

Session 1 – Open Dialogue with the Standard Setting Board Chairs

Stakeholder Advisory Council

Gabriela Figueiredo Dias, IESBA Chair

Tom Seidenstein, IAASB Chair

New York | 20–21 October 2026





REPORT BACK APRIL 2026



STANDARD-SETTING BOARD WORKPLANS

IESBA Update

REFER TO **APPENDIX A** FOR DETAILED PROJECTS INFORMATION

Progress on Projects and Working Groups

Firm Culture and Governance

Private Equity & Other
External Investments

Role of Chief Financial
Officers

Impact of Emerging Technologies

Adoption & Implementation



Open Dialogue and Reflection on Leading Issues

IAASB Update

REFER TO **APPENDIX B** FOR DETAILED PROJECTS INFORMATION

Progress on Projects and Workstreams

Audit Evidence and Risk Response

The ISA for LCE

Technology Quality Management

500 Series

Post-Implementation Review
of ISA 540 (Revised)



Open Dialogue and Reflection on Leading Issues

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Appendix A – IESBA Update

IESBA Agreed Workstreams and Priority 2026-2027

NEW WORKSTREAMS AS CAPACITY OPENS UP Q1 2027

STRATEGY SWP / Trends and Risks Committee / Communications / SMART

PRIORITY WORKSTREAM

Interconnected Areas of Greatest Ethical Risks and Transformation

FCG

PEI

Technology

➤ Technology Alliances

PRIORITY WORKSTREAM

Global Adoption & Implementation

Adoption Monitoring, Implementation Support, Partnerships, Adoption Profiles, IIMAG

- Revised CFO Phase 2
- PIRs – Restructured Code and NOCLAR
- SMART Initiative: “Use of the Code – Simplification”
 - Proportionality
- CIVs NAM (as soon as capacity allows)

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FIRM CULTURE AND GOVERNANCE (FCG)

Problem Statement and IESBA's Response

Problem Statement

- High-profile cases of unethical behavior in accounting firms & their adverse impacts on stakeholders and on reputation of, and public trust in, the profession
 - Requests for IESBA to consider a strategic and constructive response in 2023

Public Interest Objective of the Project

To strengthen the ethical foundations of accounting firms by fostering organizational cultures and governance arrangements that consistently support ethical behavior and high-quality professional judgments, thereby better protecting the public interest

IESBA's Action and Response

- To develop a global culture and governance framework that can help firms build and sustain a strong ethical culture across the whole firm
 - Gather a robust evidence base to support development of such framework

Overview of Evidence Base Established

	Objective	Activities	Reach
2024	Understand how culture and governance influence compliance with IESBA Code	Stakeholder outreach & academic research to inform FCG WG Report identifying 8 FCG elements	50+ meetings
2025	Gather stakeholder perspectives on the eight FCG elements	Global roundtables, Forum of Firms deep dive Development of IESBA viewpoints	160+ participants across 6 roundtables
2026	Assess views on a global FCG baseline	FCG Dialogues and simulation exercises	130+ stakeholders; 2 firm simulations with 75 participants

FCG Provisions Advance Toward December ED

June set the direction; September tested how the principles work in practice

JUN

JUNE 2026 • DECISION

Direction set

One overarching, principles-based requirement; targeted Code application material; practical NAM

SEP

SEPTEMBER 2026 • FIRST READ

Draft tested

Focus on enforceability, proportionality and application across network firms

DEC

DECEMBER 2026 • TARGET

Exposure draft

Advance the proposed provisions and supporting materials as an ED package

THREE MAIN CONSIDERATIONS SHAPE THE FIRST-READ PROVISIONS

ENFORCEABILITY

Clear accountability

Clarify ultimate responsibility for ethical culture and governance

SCALABILITY & PROPORTIONALITY

Fit for different firms

Reflect differences in firm size and complexity

NETWORK FIRMS

Consider mutual influence

Consider network-related influence on the firm's culture and governance

IESBA–IAASB COORDINATION

Position FCG and ISQM 1 as complementary—not competing—and develop a short companion paper so firms can leverage existing SOQM.

September Outcomes Set the Q4 path

SEPTEMBER 2026 OUTCOME

Direction endorsed

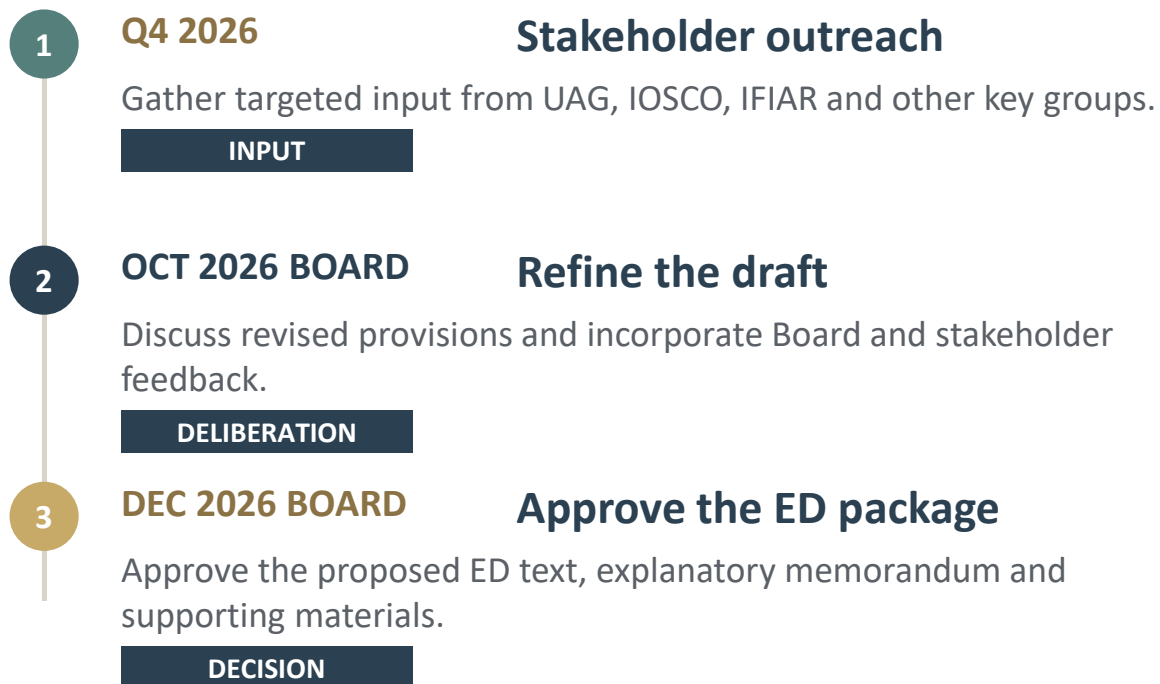
Board supported overall direction of proposed firm culture and governance provisions.

