Agenda Item 4-A

The IAASB's Technology Position

(Last Updated by the Board: September 2024)

Introduction

The IAASB has adopted a comprehensive conceptual framework composed of three components to establish and advance its Technology Position:

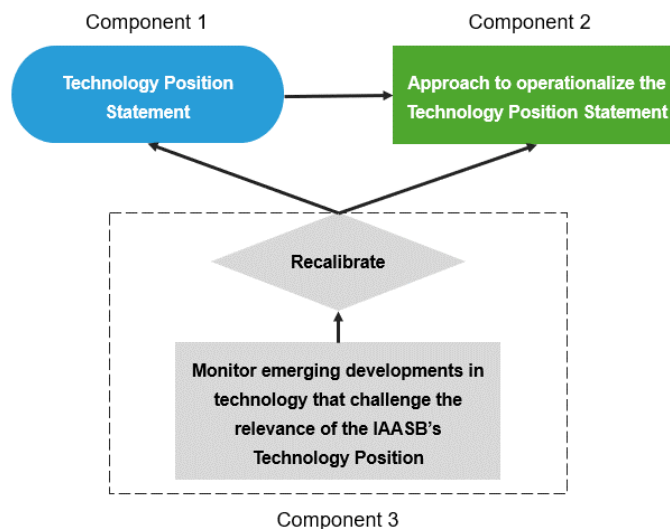- **Component 1**: Technology Position Statement

  This component outlines the IAASB's Technology Position Statement (the Statement), which details how the Board considers the impact of technology in its standard-setting and other related activities. The Statement recognizes the transformative potential of technology in enhancing audit and assurance quality and affirms the Board's commitment to facilitating and, where appropriate, encouraging its use by firms and practitioners. The commitment influences both the current Work Plan and future initiatives, ensuring the IAASB's standards remain effective and relevant. The Statement is supported by eight guiding principles that provide clear direction on how the Board will implement this commitment.

- **Component 2**: Approach to Operationalize the Technology Position Statement

  This component details the Board's approach to operationalize the Statement. The Board will identify standard-setting opportunities (e.g., development and revision of audit and other assurance standards) and other related opportunities (e.g., development of non-authoritative materials), in consultation with key stakeholders, to act on its commitment as informed by the guiding principles.

- **Component 3**: Approach to Monitor and Adapt the IAASB's Technology Position

  This component outlines the Board's proactive approach to monitoring and adapting to technological trends, ensuring that the Technology Position remains relevant and effective in a rapidly evolving technology landscape.

Component 1: Technology Position Statement

Overall Context and Commitment to the Public Interest

The IAASB developed its Technology Position Statement (the Statement) in the context of its mandate—to develop high-quality audit, other assurance, and related services standards, as well as quality management standards for international adoption and implementation. Our commitment to the public interest is best fulfilled when our standards are focused on ensuring the consistent performance of quality engagements.

The use of technology is pervasive in all aspects of external reporting. The IAASB recognizes the transformative potential of technology in improving audit and assurance quality. It is essential to develop standards that address the increasing use of technology by reporting entities and practitioners if the IAASB is to respond to the public interest and maintain relevance, as outlined in the Public Interest Framework.[1]

In this context, the IAASB will actively facilitate and, where appropriate, encourage the appropriate use of technology in engagements and systems of quality management (SOQMs) through the development of new and revised standards. The IAASB will also develop (or facilitate the development) non-authoritative materials and foster ongoing engagement around relevant insights with the IAASB's broader stakeholder community.

Guiding Principles for the Board to Build on this Commitment:

1. **Embracing Technology-Driven Innovations**

    The Board embraces technology-driven innovations relevant to the external reporting environment and its mandate. This includes innovations in engagements and SOQMs that more effectively enhance or support the consistent performance of quality engagements.

2. **Removing Barriers in the Standards, Real or Perceived, to the Use of Technology by Practitioners and Firms**

    The Board will identify and eliminate barriers in the standards that may deter practitioners from adopting technology-enabled procedures that serve to enhance engagement quality, while preserving the foundational value of core auditing and assurance concepts and principles. This effort will require close collaboration with audit oversight authorities.

