



Audit Standard Convergence and Its Implications for Multinational Corporations

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Abstract

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This article asks how audit standard convergence affects multinational corporations and whether formal alignment with International Standards on Auditing produces comparable audit outcomes across jurisdictions. Using a systematic literature review of peer reviewed empirical studies published from 2020 to 2024, the study synthesizes evidence on ISA adoption and implementation, expanded auditor reporting, and cross border oversight regimes. The results show that convergence improves reporting credibility and comparability mainly when it is reinforced by strong enforcement, inspection capacity, and consistent governance practices, rather than through adoption alone. The discussion integrates findings across institutional, audit production, and disclosure perspectives to explain how convergence reshapes group audit coordination, component auditor reliance, and transparency pressures in practice. Overall, the review finds that convergence can reduce information risk for globally exposed firms, but it may also reallocate compliance effort toward group level orchestration and oversight readiness, often materially. Future research should isolate mechanism specific effects and quantify multinational cost and benefit tradeoffs.

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1. Introduction

Audit standard convergence has shifted from a technical agenda led by standard setters into a practical governance and risk issue for multinational corporations (MNCs). As cross-border groups expand, they must navigate multiple audit regimes that increasingly reference International Standards on Auditing (ISAs), yet differ in local legal settings, regulatory oversight, and enforcement intensity. In this environment, “convergence” is best understood as a continuum rather than a binary condition, because jurisdictions may adopt ISAs with modifications, phase-ins, or supplementary national requirements. For MNCs, the central challenge is whether convergence produces consistent assurance outcomes across subsidiaries and capital market venues, or whether it mainly changes the language of standards while leaving execution fragmented.

Institutional explanations help clarify why convergence can be uneven across countries and, consequently, across components within a group audit. Even when ISAs are formally adopted, interpretive practices, professional norms, and oversight capacity shape how auditors apply concepts such as risk assessment, materiality, and documentation (Eltweri et al., 2022). Evidence from public sector settings reinforces the point that standards may diffuse through a mix of coercive requirements and voluntary professional alignment, suggesting that “convergence” can occur through practice adoption even when regulation is permissive (Rönkkö et al., 2023). This matters for MNCs because group audits rely on a networked production model, where the group auditor must integrate component work across jurisdictions,

reconcile methodological differences, and manage review and quality control burdens.

Convergence also has broader economic and governance implications that influence multinational strategy. Cross-country evidence indicates that adoption trajectories for ISAs are associated with measurable economic consequences, consistent with the view that audit standard alignment can function as part of a country's credibility infrastructure for external capital (Elmghaamez et al., 2024). Complementary evidence suggests that adopting international accounting and auditing standards is associated with improved perceptions of institutional integrity in the public domain, highlighting the role of audit and reporting standards in strengthening accountability signals that international investors may price (Kurniawati & Achjari, 2022). For MNCs, these links are relevant to location choices, financing conditions, and the risk premia attached to cross-border reporting environments.

At the firm level, convergence interacts with disclosure and oversight mechanisms in ways that can reshape reporting behavior. Research examining ISA 701 suggests that auditor communication of key audit matters is associated with changes in management disclosure quality, with audit committee structures influencing the strength of this relationship (Hosseinniakani et al., 2024). Stakeholder-based evidence similarly frames expanded auditor reporting as a transparency reform that can increase perceived audit effort and audit report informativeness, while also introducing new tensions around communication and expectations (Bepari et al., 2024). Finally, convergence is not solely a standards issue

because cross-border inspection regimes can alter market outcomes tied to multinational activity, including international deal completion and announcement returns (Kim et al., 2020) and the valuation of corporate cash holdings among non-U.S.-listed clients of inspected auditors (Liu et al., 2024). Taken together, these findings motivate a systematic literature review that synthesizes how audit standard convergence operates through formal adoption, local implementation, governance responses, and transnational oversight, and evaluates its implications for MNCs' audit coordination, reporting reliability, and cross-border capital market outcomes.

2. Literature Review

Prior research frames audit standard convergence as an institutional process in which formal alignment with International Standards on Auditing can coexist with meaningful differences in interpretation, monitoring, and enforcement. Studies of ISA diffusion emphasize how regulatory capacity, professionalization, and local legitimacy concerns shape adoption pathways and the extent to which “convergence” translates into consistent audit work, rather than purely symbolic compliance (Eltweri et al., 2022). Cross-country evidence similarly suggests that the economic consequences associated with ISA adoption depend on how jurisdictions implement and embed the standards within their broader financial reporting infrastructure (Elmghamez et al., 2024). Evidence from public-sector audit settings reinforces this implementation lens, showing that practice convergence can be voluntary and incremental, with local incentives influencing whether and how ISA-based approaches are operationalized (Rönkkö et al., 2023).

