

**Meeting:** Stakeholder Advisory Council (SAC)

**Meeting Location:** New York

**Meeting Date:** October 20–21, 2026

## Agenda Item

# 5

### Technology-Focused Modernization of Audit and Assurance Standards

#### Introduction

1. Technology remains a key priority for the IAASB, given the pace and breadth of technological developments and their potential implications for audit and assurance. The IAASB is presently taking a three-pronged, evidence-based approach to addressing technology-related changes:
  - (a) **Getting the principles and framework right**, through the [Audit Evidence and Risk Response \(AE&RR\) project](#) by considering whether the existing principles and requirements remain appropriate as technology impacts the way audits and assurance engagements are planned, performed and evidenced;
  - (b) **Providing guidance for emerging circumstances**, through the [Technology Quality Management workstream](#), by developing practical guidance (non-authoritative material) to support the consistent and effective application of ISQM 1<sup>1</sup> and ISA 220 (Revised)<sup>2</sup> to AI-enabled technological tools through a series of guides building on a common conceptual foundation that is grounded in the standards and that follow the technological tool life cycle (pre-deployment consideration and enablement, engagement level use, and post-deployment monitoring and response); and
  - (c) **Targeted modernization**, through the [ISA 500 Series project](#), by considering targeted changes to the standards where developments in technology create a need to modernize requirements and application material. Specifically, with respect to inventory in ISA 501<sup>3</sup> and external confirmations in ISA 505.<sup>4</sup>
2. The IAASB also continues to monitor the broader technology landscape to identify challenges and opportunities that emerging technologies may present for audit and assurance and to assess whether further standard-setting or other action may be needed. The [Catalog of Technology-Related Matters and Preliminary Direction on Actions \(the Technology Catalog\)](#) supports this ongoing monitoring by providing an inventory of technology-related matters and a basis for considering their prioritization and potential implications for the IAASB's work.

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<sup>1</sup> International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

<sup>2</sup> International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements*

<sup>3</sup> ISA 501, *Audit Evidence—Specific Considerations for Selected Items*

<sup>4</sup> ISA 505, *External Confirmations*

*Focus of the Discussion with SAC Members*

3. This agenda item discusses and seeks advice from SAC Members on selected matters addressed in the proposals of the AE&RR project (**Part A**) and selected technology-related matters in the Technology Catalog (**Part B**) that would help inform the work of the respective project and workstream teams.

**Part A: Audit Evidence and Risk Response Project**

*Technological Change as a Key Driver for the Proposed Revisions*

4. Rapid advances in technology have transformed the nature, volume and sources of information generated by entities and available to auditors as audit evidence. At the same time, both entities and auditors are increasingly using sophisticated technologies in preparing financial information and performing audit engagements.
5. These developments are reshaping how auditors design and perform audit procedures, and how they obtain and evaluate the sufficiency and appropriateness of audit evidence. Accordingly, the project objectives of the AE&RR project, among other, focus on facilitating, and where appropriate, encouraging auditors' use of technology in obtaining audit evidence and evaluating its sufficiency and appropriateness. Paragraphs 6 to 21 below elaborate on the IAASB's overall approach to addressing technology in the in-scope standards and selected areas from the proposals currently out on consultation where this approach is reflected.

*Overall Approach to Addressing Technology*

6. Broadly, the IAASB's has learned the following lessons from its ongoing work on the AE&RR project in addressing the technology-related project modernization objective:
  - A commitment to principles remains essential so that the standards can remain adaptable to changing environments, circumstances, new risks and emerging technologies.
  - There is a need to continue testing the existing principles to determine whether they remain relevant, responsive and can stand the test of time in a rapidly evolving environment.
  - Guidance remains relevant and can be a necessary response to support consistent application of the existing principles in practice.
7. The proposals of the AE&RR project reflect the above in that the Board determined not to mandate the use of technology on audits and not to pursue specific technology-related requirements that would apply conditionally or otherwise when using technological tools. The IAASB's view was that it would currently be premature to determine a single workable model as basis for developing technology-related requirements that could be applied broadly and consistently. Instead, the IAASB has leveraged application material to support the application of the principle-based requirements in the standards.
8. Specifically, Proposed ISA 500 (Revised)<sup>5</sup> includes application material in the form of an Appendix that provides guidance for using technological tools by auditors, highlighting the benefits to audit

