



# THE AUDITOR'S REPORT

Volume 30, No. 2  
Spring 2007

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## Report of the President

**Ray Whittington**



Thanks again for the opportunity to serve as your President for 2006–2007. I continue to be amazed by the number of members that are willing to work diligently on behalf of the Auditing Section. As a result of these efforts, and the efforts of those who served in prior years, we have achieved a great deal. Let me highlight a few of our activities and accomplishments.

### **2007 Midyear Conference**

The Midyear Conference could not have been better. The weather was great in Charleston, South Carolina, and from the comments received from the 294 attendees, it was a great success. See the article on the Midyear meetings for a summary of the highlights of this exciting and informative program.

Karla Johnstone and Terry Neal did a phenomenal job as the Co-Chairs of the Conference Planning Committee. Karla and Terry were assisted by Roger Martin and Gary Peters, who coordinated the manuscript review process for the 2007 conference and will Co-Chair the 2008 Midyear Conference in Austin. We also want to thank all of the individuals that acted as moderators, discussants, and reviewers for the conference. Our thanks also go to the Dee Strahan's on-site team for their assistance.

Finally, the Auditing Section is indebted to the KPMG Foundation for their continued generous support of our Midyear Conference and Auditing Section Doctoral Consortium. We were pleased that Bernie Milano, President of the KPMG Foundation, was able to attend the conference again this year.

### **Auditing Section Doctoral Consortium**

The Auditing Section Doctoral Consortium was also a great success. Fifty Ph.D. students were treated to presentations by some of the finest audit

## INSIDE

### Features

[A Summary of the 2007 Midyear Meeting](#)

[8th Annual Doctoral Consortium](#)

[2007 Auditing Business Meeting/Financial Report](#)

[AJPT Publication Report](#)

[IAASB's Activities 2006 Update](#)

[PCAOB Research Synthesis Projects](#)

[GAO Update January 2007](#)

[ASB Update January 2007](#)

[PCAOB Standards-Setting Update](#)

[A Five-Minute Demonstration of Assertion-Based Auditing](#)

[Have you seen...?](#)

researchers in the world. Jane Kennedy, assisted by Vicky Hoffman, planned this 8th Annual Doctoral Consortium. 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 PhD students interested in auditing, established auditing researchers, and journal editors. By all accounts, this year's Consortium clearly achieved this purpose. Thanks again to the KPMG foundation for their generous support for this program which is so important to increasing PhD students' interest in auditing research and teaching.



2007 Auditing Section Doctoral Consortium

### **Section Awards Announced**

Winners of the Auditing Section awards were recognized at the Midyear luncheons on Friday and Saturday. At Friday's luncheon, we recognized two outstanding auditing educators. Ira Solomon was awarded the 2007 Distinguished Service Award, and Larry Rittenberg was awarded the 2007 Outstanding Auditing Educator Award. Anyone who knows these individuals recognizes that they are well deserving of these awards.



[Have You Seen These Instructional Resources...?](#)

### **Calls**

[14th Annual Midyear Auditing Section Conference](#)

[Auditing Section Nominees for Offices](#)

[Auditing Section Awards](#)

[12th Annual Ethics Research Symposium](#)

### **Announcements**

[2007 Distinguished Service in Auditing Award](#)

[2007 Innovation in Auditing and Assurance Education Award](#)

[2007 Outstanding Auditing Dissertation Award](#)

[2007 Notable Contributions to the Auditing Literature Award](#)

[2007 Auditing Section Outstanding Educator Award](#)

[Symposium on Information Systems Risks, Security & Assurance](#)

Larry Rittenberg (left) receives the 2007 Auditing Section Outstanding Educator Award and Ira Solomon (right) receives the 2007 Distinguished Service Award

At Saturday's luncheon three other awards were announced. Jere Francis accepted the 2007 Notable Contributions to the Auditing Literature Award on behalf of himself and his coauthors, Edward Maydew and H. Charles Sparks for their paper titled "The Role of Big 6 Auditors in the Credible Reporting of Accruals,"



The 2007 Notable Contributions to the Auditing Literature Award was presented to Jere Francis (right) by Jordan Lowe (left).

Gary Hecht received the 2007 Outstanding Dissertation Award and Mark Peecher was recognized as Gary's dissertation chair.

PDF Version of Newsletter  
(for printing)

[Auditing Home Page](#)

### Summer 2007 Issue Deadline

The deadline for material to be included in the Summer 2007 issue of *The Auditor's Report* is April 30, 2007. The preferred format is a Word file attached to an e-mail message. We also are open to any proposals for materials that anyone would like to submit. Please send all material and proposals to the Editor at the address below by April 30, 2007 to ensure timely publication of the issue:

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The address of the Auditing Section's Home Page on the World Wide Web is:  
<http://aaahq.org/audit/index.htm>



The 2007 Auditing Section Outstanding Dissertation Award was presented by Jere Francis (left) to Gary Hecht (center). Mark Peecher (right) was recognized as Gary's Dissertation Chair.

The award for Innovation in Auditing Education was awarded to Eric Spires.



The award for Innovation in Auditing and Assurance Education was presented to Eric Spires by William Dilla.

### **New PCAOB Research Synthesis Team**

A new PCAOB Research Synthesis Team was selected. The team, which consists of Bill Kinney, Joseph Carcello, Joseph Weber, and Michael Willenborg, will focus on the Cost-Benefit of the Sarbanes-Oxley legislation, Auditing Standard No. 2, and the PCAOB. This topic is obviously of critical important to the PCAOB.

### **2007 PCAOB/AAA Conference**

Selected members of the Auditing Section have been invited to the third PCAOB/AAA Conference. At this year's conference several of the synthesis research teams will attempt to integrate their findings, and consider the implications of the existing research for functional areas of the PCAOB beyond the area of standards setting. Panels will also explore cost effectiveness issues related to Section 404, Auditing Standard No. 2, and the PCAOB, and education and competence issues for future auditors.

We are indebted to the prior officers of the Auditing Section, particularly Jean Bedard and Linda McDaniels, for establishing the relationship with the PCAOB that has led to the creation of the research synthesis teams and the conferences which have benefited many members of the Auditing Section.

### **Online Journal Launched**

At the Midyear Conference, we announced the launch of the section's new online journal, *Current Issues in Auditing*. The new journal, co-edited by Dana Hermanson and D. Scott Showalter, is designed to promote timely, widespread dissemination of ideas to the academic and practice communities. The journal will begin accepting manuscripts for review and consideration on March 15, 2007. More information about the new journal may be obtained from the call for papers on the Auditing Section's homepage.

### **Officer Elections**

At the Annual Business Meeting, Julia Higgs, Secretary, announced the results of the Fall 2006 officer elections. Audrey Gramling (Kennesaw State University) was elected to serve as Vice President-Academic, and Mark Taylor (Creighton University) was elected to serve as Treasurer. The new officers will assume their offices at our Auditing Section Luncheon in August 2007. Congratulations to these new officers! We look forward to working with them on the Executive Committee.

As a reminder, our next elections will be held in the Fall of 2007. Look for the email announcing that electronic voting has begun and be sure to make your voice heard by voting.

### **2007 Annual Meeting**

Planning for the Auditing Section activities at the 2007 AAA Annual Meeting has begun. This year's meeting will be held in Chicago, Illinois, August 5–8, 2007. Chris Earley, with the assistance of Chris Hogan, is serving as 2007 Annual Meeting Coordinator. They are in the process of coordinating the reviews of the submitted manuscripts and panel proposals. They will need to identify discussants for all of these papers. We encourage you to volunteer.

As you register for the AAA Annual Meeting be sure to register for the Auditing Section's luncheon. This year, Edward Nusbaum, CEO of Grant

Thornton, LLP, will be the featured speaker. Ed has some great insights to share with us regarding the state of the auditing profession. You will not want to miss it!





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## Summary of 2007 Auditing Midyear Conference

### Charleston, South Carolina

By Karla Johnstone (University of Wisconsin) and  
Terry Neal (University of Tennessee)

The 2007 Auditing Midyear Conference was held in Charleston, South Carolina on January 11-13, 2007, at the Francis Marion Hotel. The meeting was preceded by the 8th annual Auditing Section Doctoral Consortium.

The meeting included outstanding plenary sessions. Friday morning's plenary speech by Damon Silvers (Associate General Counsel for the AFL-CIO), "Investors' Stake in Strengthening the Audit Profession," provided a stakeholder view of recent events in auditing regulation and the profession's responses. Friday afternoon's plenary speech by Bill Gradison (member of the Public Company Accounting Oversight Board), "An Insider's Perspective on Recent PCAOB Activities", outlined PCAOB activities and also provided insights regarding the PCAOB inspection results and efficiency-related aspects of the proposed standard "An Audit of Internal Control Over Financial Reporting That Is Integrated With An Audit of Financial Statements and Related Other Proposals."

The meeting also included four separate panel sessions. The Education Committee sponsored a session on the PCAOB inspection process, including speakers from the PCAOB, PricewaterhouseCoopers LLP, and Grant Thornton LLP. The Practice Advisory Council provided a session on routine forensic audits, and featured speakers from Grant Thornton LLP, Deloitte LLP, and the PCAOB, among others. The Research Committee sponsored a session on the PCAOB's Research Synthesis projects. Finally, the Auditing Standards Committee presented a panel on how multiple standard setters work together in today's environment, including discussions by representatives of the AICPA, the GAO, the PCAOB, and the IAASB.

Thirty-nine papers were presented in the concurrent sessions, including three teaching cases. Another 25 papers were presented at the Research Roundtable session on Saturday morning. Total attendance was 294. As in prior years, the Doctoral Consortium had a capacity group of 50 students.

Section award winners were:

- *Distinguished Service in Auditing*: Ira Solomon
- *Outstanding Auditing Educator Award*: Larry Rittenberg
- *Notable Contribution to the Auditing Literature Award*: Jere Francis, Edward Maydew and H.

Charles Sparks for "The Role of Big 6 Auditors in the Credible Reporting of Accruals" (*Auditing: A Journal of Practice & Theory*, Fall 1999)

- *Innovation in Auditing and Assurance Education Award*: Eric Spires
- *Doctoral Dissertation Award*: Gary Hecht (PhD student), and Mark Peecher (advisor)

The conference program and copies of many of the papers featured at the meeting are still available at: [http://aaahq.org/meetings/2007AUD\\_program.htm](http://aaahq.org/meetings/2007AUD_program.htm).

We are very grateful to the many people who helped make this conference work. First, we thank the KPMG Foundation and Bernie Milano for their faithful sponsorship and support of the AMC. Second, we thank the 2007 AMC Program Committee, including Roger Martin, Gary Peters, Mark DeFond, Todd DeZoort, Jane Kennedy, and Amanda Van Zee. Third, we thank our friends at the AAA, especially Debbie Gardner and Dee Strahan. Finally, we thank all of the authors, reviewers, discussants, moderators, and panelists who helped make the program possible.

[Back to Contents Page](#)



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Volume 30, No. 2  
Spring 2007

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## Auditing Section Doctoral Consortium

Charleston, South Carolina  
January 11, 2007



2007 Auditing Section Doctoral Consortium

Fifty current Ph.D. students from programs around the globe participated in an excellent Auditing Doctoral Consortium that was held on Thursday, January 11, 2007. Jane Kennedy served as the program coordinator for our 8th Annual Auditing Doctoral Consortium. She was assisted by Vicky Hoffman. They assembled an impressive line-up of speakers and panelists for this all-day event for current doctoral students.

The purpose of the Consortium is to stimulate students' research by exposing them to the latest ideas and thoughts from leading researchers in auditing, and by providing opportunities for networking with other Ph.D. students interested in auditing, established auditing researchers, and journal editors. Student's enthusiastic comments about the program indicated that we exceeded our expectations for this event and achieved our goals for this event. Vicky Hoffman will coordinate the 2008 Auditing Doctoral Consortium. Again, we are grateful for the generous support from the KPMG Foundation, which also supports our Consortium.

