



**American
Accounting
Association**

THE AUDITOR'S REPORT

Volume 35, No. 1
Fall 2011

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

Report of the President

D. Scott Showalter



Just as we enter the fall semester with excitement and expectations, we also begin the next year for the Auditing Section and our members with a similar level of expectations. As I mentioned during our luncheon in Denver, the Auditing Section is the best section. Our members are the best and they demonstrate it every day. Our members are active within the section, supporting each other, and in contributing to the advancement of the profession. Whether you are an EC member,

committee member, task force member, program chair, journal editor, reviewer, moderator, discussant or an individual who willingly volunteers to fulfill any requested role, the extent of volunteerism is impressive. Thanks to everyone for your efforts.

As we enter the new year, my excitement revolves around advancing the strategy we revealed in January during the midyear conference. To date, the response from the membership has been positive and, under Steve Glover's leadership, much progress has been made on moving our strategic initiatives forward in achieving our vision for the section. We will achieve our vision through implementing the following five strategic initiatives:

*Data and Research Fulfillment
Respect, Voice, and Strategic Relationships
Membership, Growth, and Involvement
Education Fulfillment
Governance and Structure*

These strategic initiatives include the many great activities the section has provided in the past as well as identifying new opportunities to serve our broadening membership. For additional information on our strategy, I

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encourage you to read the Auditing Section Roadmap document posted on our website. Soon after the annual meeting, I held conference calls with committee chairs to discuss how their respective committees can support our vision and strategic initiatives. Their response, to date, has been impressive. Their efforts will benefit all our members. I mentioned our great members earlier; I would be remiss if I didn't acknowledge some significant contributions by our members. First, thanks to Steve Glover for his significant leadership as President during the past year. The section is in a better position due to his efforts and leadership. His leadership is tireless. The annual meeting also marked the end of the terms on the Auditing Section Executive Committee for Urton Anderson, Past President (and before that as VP Academic and President) and Chris Hogan, Treasurer. These EC members contributed countless hours to the success of the section. We owe them a big thank you. The 2011 AAA Annual Meeting in Denver was a great success thanks to the leadership of Karla Johnstone and Marsha Keune as annual meeting directors. Great job. Also contributing to the success of the annual meeting were the hundreds of reviewers of submitted papers, moderators and discussants. These behind the scenes roles provide real value to our members. Finally, please welcome our new EC members, Roger Martin, VP-Academic and Karla Johnstone, Treasurer.

2011 Annual Meeting Denver, CO

This year, there were many opportunities provided for Auditing Section members who attended the 2011 annual meeting in Denver. Of the 176 papers submitted, 141 papers were presented at concurrent, dialogue, interaction and new scholar sessions. The Section also sponsored 5 panel sessions. In addition, the CEO from PWC, Bob Mortiz, engaged our membership in an open dialogue during Monday's luncheon. Bob provided a frank look into issues facing the accounting profession.

In addition, for the third consecutive year, The Center for Audit Quality (CAQ) held a half-day symposium to facilitate dialogue between the profession and audit scholars. Over 70 participants attended: approximately one-half academics and one-half leading professionals from practice, including 3 CEO's from the larger accounting firms. The symposium consisted of two panels. The first panel, moderated by PwC CEO Bob Mortiz, discussed the ongoing CAQ efforts surrounding the Future Role of the Auditor. The second panel moderated by Stephen Chipman, CEO from Grant Thornton, highlighted how academic research on use of nonfinancial measures may address issues facing the profession on assessing fraud risk. In addition to the panels, there were open table discussions about how academic research can inform practice.

This brings us to some exciting upcoming events.

2012 Midyear Conference, Savannah, GA
Make plans to attend the Eighteenth Annual Auditing Section Midyear

[Auditing: A Journal of Practice and Theory](#) [— Special Calls](#)

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Spring 2012 Issue Deadline

The deadline for material to be included in the Spring 2012 issue of *The Auditor's Report* is February 28, 2012. The preferred format is a Word file attached to an e-mail message. We are also open to any proposals for materials that anyone would like to submit. Please send all material and proposals to the incoming Editor at the address below by February 28, 2012, to ensure timely publication of the issue:

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Conference to be held in Savannah, Georgia on January 12-14, 2012. This year's program chairs, Joe Brazel and Keith Jones, are working hard for all our members to have an informative conference. Similar to previous years, the meeting will include two keynote plenary speakers and concurrent sessions dealing with a wide variety of contemporary topics related to audit and assurance research, practice, and education. The Friday morning plenary session will feature an open discussion with recently-appointed PCAOB Board member Jay D. Hanson. The Saturday morning plenary session will feature a presentation by Madoff whistleblower Harry Markopolis. With paper submissions up 30% from last year, we are anticipating a full house. Please register early.

This year's program will again include a pre-conference Audit Education Workshop on Thursday afternoon beginning at 1:00 pm. This year's workshop is being coordinated by Urton Anderson. The purpose of this Workshop is to bring together audit educators and leaders from the accounting profession to discuss emerging issues related to audit education. The workshop will focus on the role of enterprise risk management and internal and external audit in effective organizational governance. New cases and teaching materials will be discussed and provided that can be used to introduce these topics in introductory audit or advanced auditing courses.

The 13th Annual Auditing Section Doctoral Consortium will be held on January 12th, preceding the Midyear conference. The chair of this year's Consortium is Jean Bédard. The purpose of the Consortium is to stimulate students' research by exposing them to the latest ideas from leading researchers in auditing, and by providing opportunities for networking with other Ph.D. students, established auditing researchers, and journal editors. The Consortium is open to all Ph.D. students who have an interest in auditing research. Students may be at any stage in their program. There is a limit on the total number of students who can attend the Consortium, and a maximum of four students from any one university may attend. Applications will be accepted on a first-come, first-served basis.

Thanks to The KPMG Foundation for their continued support for the Midyear Conference and Doctoral Consortium.

I hope to see everyone in Savannah.

2012 Audit Educator Bootcamp

The Audit Educator Bootcamp continues its sold out performance. The participant evaluations confirm the value received from participating in the bootcamp. The bootcamp provides audit educators with an overview of current practice issues and contemporary audit methodologies of a number of large audit firms. The uniqueness of the instructors experienced in teaching firm audit methodologies and the leading audit

professionals from various firms adds significant value to the 3-day bootcamp. Thanks to Frank Buckless, North Carolina State University, and Christine Earley, Providence College, who served as primary instructors in 2011 and are on slate to be primary instructors in 2012. The 2012 bootcamp will be held in Chicago on June 19-21 at Ernst & Young's offices. We are very grateful for EY's support of the bootcamp.

Webinars

The Research and Education Committees will continue providing professional education through our webinar series. Our next webinar will once again be a joint effort with the CAQ. The topic will continue a topic introduced at the CAQ symposium held in conjunction with the AAA annual meeting — Exploring the Role of the Auditor. Keep on the lookout for an announcement about the next webinar; many thanks to Rick Lillie for his continued leadership with our webinar series.

Which brings me back to where this message began — have a great semester!





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Eighteenth Annual Midyear Auditing Section Conference

Dear Auditing Members,

Please make plans to attend the Eighteenth Annual Auditing Section Midyear Conference to be held in Savannah, Georgia on January 12–14, 2012. The Conference will be held at the Marriott Savannah Riverfront, located on the Historic Riverfront, and connected to River Street via the Riverwalk. Walk throughout the Historic District and enjoy beautiful squares, historic house museums, art galleries and antique shops. A limited number of rooms have been reserved at the special conference rate of \$139 per night inclusive of internet access, single or double. Please make your [Hotel Reservations](#) before December 12, 2011 to take advantage of this special room rate.

