with 74.17 percent devoting fifty percent or more of their time to loan approval. About 17 percent (16.56) of the participants report that they have some professional certification. A substantial majority of the participants (83.45 percent) work with banks with a hundred million or more assets. Additionally, 92.05 percent of the participants reported that they are either somewhat knowledgeable or very knowledgeable about auditing.

TABLE 1
DEMOGRAPHIC STATISTICS
(n=151)

Variable	Grouping	Frequency (n)	Percent (%)
Loan Experience	1-4 years	52	34.44
	5-10 years	52	34.44
	11-15 years	14	9.27
	Over 15 years	33	21.85
Highest Degree Earned	High School Diploma	14	9.27
	Associate Degree	19	12.58
	Bachelor's Degree	69	45.70
	Master's degree and higher	49	32.45
Percentage of Time Devoted to Loan	Below 50%	39	25.83
	50-69%	44	29.14
	70-79%	29	19.20
	80-89%	23	15.23
	Over 90%	16	10.60
Title	Credit Analyst	19	12.58
	Loan officer	84	55.63
	Vice President	28	18.54
	President/CEO	4	2.65
	Other	16	10.60
Certification	Yes	25	16.56
	No	126	83.44
Bank Asset Size	Less than $100 million	25	16.55
	$100 million - $1 billion	57	37.75
	Over $1 billion - $10 billion	43	28.48
	Over $10 billion	26	17.22
Knowledge of Auditing	Not at all Knowledgeable	12	7.95
	Somewhat Knowledgeable	100	66.22
	Very Knowledgeable	39	25.83
Knowledge of Outsourcing	Not at all Knowledgeable	37	24.50
	Somewhat Knowledgeable	85	56.29
	Very Knowledgeable	29	19.21
Knowledge of Offshoring	Not at all Knowledgeable	58	38.41
	Somewhat Knowledgeable	65	43.05
	Very Knowledgeable	28	18.54
Age	Under 26	8	5.30
	26-35	45	29.80
	36-45	36	23.84
	46-55	34	22.52
	Over 55	28	18.54
Gender	Male	81	53.64
	Female	70	46.36

Furthermore, 75.50 percent report that they are somewhat knowledgeable or very knowledgeable about outsourcing audit procedures, while 61.59 percent report that they are either somewhat knowledgeable or very knowledgeable about offshoring audit procedures. Eighty-one of the participants (53.64%) are male, and 70 are female (46.36%), of which 94.70 percent are 26 years old or older. The demographic statistics show that most of the participants in this study have many years of lending experience, are knowledgeable of auditing, and know about outsourcing and offshoring audit procedures.

Audit Risk and Audit Quality Variable Measure

An abstract on outsourcing and offshoring of audit procedures was presented to the participants. After reading the abstract, the participants were asked to answer eight questions. The first four questions are on their perceptions of audit risks involving outsourcing and offshoring audit procedures, while the second four questions are on their perceptions of audit quality involving outsourcing and offshoring audit procedures.

The questions are as follows: 1) How do you assess the average risk (quality) of an audit which involves audit tasks being outsourced to another firm located overseas?, 2) How do you assess the average risk (quality) of an audit which involves audit tasks being outsourced to another firm in the United States?, 3) How do you assess the average risk (quality) of an audit which involves audit tasks being insourced to another office of the same firm located overseas?, and 4) How do you assess the average risk (quality) of an audit which involves audit tasks being insourced to another office of the same firm located in the United States? The responses to the perceptions of audit risk and audit quality are measured on a 7-point Likert scale where 1 was "Extremely Low Risk (Quality)" and 7 was "Extremely High Risk (Quality)". These questions are adopted from Lyubimov *et al.* (2013). The Cronbach alpha for the statements on audit risk and audit quality scale is 0.75, indicating an adequate reliability level.

