

# Agenda Item 7–C (Supplemental)

## Analysis of Paragraphs in the ISAs that Refer to Automated Tools and Techniques (ATT) and Related Terms

The table below includes paragraphs of the ISAs<sup>1</sup> with references to technology-related terms, including ATT, Computer-Assisted Audit Techniques (CAATs) and other terms or variations used.

ISA	ISA Paragraph
<b>Automated Tools and Techniques (ATT)</b>	
ISA 200 <sup>2</sup>	A73. The considerations specific to “ <u>automated tools and techniques</u> ” included in some ISAs (for example, ISA 315 (Revised 2019)) have been developed to explain how the auditor may apply certain requirements when using <u>automated tools and techniques</u> in performing audit procedures.
ISA 220 (Revised) <sup>3</sup>	A19. Engagement teams may include individuals with expertise in a specialized area of accounting or auditing who perform audit procedures on the audit engagement, for example, individuals with expertise in accounting for income taxes, or in analyzing complex information produced by <u>automated tools and techniques</u> for the purpose of identifying unusual or unexpected relationships. An individual is not a member of the engagement team if that individual’s involvement with the engagement is limited to consultation. Consultations are addressed in paragraphs 35 and A99–A102.
	<p>A35. Impediments to the exercise of professional skepticism at the engagement level may include, but are not limited to:</p> <p>...</p> <ul style="list-style-type: none"> <li>Overreliance on <u>automated tools and techniques</u>, which may result in the engagement team not critically assessing audit evidence.</li> </ul>

<sup>1</sup> The analysis includes extant ISAs, including those that are not yet effective, and the Pre-finalization Holding Package for [Proposed ISA 500 \(Revised\)](#), [Audit Evidence](#).

<sup>2</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

<sup>3</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

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ISA	ISA Paragraph
	<p>A66. When the engagement partner requires individuals from another firm to use specific <u>automated tools and techniques</u> when performing audit procedures, communications with those individuals may indicate that the use of such <u>automated tools and techniques</u> needs to comply with the engagement team's instructions.</p> <p>A72. When determining that the engagement team has the appropriate competence and capabilities, the engagement partner may take into consideration such matters as the team's:</p> <ul style="list-style-type: none"> <li>• Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.</li> <li>• Understanding of professional standards and applicable legal and regulatory requirements.</li> <li>• Expertise in specialized areas of accounting or auditing.</li> <li>• Expertise in IT used by the entity or <u>automated tools or techniques</u> that are to be used by the engagement team in planning and performing the audit engagement.</li> <li>• Knowledge of relevant industries in which the entity being audited operates.</li> <li>• Ability to exercise professional skepticism and professional judgment.</li> <li>• Understanding of the firm's policies or procedures.</li> </ul>
ISA 315 (Revised 2019) <sup>4</sup>	<p>A21. Using <u>automated tools and techniques</u>, the auditor may perform risk assessment procedures on large volumes of data (from the general ledger, sub-ledgers or other operational data) including for analysis, recalculations, reperformance or reconciliations.</p> <p>A31. Analytical procedures can be performed using a number of <u>tools or techniques, which may be automated</u>. Applying <u>automated analytical procedures</u> to the data may be referred to as data analytics.</p>

<sup>4</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

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	A35. <u>Automated tools or techniques</u> may also be used to observe or inspect, in particular assets, for example through the use of remote observation tools (e.g., a drone).
	A57. The auditor may use <u>automated tools and techniques</u> to understand flows of transactions and processing as part of the auditor's procedures to understand the information system. An outcome of these procedures may be that the auditor obtains information about the entity's organizational structure or those with whom the entity conducts business (e.g., vendors, customers, related parties).
	A137. The auditor may also use <u>automated techniques</u> to obtain direct access to, or a digital download from, the databases in the entity's information system that store accounting records of transactions. By applying <u>automated tools or techniques</u> to this information, the auditor may confirm the understanding obtained about how transactions flow through the information system by tracing journal entries, or other digital records related to a particular transaction, or an entire population of transactions, from initiation in the accounting records through to recording in the general ledger. Analysis of complete or large sets of transactions may also result in the identification of variations from the normal, or expected, processing procedures for these transactions, which may result in the identification of risks of material misstatement.
	A161. In manual general ledger systems, non-standard journal entries may be identified through inspection of ledgers, journals, and supporting documentation. When <u>automated procedures</u> are used to maintain the general ledger and prepare financial statements, such entries may exist only in electronic form and may therefore be more easily identified through the use of <u>automated techniques</u> .
	<p>A203. The auditor may use <u>automated techniques</u> to assist in the identification of significant classes of transactions, account balances and disclosures.</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>An entire population of transactions may be analyzed using <u>automated tools and techniques</u> to understand their nature, source, size and volume. By applying <u>automated techniques</u>, the auditor may, for example, identify that an account with a zero balance at period end was comprised of numerous offsetting transactions and journal entries occurring during the period, indicating that the account balance or class of transactions may be significant (e.g., a payroll clearing account). This same payroll clearing account may also identify expense reimbursements to management (and other employees), which could be a</li> </ul>

