

Call for Interest

Academic Research in Private Company Assurance Services

June 2019

Express Interest by: Friday, July 12, 2019

Background

Founded in 1887, the American Institute of Certified Public Accountants (AICPA) represents the CPA profession nationally regarding rule-making and standard-setting, and serves as an advocate before legislative bodies, public interest groups and other professional organizations. The AICPA develops standards for audits of private companies and other services by CPAs; provides educational guidance materials to its members; develops and grades the Uniform CPA Examination; and monitors and enforces compliance with the profession's technical and ethical standards.

In July 2012, The Pathways Commission (which was formed by the AICPA and American Accounting Association (AAA) to study the future of higher education and develop recommendations for the accounting profession) recommended that the profession establish additional joint research ventures with academia.

In response, in 2016 the AICPA established the [Assurance Research Advisory Group \(ARAG\)](#), comprised of representatives from academia and the profession, which reviews and approves academic research proposals addressing private company assurance topics that are of interest to practitioners. Approved research proposals are eligible for

- Funding of up to \$10,000 per proposal;
- Access to peer reviewers (e.g., for survey or interview purposes); and
- Access to assurance partners and staff at approximately 37 of the largest firms in the U.S. (excluding the largest 8 firms).

In providing funding and resources, ARAG seeks to:

- Drive research relative to private company¹ assurance issues that are most pressing to the profession;
- Provide the AICPA with valuable insight into the factors that affect the quality of private company assurance services; and
- Use those insights to support the standard setting process and the broader Enhancing Audit Quality (EAQ) initiative.

¹ Defined as entities not required to be audited in accordance with PCAOB auditing standards, including privately-held companies, not-for-profit organizations, employee benefit plans and governmental entities.

The AICPA is interested in supporting empirical research using any appropriate research method, as well as literature reviews and syntheses, descriptive analyses and meta analyses.

Research Topics of Interest

The AICPA is interested in funding projects that address the topics listed below. These topics are solicited from various AICPA committees on an annual basis and are focused on domestic private company assurance engagements that are not subject to PCAOB inspection.

Qualitative Materiality

The AICPA is interested in research to better understand the key challenges faced by practitioners when considering materiality in attestation engagements that involve aspects of subject matters that cannot be quantifiably measured. Examples of such subject matters include a narrative description of a system prepared by management in a system and organization controls (SOC) examination or in a sustainability engagement, or an examination of system controls (other than an examination of internal control over financial reporting, which is usually performed as part of an integrated audit).

Key areas for exploration include how practitioners 1) consider materiality during engagement planning, including how their perception of the common information needs of intended users affects that consideration, and 2) evaluate whether misstatements identified during the engagement are material based on the qualitative factors.

Levels of Assurance

The AICPA is interested in research regarding levels of assurance obtained by practitioners in relation to limited assurance (review) versus reasonable assurance (audit) engagements. Specifically, what are user perceptions of the nature or rigor of work needed to achieve limited assurance versus reasonable assurance and do users understand the different levels of assurance?

A key area for exploration is research around assessing whether a level of assurance between limited and reasonable assurance engagements would be considered useful and desired by users of financial statements. For example, would an engagement currently characterized as a limited assurance (review) engagement augmented with certain substantive tests of details determined without going through a full risk assessment process currently embodied in AU-C 315 be considered useful and desired by users of financial statements? Such substantive tests of details may involve procedures performed for cash in bank balances, confirmation of trade accounts receivable, fixed asset additions, subsequent disbursement work related to accounts payable and accrued payroll.

Submission process

The AICPA has an online process for expressing interest in conducting research on the listed topics. To express interest in a topic, please go to www.aicpa.org/arag and follow the instructions. To be considered, interest must be expressed **on or before 12:00 midnight EDT, Friday, July 12, 2019.**

Research teams will be selected by the AICPA's Assurance Research Advisory Group. Grants will be announced no later than **September 15, 2019.**

Questions should be addressed to Deana Thorps (arag@aicpa.org).