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Discussant's Response to "Audit Theory Paradigms"

Donald L. Neebes

Ernst & Whinney

The stated goal of the paper is to present several candidates for the theory of auditing. No attempt is made to order the candidates, although the point is made that all fall short of a useful audit theory. The paper distinguishes between "macrotheory" and "microtheory," and asserts that the two, taken together, can be useful for research and practice.

As a practitioner, I found the paper difficult to read and understand. The following concepts are used which are foreign to most practitioners:

Positive versus normative theory

Empirical domain

Paradigm

Global pretensions

Theory closure

Utility payoffs

Even the title is somewhat daunting. A more understandable and, perhaps, more descriptive title would be "Audit Theory: What Is It? How Is It Developed?"

The paper states that "a *paradigm* is a 'world view' that enables researchers, theorists, and practitioners to discern audit phenomena in terms of *input*—specification of the problems of interest, *setting*—the empirical domain over which the audit work/research is applied, and *process*—the kinds of tests and standards used to adjudicate contradictory propositions." To help the practitioner understand the point being made, the paper should give two examples familiar to practitioners—one for an audit engagement and the other for an attestation engagement—to illustrate the meanings of the terms "input," "setting," and "process."

The section of the paper entitled "Macrotheory" vs. "Microtheory" did not address whether macrotheory drove microtheory or vice versa. A discussion of this point would be helpful.

The more restrictive auditing theory perspective is dominant rather than the more expansive attestation theory perspective. This focus is disappointing. There is only one reference to the attestation standards. And that is in a parenthetical comment! The attestation standards, of which generally accepted auditing standards can be considered a subset, are of growing importance to practitioners. The attestation standards are an expansion of, but faithful to, the theoretical core of the Mautz and Sharaf theory formulation as summarized in the paper. Within the last year, two interpretations of the attestation standards have been published, as follows:

Defense Industry Questionnaire on Business Ethics and Conduct¹
Responding to Requests for Reports on Matters Relating to Solvency.²

¹ American Institute of Certified Public Accountants, "Interpretation of Statement on Standards for Attestation Engagements, Attestation Standards: 'Defense Industry Questionnaire on Business Ethics and Conduct,'" *Journal of Accountancy* (August 1987), pp. 152-161.

² American Institute of Certified Public Accountants, "Responding to Requests for Reports on Matters Relating to Solvency," *Journal of Accountancy* (May 1988), pp. 178-181.