RESULTS

A repeated measure analysis of variance (ANOVA) was conducted to compare bank loan officers' perceptions of audit risk and audit quality. Table 2 shows the results of perceptions of audit risk and audit quality. Panel A of Table 2 shows the mean and standard deviation of the bank loan officers' responses. Panel B of Table 2 provides the post hoc analysis to determine the differences in the groups' mean responses. The results of the study, which show 1) perceptions of audit risk and 2) perceptions of audit quality, are provided below.

Perceptions of Audit Risk

Panel A of Table 2 shows significant differences ($p < .001$) among bank loan officers' perceptions of audit risk depending on where audit procedures are performed. Bank loan officers assessed the average risk to be highest (4.74) when audit work is outsourced to another firm (unrelated firm) located overseas (OTFS). The second-highest average risk (4.32) is assessed to audit tasks performed by firm affiliates located in India (INFS). Outsourcing procedures to another firm (unrelated firm) in the United States (OTOS) is next on the risk scale (4.01), followed by audit tasks performed by firm affiliates located in another U.S. state different from the principal auditor (INOS) with the lowest risk (3.73). These results suggest that bank loan officers' perceptions of overall audit risk increase as the audit tasks move further away from the principal auditor's location.

We further investigate the two offshore scenarios. The first situation involves an unrelated auditor, and the second is an affiliated auditor, both located in India. The results show that bank loan officers perceive a highly significant difference ($p < .001$) in audit risk when audit procedures are performed by an unrelated firm located abroad (OTFS) compared to when the procedures are performed by an affiliated auditor located in India (INFS). In addition, the results show that bank loan officers perceive a highly significant difference ($p < .005$) in audit risk when audit procedures are performed by an affiliated firm located abroad (INFS) compared to when the procedures are performed by an unrelated auditor located in the U.S. (OTOS). Furthermore, the results show that bank loan officers perceive a highly significant difference ($p < .010$) in audit risk when audit procedures are performed by an unrelated firm located in the U.S. (OTOS) compared to when the procedures are performed by an affiliated auditor located in the U.S. Overall, the results show that the further away the audit tasks are from the principal auditor the greater the perceived audit risk (INOS - 3.73, OTOS - 4.01, INFS - 4.32, OTFS -4.74).

TABLE 2
PERCEPTIONS OF AUDIT RISK AND AUDIT QUALITY*

Panel A: Mean (Standard Deviation)		
Case Scenarios	**Audit Risk**	**Audit Quality**
Outsource Offshore (OTFS)[1]	4.74 (1.22)	4.18 (1.28)
Outsource Onshore-(OTOS)[2]	4.01 (1.13)	4.32 (1.15)
Insource Offshore (INFS)[3]	4.32 (1.22)	4.25 (1.18)
Insource Onshore (INOS)[4]	3.73 (1.38)	4.19 (1.26)
Significance of overall differences	$p < .001$	$p = .306$

Panel B: Pairwise Comparisons	
OTOS vs. INOS	$p = .010$
INFS vs. OTOS	$p = .005$
OTFS vs. INFS	$p < .001$

