Technology and Its Impact on Audit, Assurance and Ethics

Stakeholder Advisory
Council Meeting
November 4-5, 2024
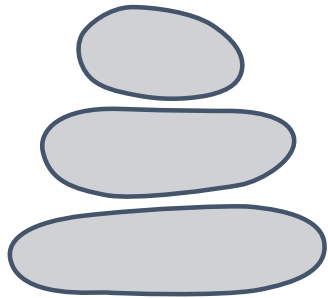New York, New York

IAASB — International Auditing and Assurance Standards Board®

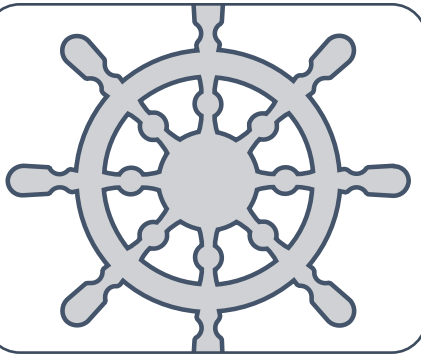IESBA — International Ethics Standards Board for Accountants®

Objectives

Obtain advice on achieving a balance between encouraging innovation and protecting the public interest, when thinking about technology
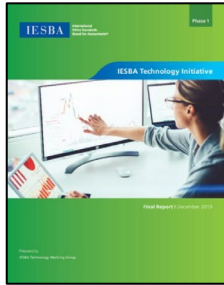
Obtain perspectives on the role of the auditor in relation to internal control, given the importance of an effective system of internal control for an entity

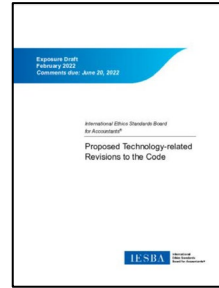# The Role of Standard Setters in a Rapidly Evolving Technology Landscape

IESBA Technology Project

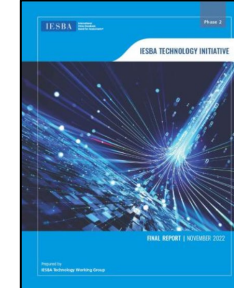Technology Working Group (TWG) Terms of Reference (Dec 2018)

Project Proposal (March 2020)
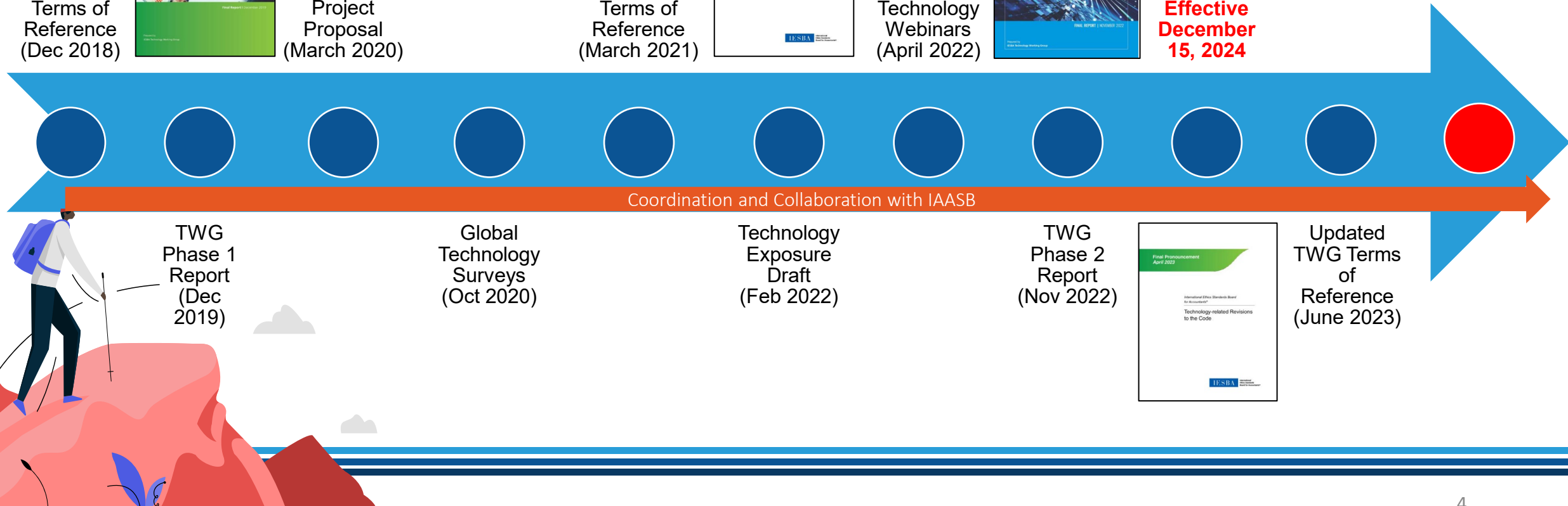
Updated TWG Terms of Reference (March 2021)

