

Pr. Arnold Schilder  
Chairman  
International Auditing and Assurance Standards Board  
529 Fifth Avenue  
New York  
10017 USA

Paris, 30 March 2017

Dear Professor Schilder,

The *Haut conseil du commissariat aux comptes* (H3C) welcomes the opportunity to comment on the IAASB document “*Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics*”.

The H3C is the French audit regulator, and is the French member of the International Forum of Independent Audit Regulators (IFIAR). As the French audit regulator, the H3C would like to submit several comments for your consideration in the development of the IAASB project on this topic.

We draw your attention to the fact that the H3C fully supports the comments submitted by the IFIAR on this project in the letter issued by IFIAR on 5 February 2017 (which is copied in appendix). The following comments complement those included in the IFIAR letter.

**1) Clarification needed of the notion of “data analytics”**

The H3C encourages the IAASB to clarify the scope of what is referred to as « data analytics » and to investigate further the impact of the use of data analytics at the various stages of the audit engagement. In particular, it appears necessary to clarify whether:

- during the initial phases of the audit, the use of data analytics enables to contribute to a better understanding of the entity and its environment and the identification of risks;
- and / or when responding to assessed risks, the use of data analytics enables to provide answers to the risks identified by designing and performing specific audit procedures.

**2) Prerequisites before integrating new provisions in the international standards**


The H3C believes that this clarification on the scope and the impacts of data analytics on the audit engagement should take place before deciding on changes to the standards or on additional standard setting actions. In particular, the benefits of any new standard setting action should be weighted with due care, and excessive provisions and approaches that are unnecessary should be avoided in order not to « over-standard-set ».

### **3) Link between the use of data analytics and the current audit approach**

The H3C would like to stress that the use of new technologies like data analytics does not change in itself the current audit approach. These new technologies appear to be tools available to the auditor for the implementation of the audit approach. The main steps and stages of the approach (understanding the entity and its environment, assessing the risks and responding to the risks identified) remain appropriate, even in cases where new techniques and tools of analysis of the data are used by the auditor in the course of the audit.

Please do not hesitate to contact us should you wish to discuss any of our comments further.

Sincerely yours,



**Christine Guéguen**  
Chairperson of the Board



BY E-MAIL ONLY

February 5, 2017

Prof Arnold Schilder  
Chairman  
International Auditing and Assurance Standards Board  
529 Fifth Avenue  
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COMMENTS ON THE IAASB REQUEST FOR INPUT: EXPLORING THE GROWING USE OF TECHNOLOGY IN THE AUDIT, WITH A FOCUS ON DATA ANALYTICS

Dear Prof Schilder

1. The International Forum of Independent Audit Regulators (IFIAR) appreciates the opportunity to comment on the International Auditing and Assurance Standards Board's (IAASB) request for input on "Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics". As an international organisation of independent audit oversight regulators that share the goal of serving the public interest and enhancing investor protection, IFIAR is committed to improving audit quality globally through the promotion of high-quality auditing and professional standards, as well as other pronouncements and statements.
2. The IFIAR's objectives are as follows:
  - Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms.
  - Promoting collaboration and consistency in regulatory activity.
  - Initiating and leading dialogue with other policy-makers and organisations that have an interest in audit quality.
  - Forming common and consistent views or positions on matters of importance to its members, while taking into account the legal mandates and missions of individual members.
3. The comments we provide in this letter reflect the views expressed by many, but not necessarily all, of the members of the IFIAR. However, the comments are not intended to



include, or reflect, all of the views that might be provided by individual members on behalf of their respective organisation.

4. Where we did not comment on certain specific matters this should not be interpreted as either approval or disapproval by the IFIAR.

#### *General comments*

5. It is important to us that the auditing professional standards are relevant and responsive to the evolution in audit technology. Thus, the standards should incorporate, where needed, the provisions required to ensure an appropriate use of new tools and technologies in the audit, including data analytics, when an auditor decides to use these in the course of the audit.
6. Thus, we encourage the IAASB, to ensure, while remaining technologically neutral, that the auditing standards can adapt to and be accommodative of the changes in technology, especially the changes in information technology (IT) which has experienced ongoing development since the initial drafting of the current standards.
7. We also encourage the IAASB to gather stakeholder input on the challenges and opportunities regarding the use of data analytics in the audit of financial statements.
8. Given investors and other stakeholders' needs, we also encourage the IAASB to consider in this project how further technology driven innovations in audit could assist to improve audit quality.

