

Technology Position Gap Analysis – Cover Note

Objective

The session's objective is for the Board to provide feedback on the technology-related issues and proposed actions detailed in the Gap Analysis, presented as the Catalog of Issues and Proposed Actions in **Agenda Item 4-A**.

Introduction

Background

- At the September 2024 meeting, the IAASB adopted a [Technology Position](#), marking a key milestone in its [Strategy and Work Plan for 2024–2027](#) (Exhibit 1). The Technology Position guides the Board's activities when addressing the impacts of technology on audit and assurance engagements.
- The Technology Position, comprising three components (Exhibit 2), marks a strategic shift for the IAASB as industries globally harness technology to derive valuable insights from data.
- The Technology Position Statement (the Statement) recognizes the transformative potential of technology in enhancing audit and assurance quality. It affirms the IAASB's commitment to facilitate and, where appropriate, encourage the use of technology by firms and practitioners.
- Component 2 of the Technology Position details the IAASB's strategy for implementing the Statement, beginning with a phased gap analysis of its standards. The analysis first focuses on the International Standards on Quality Management (ISQMs) and the International Standards on Auditing (ISAs).
- The gap analysis presented in **Agenda Item 4-A** builds on the version presented at the September 2024 IAASB meeting (see [Agenda Item 5](#)).

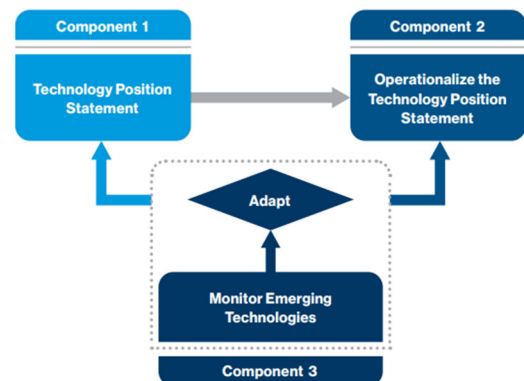
Exhibit 1

Planned Initiative in Table B of Strategy and Work Plan for 2024–2027

Establish a Board position on addressing the impact of technology in the IAASB's standards, including the Board's vision and roadmap. This position will inform standard-setting and other related activities during the Work Plan period.

Exhibit 2

IAASB's Technology Position



Directions by the Board

6. At the September 2024 IAASB meeting, the Technology Team presented a preliminary gap analysis to gather initial Board feedback on its approach and the “enhancement opportunities” identified. This first version focused on five in-scope standards¹, as directed by the Board in June 2024.
7. The Board supported the overall direction of the gap analysis but requested more specificity in these areas:
 - (a) Clearly identifying gaps (referred to in the preliminary analysis as “enhancement opportunities”), including their sources.
 - (b) Detailing actions to address these gaps, indicating whether they involve standard-setting or non-authoritative materials.
 - (c) Prioritizing the proposed actions.
 - (d) Aligning proposed actions with the issues/actions in the Audit Evidence and Risk Response proposed project proposal,² where relevant.
8. The Board also directed the Technology Team to:
 - (a) Expand the in-scope standards to include:
 - (i) ISA 315 (Revised 2019)³ to align with the Audit Evidence and Risk Response project and the risk assessment standard.
 - (ii) ISA 520⁴ to ensure it is addressed in the gap analysis, as it falls within the scope of the Audit Evidence and Risk Response project.
 - (b) Narrow the analysis of quality management standards (ISQM 1 and ISA 220) to focus specifically on technological resources used in engagements, such as their acquisition, development, and approval.

Coordination with the Technology Consultation Group

9. On October 29, 2024, the Technology Team consulted the [Technology Consultation Group](#) (TCG) to gather feedback on an early draft of the gap analysis which is presented in **Agenda Item 4-A**. Staff

¹ The five in-scope standards were: ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*; ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*; ISA 330, *The Auditor’s Responses to Assessed Risks* and ISA 500, *Audit Evidence*.

² Refer to [Agenda Item 6-A](#) of the September 2024 IAASB meeting to access the draft of the proposed project proposal. The final project proposal for the Audit Evidence and Risk Response project is expected to be approved by the Board at its December 2024 meeting.

³ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

⁴ ISA 520, *Analytical Procedures*

from the International Ethics Standards Board for Accountants (IESBA) also attended to support ongoing coordination between the IAASB and IESBA on technology-related matters.

Contents of the Cover Note

10. The rest of the cover note is organized into two sections:
 - (a) Evolution of the gap analysis; and
 - (b) The way forward.

Evolution of the Gap Analysis

11. In response to Board feedback (outlined in paragraphs 7–8), the gap analysis in **Agenda Item 4-A** reflects significant progress from the version presented at the September 2024 IAASB meeting.
12. The gap analysis is presented as a Catalog of Issues and Proposed Actions (the Catalog). This cover note explains the terms “issues” (paragraphs 17–22) and “proposed actions” (paragraphs 23–25) and outlines the prioritization process (paragraphs 26–27).
13. The Catalog serves as the Board’s centralized, evergreen repository for technology-related issues that may impact its activities, along with the possible responses. This centralized approach aligns with stakeholder feedback, recommending that the IAASB take an integrated approach to technology-related revisions in its standard-setting and other related activities.
14. The Catalog is meant to facilitate robust Board discussions on the merits of each issue and its proposed actions, including how they align to form a coherent approach to standard-setting and related activities. The proposals are designed to facilitate, not pre-determine, these discussions.
15. Board decisions and directions on the Catalog during the December meeting, will be incorporated into the updated Catalog to be presented at the March 2025 IAASB meeting.
16. Since the September 2024 meeting, the Technology Team has prioritized identifying issues and proposed actions relevant to the Audit Evidence and Risk Response project proposal, expected to be approved in December 2024 (see **Agenda Item 5-A**). The Catalog remains a work in progress and will continue to be refined after the December meeting (see paragraphs 29–30 for details on the “way forward”).