You can [Register Online](#) for the Early Registration price of \$195 until December 12, after which the Registration price increases to \$225. You will need your AAA Login ID and password to log in; if you have forgotten your Login ID and/or password, use the [Password Request Form](#) (Note that the email address you enter must be the same email address contained in your AAA member record.) If you do not receive an email message containing your login information, please contact the American Accounting Association at info@aaahq.org.

The KPMG Foundation is generously sponsoring the Midyear Conference. Similar to previous years, the meeting will include two keynote plenary speakers and concurrent sessions dealing with a wide variety of contemporary topics related to audit and assurance research, practice, and education.

The Friday morning plenary session will feature an open discussion by PCAOB Board member Jay D. Hanson. Mr. Hanson's full biography is posted [HERE](#).

The Saturday morning plenary session will feature a presentation by Madoff whistleblower Harry Markopolos. Mr. Markopolos' full biography is posted [HERE](#).

This year's program will again include a pre-conference [Audit Education Workshop](#) on Thursday afternoon beginning at 1:00 PM. The purpose of this Workshop is to bring together audit educators and leaders from the accounting profession to discuss emerging

issues related to audit education. This year's workshop will focus on the role of enterprise risk management and internal and external audit in effective organizational governance. New cases and teaching materials will be discussed and provided that can be used to introduce these topics in introductory audit or advanced auditing courses. There is a \$40 registration charge for this Workshop and pre-registration is required. If you have questions regarding the workshop you may contact Urton Anderson (e-mail: Urton.Anderson@mcombs.utexas.edu) or the Mid-Year meeting Co-Chairs (e-mail: kjonesm@gmu.edu).

Thanks to the generous support of the KPMG Foundation, the 13th Annual Auditing Section Doctoral Consortium will be held on January 12, preceding the Midyear meeting. The chair of this year's Consortium is Jean Bédard. The purpose of the Consortium is to stimulate students' research by exposing them to the latest ideas from leading researchers in auditing, and by providing opportunities for networking with other Ph.D. students, established auditing researchers, and journal editors. The Consortium is open to all Ph.D. students who have an interest in auditing research. Students may be at any stage in their program. There is a limit on the total number of students who can attend the Consortium, and a maximum of four students from any one university may attend. Applications will be accepted on a first-come, first-served basis via the [Registration Form](#) online. Students are advised to register early.

Make plans now to join us in Savannah next January!

Joe Brazel and Keith Jones
2012 Auditing Section Midyear Conference Co-Chairs

Scott Showalter
Auditing Section President

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Auditing Standards Board Update — October 2011

Mark H. Taylor - Professor of Accountancy
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Case Western Reserve University
Cleveland, OH

This update marks the final update I will provide as a member of the ASB as my term ends in this year. I consider myself very fortunate to have had the chance to serve alongside the practicing professionals who have dedicated significant amounts of effort and energy to the work of the ASB. More on this below.

The Auditing Standards Board (ASB) convened one meeting since the update that was included in the Summer 2011 edition of The Auditor's Report. The meeting was held in Seattle, WA July 26-28, 2011. The meeting began with an update whereby Darrel Schubert, ASB Chair, summarized issues of interest to the ASB. Further, I provided the ASB with an update on the IAASB's issuance of its Consultation Paper on the Auditor's Report. The Consultation Paper and the comments can be accessed at <http://www.ifac.org/publications-resources/enhancing-value-auditor-reporting-exploring-options-change>.

Table 1 presents for the July 2011 meeting, the Proposed SASs, Task Force Chairs who presented the Proposed SASs—if applicable—and the outcomes of the deliberations.

**Table 1. Proposed SAS, Task Force Chair, and Outcome
July 2011 ASB Meeting**

Proposed SAS	Task Force Chair or Discussion Leader	Outcome
<i>Financial Statements Prepared in Accordance With a Financial Reporting Framework Applicable in Another Country</i>	Walt Conn	Voted to ballot as final SAS.
<i>Omnibus Statement on Auditing Standards—2011</i>	Discussion led by <u>Ahava Goldman</u> , AICPA	Voted to ballot as final SAS.
<i>Forming an Opinion and Reporting on Financial Statements and Engagements to Report on Summary Financial Statements</i>	Discussion led by <u>Chuck Landes</u> , AICPA	The ASB requested that after the changes that were agreed upon were integrated into the document, that the draft be circulated, and a vote for final issuance be taken.
<i>Alert as to the Intended Use of the Auditor's Written Communication</i>	<u>Phil Wedemeyer</u>	Remanded for changes to return at the October 2011 meeting.
<i>The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern</i>	<u>Brian Richson</u>	Remanded for changes to return at the October 2011 meeting.

The first item in Table 1, proposed SAS *Financial Statements Prepared in Accordance with a Financial Reporting Framework Applicable in Another Country*, the Task Force had been charged with making final changes at a previous ASB meeting. Walt Conn presented the ASB with changes, none of which were controversial, and the ASB voted the proposed SAS as final.

The purpose of the second item in Table 1, proposed *Omnibus Statement on Auditing Standards* is to amend various clarified SASs, including 117-119 for consistency with changes in subsequently clarified SASs. The ASB had received comments from the exposure period, the disposition of which was straightforward for most of the parts of the of the Omnibus SAS. With respect to one of the affected standards, *Modifications to the Opinion in the Independent Auditor's Report*, the ASB considered respondents' requests to allow governmental audit organizations that are not independent in accordance with AICPA rules to opine with disclosure about the lack of independence. The ASB did not approve this request, as a change of that nature is beyond the scope of the Clarity Project and of the proposed omnibus standard. However, the ASB added to its agenda consideration of a project addressing this issue in the future.

Regarding another of the standards affected by the omnibus SAS, *Reports on Application of Requirements of an Applicable Reporting Framework*, the ASB reviewed and discussed respondent's views about the independence of the reporting accountant for engagements

falling under that SAS. The ASB concluded to retain the requirements as exposed, including the requirements for disclosure in the report when the accountant issuing the report is not independent in accordance with AICPA rules. The remaining changes to the *Omnibus Statement on Auditing Standards—2011* were minor.

For the third item in Table 1, *Forming an Opinion and Reporting on Financial Statements and Engagements to Report on Summary Financial Statements*, the revisions that the Task Force brought to the meeting did not change any of the requirements of the SAS; rather, the revisions clarify the terms used (summary financial statements and condensed financial statements) and point to the relevant standards when less than a full set of financial statements are presented, either as comparative information or as stand-alone information. The ASB did request that two illustrative reports related to not-for-profit organizations be added to the SAS with the first containing comparative summarized information derived from audited financial statements for the prior year presented, and the second containing comparative summarized information derived from unaudited financial statements for the prior year. In addition to minor wording changes, the ASB asked that a definition of condensed financial statements be added.

As to the fourth item in Table 1, *Alert as to the Intended Use of the Auditor's Written Communication*, the Task Force addressed, among other things, the GAO's concerns regarding the requirement of the proposed SAS that the alert should state that the written communication "is not intended to be and should not be used" for any other purpose. The Task Force proposed to revise this requirement to state that the written communication "may not be suitable for any other purpose" because such language is similar to language used in International Standards on Auditing, and the Task Force proposes to align the illustrative language to more clearly describe the purpose of the communication under *Government Auditing Standards*. The ASB concluded that the requirement should be revised to state that the written communication "is not suitable for any other purpose." The ASB requested the Task Force to integrate the several proposed changes to the SAS and return with a revision to the October meeting.