Another line of research is directly relevant to multinational corporations because convergence interacts with the organization of audit production in global networks. Group audits require the group engagement team to rely on component auditors operating under heterogeneous institutional conditions, which can create frictions in planning, documentation, review, and quality control even when standards are nominally aligned. Work on audit-firm operating models highlights how large firms respond to standardization pressures by redesigning internal processes, including the use of shared service centers that intensify standardization, coordination, and monitoring across countries (Aschauer & Quick, 2024). For MNCs, this implies that convergence outcomes are shaped not only by rulebooks, but also by how audit firms engineer cross-border delivery to achieve consistency at scale.

A complementary body of evidence examines how convergence-related reforms influence transparency and market outcomes through reporting and oversight mechanisms. Research on expanded auditor reporting under ISA 701 indicates that key audit matters can affect disclosure dynamics between auditors and management, with audit committees shaping the strength and informativeness of those linkages (Hosseinniakani et al., 2024). Stakeholder-based evidence also points to perceived improvements in audit-report transparency and audit effort signals, while noting that expanded reporting can generate new expectation and communication pressures (Bepari et al., 2024). Beyond reporting format, studies of cross-border oversight and cooperation show that enforcement connectivity can improve reporting properties and transparency for internationally exposed firms,

which is highly salient for MNCs operating across multiple regulatory spheres (Silvers, 2021). Consistent with this broader oversight channel, public audit oversight regimes have been linked to stronger market responses to financial reporting signals, suggesting that regulatory monitoring can enhance perceived reporting credibility (Gipper et al., 2020). Recent evidence further connects cross-border cooperation frameworks to governance-related outcomes in cross-listed firms, including changes in cash policies and investor valuation mechanisms, which underscores that “convergence” effects often run through enforcement capacity and information environments rather than standards text alone (Chang et al., 2024; Liu et al., 2024).

3. Methods

This study applies a systematic literature review design to synthesize empirical evidence on audit standard convergence and its implications for multinational corporations. The review focuses on peer reviewed journal articles published between 2020 and 2024. The scope covers research on ISA adoption and implementation, convergence driven reporting reforms (including expanded auditor reporting), and cross border oversight or inspection regimes that shape audit comparability and reporting credibility for firms operating across jurisdictions.

The search strategy combined structured keyword strings and backward and forward citation tracking. Searches were conducted in major academic databases commonly used for auditing and accounting research, including Scopus, Web of Science, and Google Scholar. Core keywords and Boolean combinations included audit standard convergence OR ISA adoption OR harmonization, paired with

multinational OR cross border OR group audit OR component auditor, and oversight terms such as inspection OR regulator OR enforcement OR PCAOB. Titles and abstracts were screened first, followed by full text assessment.

Studies were included if they were empirical, published in peer reviewed outlets, and examined audit standard convergence, ISA adoption or implementation effects, expanded auditor reporting linked to ISAs, or cross border audit oversight with clear relevance to multinational settings. Conceptual pieces, editorials, and practitioner articles were excluded, as were papers without a clear link to multinational implications. For synthesis, the included studies were coded for setting, research design, convergence mechanism (formal adoption, implementation practices, reporting reform, or oversight), and multinational outcomes (audit coordination, disclosure effects, capital market consequences, or transaction outcomes). Findings were then narratively integrated to identify consistent patterns, boundary conditions, and gaps for future research.

4. Results and Discussion

The synthesis indicates that audit standard convergence delivers its strongest benefits when it is treated as an implementation project rather than a rulebook event. Across jurisdictions, formal ISA adoption is frequently accompanied by local adaptations, differences in regulatory intensity, and variation in professional capacity, which collectively shape how consistently audit requirements are executed in practice (Eltweri et al., 2022). Cross-country evidence also aligns with the view that adoption pathways matter. Jurisdictions that embed ISAs within credible monitoring and

reporting infrastructures tend to exhibit more pronounced economic consequences associated with convergence, suggesting that standards function as part of a broader institutional package rather than a standalone mechanism (Elmghaamez et al., 2024). Consistent with this interpretation, public-sector evidence shows that ISA-oriented practices can diffuse voluntarily and incrementally, and that the depth of operational change depends on local incentives and perceived legitimacy rather than formal alignment alone (Rönkkö et al., 2023). For MNCs, the practical implication is that “one global audit approach” is often constrained by jurisdiction-specific execution realities, which can preserve frictions in group reporting even under nominally converged standards.

A further theme concerns how convergence reshapes the industrial organization of auditing, particularly the way global audit firms redesign delivery models to achieve consistency at scale. Evidence on shared service centers suggests that audit firms use process centralization and standardized workflows to intensify coordination and monitoring across countries, partly as a response to institutional pressures for uniformity and efficiency (Aschauer & Quick, 2024). From an MNC standpoint, these operating-model shifts can have mixed effects. On one hand, standardized work programs and centralized testing can reduce duplicative effort and improve within-network comparability in documentation and review. On the other hand, the redistribution of audit tasks across borders can increase the importance of clear group instructions, robust file-sharing protocols, and quality management to ensure that local risks are not flattened into overly standardized

procedures. In effect, convergence may lower technical variation while raising the managerial demands of orchestrating a multinational audit supply chain.