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<sup>5</sup> Proposed International Standard on Auditing (ISA) 500 (Revised), *Audit Evidence*

quality and efficiency of their use. The guidance is written at a level commensurate with the principles-based nature of the standards (e.g., not referring to specific technologies, not being too specific or granular, and maintaining scalability and flexibility to accommodate ongoing technological innovation). It also raises awareness against “automation bias” (i.e., a tendency to favor output generated from automated systems, even when human reasoning or contradictory information raises questions as to whether such output is reliable or fit for purpose).

### *The Audit Evidence Framework*

9. The new, modernized principle-based audit evidence framework (the framework) explicitly recognizes the disruptive and transformative impact of technology on how entities generate and store information. The principles are designed to be scalable and applicable to all sources of information, from paper invoices to blockchain records.
10. The framework is intended to better support consistent auditor judgments in an evolving environment by promoting a more systematic, robust and clearer approach regarding the relevance and reliability of all information used, regardless of its source or format, while recognizing that the factors affecting the reliability of information may vary depending on the circumstances.
11. Recognizing that the quality of audit evidence depends on the relevance and reliability of the information upon which it is based, the framework requires that when designing and performing audit procedures, “the auditor shall evaluate the relevance and reliability of information intended to be used as audit evidence” (Proposed ISA 500 (Revised), paragraph 11).
12. The above “base” requirement and other related requirements and application material in the proposed standard encapsulate the following:
  - Shifting from passive *consideration* (under the extant standard) to an active *evaluation* (see above) by the auditor of the relevance and reliability of all information intended to be used as audit evidence, whether obtained from sources internal to the entity or from external sources. In making this evaluation, the auditor is required to consider the source of the information and the attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures.
    - This enables the auditor to conclude, based on their evaluation, whether information is relevant and reliable.
    - The attributes of reliability aim to support the auditor in making this evaluation as they emphasize the characteristics of the information the auditor could focus on in making their evaluation. Such attributes include accuracy, completeness, authenticity, absence of bias and credibility.
    - The reference to “of significance in the circumstances to meet the intended purpose(s) of the audit procedures” addresses scalability. Considering which attributes of reliability are of significance in the circumstances is a matter of professional judgment and it is unnecessary for the auditor to evaluate all attributes of reliability in every circumstance (e.g., by using a checklist). The application material provides guidance on factors that the auditor may consider in making judgements about which attributes of reliability are of significance in the circumstances.

- Clarifying the auditor's work effort to evaluate the reliability of information intended to be used as audit evidence. While the aim is to enhance the robustness of the auditor's work, the IAASB remained mindful that the requirements should be practicable and operable by accommodating varying degrees of work effort. Therefore, the auditor's evaluation of the reliability of information may be an integral part of the audit procedures performed on a particular financial statements item(s) and, if not, the auditor is required to perform a separate evaluation of the reliability of the information.

### *Substantive Procedures*

13. In developing the proposals, the IAASB acknowledged that the use of technological tools may change how audit procedures are performed, while their purpose may remain unchanged and an audit procedure may be used for more than one purpose. Specifically, future proofing substantive procedures in accordance with their purpose involved recognizing that substantive procedures include, but are not limited to, tests of details (of classes of transactions, account balances or disclosures (COTABDs)) and substantive analytical procedures. Regarding the latter, the proposals also support that analytical procedures beyond substantive analytical procedures can be used as further audit procedures when used in combination with tests of controls or tests of details.
14. In addition, the Board focused on the application of further audit procedures in the context of the risk-based audit approach which remains foundational to the ISAs. Presently, the risk identification and assessment standard,<sup>6</sup> requires the auditor to design and perform risk assessment procedures as a basis for the auditor to identify and assess risks of material misstatement for COTABDs in the financial statements. It also requires the auditor to do a "stand-back" evaluation to support the completeness of the auditor's risk assessment, including the determination of COTABDs where a risk(s) of material misstatement exist. Collectively, this enables the auditor to determine which financial statement items may be more susceptible to material misstatement and, under the risk response standard,<sup>7</sup> helps focus the nature, timing and extent of the auditor's further audit procedures to address such risks. The auditor's further audit procedures can include substantive procedures, tests of controls or a combination of both.
15. Extant ISA 330 also contains a requirement in paragraph 18 that requires the auditor to design and perform substantive procedures for each material COTABD, irrespective of the assessed risks of material misstatement. This is based solely on whether the item is material and irrespective that the auditor may not have identified risks of material misstatement to exist for such COTABD and after having performed the "stand-back" evaluation above.
16. Information gathering during the AE&RR project indicates challenges in consistently applying and enforcing the so-called "paragraph 18 requirement", including how the auditor should focus their work effort when no risks of material misstatement are identified and the nature and extent of substantive procedures needed to satisfy the requirement. In addition, stakeholders participating in outreach activities shared a range of perspectives on this matter:

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<sup>6</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

<sup>7</sup> Extant ISA 330, *The Auditor's Responses to Assessed Risks*

- The majority of users of financial statements, regulators and smaller audit firm outreach participants supported retaining some form of “safety net”, noting the public interest value of providing confidence that “important financial statement items” are subject to some level of substantive audit work.
  - The majority of larger audit firm and some jurisdictional standard setter outreach participants emphasized the implementation challenges mentioned above and questioned whether the “paragraph 18 requirement” remains consistent with or potentially undermines the more robust risk assessment process of the risk identification and assessment standard.
17. On balance, the IAASB has decided to propose to remove paragraph 18 of extant ISA 330 and replace it with enhancements to the requirements and application material in the risk identification and assessment standard (ISA 315 (Revised 2019), as follows:
- A new documentation requirement that explicitly requires the auditor to document the basis for their determination where there are material COTABDs for which the auditor has not identified risks of material misstatement to exist for such COTABDs.
  - Enhanced application material to clarify and strengthen the auditor’s evaluation of audit evidence obtained from their risk assessment procedures.
18. This position reflects the IAASB’s desire to reinforce the more robust risk assessment process that has been established under ISA 315 (Revised 2019) which is the bedrock of a risk-based audit in accordance with the ISAs. The proposed changes aim to better support auditors in delivering high-quality audits by:
- Focusing their work effort on those financial statement items where risks of material misstatement are identified and assessed.
  - Leading to more robust risk assessments through auditors needing to justify whether the risk assessment procedures provide an appropriate basis for the identification and assessment of risks of material misstatement, including the determination where material classes of transactions, account balances and disclosures are not significant classes of transactions, account balances and disclosures.
  - Avoiding a “checklist” mentality that is cited to be driven by paragraph 18 of extant ISA 330 (i.e., an approach to defaulting to substantive procedures and which in certain instances results in the arbitrary selection of an assertion(s) for which substantive procedures are performed to meet the requirement). Instead, focusing on the auditor’s risk assessment under ISA 315 (Revised 2019), allows for a more principle-based approach that is more scalable and allows tailoring across audits for a wide range of entities.

#### *Internal Controls*

19. With technological advancement there is increased potential for entities to have designed, implemented and operated more robust automated controls than before to prevent or detect and correct material misstatements and auditors may choose to test controls more frequently than before.
20. The IAASB proposes the following to support auditors in making appropriate decisions about testing controls; specifically, for testing controls alone to address relevant assertions of a COTABD:

- An explicit requirement setting out two “risk-based” criteria that must be met for the auditor to respond to assessed risks of material misstatement at the assertion level through a tests of controls alone approach. These criteria exclude the possibility that the auditor can use such approach when the assessed inherent risk is at the higher end of the spectrum of inherent risk, including when addressing a significant risk.
  - Application material that supports the requirement by indicating that, having met the criteria, the auditor’s professional judgement about applying such an approach in the circumstances is affected by the extent to which the controls are sufficiently precise to address inherent risk and highlighting matters that the auditor may consider. Such matters may include whether:
    - The controls are manual or automated, preventive or detective controls, or a combination thereof.
    - The controls are designed to specifically respond to the auditor’s reasons for identifying and assessing an inherent risk(s) of material misstatement at the assertion level.
    - The auditor’s expectation about the operating effectiveness of controls was formed based on controls that the entity has designed, documented and implemented in response to risks identified by the entity’s risk assessment process.
    - Controls are subject to the entity’s process for monitoring their system of internal control.
21. New application material is also provided that raises awareness about the possible implications of emerging technologies on the consistency of the operation of controls. The aim is to draw attention that some controls may have been designed and implemented to be performed using technology that produces variable outputs or technology that changes, evolves or updates over time and, therefore, not all automated controls may operate with the same consistency and be considered in the same way.