#### *Data analytics and audit quality*

9. "Data analytics" encompass a number of different tools and techniques that can be used to process, compare and analyse data in an automated manner. We believe the level of data analytics used by auditors and the level of the refinement of those tools vary, depending on the engagements, the audit firms and sometimes the countries in which the auditors operate. Tools used to collect and compare data have already been implemented, with various levels of development and specificity, and have been in use for several years at some audit firms. We also believe several audit firms or networks are currently investing in developing new data analytics programs. The use of data analytics tools and other new technology driven innovations in audit is likely to continue to evolve and increasingly being used on a global scale in the coming years.



10. We understand that data analytics techniques or tools can potentially provide benefits to the audit when used in an appropriate manner by the auditor, for instance through improving the understanding of the entity and its business processes, which is necessary for the analysis of risks. The tools can, to a certain extent, facilitate the analysis and comparisons of data.
11. However, as outlined in the IAASB's discussion paper, the use of those tools can also represent a risk for the quality of the audit, depending on how those tools are developed, implemented and applied in the audits.

#### *Challenges in the use of data analytics*

12. At this early stage of development of data analytics, the IAASB should give appropriate attention to the potential challenges linked to the use of data analytics, to ensure that the use of data analytics contributes to a quality audit. For instance, the auditor should, among other things:
  - Understand the benefits and limits of the data analytics tools in view of its intended use in the audit;
  - Exercise professional skepticism when using data analytics or other technologies;
  - Develop the appropriate audit procedures required to use the tools and supplement the information gathered through the tools, including tests of controls and substantive testing;
  - Consider and appropriately evaluate the exceptions, deviations, and other results from the data analytics tools and procedures to determine whether additional audit tests and evidence are needed to obtain sufficient appropriate evidence to draw conclusions;
  - Evaluate whether the information used in data analytics tools and procedures is sufficient and appropriate for purposes of the audit, including whether the data is from a reliable source, is complete and accurate;
  - Ensure through appropriate knowledge of the way the data is extracted, computed or processed that the outputs and results of the routines provided by using the tools are sufficiently reliable to meet the objectives of the audit procedures, and also avoid overreliance on the underlying programs or setting parameters;



- Document and store/archive not only the nature, timing and extent of the use of the tools and the results thereof, but also the support for the conclusions about the reliability of the results, for instance, the verification of the routines used, the data extraction procedures, the procedures used to evaluate the quality of the data, etc.
13. The choice made by the auditor to use data analytics and new technologies might also imply further attention at the level of quality control procedures within audit firms, in order to ensure, for instance:
- That the audit firms' internal procedures drive the appropriate use of data analytics, including controls over the proper development and deployment of those tools,
  - That the quality control procedures secure the integrity of the tools against unauthorized access, and the protection of entity's data privacy and confidentiality, (including where the audit procedures are performed in different jurisdictions, and including the destruction of the data), data protection and cybersecurity risks mitigation,
  - The development of appropriate skills and competencies of audit personnel using the tools by education and training.
14. Those examples are not intended to be exhaustive. We thus encourage the IAASB to explore further the risks and challenges that need to be addressed in addition to the challenges identified at an early stage, after further research led by the IAASB on this project.

#### *Way forward*

15. We encourage the IAASB to continue to work on this project as the use of data analytics and other new technology driven innovations continue to evolve, and consider the implications of new developments for all of its current standards setting projects with a view to contributing to improvement of audit quality and continuing to meet investors and other stakeholders' needs. This is on the understanding that the IAASB does not expect such consideration to lead to delays in progressing and completing these projects.
16. Additionally, we encourage the IAASB to consider the use of data analytics in the realm of other emerging technologies and technology issues, such as cloud computing, cybersecurity risks, and changing environments of complex IT organizations in large complex clients.



17. The IAASB should aim to identify any amendments to standards that may be required to promote appropriate use of these tools by auditors in practice. The IAASB needs to identify the challenges linked to the use of data analytics and to ensure that the challenges are addressed appropriately by the standards, and needs to provide clear provisions to the auditors in this regard. When revising its standards, the IAASB should consider any changes needed to remove impediments to uses of audit technologies that enhance audit quality and any changes to address potential risks to impairment of audit quality.

Should you wish to discuss any of our comments, please do not hesitate to contact me or Marjolein Doblado, Chair of the IFIAR Standards Coordination Working Group.

Yours Faithfully,

Janine van Diggelen

IFIAR Chair