FOCUS FOR REFINEMENT

- Requirement & accountability**
Clarify scope, outcomes, enforceability and governance.
- Drafting approach**
Balance defined terms with practical examples.
- Networks & ISQM 1**
Address network firms; leverage existing SOQM.

Q4 2026 NEXT STEPS

From input to decision

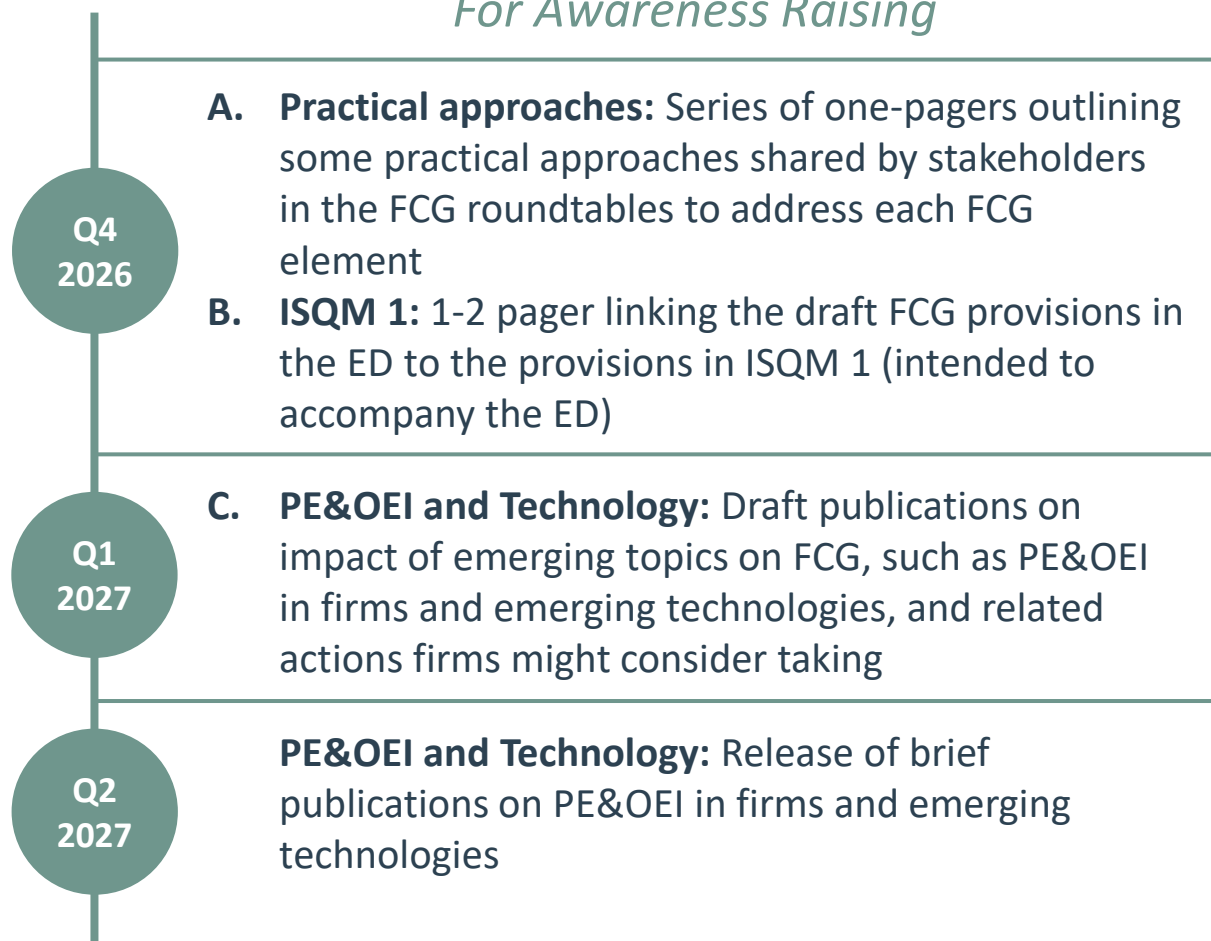


Preliminary NAM and Other Supporting Materials Plan

INDICATIVE TIMELINE

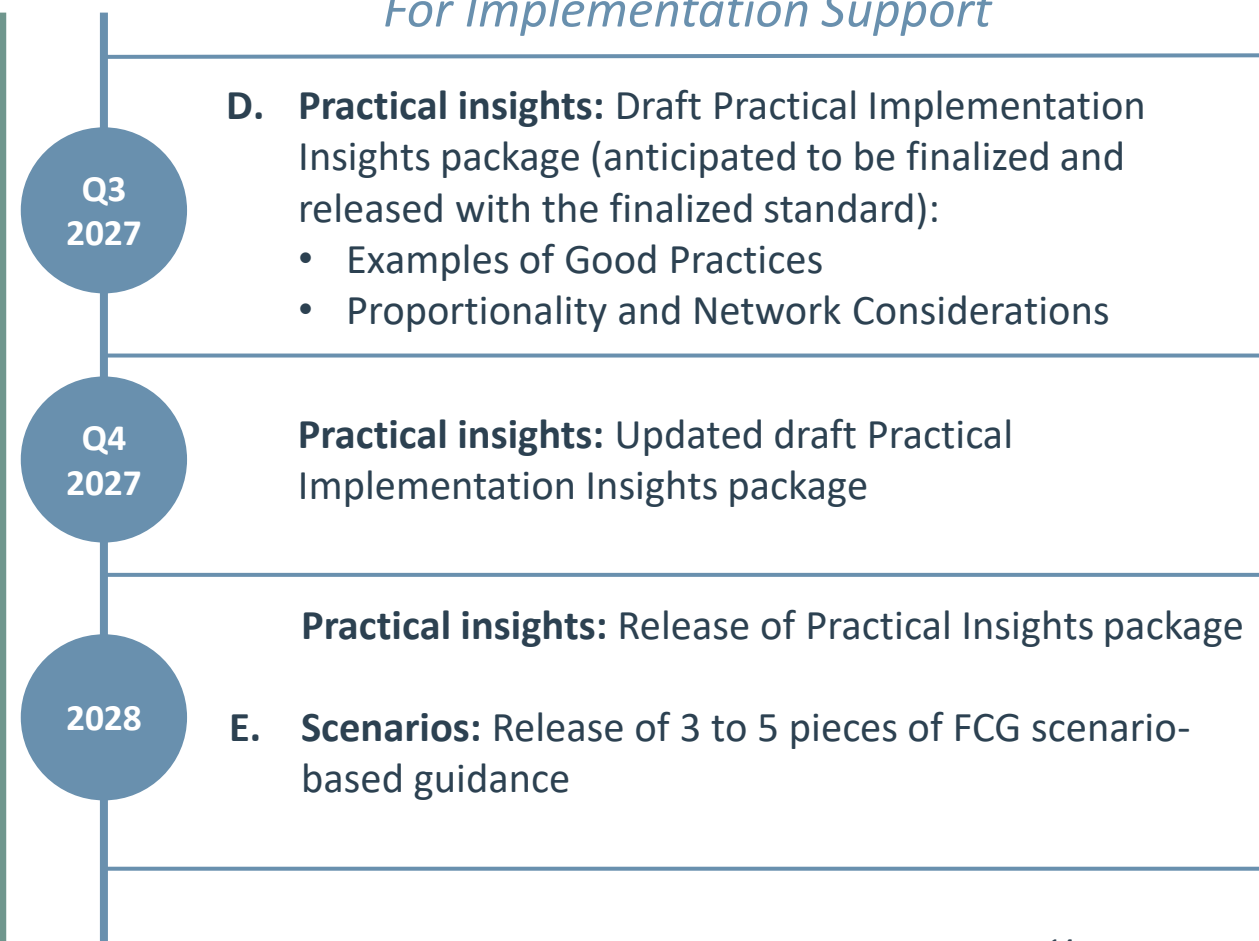
Other supporting materials

For Awareness Raising



NAM

For Implementation Support



Interaction with PE&OEI Project

TWO COORDINATED WORKSTREAMS, DISTINCT OBJECTIVES

01 PRIVATE EQUITY INVESTMENTS

Opportunities and risks

- Growth, technology and enhanced expertise
- Conflicts, commercial pressures and culture challenges
- Potential implications for long-term ethical culture and governance

02 FCG WORKSTREAM

Set the global baseline

- High-level, principles-based framework in the Code
- Strong FCG practices safeguard ethical culture and governance
- FCG Framework applies to all firms regardless of legal or ownership structure

03 PE&OEI WORKSTREAM

Assess implications of PE&OEI developments

- Ongoing consideration as the PEI landscape develops
- Determine whether targeted Code changes are needed
- Coordinate with FCG as framework is finalized

NEXT STEPS

Q4
2026

- Information gathering on PE&OEI, incl FCG implications
- Engage with UAG, SAC and JSS

Q1
2027

Final PE&OEI report to include implications for FCG and recommendations

H2
2027

Publication on PE&OEI-FCG interactions



PRIVATE EQUITY INVESTMENT & OTHER EXTERNAL INVESTMENTS (PE&OEI)

Problem Statement and IESBA's Response

Problem Statement

New ownership models may fundamentally reshape who influences firms, how decisions are made and which incentives drive professional behavior, raising new or enhanced ethical challenges

Public Interest Objective of the Project

Ensure the ethical guardrails needed to preserve integrity, role and mindset, objectivity, independence, ethical culture and public trust by the firms subject to PEI

IESBA's Action and Response

- Identify and test ethical challenges arising from PEI
 - Test them against the existing standards and investigate possible gaps in the Code