Global Technology Webinars (April 2022)
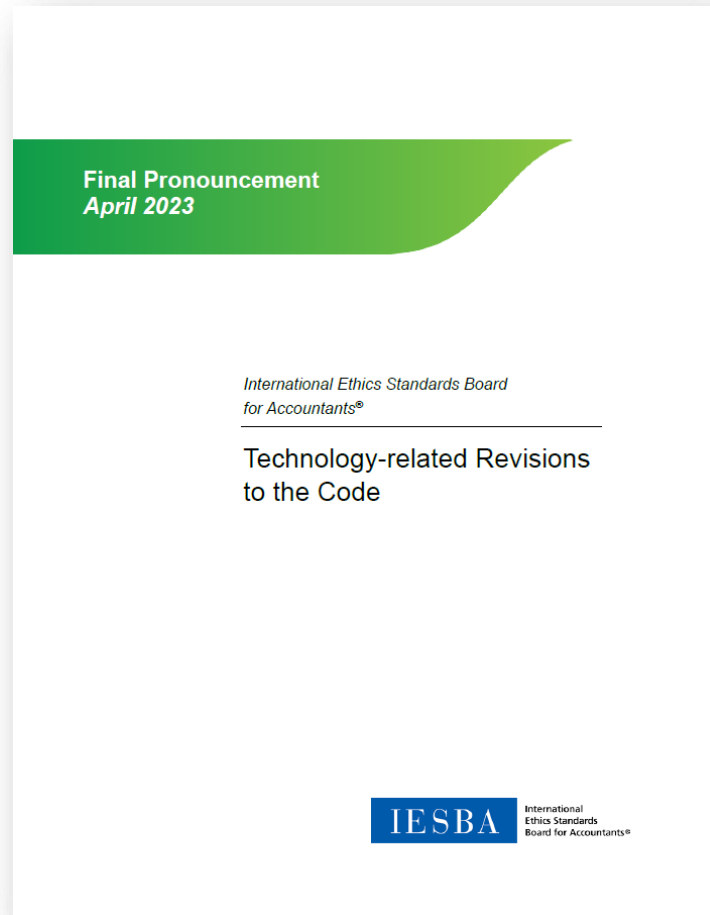
Technology Related revisions (April 2023); **Effective December 15, 2024**

[IESBA Technology Focus Page](#)

Coordination and Collaboration with IAASB

TWG Phase 1 Report (Dec 2019)

Global Technology Surveys (Oct 2020)

Technology Exposure Draft (Feb 2022)

TWG Phase 2 Report (Nov 2022)

Updated TWG Terms of Reference (June 2023)

IESBA Technology-related Pronouncement

Final Pronouncement
April 2023

International Ethics Standards Board for Accountants®

Technology-related Revisions to the Code

IESBA — International Ethics Standards Board for Accountants®

- Draws attention to the **competence**, **confidentiality**, & **leadership** imperatives of the digital age

- Considers ethical threats from **use of technology** & **complexity** when exercising professional judgment

- Addresses the ethical dimension of **using output of technology**

- Strengthens **independence** provisions for technology-related services & business relationships