[Back to Contents Page](#)

**2007 Mid-Year Business Meeting  
American Accounting Association - Auditing Section  
Statement of Cash Receipts, Disbursements, and Cash Balance for Years Ended  
August 31, 2005 and 2006 (Note 1)**

	Year ended August 31		
	2006	2005	% Chg
<b>Receipts</b>			
Membership Dues	\$46,231.00	\$40,767.00	+13.4%
Journal Subscriptions	\$57,148.00	\$56,448.00	+1.2%
Sales of Publications/Royalties	\$1,426.21	\$1,849.81	-22.9%
Advertising	\$300.00	\$0.00	+∞
Journal Submission Fees	\$6,125.00	\$7,425.00	-17.5%
Reimbursements/Contributions (Note 2)	\$26,000.00	\$26,800.00	-3.0%
Mid-Year Meeting Registration	\$34,670.00	\$37,370.00	-7.2%
Interest Income (Note 3)	\$7,548.93	\$2,812.51	+168.4%
<b>Total Receipts</b>	<b>\$179,449.14</b>	<b>\$173,472.32</b>	
<b>Disbursements</b>			
Awards	\$1,767.80	\$1,581.90	+11.8%
AJPT Printing (Note 4)	\$22,280.20	\$10,089.69	+120.8%
AJPT Distribution (Note 4)	\$7,933.31	\$6,845.46	+15.9%
AJPT Editorial Support (Note 4)	\$17,868.02	\$0.00	+∞
AJPT AAA Editorial Support (Note 4)	\$20,757.00	\$10,027.00	+107.0%
Newsletter (Note 5)	\$6,182.54	\$0.00	+∞
Mid-Year Meeting (Note 6)	\$73,655.15	\$104,966.49	-29.8%
Annual Meeting Costs	\$1,375.60	\$3,167.41	-56.6%
Committee Expenses	\$1,843.33	\$1,848.87	-0.3%
Council Fee	\$1,000.00	\$1,000.00	---
Postage and Miscellaneous Exp	\$4,764.82	\$3,192.28	+49.3%
<b>Total Disbursements</b>	<b>\$159,427.77</b>	<b>\$142,719.10</b>	
<b>Cash Increase (Decrease)</b>	<b>\$20,021.37</b>	<b>\$30,753.22</b>	
<b>Beginning Cash Balance</b>	<b>\$215,544.17</b>	<b>\$184,790.95</b>	
<b>Ending Cash Balance</b>	<b>\$235,565.54</b>	<b>\$215,544.17</b>	

**Notes:**

1. The Statement of Cash Receipts, Disbursements, and Cash Balance is compiled from the monthly financial reports received from the American Accounting Association national office.
2. Contributions from KPMG cover costs related to the 2005 and 2006 Mid-year Conference (\$15,000 each year) and the associated Doctoral Consortium (\$11,000 each year). 2005 receipts also include \$800 from IVES for a coffee break.
3. Reflects the allocation of interest income from the AAA headquarters to the section.
4. AJPT costs in 2004-05 relate to 2 issues: Fall 2004 and Spring 2005. 2005-06 costs include 3 issues: Fall 2005, 2005 Supplement, and Spring 2006.
5. The print version of the newsletter was reinstated for 2005-06. 2005-06 costs include 3 issues: Fall 2005, Spring 2006, and Summer 2006.
6. The cost of the 2005 Mid-year Conference was unusually high because of the extra day and special events surrounding the 25<sup>th</sup> anniversary of AJPT. The section had saved \$30,000 for this event over the previous 3 years. Costs of the 2006 Mid-year Conference was more consistent with costs of prior conferences.

**2007 Mid-Year Business Meeting  
American Accounting Association - Auditing Section  
Comparative Statement of Cash Receipts, Disbursements, and Cash Balance for  
Quarter ended November 30, 2005 and 2006 (Note 1)**

	Quarter ended November 30		
	2006	2005	% Chg
<b>Receipts</b>			
Membership Dues (Note 2)	\$13,615.00	\$16,514.00	-17.6%
Journal Subscriptions	\$19,669.75	\$17,533.00	+12.2%
Sales of Publications/Royalties	\$684.13	\$567.29	+20.6%
Advertising	\$150.00	\$0.00	+∞
Journal Submission Fees	\$1,400.00	\$1,650.00	-15.2%
Reimbursements	\$0.00	\$0.00	---
Mid-Year Meeting Registration	\$19,760.00	\$16,800.00	+17.6%
Miscellaneous Receipts	\$1,686.29	\$998.68	+68.9%
<b>Total Receipts</b>	<b>\$56,965.17</b>	<b>\$54,062.97</b>	
<b>Disbursements</b>			
Awards	\$0.00	\$0.00	---
AJPT Printing	\$0.00	\$0.00	---
AJPT Distribution	\$0.00	\$0.00	---
AJPT Editorial Support	\$0.00	\$0.00	---
AJPT AAA Editorial Support	\$0.00	\$0.00	---
Newsletter (Note 3)	\$0.00	\$1,592.14	-100.0%
Mid-Year Meeting	\$0.00	\$0.00	---
Annual Meeting Costs	\$0.00	\$0.00	---
Committee Expenses	\$1,110.71	\$0.00	+∞
Council Fee	\$0.00	\$0.00	---
Postage and Miscellaneous Exp	\$1,061.36	\$2,005.62	-47.1%
<b>Total Disbursements</b>	<b>\$2,172.07</b>	<b>\$3,597.76</b>	
<b>Cash Increase (Decrease)</b>	<b>\$54,793.10</b>	<b>\$50,465.21</b>	
<b>Beginning Cash Balance</b>	<b>\$235,565.54</b>	<b>\$215,544.17</b>	
<b>Ending Cash Balance</b>	<b>\$290,358.64</b>	<b>\$266,009.38</b>	

**Notes:**

1. First quarter 2006-2007 numbers are preliminary. The Statement of Cash Receipts, Disbursements, and Cash Balance is compiled from the monthly financial reports received from the American Accounting Association national office. National office was unable to finalize November 2006 figures before the Midyear Meeting.
2. As of October 31, 2005 there were 1,291 full members and 154 associate members. Of these, 1,091 reside in the United States and 354 are foreign members. As of November 20, 2006, there were 1,316 full members and 199 associate members. Of these, 1,155 reside in the United States and 360 are foreign members.
3. Costs of the Fall 2006 newsletter (\$1210) were paid in December 2006.

**AUDITING: A JOURNAL OF PRACTICE & THEORY**

**Dan A. Simunic, Editor  
December 31, 2006**

<b>Processing Activity</b>	<b>1/1/06 – 12/31/06</b>	<b>1/1/05 – 12/31/05</b>	<b>1/1/04- 12/31/04</b>
Submissions:			
New	72	90	58
25 <sup>th</sup> Conference	n/a	n/a	37
Revisions	54	16	27
Total	126	106	122
Average days for review <sup>1</sup>	40*	35**	35

<sup>1</sup> Add 5 days to process at submission and about 3 weeks to process upon completion of reviews.

\* Mean actual review time (median time is 35 days)

\*\* Estimated average review time

<b>Manuscripts in Inventory by Revision Stage</b>	
New Submissions	25
Round 2	8
Round 3	4
Round 4	
Round 5	
Total	37

<b>Manuscript Results</b>	<b>2006</b>		<b>2005</b>		<b>2004 &amp; Conference</b>		<b>2003</b>	
Total Submitted	72		90		100		72	
Accepted	1	1%	13	14%	17	17%	12	17%
In-Process	47	66%	17	19%	3	3%	2	3%
Rejected	24	33%	60	67%	80	80%	58	80%

<b>Manuscript Results</b>	<b>2002</b>					
Total Submitted	75					
Accepted	19	25%				
In-Process	0	0%				
Rejected	56	75%				



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AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## Update on the IAASB's Activities 2006

**Roger Simnett, University of New South Wales, and former IAASB member,  
James M. Sylph, IFAC Executive Director, Professional Standards, and  
Kathleen Kerrigan, IAASB Technical Manager**

This update provides an overview of some of the major activities of the International Auditing and Assurance Standards Board (IAASB) during 2006, draws attention to the development of the IAASB's strategic plan for 2008-2010, and notes some of the activities of other boards and committees of the International Federation of Accountants (IFAC) that have particular relevance for auditing.

The IFAC website [www.ifac.org](http://www.ifac.org) contains links for free access to the documents mentioned in this article as well as more detailed project summaries, IAASB minutes, agenda papers, and related material.

### Global Convergence

The results of the latest self-assessments by IFAC member bodies indicate widespread recognition of International Standards on Auditing (ISAs). They suggest that more than 100 countries use ISAs, either adopted as issued by the IAASB or with local adaptation, or national standards which are compared with ISAs to eliminate differences.

ISAs are also accepted for the audits of foreign listed entities by most of the world's capital markets. The major exception is the United States, which currently requires use of the U.S. Public Company Accounting Oversight Board's auditing standards.

The past year has seen the World Federation of Exchanges (WFE) endorse the IAASB's processes for standard setting and recognize the importance of ISAs. The WFE represents 57 securities and derivatives markets that account for more than 97 percent of world stock market capitalization. Mainland China announced new auditing standards that bring their standards closer to ISAs, and Hong Kong announced full convergence to ISAs. Canada, after careful consultation, has decided to move its standards to ISAs. And in one of the most significant developments, finalization of the European Union's 8th Company Law Directive provides a platform for European-wide adoption of ISAs for statutory audits.

In July 2006, the IAASB approved new guidance for national standard setters that adopt its International Standards with limited modifications. While it is not intended to be a definitive statement

on convergence, *Modifications to International Standards of the International Auditing and Assurance Standards Board (IAASB)—A Guide for National Standard Setters that Adopt IAASB's International Standards but Find It Necessary to Make Limited Modifications* provides guidance on the extent to which modifications to adopted International Standards are permitted, while still allowing a national standard setter to assert conformity to the International Standards.

## **The Clarity Project**

One of IAASB's most significant projects is aimed at improving the clarity and understandability of its standards. This is a project that the European Commission has deemed essential to its adoption of ISAs for statutory audits in Europe.

### *Implementation Approach*

The IAASB outlined an initial plan to redraft the entire set of ISAs in accordance with new clarity drafting conventions by 2011. However, in response to strong demand by stakeholders for the IAASB to accelerate that timetable, the IAASB now intends to complete both the revision of certain ISAs, and the redrafting of all other ISAs, by 2008.

The implementation approach distinguishes revision and redrafting. The IAASB currently has 32 ISAs in issue. Of these:

- 11 are under full revision and will be reissued in the clarity form;
- Nine have been revised in the last few years and are not in need of further revision, but will be redrafted in the clarity form; and
- The other 12 have not been recently revised but are considered acceptable, and will be redrafted in the clarity form without revision.

This approach allows all ISAs to be consistently drafted, and subject to a single statement of their authority and effect, while completing the clarity project within a reasonable time. It also minimizes the time the IAASB will spend on the clarification of the older ISAs and ensures that the IAASB can turn its attention to other projects as soon as practicable.

The IAASB will determine a final common effective date for all redrafted ISAs in due course, as it makes further progress on its agenda. This date will, however, not be earlier than December 15, 2008. Nonetheless, the IAASB is making the redrafted ISAs available as early as possible to assist in their translation, adoption and implementation. Academic staff will also want to consider what new teaching materials need to be developed, and may want to research issues related to the transition from old format to new.

### *The Preface and Four Redrafted ISAs*

After extensive consultation, in September 2006 the IAASB finalized amendments to the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services* (the Preface) that establishes the new drafting conventions it will use in developing future ISAs, and the authority and obligation attaching to those conventions. The Preface is largely unchanged, though refined, from that exposed in October 2005, reflecting the broad support received from respondents.

The Preface contains important statements about the authority of the IAASB's Standards, which the IAASB intends to also include within the ISAs themselves when it revises ISA 200, *Objective and General Principles Governing an Audit of Financial Statements*. When ISA 200 is revised and exposed for public comment in 2007, respondents will be invited to comment on the material derived from the Preface in that new context.

Subsequent to the finalizing of the new drafting conventions, the IAASB approved the application of those conventions to the following four re-titled ISAs, which were also exposed in October 2005:

- ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*;
- ISA 300, *Planning an Audit of Financial Statements*;
- ISA 315, *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment*; and
- ISA 330, *The Auditor's Responses to Assessed Risks*.

The IAASB improved the consistency with which the conventions have been applied to these four ISAs and has considered, in particular, the need for the ISAs to be applicable to audits of entities of all sizes. Further improvements have also been made in specific areas where responses indicated ambiguity, or the need for additional guidance, in the extant ISAs.

The IAASB has expressed that it is satisfied that, as a result, the ISAs are clearer and the expectation of consistent application has been strengthened. It also believes that applying the new conventions will assist in their adoption around the world and facilitate international convergence. This project has provided a means to respond in a timely manner to many of the findings of the 2004 IFAC report, *Challenges and Successes in Implementing International Standards: Achieving Convergence to IFRSs and ISAs*.

#### *New Exposure Drafts of Redrafted ISAs*

In response to the accelerated implementation timetable, the IAASB approved the issue of the following seven exposure drafts in 2006, for comment on the application of the clarity drafting conventions only:

- ISA 230 (Redrafted), *Audit Documentation*;
- ISA 260 (Revised and Redrafted), *Communication with Those Charged with Governance*;
- ISA 320 (Revised and Redrafted), *Materiality in Planning and Performing an Audit*;
- ISA 450 (Redrafted), *Evaluation of Misstatements Identified during the Audit*;
- ISA 560 (Redrafted), *Subsequent Events*;
- ISA 610 (Redrafted), *The Auditor's Consideration of the Internal Audit Function*; and
- ISA 720 (Redrafted), *The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements*.

#### *Documents Closed Off*

During the year, the IAASB also completed the "close off" of a further four ISAs:

- ISA 705, *Modifications to the Opinion in the Independent Auditor's Report*;
- ISA 706, *Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent*

*Auditor's Report,*

- ISA 800 (Revised), *Special Considerations—Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*; and
- ISA 805, *Special Considerations When Reporting on Summary Financial Statements*.

The term "close off" refers to standards that were exposed under the old drafting conventions, and have now been revised and approved in that format based on comments received on exposure. These closed off ISAs will be redrafted under the clarity conventions and exposed for comment on the application of the new drafting conventions during 2007.

### **Other Documents Issued in 2006**

During the year the IAASB also approved the following three exposure drafts prepared under the clarity drafting conventions, and a consultation paper titled *Assurance Aspects of G3 - The Global Reporting Initiative's 2006 Draft Sustainability Reporting Guidelines*.

#### *Proposed ISA 540 (Revised and Redrafted), Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

The IAASB originally issued the proposed revised ISA 540, *Auditing Accounting Estimates and Related Disclosures (Other Than Those Involving Fair Value Measurements and Disclosures)* as an exposure draft in December 2004, to bring it into line with the revised audit risk standards. In revising the standard, the IAASB focused particularly on how to deal with significant assumptions, ranges of acceptable estimates, and the identification of possible bias in the determination of estimated amounts.