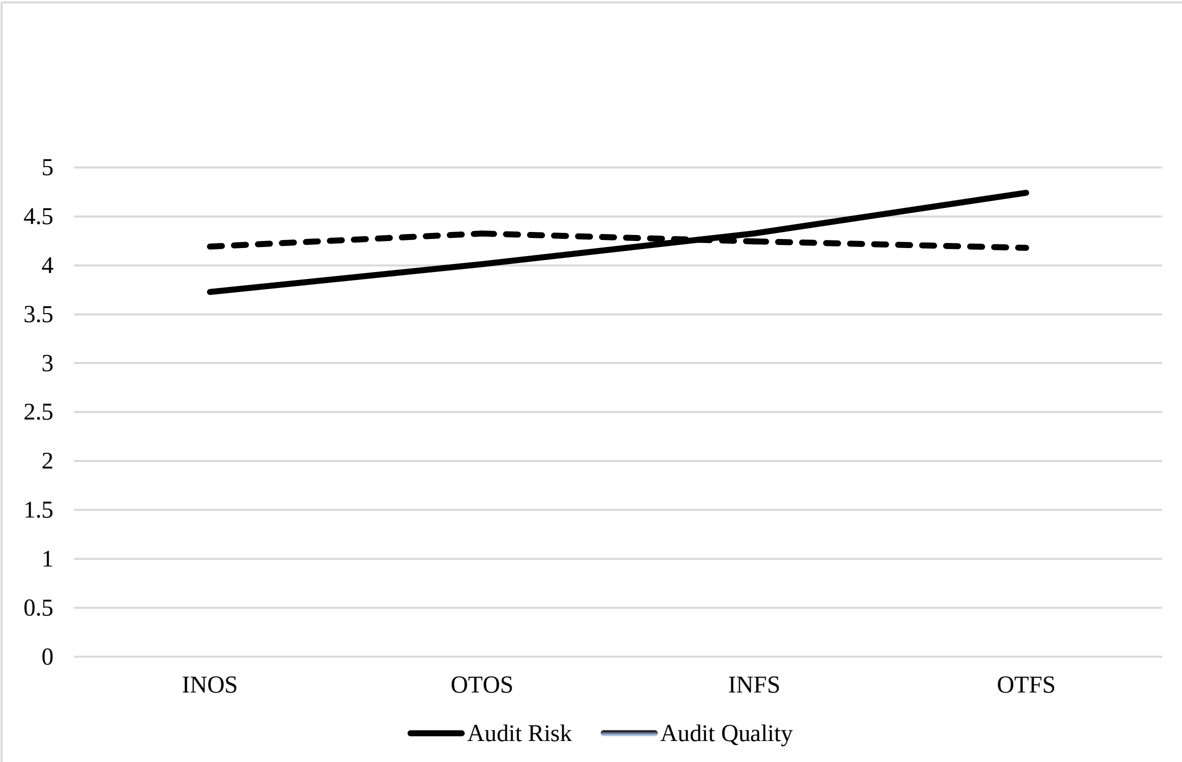
[1]How do you assess the average risk (quality) of an audit that involves work being outsourced to another firm located overseas?
[2]How do you assess the average risk (quality) of an audit that involves work being outsourced to another firm in the United States?
[3]How do you assess the average risk (quality) of an audit that involves work being insourced to another office of the same firm located overseas?
[4]How do you assess the average risk (quality) of an audit that involves work being insourced to another office of the same firm located in the United States?
*The participants' audit risk (audit quality) perceptions are based on questions on each of the four possible scenarios. Perceptions are measured on a scale of 1 (Extremely Low) to 7 (Extremely High). A Repeated Measures Analysis of Variance was utilized; (n=151).

Perceptions of Audit Quality

Panel A of Table 2 shows bank loan officers' perceptions of audit quality means (standard deviation) for audit procedures performed across the four scenarios: 1) Unrelated audit firm in India - 4.19 (1.6), 2) unrelated audit firm in the USA - 4.32 (1.15), 3) affiliated audit firm located in India - 4.25 (1.18), and 4) affiliated audit firm in the USA - 4.25 (1.18). The results further show that audit quality is not statistically significant across the four scenarios ($p = .306$). The location where audit tasks are performed does not significantly affect bank loan officers' perceptions of audit quality.

Figure 1 depict the results of the relationship between bank loan officers' perceptions of audit risk/audit quality and where audit procedures are performed.

FIGURE 1
BANK LOAN OFFICERS' PERCEPTIONS OF AUDIT RISK/AUDIT QUALITY AND WHERE AUDIT PROCEDURES ARE PERFORMED



CONCLUSIONS AND IMPLICATIONS

Given globalization and increased competition, the Big Four firms are expected to continue to send some audit procedures to other countries, and this practice is anticipated to increase with time (Dickins and Daugherty, 2012; Downey, 2018; Lyubimov *et al.*, 2013). Reduced cost is often cited as one reason audit procedures are either delegated or outsourced to auditors outside the U.S.