Finally, the last item in Table 1, proposed SAS *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*, Brian Richson lead the discussion of the Task Force's work on the proposed SAS since the meeting during which it was last discussed. After further consideration, the ASB requested the Task Force to conform the structure of the requirements to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time to the comparable requirement in AU 341.03. Further, the ASB recommended reorganizing the objectives, and requested the Task Force to return to the October meeting with a goal of voting the proposed SAS as final.

The July meeting concluded with a brief update on future ASB activities. Megan Zietsman, Chair of the Task Force to clarify proposed SAS, *Using the Work of Internal Auditors*, discussed the progress of the IAASB on revising ISA 610, *Using the Work of Internal Auditors*, and the concerns of the ASB Internal Auditor Task Force of the approach being taken by the IAASB, and the expected time table for the Task Force to take up clarifying the SAS. In addition, Beth Schneider, Chair of the Sustainability Reports Task Force, discussed the IAASB project on assurance services for greenhouse gas emissions statements. She discussed issues that may have implications for the clarity redrafting of the ASB's

attestation standards, which will soon be on the ASB's agenda. The IAASB requires the practitioner to describe the procedures performed in a limited assurance engagement but does not require a description of the procedures. The ASB expressed concern that a lengthier description of procedures performed may lead users to take an unwarranted level of assurance from the report.

Complete meeting highlights of the July meeting (from which I have drawn to prepare portions of this update), will be posted on the AICPA website after they are approved at the October meeting. Previous and future meeting highlights, as well as the dates of future and past meetings of the ASB can be found at <http://www.aicpa.org/research/standards/auditattest/asb/pages/asbmeetingmaterialsandhighlights.aspx>.

Final Comment

As noted, this is the last update I will prepare as a member of the ASB as my term is coming to a close; it ends with the conclusion of the October 2011 meeting in New York. Kay Tatum, University of Miami, who is the incoming academic member of the ASB who will serve a three year term. I wish her all the best. I have thoroughly enjoyed the privilege of serving on the ASB during these last three years and participating in, and seeing the conclusion of, the multi-year long Clarity project, at least in terms of the bulk of the existing SASs is concerned. The practicing professionals with whom I have served are truly dedicated to improvements in audit quality via the auditing standards-setting process at the ASB. As the ASB moves forward with a revised strategic direction at the conclusion of the Clarity Project, I invite all members of the Auditing Section to consider contributing to the ASB's mission through observing and participating in future meetings, submitting comment letters on current and future exposure drafts, and other means which would also enhance audit quality.

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GAO Update

by Jeanette Franzel and Maxine Hattery

Comptroller General Staats: Model Public Servant

Former Comptroller General, Elmer B. Staats, died Saturday, July 23, in Washington, D.C., at the age of 97, and GAO marked his passing with recollections of integrity, dedication to good government, and the major role he played in forming the institution GAO is today.

"He was a strong advocate of constructive change and good government principles. His intelligence, dedication, and integrity were legendary in Washington," Comptroller General Gene Dodaro remarked. "If anyone could be called a model public servant, it was Elmer."

Mr. Staats' career in the federal government began in 1939 at what is now the Office of Management and Budget, and he served there in high-level positions under Presidents Truman, Eisenhower, Kennedy, and Johnson. President Johnson nominated him as Comptroller General, and he held the post 1966-1981, through the administrations of Presidents Johnson, Nixon, Ford, and Carter and into the early months of the Reagan administration.

Former Comptroller General Charles Bowsher, who succeeded Mr. Staats, remembered him as "one of the great public servants during the WWII and post-war era." His leadership, Mr. Bowsher said, "was never matched by anyone else in the 20th century."

And Mr. Bowsher's successor, Comptroller General David Walker called Mr. Staats "a person of unquestioned integrity and an inspiration to me and many others."



Judge E. Barrett Prettyman administers the oath of office to the new Comptroller General of the United States, Elmer B. Staats, on March 8, 1966, as wife Margie and President Lyndon B. Johnson look on.

Under Mr. Staats' leadership, GAO expanded its role as an organization dedicated to fostering improved management throughout government. He increased the amount of work done at the request of Congress, moved the agency into the field of program evaluation, and expanded recruiting and training efforts to encompass a wide variety of disciplines. He also led GAO's expanded efforts to foster good government and accountability around the world through active participation in the International Organization of Supreme Audit Institutions (INTOSAI).

After leaving GAO, Mr. Staats became the president and later chairman of the Board of Trustees of the Harry S. Truman Scholarship Foundation. He was a member of the Governmental Accounting Standards Board from 1984 to 1990. During the 1990s, he served as the first chairman of the Federal Accounting Standards Advisory Board.

On the occasion of GAO's 80th anniversary in 2001, GAO Historian Maarja Krusten prepared a comprehensive history of GAO, including a chapter describing how Mr. Staats broadened the scope of GAO's work. She wrote,

In reflecting on Staats's tenure, a senior GAO manager referred to him in 1981 as "a pragmatic agent of good government," who viewed GAO's reports as "a way to achieve results rather than simply hitting someone over the head." Staats was a strong advocate of public service and constructive change, who worked to improve management throughout the government.

Within GAO, he practiced a participatory management style, often relying on task forces to study job processes and organizational issues.

Senator Joe Lieberman paid tribute to former Comptroller General Elmer Staats with a statement in the Congressional Record praising him as a leading figure in the world of public administration and government accountability.

"Elmer Staats was renowned for his dedication to constructive change and good government principles," said Lieberman. "His intelligence, dedication and integrity will be missed."

Federal Debt: Answers to Question You Were Afraid to Ask

Know the answers to these questions?

- How large is the federal debt?
- What is debt held by the public?
- What is debt held by government accounts?
- What is the difference between the two types of federal debt?

Okay, then how about these?

- What is Treasury's goal for federal debt management?
- How does the composition of outstanding debt affect federal borrowing costs?
- What are key reasons for foreign investment in Treasury securities?
- What information is available about foreign holdings of U.S. Treasury and other securities?

If your answer is "No," to any of these questions, you're not alone. That's why GAO has created a Web primer that even advanced students of the federal debt may appreciate, with its history refresher:

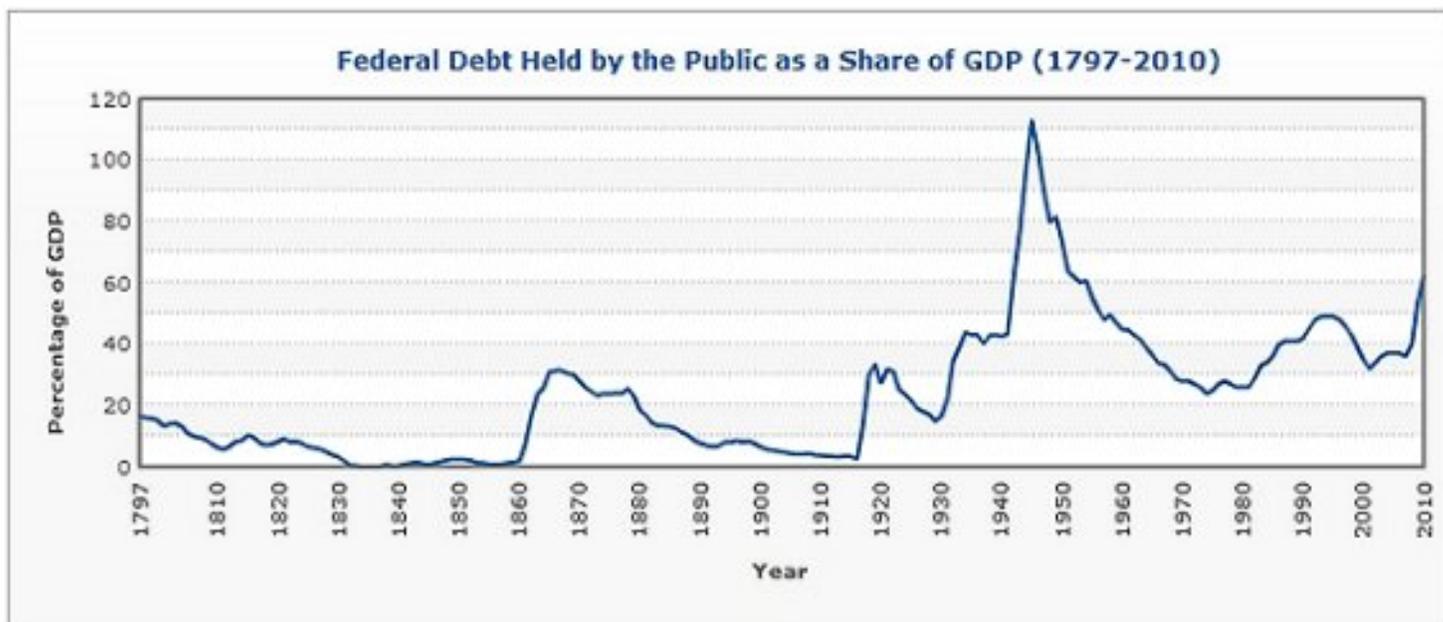
The federal government has carried debt throughout virtually all of U.S. history. As part of Alexander Hamilton's plan for strengthening the financial credit of the post-Constitution nation, the federal government assumed the debt incurred during the Revolutionary War and the period under the Articles of Confederation.

Its concise answers to FAQs (and some questions that should perhaps be posed more frequently) include primers of recent trends...

Historically, the nation has run up deficits during wars and recessions, but then debt has subsequently declined. For example, debt as a share of the economy peaked just after World War II, but then fell. In recent years, however, sharp increases in deficits and the resulting increases in debt have

led to heightened concern about the long-term sustainability of the federal government's fiscal policies.

...and tips on finding information. In addition, a handy hyperlinked glossary defines terms, and concepts are vividly displayed in interactive graphics.



Federal Debt: Answers to Frequently Asked Questions, <http://www.gao.gov/special.pubs/longterm/debt/>.

GAO Informs Foreign Correspondents in HQ and on the Beat
 GAO staff showcased the agency's growing work on Afghanistan, Iraq, and Pakistan at a September 20 roundtable for print and broadcast journalists held at GAO headquarters. Attendees included reporters based in Washington as well as those Skyped in from abroad.

Reporters were guided through GAO's past and current assignments, including two new reports on Afghan donor dependence and building financial management capacity in Afghanistan ([GAO-11-948R](#) and [GAO-11-907](#), Sept. 20, 2011). The roundtable prompted several news stories on that work the following day.

Among the topics discussed were accountability over the multibillion dollar investments in Afghanistan, Iraq, and Pakistan; the security situation in those countries and counterinsurgency efforts; the military drawdown in Iraq and Afghanistan; efforts to rebuild infrastructure and government institutions; and contracting oversight. GAO staff fielded reporters' questions at the end of the presentation.

The Skype connection allowed correspondents from the region to benefit from the exchange. Dan Zak, a Washington Post reporter in Baghdad, was able to see and hear the event's proceedings. Matthew Green, a Financial Times reporter based in Afghanistan, also dialed in but was called away at the last minute to cover the bombing in Kabul that killed former Afghan President Burhanuddin Rabbani.

Other journalists who attended in person or by teleconferencing included Emily Cadei, Congressional Quarterly; Tony Capaccio, Bloomberg News; Missy Ryan, Thomson Reuters; and Andrew Clevenger, The Bend Bulletin/Western Communications.

GAO Technology Assessment: Wildfires, Explosives, and Climate Engineering

The field of climate engineering is the subject of a new report issued under GAO's evolving efforts to conduct technology assessments on behalf of the Congress.

The report ([GAO-11-71](#), July 28, 2011), was prepared by an interdisciplinary team drawn from staff on the Applied Research and Methods (ARM) team and across the agency, according to Chief Scientist Tim Persons, who headed the engagement.

Technology assessment, as defined by Persons is "analysis of significant primary, secondary, indirect, and delayed interactions of a technological innovation with society, the environment, and the economy and the present and foreseen consequences and effects of those interactions."

They assess the ability of science and technology to help address specific public problems or issues in which the U.S. government has an interest, Persons explains. Moreover, the technology assessment activities are designed to complement GAO's performance auditing.

Congress first recognized the federal government's need for technology assessment with the establishment of the Office of Technology Assessment in 1972, but the office was phased out in 1995 as a result of government downsizing. In a pilot effort authorized in fiscal year 2002, GAO conducted several assessments: of biometrics for border security, cybersecurity for critical infrastructure protection, technologies for protecting structures in wildland fires, and cargo container security technologies.

A permanent technology assessment function was established within GAO so Congress could "equip itself with effective means for securing competent, timely, and unbiased information concerning the effects of scientific and technical developments and use the information in the legislative assessment of matters pending before the Congress." GAO established a permanent operational assessment group within ARM's Center for Science, Technology, and Engineering. Its initial product was a review of explosive detection technologies for rail security ([GAO-10-898](#), July 28, 2010).

For its latest assessment, GAO multidisciplinary team looked at proposed technologies to protect the planet from rising global temperatures, focusing on the current state of climate engineering science and technology, experts' views on the future of U.S. climate engineering research, and potential public responses to climate engineering. GAO gained insight into future directions for research through developing and gathering responses to a series of scenarios—an effort involving outside experts across a broad spectrum of disciplines. To gauge public perceptions about the issue, GAO conducted a public opinion survey.

What GAO Found about Climate Engineering

Climate engineering does not now offer a viable response to global climate change. Experts advocating research believe that it is urgently needed and could provide insurance against worst-case climate scenarios. They caution, however, that the misuse of research findings could bring new risks. Government reports and the literature suggest the research progress will require not only technology studies but also efforts to improve climate models and data. While most Americans are not well informed about climate engineering, GAO's survey found, they tend to be open to research.

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PCAOB Update

By Martin F. Baumann¹, Gregory Scates, and Dima Andriyenko
Prepared for The Auditor's Report (Fall 2011)

Introduction

This Update addresses selected PCAOB developments since the Summer 2011 Update that are likely to be of interest to accounting and auditing researchers, educators, and students. The developments discussed include:

- Interim Inspection Program for Broker-Dealer Audits;
- Concept Release on the Auditor's Reporting Model;
- PCAOB Scholarship Program;
- Proposal of Standards for Broker-Dealer Audits and Auditing Supplemental Information;
- Announcement of Settled Disciplinary Orders;
- Concept Release on Auditor Independence and Audit Firm Rotation;
- PCAOB Cooperative Agreement with Norway;
- Staff Audit Practice Alert on Audit Risks in Certain Emerging Markets;
- Proposed Amendments to Improve Transparency through Disclosure of Engagement Partner and Certain Other Participants in Audits;
- Exchange of Letters with Japan.

June 2011

Interim Inspection Program for Broker-Dealer Audits: On June 14, 2011, the PCAOB adopted a temporary rule, which has since been approved by the SEC, to establish an interim inspection program for registered public accounting firms' audits of brokers and dealers ("broker-dealers") while the Board considers the scope and other elements of a permanent inspection program.

