



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

10 February 2017

The Chairman
International Auditing and Assurance Standards Board
529 5th Avenue 6th Floor
New York 10017
United States of America

Submission via IAASB website

Dear Professor Schilder

Submission: Request for Input: Exploring the Growing Use of Technology in the Audit with a Focus on Data Analytics

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to comment on the Request for Input (“the RFI”). The use of technology and data analytics is a rapidly evolving area of the audit profession and we support the International Auditing and Assurance Standards Board (IAASB) initiative to progress the debate in this area. Our responses to the specific questions raised in the paper are set out in Appendix A. Appendix B includes more information about CA ANZ.

In our consultations with members there were two key themes. The first is the desire for guidance on how the use of data analytics fits within the existing auditing standards. This guidance would allow assurance practitioners to use data analytics with the confidence that they are complying with the ISAs and that the use of data analytics is an integral component of the audit. It would also assist in discussions with audit inspection bodies. The second is that when incorporating the use of data analytics into the auditing standards, care must be taken to ensure that any new requirements are principles-based to avoid them becoming obsolete with future technological developments.

Should you have any queries concerning the matters in this submission, or wish to discuss them in further detail, please contact Liz Stamford (Audit and Insolvency Leader) via email at liz.stamford@charteredaccountantsanz.com or phone 02 8078 5426.

Yours sincerely

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Appendix A: Responses to specific questions

(a) Have we considered all circumstances and factors that exist in the current business environment that impact the use of data analytics in a financial statement audit?

Additional circumstances and factors that may impact the use of data analytics include:

- Pressure from clients who are increasingly using data analytics in their business and expect their external auditor to do the same.
- Regulators making their own interpretations as to how data analytics fits within the existing auditing standards. There are concerns that regulators may expect auditors to perform a 'traditional' audit to demonstrate compliance with the auditing standards, and regard any use of data analytics as additional procedures. This is inefficient and will discourage auditors from incorporating data analytics into their audit methodologies.

(b) Is our list of standard-setting challenges accurate and complete?

The list set out in the RFI covers the concerns and challenges raised by our members. We note that the areas that they consider to be the most challenging in practice were:

- Determining the nature of the audit evidence required by way of data analytics at various stages of the audit process, and whether it differs between stages.
- Determining the appropriate level of work effort for exceptions identified.
- Considering the relevance and reliability of external data and data generated by the entity.

(c) To assist the DAWG in its ongoing work, what are your views on possible solutions to the standard-setting challenges?

We believe a key priority is to provide guidance to assurance practitioners on the use of technology and data analytics under the extant ISAs. The process of developing such guidance will likely highlight the areas where changes to the auditing standards may be required to fully allow them to incorporate the use of technology and data analytics.

(d) Is the DAWG's planned involvement in the IAASB projects currently underway appropriate?

We agree that the impact of technology, specifically data analytics, should be considered in ongoing projects and incorporated into projects to revise the auditing standards as they occur.

(e) Beyond those initiatives noted in the Additional Resources section of this publications, are there other initiatives of which we are not currently aware of that could further inform the DAWG's work?

We are not aware of any additional initiatives.

- (f) In your view, what should the IAASB's and DAWG's next steps be? For example, actions the IAASB and DAWG are currently considering include:
- (i) **Focusing attention on revisions, where appropriate, to ISAs affected by the IAASB's current projects.**
 - (ii) **Exploring revisions to ISA 520.**
 - (iii) **Hosting one or more conferences with interested stakeholders to collectively explore issues and possible solutions to the identified challenges.**
 - (iv) **Continuing with outreach and exploration of issues associated with the use of data analytics in a financial statement audit, with a view towards a formal Discussion Paper consultation in advance of any formal standard-setting activities.**

Data analytics impacts a broad range of audit concepts and procedures, including audit evidence, risk assessment, response to risks and sampling. Therefore the impact of data analytics is pervasive throughout the suite of auditing standards and the development a new stand-alone standard or the revision of ISA 520 *Analytical Procedures* in isolation would not be sufficient or appropriate. In our view, revisions to the auditing standards should occur as those standards are reviewed or re-opened for other projects.

In our consultations, there was little appetite for a further discussion paper as the next response to this issue. Members expressed concerns that the long project lead time may result in any changes being out of date by the time they are released due to further advancements in technology.

We believe the priority should be the development of guidance that demonstrates how data analytics can be utilised within the existing auditing standards. We recommend that any changes to the auditing standards be principles-based so that they can continue to be used as technology evolves, without the need for continual revision. We support further outreach, but our support is contingent on the consultation being timely.

Appendix B: About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations. We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation accounting professionals across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.