Agenda Item 4-B

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:

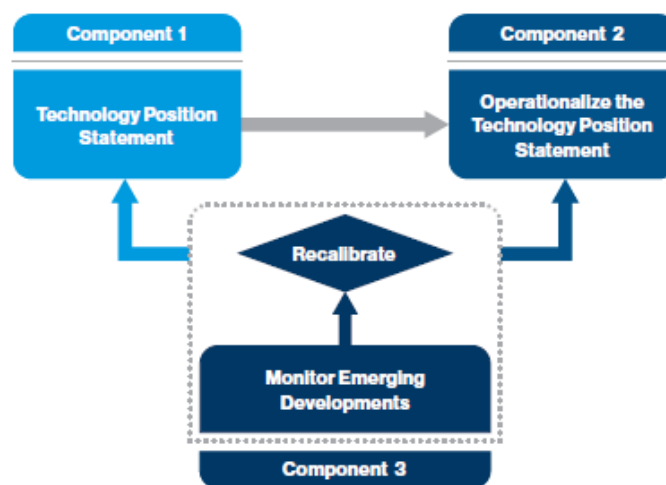- **Component 1**: Technology Position Statement

  ~~This component outlines the~~The IAASB's Technology Position Statement ~~(the Statement), which~~ details how the ~~Board~~IAASB 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~~IAASB's commitment to facilitating and, where appropriate, encouraging ~~its~~the use of technology by firms and practitioners. The commitment influences both the current Work Plan and future initiatives, ~~ensuring~~and thereby contributes to the continuing effectiveness and relevance of the IAASB's standards ~~remain effective and relevant.~~. The Statement is supported by eight guiding principles that provide clear direction on how the ~~Board~~IAASB will ~~implement~~deliver on this commitment.

- **Component 2**: ~~Approach to~~ Operationaliz~~e~~ing the Technology Position Statement

  ~~This component details the Board's approach to operationalize the Statement. The Board~~The IAASB 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~~deliver on its commitment ~~as informed by the guiding principles.~~.

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

  ~~This component outlines the Board's~~The IAASB will take a proactive approach to monitoring, and adapting to, technological trends, ~~ensuring that~~ to ensure 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~~ focus~~ed~~ on ~~ensuring~~enhancing or supporting the consistent performance of quality engagements.

The use of technology is pervasive in all aspects of financial and other external reporting. The IAASB recognizes ~~the~~technology's transformative potential ~~of technology in improving~~to improve 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~~ is committed to actively facilitat~~ing~~e and, where appropriate, encourag~~ing~~e the appropriate use of technology in engagements and systems of quality management ~~(SOQMs)~~ through ~~the development of~~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 about opportunities and risks associated with the use of technology with the IAASB's broader stakeholder community.

Guiding Principles for the ~~Board~~IAASB to ~~Build~~Deliver on this Commitment~~:~~

1. **Embrac~~eing~~ Technology-Driven Innovations**

   The ~~Board~~IAASB embraces technology-driven innovations relevant to ~~the~~ financial and other external reporting environment~~s~~ and ~~its~~the IAASB's mandate~~. This includes~~, including innovations in engagements and ~~SOQMs~~systems of quality management that more effectively enhance or support the consistent performance of quality engagements.

2. **Remov~~eing~~ Barriers in the Standards, Real or Perceived, to ~~the Use of Technology by~~ Practitioners ~~and Firms~~ Using Technology**

   The ~~Board~~IAASB will identify and ~~eliminate~~remove barriers in the standards that may deter practitioners from adopting technology-enabled procedures that ~~serve to~~may enhance engagement quality, while preserving ~~the~~core foundational ~~value of core auditing~~ audit and assurance concepts and principles. This effort ~~will require close collaboration with, among others, regulators, audit or assurance oversight authorities, national standard setters, firms, and professional accountancy organizations.

3. **Introduc~~eing~~ Requirements ~~and Application Material~~ Relating to ~~the Use of~~Using Technology in Engagements**

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[1] Refer to the July ~~14th~~14, 2020 Monitoring Group 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.

The ~~Board~~IAASB will explore and then introduce, as appropriate, principles-based requirements ~~and application material~~ to guide practitioners in determining whether technology-enabled procedures are ~~necessary~~ required to achieve engagement objectives in the specific circumstances of their engagements. ~~Where~~ To address circumstances when practitioners apply technology-enabled procedures ~~are employed~~, the ~~Board~~IAASB will introduce principle-based requirements ~~and application material on~~about the appropriate application of these procedures. ~~Recognizing that~~Additionally, the ~~use of technology in engagements is underpinned by sound~~IAASB will build upon existing firm- and engagement-level quality management ~~at~~principles to support these decisions and other key considerations about 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~~ application of technology-enabled procedures.

4. **Address~~ing~~ the Impact of Technology ~~u~~Used by Reporting Entities**

    The ~~Board~~IAASB recognizes that ~~the use by~~ reporting ~~entities~~ entities' use of increasingly more sophisticated technologies affecting their financial and other external reporting introduces new ~~risks and~~ opportunities and risks. The ~~Board~~IAASB will evaluate whether ~~specific requirements~~ enhancements are needed to the standards and/or ~~further~~whether additional guidance ~~are~~is needed (e.g., non-authoritative materials) for practitioners to appropriately leverage these opportunities and to appropriately identify, assess, and respond to ~~these~~ new risks ~~and opportunities~~in their engagements.