#### **Matters for SAC Members’ Consideration**

1. *Overall approach to addressing technology (see paragraphs 6-8). Do you support the IAASB’s position to preserve technology-neutral, principles-based requirements? This includes, at this time, not pursuing technology-related requirements for using technological tools and instead to provide, as part of the standards, application material (guidance) to help auditors apply the principle-based requirements of the standards when using technological tools?*
2. *The audit evidence framework (see paragraphs 9-12). Do you support the IAASB’s position in introducing a modernized framework requiring the auditor to evaluate (rather than consider) the relevance and reliability of information intended to be used as audit evidence, including to accommodate scalability and proportionality in what such evaluation entails? This includes whether the framework is sufficiently robust and adaptable to remain relevant over time.*
3. *Substantive procedures (see paragraphs 13-18). Do you agree with the Board’s position to reinforce the risk-based audit approach by recognizing that a robust risk assessment process should be sufficient to determine where substantive procedures are necessary, without a separate requirement to perform substantive procedures irrespective of the assessed risks?*
4. *Internal controls (see paragraphs 19-21). Do you agree with the IAASB’s position that technological advancement could increase the use of tests of controls, recognizing the evolving role of*

*automated controls in entities? This includes the proposals to make explicit the possibility for the auditor to perform tests of controls alone for relevant assertions of a COATBD, while ensuring that such approach is used only in appropriate circumstances.*

## Part B: IAASB Catalog of Technology-Related Matters

22. At its March 2026 meeting, the IAASB approved [The IAASB's Technology Catalog Process: Approach to Addressing Technology-Related Matters](#) (the Approach). The Approach formalizes the process the Board had already been following in developing the first two versions of the Technology Catalog, while also broadening the Catalog's scope beyond the ISAs and quality management standards to include Audit and Other Assurance Engagement Standards.<sup>8</sup> In addition, the Approach outlines the Board's considerations in choosing between standard setting and non-authoritative material (NAM), and lays out the development process to be followed when the Board's decision is to develop NAM to address technology-related matters. These considerations and process are relevant to informing the Board's preliminary direction on actions documented in the Technology Catalog.
23. Version 3 of the Technology Catalog was subsequently updated to reflect the above broader scope and the input from the technology workstream team's ongoing monitoring activities as part of the semi-annual monitoring update under the IAASB's [Technology Position](#). Following the discussion at the IAASB June 2026 meeting, the IAASB published Version 3 of the Technology Catalog (included in Agenda Item 5-B for reference).

### Monitoring Activities

24. The monitoring activities that led to the development to version 3 of the Technology Catalog included:
  - (a) quarterly meetings with the [Technology Advisory Network](#) (TAN), supported by quarterly information requests;
  - (b) the Request for Input to all members of the IAASB Jurisdictional Standard Setters (JSS) Liaison Group (IAASB-JSS),<sup>9</sup> and the related annual JSS discussion;
  - (c) the [SAC](#) meeting held on April 27–28, 2026;
  - (d) desktop research and other horizon-scanning activities;
  - (e) ongoing outreach with stakeholders; and
  - (f) input from relevant IAASB project teams and staff teams.

### Version 3 of the Technology Catalog

25. The Technology Catalog provides a consolidated view of technology-related matters relevant to the IAASB's Quality Management Standards and Audit and Other Assurance Engagement Standards. It provides transparency and supports the IAASB's ongoing monitoring of technological developments

<sup>8</sup> This includes the ISAs, the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA for LCE), International Standards on Review Engagements (ISREs), International Standards on Assurance Engagements (ISAEs), and International Standards on Sustainability Assurance (ISSAs).

<sup>9</sup> Information about the IAASB-JSS Liaison Group can be accessed on the [About IAASB](#) webpage.

by showing how identified matters are currently being considered, addressed or monitored by the Board.