- Develop the necessary ethical responses through standards, guidance or other appropriate actions

SSB Approach to Phase 1 of the PE&OEI Workstream

A **Collaborative Information-gathering Workstream** between the IESBA and IAASB to develop an evidence-based understanding of:



- The evolving models of accounting firm ownership and external investment in accounting firms
- Their implications for ethics, independence, quality management, audit and other assurance quality, and the public interest

Focus includes:



Challenges affecting ethics, independence, quality management, and public interest



Definitions of key terms: firm, network, network firm



Relevant considerations in the Code (including independence standards)



Quality management considerations



Engagement level considerations

Joint IESBA-IAASB PE&OEI Phase 1 Action Plan

COLLABORATION AND COORDINATION THROUGH A STRUCTURED PLAN



Operating principle: Share information and coordinate analyses while maintaining the respective mandates of each SSB

PE&OEI: Information-Gathering Activities To Date

Desktop Research



Jurisdictional regulatory frameworks and oversight requirements for accounting firms



Jurisdictional regulatory responses to PE&OEI in accounting firms and their implications for governance and control



Recent developments in PE&OEI in accounting firms indicating evolving accounting firm structures and ownership or investment models



Private equity investment in other industries, including observed outcomes and potential implications

Stakeholder Questionnaires and Follow-up 1-on-1 Meetings

Questionnaire for PAOs, Regulators or Oversight Bodies, and JSS

Questionnaire for Accounting Firms

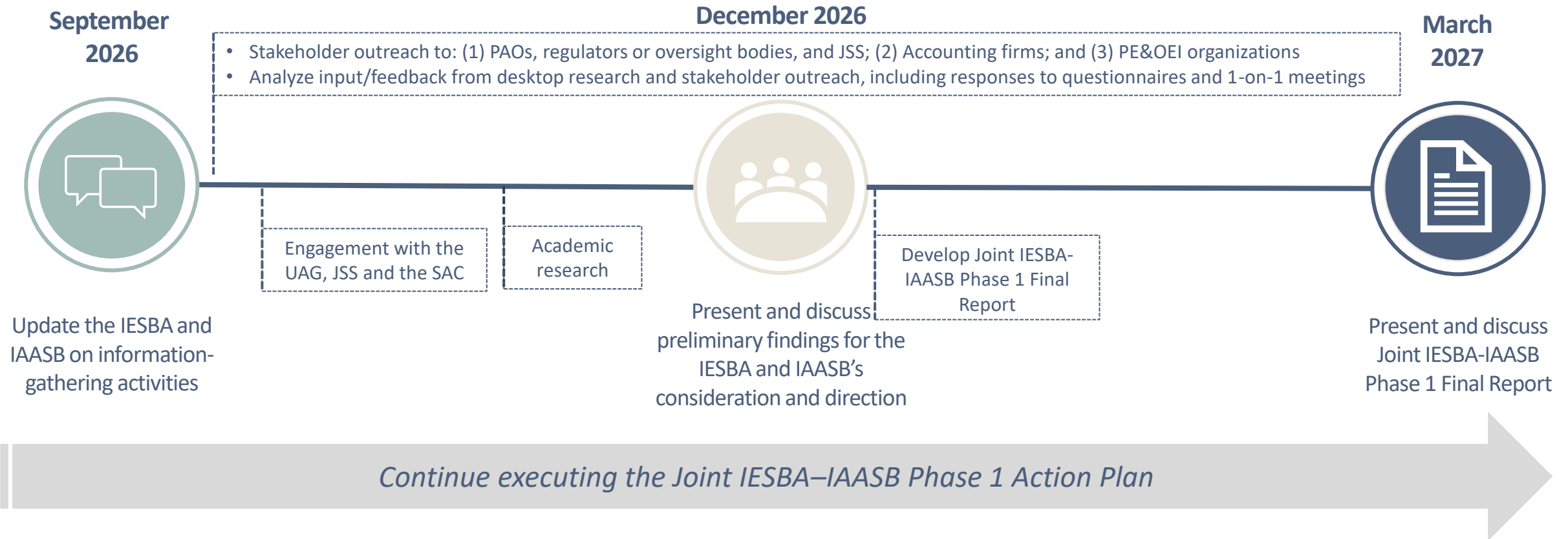
Q4

Targeted outreach to PE and other external investors

Shared Objective: Gather information on the nature, extent and global evolution of PE&OEI, ownership and financing models

PE&OEI Next Steps

WHAT DO WE STILL NEED TO DO



ROLE OF CFOs



Problem Statement and IESBA's Response

Problem Statement

CFOs' responsibilities now extend beyond financial stewardship (e.g., sustainability, technology and risk). Ethical issues may not be recognized or recognized too late; the Code not always used as a practical decision-making resource.