There is a concern about the quality of work when audit procedures are outsourced and/or offshored. For instance, Daugherty *et al.* (2012) report reservations about audit procedures performed in a location other than where the auditor resides. In some cases, audit tasks are delegated to auditors of the same firm (affiliate) residing outside the country. In other cases, audit procedures are outsourced to other firms outside the country.

This study examines bank loan officers' perceptions of the overall audit quality and audit risk when some of the audit procedures are performed in a location different from that of the principal auditor. The results show that bank loan officers in this study acknowledge that audit risk increases as the performance of audit procedures moves further away from the lead auditor. However, they believe that the overall audit quality is not significantly affected by outsourcing and offshoring audit procedures.

Lyubimov *et al.* (2013) observe that the accounting profession's singular right to conduct public company audits is based on the belief that auditing is a complex process that requires professionals with specialized knowledge gained through education, certification (examination), experience, and licensing. There is an implied public trust that the auditor will use the acquired knowledge to perform audits with appropriate due care, requiring planning the audit and strictly supervising subordinates. In this study, the bank loan officers seem to believe that the auditors will exercise due care in doing their jobs and that location will not impair the auditor's judgment. They seem to be aware that both opportunities and challenges accompany globalization.

The findings have implications for managers and those charged with governance. Outsourcing and offshoring of audit tasks will soon be part of standard audit practice. Dickins and Daugherty (2012) advised that if those charged with governance ask the right questions, audit quality can be maintained at the desired level and data security and confidentiality can also be assured.

The findings also have implications for accounting firms. The bank loan officers in this study are knowledgeable about outsourcing and offshoring audit procedures. They are also knowledgeable about the audit procedure. However, Chan and Moser (2014) observed that clients who are not familiar with offshoring audit procedures are more likely to believe that these procedures will negatively affect audit quality. Therefore, educating clients and financial statement users may alleviate the fear associated with these procedures. Also, providing clients with steps taken to ensure data security and confidentiality will further boost public trust.

This study contributes to the outsourcing and offshoring audit tasks literature in auditing by examining a unique user group's (bank loan officers) perception of audit risk and audit quality on audit task location. However, the views are of a selected group of bank loan officers. Future research can investigate the effect of training on less knowledgeable stakeholders such as non -professional investors. Finally, this study investigates perceived audit quality and not actual quality. It is not easy to investigate actual quality as such analysis will require proprietary records from audit firms, and these records are not available to researchers.

REFERENCES

Aron, R., Clemons, E.K., & Reddi, S. (2005). Just right outsourcing: Understanding and managing risk. *Journal of Management and Information Systems*, *22*(2), 37–55.

Aubin, D., & Chatterjee, S. (2012). *Analysis: As more U.S. audit work moves to India, concerns arise*. Retrieved June 13, 2020, from Reuters website: https://www.reuters.com/article/us-usa-audit-india/analysis-as-more-u-s-audit-work-moves-to-india-concerns-arise-idUSBRE89F1GC20121016%0D

Bandyopadhyay, J., & Hall, L. (2008). An investigation of offshoring of tax preparation services by U.S. accounting firms. *Competition Forum*, *6*(2), 411–423.

Blaskovich, J.L. (2008). Exploring the effect of distance: An experimental investigation of virtual collaboration, social loafing and group decisions. *Journal of Information Systems*, *22*(1), 27–46.

Brandon, D.M., Long, J.H., Loraas, T.M., Mueller-Phillips, J., & Vansant, B. (2014). Online instrument delivery and participant recruitment services: Emerging opportunities for behavioral accounting research. *Behavioral Research in Accounting*, *26*(1), 1–23. https://doi.org/10.2308/bria-50651

Chan, E.W., & Moser, D.V. (2014). *Client management's perceptions of audit offshoring and their willingness to trade off audit quality*. Retrieved from http://ssrn.com/abstract=2156471

Daugherty, B., Dickins, D., & Fennema, M.G. (2013). The effects of offshoring audit tasks on jurors evaluations of damage awards against auditors. *Advances in Accounting Behavioral Research*, *16*, 55–84.

