

Summary of Paper: [The Impact of Account-Level Inspection Risk on Audit Program Planning Decisions](#)

What is this Study About?

This study examines how the risk of an audit oversight inspection affects how auditors plan their work at the account level. Using an experiment with 182 experienced auditors, the researchers tested whether auditors adjust the hours they plan for auditing certain accounts when they believe those accounts are more likely to be inspected by regulators.

What are the major findings of the study?

Auditors tend to allocate more audit hours to accounts they think will be inspected, even when the actual risk of material misstatement (errors or fraud) in those accounts doesn't change. At the same time, auditors shift hours away from other accounts that have higher misstatement risks but lower inspection risks. For example, when the risk of inspection for trade receivables was described as high, auditors planned about 7 more hours than when it was described as low, despite no change in the account's misstatement risk.

Why is the study important?

The findings show that inspection pressures can unintentionally lead auditors to misallocate their time. Rather than strictly following the audit risk model, auditors may focus on “looking good” to regulators instead of addressing true risk areas. This misalignment can threaten audit quality, effectiveness, and professional skepticism—key cornerstones of the profession.

What is the impact on professional practice and society at large?

This research warns audit firms and regulators that inspection-driven pressures can distort audit planning. Firms may need to rethink training, performance incentives, and cultural norms to ensure audits truly focus on areas of real risk. Regulators might also consider using more random inspections to reduce the incentive for auditors to second-guess what will be reviewed. Better alignment means more credible audits, which benefits investors, companies, and the public who rely on high-quality financial statements.