- **Applies** to assurance on non-financial information

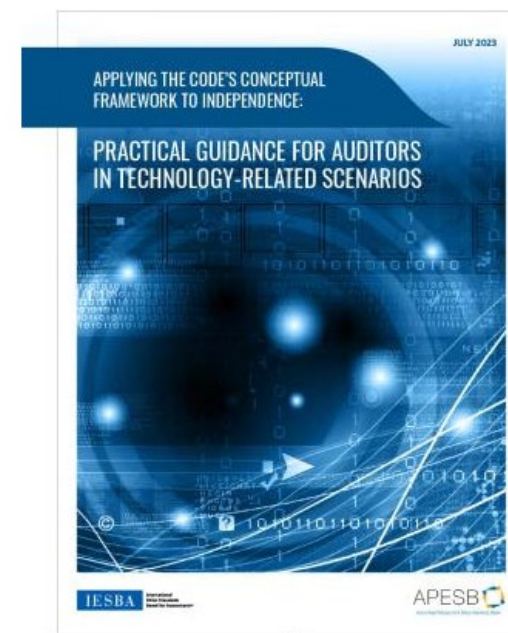IAASB — International Auditing and Assurance Standards Board®

IESBA — International Ethics Standards Board for Accountants®
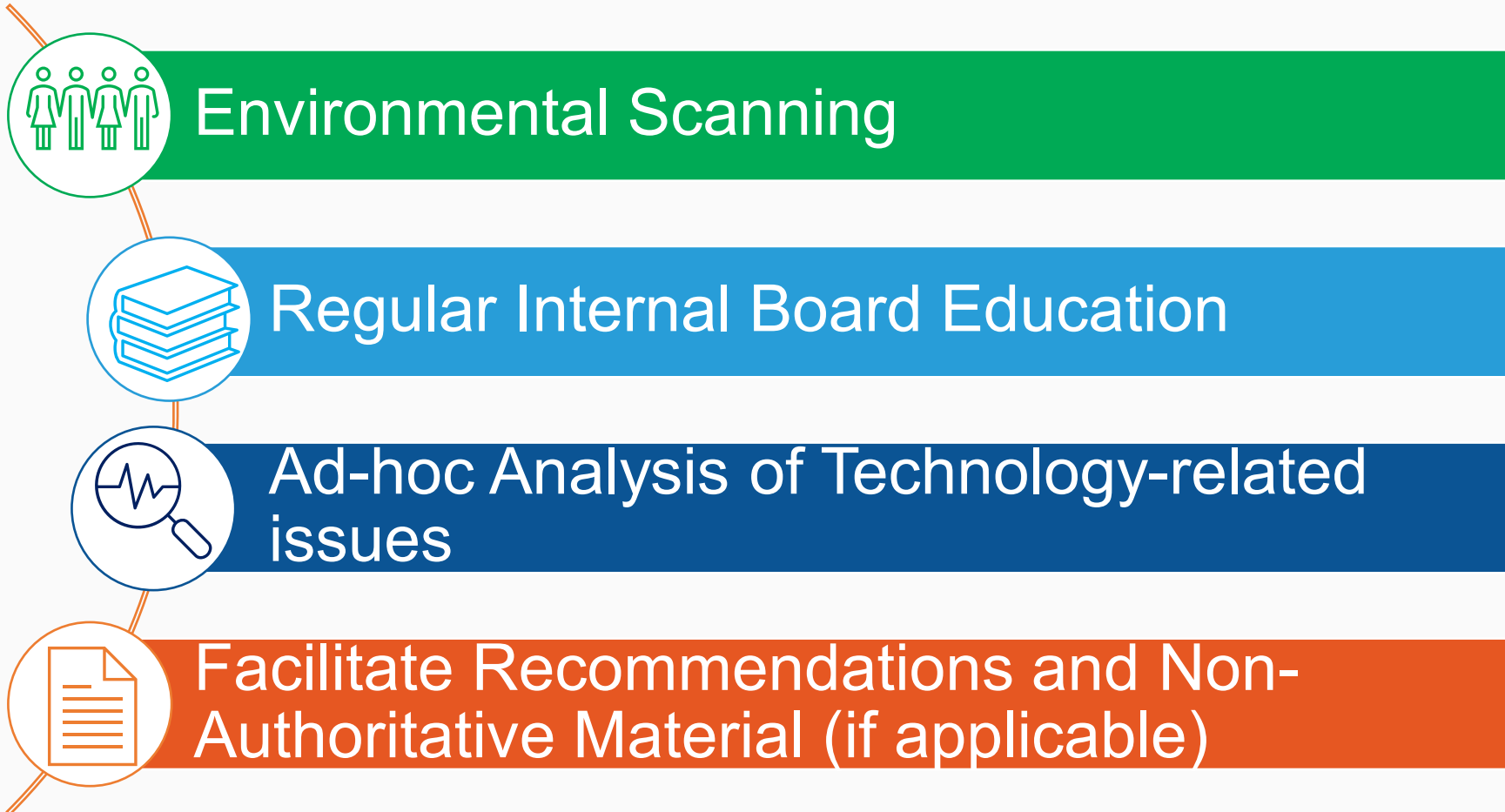
Technology Non-Authoritative Material