26. The Technology Catalog is organized into three tables:

- (a) **Table 1 – Matters not currently allocated to an active project or workstream:** This table includes matters for which the Board has not yet initiated action through an approved project or workstream. For each matter, the Technology Catalog identifies a preliminary direction on action and the Board's current prioritization of that direction. Table 1 is therefore the primary focus for input on strategic direction, as it identifies matters where the Board may need to consider whether, how and when further action is appropriate.

Additional information for context:

- **Preliminary direction on action.** The Board assigns a preliminary direction on action to each matter in Table 1, selected from the following: continued monitoring; further information gathering; standard setting; development of non-authoritative material; a combined or phased approach. The preliminary direction on action for a matter does not represent a commitment by the Board. Final determinations on whether to undertake standard-setting projects or develop non-authoritative material are work plan decisions, balanced against other priorities, capacity, and availability of resources, and are executed at the project or workstream level.
  - **Prioritization.** The Board assigns a priority of High, Medium or Low to each matter in Table 1. These prioritizations provide an indication of the relative priority of addressing the matter at a particular point in time and may evolve as the technology landscape, the relative pervasiveness or urgency of the matter, or the IAASB's broader priorities change. Prioritizations are discussed by the Board in public session and are not intended to be formulaic or fixed.
- (b) **Table 2 – Matters allocated to active projects or workstreams:** This table includes technology-related matters that are already being addressed through an approved IAASB project or workstream. Their inclusion provides transparency over where and how the matters are being progressed through the IAASB's work program.
- (c) **Table 3 – Resolved or closed matters:** This table captures matters for which the relevant action has been completed, providing a record of matters that have been addressed through the IAASB's work. As at June 2026, Table 3 does not contain any matters.

27. Version 3 of the Technology Catalog includes five new matters, reflecting developments identified through the IAASB's monitoring activities and broader stakeholder outreach. The following matters are included the Table 1 of the Technology Catalog:

- (a) **Challenges in audits of entities with activities in the crypto-asset ecosystem (Matter 5(d))** – Audits of entities involved in the crypto-asset ecosystem can present particular challenges in applying the ISAs, including obtaining sufficient appropriate audit evidence in highly technical and rapidly evolving environments.
- (b) **Impact on the audit of increasingly sophisticated cybersecurity threats affecting entities (Matter 5(e))** – Increasingly sophisticated cybersecurity threats and incidents may create audit

implications where they affect an entity's financial reporting, internal control, or the reliability and availability of information used as audit evidence.

- (c) **Sustainability and other assurance engagements (Matter 10(a))** – Technology used in sustainability reporting and in performing sustainability or other assurance engagements may create challenges for the consistent and effective application of the requirements.
- (d) **AI assurance (Matter 10(b))** – The increasing use of AI is giving rise to emerging forms of assurance relating to AI systems and AI governance.
- (e) **Cybersecurity assurance (Matter 10(c))** – The growing significance of cybersecurity risk and the emergence of jurisdictional frameworks and guidance may give rise to new or evolving forms of assurance over cybersecurity risk management programs or related controls.

#### *Selected Matters for SAC Discussion*

28. The current monitoring activities indicate that certain matters in Table 1 may warrant closer attention because their urgency or significance may be evolving. The three matters below have been selected for SAC discussion to obtain strategic perspectives on how significant and widespread the underlying challenges are, whether the existing standards and related materials remain adequate, and whether the IAASB should consider adjusting their prioritization or preliminary direction on action for these matters.

#### Matter 5(b): Impact on the Audit When Entities Use Service Organizations that Use Emerging Technologies

##### **Extract from Table 1 of the Technology Catalog**

##### *Description of the Matter*

Like in Matter 5(a) in Table 2, which deals with the increasing sophistication of technologies used by entities under audit, service organizations may also be using sophisticated technologies in delivering services to user entities or in operating controls over those services. This may also give rise to challenges in identifying, assessing, and responding to risks from the use of IT by service organizations in audits of financial statements of user entities (i.e., by user auditors).