During the interim program, the Board will provide public reports on the progress of the interim program and significant issues identified. In the absence of unusual circumstances, however, the Board will not issue firm-specific inspection reports before inspection work is performed under the permanent program and will not issue firm-specific inspection reports on any firms that are eventually excluded from the scope of the permanent program. The temporary rule does not change anything about the rules or standards that govern audits of broker-dealers. The Board expects that insights gained through the interim program will inform the eventual determination of the scope and elements of a permanent program, and

the Board expects to propose rules governing the scope and elements of a permanent program in 2013. A copy of the temporary rule is available on the PCAOB website at: http://pcaobus.org/Rules/PCAOBRules/Pages/Section_4.aspx#rule4020t.

Concept Release on the Auditor's Reporting Model: On June 21, 2011, the PCAOB issued a concept release to discuss alternatives for changing the auditor's reporting model. The concept release presents several alternatives for changing the auditor's reporting model and is seeking specific comment on these or other alternatives that could provide investors with more transparency about the audit process and more insight into the company's financial statements or other information outside the financial statements. These alternatives include:

- An auditor's discussion and analysis;
- Required and expanded use of emphasis paragraphs;
- Auditor assurance on other information outside the financial statements; and,
- Clarification of language in the standard auditor's report.

The comment period ended on September 30, 2011. A copy of the concept release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements is available on the PCAOB website at: http://pcaobus.org/Rules/Rulemaking/Docket034/Concept_Release.pdf. Comment letters are posted to the PCAOB website.

In addition, on September 15, 2011, the PCAOB hosted a public roundtable to discuss its concept release on possible changes to the auditor's reporting model.

The objective of the roundtable was to obtain insight from investors and other financial statement users, preparers of financial statements, audit committee members and auditors on the alternatives presented in the concept release for changing the auditor's report. Additionally, the roundtable provided participants with the opportunity to present other alternatives not discussed in the concept release.

The agenda of the roundtable is available on the PCAOB web site at: http://pcaobus.org/News/Events/Pages/09152011_Roundtable.aspx.

The list of participants at the roundtable is available on the PCAOB web site at: http://pcaobus.org/News/Releases/Pages/09082011_RoundtableParticipants.aspx.

A copy of the transcript from the roundtable is available on the PCAOB web site at: http://pcaobus.org/Rules/Rulemaking/Docket034/09152011_Roundtable_Transcript.pdf.

July 2011

PCAOB Scholarship Program: On July 6, 2011, the PCAOB announced the inauguration of the PCAOB Scholarship Program and the academic undergraduate and graduate institutions who have nominated a student to receive an award this year.

The Sarbanes-Oxley Act of 2002 provides that funds generated from the collection of

monetary penalties imposed by the PCAOB must be used to fund a merit scholarship program for students in accredited accounting degree programs. The PCAOB Scholarship Program therefore has been created to identify eligible students for scholarships and award funds through the students' educational institutions.

Students may be eligible for scholarships if they are enrolled in an accredited accounting degree program and attend a participating, nominating institution. Students eligible to receive a PCAOB scholarship must:

- Be enrolled in a bachelor's or master's degree program in accounting
- Demonstrate interest and aptitude in accounting and auditing
- Demonstrate high ethical standards
- Not be a PCAOB employee or a child or spouse of a PCAOB employee

The PCAOB scholarship program is merit-based but educational institutions are encouraged to give consideration to students from populations that have been historically underrepresented in the accounting profession. For the 2011–2012 academic year, the PCAOB awarded 52 merit-based scholarships of \$10,000 each.

A description of the PCAOB scholarship program, along with information on the nomination process, information on the selection of nominating institutions and other program details, is available on the PCAOB website at: <http://pcaobus.org/Research/Pages/AcademicScholarship.aspx>.

Information about the 2011-2012 academic year scholarship recipient academic institutions is available on the PCAOB website at: http://pcaobus.org/News/Releases/Pages/07062011_Scholarship.aspx.

Proposal of Standards for Broker-Dealer Audits and Auditing Supplemental Information: On July 12, 2011, the PCAOB proposed two attestation standards related to the auditor's examination of compliance reports and review of exemption reports of broker-dealers proposed by the SEC as part of its amendments to the broker-dealer financial reporting rule under Securities Exchange Act of 1934 Rule 17a-5. The proposed examination standard and review standard would apply to compliance reports and exemption reports of broker-dealers in the event the SEC adopts its proposed amendments to the broker-dealer financial reporting rule under Exchange Act Rule 17a-5.

The PCAOB also proposed a new standard that would supersede the Board's auditing standard, AU sec. 551, *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents*, and related amendments. It would establish the auditor's responsibilities when the financial statement auditor is engaged to audit and report on supplemental information that accompanies the audited financial statements. Examples of such supplemental information include the supporting schedules that broker-dealers are required to file with the SEC. The proposed standard also would apply to certain supplemental information of issuers that is included in SEC filings.

The comment period on the proposed standards closed on September 12, 2011. Comment letters are posted to the PCAOB website.

Copies of the proposed attestation standards are available on the PCAOB web site at: http://pcaobus.org/Rules/Rulemaking/Docket035/PCAOB_Release_2011-004.pdf.

A copy of the proposed auditing standard is available on the PCAOB web site at: http://pcaobus.org/Rules/Rulemaking/Docket036/PCAOB_Release_2011-005.pdf.

August 2011

Announcement of Settled Disciplinary Orders: On August 1, 2011, the PCAOB announced settled disciplinary orders against a former Ernst & Young partner Peter C. O'Toole and senior manager Darrin G. Estella for their roles in providing misleading documents and information to PCAOB inspectors and altering working papers.

The Board found that, shortly before a PCAOB inspection of an E&Y audit, O'Toole and Estella — acting with O'Toole's knowledge and authorization — created, backdated, and added a document to the audit working papers that related to the most significant issue in that audit. The Board also found that O'Toole authorized other members of the audit engagement team, including Estella, to alter, add, and backdate other working papers in advance of the PCAOB inspection. Additionally, the Board found that O'Toole and Estella provided a written document to PCAOB inspectors in which E&Y represented to the Board that no changes had been made to the audit working papers following the documentation completion date for the audit. Neither O'Toole nor Estella ever disclosed to the PCAOB inspectors that,

in fact, the working papers were altered after the documentation completion date and shortly before the inspection.

The Board found that O'Toole and Estella's actions violated PCAOB Rule 4006, which requires cooperation with Board inspections, as well as PCAOB Auditing Standard No. 3, which governs audit documentation. Copies of the settled disciplinary orders are available on the PCAOB web site at: http://pcaobus.org/Enforcement/Decisions/Documents/Peter_C_OToole.pdf and http://pcaobus.org/Enforcement/Decisions/Documents/Darrin_G_Estella.pdf.

Concept Release on Auditor Independence and Audit Firm Rotation: On August 16, 2011, the PCAOB issued a concept release to solicit public comment on ways that auditor independence, objectivity and professional skepticism can be enhanced, including through mandatory rotation of audit firms. Comments are due by December 14, 2011.

Mandatory audit firm rotation would limit the number of consecutive years for which a registered public accounting firm could serve as the auditor of a public company. The concept release invites commenters to respond to specific questions, including, for example, whether the Board should consider a rotation requirement only for audit tenures of more than 10 years or only for the largest issuer audits. The concept release also seeks comment on whether there are other measures that could meaningfully enhance auditor independence, objectivity, and professional skepticism.

