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Matt Waldron  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
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Dear Matt

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

CPA Australia welcomes the opportunity to respond to this Request for Input (RI). CPA Australia represents the diverse interests of more than 155,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

CPA Australia agrees with the IAASB Data Analytics Working Group's (DAWG) view that a financial statement audit can be enhanced by the use of data analytics. We also consider that it can enhance review, reasonable assurance and limited assurance engagements. We agree that data analytics can be applied broadly across the audit, including in understanding the entity and its environment, conducting the risk assessment and responding to assessed risk through analytical procedures, substantive procedures and/or test of controls, based on entire populations and using better risk based samples.

We provide our responses to the specific questions raised in the RI below.

- 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?*

We support the summary of the challenges posed by environmental factors and circumstances in the business environment listed in paragraph 18 of the RI and consider that they capture the main issues currently relevant to addressing data analytics in the financial statement audit.

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

We agree with the standard setting challenges identified in paragraph 19 of the RI and consider that they reflect the key matters which need to be addressed by the IAASB in order to enable standard-setting to incorporate the role of data analytics.

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

Whilst the RI notes (paragraph 26) that wholesale changes to the ISAs in the near term may inhibit innovation, we consider there is a much greater risk that not making changes to the ISAs could inhibit innovation. Certain data analytics techniques may not be seen to meet the existing requirements of the ISAs thereby making their use uneconomic as duplicative traditional techniques may still be perceived to be needed to comply with the ISAs and meet the expectations of regulators. However, we do agree that due to the fast-paced developments in data

analytics, any amendments to the ISAs need to allow for innovation, by providing sufficient flexibility to accommodate techniques which may not yet be available or even envisaged.

We support the proposed approach to the extent that it would be beneficial for the DAWG to contribute to the work of existing projects so that resulting amendments also address the challenges relating to data analytics. We note that the DAWG plans to explore how data analytics may be incorporated in ISA 520, *Analytical Procedures*. However, we consider that this approach on its own would be piecemeal and that the challenges need to be addressed holistically and comprehensively.

In the short to medium term, we suggest that guidance is needed on the existing standards which allows for, and explains how, data analytics techniques can be applied whilst still complying with the requirements of the standards. This would provide greater certainty for auditors so that they are not second-guessing the reaction of regulators and would also support a consistent approach amongst auditors. As data analytics is evolving this guidance could address current known techniques and be expanded as new techniques arise. Currently, there is too much uncertainty for auditors with respect to the sufficiency and appropriateness of evidence provided by data analytics and necessary documentation, which could result in inefficiencies and lost opportunities for improvement.

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

Yes, we are supportive of the DAWG's involvement in other projects to ensure data analytics is also addressed in any standards proposed for amendment. We agree that it is preferable to address all necessary changes to any particular standard at one time so that changes can be more efficiently assimilated by practitioners, than constant minor amendments.

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

None noted.

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:*

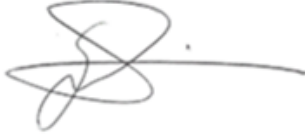
- (i) *Focusing attention on revisions, where appropriate, to ISAs affected by the IAASB's current projects.*
- (ii) *Exploring revisions to ISA 520.*
- (iii) *Hosting one or more conferences with interested stakeholders to collectively explore issues and possible solutions to the identified challenges.*
- (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.*

We support the actions being considered above, however our stakeholders have expressed a clear need for guidance. Guidance could explore how the auditor can rely on data analytics as a source of sufficient appropriate audit evidence so that resources are not wasted by duplicating work by conducting traditional audit procedures on areas that have already been addressed through data analytics and so that a consistent amount of evidence is obtained by auditors in supporting their opinion.

Overall we consider that, as a matter of priority, the IAASB needs to address the impediments in the IAASB's standards to enable data analytics to be more fully embraced by practitioners. As we consider that data analytics can significantly enhance audit quality, we recommend that the IAASB does not proceed on a piecemeal basis, but instead commits to developing guidance on how practitioners can reasonably interpret the standards to take advantage of data analytics.

If you require further information on our views expressed in this submission please contact Claire Grayston on +61 3 9606 5183 or at [claire.grayston@cpaaustralia.com.au](mailto:claire.grayston@cpaaustralia.com.au).

Yours sincerely

A handwritten signature in grey ink, consisting of a large, stylized 'S' followed by a horizontal line extending to the right.

Stuart Dignam  
General Manager, Policy & Corporate Affairs