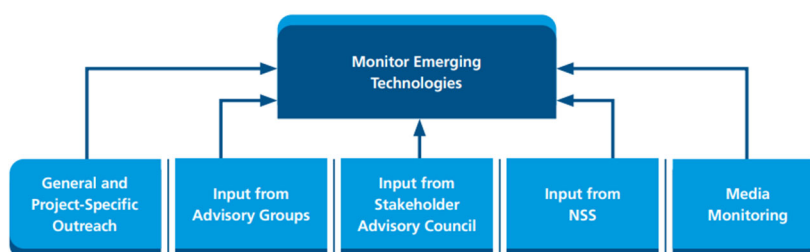
Issues

17. This section explains the revised approach for identifying the issues in the Catalog.
18. An “issue” refers to any technology-related matter that may warrant action by the Board, such as standard-setting, developing non-authoritative materials, or gathering additional information. Issues are grouped thematically in the Catalog for clarity and focus.
19. The Technology Team added the first set of issues to the Catalog based on foundational work from the gap analysis prepared for the September 2024 IAASB meeting. This process focused on describing the issues underlying the proposed “enhancement opportunities” from that analysis.

20. The Statement, including its eight guiding actions, served as a key foundation for identifying additional issues for the Catalog. For instance, guiding action #2 directs the IAASB to eliminate real or perceived barriers in its standards to using technology-enabled procedures⁵ in engagements.
21. A key source of insight for identifying issues under guiding action #2 comes from users of the IAASB's standards, such as practitioners and audit regulators. The Technology Team reviewed technology-related feedback from stakeholder comment letters on ED-500⁶ and the IAASB's Proposed Strategy and Work Plan 2024–2027, which was exposed for comment in April 2023 (see December 2023 IAASB meeting, [Agenda Item 8-B](#)).
22. Issues were also identified and informed by outreach with stakeholders carried out after the September 2024 IAASB meeting as well as by other monitoring activities under Component 3 of the Technology Position (Exhibit 3).

Exhibit 3

Monitoring function of Component 3 of the Technology Position



Proposed Actions

23. The Catalog includes the following types of proposed actions:

- (a) Standard-setting actions.
- (b) Non-authoritative materials.
- (c) Further information gathering.

The prioritization column in the Catalog explains how the Technology Team determined the appropriate action for each issue.

24. The Catalog will guide the Board's standard-setting and related activities under the Technology Position. It may inform decisions on current and future standard-setting projects within the IAASB's 2024–2027 Strategy and Work Plan, as well as the next plan for 2028–2031. Given the rapid pace of technological change, an agile approach to Work Plan decisions is essential.

⁵ The term "technology-related procedures" is used throughout the Catalog to maintain consistency with terminology used in the IAASB's Technology Position. However, this term does not appear in the ISAs. The use of this term is not meant to prejudice the outcome of work that will be carried out by the Audit Evidence and Risk Response project team to clarify technology-related terminology used throughout the ISAs as described in the Catalog.

⁶ Exposure Draft (ED-500): Proposed International Auditing Standard (ISA) 500 (Revised), *Audit Evidence and Proposed Conforming and Consequential Amendments to Other ISAs*

25. Board decisions and directions on the proposed actions will guide further exploration by project teams. This may include activities such as gathering additional information to assess the feasibility of a proposed action. Certain actions approved by the Board, such as developing non-authoritative materials, may be carried out by the Technology Team.

Prioritization of Proposed Actions

26. The proposed prioritization of actions in the Catalog involves three categories—**high**, **medium**, or **low**—based on the five criteria set out on page 6 of the IAASB’s [Framework for Activities](#) and further details about potential actions associated with each issue. This proposed prioritization remains, however, a subjective exercise and will be deliberated on by the Board.
27. Many high-priority actions in the Catalog correspond to issues included in the Audit Evidence and Risk Response proposed project proposal, which will be presented to the Board for approval at the December 2024 IAASB meeting.

Going Beyond the In-Scope Standards in the Catalog

28. While preparing the gap analysis, the Technology Team identified issues extending beyond the in-scope standards. To create a comprehensive Catalog that better informs future Work Plan decisions, all issues related to the ISQMs and ISAs were included.

Matters for IAASB Consideration

1. The Board is asked for its views on:
 - (a) The approach used to enhance the gap analysis and develop the Catalog of Issues and Proposed Actions as a tool to operationalize the IAASB’s Technology Position Statement.
 - (b) The issues and proposed actions detailed in the Catalog.

The Way Forward

29. The Technology Team plans to present a full draft of “Version 1.0” of the Catalog at the March 2025 IAASB meeting, marking the completion of the first activity—conducting a gap analysis—outlined in Component 2 of the Technology Position. However, Version 1.0 of the Catalog is expected to evolve further, incorporating insights from the IAASB’s monitoring of emerging technologies under Component 3 and feedback from stakeholders.
30. After Board clearance at the March 2025 IAASB meeting, Version 1.0 of the Catalog will be uploaded to the IAASB Technology Page and updated periodically as needed.