

**From:** [Tom Koning](#)  
**To:** [Bradley Williams](#)  
**Subject:** Data Analytics  
**Date:** Friday, September 02, 2016 8:00:02 AM  
**Attachments:** [image001.wmz](#)  
[image002.png](#)

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Dear Sir,

I would hereby like to respond to the request for input by the DAWG. The company that I work for is a consultant to more than 100 Audit Firms in the Netherlands. As such we develop methodology and practice aids for these firms.

The use of technology and data analysis encompasses a large part of our services. Based on that experience we would like to suggest you develop illustrative or authoritative guidance on the following subjects:

- Data-acquisition.
- Audit procedures.
- Evaluation of results.

#### **Data-acquisition.**

While acquiring data we apply the guiding principle that the risk of misstatement should influence the process. In the situation that an audit client has requested an investigation of data, software is off the shelf and generic we try to use generic queries and reports in the available software. In the situation that there is a risk of fraud by management, we tend to harvest data from a backup made in the past (before any request for data by the auditor). This is an application of the general principles of ISA 500. Translation of that general principles to more detailed guidance could be very helpful to many.

#### **Audit procedures.**

With each training course on data-analysis we host, we encounter the same problem. Auditor are usually not creative and inadequately trained in IT. It is very hard for them to come up with relevant and effective audit procedures using data-analysis. We have a list of illustrative procedures for revenue and accountant balances usually subject to estimation uncertainty which we would gladly share with the DAWG.

#### **Evaluation of results.**

Data-analysis can tremendously increase the effectiveness of testing specific items (500.A52b). ISA 500.A55 however bluntly states that audit evidence from testing specific items cannot be used as audit evidence for the remainder of the population. We are fully aware of the fact that statistical models cannot easily take into account that the fact that the data-set has been pre-investigated using data-analysis. The consequence is however that practitioners consequently conclude: 'I cannot take that evidence into account, so I might as well apply a statistical sample'. This is detrimental to audit quality. Especially in case of estimates or fraud, the use of data-analysis is much more effective.

We wish you well in your undertakings. In case there are any further questions, please do not hesitate to ask.

Kind regards,  
Tom

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