

## Strategic Project Outline

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Project Title: Data Analytics  
Project ID: 2018  
Team member responsible: Rene Herman

### I. Background

1. Data analytics consists of tools that extract, validate and analyse large volumes of data, quickly. The tools are applied to complete populations, 100% of the transactions, i.e. 'full data sets', and they can be used to support judgements, draw conclusions or provide direction for further investigation.
2. There are significant challenges being faced by practitioners, in particular in understanding how audit evidence derived from the use of data analytics 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.
3. Feedback from the 2017 AUASB consultative meetings highlights that stakeholders want practical guidance on how the use of data analytics can improve audit quality and efficiency while still being compliant with the AUASB suite of standards.
4. 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.
5. 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.

### II. Input Requested from AUASB

6. The AUASB technical group is seeking input from the AUASB in relation to the following:
  - a) Appetite for a more immediate publication (format TBD) – refer paragraph 13 below
  - b) Appetite for the AUASB as a NSS to step ahead of the IAASB in terms of guidance to assurance practitioners – refer paragraph 14 below
  - c) Dependent upon response to a) and b) above, AUASB practitioner members to nominate representatives from their respective firms to meet with AUASB technical staff in order to inform:
    - how DA is being used on external audit engagements;
    - walk through live examples;
    - demonstrate how the auditing standards are impacting the use of DA or fit into the auditing standards; and
    - type of guidance/input needed from the AUASB
  - d) Other information the technical group needs to consider in developing this strategic project plan, including how to engage the Regulator, education needs/concerns.

### III. Scope

7. Meeting with Australian stakeholders to understand:
  - a) current issues with specific practical examples;

- b) using these examples, work through the practical implications of how the existing suite of standards is impacting the use of data analytics on external audit engagements; and
- c) how the AUASB can assist stakeholders in understanding the use of data analytics in the external audit process.

#### **IV. Project objectives, public interest benefits, and link to corporate strategy**

##### **Project Objectives**

- 8. The project objectives are for the AUASB to:
  - a) understand the issues and challenges in using data analytics in external audit engagements as identified by our stakeholders and included in the [AUASB submission](#)<sup>\*</sup>;
  - b) determine the best way to address the issues identified above; and
  - c) seek to actively influence the IAASB in the future direction of the IAASB data analytics project.

##### **Public interest benefits**

- 9. 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**

- 10. 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**

- 11. Further outreach will be undertaken with a representative sample of stakeholders:
  - a) External audit providers from big 6
  - b) Professional accounting bodies: CAANZ, CPA Australia
  - c) Public sector auditors (QAO and VAGO)
  - d) Regulator – ASIC

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<sup>\*</sup> AUASB Submission on IAASB request for Input, Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics to the IAASB

## 12. Aims/outputs of outreach:

- a) Identify current issues with specific practical examples; and using these examples, work through the practical implications of how the existing suite of standards is impacting the use of data analytics on external audit engagements.
- b) Identify issues identified through ASIC inspection reports relating to the use of data analytics on external audits and understanding how inspectors assess the use of data analytics.
- c) Understand how the AUASB can assist stakeholders in understanding the use of data analytics in the external audit process.
- d) Provide feedback and assistance on how the AUASB can be proactive internationally with the IAASB.
- e) Revisit the key challenges identified in the AUASBs submission to the [IAASB Request for Input](#) to confirm that these are still relevant.
- f) Identify current research and thinking by academics in the data analytics field and leverage off this where appropriate.

## VI. Outputs from project

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 of **principles based guidance** to practitioners as considered necessary to support the quality and consistency of application of data analytics within the existing suite of auditing standards.
15. Information and evidence to support the IAASB as they assess proposed/potential future changes to the suite of standards as a result of the use of data analytics.

## VII. Way forward

16. TBD – aim of AUASB session.

## VIII. Liaison with other standard setters

17. Further environment scanning, analysis and knowledge building on data analytics initiatives in other jurisdictions. Through these processes, identify potential partners from other jurisdictions working in this area.

## IX. Education

18. TBD based on outputs of the project.

## X. 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.