

## The IAASB's Technology Position

(Last Updated by the Board: September 2024)

### Introduction

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

- **Component 1: Technology Position Statement**

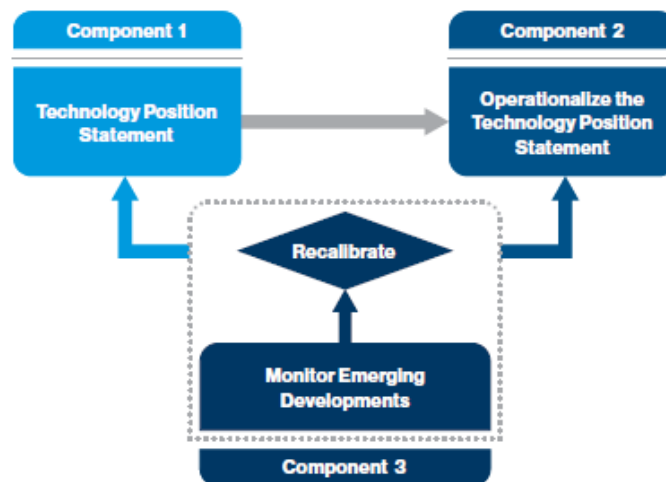
The IAASB's Technology Position Statement details how the IAASB considers the impact of technology in its standard-setting and other related activities. The Statement recognizes the transformative potential of technology in enhancing audit and assurance quality and affirms the IAASB's commitment to facilitating and, where appropriate, encouraging the use of technology by firms and practitioners. The commitment influences both the current [Work Plan](#) and future initiatives, and thereby contributes to the continuing effectiveness and relevance of the IAASB's standards. The Statement is supported by eight guiding principles that provide clear direction on how the IAASB will deliver on this commitment.

- **Component 2: Operationalizing the Technology Position Statement**

The IAASB will identify [potential](#) standard-setting [activities opportunities](#) (e.g., development and revision of audit and other assurance standards) and other related [activities opportunities](#) (e.g., development of non-authoritative materials), in consultation with key stakeholders, to deliver on its commitment.

- **Component 3: Monitoring and Adapting the IAASB's Technology Position**

The IAASB will take a proactive approach to monitoring, and adapting to, technological trends to ensure the Technology Position remains relevant and effective in a rapidly evolving technology landscape.



## Component 1: Technology Position Statement

### Context and Commitment to the Public Interest

The IAASB developed its Technology Position 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 focus on 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 technology's transformative potential 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.<sup>1</sup>

In this context, the IAASB is committed to actively facilitating and, where appropriate, encouraging the appropriate use of technology in engagements and systems of quality management through developing new and revised standards. The IAASB will also develop, or facilitate the development of, non-authoritative materials and foster ongoing engagement around relevant insights about opportunities and risks associated with the use of technology with the IAASB's broader stakeholder community.

### ~~Guiding Principles for the IAASB~~ To Deliver on this Commitment, the IAASB Will:

#### 1. Embrace Technology-Driven Innovations

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

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

The IAASB will identify and remove barriers in the standards that may deter practitioners from adopting technology-enabled procedures that may enhance engagement quality, while preserving core foundational 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. Introduce Requirements Relating to Using Technology in Engagements

The IAASB will explore and then introduce, as appropriate, ~~principles-based~~ requirements:

- ~~To~~ To guide practitioners in determining whether technology-enabled procedures are required to achieve engagement objectives in the specific circumstances of their engagements.
- Addressing considerations related to the appropriate application of technology-enabled procedures when ~~To address circumstances when~~ practitioners apply ~~such~~

<sup>1</sup> Refer to the July 14, 2020 [Monitoring Group press release](#) (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.

~~procedure technology-enabled procedures, the IAASB will introduce principle-based requirements about the appropriate application of these procedures.~~

~~Additionally, t~~The IAASB will build upon existing firm- and engagement-level quality management principles to support these decisions and other key considerations about the appropriate application of technology-enabled procedures.