Public Interest Objective of the Project

Strengthen ethical guardrails to support timely ethical decision-making by PAIB CFOs (first line of defense) and strengthen public trust in the information and decisions on which stakeholders rely.

IESBA's Action and Response

- Examine evolving role of CFOs and related ethical challenges and assess the Code's relevance (Phase 1)
 - Develop and test practical materials to support PAIB CFOs' application of the Code
 - Refer relevant findings to other IESBA workstreams

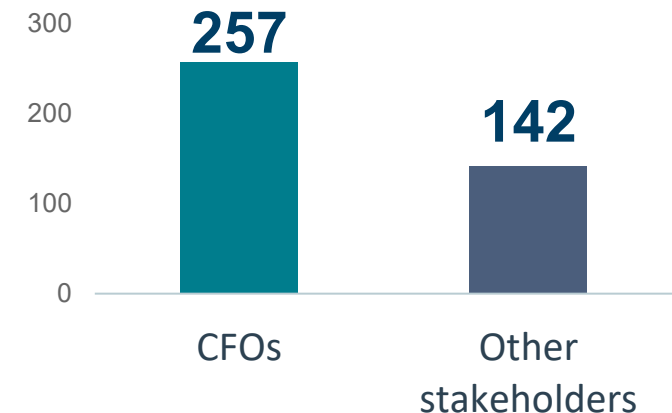
Phase 1: What the Evidence Established

STEWARDSHIP REMAINS CENTRAL AS CFO RESPONSIBILITIES AND DECISION PRESSURES EXPAND

CFO role	The role extends into strategy and technology, while stewardship remains central. CFO responsibilities vary across organizations types and jurisdictions.
Ethical recognition	Issues can appear commercial or technical before their ethical implications become visible. Pressure and weak escalation mechanisms may amplify threats.
Information integrity	The challenge spans financial and non-financial information, including forecasts, sustainability disclosures, and AI outputs.
Code application	Existing principles and requirements substantively cover recurring issues examined. The Code is not always used as a live decision resource.
Support and context	Professional membership shapes ethics support and accountability. Legal and organizational conditions affect practical response routes.

Evidence base

Survey submissions



226 Outreach participants

- Academic review
- Code mapping
- EU/US contextual analysis

Key Outcomes September 2026 IESBA Discussion

Recommendation 1

Concluded Phase 1 Information Gathering

- The Code is sufficient
- No CFO-specific standard-setting project needed; no extension of Code scope on current evidence

Recommendation 2

Approved Pilot Test of NAM

- Develop, pilot, and evaluate non-authoritative material (NAM) for PAIB CFOs

Recommendation 3

Refer relevant evidence to other workstreams

- Compile and refer relevant evidence to existing IESBA workstreams within their approved scopes

Focused Pilot Test of NAM: Delivery & Evaluation

THE PILOT WOULD CREATE EVIDENCE FOR A JUNE 2027 BOARD DECISION ON FURTHER WORK

Q4 2026

January–March 2027

June 2027

Develop the pilot

In December, table a draft scenario and an engagement plan to the Board.

Test with stakeholders

Test with a targeted group. Assess how the materials affect ethical recognition and use of the Code.

Board decision

Report findings, resources used and PT recommendations. The Board decides whether to continue or conclude.

What the test needs to establish

1 Recognition

Identify the ethical issues

2 Application

Find and apply relevant Code provisions

3 Reasoning

Explain actions or escalation and the Code's contribution

4 Interpretation

Identify unclear guidance or unintended interpretations

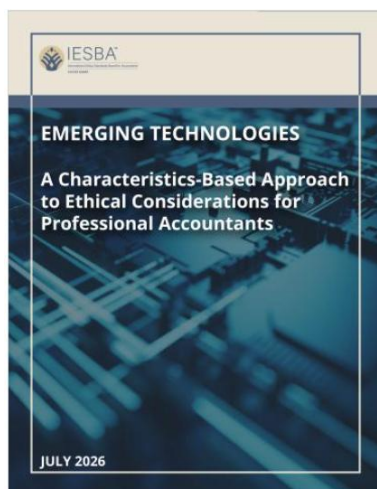
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IMPACT OF EMERGING TECHNOLOGIES

Emerging Technology Guidance: Now and Next

CURRENT GUIDANCE IS AVAILABLE; GEN AI AND AGENTIC AI GUIDANCE ON THE 2026–27 RELEASE PATH

AVAILABLE NOW · JULY 2026



[View current publication](#)

Characteristic-based ethics guidance

Practical, non-authoritative guidance for professional accountants using emerging technologies. It does not replace the Code.

Seven characteristics may amplify ethical risk: opacity, non-determinism, data dependence, perpetual adaptivity, autonomy, scalability and speed.

NEXT RELEASE · EARLY 2027

Generative AI and Agentic AI NAM

- 1 Scenarios**
Illustrative GenAI use cases with limited agentic capabilities, linked to threats, fundamental principles and technology characteristics.
- 2 Expert review**
Technology Expert Group feedback by September 2026.
- 3 Board & release**
Final draft to IESBA in December 2026; publication anticipated in early 2027.

Technology Alliances

Problem Statement

The scale, pace and strategic importance of alliances between firms and technology providers, particularly in AI, together with AI's growing autonomy and reach, may give rise to new ethics and independence considerations and questions about how the Code applies

Public Interest Objective of the Project

Safeguard ethical conduct and independence as these alliances reshape how firms develop and deliver services

IESBA's Action and Response (September 2026)

- Prioritize information gathering to understand the ethical and independence implications of such strategic alliances
 - Evaluate whether the relevant provisions in the Code remain fit for purpose

Technology Alliances

NEXT STEPS

September 2026



Initial Discussion

Preliminary discussion based on publicly available information
IESBA approves structured information-gathering workstream

[IESBA Agenda Item 6A](#)

December 2026



Approve Terms of Reference

IESBA to approve ToR and determine next steps

Q1 2027 onward



To be determined



ADOPTION & IMPLEMENTATION

A&I WG Activities Since April 2026



IESBA/IFAC liaison – A&I coordination and IFAC’s modernized Compliance Program



IESBA/IAASB staff coordination and quarterly regional outreach/monitoring of IESSA adoption status



IIMAG:

- Additional IESBA Staff Q&As on IESSA
- Joint IESBA-IAASB FAQs under development
- Membership Change – Steve Miklos, Deloitte