The Board will also convene a public roundtable on auditor independence and mandatory audit firm rotation in March 2012.

A copy of the concept release can be found on the PCAOB website at: <http://pcaobus.org/Rules/Rulemaking/Pages/Docket037.aspx>.

September 2011

PCAOB Cooperative Agreement with Norway: On September 14, 2011, the PCAOB announced a cooperative agreement with the Financial Supervisory Authority of Norway for the oversight of audit work performed by public accounting firms that practice in the two regulators' respective jurisdictions.

This cooperative agreement provides a basis for the resumption of joint inspections of PCAOB-registered accounting firms that are located in Norway and that audit, or participate in audits, of companies whose securities trade in U.S. markets. In 2008, the PCAOB conducted a joint inspection in Norway with the FSA, but has since been blocked from inspections in that country.

This agreement also includes provisions governing the exchange of confidential information between the oversight authorities, consistent with the provisions of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. Those provisions amended the Sarbanes-Oxley Act of 2002 to permit the PCAOB to share confidential information with its non-U.S. counterparts under certain circumstances.

October 2011

Staff Audit Practice Alert on Audit Risks in Certain Emerging Markets: On October 3, 2011, the PCAOB published Staff Audit Practice Alert No. 8, Audit Risks in Certain Emerging Markets, to increase auditors' awareness of risks when performing audits of companies with operations in emerging markets.

The practice alert focuses on the risks of misstatement due to fraud that auditors might encounter in audits of companies with operations in emerging markets, auditors' responsibilities for addressing those risks, and certain other auditor responsibilities under PCAOB auditing standards.

The PCAOB has observed from its oversight activities, and companies have reported in filings with the SEC, some conditions and situations in certain companies in emerging markets that indicate to auditors a heightened fraud risk. They include, for example, discrepancies between a company's financial records and audit evidence obtained from third parties; auditor difficulties in confirming cash and receivable balances; and the recognition of revenue from contracts or customers whose existence cannot be corroborated.

Although the conditions, situations, and fraud risks described in this alert have been observed in audits of companies in certain emerging markets, they might also be present at companies in other markets. The matters discussed in this alert are relevant whenever such conditions, situations, or fraud risks are present in audits of companies located in

emerging or developed markets.

A copy of the practice alert can be found on the PCAOB website at: http://pcaobus.org/Standards/QandA/2011-10-03_APA_8.pdf.

Proposed Amendments to Improve Transparency through Disclosure of Engagement Partner and Certain Other Participants in Audits: On October 11, 2011, the PCAOB issued for public comment proposed amendments to its standards that would bring greater transparency to public company audits. The proposal would require registered accounting firms to disclose the name of the engagement partner in the audit report and on the PCAOB Annual Report form. It would also require disclosure in the audit report of other accounting firms and other persons not employed by the auditor that took part in the audit.

After careful consideration, the Board did not include in this proposal a requirement to sign the engagement partner's name on the audit report. Instead, the proposal would require that the engagement partner's name be disclosed in the audit report, which would make the engagement partner's name readily available to the users of the audit report while mitigating concerns about minimizing the firm's role in the audit.

In addition, the proposal would require the auditor to disclose in the audit report other accounting firms and other persons not employed by the auditor that took part in the audit. The proposed disclosure would enable investors to evaluate the other participants in the audit in the same manner that they evaluate the auditor. For example, knowing the name of a disclosed accounting firm that took part in the audit would enable investors to determine whether the firm is registered with the Board and has been subject to PCAOB inspection, or is located in a country that does not allow PCAOB inspections. Investors would also be able to verify whether a disclosed firm or person has had any publicly available disciplinary history with the PCAOB or other regulators.

Comments on the proposed amendments are due by January 9, 2012.

A copy of the concept release can be found on the PCAOB website at: http://pcaobus.org/Rules/Rulemaking/Docket029/PCAOB_Release_2011-007.pdf.

Exchange of Letters with Japan: On October 12, 2011, the PCAOB announced a cooperative arrangement with the Japan Financial Services Agency (JFSA) and Certified Public Accountants and Auditing Oversight Board (CPAAOB) of Japan for the oversight of auditors that practice in the regulators' respective jurisdictions.

In addition to carrying out joint inspections with the regulators in Australia, Korea and Singapore, the PCAOB has been regularly conducting inspections of PCAOB-registered firms in other Asian countries, including Indonesia, Malaysia, New Zealand, Philippines, Taiwan and Thailand. While the PCAOB has conducted inspections on its own of PCAOB-registered firms from Japan since 2007, the exchange of letters provides a basis to conduct on-site visits of the firms in Japan in close cooperation with the Japanese regulators.

The agreement also includes provisions governing the exchange of confidential information between the oversight authorities, consistent with the provisions of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act. Those provisions amended the Sarbanes-Oxley Act of 2002 to permit the PCAOB to share confidential information with its non-U.S. counterparts under certain circumstances.

¹ Martin F. Baumann is PCAOB Chief Auditor and Director of Professional Standards. Gregory Scates is PCAOB Deputy Chief Auditor. Dima Andriyenko is PCAOB Associate Chief Auditor.

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Publication Highlight *Current Issues in Auditing*

Current Issues in Auditing, published by the Auditing Section of the American Accounting Association. (<http://aaajournals.org/loi/ciiacurrn>), contains articles and commentaries of interest to both the academic and practitioner community. Articles are published soon after they are accepted, so please examine the website often to view newly published articles. Also, please consider submitting your work to *Current Issues in Auditing* (website for authors: <http://ciia.allentrack.net/cgi-bin/main.plex>).

We recently released two Calls for Papers. They are:

Invited Commentaries. The Public Company Accounting Oversight Board (PCAOB) encourages discussion concerning their proposal concerning auditors' reports. We invite commentaries on this and other proposals for changes to the auditor's reporting model for consideration for publication in *Current Issues in Auditing*. Submitted commentaries will be treated as invited manuscripts (which do not require a submission fee) that are subject to the normal review process with respect to the editors' acceptance decisions. When considering a commentary, we urge you to consider the following questions (of course, commentaries need not be limited by these questions):

1. What information in addition to what already is provided by management under current GAAP and SEC rules do users need?
2. Who should provide that information?
 - a. If the auditor, what is the justification for and implications of changing the current attest model (i.e., management reports with added auditor assurance)?
 - b. If management, should the auditor add assurances?
3. If the most important concern is the current misunderstanding and expectations gap with respect to going concern paragraphs, should the focus of the effort be on changing the purpose and/or threshold for that paragraph added to the standard report?
4. If another important concern is the nature of accounting policies (e.g., whether they are different than industry norms, whether they have changed recently), shouldn't this be addressed by management?
5. Does anyone really want to know more about what auditors do during an audit?

Practitioner Summaries of Academic Research. The purpose of this new section is to enhance the academic community's communications with practitioners by adding to the literature concise articles based on audit research published in other academic journals. The Practitioner Summaries should focus on communicating concisely the findings, conclusions, and practical applications of the research results published in the original article. By increasing practitioners' awareness of our research and publishing the authors' thoughts about its practical lessons and applications we hope to promote and facilitate conversations between academics and practitioners.

Please see below for a summary of guidelines for these articles.

1. Submissions should be a maximum of 2,500 words of text.
2. Statistics included should be minimal and straightforward, such as summary statistics (e.g., means). Authors should not include regression tables and detailed statistical analyses that would be in the research article in *Auditing: A Journal of Practice and Theory* (or other journals) and that likely would be unnecessary for practitioners.
3. The submissions will be put through a similar review process at *Current Issues in Auditing* as other article submissions, with a major difference being that a practitioner will review each submission.
4. The submission fee for Practitioner Summaries of Published Research is \$25.

