



**CENTER
FOR AUDIT
QUALITY**

Serving Investors, Public Company Auditors & the Markets

**LEADING
THE WAY
ON AUDIT QUALITY**

WHO *we are*

The health of our global capital markets and economy depends on robust investor confidence.

The public company auditing profession plays a key role in maintaining this confidence. Survey after survey shows that strong majorities of retail and institutional investors view independent auditors as valuable and effective in looking out for investor interests.

An autonomous, nonpartisan, and nonprofit public policy advocacy organization, the Center for Audit Quality (CAQ) guides and supports the public company auditing profession as it does its vital work worldwide.

Members

Affiliated with American Institute of CPAs, the CAQ is self-supporting and funded entirely by the support of its nearly 600 members. Membership in the CAQ is open to U.S. accounting firms registered with the PCAOB. Associate membership is available for U.S. accounting firms not registered with the PCAOB. The CAQ also offers international firm subscriptions.

Leadership

The CAQ is led by a Governing Board made up of chief executive officers from leading public company auditing firms, the American Institute of CPAs, and representatives from key stakeholder constituencies such as audit committee members, investors, and academics. Three members of the Governing Board are appointed from outside the public company auditing profession. These independent board members bring insights that provide critical context. The CAQ's Executive Director, Cindy Fornelli, is responsible for carrying out the mission and vision of the Governing Board.

Staff

Working from offices in Washington, DC and New York, NY, the CAQ's team includes experts in communications, policy, professional practice, research, stakeholder engagement, and operations. The CAQ's Policy and Professional Practice Groups include a team of individuals licensed as Certified Public Accountants (CPAs). In addition, the CAQ maintains a Professional Practice Fellowship Program, which brings in CPAs from the profession who help guide the CAQ's professional practice and public policy activities during 18-month fellowships.

LEADING THE WAY: A Voice for the Profession

Recognized as a leader on public company auditing issues and corporate governance, CAQ Executive Director Cindy Fornelli articulates profession views before regulators, in the news media, and at prominent business events in the United States and abroad.



WHAT *we do*

Each day, the CAQ takes action in numerous ways to support public company auditors and to enhance public trust in the capital markets.

Advocating Policies and Standards

Working with its members, the CAQ formulates and advances positions on pressing policy issues facing the public company auditing profession and our capital markets. The CAQ's policy work is accomplished through continual engagement with policymakers at the Public Company Accounting Oversight Board (PCAOB), the Securities and Exchange Commission, and other regulatory bodies at home and overseas. Areas of interest include regulation of public company auditors; accounting standards; efforts to enhance auditor independence, objectivity, and skepticism; and corporate governance.

The CAQ conveys the profession's policy views through a number of channels, including comment letters, amicus briefs, and meetings with policymakers.

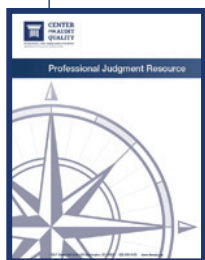
Fostering High Quality Performance

An essential part of the CAQ's mission is to leverage our membership's insight and expertise to foster high quality performance by public company auditors. Toward this end, the CAQ produces guides, issues technical alerts, and commissions research.

Convening and Collaborating With Key Stakeholders

Investors and the markets benefit greatly when the various constituents of the financial reporting process work together and communicate effectively. To that end, the CAQ convenes and collaborates with other stakeholders to advance the discussion of critical issues.

LEADING THE WAY: Helping Auditors Exercise Effective Judgment



It is critical for the public and capital markets to have trust and confidence in the reasonableness of judgments made by public company auditors. This issue has been a focus area for the profession and regulators, particularly as the complexity of accounting continues to increase. The CAQ established a Judgment Task Force and published a resource aimed at assisting

auditors who are responding to judgment challenges arising from the increasing complexity of business transactions, the development of principles-based (or objectives-based) auditing and accounting standards, the increasing focus on estimates, and other highly subjective elements.

The Professional Judgment Resource outlines an example of a decision-making process grounded in five essential actions that include identifying and defining the issue and reviewing and completing the documentation and rationale for the conclusion. Additionally, the Resource identifies several of the more common judgment tendencies and traps that can potentially lead to bias and weaken professional skepticism, and includes illustrative examples of these tendencies, as well as strategies to avoid them. While the Resource was developed with auditors in mind, it can be a useful tool for all capital markets participants.

One key area where the CAQ actively collaborates is in our efforts to fight financial reporting fraud. The CAQ is a founding member of the Anti-Fraud Collaboration (www.AntiFraudCollaboration.org). Similarly, the CAQ helped create the Audit Committee Collaboration (www.AuditCommitteeCollaboration.org), which works to expand audit committee member access to useful tools and materials aimed at strengthening audit committee oversight of the financial reporting process.

Informing the Public

For the public and investors, the CAQ produces, among other material, guides to public company auditing, videos explaining our system of investor protection, and surveys on investor opinion regarding auditors and the capital markets. The CAQ also plans and executes targeted outreach, including briefings, roundtables, and webcasts. All CAQ resources and events are free of charge and available on our website www.TheCAQ.org. Additionally, our communications team monitors and engages with the news media, providing comment and resources to ensure the public company auditing profession views are portrayed accurately in reporting and commentary.

LEADING THE WAY: Developing Case Studies to Fight Fraud

The Anti-Fraud Collaboration develops reports, webcasts, and other resources aimed at fighting financial fraud. The Collaboration's case studies, based on the Harvard Business School model, have been widely taught across the country, including at teachings by CAQ member firms and at events and conferences.



LEADING THE WAY: Engaging with Academics



To encourage promising research on audit quality, the CAQ hosts an annual symposium with members of the auditing profession, academia, and the regulatory community.

The CAQ's Research Advisory Board also provides grants to support quality independent academic research on such topics as audit committee effectiveness, audit quality indicators, professional skepticism and the value of the audit. And, in partnership with the Auditing Section of the American Accounting Association (AAA), the CAQ connects academic researchers with audit firm personnel needed for research projects.



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