

International Auditing and Assurance Standards Board (IAASB)
Attn. Mr. Arnold Schilder

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Submitted via the IAASB website

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Date	Re	Our ref	Attachment
16 february 2017	Data Analytics	JTD	-

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Subject: IAASB's Request for Input: Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics

Dear Mr. Schilder,

The NBA welcomes the opportunity to give input on the publication "Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics" of the Data Analytics Working Group (DAWG). We read it with great interest.

The NBA embraces the possibilities of using new technologies, including Data Analytics, in the Audit. We believe new technologies, not at least Data Analytics, will offer a new range of possibilities and insights to auditors, auditees and, not least, users of financial statements. We also believe that we are at the start of a journey to identify, test and use new technologies and we have not seen the full potential thereof yet.

In order to answer the questions related to Data Analytics that auditors have today, the NBA established a Data Analytics Working Group early 2016. This group is working together with the professional association for IT-auditors (NOREA) in the Netherlands. The short-term focus of the group is to publish a frequently asked questions aid. On the long-term, the group focusses on providing more guidance on how to effectively implement Data Analytics in the audit. This seems to be in line with the purpose of the DAWG of the IAASB.

With respect to the publication "Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics" of the DAWG, we would like to stipulate the following matters:

- Fully acknowledging the transformational and transitional character of the audit data analytics journey, we believe there is a number of fundamental questions within audit practice today that urgently require a position, direction and clarification. Audit practitioners currently deal with two realities: a current audit reality built on traditional audit procedures and a new audit reality built on technology in general and contemporary data analytics in specific. This increasingly results in discussions about 'the' standard for audit quality (i.e. what is sufficient and appropriate considering the possibilities and limitations of this new reality), not only amongst audit practitioners, but also in their interactions with stakeholders such as investors and regulators. We believe that clarity on these matters in the very near future is necessary and decisive for the role that auditors play as trust providers.
- The standards should remain principle based and conceptual to facilitate to technology still developing. Herewith we recognize that it is difficult to update the standards in full at this moment as new techniques are still being discovered, which makes it difficult to make the standards fit for purpose.

Royal Netherlands
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Accountants



- The current standards allow application of new techniques and are, as such, not limiting auditors to apply Data Analytics in their audit. However, the current standards are on the other hand not encouraging auditors to use new techniques. We believe additional guidance and examples in the standards are necessary in this respect.
- We believe it is important that auditors, regulators and audit oversight authorities develop a common understanding of the new techniques in order to avoid misunderstanding. This requires clear definitions and guidance on these new techniques, as well as training for all parties involved.

As a member of Accountancy Europe (formerly known as Federation of European Accountants), we confirm that we support in general the comments Accountancy Europe provided to you in its response to this Publication. We would like to make a few comments in addition. We refer to the Annex for detailed comments to the specific questions. For further information on this letter, please contact Jan Thijs Drupsteen via e-mail at j.th.drupsteen@nba.nl.

Yours sincerely,
NBA, the Netherlands Institute of Chartered Accountants,



Anton Dieleman
Chair of the Dutch Assurance and Ethics
Standards Board



Annex – Responses to Request for Input¹

Question 1: 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?

The DAWG has considered a number of important circumstances and factors that exist in the current business environment that impact the use of data analytics in a financial statement audit. Additionally, we would like to bring the following circumstances and factors under your attention:

- In paragraph 18a, a circumstance in the business environment that – in our opinion – has not been explicitly addressed, is the auditee’s data management, i.e. is everything the auditor needs captured in data (datafication; e.g. availability of loggings), does the auditor properly understand the data (data definition) and is the data available in a (standardized) format that enables data extraction, transformation and analysis in an economic rational manner (data standardization)?
- In paragraph 18c, a scenario in the business environment that – in our opinion – has not been addressed is when (local) data privacy laws and auditing laws and regulations potentially conflict (e.g. where data privacy law hinders transfer (or use) of relevant audit data to (by) the auditor).
- An environmental challenge that we are missing in paragraph 18 is the (lack of) discussions in practice between financial auditors, IT auditors and data specialists about mutual roles and responsibilities with respect to the application of data analytics in a financial statement audit.
- A circumstance in the current business environment that we are missing in the analysis relates to situations where the auditee is using data analytics within one of multiple of its lines of defense (e.g. as part of business operations, its internal control and/or internal audit function). This issue might seem as a future development, but is certainly today’s reality and therefore necessary to include in the DAWG’s project scope.

Question 2: Is our list of standard-setting challenges accurate and complete?

The list of standard-setting challenges presents a good summary of the main challenges encountered by audit practitioners. We have the following remarks in relation to the accuracy and completeness of the list:

- We would encourage a more in-depth outset of the questions that (contemporary) data analytics introduces (paragraph 7). This outset should make explicit which changes - de facto - have occurred within the audit that currently require standard setting attention; e.g. the ability to efficiently analyze more (of the same) data (volume), the ability to involve non-traditional data sources (variety), the ability to perform audit routines shorter after the fact / more in real-time (velocity), a combination of multiple developments? We believe that further clarification of the definition of data analytics and the scoping of the issues will strongly contribute to determining the most effective path forward and the pace thereof.
- In paragraph 19a we miss attention for the fact that some audit risks resulting from deficiencies in General IT controls could also be addressed through application of data analytics.
- In our opinion inclusion of paragraph 19b is somewhat confusing as we believe the advent of data analytics does not impact the existing requirements of the ISAs with respect to the relevance and reliability of external data.



¹ As a member of Accountancy Europe (formerly known as Federation of European Accountants), we confirm that we support in general the comments Accountancy Europe provided to you. In this annex we would like to make a comments in addition to Question 1, 2 and 3.

- We believe paragraph 19 could also ask attention for minimum procedures necessary to be performed in relation to the reliability of data, in order to use it for risk assessment procedures as well as for evidence gathering procedures (tests of controls, substantive analytical procedures, tests of detail).
- Paragraphs 24 and 25 include some specific statements in relation to the application of data analytics as part of financial statements audits of Public Sector Entities. In practice, we however see that the statements made here about this specific category of entities apply to a far larger group of entities and industries. We think explicitly mentioning Public Sector entities might give rise to confusion and recommend removal of this paragraph.

Question 3: To assist the DAWG in its ongoing work, what are your views on possible solutions to the standard-setting challenges?

We believe that the current questions, unclarities and uncertainties that audit practitioners encounter in relation to the 'ISA-compliant' application of data analytics in the audit are a matter of the highest urgency. Providing guidance on these matters shortly is an important precondition for preservation of audit quality. Respectful of the fact that (analysis of potential) changes to standards might take some time, we advise the DAWG to look at alternative ways of providing guidance to the audit practice (e.g. practice aids); ways that have shorter throughput times, address the most important questions currently out there and are flexible to change to mirror the dynamics of data analytics. Furthermore, we believe in strong interaction/co-creation of such guidance with professionals that will be using data analytics in the audit.

We believe that a parallel approach to addressing the questions of 'today' and those of 'tomorrow' is the most effective way forward, whereas 'today' the ownership of audit data analytics mainly lies at the external auditor and 'tomorrow' the ownership might be at the client, and the main question will then be what an external audit will look like in such environment.