5. **Strik~~ing~~e the Right Balance When Referring to Opportunities and Risks Associated with Technology**

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

6. **Align~~ing~~ with Principles of Ethics and Ethical Requirements**

    The ~~Board~~IAASB 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~~IAASB will continue to coordinate with the International Ethics Standards Board for Accountants (IESBA~~).~~) to align technology-related concepts and principles in the IAASB's standards and related materials and the IESBA's Code of Ethics.

7. **Ensur~~ing~~e Scalability and Proportionality**

    The ~~Board~~IAASB recognizes that ~~the use of~~using technology may not always be necessary to achieve engagement objectives~~. The Board also recognizes~~ and that less sophisticated technological resources may be adequate in certain ~~SOQMs~~systems of quality management depending on the specific needs of firms. The ~~Board~~IAASB is committed to ensuring that practitioners and firms have

the flexibility to determine the necessity and extent of ~~technology~~technology's use in engagements and ~~SOQMs~~systems of quality management, tailored to their unique needs.

8. **Conven~~ing~~e Stakeholders and ~~Fostering Continuous~~Foster Ongoing Engagement**

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

Component 2: ~~Approach to~~ Operationaliz~~e~~ing 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.~~

The IAASB will undertake a range of activities, including the gap analysis described below, to identify standard-setting and other opportunities (e.g., non-authoritative materials) of delivering on the IAASB's commitment to facilitate and, where appropriate, encourage the use of technology in engagements and systems of quality management.

Gap Analysis

The ~~primary deliverable of the~~ IAASB's ~~Technology Position in the near term will be~~first activity is 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~~IAASB will ~~also be informed by relevant~~ undertake information gathering and research~~,~~ and ~~solicit~~ research, and solicit feedback from ~~the Board and~~ relevant stakeholders while performing the gap analysis.

The gap analysis will be used to inform the ~~Board's~~IAASB's Work Plan decisions. ~~For~~Insights that emerge from the gap analysis will also be used to inform current or future standard-setting projects ~~or~~and other related activities~~, the gap analysis will be used by project teams to extract relevant information and insights~~ (e.g., to ~~inform their projects (i.e., execution occurs at the project level).~~develop non-authoritative guidance).

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),[5] ISA 330,[6]~~,~~ and ISA 500,[7] 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~~IAASB 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~~systems of quality management since these standards became effective.

(b) **ISA 200** plays a ~~critical~~crucial role in establishing the framework for conducting an audit, including the overall objectives of an auditor. The standard was last revised ~~in 2009~~ as part of the ISAs Clarity

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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 220 (Revised), *Quality Management for an Audit of Financial Statements*

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

[7] ISA 500, *Audit Evidence*

Project, and the ~~Board~~IAASB 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 analysis~~, including~~ as well as its outcomes. This includes feedback about the gap analysis' overall effectiveness and whether~~,~~ it specifically~~, it~~ contains useful insights ~~to~~that can inform the technology-related ~~standard-setting actions~~elements of the ~~proposed~~ Audit Evidence and Risk Response project.

Other Activities

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

Opportunities for standard-~~-~~setting and other related activities that are identified 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. ~~.
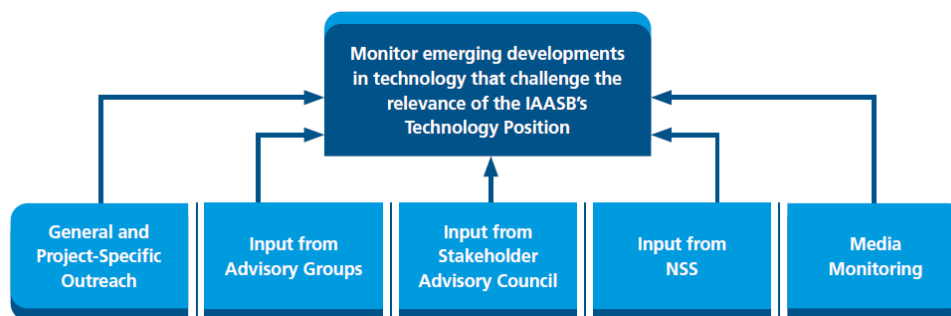
The Board will receive updates on the status of activities undertaken to operationalize the ~~deliverables~~Statement at least semi-annually. ~~A dedicated webpage will be created on the IAASB's website to house the approved Technology Position and the latest versions of the deliverables. The deliverables 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~~IAASB to closely monitor emerging technologies that are being adopted by reporting entities and practitioners. This ongoing monitoring ~~is intended to~~will 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~~IAASB receives input from Jurisdictional and National Standard Setters (NSS) about emerging technological developments in jurisdictions around the world. The ~~Board~~IAASB 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~~IAASB 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)~~technology-enabled procedures in engagements ~~audits~~ (visit the IAASB's Technology Consultation Group ~~webpage~~project page for more information on past publications).

The ~~Board~~IAASB 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~~IAASB to effectively monitor the evolving technology landscape.

Adapt~~ation~~ing

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~~and a dashboard will be presented 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~~IAASB standard-setting and other related activities.