After due consultation, the final revised ISA 540 was approved for close off under the old drafting conventions in September 2006. However, as many fair value measurements are in fact estimates, the IAASB concluded that the extant ISA 545, *Auditing Fair Value Measurements and Disclosures*, relating to fair values should be combined with the revised ISA 540. It is anticipated that the extant ISA 545 will be withdrawn when the combined ISA 540 becomes effective as a final standard.

This proposed combination has allowed the IAASB to bring the fair value standard up to date while emphasizing to auditors that, while fair values may be new in many circumstances, the approach to their audit has much in common with the more familiar audit of estimates.

#### *Proposed ISA 580 (Revised and Redrafted), Written Representations*

Written management representations requested by auditors have become very extensive, particularly in certain jurisdictions, and there is concern that auditors may seek to rely on them more heavily than is justified. In revising this standard, the IAASB focused on those representations that are really required, and proposed requirements to ensure that these are obtained when necessary, and when obtained, that they are reliable.

The IAASB also stressed in the proposed revised standard that representations are corroborative, and do not obviate the need for the auditor to obtain satisfactory other evidence about the object of the representations.

During the project, the IAASB considered matters such as the reasons for obtaining written representations, the evidence that they provide, and from whom they should be requested. The proposals provide for general written representations regarding the financial statements, including internal control, and the completeness of information made available to the auditor, and for written representations about specific assertions in the financial statements.

### *Proposed ISA 600 (Revised and Redrafted), The Audit of Group Financial Statements*

In March 2006, the IAASB approved for re-exposure the proposed revised and redrafted ISA 600, *The Audit of Group Financial Statements*, designed to enhance the quality of group financial statement audits.

This re-exposure draft was developed based on comments received on earlier exposure drafts, and was drafted using the clarity conventions. Having evaluated issues around the extent to which the group auditor needs to be involved in the audit of components that are audited by other auditors, and whether the other auditors are independent of the group auditor (unrelated auditors) or belong to the group auditor's firm or network of firms (related auditors), the IAASB is now proposing that the distinction between related and unrelated auditors is not of itself a sufficient basis for determining the group auditor's work. This conclusion has given rise to substantial changes to some of the proposed requirements.

In addition, the proposed standard is drafted on the basis that a group auditor takes sole responsibility for the audit opinion on the group financial statements. Because current group audit practices vary, the IAASB considered it necessary to be reasonably specific about the steps to be taken, and the work effort required, by the group auditor to acquire sufficient appropriate audit evidence on which to base such an opinion when other auditors are involved.

The IAASB is currently considering comments on this final consultation document and anticipates approving the final revised and redrafted standard in 2007.

### **Future Strategy and Work Program**

With the accelerated implementation timetable for the clarity project, the IAASB essentially has a full work program until mid to late 2008. It is therefore critical that a coherent work program be put in place for the period thereafter that will be responsive to the reasonable demands of the IAASB stakeholders. The IAASB has developed a broad and transparent plan that calls for consultation with its various stakeholders over the course of 2007 on areas where the IAASB could make a significant contribution to the quality of auditing and assurance. A survey questionnaire was released in January 2007 to solicit views; the results of the survey will be discussed during a number of specific consultations, including two public forums to be held in April 2007 in Sydney, Australia and June 2007 in Brussels, Belgium.

The afternoon of the first forum will specifically seek views on whether there is a demand for an alternative to the audit for SMEs. It may be that an alternative service, not based on reasonable assurance and clearly distinguished from an audit, would be sufficient for stakeholders of some smaller entities, and the discussion at the forum will serve to explore the possibilities.

The results of the consultations up to the end of June 2007 will form the basis for a strategic direction

document and a proposed exposure draft of the proposed future strategy and work program. The proposed exposure draft will be reviewed by the IAASB Consultative Advisory Group and Public Interest Oversight Board, submitted for approval at the September 2007 IAASB meeting and subsequently exposed for public comment.

## **Membership of the IAASB for 2007**

The IAASB welcomed a number of new appointments and re-appointments as of January 1, 2007 for terms ranging from two to three years:

### *Nominated by IFAC Member Bodies*

- John Fogarty, *United States* (re-appointed);
- John Kellas, *United Kingdom* (re-appointed as Chairman);
- Professor William Kinney, The University of Texas at Austin, *United States*;
- Gérard Trémolière, *France* (re-appointed); and
- Muhammed Yusef, *Pakistan*.

### *Nominated by the IFAC Transnational Auditors Committee*

- Susan Jones, Grant Thornton.

### *Public Member*

- Kjell Larsson, *Sweden* (re-appointed).

The IAASB's 17 volunteer members and one full-time Chairman now represent 11 countries: Australia, Canada, Denmark, France, Italy, Japan, the Netherlands, Pakistan, Sweden, the United Kingdom and the United States. In 2006, the European Commission joined the U.S. PCAOB and the Japanese Financial Services Agency as non-voting observers with speaking rights at the IAASB meetings.

## **Other IFAC Boards and Committees**

In addition to launching [www.ifacnet.com](http://www.ifacnet.com), a searchable database of leading-edge articles, good practice guidance, and tools and techniques for accountants employed in commerce, industry, the public sector, education, and the not-for-profit sector, some of the activities of other IFAC boards and committees during the year that are relevant to auditing are noted below.

### *International Ethics Standards Board for Accountants (Ethics Board)*

The Ethics Board issued an exposure draft in December 2006 to update and strengthen the independence requirements contained in the IFAC *Code of Ethics for Professional Accountants*. Apart from updating the definition of a network firm in July 2006, the last substantive revisions to the Code were made in November 2001. Significant proposed modifications to the Code include:

- Splitting the Code into two sections; Section 290 setting out independence requirements for audit and review engagements and Section 291 addressing all other assurance engagements;

- Expanding the applicability of partner rotation requirements;
- Updating requirements related to the provision of non-assurance services, including setting out additional guidance on the provision of tax services to audit clients;
- Extending the independence requirements to the audits of a wider range of entities of significant public interest; and
- Expanding the restrictions on an audit partner accepting employment with an audit client.

#### *International Accounting Education Standards Board (Education Board)*

During the year, the Education Board issued:

- A new standard outlining the skills, training, professional values, and attitudes necessary for auditors to perform competently. International Education Standard (IES) 8, Competence Requirements for Audit Professionals, applies to all audit professionals, not just the audit engagement partner. It also prescribes specific competence requirements for audit professionals involved in transnational audits.
- A proposed new International Education Practice Statement (IEPS), Information Technology for Professional Accountants, which provides details of the knowledge and skills required of professional accountants.
- An information paper on Approaches to the Development and Maintenance of Professional Values, Ethics and Attitudes in Accounting Education Programs, and a related proposed new IEPS.
- An exposure draft of its Strategic and Operational Plan for the period 2007-2009.

#### *Professional Accountants in Business (PAIB) Committee*

The PAIB Committee has issued an information paper, *Internal Controls - A Review of Current Developments*, which summarizes key internal control frameworks, highlights recent legislative and other initiatives, and discusses the role of internal control in enhancing corporate governance. It also released an exposure draft, *Guidance for the Development of a Code of Corporate Conduct*, to assist professional accountants and others in establishing and implementing codes of conduct in their organizations.

[Back to Contents Page](#)



# THE AUDITOR'S REPORT

Volume 30, No. 2  
Spring 2007

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## **PCAOB Research Synthesis Projects — Past Experiences and Future Directions**

**By Christine E. Earley, on behalf of the Research Committee**

At the Auditing Section Midyear Meeting in January 2007, the Research Committee sponsored a panel regarding the Public Company Accounting Oversight Board's (PCAOB) research synthesis projects. Panelists included Gary Holstrum, PCAOB Consultant to the Chief Auditor (former Associate Chief Auditor and Director of Research), Jean Bedard of Bentley College (representing the research synthesis project related to Audit Firm Quality), Chris Hogan of Michigan State University (representing the research synthesis project related to Financial Fraud), and Robert Allen of the University of Utah (representing the research synthesis project related to Auditor Risk Assessment). Gary provided background and general remarks regarding all research synthesis projects, and each of the three project representatives described the process involved in completing their respective projects.

Gary Holstrum began by outlining the purpose and scope of the research synthesis projects. He explained that several years ago, the PCAOB and the Auditing Section partnered to identify teams of academic researchers to research and provide an analysis of the academic literature related to nine of the PCAOB's major standard-setting projects. These research synthesis teams examined Auditor Risk Assessments, Audits of Fair Value, Engagement Quality Review, Communications with Audit Committees, Audit Firm Quality Control, Financial Fraud, Audit Confirmations, Auditing Related Party Transactions, and the Audit Reporting Model. All nine teams have completed briefing papers, which are available on the PCAOB's website at [www.pcaobus.org](http://www.pcaobus.org), and several have papers forthcoming in academic journals. Gary noted that all teams have identified findings from academic research that have proven useful to PCAOB standard-setters.

Jean Bedard discussed the efforts of the research team on Audit Firm Quality. The team addressed eight questions posed by the PCAOB's Standing Advisory Group in June and November 2004. They focused on several aspects of audit firm quality, such as audit firm governance, compensation and reward systems, risk assessment and control mechanisms, monitoring and internal inspections, as well as whether there are reasons to exempt smaller firms from PCAOB quality control mechanisms.

Chris Hogan discussed the efforts by the research team on Financial Fraud. The PCAOB Standing Advisory Group posed 49 questions related to financial statement fraud, and the challenge to this research team was to group the individual questions into manageable themes. The team ended up addressing the following topics; 1) factors that affect financial statement fraud from an organizational

perspective, 2) procedures and the ability of auditors to detect fraud, 3) fraud risk assessments and their impact on audit planning and testing, 4) high risk areas, and 5) other matters of concern to the PCAOB (such as interaction with the audit committee, use of forensic specialists, etc.).

Robert Allen discussed efforts by the research team on Auditor Risk Assessment. Bob started by discussing the process followed by the research team, including the project timetable. He noted that the keys to success were to set deadlines, establish accountability among the team's members, determine the scope of the topics to be included, elicit feedback throughout the process, and remain focused on the purpose of the project and the audience to which the team will present its results. Bob then described in detail the ten major insights yielded by their research synthesis.

All presenters noted that the research synthesis process was very rewarding and yielded valuable insights to help the PCAOB standard-setters as well as academic researchers. The teams also agreed that although they found research relevant to each of their assigned topics, there are still many questions left unanswered, and additional research in each of the areas is needed.

[Back to Contents Page](#)



Volume 30, No. 2  
Spring 2007

# THE AUDITOR'S REPORT

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## GAO UPDATE—January 2007

by Jeanette Franzel and Maxine Hattery

### GAO Welcomes 110th Congress with Suggested Areas of Oversight

Members of the 110th Congress began work in January with a new tool at their disposal: a collection of recommendations for their consideration in 36 key areas identified by GAO. The recommended areas for oversight are grouped into three categories: (1) targets for near-term oversight; (2) policies and programs that are in need of fundamental reform and re-engineering; and (3) governance issues that should be addressed to help ensure an economical, efficient, effective, ethical, and equitable federal government capable of responding to challenges and capitalizing on opportunities in the 21st century. Each of the 36 specific areas highlighted by GAO are described on one page, with information about the issue, references to related GAO products, and GAO contacts.

Two general themes are imbued in the recommendations. First, the federal government cannot afford to continue business as usual in Washington, given the current deficit and growing long-term fiscal challenges. Second, that most of the federal government's current policies, programs, functions, and activities are based on conditions that existed decades ago, are not results-based, and are not well aligned with 21st century realities. Therefore, there is a need to engage in a fundamental review, reprioritization, and reengineering of the base of government. Selected examples of areas being suggested for oversight include the following:

- Transforming the Department of Homeland Security, the Nuclear Weapons Complex, the Department of Defense business operations, and the Postal Service's business model.
- Enhancing border security, computer security, information sharing among the nation's intelligence agencies, coordination of U.S. international counterterrorism efforts, and the safety and security of transportation.
- Reforming the tax code, Medicare and Medicaid, immigration policy, and federal housing programs.
- Strengthening retirement security, savings, and financial literacy.
- Reviewing the effectiveness of the federal audit and accountability community, including the oversight, structure and division of responsibility.
- Assessing corporate financial reporting and standards for public company accountability

*Suggested Areas for Oversight for the 110th Congress.* [GAO-07-235R](#) November 17, 2006

## GAO Issues 2007 High Risk List

On January 31, 2007, GAO released the eighth update of its assessment of federal programs, policies and operations that are "high risk" due to the need for broad-based transformation or vulnerabilities to fraud, waste and abuse and mismanagement.

Sufficient progress has been made to remove two items from the list: the U.S. Postal Service's transformation efforts and long-term outlook, and the Department of Housing and Urban Development's single-family mortgage insurance and rental housing assistance programs. At the same time, three additional items have been added to the High Risk list: federal oversight of food safety, protection of technologies critical to national security, and transportation financing and capacity.

Those three additions and two deletions leave 27 programs and operations on GAO's 2007 High Risk List.

Congress and the executive branch use GAO's High Risk List as an oversight tool and in shaping government-wide initiatives, including the President's Management Agenda. Since GAO's last update, important progress related to many areas on GAO's High Risk List has been made. Effort has been noted in all areas, although to varying degrees.

The 2007 High Risk List is available at [www.gao.gov](http://www.gao.gov)

For additional information, contact GAO's Office of Public Affairs at 202-512-4800.

## The 2007 Yellow Book Is Issued

An increased focus on the ethical principles underlying the work of those who audit government programs and activities is one highlight of the many significant changes in the January 2007 revision of *Government Auditing Standards*.