We will publish the first of these summaries in the December 2011 issue.

We have several commentaries that will soon be available on the website and also several articles that should appear soon. Thanks for you continued support of Current Issues in Auditing.

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Have you Seen... ?

Larry Abbott, University of Wisconsin – Milwaukee
Tamara Lambert, University of Massachusetts Amherst
Yinqi Zhang, American University

"The effects of organizational fairness and commitment on the extent of benefits Big Four alumni provide their former firm" By D. N. Herda and J. J. Lavelle. *Accounting, Organizations and Society* 2011 36: 156-166.

This paper uses social exchange theory to explore why some Big 4 alumni choose to support their former firm more than others. The authors survey 1154 former employees of Big 4 accounting firms and find that post-employment citizenship is driven by a continuing social exchange relationship and that this relationship partially mediates the effect of organizational fairness on post-employment citizenship. The authors conclude that fair treatment of employees and the resulting social exchange relationship developed with the organization during employment can continue to accrue benefits to the organization post-employment. They recommend that audit firms should evaluate and monitor the perceived fairness of their organizational practices such as mentoring, goal-setting, training, scheduling, and performance evaluation so that they can reap benefits both from those currently employed with the firm and from those who have left the firm as well.

"Exploring the role of country and client type on the auditor's client risk assessments and audit planning decisions" By M. De Martinis, H. Fukukawa, and T. J. Mock. *Managerial Auditing Journal* 2011 26:(7) 543-565.

This study uses proprietary data collected from audit engagement working papers of Australian public sector clients and Japanese private sector clients to examine whether country and client type affect auditor's client risk assessments, subsequent audit planning decisions, and audit planning responsiveness to client risk assessments. Findings indicate that country and client type do impact risk assessments and planned total audit hours, but they do not moderate audit planning responsiveness to client risk assessments. The authors acknowledge that a limitation of their study is the confounding of country and client type and call for future research to better distinguish the cause of observed differences in risk assessments and audit planning decisions.

"The impact of E-Business on the audit process: An investigation of the

factors leading to change" By A. Kotb and C. Roberts. *International Journal of Auditing* 2011 15: 150-175.

This study uses semi-structured interviews and a survey to explore audit implications for electronic business (e-business) entities. The respondents, which include both financial and IT auditors, perceive that e-business affects auditors' reliance on IT controls (e.g., firewalls, encryption), uncertainty (e.g., loss of paper trail, invisibility of data flow), use of real-time information systems (e.g., web-based integrated systems) and security (e.g., web-based systems may be accessible to the public). The authors conclude that while the basic principles and essential practices underlying the financial audit of an e-business entity are no different than those applying to other business types, the financial model may need to be adapted to incorporate the unique features of e-business. The authors call for future research exploring the technology-centric nature of e-business and how it changes a company's risk profile, the process of adopting new knowledge and skills in an e-business environment, and the extent to which e-business is adequately covered in university and professional education.

"The effect of SOX on small auditor exits and audit quality" By DeFond, Mark L. and Clive S. Lennox. *Journal of Accounting and Economics* 2011 (Volume 52, Issue 1): 21-40.

The authors find that over six hundred audit firms with fewer than 100 SEC clients exit the market following passage of SOX. The exiting auditors are lower quality compared to the non-exiting auditors. Furthermore, clients of existing auditors receive higher quality auditing from successor auditors, as reflected by a greater likelihood of receiving going concern opinions. These findings imply that the PCAOB inspections improve audit quality by incentivizing low quality auditors to exit the market.

"Voluntary audits and the cost of debt capital for privately held firms: Korean Evidence" By Kim, Jeong-Bon, Dan A. Simunic, Michael T. Stein and Cheong H. Yi. *Contemporary Accounting Research* 2011 (Volume 28, Issue 2): 585-615.

Using a sample of privately held companies in Korea with either no audit or voluntary audits, the authors find compared with private companies that do not purchase audit, interest cost savings at private companies with voluntary audits range from about 56 to 124 basis points. However, there is no significant difference in interest cost savings between Big 4 and non-Big 4 audits. Further, a first-time audit status change from no audit to voluntary audits leads to a greater reduction in cost of debt than a first-time audit status change from no audit to mandatory audits, implying that voluntary audits enhances the credibility of financial statements more than mandatory audits.

"Did the Waste Management audit failures signal lower firm-wise audit quality at Arthur Andersen?" By Cahan, Steven, Wei Zhang and David Veenman. *Contemporary Accounting Research* 2011 (Volume 28, Issue 3): 859-891.

This paper examines Arthur Andersen's audit quality in the 10 years before the collapse of Enron. Using three empirical measures of audit quality, the authors find no overall evidence suggesting that Andersen's audit quality was lower relative to the Big 4 in the pre-Enron

period. However, among high litigation risk clients, Andersen clients had larger absolute and positive discretionary accruals and were more likely to meet or just beat analysts' earnings forecasts than Big 4 clients in the period after the spin-off of Andersen consulting from Andersen. These results imply that the greater pressure on selling consulting services or cutting costs may have caused lower audit quality at Andersen in the aftermath of Andersen Consulting's departure.

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Have You Seen These Instructional Resources?

By the 2011-2012 Education Committee
of the Auditing Section of the AAA

Jason MacGregor, Chair – Baylor University
Rick Lillie, Vice-Chair – California State University Santa Bernardino
Allen Blay- Florida State University
Karen Hooks – Florida Atlantic University
Michael Shaub – Texas A&M University

A Comparison of U.S. Auditing Standards with International Standards on Auditing, **CPA Journal** April 2011

Provides information on the five principle areas of difference in US GAAS, PCOAB AS and IAASB ISAs. Available from the *CPA Journal*.

Ethics Toolkit, Ethics Resource Center

Collection of useful ethics tools. Available online at <http://www.ethics.org/page/ethics-toolkit>.

Concept Release on Auditor Independence and Audit Firm Rotation, PCAOB, August 2011

Concept release seeking input on independence issues, including audit firm rotation.

Available online at http://pcaobus.org/Rules/Rulemaking/Docket037/Release_2011-006.pdf

Britain's Auditing Oligopoly: The 48-Year Itch, *The Economist*, May 2011

Article regarding the Office of Fair Trading's investigation of the competitiveness of the British audit oligopoly. Available online at http://www.economist.com/blogs/schumpeter/2011/05/britains_auditing_oligopoly.

Hooplah, Inc.: Applying Audit Sampling Concepts to Tests of Controls and Substantive Testing in the Revenue Cycle, in Beasley, et al., *Auditing Cases: An Interactive Learning Approach*, 5th ed. Available from Pearson.

New to the 5th edition of this widely used case book is a comprehensive and challenging audit sampling case that requires students to apply both statistical techniques as well as judgment. The case is divided into two parts that can be used separately in discussions of Tests of Controls and Substantive Testing of Accounts Receivables.

The Central Florida Emphysema Foundation Audit: A Case Study of Personal and Professional Responsibility published in *Issues in Accounting Education* Notes 26 (2), 71 (2011)

This case study is a practical exercise based on a real-world experience and is designed to elicit open class discussion on a variety of topics, including the following: Auditing procedures and fact finding, technical treatment of an accounting issue, professional judgment and decision-making, professional ethics and integrity, management of an audit engagement/practice management, and self-reliance and perseverance.