- IESBA Staff and APESB Joint Guidance: Applying the Code's Conceptual Framework to Independence

- IESBA Staff and JICPA Joint Guidance: Ethical leadership in a Digital Era: Applying the IESBA Code to Selected Technology-related Scenarios

- Exploring the IESBA Code, A Focus on Technology - Artificial Intelligence

- Ethical Leadership in the Digital Age

- Public Interest Accountability of Professional Accountants

Additional resources available on the IESBA Technology Focus Page

Ongoing IESBA Initiatives

- Environmental Scanning

- Regular Internal Board Education

- Ad-hoc Analysis of Technology-related issues

- Facilitate Recommendations and Non-Authoritative Material (if applicable)

IAASB Technology Position Initiative

Strategy and Work Plan for 2024–2027 *(Table B)*

- **Initiative**:   Establish a Technology Position…
- **Commencement date**: H1 - 2024

…on addressing the impact of technology in the IAASB's standards, including the Board's vision and roadmap.

This position will inform standard-setting and related activities during the Work Plan period.
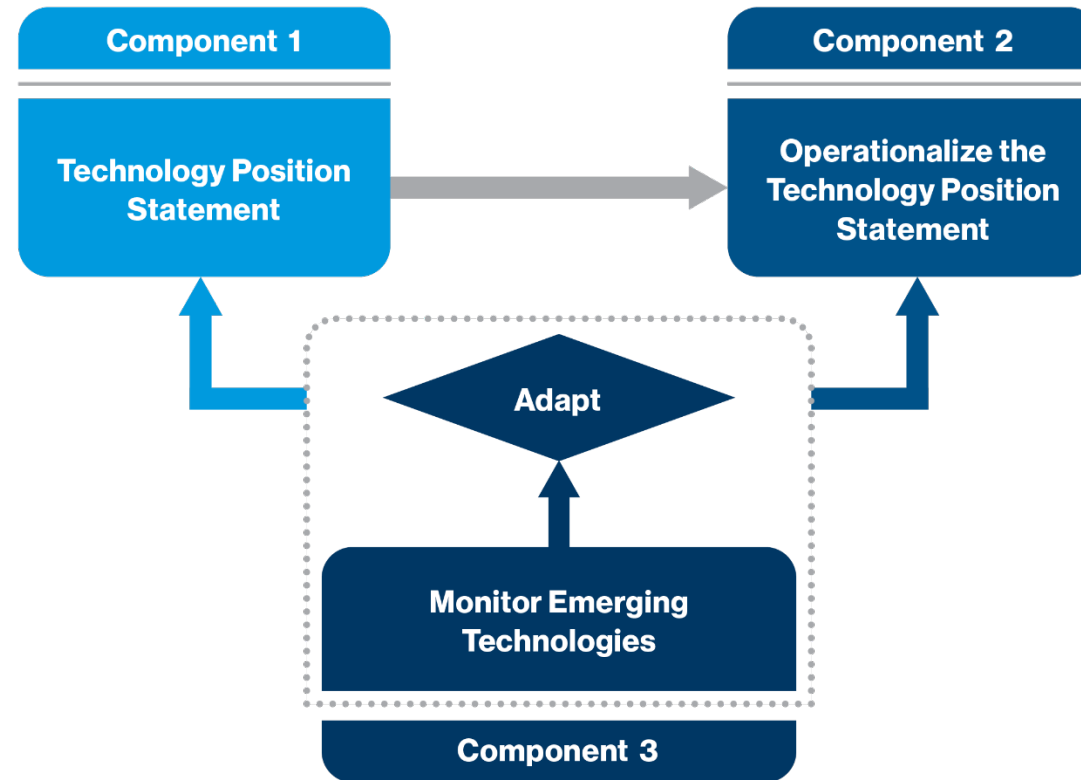
IAASB Technology Position