- Jurisdictional Profiles and Outreach
- Partnership Framework

Following approval of revised SMOs, IFAC is modernizing its Compliance Program and approach to monitoring adoption and implementation across its membership

Flexible and digitalized
A more flexible, digitalized and value-added approach to monitoring A&I

More granular framework
A more granular adoption-status approach with greater visibility into jurisdictional adoption progress

Enhanced methodology
Enhanced methodology to support consistency across jurisdictional assessments

Targeted launch
February / March 2027

This work supports ensuring consistency between IESBA’s and IFAC’s A&I approaches

The A&I WG provided feedback on IFAC’s proposed methodology and framework

IFAC Staff will provide an update to IESBA at December 2026 meeting

IESSA Adoption

PRIORITY JURISDICTION PROFILES, JSS & REGIONAL BODIES

Adopted		Adoption in Progress	Under Consideration	
Australia	Saudi Arabia	Brazil	Botswana	Lesotho
Bulgaria	South Africa	China	Costa Rica	Mexico
Ghana	United Kingdom	Kenya	Croatia	Myanmar
Hong Kong SAR	Zambia	Netherlands	Egypt	Nepal
India	Zimbabwe	Nigeria	Ethiopia	Norway
Japan		Singapore	Finland	Qatar
Malaysia		Sri Lanka	Germany	South Korea
New Zealand		Sweden	Indonesia	Uganda
Pakistan			Italy	United States

Adoption status updated September 2026 and refreshed quarterly on the IESBA website: [IESSA Adoption Status](#)

Jurisdictional Profiles and Outreach

THE INITIAL 17 PRIORITY JURISDICTIONS

Australia	Brazil	France	India
Italy	Japan	Kenya	South Korea
Malaysia	New Zealand	Nigeria	Singapore
South Africa	United Kingdom	Qatar, Saudi Arabia, UAE	

PROGRESS SINCE APRIL 2026

11 of 17
Jurisdictions contacted

June–July 2026

Australia, Brazil, India, Italy, Japan, Kenya, Malaysia, New Zealand, Nigeria, Singapore, South Africa

2
No outreach required
At this stage

France, United Kingdom

4
Responses received
Profiles updated

Italy, Japan, New Zealand, South Africa

4
Deferred
Pending review and partnership

South Korea, Qatar, Saudi Arabia, UAE

THE 7 ADDITIONAL JURISDICTIONS

Argentina	Chile	China
Colombia	Hong Kong SAR	Mexico
Türkiye		

STATUS AND NEXT STEPS

Draft profiles and correspondence prepared

Next steps

Observations and open questions to be discussed with IFAC's Regional Relationship Managers, after which tailored correspondence will be issued to each jurisdiction

Partnership Framework Prospective Partners

THE 8 PRIORITIZED PROSPECTIVE PARTNERS

WBG
World Bank Group

PAFA
Pan African Federation of
Accountants

IOSCO
International Organization
of Securities Commissions

ACCA
Association of Chartered
Certified Accountants

CAPA
Confederation of Asian
and Pacific Accountants

SOCPA
Saudi Organization for
Chartered and
Professional Accountants

GLENIF
Grupo Latinoamericano
de Emisores de Normas de
Información Financiera

ACE
Accountancy Europe

ADDITIONAL PROSPECTIVE PARTNERS UNDER CONSIDERATION

Alignment with the IOB Public Interest Issues on Stakeholder Engagement

- **IOB expectation:** engaging all relevant stakeholders is an integral part of the monitoring and rapid response mechanisms
- **Response:** Partnership Framework builds wide collaboration across the ecosystem needed for successful A&I



Appendix B – IAASB Update

Progressing Our Current Work – 2026 and 2027

Standards Underway

- Audit Evidence and Risk Response (ISAs 330, 500, 520)
- Targeted standards in ISA 500-series (ISAs 501 and 505)
- Revising ISRE 2410

Targeted Amendments

- The ISA for LCE – 1st revision
Not completed until 2027

Information Gathering and Implementation Support Underway

- Post-implementation review (PIR) of ISA 540 (Revised)
- PIR of ISA 315 (Revised 2019)
- ISSA 5000 adoption and implementation
- Other Assurance Engagements (landscape and IAASB role)

Collaboration with IESBA

- Firm Culture and Governance
- Private Equity and Other External Investments in Firms

Strategic Focus on Technology

- IAASB Technology Catalog
technology-related matters on IAASB radar
- Technology Quality Management (QM) Guide Series
applying the principles of the QM standards to AI-enabled technological tools

Still to Commence in 2027

- Materiality – ISA 320
- Revisit adoption of the PIE definition for the ISQMs and ISAs

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RECENT APPROVALS FOR PUBLIC EXPOSURE

Audit Evidence & Risk Response Project Aims for a Durable, Cohesive, Principles-Based Approach

Integrated Approach to Audit Evidence and Risk Response



Comprehensive framework for making judgments about audit evidence, including the alignment of principles and concepts between the standards to support coherent and consistent work effort



Enhanced focus on professional skepticism when obtaining and evaluating audit evidence and in responding to risks of material misstatement (ROMM)



Facilitating the design of robust procedures capable of detecting material misstatements at the assertion level by clarifying the principles underpinning effective substantive procedures



Strengthening the auditor's work on internal controls by broadening the scope of tests of controls and elevating a controls-based approach



Recognizing the evolution in technology by clarifying how the principles-based requirements apply when using technological tools to obtain and evaluate audit evidence

Improved Consistency in the Auditor's Work Effort Supporting the Delivery of High-Quality Audits

Audit Evidence and Risk Response EDs Published

OPPORTUNITY TO TEST PROPOSALS AND FOUNDATIONAL ASPECTS OF THE RISK-BASED AUDIT MODEL

Integrated Approach to AE&RR to Address Project Objectives that Support the Public Interest

- Explanatory Memorandum (EM) will map **standard-setting proposals** in the exposure drafts to the **proposed actions** and **qualitative characteristics of the PIF** in the project proposal
- EM will specifically invite insights from stakeholders, from their unique vantage points, on the **implications or effects of implementing the proposals**

Reference Framework and Performance Aspects

- Building on, reinforcing and enhancing connections with **risk assessment process** in ISA 315 (Revised 2019)
- **Framework:** ISA 500 (Revised) – judgments about audit evidence throughout the audit
- **Performance:** ISAs 330 (Revised) and 520 (Revised) – robust responses appropriate in the circumstances
- **Opportunity for dialogue** on matters where there are divergent views (e.g., ISA 330, para. 18)

