

Strategic Project Outline

Project Title: Use of Technology in the Audit including Data Analytics
Project ID: 2018
Team members responsible: Tim Austin
Rene Herman

I. Background

1. Significant challenges are being faced by practitioners in understanding how audit evidence derived from the use of technology is compliant with the current suite of auditing standards. Stakeholders are concerned that the lack of guidance and clarity on this matter is impacting the efficiency and effectiveness of the audit process.
2. Feedback from the 2017 AUASB consultative meetings highlights that stakeholders want practical guidance on how the use of technology can improve audit quality and efficiency while still being compliant with the AUASB suite of standards.
3. The IAASB has a current data analytics project and working group, however, based on stakeholder feedback, there is a more immediate need for the AUASB to consider how to best to meet the needs of our domestic market.
4. The [AUASB submitted a response](#) to the IAASB on their [Request for Input](#) – the AUASB submission was high level with no immediate actions for the AUASB. The AUASB response and IAASB request for input has been included as a hyperlink for background information.
5. The IAASB issued a [Feedback Statement](#) in January 2018 which provides an overview of the responses to the Request for Input.

II. Project Objective

6. The project objectives for the AUASB are to:
 - a) explore and understand the main uses of technology in the conduct of an audit;
 - b) understand how the requirements of the external audit standards are being met through the use of technology, including any challenges encountered in meeting the requirements;
 - c) seek to actively influence the IAASB in the future direction of the IAASB data analytics project; and
 - d) address standard setting issues which emerge under objective a) and b).

III. Scope

7. To meet the objectives of the project, our focus will be on the experience of practitioner stakeholders and exploring:
 - a) The common uses of, and any challenges encountered with, using technology in external audit engagements; and
 - b) The impact of the use of technology in meeting the requirements of the suite of external auditing standards (ASAs/ISAs).

IV. Public interest benefits, and link to corporate strategy

Public interest benefits

8. The public interest benefits of this proposal is to:
 - a) improve the efficiency of the audit process thereby meeting stakeholder expectations regarding the use of technology in audit engagements; and
 - b) contribute to the enhanced quality (e.g by deepening the auditor's understanding of the entity, facilitating audit testing on higher risk areas, and aiding the exercise of professional skepticism) and consistency of audit practice across engagements, and strengthen public confidence in the audit and assurance profession.

Link to Corporate Strategy

9. This project contributes to the following strategic objectives:
 - a) Actively influence international auditing and assurance standards and guidance by demonstrating thought leadership and enhancing key international relationships.
 - b) Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach.
 - c) Monitor and respond to emerging issues impacting the development of auditing and assurance standards and guidance, including changing technologies.
 - d) Develop guidance and education initiatives, or promote development by others, to enhance consistent application of auditing and assurance standards and guidance.

V. Outreach activities

10. Outreach will be undertaken with a representative sample of stakeholders from:
 - a) External audit technology experts within the "Big 6" firms;
 - b) Professional accounting bodies;
 - c) Public sector auditors; and
 - d) Regulators.
11. The aims of the outreach undertaken are to:
 - a) Identify the current main uses of technology in the external audit (*Objective (a)*);
 - b) Understand, through practical examples, how the requirements of the audit standards are being met when using technology in external audit engagements (*Objective (b)*);
 - c) Identify any challenges practitioners experience with meeting the requirements of the standards when using technology (*Objective (b)*);
 - d) Understand how ASIC inspectors assess the use of technology against the requirements of the external audit standards (*Objective (b)*).
 - e) Identify areas where stakeholders most need support and determine the format of supporting material (*Objective (d)*).
 - f) Enable the AUASB to be in an informed position to contribute to, and drive the work of, the IAASB and other NSS in this area (*Objective (c)*).

VI. Outputs from project

Mapping

12. The direction from the AUASB at the March 2018 AUASB meeting was to investigate how the use of data analytics on external audit engagements can be mapped to the current suite of standards. To progress this mapping process, a three staged approach has been developed.
 - a) **Stage 1** – From a selected number of respondents to the IAASB’s RFI, preparation of a map of challenges when using technology in the audit to the particular requirements of the international standards in which these challenges arise;
 - b) **Stage 2** – Using the map prepared in stage 1, engage with Australian stakeholders, in particular experts within practitioner organisations, to identify the uses of, and challenges encountered when using, technology in audit engagements. This document will collate the most common technology focussed procedures and the challenges, if any, that arise from the requirements of specific standards; and
 - c) **Stage 3** – Share the documents prepared in stages 1 and 2 with the IAASB DAWG and other National Standard Setters as a basis for driving discussion with them. The form of stage 3 is yet to be determined.

Other (TBD)

13. Issuing a publication (format to be determined) alerting our stakeholders to some of the issues attributed to the use of data analytics in external audit engagements, providing links to several research papers, and acknowledging that this matter is on our work agenda and is on the IAASB work agenda. AUASB could consider a QA video similar to that of the [IAASB DA video](#) (hyperlinked to page).
14. Issuing some form of publication as considered necessary to support the quality and consistency of application of technology within the existing suite of auditing standards.

VII. Way forward

Short-term (Stage 1 and 2)

15. To take this project forward in the short term, the AUASB Technical Group requires the AUASB practitioner members to nominate representatives from their respective firms to meet with AUASB Technical Group in order to inform:
 - a) how technology is being used on external audit engagements;
 - b) walk through live examples;
 - c) demonstrate how the auditing standards are impacting the use of technology; and
 - d) discuss the type of guidance/input needed from the AUASB.

Medium/Long term

16. The Medium/Long Term way forward for the AUASB is predicated on the response by the IAASB and the IAASB Data Analytics Working Group (DAWG) to calls from practitioners globally for guidance. The AUASB medium/long term steps depend on whether the IAASB:
 - a) **Provides useful and timely guidance** – In this situation the role of the AUASB may be to support the IAASB and ensure that Australian challenges identified during the outreach component of the project are appropriately considered; or
 - b) **Does not provide useful and timely guidance** – In this situation the AUASB may need to issue guidance on its own or with another NSS to meet the needs of Australian practitioners.

VIII. Liaison with other standard setters

17. The AUASB Technical Group will continue to monitor outputs from other NSS. This includes environment scanning, analysis and knowledge building on data analytics initiatives in other jurisdictions. Through these processes, the AUASB Technical Group aims to identify potential partners from other jurisdictions.
18. The AUASB has been in contact with the IAASB DAWG Chair who is also the Chair of the AICPA DAWG, with a view to opening the dialogue between the IAASB and the AUASB in relation to the use of technology including data analytics.

IX. Research / initiatives to date

19. The following applicable research paper / initiative has already been identified as a paper that the AUASB could leverage off:
 - a) [Financial Reporting Council Audit Quality Thematic Review The Use of Data Analytics in the Audit of Financial Statements .](#) Page 8 of the publication provides a summary of findings.
 - b) AICPA Audit Data Analytics Resources
<https://www.aicpa.org/interestareas/frc/assuranceadvisoryservices/auditanalytics.html>
 - c) CPA Canada Audit Data Analytics Resources
<https://www.cpacanada.ca/en/business-and-accounting-resources/audit-and-assurance/canadian-auditing-standards-cas/publications/cpa-canada-audit-data-analytics-committee>