First published in 1972, and commonly referred to as the "Yellow Book," the U.S. Comptroller General's auditing standards cover entities of the federal government and organizations that receive federal funds. Compliance with the standards is required by various federal laws for audits of federal entities and funds.

The January 2007 version, which supersedes the 2003 revision, contains the final 2007 revisions to the standards, except for the quality control and peer review sections in chapter 3. Concurrent with the electronic issuance of the January 2007 version of *Government Auditing Standards*, GAO is exposing for comment redrafted sections on quality control and peer review in response to the wide range of comments on those sections. The complete 2007 revision of *Government Auditing Standards* will be available after the quality assurance and peer review sections are finalized and incorporated into the standards and will be effective for financial audits and attestation engagements for periods beginning on or after January 1, 2008, and for performance audits beginning on or after January 1, 2008. Early implementation is permissible and encouraged. Electronic versions of the documents are available on the Web at <http://www.gao.gov/govaud/ybk01.htm>.

Fundamental changes in the 2007 revision include:

- emphasis on ethical principles
- streamlined discussion of nonaudit services and their impact on auditor independence;
- updated financial auditing standards based on recent developments in financial auditing and internal control,
- increased transparency surrounding restatements and significant concerns, uncertainties, or other unusual events;
- enhanced framework for performance-auditing, including the concepts of reasonable assurance and its relationship to audit risk and evidence;
- clarified language to define the auditor's level of responsibility and distinguish between auditor requirements and additional guidance.

For further information, please call Jeanette Franzel, Director, at (202) 512-9471 or Michael Hrapsky, Senior Project Manager, at (202) 512-9535, or e-mail [yellowbook@gao.gov](mailto:yellowbook@gao.gov).

### **GAO Issues a Disclaimer on the Federal Government's Consolidated Financial Statements**

For the 10 th consecutive year, certain material weaknesses in financial reporting and other limitations on the scope of our work resulted in conditions that prevented GAO from being able to render an opinion on whether the consolidated financial statements of the U.S. government are fairly stated. Three major impediments continue to prevent GAO from rendering an opinion on the consolidated financial statements: (1) serious financial management problems at the Department of Defense, (2) the federal government's inability to adequately account for and reconcile intragovernmental activity and balances between federal agencies, and (3) the federal government's ineffective process for preparing the consolidated financial statements. GAO also reported that the federal government did not maintain effective internal control over financial reporting (including safeguarding assets) and compliance with significant laws and regulations as of September 30, 2006. Further, GAO's audit report also included an emphasis paragraph for the 3 rd consecutive year noting that the nation's current fiscal path is unsustainable and that tough choices by the President and the Congress are necessary to address the nation's large and growing long-term fiscal imbalance.

The fiscal year 2006 *Financial Report of the United States Government* can be found at [www.fms.treas.gov/fr/index.html](http://www.fms.treas.gov/fr/index.html). and [www.gao.gov](http://www.gao.gov)

### **Comptroller General's Fiscal Wake-Up Video Now Available**

The Comptroller General's warnings about the growing imbalance between expected federal spending and tax revenues is now available via video on GAO's Web site in the long-term fiscal outlook section <http://www.gao.gov/special.pubs/longterm> under the link, "Fiscal Wake-Up Tour."

[Back to Contents Page](#)



# THE AUDITOR'S REPORT

Volume 30, No. 2  
Spring 2007

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## ASB Update as of January 2007

**Douglas F. Prawitt, Brigham Young University  
Academic Member of the AICPA Auditing Standards Board**

I began my last update with the joint ASB/IAASB/AAA research initiative, designed to gain a better understanding of users' perceptions of the auditor's report and explore ways in which the report might be revised to communicate more clearly. As I mentioned, this initiative represents a unique opportunity to participate in research that could have a direct bearing on the standard-setting process. To briefly summarize our progress since the last ASB Update, we received a total of eleven research proposals from the U.S. and overseas. The project task force evaluated the submissions in late 2006 and selected four very high quality proposals to be included on a "short list" for possible funding. Researchers who submitted proposals have been notified as to the status of their proposals. The project task force is now in the process of procuring additional monies with the intention that at least three of the projects can be funded. We anticipate that we will have funding in place and be able to finalize arrangements with selected research teams by the middle of February. I will give further details in the next ASB Update.

The ASB's exposure draft of a proposed SSAE titled *Reporting on an Entity's Internal Control over Financial Reporting* is on hold, pending the PCAOB's completion of AS No. 5, which revisits several fundamental concepts, including the definitions of significant deficiency and material weakness. In the meantime, to avoid confusion stemming from differences in terminology, the Board made conforming revisions to AT 501 to incorporate the terms, definitions, and guidance on identifying and evaluating control deficiencies that were introduced in SAS No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. The AICPA staff has developed an audit risk alert entitled *Understanding SAS No. 112 and Evaluating Control Deficiencies: A Companion to SAS No. 112, Communicating Internal Control Related Matters Identified in an Audit*. This audit risk alert summarizes the important aspects of the new standard and presents a number of short case studies designed to guide the auditor through the process of evaluating identified control deficiencies.

In November 2006, the Board issued SAS No. 113, *Omnibus 2006*. This omnibus SAS amends the wording of the three general standards and the four reporting standards of the ten Generally Accepted Auditing Standards to conform to the Board's new "clarity" guidelines. The wording of the three field work standards was amended previously, so all ten GAAS now have been updated. SAS No. 113 also makes some minor amendments to SAS No. 99 to provide a clearer link between the auditor's consideration of fraud and the auditor's assessment of risk in accordance with the "risk assessment suite" (SAS Nos. 104-111). Finally, SAS No. 103, *Audit Documentation*, changed the date of the auditor's report from the "date of completion of fieldwork" to require that the auditor's

report be "dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion on the financial statements." SAS No. 113 makes conforming amendments necessary to remove references to the completion of fieldwork throughout the codification of Statements on Auditing Standards.

The Board also voted in November to issue SAS No. 114, *The Auditor's Communication with Those Charged with Governance*, replacing SAS No. 61, *Communication with Audit Committees*. The new SAS requires the auditor to engage in two-way communication with those charged with governance about certain significant matters related to the audit, and also establishes standards and provides guidance on:

- Which matters should be communicated,
- Who they should be communicated to, and
- The form and timing of the communication.

The new SAS provides guidance on the communication process and, of course, uses the new phrase "those charged with governance," consistent with international standards and SAS No. 103. SAS No. 114 is applicable to audits of the financial statements of all nonissuers and is effective for audits of financial statements for periods beginning on or after December 15, 2006.

In July 2006, the ASB issued an exposure draft of a proposed SQCS, *A Firm's System of Quality Control*, that would replace all existing SQCSs. The comment period for the exposure draft ended on September 30, 2006. The ASB considered comment letters at its January 2007 meeting and will make further revisions before voting on the SQCS at an upcoming meeting.

The ASB is also considering a couple of additional agenda items, which could dramatically affect both the format of new and existing standards and the process for producing new standards. For example, the Board is considering a new clarity format for auditing standards, which may require each new and existing standard to include a statement of the objective of the standard as it relates to GAAS, and set apart "requirements" from "guidance" by placing requirements in text boxes. In terms of process, the ASB may change the current practice of issuing SASs, which are later codified into AU sections. Instead, each AU section would be revised directly and reissued as such, similar to the process currently used by the IAASB. I would encourage you to start thinking about these issues, as the Auditing Section will have the opportunity to provide input in the near future.

The board has agenda items relating to a number of other topics, including related parties, auditing accounting estimates, and development of other conventions to enhance the clarity of auditing standards, among others. A complete list can be found on the AICPA Web site.

[Back to Contents Page](#)



# THE AUDITOR'S REPORT

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## PCAOB Update<sup>1</sup>

Prepared for *The Auditor's Report* (Winter 2007)

By Gary Holstrum, Thomas Ray, and Gregory Scates\*\*

This update addresses selected PCAOB developments since the [Fall 2006](#) update that are likely to be of interest to accounting and auditing researchers, educators, and students. These developments include a proposed new auditing standard on internal control to replace Auditing Standard No. 2, a proposed new auditing standard on using the work of others, proposals for conforming amendments and a related new independence rule, a PCAOB report on auditors' implementation of standards on fraud, the status of existing research synthesis projects, and formation of a new Cost-Effectiveness Research Synthesis Team.

### Proposed New Internal Control Audit Standard to Replace AS2

On December 19, 2006, the Board issued a proposal for a new standard on auditing internal control over financial reporting, as well as proposals for a new standard on using the work of others, conforming amendments, and a proposed new rule on independence and internal control-related services. The proposed new standard on internal control, which would replace the existing internal control standard, Auditing Standard No. 2, is a principles-based standard designed to focus the auditor on the most important matters, increasing the likelihood that material weaknesses will be found before they cause material misstatements in the financial statements. The proposed standard also eliminates audit requirements that are unnecessary to achieve the intended benefits, provides direction on how to scale the audit for a smaller and less complex company, and simplifies and significantly shortens the text of the standard. The proposed standard would, among other things:

- Direct the auditor to the most important controls and emphasize the importance of risk assessment;
- Revise the definitions of significant deficiency and material weakness, as well as the "strong indicators" of a material weakness;
- Clarify the role of materiality, including interim materiality, in the audit;
- Remove the requirement to evaluate management's process;
- Permit consideration of knowledge obtained during previous audits;
- Direct the auditor to tailor the audit to reflect the attributes of smaller and less complex companies;
- Refocus the multi-location testing requirements on risk rather than coverage; and
- Recalibrate the walkthrough requirement.

Information about this proposal, and about the proposals described below, is found in [PCAOB Release No. 2006-007](#). The Release is available on the [PCAOB Web site](#) under [Rulemaking Docket 021](#), which also contains a briefing paper on these proposals as well as the comment letters received.

### **Proposed New Standard on Using the Work of Others**

The Board also proposed for public comment a new auditing standard on considering and using the work performed by internal auditors, management and others in an integrated audit of financial statements and internal control, or in an audit of financial statements only. This proposed standard is intended to further clarify how and to what extent an independent auditor may use that work to reduce the work the auditor otherwise would have to perform. The proposed standard would, among other things:

- Allow the auditor to appropriately use the work of others, and not just internal auditors, for both the internal control audit and the financial statement audit, eliminating a barrier to integration of the two audits;
- Encourage greater use of the work of these others by requiring auditors to evaluate whether and how to use their work to reduce auditor testing;
- Require the auditor to understand the relevant activities of these others and determine how the results of that work may affect the audit;
- Provide a single framework for using the work of others based on the auditor's evaluation of the combined competence and objectivity of others and the subject matter being tested; and
- Eliminate the explicit principal evidence provision previously included in AS No. 2.

### **Proposals for a Related New Rule and Conforming Amendments**

The Board proposed a new independence rule (Proposed Rule 3525) that would replace direction currently contained in AS No. 2 regarding independence and internal control-related services. The proposed rule is intended to ensure that audit committees are provided information relevant for them to make an informed decision on how the performance of internal control-related services may affect auditor independence.

The Board also proposed a number of conforming amendments (in [PCAOB Release No. 2006-007](#)). For example, one of the proposed conforming amendments would change the existing requirement that "generally, the date of completion of the field work should be used as the date of the independent auditor's report" (found in AU Section 530, *Dating of the Independent Auditor's Report*) to "the auditor should date the audit report no earlier than the date on which the auditor has obtained sufficient competent evidence to support the auditor's opinion" (see pages 34, A1-41, and A4-12 of the Release).

### **Report on Auditors' Implementation of Standards Related to Fraud**

On January 22, the PCAOB issued a report that discusses auditors' implementation of PCAOB interim standards related to fraud, including important or recurring observations arising from the Board's inspection of audit work performed by registered public accounting firms. The report addresses several topics, including:

- Auditor's Overall Approach to the Detection of Financial Fraud;
- Brainstorming Sessions and Fraud-Related Inquiries;
- Auditor's Response to Fraud Risk Factors;
- Financial Statement Misstatements; and

- Risk of Management Override of Controls.

In the report, the Board is not changing or proposing to change any existing standard, nor is the Board providing a new interpretation of any existing standards. The Board issued the report both for the purposes of generally focusing auditors on being diligent about their responsibilities as they relate to fraud and providing information that audit committees may find useful in working with auditors. The report is a general report under the Board's Rule 4010 and does not identify any firm or firms to which the inspection observations in the report relate.

### **Status of the Research Synthesis Projects**

Prior PCAOB Update articles have described the nine research synthesis teams formed in 2005 through joint efforts of the Auditing Section's Executive Committee, Research Committee, and Auditing Standards Committee. Eight of these nine teams have completed their research synthesis projects, including completing a preliminary report, receiving comments on the preliminary report, responding to reviewer comments on the preliminary report, and completing the final draft of the report. The ninth team has completed its preliminary report and is in the process of responding to review comments and completing its final report. The PCAOB staff has received all nine of these research synthesis reports and is considering the input from the reports in the related PCAOB standards-setting projects. Of the eight teams that have completed their final research synthesis reports:

- Five teams have had their research synthesis reports accepted for publication. Four of these have been accepted in *Accounting Horizons* (with two already published and two more accepted for forthcoming issues) and research related to one of the projects has been accepted for publication in *Auditing: A Journal of Practice and Theory*.
- Two other teams have submitted their reports (or segments of their reports) for publication.
- At the Auditing Section Mid-Year Meeting in January 2007, one team presented a summary of its research synthesis and another team (which had already had its final report accepted for publication) presented results of follow-on research related to its research.