ISA	ISA Paragraph
	significant disclosure due to these payments being made to related parties.
Proposed ISA 500 (Revised) <sup>5</sup>	1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to audit evidence when designing and performing audit procedures, including when the auditor uses <u>automated tools and techniques</u> . Such responsibilities include procedures to evaluate the relevance and reliability of information intended to be used as audit evidence.
	10A. If the auditor uses <u>automated tools and techniques</u> to design and perform audit procedures, as part of the auditor's evaluation in accordance with paragraph 9, the auditor shall: <ul style="list-style-type: none"> <li>(a) Consider the appropriateness of the inputs to the <u>automated tools and techniques</u>;</li> <li>(b) Determine whether the <u>automated tools and techniques</u> operate as designed; and</li> <li>(c) Determine whether the output(s) of the <u>automated tools and techniques</u> meet the purpose for which it is intended.</li> </ul>
	A2A. <u>Automated tools and techniques</u> (a subset of technological resources) is a broad term that describes information technology enabled processes used by the auditor for the purpose of planning or performing the audit that involve the automation of methodologies and procedures, for example the analysis of data using modelling and visualization, or drone technology to observe or inspect assets. Other examples of <u>automated tools and techniques</u> are artificial intelligence and robotic process automation. The term is deliberately broad because technologies and related audit applications continue to evolve.
	A4. This ISA establishes further requirements and provides guidance when the auditor uses <u>automated tools and techniques</u> to design and perform audit procedures. Other ISAs may: <ul style="list-style-type: none"> <li>• Describe circumstances when an audit procedure may be performed more effectively by using an <u>automated tool and technique</u> than manually. For example, ISA 240 explains that the use of <u>automated tools and techniques</u> may enable more extensive testing of digital transactions or account files.</li> <li>• Provide considerations specific to <u>automated tools and techniques</u> that may be relevant in applying this ISA. For</li> </ul>

<sup>5</sup> Proposed ISA 500 (Revised), *Audit Evidence*

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	<p>example, ISA 315 (Revised 2019)<sup>6</sup> explains that <u>automated tools and techniques</u> may also be used to:</p> <ul style="list-style-type: none"> <li>○ Perform risk assessment procedures on large volumes of data, including for analysis, recalculations, reperformance or reconciliations.</li> <li>○ Observe or inspect, in particular assets, for example through the use of remote observation tools (e.g., a drone).</li> </ul> <p>A18....</p> <p>Example:</p> <p>When identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor may use <u>automated tools and techniques</u> to analyse all journal entries posted to revenue, accounts receivable and cash. In doing so, the auditor may inspect whether the entity's sources of earnings are consistent with the auditor's understanding of the entity and its environment (i.e., a risk assessment procedure to identify risks of material misstatement). While performing the analysis, the auditor may also identify unusual cash activity, such as journal entries posted from an unexpected source or against an unusual account. A test of details may be performed for such journal entries to respond to an assessed risk of material misstatement related to the existence of cash (i.e., a substantive procedure to detect misstatements at the assertion level).</p> <p>A42</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• The ability to extract information in a usable form stored in the entity's information system may affect whether the auditor can perform an audit procedure by using <u>automated tools and techniques</u>. For example, the auditor may need to consider if the format of the information extracted can be converted into a format compatible for the inputs to the <u>automated tools and techniques</u>, or whether there are any system limitations preventing extracting large volumes of data.</li> </ul> <p>...</p> <ul style="list-style-type: none"> <li>• Information in digital form may be available to the auditor on a continuous basis. In such circumstances, the auditor may use <u>automated tools and techniques</u> that are designed to operate on a real time basis to test the information (e.g., information</li> </ul>