User auditors typically rely to some extent on the work performed by service auditors in relation to controls at the service organization, as addressed in ISA 402.<sup>10</sup>

Accordingly, where a service organization uses emerging technologies in a way that is integral to the services provided, embedded in relevant controls, or affects the achievement of the service organization's control objectives, this may create challenges for both service auditors and user auditors. These challenges may be especially pronounced where the technology is difficult to understand or explain, where the service organization is relying on it within a process or control, or where its use affects areas such as change management, data integrity, processing integrity, or the reliability of outputs used by user entities and their auditors.

<sup>10</sup> ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*

*Preliminary Direction on Action*

## Further information gathering

The IAASB did not prioritize revising ISA 402 as a proposed project for its [2024-2027 Work Plan](#). However, this matter now warrants higher priority information gathering because developments in practice suggest that the use of emerging technologies by service organizations may give rise to increasingly complex questions for both service auditors and user auditors.

The Technology Team will continue to gather additional information about how emerging technologies used by service organizations are affecting the application of ISA 402 and related standards (e.g., other ISAs or ISAE 3402)<sup>11</sup>, including:

- whether they introduce risks or control considerations that are not being addressed consistently in practice or raise other quality considerations relating to existing principles and guidance in the standards; and
- whether further action may be needed, including the nature, timing and scope of action.

*Prioritization*

Medium (with the possibility of moving higher).

29. Given the increasing role of technology-enabled services, including the role that service auditor reports may play in the user auditor's work under ISA 402, the IAASB is seeking to better understand whether these challenges are becoming more prevalent or significant and whether the existing standards continue to provide an appropriate basis for addressing them. In particular, the IAASB is currently gathering information to better understand how these developments are affecting the application of ISA 402 and related standards, whether they give rise to risks, control considerations or other quality considerations that are not being addressed consistently in practice and whether further IAASB action may be warranted, and, if so, the appropriate nature, timing and scope of any potential response.

## Matter 5(d): Challenges in Audits of Entities with Activities in the Crypto-Asset Ecosystem

**Extract from Table 1 of the Technology Catalog***Description of the Matter*

Audits of entities with activities in the crypto-asset ecosystem can present significant practical challenges in applying the ISAs. Based on feedback received to date from stakeholders, the issue does not appear to be that the underlying principles in the standards are inappropriate. Rather, challenges often arise in obtaining sufficient appropriate audit evidence because the risks are distinctive, procedures may need to be tailored to those risks, and specialized skills, tools and techniques, and in some cases specialists, may be needed to identify and assess those risks and design and perform appropriate procedures.

<sup>11</sup> International Standard on Assurance Engagement (ISAE) 3402, *Assurance Reports on Controls at a Service Organization*

This issue extends beyond entities whose principal business is in crypto-assets. It may also arise in audits of entities that hold, trade, exchange, safeguard, mine, or stake crypto-assets. Examples of the challenges include auditing the existence of crypto-assets on a blockchain and whether the entity has rights to those assets; evaluating the reliability of information obtained from using technological tools such as blockchain explorers; addressing custody and control arrangements, including where third parties or service organizations are involved; and responding to fraud, related party, valuation, and completeness risks in pseudonymous, highly technical, and rapidly evolving environments. In some cases, substantive procedures alone may not be sufficient.

This matter raises the question of whether there is a role for the IAASB to contribute non-authoritative material in an area where credible jurisdictional materials already exist, including whether IAASB involvement could provide an internationally coherent reference point, grounded in the ISAs, to support more consistent and effective application globally.

#### *Preliminary Direction on Action*

##### Further information gathering

Crypto-asset-related activities are becoming more globally relevant and may create significant challenges in obtaining sufficient appropriate audit evidence. At the same time, the current fact pattern does not indicate that standard setting is the appropriate initial response. While credible resources already exist in some jurisdictions, questions remain as to whether those materials are sufficiently accessible and globally applicable to support consistent or effective application of the ISAs.

The first step for addressing this matter will be to gather additional information to define the matter more precisely and assess whether a genuine international gap or priority for standard-setting exists. Based on the outcome of that work, the Board may then consider whether targeted non-authoritative material would be an appropriate response, including whether such material could complement, rather than duplicate, existing guidance by providing an internationally coherent, ISA-grounded reference point.

#### *Prioritization*

Low.