### **New Cost-Effectiveness Research Synthesis Team Formed**

In December 2006, the Auditing Section Executive Committee formed the Cost-Effectiveness Research Synthesis Team, the tenth team in this program. The Cost-Effectiveness Research Synthesis Team was formed in response to the difficult and critically important research issues related to studying cost-effectiveness in an auditing and auditing-standards environment. The team is still in the process of fine-tuning the approach it will take and the specific cost-effectiveness research issues it will address. Members of the team include Joe Carcello (Team Leader-University of Tennessee), Bill Kinney (University of Texas at Austin), Michael Willenborg (University of Connecticut), and Joe Weber (MIT).

The table at the following link describes the status of each of the ten research synthesis teams.  
<http://aaahq.org/audit/Pubs/Audrep/07spring/ResearchSynthesisTeams.pdf>

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**\*\*Gary Holstrum** is a consultant in the PCAOB Office of Chief Auditor (formerly PCAOB Associate Chief Auditor and Director of Research).

**Thomas Ray** is PCAOB Chief Auditor and Director of Professional Standards.

**Gregory Scates** is PCAOB Associate Chief Auditor.

<sup>1</sup>Note the hyperlinks to the PCAOB Web site ([www.pcaobus.org](http://www.pcaobus.org)) and to the [Auditing Section Web site](#). A convenient history of PCAOB standards-setting activity and related briefing papers are available through the hyperlinked previous PCAOB Standards-Setting Update articles in the [Spring 2005](#), [Summer 2005](#), [Fall 2005](#), [Spring 2006](#), [Summer 2006](#), and [Fall 2006](#) issues of *The Auditor's Report*. The views expressed in this article are those of the authors and not necessarily those of the Board, individual Board members, or other PCAOB staff. Responses to the article or related research may be emailed to [holstrumg@pcaobus.org](mailto:holstrumg@pcaobus.org).

[Back to Contents Page](#)

## RESEARCH SYNTHESIS PROJECT TEAMS AND STATUS

<b>Project</b>	<b>Project Team Members</b>	<b>Project Status (as of 1-30-2007)</b>
1. Audit Confirmations	Randy Elder (Syracuse)* Paul Caster (Fairfield U) Diane Janvrin (Iowa State)	Completed final report—Paper presented at AAA Auditing Section Mid-Year Meeting in January 2007.
2. Audit Firm Quality Control	Jean Bedard (Bentley)* Donald Dies (Texas A&M – Corpus Christi) Greg Jenkins (Va. Tech) Mary Curtis (U of North Texas)	Report divided into segments: Firm culture/governance & Risk monitoring Final report completed: two segments submitted for publication
3. Audit Report Model	Bryan Church (Georgia Tech)* Susan McCracken (U of Toronto) Shawn Davis (Washington U)	Completed preliminary draft of report, responding to comments, and completing final report.
4. Communications with Audit Committees	Arnie Wright (Boston College)* Jeff Cohen (Boston College) Lisa Gaynor (Georgetown) Ganesh Krishnamoorthy (Northeastern)	Completed final report. Article accepted for future publication in <i>Accounting Horizons</i> .
5. Engagement Quality Review	Arnie Schneider (Georgia Tech)* William Messier (Georgia State)	Submitted final report. Portion of study accepted for future publication in <i>Auditing: A Journal of Practice and Theory</i> .
6. Financial Fraud	Chris Hogan (Michigan State)* Zabi Rezaee (Memphis State) Dick Riley (West Virginia) Uma Velury (Delaware)	Completed final report. Will be submitting revised report for publication.
7. Related Party Transactions	Elaine Henry (U of Miami)* Elizabeth Gordon (Rutgers) Tim Louwers (James Madison) Brad Reed (Southern Illinois)	Completed final report -- Article accepted for publication in <i>Accounting Horizons</i> . Follow-on study presented at 2007 Auditing Section Mid-Year Meeting
8. Auditor Risk Assessments	Dana Hermanson (Kennesaw)* Bob Allen (Utah) Tom Kozloski (Wilfrid Laurier) Bob Ramsay (Kentucky)	Completed final report —Article published in <i>Accounting Horizons</i> in June 2006
9. Fair Value	Roger Martin (Virginia)* Jay Rich (Illinois State) Jeff Wilks (Brigham Young)	Completed final report — Article published in <i>Accounting Horizons</i> in September 2006
10. Cost-Benefit Research	Joe Carcello (Tennessee)* Bill Kinney (Texas) Mike Willenborg (Connecticut) Joe Weber (MIT)	Team formed by Auditing Section in late 2006

\* Designated Research Synthesis Team Leader



# THE AUDITOR'S REPORT

Volume 30, No. 2  
Spring 2007

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## A Five-Minute Demonstration of Assertion-Based Auditing

Paul M. Clikeman  
University of Richmond

January 2007

SAS No. 106, *Audit Evidence*, instructs auditors to test the existence, completeness, and valuation of period-end account balances. The financial statement assertions provide a logical framework for designing audit tests. I have told my auditing students for years that there are only three types of errors that can cause an account balance to be misstated: (1) the account contains an entry that does not belong in it, (2) an entry that belongs in the account has been omitted, or (3) an entry has been recorded for the wrong dollar amount. Auditing an account balance, therefore, requires verifying that the recorded transactions occurred and belong in the account (*existence* or *occurrence*), searching for omitted items or transactions that should be recorded in the account (*completeness*), and testing whether the account entries have all been recorded at the proper dollar amounts (*valuation*). Students who fail to understand financial statement assertions often have trouble selecting audit procedures to search for potential account balance misstatements.

One simple, yet effective, exercise to demonstrate assertion-based auditing is to ask students to open their textbooks to the Table of Contents—a one-page "Brief Table of Contents" is ideal. The Table purports to describe accurately and completely the book's contents. Ask the students to generate a list of errors that might occur during the book's printing or during the Table's construction that would make the Table an inaccurate summary of the book's contents. One potential error is that the printer might lose (and therefore not print) one or more chapters submitted by the authors. In this case, the Table of Contents would list chapters that don't **exist** in the book. Or the authors might write a new chapter at the last minute and forget to add the new chapter to the Table of Contents. In that case, the Table would be **incomplete**. Or the printer might accidentally put the chapters in the wrong order. All the chapters listed in the Table of Contents appear in the book, but the page numbers are incorrect. This is roughly analogous to a **valuation** error.

For each potential error, ask the students how they would test to see if the error had occurred. Most students understand intuitively that to test whether any chapters are missing, they would select a sample of chapter titles from the Table of Contents and search for the selected chapters in their book. To test completeness, a student might open the book randomly, make note of the chapter he or she finds, and then turn to the Table of Contents to see if the chapter is listed. To test valuation, a student

would compare the page numbers listed in the Table of Contents to the numbers on the first page of each chapter.

I use this exercise during the second or third week of my introductory auditing class and refer to it repeatedly during the semester. When we discuss accounts receivable, I tell the students to think of the client's accounts receivable trial balance as a "Table of Contents" purporting to describe all the amounts due from the client's customers. How would an auditor test whether the customers listed on the trial balance really exist and owe money to the client? How would an auditor search for receivables that exist but are not listed on the trial balance? How would an auditor test whether the account balances listed on the trial balance are accurate?

When we discuss accounts payable, I ask the students to consider the following question:

An author takes a manuscript to a printer and orders 1,000 copies. The author agrees to pay the printer \$10 per copy. The printer must pay for the paper and ink used in producing the books. Which would the author worry about more—that the printer might omit some of the manuscript pages from the printed books or that the printer might add unwanted material to the books?

Before accepting delivery and paying for the books, the author will probably spend more time examining their completeness than looking to see if the printer added extra pages. Similarly, auditors usually spend more time testing completeness than existence when examining accounts payable.

Jay Thibodeau, Greg Jenkins, and Dick Reilly stated in their article "Audit Education for the Post-Sarbanes Audit Environment" (*The Auditor's Report*, Volume 29, No. 2, Spring 2006), "... financial statement assertions are now central to the audit process. Accordingly, students need to have an in depth understanding of the assertions, including tying assertions to controls and substantive testing." This five-minute exercise, performed early in the semester, helps my students understand the concept of financial statement assertions and helps them write audit programs that address all possible account misstatements.

Paul M. Clikeman  
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University of Richmond  
Richmond, VA 23173  
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pclikema@richmond.edu

[Back to Contents Page](#)



# THE AUDITOR'S REPORT

Volume 30, No. 2  
Spring 2007

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## Have You Seen...?

**Sudip Bhattacharjee, Virginia Tech  
Duane Brandon, Auburn University  
Jennifer Mueller, Auburn University and  
Reed Smith, Indiana University Purdue University Indianapolis**

**"Nonaudit Services and Earnings Conservatism: Is Auditor Independence Impaired?,"** by C. Ruddock, S. Taylor, and S. Taylor, *Contemporary Accounting Research* (Volume 23, Issue 3, 2006): 701-746.

This paper examines Australian firms in the 1990s to determine whether there is a negative link between conservatism and the provision of nonaudit services (NAS). The authors hypothesize that if independence is impaired by the provision of NAS, then the audit reports of firms with more NAS should demonstrate less earnings conservatism. The authors do not find such a link and conclude that independence was not in fact impaired by the provision of NAS during this period.

**"Pricing of Initial Audit Engagements by Large and Small Audit Firms"** by A. Ghosh and S. Lustgarten, *Contemporary Accounting Research* (Volume 23, Issue 2, 2006): 333 - 368.

Ghosh and Lustgarten investigate low-balling or "fee discounting" on initial audit engagements. They hypothesize and find that price competition is more intense among smaller audit firms. New clients account for a much larger proportion of the clients served by smaller firms than they do for larger firms. They argue that smaller firms are in a more competitive (atomistic) market that is more price sensitive, whereas the larger firms compete in a market that is oligopolistic and is thereby less price sensitive.

**"Audit Qualifications of Income-Decreasing Accounting Choices,"** by F. Hodge, R. D. Martin, and J. H. Pratt, *Contemporary Accounting Research* (Volume 23, Issue 2, 2006): 369-394.

This study examines how qualifying an income-decreasing accounting change in years of strong financial performance affects financial report users' assessments of strategic reporting, current financial performance, and future financial performance. Using executives as financial statement users, the results indicate that that, without the qualification, users viewed the income-decreasing accounting change as relatively nonstrategic and assessments of current and future performance were not different. In the presence of the qualification, users believed that the accounting change was relatively strategic, and they discounted the income effect of the accounting change. In addition,

assessments of future performance were below the assessments of current performance but no different from the assessments of future performance in the absence of the qualification.

**"The stock market reaction to Ernst & Young's sale of its consulting unit to Cap Gemini"** by C. Liu and S. Nabar, *Managerial Auditing Journal* (Volume 21, No. 9, 2006): 948-958.

The authors used an event study to investigate how the stock prices of Ernst & Young's (E&Y's) audit clients reacted to the sale of the accounting firm's consulting unit to Cap Gemini. The study is motivated by the debate on how the provision of non-audit services by auditors affects investor perceptions of auditor independence. Results indicate that E&Y client firms' mean and median abnormal stock returns are significantly positive for two events, the approval of the sale by E&Y's partners, and the approval of the transaction by Cap Gemini stockholders suggesting that investors view the separation of auditing and consulting favorably.

**"Restoring Public Confidence in Capital Markets Through Auditor Rotation"** by S. K. Gates, D. J. Lowe, and P. M. J. Reckers, *Managerial Auditing Journal* (Volume 22, No. 1, 2007): 5-1

The authors investigated the effect of firm rotation and/or audit partner rotation on individuals' confidence in the quality of audited financial statements. Results indicate that, even in an environment of strong controls for corporate governance, audit firm rotation incrementally influenced individuals' confidence in financial statements. However, audit partner rotation did not have a similar effect. The results suggest that rotating the audit firm will, contrary to GAO assumptions, better advance the goal to enhance auditor independence and audit quality and to restore investor confidence in the capital markets.

**"Assurer Reputation for Competence in a Multiservice Context,"** by A. R. Ganguly, J. Herbold, and M. E. Peecher, *Contemporary Accounting Research* (Volume. 24, 2007): forthcoming.

This study examines determinants of reputation transferability and the durability of an assurer's flagship-service reputation in a multi-service context. Experimental findings indicate that reputation transferability increases when the new and flagship services require relatively similar, as opposed to relatively dissimilar, competencies. In addition, a new-service failure damages the flagship-service reputation only when the new and flagship services require relatively dissimilar, as opposed to relatively similar, competencies. Thus, greater similarity in the competencies required by a new and flagship service simultaneously enhances the transferability and durability of the assurer's flagship-service reputation.

**"It's All About Audit Quality: Perspectives on Strategic-systems Auditing"** by M. E. Peecher, R. Schwartz and I. Solomon, *Accounting, Organizations and Society*. In Press.

This paper describes the conceptual foundation and key elements of Strategic-Systems Auditing (SSA). The article illustrates facets of the process, including how the auditor, by acquiring a rich understanding of how and how well management is executing its business-model, develops rich (e.g., distributional) expectations of future financial-statement amounts and disclosures. These expectations form a benchmark against which the auditor later compares and investigates management's asserted financial-statement amounts and disclosures. The authors indicate that SSA first emerged in the 1990s as an attempt to enhance audit quality in response to changes in the audit environment. SSA continues to adapt to more recent environmental changes, especially society's

demand for greater protection from financial-statement fraud.

**"The Press as a Watchdog for Accounting Fraud,"** by G. Miller, *Journal of Accounting Research* (Volume 44, No. 5, 2006): 1001-1033.