<sup>6</sup> ISA 315 (Revised 2019), paragraphs A21 and A35

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	<p data-bbox="451 267 861 300">maintained in a distributed ledger).</p> <p data-bbox="405 337 1940 483">A65A.The auditor may perform audit procedures manually or using <u>automated tools and techniques</u>, individually or in combination with each other, to obtain audit evidence. In some circumstances, due to the form of the underlying information, an <u>automated tool and technique</u> may be more effective or provide more persuasive audit evidence, or the auditor may need to use an <u>automated tool and technique</u> because it may not be possible or practicable to perform an audit procedure manually.</p> <p data-bbox="405 505 531 537">Examples:</p> <p data-bbox="405 558 980 591">The use of <u>automated tools and techniques</u> may:</p> <ul data-bbox="405 612 1940 824" style="list-style-type: none"> <li>• Be more effective in analyzing, processing, organizing, structuring or presenting large volumes of information.</li> <li>• Provide more persuasive audit evidence by assisting the auditor to apply an audit procedure to an entire population of items and enable the auditor to obtain a more granular or deeper understanding about the characteristics or composition of the transactions or manage sampling risk<sup>7</sup> more effectively.</li> <li>• Assist the auditor to critically assess audit evidence from multiple sources within and outside the entity.</li> </ul> <p data-bbox="405 862 1940 1073">A65B.As explained in ISA 300, when establishing the overall audit strategy, the auditor may consider the effect of information technology on the audit procedures, including the availability of data and the expected use of <u>automated tools and techniques</u> to be deployed for specific audit areas. In doing so, ISA 220 (Revised) requires that the engagement partner determine that sufficient and appropriate resources to perform the engagement have been assigned or made available to the engagement team and provides other guidance relevant to the use of technological resources, that include <u>automated tools and techniques</u>, on the audit engagement.</p> <p data-bbox="405 1117 478 1149">Inputs</p> <p data-bbox="405 1170 1940 1273">A65C.The appropriateness of the inputs to the <u>automated tools and techniques</u>, as the information intended to be used as audit evidence, may include the auditor's consideration of how the integrity of the inputs has been maintained during collection or extraction from an identified source and how such integrity is preserved when transferring and transforming the inputs into a</p>

<sup>7</sup> ISA 530, *Audit Sampling*, paragraph 7

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	usable form.
	<p>A65D. The greater the complexity and volume of transactions or events that form part of the inputs to the <u>automated tools and techniques</u>, the less likely it is that the auditor will be able to support the accuracy and completeness of such input through tests of details alone. In such circumstances, the auditor may plan to test the operating effectiveness of the controls over the preparation and maintenance of the inputs. In addition to testing the completeness and accuracy of the inputs, the auditor may also plan to test the operating effectiveness of general IT controls that address risks related to inappropriate or unauthorized program changes to the inputs. In other circumstances, when the volume and complexity of transactions that form part of the inputs to the <u>automated tools and techniques</u> are lower, the auditor may, for example agree a sample of items from the inputs to supporting documentation to test the accuracy of the inputs.</p>
	<p>A65E. The auditor's consideration of the appropriateness of the inputs to <u>automated tools and techniques</u> may depend on the intended purpose(s) of the audit procedures for which the inputs will be used.</p>
	<p>A65F. ISQM 1 explains that the firm's policies or procedures may include required considerations or responsibilities for the engagement team when using firm approved <u>automated tools and techniques</u> to perform audit procedures and may require the involvement of individuals with specialized skills or expertise in evaluating or analyzing their output.</p>
	<p>A65G. In some circumstances the firm's policies or procedures may not specifically address the use of certain <u>automated tools and techniques</u> (e.g., complex spreadsheets developed by the engagement team or obtained from outside the engagement team or the firm). In such circumstances, the auditor applies professional judgment in considering whether the use of the <u>automated tools and techniques</u> is appropriate in the context of the audit engagement, and if so, how the <u>automated tools and techniques</u> are to be used. The auditor may consider whether:</p> <ul style="list-style-type: none"> <li>• Confidentiality of data is preserved.</li> <li>• The <u>automated tools and techniques</u> are used and secured in compliance with general policies or procedures of the firm relating to technological resources.</li> <li>• The <u>automated tools and techniques</u> operate as intended and their use is appropriate in the circumstance to meet the intended purpose(s) of the audit procedures.</li> <li>• The <u>automated tools and techniques</u> are operated by members of the engagement team that have the competence</li> </ul>

