

Data Analytics Working Group – Future Direction**Objective of Agenda Item**

The objective of this agenda item is to obtain IAASB input on the way forward for the Data Analytics Working Group (DAWG), including consideration of the development of non-authoritative guidance or other publications, the focus of future research, and support resources.

1. The DAWG was established in mid-2015, and the activities of the working group have included the monitoring and gathering of information on the various applications of data analytics and the relationship to the financial statement audit (including, for example the effect on risk assessments, testing approaches, analytical procedures and other audit evidence). The DAWG has also undertaken extensive outreach with a broad range of stakeholders, and has benefited from the insights gained from robust discussions and debate on the topic of data analytics at various IAASB meetings in 2016 and 2017.
2. Among a number of activities and initiatives, the DAWG issued a Request for Input (RFI), [Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics](#), in September 2016, and a [Feedback Statement](#) was prepared by IAASB Staff and published in January 2018, which provides an overview of the key messages from the responses to the questions in the RFI.
3. As noted by the responses to the RFI, and in ongoing dialogue with the IAASB's stakeholders, the use of data analytics in a financial statement audit continues to be an important topic. The IAASB is firmly committed to further exploring this area, including the need for guidance or possible standard-setting activities. At the same time, the DAWG also recognizes the importance of exploring and understanding emerging technologies, such as robotics, artificial intelligence, block chain and others.
4. Accordingly, the DAWG believes this is an appropriate point for recalibration of the focus of the activities of the Working Group, and is seeking to obtain input from the IAASB on next steps. The specific areas for which input is sought are summarized below, along with related questions for IAASB consideration. Preliminary input on these matters was received from the Steering Committee at its meeting on May 31, 2018.

Publications and Guidance

4. To date, the DAWG has received feedback from various sources expressing different views on the need for, or nature of, additional guidance or publications about data analytics or other technologies. On one end of a spectrum are views that the DAWG should publish non-authoritative examples, guidance and interpretation of the linkage between data analytics and relevant aspects of the ISAs. At the other end of the spectrum are views that the focus of the DAWG should be to stay abreast of innovation in the use of data analytics techniques, as well as other emerging technologies, and to then share that information internally with the Board to inform its standard-setting activities (i.e., no external publications).
5. It has been noted by some that the large firms have been exploring the use of audit data analytics for a number of years, and have already developed internal methodologies and guidance (including examples). A greater need for guidance and examples may exist for smaller auditing firms, but that may be more focused around how best to use commercially available tools (such as Excel) for less sophisticated data analysis techniques on smaller populations of data.

Matter for IAASB Consideration

1. What are the IAASB's views on the need for external publications, including guidance and examples, versus the DAWG moving to a more research-focused approach (see further discussion below)?

Emerging Data Analytics Techniques and Other Technologies

6. The DAWG was originally formed as a “spin off” of the IAASB's Innovation Working Group. However, it is becoming increasingly clear that data analytics is but one piece of the rapidly evolving landscape of emerging technologies (e.g., artificial intelligence, robotic process automation, machine learning, text recognition, virtual reality, drones, etc.) that may have a significant effect on the audits of the future.
7. Some have suggested, therefore, that the future efforts of the DAWG would be better focused on monitoring and understanding emerging technologies, and providing periodic updates to the IAASB about the implications of such technologies, along with recommendations for possible IAASB action (e.g., publications, standard-setting activities).

Matter for IAASB Consideration

2. What are the IAASB's views on the future focus of the DAWG? Is the current structure of the Working Group, including the Data Analytics Project Advisory Panel, the most appropriate structure if the focus is shifted to include emerging technologies other than data analytics?

Resources

8. The ability of the DAWG to continue its work, including any new initiatives or the development of publications or guidance, is heavily dependent on the availability of resources, including Staff resources. For example, more dedicated support resources would likely be required to develop and issue formal, non-authoritative publications, whereas fewer direct resources may be needed to support a more internal focus of monitoring emerging technologies and updating the IAASB on current and emerging trends.
9. IAASB Staff leadership is committed to supporting this important area of the Board's work. At the present time, one staff member has been devoting time to this area and Staff leadership will explore whether support also may be available from the new staff member arriving in mid-June.
10. Other possible sources of support include secondments from larger firms, although firm personnel skilled in this area are in high demand internally with their firms and clients.
11. Significant interest in data analytics and emerging audit technologies was expressed by National Standard Setters (NSS) at the recent IAASB-NSS meeting in Vienna. This included exploring ways to help support the IAASB in this area, with an explicit offer to provide resources to assist in the development of publications or guidance. It was noted that several NSS bodies are actively involved with research and publications around data analytics (e.g., USA, Australia, UK, Canada, Netherlands). The DAWG Chair and IAASB Staff have already reached out to an NSS representative about sharing information and the possibility of further collaboration.

Matters for IAASB Consideration

3. Does the IAASB support the use of NSS resources to assist in this area? If so, what are the IAASB's views about the nature and extent of such assistance? For example, would the IAASB support the possibility of joint publications or collaboration in certain areas to leverage work already being done by the NSS?
4. Does the IAASB have any other thoughts on possible resources to help in moving forward?