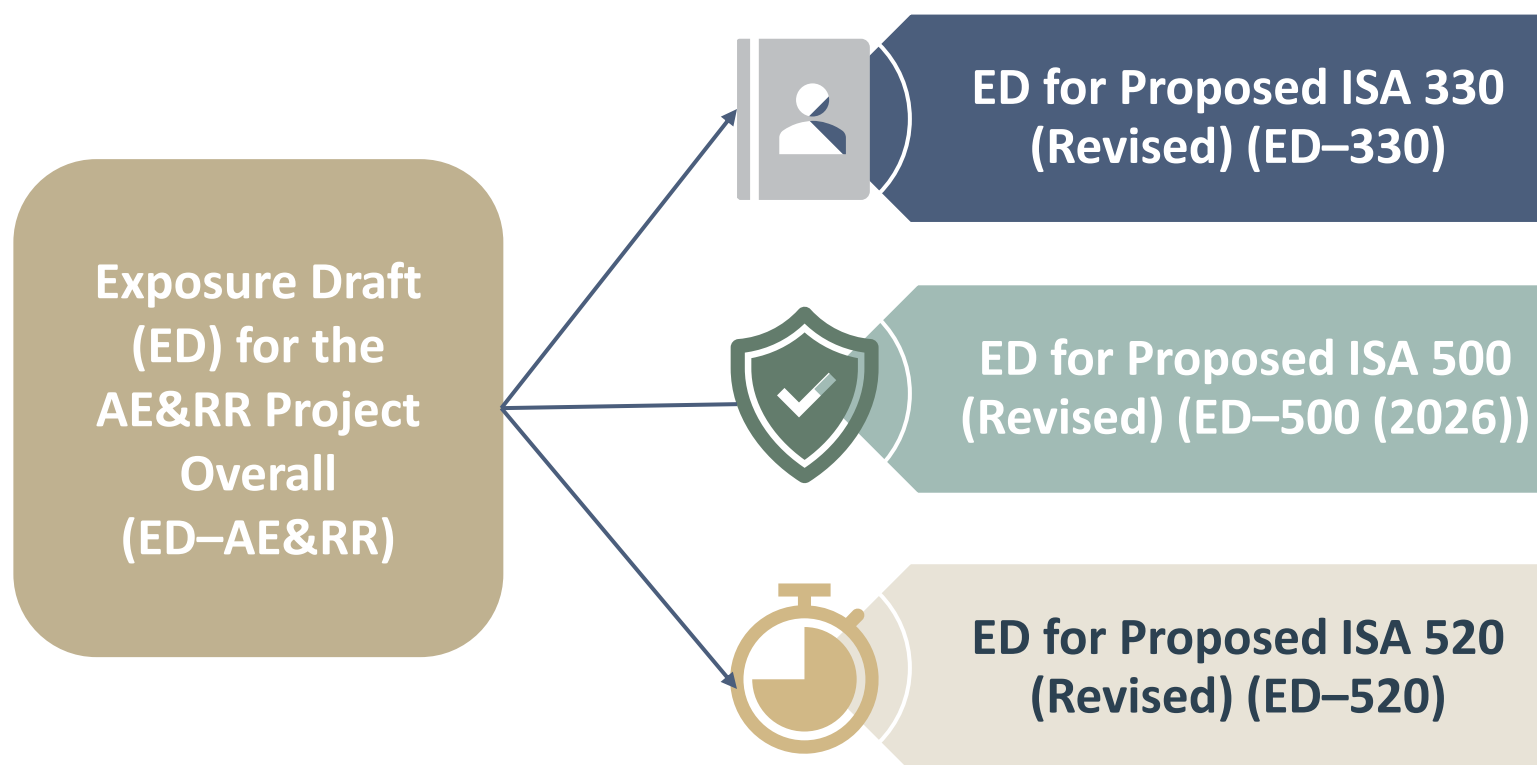
Focus on Technology and Internal Control

- Concepts and requirements to help **future-proof** the standards; allow for further evolution in entities and auditors' **use of technology**
- Application material on the **impact of technology**
- Clarifying matters for **tests of controls** (TOCs): when TOCs alone is appropriate; circumstances requiring TOCs; navigating testing of direct and indirect controls
- EM will address **neutral stance** on using substantive procedures, TOCs or a combination

Audit Evidence and Risk Response

PUBLIC CONSULTATION NOW OPEN!

Consultation is Open till December 15, 2026 (Available [Here](#))



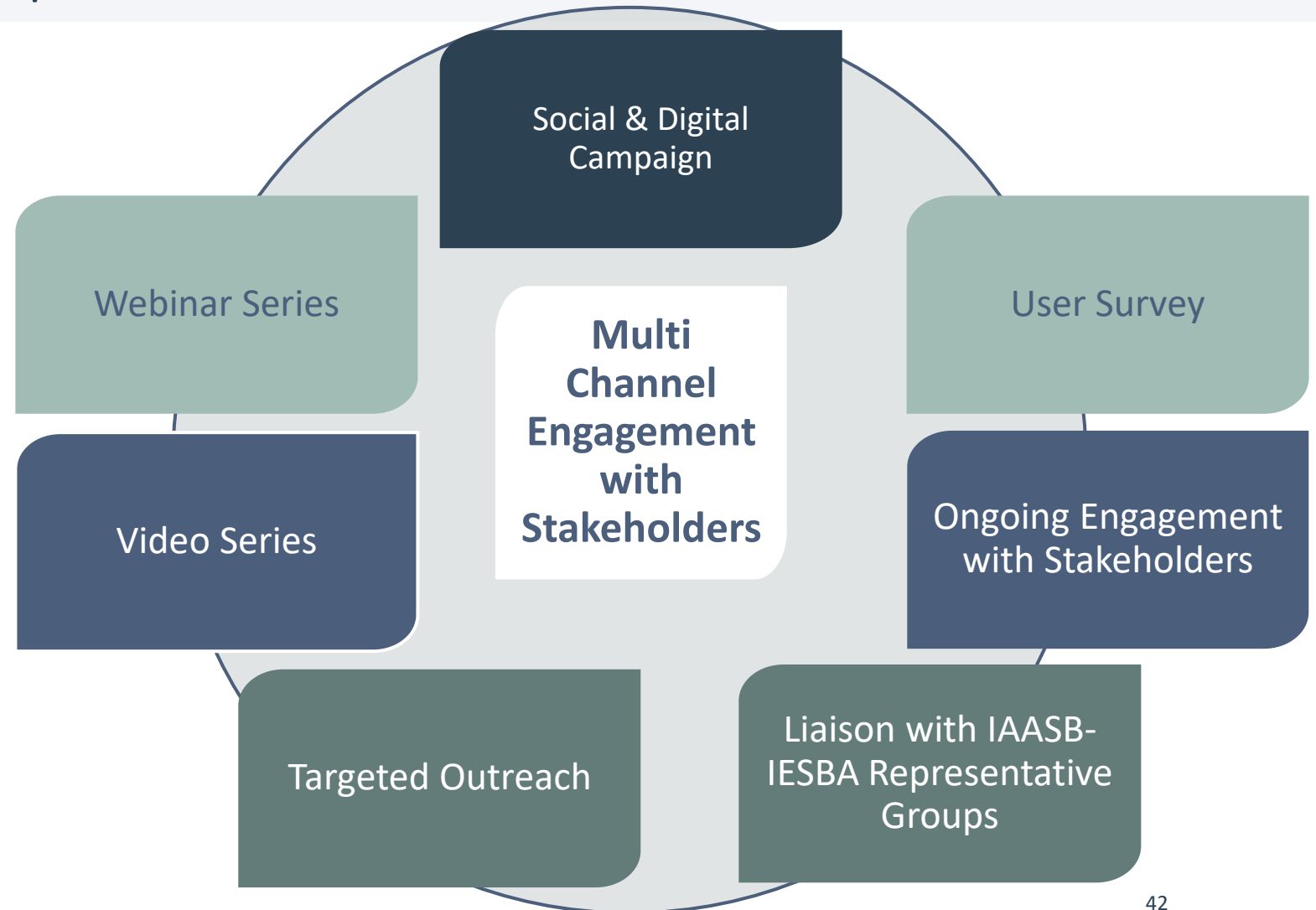
Although not required to respond to the EDs, **Field testing is welcomed** (IAASB aware of JSS* and firms that are undertaking field testing)