IAASB Technology Position Statement

IAASB International Auditing and Assurance Standards Board®

IESBA International Ethics Standards Board for Accountants®

1 Embrace Technology-Driven Innovations

2 Remove Barriers in the Standards, Real or Perceived, to Practitioners Using Technology

3 Introduce Requirements and Application Material Relating to Using Technology in Engagements

4 Address the Impact of Technology used by Reporting Entities

Commitment

The IAASB is committed to actively *facilitating* and, where appropriate, *encouraging* the appropriate use of technology in engagements and systems of quality management through developing new and revised standards.

The IAASB will also develop, or facilitate the development of, non-authoritative materials and foster ongoing engagement around relevant insights with the IAASB's broader stakeholder community.

5 Strike the Right Balance When Referring to Opportunities and Risks Associated with Technology

6 Align with Principles of Ethics and Ethical Requirements

7 Ensure Scalability and Proportionality

8 Convene Stakeholders and Fostering Continuous Engagement

IAASB's Technology Resources

- [IAASB Technology Position](#)

- [Access the IAASB's FAQs (non-authoritative guidance)](#)

- [Access the IAASB's Digital Technology Market Scans](#)

Additional resources available on the IAASB [Technology Page](#)

The Role of Standard Setters

? What should the role of the standard setting boards (IAASB and IESBA) be in setting guardrails around the responsible and ethical use of technologies by professional accountants and assurance practitioners?

Modernizing the IAASB's Standards

Project Proposal

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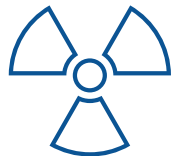
Integrated Approach to Audit Evidence and Risk Response, Including a Focus on Technology and Internal Controls

ISA 500, *Audit Evidence*

ISA 330, *The Auditor's Responses to Assessed Risks*

ISA 520, *Analytical Procedures*

Framework aspects of the project

Performance aspects of the project

Technology Position

Project Objectives that Support the Public Interest

OBJECTIVE A: Support the application of professional judgment and professional skepticism exercised by auditors when obtaining and evaluating audit evidence and when responding to assessed risks.

OBJECTIVE B: Promote consistent practice and auditor behaviors by facilitating effective responses to risks of material misstatement, including by strengthening auditors' work on internal controls.

OBJECTIVE C: Facilitate, and where appropriate, encourage, auditors' use of technology to obtain audit evidence and evaluate its sufficiency and appropriateness.

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How the Evolving Technology Landscape Impacts Audit Evidence

?   At a strategic level, how else might technology impact the way that audit engagements are performed, and audit evidence is obtained?

Risks and Opportunities of Changing the Standardized Nature of the Audit Evidence Gathering Activities
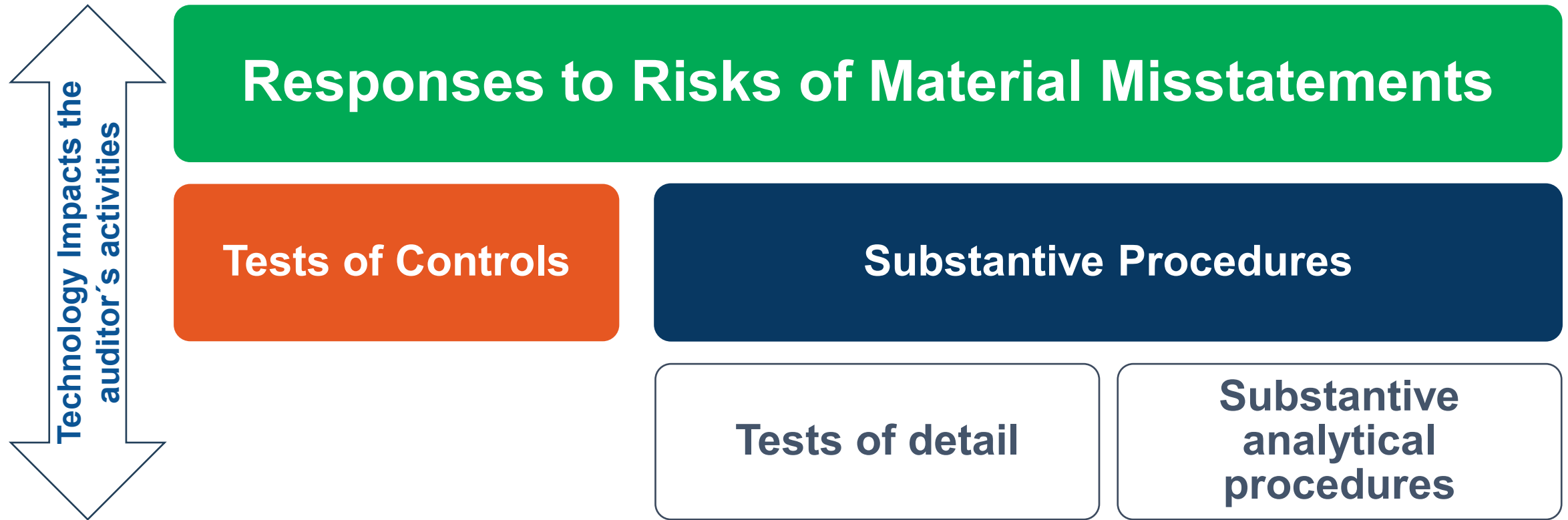
Risks and Opportunities of Changing the Standardized Nature of the Audit Evidence Gathering Activities