#### **4. Address the Impact of Technology Used by Reporting Entities**

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

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

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

#### **6. Align with Principles of Ethics and Ethical Requirements**

The 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 IAASB will continue to coordinate with ~~our sister standard-setting Board, 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. Ensure Scalability and Proportionality**

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

#### **8. Convene Stakeholders and Foster Ongoing Engagement**

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

## Component 2: Operationalizing the Statement

### Introduction

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) ~~to~~ 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 IAASB's 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). The IAASB will undertake information gathering and research, and solicit feedback from relevant stakeholders while performing the gap analysis.

The gap analysis will be used to inform the IAASB's Work Plan decisions. Insights that emerge from the gap analysis will also be used by project teams (~~Insights that emerge from the gap analysis will also be used to inform current or future standard-setting projects and other related activities~~ (e.g., to inform project proposals, to 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 focused on ISQM 1,<sup>2</sup> ISA 200,<sup>3</sup> ISA 220 (Revised),<sup>4</sup> ISA 330,<sup>5</sup> and ISA 500<sup>6</sup> for the following reasons:

- (a) **ISQM 1** and **ISA 220 (Revised)** are foundational quality management standards at the firm and engagement levels, respectively. The 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 systems of quality management since these standards became effective.
- (b) **ISA 200** plays a crucial role in establishing the framework for conducting an audit, including the overall objectives of an auditor. The standard was last revised as part of the ISAs Clarity Project, and the 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.

The Board will review and provide feedback on the approach to the preliminary gap analysis as well as its outcomes. This includes feedback about the ~~gap analysis'~~ overall effectiveness of the gap analysis and

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<sup>2</sup> ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

<sup>3</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

<sup>4</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

<sup>5</sup> ISA 330, *The Auditor's Responses to Assessed Risks*

<sup>6</sup> ISA 500, *Audit Evidence*

whether it specifically contains useful insights that can inform the technology-related elements of the Audit Evidence and Risk Response project.

### **Other Activities**

The precise nature of the gap analysis and other activities undertaken in the future to operationalize the Statement will continue to evolve based on feedback from the Board and other stakeholders, including about the [usefulness of the preliminary gap analysis](#)~~'usefulness~~.

[Potential standard-setting activities](#) ~~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.

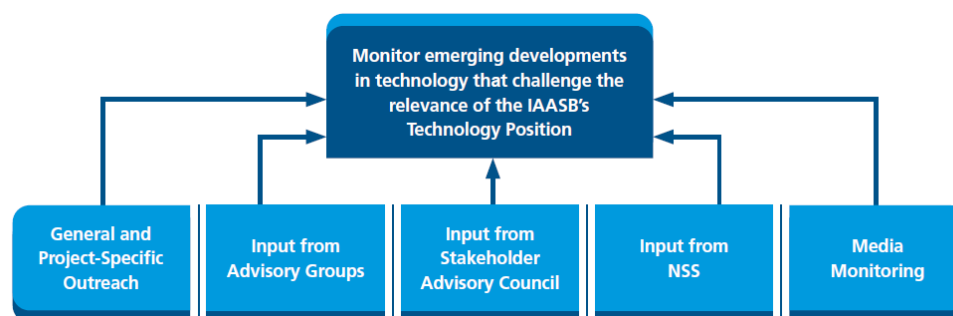
The Board will receive updates on the status of activities undertaken to operationalize the Statement at least semi-annually.

## Component 3: Monitoring and Adapting the Technology Position

### Monitoring

It is crucial for the IAASB to closely monitor emerging technologies that are being adopted by reporting entities and practitioners. This ongoing monitoring 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 IAASB receives input from Jurisdictional and National Standard Setters (NSS) about emerging technological developments in jurisdictions around the world. The 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 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 technology-enabled procedures in engagements (visit the [IAASB's Technology Consultation Group project page](#) for more information on past publications).

The 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 IAASB to effectively monitor the evolving technology landscape.

### Adapting

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 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 IAASB standard-setting and other related activities.