

## Data Analytics and the ISAs

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Working Group Chair

IAASB Meeting

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Agenda Item 6

# 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 the Board on DAWG's information gathering activities;
- (b) Inform the IAASB about developments in data analytics that may have an impact on international auditing standard setting, as identified by the DAWG, and obtain further input from the Board on the topic; and
- (c) Obtain the Board's 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 IAASB consideration

1. Board members 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.

## Challenges being faced by stakeholders – examples

**Agenda Item 6-A** provides examples of practical challenges practitioners face with data analytics and the ISAs:

- Example 1 – Three-way match control for purchases
- Example 2 – Performing substantive analytical procedures using highly disaggregated data
- Example 3 – Matching of sales invoices to cash receipts

## Matters for IAASB consideration

2. Board members are asked to comment on the challenges identified in the examples, such as:
  - (a) Are these challenges consistent with what is being observed within your organizations, if applicable?
  - (b) Do you agree with the challenges identified in the examples? If not, please clarify why. Are there other challenges that arise from these examples that are not addressed in **Agenda Item 6-A**?

## 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

## Matters for IAASB consideration

3. Does the IAASB agree with the DAWG's identification of interactions with other ongoing IAASB projects and those projects that the DAWG anticipates having direct involvement with?
4. Are there other ongoing IAASB projects that the DAWG should specifically consider interactions 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 IAASB consideration**

5. To the extent IAASB members 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 IAASB consideration

6. The IAASB is asked to provide its views on the DAWG's proposed way forward. Specifically:
  - (a) Whether the IAASB is in agreement with the DAWG's plans for an IAASB DAWG publication and the proposed timing of that publication?
  - (b) Whether Board members agree with the DAWG's proposal for active involvement with on-going IAASB projects?
  - (c) Whether the IAASB agrees with or has additional suggestions for the DAWG's possible response to steps noted in paragraph 40 of **Agenda Item 6-A**?



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