3. **Introducing Requirements and Application Material Relating to the Use of Technology**

    The Board will introduce, as appropriate, requirements and application material to guide practitioners in determining whether technology-enabled procedures are necessary to achieve engagement objectives in the specific circumstances of their engagements. Where technology-enabled procedures are employed, the Board will introduce requirements and application material on the appropriate application of these procedures. Recognizing that the use of technology in engagements is underpinned by sound quality management at the firm and engagement levels, the Board will also enhance or introduce requirements and application material, as appropriate, to address technological resources as an aspect of quality management.

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[1]   Refer to the July 14th, 2020 press release by the Monitoring Group (available on the website of the International Organization of Securities Commissions). The Public Interest Framework was established as part of the Monitoring Group's recommendations to strengthen the international audit and ethics standard-setting system.

4. **Addressing the Impact of Technology used by Reporting Entities**

    The Board recognizes that the use by reporting entities of increasingly sophisticated technologies affecting their financial and other external reporting introduces new risks and opportunities. The Board will evaluate whether specific requirements or further guidance are needed for practitioners to appropriately identify, assess, and respond to these new risks and opportunities.

5. **Striking the Right Balance When Referring to Opportunities and Risks Associated with Technology**

    To maintain public trust in engagement quality, the Board is committed to striking an appropriate balance in the IAASB's standards and other publications (e.g., non-authoritative materials) when describing the opportunities and risks associated with technology. In doing so, the Board will emphasize the critical importance of sound quality management practices by firms and practitioners related to obtaining, developing, implementing, maintaining, and using technological resources.

6. **Aligning with Principles of Ethics and Ethical Requirements**

    The Board acknowledges that technology trends and developments influence the ethical mindset and behavior of practitioners. Relevant ethical requirements may include provisions that help practitioners fulfill their ethical responsibilities in light of the impacts or changes brought about by technology used by reporting entities, firms and in engagements. The Board will ensure its standards and related materials align, as appropriate, with relevant ethical requirements. To this end, the Board will continue to coordinate with the International Ethics Standards Board for Accountants (IESBA).

7. **Ensuring Scalability and Proportionality**

    The Board recognizes that the use of technology may not always be necessary to achieve engagement objectives. The Board also recognizes that less sophisticated technological resources may be adequate in certain SOQMs depending on the specific needs of firms. The Board is committed to ensuring that practitioners and firms have the flexibility to determine the necessity and extent of technology use in engagements and SOQMs, tailored to their unique needs.

8. **Convening Stakeholders and Fostering Continuous Engagement**

    The IAASB will maintain ongoing dialogue with stakeholders, ensuring transparency and closely monitoring the effectiveness of technology-related revisions to its standards. The Board will focus on continuous refinement to balance stakeholder interests and ensure that standards remain robust, implementable, scalable, and enforceable, thereby enhancing the reliability of external reporting.

Component 2: Approach to Operationalize the Statement

Introduction

This component details the Board's approach to operationalizing the Statement as of September 2024. The approach will continue to be adapted as circumstances demand and as activities to operationalize the Statement progress.

Gap Analysis

The primary deliverable of the IAASB's Technology Position in the near term will be a gap analysis. The gap analysis will involve a phased review of the IAASB's standards, starting with the International Standards on Quality Management (ISQMs) and the International Standards on Auditing (ISAs), to identify opportunities or questions to consider that emerge as a result of enacting the commitment and guiding principles of the Statement. The gap analysis will also be informed by relevant information gathering and feedback from the Board and stakeholders.

The gap analysis will be used to inform the Board's Work Plan decisions. For current or future standard-setting projects or related activities, the gap analysis will be used by project teams to extract relevant information and insights to inform their projects (i.e., execution occurs at the project level).

Preliminary Gap Analysis Commencing in Q3 2024

At the June 2024 meeting, the Board directed Staff to commence a preliminary gap analysis that should be focused on ISQM 1[2], ISA 200[3], ISA 220[4] (Revised), ISA 330[5], and ISA 500,[6] for the following reasons:

(a) **ISQM 1** and **ISA 220 (Revised)** are foundational quality management standards at the firm and engagement levels, respectively. The Board is interested in exploring whether the principles of those standards remain resilient to the adoption and usage of more sophisticated technology in engagements and SOQMs since these standards became effective.

