

Data Analytics and the ISAs

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IAASB CAG Meeting

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Agenda Item B.2

Overview

- Objectives of Discussion
- Key Messages from Data Analytics Working Group's (DAWG's) outreach to date
- ISAs that contain reference to Computer Assisted Audit Techniques (CAATs)
- Challenges being faced by stakeholders
- Interactions with other IAASB projects
- Efforts of others relevant to IAASB's work
- DAWG's proposed way forward

Objectives of Discussion

- (a) Update Representatives and Observers on DAWG's information gathering activities
- (b) Inform Representatives and Observers about developments in data analytics that may have an impact on international auditing standard setting
- (c) Obtain Representatives and Observers views on DAWG's proposed way forward

Key Messages from DAWG's Outreach to Date

- (a) Innovation enhancing effectiveness in audit is essential if audit is not to be marginalized
- (b) Audit standard setters need to proceed, but with caution, in the area of standard setting; and
- (c) Stakeholders, particularly practitioners, audit oversight bodies and standard setters, need to work together in addressing developments occurring in technology.

ISAs that contain reference to CAATs

- ISA 240, paragraph A37, Appendix 2 and Appendix 3
- ISA 300, Appendix
- ISA 315 (Revised), paragraph A91
- ISA 330, paragraph A16 and A27
- ISA 550, paragraph A36

Challenges being faced by stakeholders

Challenges Affecting Audit Standard Setting	
<u>Indirectly</u>	<u>Directly</u>
Data acquisition	IT general controls
Conceptual challenges	Independent validation of data
Legal and regulatory challenges	Validation of appropriateness and reliability of external data
Resource availability	Nature of audit evidence
Over reliance on tools being utilized	Classification of data analytics (test of control / substantive)
	Risk measurement
	Documentation requirements

Matter for CAG Consideration

Representatives and Observers are asked for their views on the challenges identified and the DAWG's assessment of those that may be considered as indirectly affecting audit standard setting and those that may be considered as directly affecting audit standard setting.

Interactions with other IAASB projects

- ISA 315 (Revised) – identifying and assessing risks of material misstatement (direct involvement)
- ISA 540 – auditing accounting estimates, including fair value estimates (direct involvement)
- Professional skepticism
- Quality control

Matter for CAG Consideration

Do Representatives and Observers agree with the DAWG's identification of interactions with other ongoing IAASB projects and those projects that the DAWG anticipates having direct involvement with?

Efforts of others relevant to IAASB's work

- Rutgers AICPA Data Analytics Research Initiative
- Institute of Chartered Accountants of England and Wales - series of articles (first expected end of March 2016)

Matter for CAG Consideration

To the extent Representatives and Observers are aware of activity occurring in their respective jurisdictions that would be relevant to the DAWG's work, please share that with the DAWG.

DAWG's proposed way forward

The DAWG is proposing to take the following steps to progress its work:

- Continue with outreach discussions
- Development of an IAASB DAWG paper
- Active participation with ongoing IAASB projects

Possible responses to steps noted above:

- Development of International Auditing Practice Note or Staff Q&A
- Amendments to ISA 520 (Analytical Procedures), ISA 500 (Audit Evidence) and ISA 530 (Audit Sampling)
- A broader consultation (such as an IAASB Discussion Paper)

Matter for CAG Consideration

Representatives and Observers are asked to provide their views on the DAWG's proposed way forward.



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