



**CENTER  
FOR AUDIT  
QUALITY**

*Serving Investors, Public Company Auditors & the Markets*

**Request for Proposals  
For Academic Research in Auditing  
December 2014  
Proposal Deadline: Friday, March 20, 2015**

**Background**

The Center for Audit Quality (CAQ) is an autonomous public policy organization dedicated to enhancing investor confidence and public trust in the global capital markets. The CAQ fosters high quality performance by public company auditors, convenes and collaborates with other stakeholders to advance the discussion of critical issues requiring action and intervention, and advocates policies and standards that promote public company auditors' objectivity, effectiveness, and responsiveness to dynamic market conditions.

The CAQ is committed to providing opportunities for the academic community to work closely with the profession. In 2008, the Center established a Research Advisory Board (RAB), comprised of representatives from academia and the profession which reviews proposals relating to academic research in auditing. In the past six years, the RAB has awarded 25 grants for independent academic research projects on topics of interest to the profession.

**The CAQ is keenly interested in supporting archival research, literature reviews and syntheses, descriptive analyses, meta analyses, and behavioral/experimental studies.**

The CAQ convenes an annual Auditing Research Symposium that provides an opportunity for a robust dialogue between members of the profession and academic representatives on key issues that practitioners face in conducting an audit. One goal of the Symposium is to provide insights into areas that would benefit from further research in auditing so as to inform practice. At the [2014 CAQ Symposium](#), two important topics were the foci: audits of internal control over financial reporting and audit quality indicators - [videos of the panel discussions](#) are available on the CAQ website.

**Areas of Interest**

For 2015, the CAQ is especially interested in proposals that address one of the topics listed below. These topics are illustrative of those that the CAQ believes to have the greatest potential to inform practice.

**Audits of Internal Control Over Financial Reporting (ICFR)**

Many public companies are required to assess the effectiveness of internal control over financial reporting as of their fiscal year end and then report the results in the Form 10-K. In addition, certain public companies are required to have their external auditor, audit and issue an opinion as to whether the public company maintained, in all material respects, effective internal control over financial reporting. In the inspections of the audits of ICFR the PCAOB has identified deficiencies. At the 2014 CAQ Symposium, practitioners provided insights into the audit planning, testing, and evaluation of ICFR. There was also a discussion about the lack of research on the relationship between reported ICFR deficiencies and financial statement restatements.

### **Audit Quality Indicators (AQI)**

The CAQ has endeavored to develop and communicate a point of view on audit quality, including the key elements of audit quality and potential indicators. In 2014, the CAQ published the [CAQ Approach to Audit Quality Indicators](#). The PCAOB plans to release an exposure draft seeking input from stakeholders on an audit quality framework for AQI metrics, and potential uses of those metrics. The CAQ is interested in research that addresses issues with respect to AQIs and the needs and perspectives of key stakeholders, such as investors, audit committee members, and other financial statement users.

### **Audit Committee Effectiveness**

Audit committees play a critical role in the financial reporting process. The CAQ is interested in research that will add to the current understanding of the responsibilities, best practices, characteristics, policies, and structure of effective audit committees. In addition, the CAQ is interested in research that informs future research by adding to the current understanding of the impact of audit committees on the financial reporting process and the audits.

### **Communication and Information Technology**

The CAQ is interested in the impact of communication and information technologies on the audit (e.g., determinations of the sufficiency of evidence; the confirmation process, including areas of use, reliability of information, response rates, form of confirmation requests, impact of third party service providers and challenges associated with an electronic form of confirmation; communications between audit staff and company personnel.)

### **Fraudulent Financial Reporting**

Fraudulent financial reporting continues to be an area of key importance to the CAQ, and the focus of its collaborative partnership with the Financial Executives International, The Institute of Internal Auditors, and the National Association of Corporate Directors. In November, 2014, the Anti-Fraud Collaboration released a new report, [The Fraud-Resistant Organization](#). Broad areas of interest for academic research include understanding the conditions that contribute to financial reporting fraud and assessing related risks; lessons and insights from past frauds that could prove useful in deterrence and detection; mitigating the risks associated with a focus on short-term results on financial reporting; the role of information technology in facilitating the deterrence and detection of fraudulent financial reporting; and the effectiveness of whistleblower programs.

### **Professional Skepticism (PS)**

Professional skepticism is a fundamental element underlying the effectiveness of an external audit. Audit firms continue to seek ways to foster the proper application of professional skepticism in practice and the CAQ is interested in research on the antecedents to and fostering of the proper application of professional skepticism.

### **Value of the Audit**

Another area of on-going CAQ interest is the value ascribed to the audit (e.g., debt and equity market effects; the value proposition of audited financial information; the view of stakeholders).

***Note:** The CAQ will consider proposals for research with a domestic or international dimension on any of these topics, or other topics that would be helpful to practice. Any appropriate research method can be employed.*

## **Proposal Instructions**

Proposals should be concise and contain the following elements. A short [video](#) on elements of a successful proposal can be viewed on the CAQ website. We hope that this video will assist in the development of successful proposals.

- A description of the research question and its importance to practice.
- A description of how the research fits into the existing literature by explaining how the proposed study builds on the extant research on the topic.
- A description of specific predictions, including theory-based explanations underlying the predictions. Research without specific predictions (e.g., interview, case study, survey) will also be considered and should include a description of how the research relates to theory.
- A description of the proposed methodology, including the research design and key variables, if applicable, and the proposed methods of analysis. If the researcher has begun to implement the research plan, (e.g., researcher has developed a data collection protocol or has gathered data from a pilot study; researcher has created a database of observations from a secondary data source) include that information in your proposal submission.
- A description of the resources needed to complete the study, and what assistance will be required from the CAQ and its members firms (e.g., funding request, access to professional staff – including experience and/or industry requirements, secondary data sources).
- A timeline for data collection, analysis and report writing or other deliverables.
- An itemized budget including budget rationale. Note that the CAQ requires a waiver of university overhead and will not pay for the travel to conferences or for journal submission fees. CAQ member firms do not permit researchers to offer payment or gifts to audit personnel for participating in research studies.
- Identification of proposed members of the research team (e.g., project director, research assistant, staff scientist, faculty), including a brief description of their roles and the estimated level of effort (in hours) proposed for each member.
- Curriculum vitae for the proposed principal investigator and other key members of the research team.
- Other information that the research team believes will assist in the review of the proposal.

While there is no restriction on the number of pages, proposals should be focused and concise. **In addition, researchers are strongly encouraged to include an executive summary (no longer than two pages) that is written for a non-academic audience.**

The number of projects selected for funding will depend on the quality and number of proposals received and the total dollar amount of funds requested. The RAB anticipates making available a total of approximately \$200,000 to fund multiple projects during this submission period.

## **Submission process**

The CAQ has an online process for submitting research grant proposals. To submit your proposal, please go to <http://www.thecaq.org/policy/research/research-advisory-board/rab-grant-rfp-2015> and follow the instructions. To be considered, proposals must be received **on or before 12:00 a.m. midnight EST, Friday, March 20, 2015.**

Proposals will be reviewed by the CAQ's Research Advisory Board. Grants will be announced on or about **May 15, 2015.**

Questions should be addressed to Tom Payne ([tpayne@thecaq.org](mailto:tpayne@thecaq.org)).