CALL FOR RESEARCH PROPOSALS ON ASPECTS OF

PROFESSIONAL SKEPTICISM:

UNDERSTANDING, APPLICATION, AND DISSEMINATION

January 2018

Purpose

The University of Toronto’s Professional Accounting Centre (PAC) invites proposals for research proposals on aspects of professional skepticism including, but not limited to:

- the nature of professional skepticism and its relevance to professional accounting, including an effective definition and description
- the development of an improved framework of professional skepticism and examples with which to convey the meaning, expectations and practices of professional skepticism to budding and practicing professional accountants
- the improved application of professional skepticism, including:
  - a better understanding of whether to apply standards of professional skepticism to auditors only, or to all professional accountants
  - an understanding of best practices in application
  - the dangers of excessive skepticism
- the use of machine learning techniques, including linguistic features analysis, to aid the auditor in detecting red flags regarding management representations in public filings, including statements made by management to the public in MD&A and earnings calls
- the improved education of graduate professional accountants and/or professional accounting students about new expectations for professional skepticism and its application.

Research funding is available in the range of $20,000-$30,000 per accepted proposal.

Background

Professional skepticism has long been a topic of concern for professional accountants. In 2015, “the International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB) convened a small, cross-representational working group—the Professional Skepticism Working Group—to formulate views on whether and how each of the three boards’ sets of international standards could further contribute to strengthening the understanding and application of the concept of professional skepticism as it applies to an audit.
The importance of professional skepticism is underscored by the increasing complexity of business and financial reporting, including the greater use of estimates and management judgment, business model changes due to technological developments, and the fundamental reliance of the public on dependable financial reporting. It lies at the heart of a quality audit. This publication\textsuperscript{1} outlines observations about the current environment and sets out actions the global standard-setting boards will take, as well as the role that other stakeholders can play, in enhancing professional skepticism.\textsuperscript{2}

As noted in \textit{Toward Enhanced Professional Skepticism}\textsuperscript{3}, IAASB, IESBA, and IAESB all undertook activities that have led to publications, Exposure Drafts, or research including those noted below\textsuperscript{4}. There is little doubt that this development of an enhanced version of professional skepticism could benefit from high quality academic research.

\textbf{Eligibility Guidelines}

Applications for funding are welcome from academics and/or professional accountants.

\textbf{Proposal Criteria}

Proposals are to be submitted electronically to the PAC Director at len.brooks@utoronto.ca by February 28, 2019. The proposals are not to exceed five pages, plus a one-page budget, and CVs of the researchers involved. Proposed research questions, brief literature review, data sources, research methodologies, and expected dissemination plans should be clearly stated, as well as a tentative timeline. Research should be completed and a draft working paper received by June 30, 2020.

\textbf{Proposal Adjudication and Research Project Management}

Proposals will be adjudicated by the PAC Research Adjudication Board (see membership on https://www.utm.utoronto.ca/pac/governance-partnership). Decisions will be communicated by March 31, 2019. A Research Project Oversight Committee will be struck for each accepted project.

For further information, contact:

Leonard J. Brooks, Director, PAC
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\textsuperscript{1} \textit{Toward Enhanced Professional Skepticism}, downloadable from the webpage in reference 2.
\textsuperscript{2} IAASB website at http://www.ifac.org/publications-resources/toward-enhanced-professional-skepticism
\textsuperscript{3} http://www.ifac.org/publications-resources/toward-enhanced-professional-skepticism
\textsuperscript{4} Publications of the IAASB, IESB, and IAESB:
- \textit{Strengthening the Pillars of Professional Skepticism: Observations of the IAASB-IAESB-IESBA Professional Skepticism Working Group}, June 2017\textsuperscript{4}, later issued as \textit{Toward Enhanced Professional Skepticism}, August 2017\textsuperscript{4}
- \textit{Professional Skepticism in an Audit of Financial Statements} (IAASB, 2018)\textsuperscript{4}
- \textit{Proposed Application Material Related to Professional Skepticism and Professional Judgment} (IESBA, Exposure Draft, May 2017)\textsuperscript{4}
- Best practices and research on the application of professional skepticism (IESBA)
- \textit{Professional Skepticism – Meeting Public Expectations}, (IESBA, Consultation Paper, May 2018)\textsuperscript{4}
- \textit{Proposed Revisions to IESs 2, 3, 4 and 8 – Information and Communication Technologies and Professional Skepticism}, (IAESB, Exposure Draft, December 2018)\textsuperscript{4}. 