Daugherty, B.E., & Dickins, D. (2009, January). Offshoríng the independent audit function: Consideration, implications and research opportunities. *The CPA Journal*, pp. 60–66.

Daugherty, B.E., Dickins, D., & Fennema, M.G. (2012). Offshoring tax and audit procedures: Implications for U.S.-based employee education. *Issues in Accounting Education, 27*(3), 733–742. https://doi.org/10.2308/iace-50141

Dickins, D., & Daugherty, B. (2012). Should those charged with corporate governance care about auditor offshoring? *International Journal of Disclosure and Governance*, *9*(1), 52–61. https://doi.org/10.1057/jdg.2011.11

Didia, L.N., Mayse, A.L., & Randle, E.C. (2018). The Effects of Outsourcing and Offshoring of Independent Audit Procedures on Bank Loan Officers' Perceptions of Financial Statement Reliability and Loan Decisions. *Journal of Accounting and Finance*, *18*(3), 105–118.

Downey, D.H. (2018). An Exploration of Offshoring in Audit Practice and the Potential Consequences of Associated Work "Re-Design" on Auditor Performance. *Auditing: A Journal of Practice & Theory*, *37*(2), 197–223. https://doi.org/10.2308/accr-50982

Hanes, D.R. (2013). Geographically distributed audit work: Theoretical considerations and future directions. *Journal of Accounting Literature*, *32*(1), 1–29. https://doi.org/10.1016/j.acclit.2013.09.001

Harsha, P., & Knapp, M. (1990). The use of within-and between-subjects experimental designs in behavioral accounting research: A methodological note. *Behavioral Research in Accounting*, *2*, 50–62.

Knechel, W.R. (2007). The business risk audit: Origins, obstacles and opportunities. *Accounting, Organizations and Society*, *32*(4–5), 383–408. https://doi.org/10.1016/j.aos.2006.09.005

Lankhuizen, M., de Groot, H.L.F., & Linders, G.M. (2011). The trade-off between foreign direct investments and exports: The role of multiple dimensions of distance. *The World Economy*. https://doi.org/10.1111/j.1467-9701.2011.01335.x

Lyubimov, A., Arnold, V., & Sutton, S.G. (2013). An examination of the legal liability associated with outsourcing and offshoring audit procedures. *Auditing: A Journal of Practice & Theory*, *32*(2), 97–118. https://doi.org/10.2308/ajpt-50354

MacDuffie, J.P. (2007). HRM and distributed work. *The Academy of Management Annals*, pp. 549–615.

Mather, P. (1999). Financial covenants and related contracting processes in the Australian private debt market: An experimenta. *Accounting and Business Research*, *30*(1), 29–42.

Pany, K., & Reckers, P.M. (1980). The effects of gifts, discounts, and client size on perceived auditor independence. *The Accounting Review*, *55*(1), 50–61.

Pierce, J.L., Kostova, T., & Dirks, K.T. (2003). The State of Psychological Ownership: Integrating and Extending a Century of Research. *Review of General Psychology*, *7*(1), 84–107. https://doi.org/10.1037/1089-2680.7.1.84

Robertson, C.J., & Stone, D. (2005, June). Offshore outsourcing of tax return preparation. *The CPA Journal*, *75*, 55–58.

Rolfe, R., & White, R. (1991). Investors' assessment of the importance of tax incentives in locating foreign expert-oriented investment: An exploratory study. *The Journal of the American Taxation Association*, *14*(1), 39–57.

Whitehouse, T. (2009, April). Offshored external audits expose regulatory issues. *Compliance Week*, pp. 26–80.

Wilson, R. (2015). A cross-sectional examination of non-big 4 firms' reliability. *Managerial Auditing Journal*, *30*(6–7), 633–656. https://doi.org/10.1108/MAJ-08-2014-1061