The author investigates the press's role as a monitor or "watchdog" for accounting fraud. Findings show that the press fulfills this role by rebroadcasting information from other information intermediaries (analysts, auditors, and lawsuits) and by undertaking original investigation and analysis. Articles based on original analysis provide new information to the markets while those that rebroadcast allegations from other intermediaries do not. Consistent with a dual role for the press, the business-oriented press is more likely to undertake original analysis while nonbusiness periodicals focus primarily on rebroadcasting. The study also investigates determinates of press coverage, finding systematic biases in the types of firms and frauds for which articles are published. In general, the press covers firms and frauds that will be of interest to a broad set of readers and situations that are lower cost to identify and investigate.

[Back to Contents Page](#)



# THE AUDITOR'S REPORT

Volume 30, No. 2  
Spring 2007

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## "Have You Seen These Instructional Resources?"

By the 2006–2007 Education Committee of the Auditing Section of the AAA

Jay C. Thibodeau, Chair - Bentley College

Richard Riley - University of West Virginia

Greg Jenkins - Virginia Tech University

Pamela Roush - Central Florida University

With the introduction of the first PCAOB auditing standards in mind, the Section's Education Committee has compiled [a set of instructional resources](#) on auditing standards, including those promulgated by the PCAOB and AICPA. We hope that these resources might increase the discussion among the Section's members about instructional materials and resources that other faculty find particularly effective in their own assurance and auditing classes.

[Back to Contents Page](#)

## "Have You Seen These Instructional Resources?"

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**Jay C. Thibodeau, Chair - Bentley College**  
**Richard Riley - University of West Virginia**  
**Greg Jenkins - Virginia Tech University**  
**Pamela Roush - Central Florida University**

<i>Format</i>	<i>Title</i>	<i>Date</i>	<i>Source</i>	<i>Description</i>	<i>How to Obtain</i>
Article	“Assessing and Responding to Risks in a Financial Statement Audit: Part II”	Jan., 2007	<i>Journal of Accountancy</i>	Discusses how the auditor responds to the risk of material misstatement in designing and performing audit procedures. The Audit Risk Standards, SAS 104-SAS 111 are briefly discussed.	AICPA website: <a href="http://www.aicpa.org/pubs/jofa/jan2007/fogarty.htm">http://www.aicpa.org/pubs/jofa/jan2007/fogarty.htm</a>
Webcast	“Collaborating on Compliance: Human Resources and Finance”	Dec. 20, 2006	Deloitte	Includes a discussion of how organizations can effectively and efficiently meet the growing demand for compliance training of its employees. The webcast may be viewed until approximately June 30, 2007.	Deloitte’s Website: <a href="http://www.deloitte.com">www.deloitte.com</a> (Find <i>Dbriefs Webcasts</i> , then select <i>Archived Programs</i> and search for <i>Collaborating on Compliance: Human Resources and Finance</i> .)
Article	“Learning from Accounting History: Will We Get It Right This Time?” by Lynn Turner	Nov. 2006	<i>Issues in Accounting Education</i>	A terrific journey through some of the mistakes that have been made in the past. The article takes a position that we can learn from history.	AAA Website: <a href="http://aaahq.org/pubs.cfm">http://aaahq.org/pubs.cfm</a>

Website	Observations On Auditors' Implementation Of PCAOB's Standards Relating To Auditors' Responsibilities With Respect To Fraud	Jan. 22, 2007	PCAOB	This report specifically focuses on the PCAOB's view about how well auditors are addressing their responsibility with respect to fraud.	PCAOB Website: <a href="http://www.pcaobus.org/inspections/other/01-22_release_2007-001.pdf">http://www.pcaobus.org/inspections/other/01-22_release_2007-001.pdf</a>
Article	"Using Cases Published in Issues in Accounting Education: Categories and Topics at a Glance." By Marlys Gascho Lipe	Nov. 2006	<i>Issues in Accounting Education</i>	This article categorizes cases published in Issues in Accounting Education from its inception to Nov. 2006. A terrific resource.	AAA Website: <a href="http://aaahq.org/pubs.cfm">http://aaahq.org/pubs.cfm</a>
Article	"Perspectives on Auditing Education after Sarbanes-Oxley." By Alvin Arens & Randal Elder	Nov. 2006	<i>Issues in Accounting Education</i>	This article provides a detailed perspective on educational issues that have surfaced as a result of the Sarbanes-Oxley Act of 2002.	AAA Website: <a href="http://aaahq.org/pubs.cfm">http://aaahq.org/pubs.cfm</a>
Exposure draft	"Board Proposes Revised Auditing Standard on Internal Control over Financial Reporting"	Dec. 19, 2006	PCAOB	The PCAOB has issued an exposure draft that substantially revises and supersedes AS No. 2. The ED redefines a number of important terms, provides more guidance on how to most effectively identify material weaknesses, and proposes direction on how to apply the standard to smaller, less complex businesses.	PCAOB Website: <a href="http://www.pcaobus.org/News_and_Events/News/2006/12-19.aspx">http://www.pcaobus.org/News_and_Events/News/2006/12-19.aspx</a>

Textbook	“Money Laundering”	March, 2006	CRC Press	For the forensic accountant and fraud investigator comes a complete guide to money laundering including Basic money laundering Schemes, Diabolically clever laundering schemes, Fiendishly complex money laundering schemes, Terrorism financing Federal money laundering statutes, The USA Patriot Act, Money laundering forfeiture, Related federal statutes, International money laundering control, Domestic banking, International banking, Money transfers, Real property and Securities.	Any on-line bookstore
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# THE AUDITOR'S REPORT

Volume 30, No. 2  
Spring 2007

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## Call for Submissions

### Fourteenth Annual Midyear Auditing Section Conference

The Fourteenth Annual Midyear Auditing Section Conference will be held **January 17–19, 2008** at the Austin Marriott at the Capitol, Austin Texas. CPE sessions will be held on the afternoon of January 17. The remainder of the conference will consist of keynote, plenary, and concurrent sessions dealing with a wide variety of contemporary topics related to audit, attestation and assurance practices, education, and research. You are encouraged to contribute to the program through submissions of auditing/attestation/assurance research and education papers (including instructional cases), and special session proposals. In addition, the section will rely on your help in planning and conducting the conference and in providing suggestions for session topics, panels, and/or workshops. Please consider volunteering to participate as a reviewer, discussant, and/or moderator by contacting either of the co-chairs, Professors Roger Martin and Gary Peters.

### SUBMISSION GUIDELINES

Research papers should follow the style and submission guidelines of *Auditing: A Journal of Practice & Theory*, including the requirement to submit separate electronic files containing the cover page and the paper itself<sup>1</sup>. Instructional cases should be in a format similar to that used in *Issues in Accounting Education*. Submissions are not eligible for consideration if they: 1) have been published or accepted for publication, 2) were presented at the 2007 AAA Annual Meeting, or 3) were presented at more than one AAA regional meeting or other academic conference. Papers presented at the Research Forum of the AAA Annual Meeting are eligible for consideration. It should be noted that papers accepted for presentation at the 2008 Midyear Auditing Section Conference may also be submitted for presentation at the AAA Annual Meeting scheduled for August 2008.

### SUBMISSION DEADLINE

Submission should be made [by e-mail only](#) to either:  
Professor Roger Martin, University of Virginia OR  
Professor Gary Peters, University of Arkansas AT  
[AMC2008@walton.uark.edu](mailto:AMC2008@walton.uark.edu)

Submissions must be received by **September 1, 2007**, to be considered for the program. Early submission is highly encouraged. Any questions should be addressed to Roger Martin or Gary Peters via the above email.

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<sup>1</sup>Also, please be sure to remove all identification of the authors, including changing the "Properties" menu to "anonymous".

[Back to Contents Page](#)



# THE AUDITOR'S REPORT

Volume 30, No. 2  
Spring 2007

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## Call for Nominations

### Nominees for Election as Section Officers

The members of the Auditing Section will elect two officers in Fall 2007, the **Vice President–Academic (President-Elect)** and **Secretary**. Those elected will begin serving their terms in August 2008. Please submit names of individuals you would like to nominate for these positions no later than **July 1, 2007**. The Nominations Committee will then select the slate for election from these nominations. In addition, the Bylaws require the Nominations Committee to automatically place on the ballot any person whose nomination is accompanied by a signed petition of no fewer than one hundred (100) members in good standing of the Section and a signed statement by the nominee of willingness to serve if elected. This petition should also be received by **July 1, 2007**.

Please submit nominations and/or petitions to Ray Whittington, Chairperson, Nominations Committee, by email no later than **July 1, 2007**:

Ray Whittington  
College of Commerce  
DePaul University  
1 East Jackson Blvd  
Chicago, IL 60604-2287  
Phone: (312) 362-8804  
Fax: (312) 362-6208  
Email: [rwhittin@depaul.edu](mailto:rwhittin@depaul.edu)

[Back to Contents Page](#)



# THE AUDITOR'S REPORT

Volume 30, No. 2  
Spring 2007

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## Auditing Section Awards

### Call for Nominations Notable Contribution to the Auditing Literature Award

The Auditing Section seeks submissions for the Notable Contribution to the Auditing Literature Award. The award will recognize a published work of exceptional merit that has made, or has the potential to make, a direct contribution to auditing or assurance research, education, and practice. To be eligible for submission, a work must have been published during the ten-year period ended December 31, 2006, and at least one of the authors of the published article, chapter, book, or monograph must be a current member of the Auditing Section. Selection of the award winner will be made by the Auditing Section's Notable Contribution to the Auditing Literature Award Committee. The award will be presented at the 2008 Midyear Conference of the Auditing Section.

A work may be submitted either by the author or another individual with an interest in auditing research, education, or practice. Submissions must include (1) a nomination letter stating why the work is deserving of special recognition and (2) the submitted work.

Submissions should be sent via email by **July 1, 2007** to:

Mark Peecher  
University of Illinois  
Com. & Business Admin. 1206  
1206 S. Sixth Street  
Department of Accountancy  
Champaign, IL 61820  
Phone: 217.333.4542  
Fax: 217.244.0902  
[peecher@uiuc.edu](mailto:peecher@uiuc.edu)

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### Call for Nominations Outstanding Auditing Dissertation Award

The Auditing Section seeks nominations for its annual Outstanding Auditing Dissertation Award. The

author of the dissertation judged to make the most outstanding contribution to auditing knowledge among those dissertations nominated for consideration, in addition to the recipient's dissertation chair, will receive the award. The assessment of what constitutes an outstanding contribution will be based upon, but not limited to, the following criteria:

- The timeliness and importance of the problem(s) addressed.
- The creativity of the research.
- The development of an appropriate theoretical framework.
- The appropriateness of the research method and analysis.
- The potential for publication in a scholarly journal.
- The potential for the results to have an impact on the practice of auditing.

Selection of the award winner will be made by the Section's Outstanding Dissertation in Auditing Committee. A dissertation can be nominated either by the author or one or more members of the dissertation committee. Nominations will be considered complete when the following materials have been submitted:

- A letter from the dissertation chairperson stating that the dissertation has been completed and accepted by the degree-granting institution between January 1, 2005 and December 31, 2006 (dissertations can be nominated more than once).
- A nomination letter stating why the dissertation is deserving of special recognition.
- An electronic copy of a paper from the dissertation that meets the criteria for papers submitted to *Auditing: A Journal of Practice & Theory* (refer to the latest issue for requirements related to length and other matters, e.g., submission of experimental instruments).
- An electronic copy of the entire dissertation.

Please submit all materials via email by **July 1, 2007** to:

Mark Peecher  
University of Illinois  
Com. & Business Admin. 1206  
1206 S. Sixth Street  
Department of Accountancy  
Champaign, IL 61820  
Phone: 217.333.4542  
Fax: 217.244.0902  
[peecher@uiuc.edu](mailto:peecher@uiuc.edu)

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## **Call for Nominations**

### **Innovation in Auditing and Assurance Education Award**

The Innovation in Auditing and Assurance Education Award Selection Committee is seeking nominations from the Section's membership for the award to be given at the Auditing Section Midyear Conference in January 2008. The purpose of this award is to encourage innovation and improvement in auditing and assurance education. The award will recognize a significant activity, concept, or

materials. The criteria used to judge the submissions include, but are not necessarily limited to: (1) innovation, (2) educational benefits, and (3) adaptability by other educational institutions or to other situations.

Nominations may include, for instance, a set of teaching materials, a creative instructional strategy, or an insightful teaching approach. The innovation should have been implemented so that evidence of its success can be evaluated. Award winners must be willing to share instructional materials with other members of the Section. Individual faculty members or groups of faculty teaching or preparing materials to be used for auditing and/or assurance education are eligible to apply. Persons may also nominate another faculty member or group of faculty. At least one nominee must be a member of the Auditing Section.

Nominations should be sent by **July 1, 2007** to:

Ray Whittington  
College of Commerce  
DePaul University  
1 East Jackson Blvd  
Chicago, IL 60604-2287  
Phone: (312) 362-8804  
Fax: (312) 362-6208  
Email: [rwhittin@depaul.edu](mailto:rwhittin@depaul.edu)

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## **Call for Nominations Distinguished Service Award in Auditing**

The Distinguished Service in Auditing Award Selection Committee is seeking nominations from the Section's membership for the award to be given at the Auditing Section Midyear Conference in January 2008. This award recognizes outstanding and sustained service to the profession or the Auditing Section. The distinguished careers of past recipients of the award (e.g., Ira Solomon, Tim Bell, Andy Bailey, Zoe-Vonna Palmrose, Lyn Graham, Robert Mautz, Robert Elliott, William Kinney, Dave Landsittel, and Dan Guy) represent the type of contribution to the profession that exemplifies this recognition.