Also, a separate **User Consultation Survey** is available to better facilitate input from users

IAASB Emphasizing Robust Engagement on Audit Evidence and Risk Response

Proactive Communication and Robust Engagement Throughout Consultation Period

For SAC Meeting: see Session 5 – discussion of Board position on selected proposals



The ISA for LCE Adoption Is Progressing Well

REGIONAL INDICATIVE SNAPSHOT

Region	Adopted*
Africa	11 jurisdictions Burkina Faso, Eswatini, Ghana, Guinea-Bissau, Kenya, Malawi, Mozambique, Nigeria, Rwanda, Uganda, Zimbabwe
Americas	9 jurisdictions Argentina, Barbados, Chile, Guyana, Mexico, Nicaragua, Panamá, Peru, Venezuela
Asia-Oceania	9 jurisdictions Bangladesh, Georgia, Hong Kong SAR, Lebanon, Nepal, New Zealand, Philippines, Sri Lanka, Thailand
Europe	8 jurisdictions Czech Republic, Denmark, Finland, Iceland, Norway, Portugal, Slovakia, Sweden

Staff also have information of another 48 jurisdictions where adoption is under consideration

**This data is incomplete as it is limited to information received from the IAASB Jurisdictional Standard Setters Liaison Group and regional bodies on the status of adoption as at Sept. 2026.*

The ISA for LCE

FIRST MAINTENANCE PROJECT – CONSULTING ON PROPOSALS APPROVED IN JUNE 2026

Maintenance Approach

- Leverages developed solutions for the ISAs;
 - Avoids re-debating issues; and
- Focuses on applying the ISA for LCE design principles.

Project Proposal

Key issues of in-scope
ISA Projects

Step 2

Develop a
proportionate solution

Step 1

Consider the relevance
of the public interest
issues

Step 3

Determine whether
proposed revisions
achieve the project
objective

Scope of the 1st Maintenance Project



ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud*



ISA 570 (Revised 2024),
Going Concern



Listed Entity and Public Interest
Entity (Track 2) project



Use of the Work of an External
Expert project

The ISA for LCE

IN ADDITION, SEEKING VIEWS FROM STAKEHOLDERS ON THE MAINTENANCE APPROACH



Keep the ISA for LCE responsive to changes in the business and audit environment while preserving its nature - standalone standard relevant and proportionate to the typical nature and circumstances of an audit of an LCE

Current Approach

Timely Alignment of Revisions

- Revisions initiated when the ISAs revisions are almost finalized
- Ensures timely alignment between the ISA for LCE and the core requirements and concepts of the ISAs

Stakeholder Concerns Raised

Consider Periodic Revisions Approach

- Stable platform important
- Current approach could result in frequent or overlapping maintenance projects
- Greater stability would better support adoption and implementation of the standard



IAASB is seeking stakeholder views on the appropriate balance between timely alignment and a stable platform for the ISA for LCE



UPCOMING APPROVALS

Creating Guidance to Leverage QM Standards as a Core Component of Addressing the Use of AI in Audits

IAASB Aims To Advance Three Related Public Interest Objectives



Consistent and effective application of ISQM 1 and ISA 220 (Revised)

Clarify how ISQM 1 and ISA 220 (Revised) apply when AI-enabled tools are used in engagements



Reduced regulatory uncertainty

Promote a common international reference point to reduce uncertainty and divergent interpretations



Scalable support across firm sizes and maturity levels

Assist smaller or less technologically mature firms that may not have capacity to develop their own guidance

IAASB is Creating a Technology QM Guide Series

NON-AUTHORITATIVE MATERIAL SUPPORTS EXISTING PRINCIPLES

INTEGRATED PACKAGE COMPRISING FOUR GUIDES FOCUSED ON AI-ENABLED TECHNOLOGICAL TOOLS

G1: Common Conceptual Foundation

Purpose and scope, terminology, standards foundation, tool life cycle navigation, connections between guides, recurring content elements

G2: Firm-Level QM Before Deployment

Firm-level design, evaluation, enablement and approval conditions, recognizing different tool elements and parties involved in arrangements

G3: Engagement-Level Use

Direction, supervision and review, automation bias, human involvement and control points, evaluation of outputs or actions, feedback to firm

G4: Post-Deployment Monitoring and Response

Accounting for the fact that performance or outputs may change – monitoring, revalidation, remediation, decommissioning

An Agile Strategy to Support Practice

- **Build off QM Principles with Guidance**
- **Move Fast with Board Member Oversight**
- **Use Real World Expertise**
See next slide – Technology QM Expert Group and other input
- **Incorporate Existing Material to Avoid Fragmentation** by working with Standard-Setters and Regulators
- **Ensure Scalability and Proportionality**

Technology QM Guide Series

CO-CREATING GUIDANCE WITH DOMAIN EXPERTS AND AUGMENTED BY BROADER INPUT

TECHNOLOGY QM EXPERT GROUP



Multi-stakeholder group of 17 members

- ✓ Innovation leaders at Audit Firms
- ✓ Audit oversight and securities regulators
- ✓ Third-party technology developers (i.e., service providers)
- ✓ Leading academics focused on AI risks and governance
- ✓ Financial statement preparer