30. The feedback received through the [joint survey of IAASB–IESBA Strategies and Work Plans](#) (comments were due by: May 15, 2026) confirmed the significance of this area but reflected differing perspectives on the appropriate role for the IAASB. Some stakeholders were of the view that, as markets mature and regulatory frameworks continue to evolve, it is important for the IAASB to provide appropriate guidance to support the consistent and effective application of the existing auditing and assurance standards. Other stakeholders highlighted the availability of credible non-authoritative material on crypto-assets issued by JSS and professional accountancy organizations and questioned the need for additional IAASB guidance.
31. Accordingly, the IAASB is gathering additional information to better understand the nature and prevalence of the audit challenges and assess whether there is a genuine international gap or role for the IAASB in supporting greater consistency in the application of its standards globally. In particular, the IAASB is considering whether targeted non-authoritative material, building on credible guidance already developed at the jurisdictional level, could provide an internationally coherent, ISA-grounded reference point without unnecessarily duplicating existing resources.

## Matter 5(e): Impact on the Audit of Increasingly Sophisticated Cybersecurity Threats Affecting Entities

**Extract from Table 1 of the Technology Catalog***Description of the Matter*

Entities are increasingly exposed to more sophisticated cybersecurity threats, including threats arising from advances in technology and from increasingly organized and capable malicious actors.

Cyber incidents or breaches affecting an entity's information systems, data, or digital infrastructure may in some circumstances give rise to risks of material misstatement, including through unauthorized access, alteration, or destruction of information relevant to financial reporting.

This matter is not about firms' own cybersecurity obligations when housing or using entity data, which are addressed elsewhere in the Technology Catalog in the quality management context. Rather, it concerns the implications for the audit when entities are exposed to increasingly sophisticated cyber threats or have experienced cyber incidents that may affect financial reporting, internal control, or the reliability and availability of information intended to be used as audit evidence. In some circumstances, cybersecurity breaches perpetrated against the entity by external parties may constitute instances of fraud or suspected fraud, which ISA 240 (Revised)<sup>12</sup> describes as third-party fraud.

This raises questions about whether the IAASB's standards and related material sufficiently support auditors in identifying and assessing risks of material misstatement arising from cyber threats and incidents affecting entities, and in designing and performing appropriate responses where such threats or incidents may be relevant to the audit.

*Preliminary Direction on Action*

## Further information gathering

This matter warrants further information gathering because cyber threats affecting entities appear to be increasing in sophistication and relevance, and may in some circumstances give rise to risks of material misstatement or other matters relevant to the audit.

Further work would help clarify the fact patterns in which cyber incidents or cyber-related threats are giving rise to audit challenges in practice, including whether those challenges are being addressed consistently under the extant standards and whether any future IAASB response may be warranted.

*Prioritization*

Medium.

32. Advances in AI are increasing the scale, speed and sophistication with which cyber threats can be developed and deployed, including through increasingly convincing forms of impersonation, manipulation and social engineering. These increasing sophistication and prevalence of technology-enabled cybersecurity threats, including threats enabled or amplified by AI, raise questions about whether the existing auditing standards continue to provide an appropriate basis for auditors to identify and assess the risks of material misstatement arising from such threats.

<sup>12</sup> ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

**Matters for SAC Members' Consideration:**

5. *As service organizations increasingly use sophisticated and emerging technologies, are the related challenges for auditors becoming more prevalent or significant? Based on your experience, do you believe this matter warrants an increase in priority from Medium to High (please provide your reasons)?*
6. *Given the significant amount of crypto-asset guidance already available in the marketplace and the mixed views received through the joint survey IAASB–IESBA Strategies and Work Plans, do you see a need for the IAASB to develop international guidance in this area? If so, what specific gaps or challenges should such guidance address?*
7. *As AI and other technologies increase the scale and sophistication of cybersecurity threats, are there any areas where you believe the existing auditing standards may not provide an appropriate basis for auditors to identify and assess risks of material misstatement arising from such threats and respond appropriately?*

**Material Presented**

*For Discussion*

Agenda Item 5-A      Presentation: Technology-Focused Modernization of Audit and Assurance Standards

*For Reference*

Agenda Item 5-B      [Version 3 of the Technology Catalog \(July 2026\)](#)