Nominations should be sent via email by **July 1, 2007** to:

Trevor Stewart  
Deloitte & Touche LLP  
1633 Broadway Ave.  
New York, NY 10019  
Phone: 212.492.4109  
[trstewart@deloitte.com](mailto:trstewart@deloitte.com)

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## Call for Nominations Outstanding Auditing Educator Award

The Outstanding Auditing Educator Award Selection Committee is seeking nominations from the Section's membership for the award to be given at the Auditing Section Midyear Conference in January 2008. This award is given annually and recognizes outstanding contributions to the field of auditing education. Prior recipients of this award include Larry Rittenberg, Steve Albrecht, Dan Simunic, Ted Mock, Andy Bailey, Ira Solomon, William Kinney, William Felix, Nick Dopuch, Barry Cushing and Larry Rittenburg.

Nominations should be sent via email by **July 1, 2007** to:

Ray Whittington  
College of Commerce  
DePaul University  
1 East Jackson Blvd  
Chicago, IL 60604-2287  
Phone: (312) 362-8804  
Fax: (312) 362-6208  
Email: [rwhittin@depaul.edu](mailto:rwhittin@depaul.edu)

[Back to Contents Page](#)



# THE AUDITOR'S REPORT

Volume 30, No. 2  
Spring 2007

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## Call for Papers

### 12th Annual Ethics Research Symposium

**Hosted by the AAA's Professionalism and Ethics Committee  
August 4–5, 2007—Chicago, Illinois**

The Professionalism and Ethics Committee of the American Accounting Association invites submission of papers for presentation at the 12th Annual Ethics Research Symposium to be held August 4–5, 2007 in Chicago, IL. This Symposium will focus on ethics research and teaching within the field of accounting.

Highly publicized business and accounting scandals have prompted an increased interest in the ethical aspects of accounting practice. Accounting ethics research and education are seen to be important because one of the principal purposes of accounting is to foster the creation of credible and reliable information for purposes of decision-making throughout society. Honesty, integrity and objectivity are among the most important qualities of ethical accounting practice.

It has been 16 years since the Professionalism and Ethics Committee of the AAA offered its first seminar on teaching ethics in accounting curricula. The 12th Annual Ethics Research Symposium encourages thoughtful papers in a number of different areas of accounting ethics scholarship. Sample topics may include, but are not limited to, the following:

- Philosophical foundations of accounting and accounting ethics
- Theological foundations of ethical accounting practice
- Historical perspectives on the development accounting ethics
- The application of sociology, psychology and/or political theory to ethical issues in accounting
- Accountancy as an ethical profession
- Accounting ethics compared with professional ethics
- Critical studies of ethical lapses in business or accounting practice
- The ethical role of accounting in social and environmental reporting

The Symposium will take place as a Continuing Professional Education seminar immediately preceding the 2007 American Accounting Association Annual Meeting in Chicago.

Authors wishing to have papers considered for presentation at the Ethics Symposium should send

their papers as an e-mail attachment (please identify all authors, their positions, and affiliations in a cover page, but not in the body of the paper). A \$20 non-refundable fee is required with each submission. Fees are waived for doctoral students. Please make all checks payable to the American Accounting Association. **Papers should be sent by e-mail and checks should be sent to the following address no later than April 1, 2007:**

C. Richard Baker, Ph.D., CPA  
Professor of Accounting  
School of Business  
Adelphi University  
1 South Avenue  
Garden City, New York 11530  
Telephone: (516) 877-4628  
Email: [Baker3@Adelphi.edu](mailto:Baker3@Adelphi.edu)

Currently, the following journals are associated with the 12th Annual Ethics Symposium:

- *Accounting and the Public Interest*
- *Global Perspectives on Accounting Education*
- *Research on Professional Responsibility and Ethics in Accounting*

More journals may be added at a later date. Those presenting a paper at the Symposium may choose one these journal for submission of their paper. Authors who choose to designate a journal should contact that journal's editor to determine submission policies, including the timing of formal submission of the paper.

[Back to Contents Page](#)



# THE AUDITOR'S REPORT

Volume 30, No. 2  
Spring 2007

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## 2007 Distinguished Service in Auditing Award

Presented by Trevor Stewart



Ira Solomon (right) receives the 2007 Distinguished Service Award and Larry Rittenberg (left) receives the 2007 Auditing Section Outstanding Educator Award

The 2007 Distinguished Service in Auditing Award was presented to **Ira Solomon**, the R.C. Evans Endowed Chair in Business and Head of the Department of Accountancy at the University of Illinois, Urbana-Champaign (UIUC). This award recognizes individuals who, over a period of at least twenty years, have made significant contributions to the profession, to the Auditing Section and to scholarship. It was first presented in 1981 to Ken Stringer and has continued ever since with an illustrious list of recipients.

Professor Solomon received his Ph.D. in Accounting from the University of Texas at Austin in May 1979 and joined the faculty of the Department of Accountancy at the University of Illinois four years later. Ira has published over thirty articles in a variety of scholarly journals and books. He is a co-author of *Auditing Organizations Through a Strategic-Systems Lens*, which received the Joint AAA/AICPA Collaboration Award. He has served as an Associate Editor of *The Accounting Review* and

*Accounting Horizons*; and is currently on several editorial boards.

Ira has been an Audit Research Fellow at KPMG. He has served the Auditing Section as Research Director, as Vice-President (Academic), and as President. While research director he co-edited (with A. Rashad Abdel-khalik) the monograph *Research Opportunities in Auditing: the Second Decade*, which received the 1990 Deloitte Wildman award. Ira currently serves on the boards of the Illinois CPA Society and the AAA Education Committee.

Ira is known as a leading and innovative educator. He directed "Project Discovery," the undergraduate accountancy curriculum developed at the UIUC under a grant from the Accounting Education Change Commission. He has served as Managing Director-Academic for the KPMG/UIUC Business Measurement Case Development & Research Program, whose case studies are widely used. Ira was recognized by the AAA as the 1997 Outstanding Auditing Educator. The Auditing Section has recognized Ira three times for Outstanding Dissertation Supervision, most recently in 2003. And in 2005 he received the Innovations in Audit Education Award from the section.

The members of this year's selection committee were Scott Showalter (Chair), Bill Felix and Tim Bell.

[Back to Contents Page](#)



# THE AUDITOR'S REPORT

Volume 30, No. 2  
Spring 2007

AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## 2007 Innovation in Auditing and Assurance Education Award



The award for Innovation in Auditing and Assurance Education was presented to Eric Spires by William Dilla.

The Innovation in Auditing and Assurance Education Award recognizes **Professor Eric Spires** of The Ohio State University for his financial fraud detection case materials. These materials were developed for a graduate-level fraud detection course, and provide training in a rigorous, quantitative approach to this topic. They provide students with hands-on experience in statistical analytical procedures and data mining techniques. As such, they provide a valuable addition to the existing body of fraud examination case materials. The AAA Audit Section therefore recognizes Eric's effort in developing these materials with the Innovation in Auditing and Assurance Education Award.

[Back to Contents Page](#)



# THE AUDITOR'S REPORT

Volume 30, No. 2  
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AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## 2007 Auditing Section Outstanding Dissertation Award

**Gary Hecht** received the 2007 Auditing Section Outstanding Dissertation Award for his dissertation titled, "Systems Thinking, Mental Representation, and Unintended Consequence Identification." Mark Peecher was also recognized for his service as Gary's dissertation chair.



The 2007 Auditing Section Outstanding Dissertation Award was presented by Jere Francis (left) to Gary Hecht (center). Mark Peecher (right) was recognized as Gary's Dissertation Chair.

Jere Francis (University of Missouri), Jeff Cohen (Boston College), Chris Hogan (Michigan State), and Rick Tubbs (Iowa) served on the selection committee for this award.

[Back to Contents Page](#)



# THE AUDITOR'S REPORT

Volume 30, No. 2  
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AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## 2007 Notable Contributions to the Auditing Literature Award

The Notable Contributions to the Auditing Literature Award recognizes research works of exceptional merit, published during the last ten years, which make a significant contribution to auditing or assurance education, practice, or research.

The 2007 award-winning research work is "The Role of Big 6 Auditors in the Credible Reporting of Accruals" by **Jere Francis**, **Ed Maydew**, and **Charlie Sparks**, published in the Fall 1999 issue of *Auditing: A Journal of Practice and Theory*. By documenting that audit firm size is positively associated with management's propensity to report large discretionary accruals, this paper is one of the first in the literature to document the now well-established link between audit quality and financial reporting quality. As a result, this path breaking paper has been instrumental in influencing a large body of subsequent auditing research that studies auditing's impact in financial reporting.



The 2007 Notable Contributions to the Auditing Literature Award was presented to Jere Francis (right) by Jordan Lowe (left).

The 2007 Notable Contributions to the Auditing Literature Award Selection Committee was composed of Mark DeFond (chair), David Ricchute, Jordan Lowe, and Mohammad J. Abdolmodhamadi.



# THE AUDITOR'S REPORT

Volume 30, No. 2  
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AUDITING SECTION / AMERICAN ACCOUNTING ASSOCIATION

## 2007 Auditing Section Outstanding Educator Award

**Presented by Mark Beasley**

On behalf of the Outstanding Educator Award Selection Committee, it is my great pleasure to announce this year's 2007 recipient of the Auditing Section's Outstanding Educator's Award recipient. Given the incredible talent and accomplishments by so many members of our Section, the task of selecting just one recipient for this award is no simple challenge. I was fortunate to have a committee that worked diligently to review the numerous nomination files we received. I want to thank Jane Mutchler, Zoe-Vonna Palmrose, and Mark Zimbelman for serving with me.

The Section's Outstanding Educator Award is designed to recognize significant achievements in research or teaching in the field of Auditing. The award is given for exemplary contributions in research or teaching over a sustained period of time (10 to 15 years), as evidenced by publications, educational innovations, guidance to graduate and undergraduate students, or excellence in teaching.



Larry Rittenberg (left) receives the 2007 Auditing Section Outstanding Educator Award and Ira Solomon (right) receives the 2007 Distinguished Service Award

The recipient of the 2007 Outstanding Educator Award is **Larry Rittenberg**, who is the Ernst & Young Professor of Accounting and Information Systems at the University of Wisconsin–Madison. While a candidate need not excel in all aspects, this year's recipient is truly well-rounded in all dimensions. In addition to the role Larry has played in educating several generations of undergraduate and graduate accounting students and his mentoring of numerous PhD students about critical success factors important for long-term careers in the accounting academic field, he has represented educators nationally and internationally in his service as Vice President of Professional Practice at The Institute of Internal Auditors (IIA) and President of the IIA's Research Foundation, Vice President-Finance for the AAA, and now through his service as Chair of the Committee of Sponsoring Organizations of the Treadway Commission, widely known as COSO.

Larry has truly represented us in remarkable ways by reinforcing the importance of educators in today's global audit and financial reporting profession. His commitment to audit practice and the impact academics can make on the audit profession through research, teaching, and service has effectively illustrated the value and role we play. Congratulations, Larry!

[Back to Contents Page](#)



College of  
Business  
Administration

# ***FIFTH ANNUAL SYMPOSIUM ON INFORMATION SYSTEMS RISK, SECURITY & ASSURANCE***

**FRIDAY, FEBRUARY 23, 2007  
7:30 AM – 5:15 PM**

*This year's theme:*

**Information Security and Regulatory Compliance Beyond SOX**

*New This year:*

**Hands-on XBRL Workshop**

**Thursday, February 22, 2007, 1:30 PM – 5:30 PM, CBA 106**

## **HOSTED BY**

Center for Research & Training in Information Security & Assurance

G. W. Daverio School of Accountancy

College of Business Administration

The University of Akron

Akron, OH 44325-4802

(330) 972-7588 (phone)

(330) 972-8597 (fax)

**CPE Credit: 8 hours**

## **LOCATION**

Crowne Plaza at Quaker Square

Downtown Akron, 135 South Broadway Street

Akron, OH 44304

(330) 253-5970

## **SPONSORED BY**

*Information Systems Audit & Control Association—Northeast Ohio Chapter*

*The Ohio Society of Certified Public Accountants (Pending)*

*Institute of Management Accountants—Akron Chapter (Pending)*

*Institute of Internal Auditors—Northeast Ohio Chapter (Pending)*

# **HANDS-ON WORKSHOP ON XBRL**

Thursday, February 22, 2007

1:30 – 5:30 p.m.

College of Business Administration Lab 106

**Extensible Business Reporting Language (XBRL)** has entered the center stage with the Security and Exchange Commission's voluntary program, which allows companies to file their financial statements in XBRL format. Parallel developments and success stories across several industries (including banking and financial industry (e.g., FDIC) and international accounting regulators including IASB) indicate XBRL's potential to impact financial and business processes across many industries and company types. XBRL leverages the standardized XML framework to revolutionize future financial reporting by companies. But XBRL isn't just about financial reporting; it is about broader business reporting, standardizing the flow of data from initial transaction through to end reporting, be it financial, tax, statutory, statistical or management. Therefore, companies of all sizes can benefit from XBRL.

In this intense half-day hands-on workshop, participants will learn about the basics of XBRL; how to create XBRL-based financial statements; how to prepare an organization's financial system for XBRL-based financial reporting; risk and control issues in using XBRL; and benefits and costs of XBRL. The workshop will emphasize both accounting and technology issues and will have an applied focus. Academics can use the knowledge acquired from the workshop for both teaching and research. Professionals can use the knowledge to implement XBRL in their accounting and financial reporting systems.

