

# Data Analytics Working Group Update

Bob Dohrer, IAASB Member and Working  
Group Chair

IAASB CAG Meeting  
September 2015  
Agenda Item L.1

# Audit Data Analytics Agenda

- Current Landscape
- Audit Data Analytics and the ISAs
- The Key Areas
- Benefits to Audit Quality
- Challenges to Adoption and Implementation
- Working Group Planned Outreach
- Concluding Thought

# Audit Data Analytics – Current Landscape

- Data is an ever increasing aspect of today's world
- Audit Data Analytics is a topic of great interest to many, including:
  - Audit Standard Setters
  - Academia
  - Companies
  - Practitioners
  - Regulators
  - Investors
- Technology in the audit to date – incremental changes versus audit transformation

# Audit Data Analytics and the ISAs

External audits being performed in the digital age

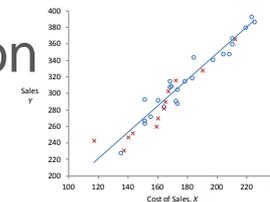
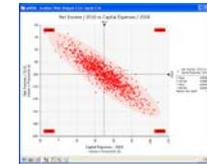
- Different views on whether ISAs are fit for Audit Data Analytics:
  - Are ISAs prohibitive?
  - Are they agnostic?
- And should they:
  - Be more encouraging – perhaps through guidance?
  - Require use of Audit Data Analytics in certain aspects of the audit?

# Audit Data Analytics – The Key Areas

- Auditing Standards
  - Risk assessment procedures
  - Data validation (completeness and accuracy)
  - Controls over information technology (e.g., change management, managing access processes)
  - Controls testing – nature and relevance
  - Defining what constitutes audit evidence (electronic audit evidence)
  - Quantifying audit evidence: whole populations versus sampling
  - Documentation requirements

# Audit Data Analytics – The Key Areas (continued)

- Audit Data Standards
- Data Access / Capture
  - Access to company's data (data security)
- Data Analysis
  - Visual exploratory techniques (e.g., Scatterplots, heatmaps, relationship maps)
  - Confirmatory (mathematical and analytical) techniques (e.g., regression analysis, extraction and summarization of data)



# Audit Data Analytics – Benefits to Audit Quality

## Improved coverage

- Analyzing larger populations
- More focused selection for testing

## Enhanced Risk Focus and Insight

- Enabling top-down, risk based approach
- Better understanding of entity and its environment leading to enhanced risk assessment

## Support professional skepticism

- Assess management's representations by analysis of financial transactions
- Opportunities for more fraud detection techniques?

# Audit Data Analytics – Challenges to Adoption and Implementation



## Working Group Planned Outreach

- Audit Firms – understand methodology developed
- National Auditing Standard Setters
- IFAC Member Bodies and Other Professional Organizations
- Academia, including Rutgers Business School – Continuous Auditing and Reporting Lab
- Regulators and Audit Oversight Bodies(e.g., Securities and Exchange Commission and IFIAR)
- Investor Groups

## Working Group Planned Outreach (continued)

- Financial reporting systems: ERP vendors and Audit and Risk Management Software vendors
- Those Charged with Governance
- COSO
- Internal Auditors
- ISO Technical Advisory Group
- Taxing Authorities

## Concluding Thought

*“In medicine, physicians are expected to use better technologies as they come along if they significantly improve patient outcomes at reasonable cost. In auditing, professional standards should encourage auditors to consider and use technologies that increase assurance beyond the minimum required where economically feasible. Professional standards need to be technology agnostic, but that does not mean that they should not encourage auditors to make the best use of technology to perform the best possible economically viable audits.”*

[AICPA White Paper – Reimagining Auditing in a Wired World \(August 2014\)](#)



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