

**Request for Proposals
Academic Research in Auditing
November 2015**

Proposal Deadline: Friday, March 18, 2016

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 scholarly research in auditing. In the past seven years, the RAB has awarded 28 grants for independent academic research projects on topics of interest to the profession.

The CAQ is keenly interested in supporting archival research using secondary data sources, 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 [2015 CAQ Symposium](#), two important topics were addressed – both potentially impacting the audit and engagement team of the future. The first related to data analytics and how such analytics could be used in an audit context; the second related to the role of the auditor in other assurance settings – specifically when reporting is needed for Corporate Social Responsibility or when there is a demand for reporting on Cybersecurity at the company level. Videos of the panel discussions and a summary of the smaller breakout sessions are available on the CAQ website.

Areas of Interest

The CAQ is primarily (but not solely) interested in funding projects that address research questions with a nexus to one of the topics listed below.

Data Analytics

Audit firms are making major investments in technologies that will facilitate the use of advanced data analytics in the audit of financial statements. The integration of data analytics into firm audit methodologies is still in the early stages as the firms explore (i) how best to capture the data; (ii) how such data can influence scoping and risk assessment decisions; and (iii) how such data can be used in providing substantive assurance to the auditor. Suggested areas for research include (i) the potential role

and uses of data visualization tools; (ii) the introduction and integration of data analytics into the classroom; (iii) how that integration could promote the development of critical thinking and professional skepticism; and (iv) thought leadership on the definition of data analytics and how data analytics works within the context of existing auditing standards. Research questions in this area could benefit greatly from a multidisciplinary academic team which may have the potential to generate more “out of the box” thinking.

Audits of Internal Control over Financial Reporting (ICFR)

Many public companies are required to assess the effectiveness of internal control over financial reporting (ICFR) and report the results in the Form 10-K. In addition, certain public companies are required to have their external auditor issue an opinion as to whether the public company maintained, in all material respects, effective ICFR. On a macro level, the CAQ is interested in research on the relationship between reported ICFR deficiencies and measures of the quality of financial statements, such as restatements, numeric and non-numeric disclosure quality measures and measures of disclosure timeliness, etc. In 2014 the CAQ published [*Financial Restatement Trends in the United States: 2003-2012*](#), which included some additional areas for future research on ICFR. On a company-level basis, research around the material weakness decision process (including forecasting the magnitude of errors that could exist) is extremely relevant to both regulators and practitioners.

Audit Quality Indicators (AQI)

For several years the CAQ has been actively engaged in developing and seeking perspectives on potential audit quality indicators (AQIs) in an effort to assist in the regulatory and professional discussion regarding AQIs. Through this process, the CAQ considered many of the potential AQIs that were put forward for consideration in the PCAOB’s Concept Release. The CAQ is interested in research that addresses issues with respect to AQIs and how AQIs can be used to adequately communicate and measure audit quality.

Auditing Accounting Estimates and Fair Value Measurements

Auditors face many challenges when auditing the more complex accounting estimates and fair value measurements. PCAOB inspection reports have highlighted numerous deficiencies in this area, such as a lack of consistent application of professional skepticism including insufficient consideration of contradictory evidence when auditing areas that involve significant judgments; inappropriate levels of supervision/reliance on specialists (both inside and outside audit firms); insufficient evaluations of the reasonableness of certain assumptions; insufficient testing of certain inputs used in the determination of significant estimates in the face of contradictory evidence; and insufficient testing of estimates with fair value measurements. The CAQ is interested in research that addresses the information that auditors consider when making judgments about accounting estimates.

Audit Committee Effectiveness

Audit committees play a critical role in the financial reporting process. In 2015 Q3, [*the SEC sought comments*](#) from the public on whether and how disclosures could be improved to further highlight audit committee responsibilities and the manner in which they are executed with respect to oversight of the external auditor. 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

Corporate Social Responsibility (CSR) Reporting

About 80 percent of S&P 500 companies currently issue some type of a GRI sustainability report, and the demand for CSR reporting and assurance is on the rise. To meet this demand, large public accounting firms as well as boutique consulting firms offer an array of assurance services. At the 2015 Symposium, participants explored the challenges of providing assurance on CSR information. The group identified several key areas for research: the impact of CSR restatements; the relationship between CSR reporting and market performance and/or quality of financial statements; and the value that report users place on CSR assurance.

Communication and Information Technology

The CAQ is interested in the impact of communication and information technologies on the audit. Areas of focus include determinations of the sufficiency of evidence; the confirmation process, including the impact of third party service providers and challenges associated with an electronic form of confirmation; and 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 its [Anti-Fraud Collaboration](#). Broad areas of interest for academic research include understanding the conditions that contribute to financial reporting fraud and assessing related risks; 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

Professional skepticism is a fundamental element underlying the effectiveness of the external audit. Audit firms continue to seek ways to foster the proper application of professional skepticism in practice. The CAQ is interested in research on the antecedents to and fostering of the proper application of professional skepticism that have the potential to make a meaningful contribution to the extant research. This topic has also been mentioned under the accounting estimates heading above, but professional skepticism does go well beyond accounting estimates.

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](http://www.thecaq.org/policy/research/RAB-Form-2016) for submitting research grant proposals. To submit your proposal, please go to <http://www.thecaq.org/policy/research/RAB-Form-2016> and follow the instructions. To be considered, proposals must be received **on or before 12:00 midnight EST, Friday, March 18, 2016.**

Proposals will be reviewed by the CAQ's Research Advisory Board. Grants will be announced no later than **May 31, 2016.**

Questions should be addressed to Tom Payne (tpayne@thecaq.org).