Monthly meetings of the Expert Group



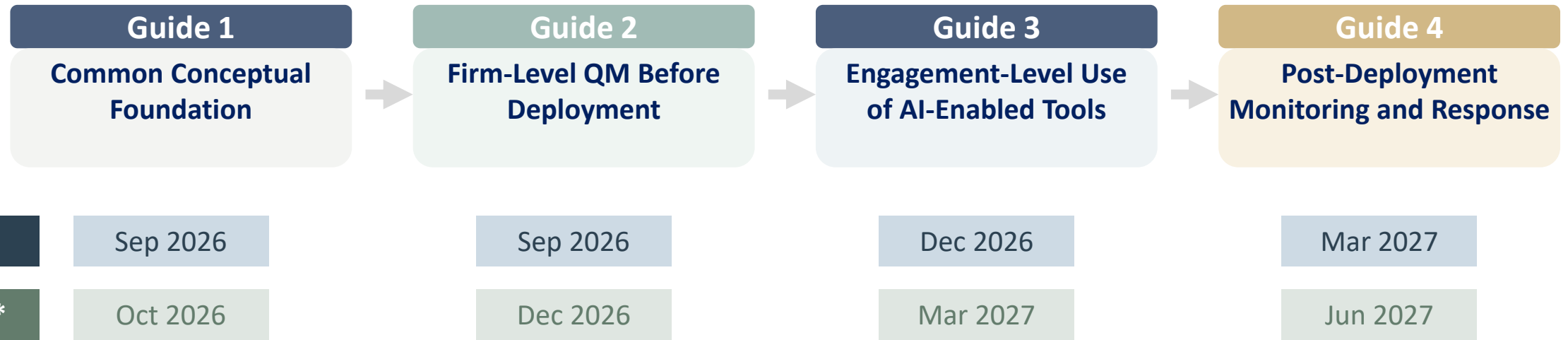
Monthly meetings with select members of Expert Group for more focused discussions on each guide

OTHER EXPERT INPUT AND CONSULTATIONS

- ✓ **Technology Consultation Group (TCG)** · Quarterly
IAASB members and selected experts
- ✓ **Technology Advisory Network (TAN)** · Quarterly
Jurisdictional Standard Setters (JSS) representatives
- ✓ **Targeted stakeholder engagement**
Leading AI technology and governance experts

Technology QM Guide Series

REVISED ROADMAP AND STAGGERED BOARD CONSIDERATION & APPROVAL SUPPORT TIMELY DELIVERY



**Planned*

**Rolling
publication**

As each guide is approved, the intent is to publish it. The integrated series is targeted to be finalized in June 2027, including conforming and consequential amendments to guides previously issued.

500-Series: Inventory and External Confirmations

PROJECT OBJECTIVES THAT SUPPORT THE PUBLIC INTEREST

Revised standards that respond to stakeholders' needs and more closely align with the concepts and requirements in foundational ISAs – Two objectives that support the public interest



Objective A

Modernize audit evidence standards related to inventory and external confirmations to reflect more appropriately the business and audit environment, including the implications of the use of technology by entities, auditors and organizations they interact with



Objective B

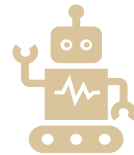
Promote consistent practice and behavior in obtaining and evaluating audit evidence about inventory and from external confirmation procedures, including reinforcing the appropriate exercise of professional skepticism in relation to these topics

500-Series: Inventory and External Confirmations

PROPOSALS ON INVENTORY AND EXTERNAL CONFIRMATIONS

TO MODERNIZE AND PROMOTE CONSISTENT PRACTICE AND BEHAVIOR – ISA 501 (REVISED)

Implications of the Use of Technology



Restructured ISA 501 to accommodate how inventory counts are performed in practice

- (i) year-end counts
- (ii) cycle counts or
- (iii) relying on controls



Clarified that technological tools may be used for remote inventory observations

Alignment with Concepts for Identifying, Assessing and Responding to ROMMs



Replaced the “materiality-based” with a “risk-based” conditionality that applies when inventory’s existence or valuation (in relation to condition) are determined to relevant assertions

Inventory Under the Custody and Control of a Third Party



Clarified that the sole reliance on third-party external confirmation procedures may not provide sufficient appropriate audit evidence

500-Series: Inventory and External Confirmations

PROPOSALS ON INVENTORY AND EXTERNAL CONFIRMATIONS

TO MODERNIZE AND PROMOTE CONSISTENT PRACTICE AND BEHAVIOR – ISA 505 (REVISED)

Implications of the Use of Technology



Explained that although direct access is not an external confirmation it may provide relevant and reliable audit evidence



Clarified the implications of using an intermediary on the reliability of confirmations



Emphasized the auditor's responsibility to maintain control over the confirmation process

Reliability of Responses to External Confirmation Requests



Added new requirement to evaluate the reliability of confirmation responses based on requirements in Proposed ISA 500 (Revised)

Negative Confirmations



Limited the use of negative confirmations to circumstances in which they are used in combination with other substantive procedures

Considerations About the Need to Perform External Confirmation Procedures



Introduced requirement to determine whether to perform external confirmation procedures for cash and cash equivalents held by third parties. To further explore whether the new requirement should also apply to accounts receivable.

PIR of ISA 540 (Revised)

SIGNIFICANT STAKEHOLDER INTEREST WITH 97 CONSULTATION SUBMISSIONS

Perceived Benefits

- Improved understanding of estimates to inform audit work
- Greater consistency in audit approach
- Heightened prof. skepticism
- Positive impact on reporting and management's processes
- Better communication between auditor and Mgmt. or TCWG

Issues or Challenges

- Application to less-complex or straightforward estimates
- Value of retrospective reviews
- Developing an auditor's point estimate or range
- Challenging management's assumptions
- Expectations regarding the use of experts

Possible IAASB Action

- Application issues rather than deficiencies of standard
- Non-authoritative material (*re-promote existing guidance; prioritize within "laundry list"*)
- Narrow-scope amendments (*clarify scope of standard; add conditionality; eliminate duplication with other ISAs*)

- *Project Team to further explore possible IAASB action, including factors to consider (e.g., timing of action vis-à-vis SWP consultation and other projects and priorities) – recommendations in December 2026*
- *Outreach efforts to continue in Q4 2026*



OTHER PROJECTS TO NOTE AND STATUS OF ISSA 5000 ADOPTION & IMPLEMENTATION

Other Projects to Note



Other Assurance Engagements

Based on the findings from information-gathering activities undertaken to date, the Board in September 2026 provided initial direction relating to the IAASB's potential role and prioritization of action. *To be discussed in more detail in Session 3.*



Technology Catalog

The Technology Catalog is the IAASB's central operational tool for capturing technology-related matters and is updated semi-annually, with the next update expected in December 2026. *To be discussed in more detail as part of Session 5.*



Private Equity & Other External Investments (PE&OEI) in Firms

IESBA, in collaboration with the IAASB, is undertaking information-gathering activities as part of its PE&OEI workstream to develop an evidence-based understanding of evolving ownership, governance, and financing arrangements in accounting firms, and their potential ethics, independence, quality management, audit and other assurance quality, and public interest implications. *Also see Slides 16–21 and to be discussed in more detail as part of Session 4.*

ISSA 5000 Adoption is Rapidly Building Momentum

REGIONAL STATUS OF ISSA 5000 OR LOCAL EQUIVALENT ADOPTION