No prior knowledge of XBRL or other similar technologies is needed.

The workshop will be conducted by Eric Cohen, who is a pioneer and internationally recognized expert in XBRL.

Space is limited for the workshop. Registration will be done on a first-come basis. Therefore, please register early.

Please use the registration form at the end of this document to register for the workshop.

## THE PROGRAM

Friday February 23, 2007: Crowne Plaza at Quaker Square

- 7:30 a.m. - 8:00 a.m.      Registration and Continental Breakfast
- 8:00 a.m.- 8:15 a.m.      Welcome Remarks  
**Dr. Raj Aggarwal**, Dean, College of Business Administration
- 8:15 a.m. - 10:00 a.m.      Using IT for Effective and Efficient Regulatory Compliance  
**Marc Tomlinson** and **Bryan Finnegan**, Deloitte & Touche LLP
- 10:00 a.m. - 10:15 a.m.      *Break*
- 10:15 a.m. - 12:00 noon      Metrics for Evaluating and Justifying Information Security and Related Projects  
**Sajay Rai** and **Kevin Cash**, Ernst & Young LLP
- 12:00 noon - 1:00 p.m.      *Lunch*
- 1:00 p.m. – 1:45 p.m.      Biometrics for Systems Security and Control: From the lab of Diebold’s identiCenter  
**Timothy O’Neill**, Diebold
- 1:45 p.m. - 1:55 p.m.      *Break*
- 1:55 p.m. - 3:40 p.m.      Anatomy of Information Security Fraud Cases  
**Jay Schulman**, KMPG
- 3:40 p.m. – 3:50 p.m.      *Break*
- 3:50 p.m. – 5:00 p.m.      Emerging Financial Information Systems Security Risks and Risk Management Issues  
**Sri Ramamoorthy**, Grant Thornton and  
**Karthik Swarnam**, Accenture
- 5:00 p.m. – 5:15 p.m.      *Evaluation, Closing Remarks and Wrap-up*

## **ABOUT THE TOPICS**

### ***Using IT for Effective and Efficient Regulatory Compliance*** **Marc Tomlinson and Bryan Finnegan, Deloitte & Touche LLP**

Post Sarbanes-Oxley, the auditor's role in providing value added audit and risk management services has been limited due to time constraints and the focus on testing specific financial controls. As companies are starting to evolve their compliance environments, it is important to focus on cost-effective, sustainable programs that can leverage technology to reduce manual testing of systems and transactions, as well as identify control deficiencies earlier in the process through increased and more frequent testing coverage. Using the automation inherent in a continuous controls monitoring product, this session will describe how an organization can reduce its dependence on the Audit department for substantive testing and manual testing of controls, and return auditors to their key role of monitoring and evaluating the effectiveness of the organization's risk management systems.

### ***Metrics for Evaluating and Justifying Information Security and Related Projects*** **Sajay Rai and Kevin Cash, Ernst & Young LLP**

This session will examine various metrics for evaluating the effectiveness of information systems security (ISS) investments. By evaluating return on investment (ROI) and determining costs and benefits, a framework can be developed for measuring ISS effectiveness. The need for a formal framework for evaluating ISS investments is imperative as organizations strive to secure their weakest links that can exist in several places, including service providers, joint ventures, suppliers and other business partners.

### ***Biometrics for Systems Security and Control: From the lab of Diebold's identiCenter*** **Timothy O'Neill, Diebold**

Biometric solutions are gaining importance in minimizing identity fraud. Effective identity management is key to ensuring confidentiality, integrity, and availability of strategic information. This session will describe Diebold's identiCenter identity fraud prevention system which is based on fingerprint technology. Using the Diebold's biometric technology, the presentation will describe the process of biometrics-enabled identification and its use in securing information systems in financial institutions and other types of businesses.

### ***Anatomy of Information Security Fraud Cases*** **Jay Schulman, KMPG**

There is no better way to steal money today than from an online banking platform. Whether it is a phishing scam trying to convince an unsuspecting user to enter their personal information or spyware that steals usernames and passwords, there are a variety of ways criminals are trying to take a bank's money. There are a plethora of regulations which banks have to meet to run an online site, but each provides a variety of implementation methods. This presentation will summarize a variety of attacks on the US Banking System and the risks that they pose to both the banking customer and the banks themselves. With the risks in mind, the presentation will outline a series of controls online banks should adopt to protect both themselves and their customers.

### ***Emerging Information Security Risks and Risk Management Issues*** **Sridhar Ramamoorti, Grant Thornton** **Karthik Swarnam, Accenture**

Threats, vulnerabilities, and exposure to risks have changed the game for enterprises on how they need to operate in a global economy. Risk mitigation in today's world is multi-dimensional and includes aspects of technology, process and behavioral changes. Information security is a constantly evolving journey. This session discusses various emerging information security risks, and the implications of managing those risks, at the enterprise level.

## ABOUT THE SPEAKERS

**Marc Tomlinson** is a senior manager in Deloitte & Touche LLP's Data Quality and Integrity practice in Detroit, with over 8 years experience bringing together public accounting, internal controls and data analysis. He is certified in several data analysis tools and specializes in data interrogation, analysis, and normalization. Marc has participated on projects in a number of enterprise-wide information system environments across a wide array of industries, including financial services, health care, manufacturing, and government services.

**Bryan Finnegan** is a manager in Deloitte & Touche LLP's Data Quality and Integrity practice in Cleveland with over 7 years experience in areas such as risk management, SAS 99/journal entry testing, business process redesign, and testing of IT controls. He specializes in data analysis related to fraud detection and audit support. Bryan has extensive experience in the financial services and healthcare industries. Bryan is a certified information systems auditor (CISA). He earned a BS in Computer Science from Cleveland State University.

**Sajay Rai** is a Partner—Technology & Security Risk Solutions Practice at in Ernst & Young LLP. He has more than 28 years of experience in information technology. Mr. Rai previously served as Managing Director of the national Business Continuity and Contingency consulting practice. He was instrumental in starting the company's Information Security consulting practice, and later managed its IT consulting in Latin America. Mr. Rai co-authored a recently published book, *Defending the Digital Frontier – A Security Agenda*, which guides business and IT executives on how to develop an effective and efficient information security program within their enterprise. He was named to Crain's Cleveland Business Who's Who in Technology and serves as a member of his firm's Partners Advisory Council. A member of CISSP (Certified Information Systems Security Professional) and CISM (Certified Information Security Manager), Mr. Rai is a regular speaker at industry conferences and is frequently quoted in magazines and newspapers.

**Kevin L. Cash, CPA**, is a Partner—Technology and Security Risk Services at Ernst & Young LLP. He has over 20 years of financial and information systems auditing experience. He currently serves as one of E&Y's North Central Area Leaders for Sarbanes-Oxley Section 404 and is the Engagement Partner of five multinational 404 engagements. He is one of E&Y's leading subject matter specialists for the 404 requirements and the impact of 404 on the Information Systems control environment for clients. Kevin led E&Y's development of its HIPAA Sales and Service Delivery methodology, and over 30 HIPAA Assessments. He developed the E&Y IT Process Model that is a leading practice view of the processes needed to be in place in a well organized and managed IT environment. Kevin led numerous training courses locally, regionally, and nationally on IT Considerations of SOX 404 and the IT Process perspective and how it is used in an audit.

**Timothy B. O'Neill** joined Diebold in 1997 as a senior software support specialist, assisting support to the top 10 national financial institutions. O'Neill has been senior product manager on all electronic security access control products for seven years. He is responsible for day-to-day activities and the life cycle of 14 different control products that contribute to over \$30 million of sales and service revenue. With a passion for biometrics, Tim's mission at Diebold is to provide customers with a leading edge on present and future security solutions. Prior to joining Diebold, O'Neill held various product engineering and technical design positions, including product engineer for The Allen Telecom Company in Solon, Ohio. Tim obtained an associate degree in electronics from United Electronic Institute in Cuyahoga Falls, Ohio and served in the United States Air force.

**Jay Schulman** is a Senior Manager in at KPMG LLP. Mr. Schulman has ten years of information security experience including positions in senior information security management and leadership. He is a former Business Information Security Officer for a top-five global financial services company. Mr. Schulman managed logical and physical security for a nationwide financial institution's government payment processing platforms. This environment has been designated National Critical Infrastructure (NCI) by the United States Department of Homeland Security and handled approximately one trillion dollars per fiscal year on behalf of the US government. Mr. Schulman is currently a Certified Information Systems Security Professional (CISSP) and a member of the International Information Systems Security Controls Consortium (ISC2), Information Systems Audit & Control Association (ISACA) and the Information Systems Security Association (ISSA). He has spoken publicly on the issues of information security, risk management, and technology. Mr. Schulman holds a Bachelor of Sciences degree from the University of Illinois-Urbana Champaign.

**Sridhar Ramamoorti, CPA, Ph.D.**, is a Chicago-based partner in the National Corporate Governance Group of Grant Thornton LLP. He has over 20 years of auditing, consulting, and industry experience. He provides technical consultation on Sarbanes-Oxley, professional standards, financial reporting and auditing matters, and anti-fraud programs and controls. As part of the firm's thought leadership initiatives, Sridhar partners with leading academics, publishes in research and professional journals, makes presentations at professional conferences, and helps design and implement innovative professional development programs. Active in the profession, Sridhar is currently Chairman of the Academy for Government Accountability. He also represents the firm on the Board of Trustees of the Institute of Internal Auditors (IIA) Research Foundation and the Chicago IIA Chapter Board of Governors. Prior to joining Grant Thornton, Sridhar was the Sarbanes-Oxley Advisor for the National Advisory Practices of Ernst & Young LLP, served on the accountancy faculty at the University of Illinois at Urbana-Champaign, and was a principal in Arthur Andersen's professional standards group in Chicago. He has co-authored a pioneering research monograph on using neural networks for risk assessment in internal auditing, and likes to emphasize insights from the behavioral sciences to advance professional judgment and decision making in accounting and auditing.

**Karthik Swarnam** is a senior manager in Accenture's Global Technology Consulting (GTC) Security Practice. He has over 12 years of experience in IT specializing in security technologies, and has worked extensively in designing and implementing security solutions for various clients globally. As a member of the security leadership team, he has led Accenture's Infrastructure Security Offering in the past and currently leads Accenture's offshore security delivery capabilities. Karthik has been instrumental in helping large enterprises establish security strategies and translate them into solutions. He advises CIOs and CISOs on security vision and regulatory implications, and how to transform their organizations into high performing businesses by enabling business growth and securing the extended enterprise. He is an active Certified Information Systems Security Professional (CISSP) and has been involved in CIDX Cybersecurity initiative for the Chemical industry, as well as in several task forces, open forums, and in Communities of Practice (CoP) in Identity & Access Management.

**Eric E. Cohen** is the Global XBRL Technical Leader for PricewaterhouseCoopers. The past chair of XBRL US and the XBRL GL Working Group, Mr. Cohen is active in the global XBRL community and works closely with other related organizations, such as OASIS, W3C, OECD and UN/CEFACT. He is currently working with security experts, regulators and the accounting profession internationally to consider the use of digital signatures and other security standards to enable the trusted, transparent and transportable future of business reporting and is a listed contributor to the W3C "XML Encryption Syntax and Processing" Recommendation. These days Mr. Cohen spends most of his time with tax administrators globally; he is the chair of the OASIS Tax XBRL Liaison SG. Named one of the "Top 100 Most Influential CPAs" by CPA Magazine, Mr. Cohen has written and contributed to a number of books, is widely published, and is a frequent speaker internationally on topics related to XML, XBRL, Web Services, Continuous Auditing, Data Level Assurance and Security.

## WHO SHOULD ATTEND?

This symposium is designed for persons with responsibilities and interest in information systems risk, security, assurance, and regulatory compliance. It is especially geared towards financial professionals who supervise information systems departments, information systems auditors, internal auditors, public accountants, CIOs, CFOs, attorneys, college professors, and members of professional organizations such as the AICPA, OSCP, IIA, IMA, and ISACA. Employees of local, state, and federal governments with responsibility for information systems security would also benefit from this seminar.

## OTHER INFORMATION

CPE Credit: Total for both Thursday and Friday sessions – 12 CPEs  
Total for only the Workshop – 4 CPEs  
Total for only the Friday Session – 8 CPEs.

Registration deadline: **Friday, February 16, 2007.**

Fee:

- Registration fee for only the workshop on Thursday (February 22) is \$100. This includes XBRL material, refreshments, and dinner.
- Registration for only the Friday sessions is \$150. This includes continental breakfast, lunch, and refreshments during the mid-morning and mid-afternoon breaks.
- Registration for both the Thursday workshop and the Friday sessions is \$225. This includes all the items noted above.
- A late fee of \$25 will be charged for registration after February 16.

Hotel Reservations: We have reserved a small block of Crowne Plaza Hotel rooms at a nightly rate of \$79 for persons who make hotel reservations by **February 5, 2007**. Please call the hotel directly at (330) 253-5970 or toll free (866) 668-6689 or (800) 2CROWNE.

**For further information about the Symposium, visit <http://www3.uakron.edu/cba/cretisa/> or contact either of the following:**

**Thomas Calderon**  
**[tcalderon@uakron.edu](mailto:tcalderon@uakron.edu)**  
**(330) 972-6228**

**Akhilesh Chandra**  
**[ac10@uakron.edu](mailto:ac10@uakron.edu)**  
**(330) 972-6230**

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