(b) **ISA 200** plays a critical role in establishing the framework for conducting an audit, including the overall objectives of an auditor. The standard was last revised in 2009, and the Board is interested in understanding whether applying the Statement reveals opportunities to modernize it.

(c) **ISA 500** and **ISA 330** are subject to revision, partly due to stakeholder demands for modernization to address technology-related matters. A project proposal, scheduled for approval in December 2024, is being developed to revise these standards concurrently, with insights from the gap analysis informing the proposal.

Progressing the Operationalization of the Statement

The Board will review and provide feedback on the approach to and outcome of the preliminary gap

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[2]   ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

[3]   ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

[4]   ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

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

[6]   ISA 500, *Audit Evidence*

analysis, including its overall effectiveness and whether, specifically, it contains useful insights to inform the technology-related standard-setting actions of the proposed Audit Evidence and Risk Response project.

The precise nature of the gap analysis and other deliverables used to operationalize the Statement will continue to evolve based on the Board's future direction, including insights gained from evaluating the usefulness of the preliminary gap analysis.

Opportunities for standard setting and other related activities will be prioritized based on criteria in the IAASB Framework for Activities, which in turn will inform Work Plan decisions and related proposed actions to address identified opportunities.

The Board will receive updates on the status of the deliverables at least semi-annually. A dedicated webpage will be created on the IAASB's website to house the approved Technology Position and the latest versions of the deliverables. The deliverables are, by their nature, "living documents" that must evolve and be updated as work progresses. These updates will be presented to the Board regularly.

Component 3: Monitoring and Adapting the Technology Position

Monitoring

It is crucial for the Board to closely monitor emerging technologies that are being adopted by reporting entities and practitioners. This ongoing monitoring is intended to identify emerging trends in technology that may threaten the relevance of the IAASB's Technology Position and standards.

The IAASB's current approach for monitoring developments in technology is illustrated below (not an exhaustive list of activities). For example, the Board receives input from Jurisdictional and National Standard Setters (NSS) about emerging technological developments in jurisdictions around the world. The Board also regularly solicits input from two technology focused IAASB groups: the Technology Consultation Group (TCG) and the Digital Advisory Group (DAG).
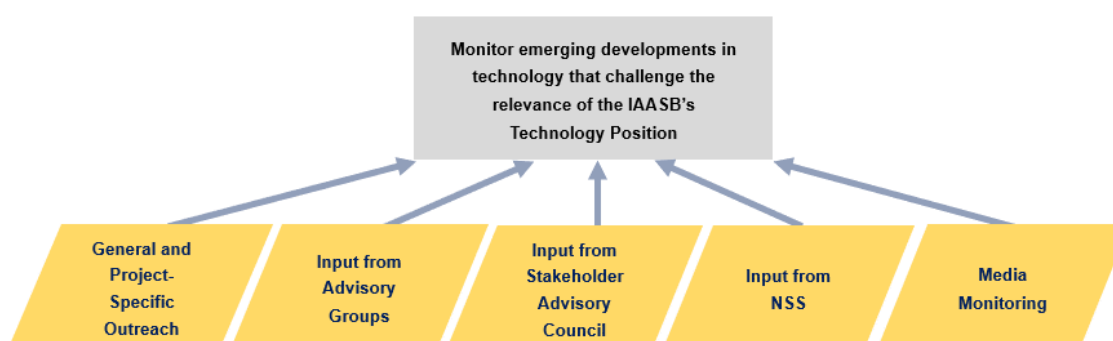
The TCG is a key source of feedback for the Board as it explores technology-related revisions to auditing and other standards. The TCG can also be tasked with developing non-authoritative support materials related to technology, including non-authoritative guidance about the use of automated tools and techniques (ATT) in engagements audits (visit the IAASB's Technology Consultation Group webpage for more information on past publications).

The Board also periodically solicits the views of the DAG on disruptive technologies. The DAG's members bring invaluable perspectives on technology's impact on standards. Their diverse expertise is instrumental in allowing the Board to effectively monitor the evolving technology landscape.

Adaptation

The Board will receive a semi-annual update on emerging technological developments, including disruptive technologies. The update will include an overview of the technology landscape or a dashboard that assigns a significance rating to issues identified in the IAASB's monitoring process (described above) based on factors like urgency and impact on the Board's standard-setting and other related activities.