I appreciate the opportunity of speaking to you this evening. This is a group to which I can easily relate. Some of you are clients of our Firm, several of you are my contemporaries in public accounting, and presumably many of you previously spent time as public accountants before transferring to your various jobs in industry.

Even those of us who don't have similar career histories have much in common—that is the nature of our work. As auditors we have similar technical problems and similar theoretical goals. Although my remarks tonight are necessarily couched in the experiences of public accounting I'm certain that the principles involved can easily be translated to fit into the activities of the internal auditor.

We live in an age of specialists and by definition that means that each of us is narrowly restricted in our expertise. I am not a statistician, but I apply statistical concepts. Accordingly this discussion tonight will be centered, not around statistical theory, but around the application of some basic concepts to auditing accounting data.

This is an important point to consider and perhaps will have answered a question many of you might have had in mind. That is, "As an accountant, can I effectively apply statistics without having technical training in statistical theory?" The answer, I believe, is a resounding, though carefully qualified, "Yes." The qualifications in the answer are these:

1. The auditor must have a well defined statistical sampling plan to follow, including clear guidelines for evaluating the sample results.
2. The auditor must have a basic understanding of the statistical concepts of reliability, precision, population definition, etc.

OUR AUDIT SAMPLING PLAN

Since my remarks today will relate to my experiences with the Audit