



Data Analytics – Update and Overview of Responses to Request for Input

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Agenda Item M

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International Auditing
and Assurance
Standards Board

Purpose of the Session

- Update on activities by the Data Analytics Working Group (DAWG)
- Provide high-level observations from comment letters received from the *Request for Input: Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics* (RFI)

Activities of the DAWG Since Last Meeting

- Comment period closed and summaries of questions prepared
- Held an initial introductory call of the Project Advisory Panel (PAP) which included obtaining their high level views on the responses from the Request for Information
- Announced the PAP on the IAASB website (will also further promote via eNews, social media, etc.)
- Participated in a conference call with the PCAOB regarding their research project on DA
- Other outreach

RFI High-level Feedback from Respondents

- 50 responses received from a wide-variety of stakeholders

Stakeholder Group	Number of Responses
Member Bodies and Other Professional Organizations	14
Accounting Firms	10
National Auditing Standard Setters	9
Individuals and Others	5
Regulators and Oversight Authorities	4
Public Sector Organizations	3
Investors and Analysts	3
Academics	2

RFI High-level Feedback from Respondents

- Much support for the IAASB to undertake the initiative
- Positive remarks that the RFI identified many important issues and early stage analysis
- Encouraged continued active participation in standard-setting activities as current projects progressed
- Strong and consistent recognition that data analytics has ability to enhance audit quality
- Must provide a clear explanation of what is meant by data analytics
- Caution regarding the way-forward
 - Targeted changes vs. separate standard
 - ISA by ISA review

Reflections on Circumstances and Factors that Impact Use of DA (Question A)

- Professional skepticism and judgments should not be replaced by DA
- Cost of DA techniques may be a barrier to entry (large vs small firms)
- Concerns over underlying data provided by client for use in DA
 - Ownership
 - Transfer and privacy
 - Security
 - Third-party sources
 - Reconciliation of data obtained from outside the 'core' system

Reflections: List of Standard-Setting Challenges Accurate/Complete (Question B)

- General support that the RFI captured many of the standard-setting challenges
- Impact on sufficient audit evidence
- Impact on hours and fees
- Use of technology is both cultural and educational
- Data architecture challenges (integrating financial and non-financial systems)
- Development of cross functional skills (possible deficiency between those who provide the data and those who must interpret the data)
- Must include the regulators in the process of any changes

Reflections: Possible Solutions to the Standard-Setting Challenges (Question C)

- Link any changes to standards with audit evidence requirements
- Provide a high-level plan as to what areas will be considered over the medium-term
- Consider IAPNs to deliver guidance
- Clarify extent of testing general IT controls and the impact of using DA
- Address disparity among firms and how they use DA
- Address specific issues that arise from applying DA to audits of SMEs

Reflections: DAWG's Involvement in Current IAASB Projects (Question D)

- General support that the DAWG's perspective and involvement in the IAASB projects is essential
- Some comments that the DAWG's activities should be accelerated
- Encouragement that the IAASB and the IESBA work closely to assess potential issues related to independence, professional skepticism and quality control
- Caution against prematurely commencing standard-setting

Reflections: Other Initiatives to be Aware Of (Question E)

- Respondents provided references to a number of publications and initiatives already underway
- Encouraged interaction with many other groups (IFAC SMPC, CPA Canada Audit Data Analytics Committee, GPPC, PCAOB, INTOSAI Data Analytics Working Group, etc.)

Reflections: DAWG's Next Steps (Question F)

- Host roundtables with audit firms
- Host webcasts/podcasts to educate stakeholders
- Consider impact of DA across all ISAs (500, 230, 620, 520, 315, 540, etc.)
- Issue non-authoritative guidance
- Seek views of TCWG of entities where auditors have applied DA

Next Steps

- Detailed analysis and summary of 50 comment letters
- Call with DAWG to discuss the detail analysis of responses to the RFI
- Re-engage with ISA 315 Task Force
- Data Analytic specific discussions with Quality Control, ISA 220 and Group Audits Task Forces
- Arrange targeted roundtables with firms (perhaps others) to discuss status and issues



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