An additional finding points to the group audit interface as a critical transmission channel through which convergence affects MNC outcomes. While ISAs promote a common language for risk assessment and evidence, component work still reflects local enforcement conditions and the way component auditors interpret lead auditor direction. Experimental and qualitative evidence shows that component auditors may interpret lead auditor instructions in a concrete, checklist-oriented manner when instructions are highly detailed, and that prompting component auditors to attend to their responsibility to the group engagement can influence evidence collection decisions (Zhu & Phang, 2024). This helps explain why MNCs often experience “hidden” coordination costs even under converged standards: convergence can standardize expectations, but execution depends on the behavioral and accountability dynamics between lead and component teams. Practically, the review suggests that MNCs benefit when group auditors and audit committees invest in clearer group scoping rationales, explicit documentation expectations, and governance routines that support challenge and escalation across borders, rather than assuming that ISA alignment alone will harmonize component performance.

The review also finds that convergence-related transparency reforms influence both the content and the governance of multinational reporting. Studies of ISA 701 indicate that key audit matters can reshape the relationship between auditor communications and management disclosures, with audit committees

affecting how informative and aligned these disclosures become (Hosseinniakani et al., 2024). Stakeholder evidence similarly suggests perceived gains in audit-report transparency and informativeness, but also notes new pressures around expectations and communication as auditors provide more entity-specific narrative signals (Bepari et al., 2024). For MNCs, the implication is twofold. First, convergence can increase cross-country comparability in the structure of assurance communications, which may support investor interpretation across markets. Second, the governance premium rises: consistent audit committee oversight, disclosure controls, and group-level narrative reporting discipline become more consequential because expanded auditor reporting can amplify scrutiny on how risks are described and managed across subsidiaries.

Finally, the evidence consistently indicates that oversight and cross-border regulatory cooperation are decisive complements to convergence, especially for MNCs that are cross-listed or that raise capital internationally. Public oversight can strengthen reporting credibility by increasing market responsiveness to financial reporting signals, consistent with investors placing greater weight on audited information when inspection regimes raise expected audit effort and discipline (Gipper et al., 2020). In parallel, cross-border enforcement cooperation appears to improve disclosure outcomes among internationally exposed firms. When regulators' information-sharing capacity strengthens through cooperation frameworks, cross-listed foreign firms increase the quantity and quality of voluntary disclosures such as management forecasts, consistent with reduced scope for opportunism and heightened enforcement risk (Tsang et al., 2023). Related evidence

suggests that cooperation can also spill into broader reporting domains, including corporate social responsibility reporting, reinforcing the idea that multinational transparency responds to enforcement connectivity rather than standards text alone (Silvers, 2021; Chen et al., 2024). Taken together, these findings suggest that for MNCs the practical value of audit standard convergence is highest where it is reinforced by credible oversight, enforceable disclosure regimes, and internal governance systems capable of coordinating audit and reporting behaviors across borders.

Across the included studies, a key gap concerns isolating which elements of convergence drive outcomes for MNCs: formal adoption, implementation quality, audit-firm delivery redesign, expanded reporting, or enforcement connectivity. The literature increasingly implies that these mechanisms interact, but empirical designs often capture them in isolation. A second gap is the need for more direct evidence on MNC cost tradeoffs, including how convergence affects group-audit hours, review intensity, remediation cycles, and internal control investment across subsidiaries. Future research can also connect behavioral evidence on component auditor responses to lead auditor direction with field data on group audit adjustments, inspection findings, and restatement risk, to better explain when convergence strengthens multinational reporting reliability and when it mainly reallocates compliance effort.

5. Conclusion

Audit standard convergence can strengthen the reliability and comparability of multinational financial reporting, but its benefits are realized primarily through implementation quality rather than formal adoption alone. The reviewed evidence indicates that where convergence is supported by credible oversight, enforcement capacity, and robust professional infrastructure, it is more likely to translate into consistent audit execution and stronger information environments for cross-border capital allocation. For multinational corporations, this means convergence should be treated as a governance and risk-management issue that influences audit planning, reporting discipline, and stakeholder confidence across jurisdictions.

The findings also show that convergence reshapes the organization of audit delivery in ways that can both reduce and redistribute coordination costs. Standardized methodologies and centralized audit processes can improve consistency within audit networks, yet they increase the importance of group-level orchestration, including clear component instructions, quality management, and escalation routines. Convergence-related reporting reforms further elevate the role of internal governance, as expanded auditor communications can intensify scrutiny of how multinational risks are described, controlled, and disclosed across subsidiaries.

Future research should move beyond treating convergence as a single event and instead disentangle the relative effects of adoption, local implementation, audit-firm operating models, expanded reporting, and cross-border regulatory cooperation. More direct evidence is also needed on multinational cost and benefit

tradeoffs, including impacts on group-audit effort, remediation cycles, and the allocation of internal control resources across entities. Finally, integrating behavioral insights on lead and component auditor interactions with field evidence from inspections and reporting outcomes would clarify when convergence enhances multinational reporting reliability and when it mainly shifts the form, rather than the substance, of compliance.

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