

STATISTICS COLLOQUIUM

MONDAY, NOVEMBER 10, 2008

Talk: 4:00 PM – *Science Center 309*

Reception: 5:15 PM – *Science Center, 7th Floor*

“Benford’s Law, Fraud Detection and
Risk Measures in Auditing”

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ABSTRACT

Benford’s Law proposes a distribution of first digits in measurements that span many orders of magnitude. Auditors and others with an interest in data integrity have begun using Benford’s law as part of fraud detection schemes in a variety of settings. In this presentation, we give an overview of how auditors have applied this idea, including one instance in which leading auditing software contained a subtle but important error. We also present a more general framework for the ways in which auditors can use statistical approaches to assess whether a company’s financial statements contain ‘material misstatements.’ (This work is being done jointly with Prof. Jay Thibodeau, Bentley University Department of Accountancy.)