

Rutgers AICPA Audit Analytics Research Initiative
Brainstorming Session
November 11, 2015

Attendees:

Amy Pawlicki	Nicole Deschamps
Dorothy McQuilken	Mike Leonardson
Miklos Vasarhelyi	Eric Cohen
Trevor Stewart	Phillip Austin
Alexander Kogan	Brian Wolohan
Erica Nelson	Kari Lee
Nicole Oberst	

Via teleconference

Juli-ann Gorgi
Greg Shields
Won No
Qi Liu

Meeting Notes:

- The purpose of the brainstorming session was to discuss what the research will accomplish, and how the current project proposals should be revised to cover this. In order to begin this discussion it is helpful to understand what issues auditors are facing today.
- The group walked through the questions included in the PowerPoint entitled, *Audit Data Analytics*, which was presented at the September IAASB meeting in NY, as a starting point to ensure all potential audit issues are being captured.
- The key areas and questions that were brought up during the brainstorming session are indicated below. These are some of the top priorities.

(1) **Risk Assessment** – How can analytics identify or address risk?

More of an item to be considered in the AICPA Audit Data Analytics guide, hereinafter referred to as “the guide” (research on the value of iterative process to support guidance)

(2) **Tests of Controls** – Ability to use analytics to evidence effectiveness of controls / what kind of controls can be tested through analytics?

Possible “sandbox” topic for the research initiative

(3) **Substantive Tests** –

- SAPs (Substantive Analytical Procedures) – Disaggregation of Materiality ***More of an item to be considered in the guide (look to existing research and repurpose it) or a “phase 2” item.***

TODs (Tests of Details) –

- (4) ID exceptions – “Exceptional Exceptions”
- (5) What to do with non-exceptions

(6) Aggregating audit findings

(7) Is data evidence? – If we need to test data similar to historic approach, why do an analytic?) / Ways of validating the integrity of audit logs?

(8) If you test 100% of controls and find e.g. 98-100% operating effectively, what additional work needs to be performed? At what level (account, assertion, etc.)? ▪ ***Possible “Green book” topic***

(9) What could or should be done to validate external data?

(10) How do you aggregate two pieces of evidence? How do you measure (i.e. the strength of evidence)?

Next Steps:

1. Draft project proposals to be updated based on feedback received during the brainstorming session
2. Two calls will be set up to discuss the following:
 - a. Status of the draft charter document, draft application to participate, and draft communications items
 - b. Updated draft project proposals
3. AICPA to reach out to the CAQ to discuss integrating analytics research on professional skepticism into their analytics project plan.