? What are the risks and opportunities of the increased creativity and processing power of IT applications on the standardized nature of the audit evidence gathering activities?

Expectations About Auditor Responsibilities, Given the Importance of an Effective System of Internal Control in an Entity

Auditor obtains understanding of an entity's system of internal control

Auditor evaluates the design and implementation of certain controls

Auditor tests operating effectiveness of certain controls

Auditor communicates deficiencies in internal control to management and those charged with governance

Entity implements, monitors, and revises their system of internal control

> Recurring inspection findings relating to the auditors' work on internal controls.

> Corporate collapses linked to failures in internal controls.

Expectations About Auditor Responsibilities, Given the Importance of an Effective System of Internal Control in an Entity
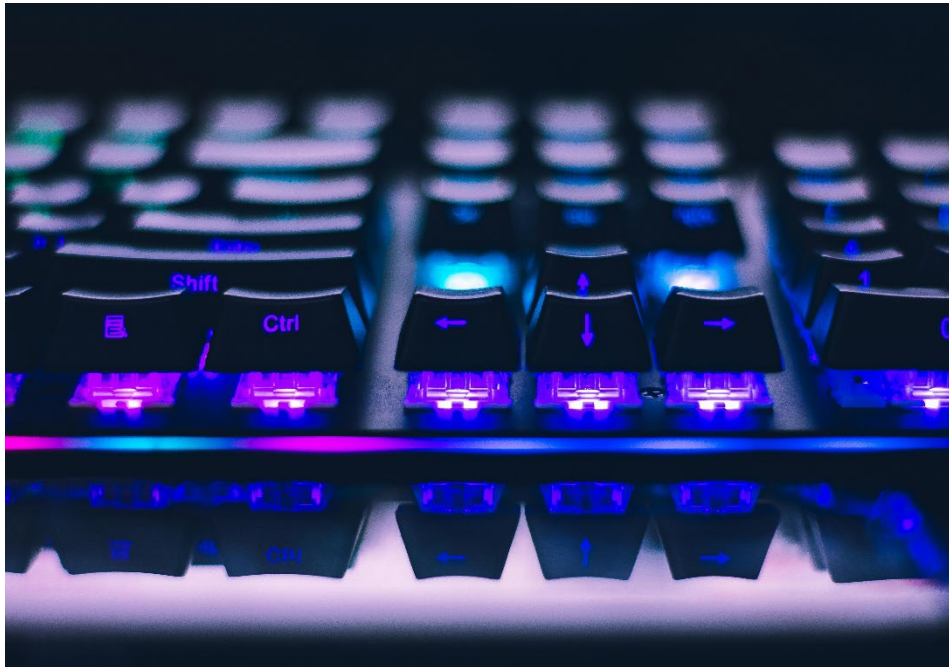
? What should the auditor's role be relating to internal control, in light of the public interest in entities having an appropriate system of internal control?

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