Care for Kids, Inc. Deloitte Trueblood Case Series 10-6

This very short case that is suitable for an in-class example addresses the common, but less regularly seen in cases, situation of a specific control weakness that is greater than unimportant, but less than material. The case requires students to classify the control weakness in an AS5 framework and leads to a lively class discussion about the different classifications of control weaknesses and the sufficiency of limited evidence. Available at http://www.deloitte.com/view/en_US/us/About/university-relations/Deloitte-Foundation/0ac1264f0b0fb110VgnVCM100000ba42f00aRCRD.htm

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Auditing: A Journal of Practice and Theory **Special Calls**

Calls for Papers: **Research Forum** on Conservatism in Auditing

The purpose of this *Forum* is to encourage research on the topic of conservatism in auditing. Submissions are invited that focus on "conservatism" versus "accuracy" as well as the causes and effects of this potential bias. Submitted papers may address a variety of research questions related to this topic and may use any method that appropriately addresses these questions. Some illustrative examples of potential research questions are listed below, although other related topics will be considered:

- Will audit quality improve or decline with financial reporting standards that focus on accurate rather than conservative reporting?
- Should the audit report change such that it indicates how conservative, versus aggressive, the registrant's reporting is?
- How will auditors' incentives change under financial reporting standards that focus on accurate rather than conservative reporting?
- Does a conservative bias benefit some financial statement users over others?

Submissions to this *Research Forum* will be handled by Rick Hatfield (University of Alabama) and Kathryn Kadous (Emory University). Initial submissions should be received by September 1, 2012 and will be subject to the normal review process of *Auditing: A Journal of Practice & Theory*.

Call for Papers: **Research Forum** on Research on Environmental Assurance and Auditing

The purpose of this *Forum* is to encourage research on environmental assurance and auditing issues. The unifying theme of the *Forum* is the focus on the environment and we are open to multiple research methods which address relevant topics. Specifically, we would like to encourage multi-disciplinary research related to reporting on GhG (greenhouse gas) metrics, experimental work that is aimed at improving the quality of decision-making for these engagements and ethnographic research on these types of engagements that gives insight into the effect of these assurance services on potential stakeholders. We would like to also encourage archival work that examines the factors that enhance the likelihood and effectiveness of these types of engagements. Note: papers that simply examine CSR or the Carbon Disclosure project on a country-specific basis will be of less interest to this *Forum*. Some illustrative research questions that would be appropriate for the *Forum* include:

- Does assurance influence the quality and reliability of CSR/Environmental disclosures?
- Does assurance related to CSR provide substantive value to stakeholders?
- What is the nature of auditor specialization related to "green" auditing?
- How do financial analysts and investors view assurance related to CSR? Does such assurance influence their investment judgments?
- What is the nature of a "green" audit?
- How does the engagement team form a "green" audit opinion?

Submissions to this *Research Forum* will be handled by Jeff Cohen (Boston College) and Roger Simnett (University of New South Wales). Initial submissions should be received by November 1, 2012 and will be subject to the normal review process of *Auditing: A Journal of Practice & Theory*.

Call for Papers: **Research Forum** on Qualitative Studies in Auditing

The purpose of this *Forum* is to encourage research that delves into the black box of auditing and to develop a richer understanding of the audit process and the nature of auditor work in either the public or private sector. We encourage submission of qualitative analyses grounded in a variety of established approaches. More specifically, we invite studies of auditing in concrete organizational settings which draw on established empirical and theoretical research traditions, such as anthropology, ethnography and organizational sociology. Such studies will be an important complement to existing experimental and archival work on auditing. Potential examples of the type of research questions we would like to consider include:

- Auditor-client interactions as key accounting sign-off issues are debated.
- Audit tender process and firm/auditor behavior.
- The nature of the dynamic relationship between audit committees and auditors, both internal and external.
- The nature of standard-setting and its impact on auditor processes and behavior.

Submissions to this *Research Forum* will be handled by Yves Gendron (Université Laval) and Michael Power (London School of Economics and Political Science). Initial submissions should be received by October 1, 2012 and will be subject to the normal review process of *Auditing: A Journal of Practice & Theory*.

Calls for Papers: **Research Forum** on Audit Market Structure, Competition and Audit Quality

The purpose of this *Forum* is to encourage research on audit market structure, competition and audit quality. Audit firm concentration and audit market structure remain a focus of regulators in a number of key jurisdictions around the world. Predicated on concerns of systemic risk caused by the potential for another audit firm failure to disrupt world markets, there have been open calls for measures such as creating pure audit firms, rotation of audit firms and appointing joint auditors to encourage more participants in the market for large corporate audits. We are seeking cutting edge papers that shed new insights on these issues, and will speak to the debates about the structure and competition within world audit markets.

Potential examples of the type of research questions we would like to consider include:

- How do auditors compete?
- Is there a link between competition among auditors and audit quality?
- Did audit market consolidation from the Big 8 to Big 4 affect audit quality?
- Does auditor rotation affect audit market structure?
- Other issues raised in the "Green Paper" of the European Union.

Submissions to this *Research Forum* will be handled by Marleen Willekens (Katholieke Universiteit Leuven) and Don Stokes (Monash University). Initial submissions should be received by June 1, 2012 and will be subject to the normal review process of *Auditing: A Journal of Practice & Theory*.

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Call for Papers — ISAR 2012

18th Annual International Symposium on Audit Research
Tokyo, Japan
16 and 17 June, 2012

About the Symposium

The 18th annual International Symposium on Audit Research (ISAR) will be held on June 16 and 17, 2012 in Tokyo, Japan. ISAR 2012 is being hosted by Waseda University (the Waseda University Global Center of Excellence) and sponsored by the Ministry of Education, Culture, Sports, Science and Technology. ISAR 2012 will be held at the RIHGA Royal Hotel (<http://www.rihga.com/tokyo>) which is located on the Waseda campus with the plenary session held at the Ibuka International Conference Hall.

The International Symposium on Audit Research is jointly organized by the University of Southern California, (USA), Maastricht University (Netherlands), the University of New South Wales (Australia), and Nanyang Technological University (Singapore).

Scope of Topics

The scope of ISAR is intended to be broad and includes research papers and panels that deal with economic and behavioral aspects of auditing and assurance. Papers that utilize any of a broad range of research methodologies will be considered. General topics of interest include research relevant to practice issues such as providing assurance services, litigation, regulation and international matters. Judgment and decision making topics can include any aspect relating to auditor behavior, such as professional scepticism, judgment frameworks, incentives, cross-national differences in audit judgments, risk-based audit planning, decision aids, alternative models of evidential reasoning and expertise. Economic-based topics can include national and international issues relating to regulation of audit and assurance services markets, audit quality, auditor choice, and auditor service production.

Submission of Papers

To be eligible for presentation, manuscripts must follow the style guidelines of a major audit research journal such as *Auditing: A Journal of Practice & Theory*. Please pay particular attention to the length requirements — most journals restrict the body of the manuscripts to 20-25 double-spaced pages. Please submit a single document which includes a title page listing author(s) affiliation(s) and the contact author's email address. Accepted papers will not be published in formal proceedings and thus may be submitted to any appropriate

journal for publication. Papers that have been accepted for publication should not be submitted.

Paper Submission Deadline and Requirements

Papers should be submitted electronically in Adobe Acrobat or Word formats. Papers and, where appropriate, related research instruments must be received no later than 31 January 2012, and should be sent to: papers@isarhq.org.

Further Information

If you have questions about paper submission please email to papers@isarhq.org. For questions about the symposium please contact Ted Mock at tmock@ucr.edu. Further information is also posted at the ISAR website at www.isarhq.org where you can also register for email updates.

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