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	<p>and capabilities required to use the <u>automated tools and techniques</u>.</p> <ul style="list-style-type: none"> <li>Specific documentation should be included in the audit file (e.g., testing or explaining the logic applied by the <u>automated tools and techniques</u> to generate the results and any related decisions).</li> </ul>
	<p>A65H. When performing an audit procedure, such as a risk assessment procedure or a further audit procedure, the outputs generated by <u>automated tools and techniques</u> may identify items that are inconsistent with the auditor's expectations or that exhibit characteristics that are unusual for the population. Different terminology may be used to describe these items, for example, exceptions, outliers, notable items, or items of audit interest. These items may indicate a possible misstatement in the financial statements that warrants further investigation. They may also indicate inconsistencies in audit evidence, particularly when other audit evidence has not identified similar exceptions or outliers, or cast doubt on the reliability of the information. Paragraphs 12 and 14 apply in such circumstances.</p>
	<p>A65I. The initial outputs generated by <u>automated tools and techniques</u> may include a large volume of items that exhibit characteristics that are unusual based on the distribution of the population. Examples of possible causes of large volumes of items exhibiting unusual characteristics may include when the inputs are incomplete, inaccurate, or in a form which does not facilitate a meaningful analysis or when the initial expectation for the population based on the auditor's understanding of the entity and its environment is not precise or is inappropriately defined due to insufficient understanding about the population itself. When the initial population is inappropriately defined, the parameters may be re-calibrated, and the auditor may re-apply the <u>automated tools and techniques</u> to the population.</p> <p>Example:</p> <p>When testing journal entries, a pre-set filter of the <u>automated tools and techniques</u> may be applied to identify all items posted on weekends. Those items would not be unusual for the population if accounting personnel routinely post journal entries on weekends.</p>
	<p>A65J. The extent of the auditor's procedures to further investigate the outputs generated by <u>automated tools and techniques</u> that is inconsistent with the auditor's expectations or that exhibit characteristics that are unusual for the population may depend on the intended purpose(s) of the audit procedures.</p>



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	<p>A65K. Digital Information or output that has been generated by the entity's automated systems or through the entity's application of <u>automated tools and techniques</u>, may give rise to a risk of automation bias, resulting in an overreliance on the relevance and reliability of such information. An awareness of automation bias when evaluating the relevance and reliability of information intended to be used as audit evidence may help the auditor to design and perform audit procedures in a manner that seeks to avoid such bias.</p>
	<p>A65L. The auditor's use of <u>automated tools and techniques</u> may also give rise to a risk of unconscious biases, including automation bias. The vulnerability to automation bias may be greater when the audit procedures performed using <u>automated tools and techniques</u> are complex, such as when they involve multiple inputs and multiple relationships between the inputs, or when there is reduced transparency about how the <u>automated tools and techniques</u> are generating the output.</p>
	<p>A65M. Possible actions that the auditor may take to mitigate the risk of automation bias when using <u>automated tools and techniques</u> include:</p> <ul style="list-style-type: none"> <li>• Explicitly alerting the engagement team to instances or situations when vulnerability to automation bias may be greater.</li> <li>• Providing relevant training to members of the engagement team who use <u>automated tools and techniques</u>.</li> <li>• Emphasizing the importance of the involvement of more experienced members of the engagement team, or engagement team members with specialized skills and knowledge, when necessary, to: <ul style="list-style-type: none"> <li>○ Understand the data inputs and processing steps, including calculations and modifications to data, used in the <u>automated tools and techniques</u>;</li> <li>○ Design and perform audit procedures using the <u>automated tools and techniques</u>; or</li> <li>○ Interpret the results from applying the <u>automated tools or techniques</u>.</li> </ul> </li> <li>• Determining whether the auditor's firm permits the use of the <u>automated tools and techniques</u> and whether the firm has determined that the <u>automated tools and techniques</u> are appropriate for use.</li> </ul>
	<p>Appendix 1</p> <p>1C. The use of <u>automated tools and techniques</u> may assist the auditor to design and perform audit procedures that achieves</p>

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	<p>more than one purpose concurrently, and they can also combine types of audit procedures together. In such circumstances it is relevant for the auditor to focus on the appropriateness of the audit procedure to achieve its intended purpose(s) rather than the type of audit procedure performed. Paragraph A18 contains an example demonstrating how the auditor may concurrently perform an audit procedure that achieves more than one purpose.</p>
	<p>2. Inspection involves an examination (being physically present or using remote observation tools) of an asset or an examination of records or documents, whether internal or external, in paper form, digital form, or other media.</p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• To test a control, the auditor may inspect records, using manual or <u>automated tools and techniques</u>, for evidence of authorization.</li> <li>• The auditor may inspect the terms of revenue contracts with customers using <u>automated tools and techniques</u>, which may extract key information such as pricing and payment terms to use as audit evidence relevant to revenue recognition.</li> </ul>
	<p>Appendix 1</p> <p>5. ...</p> <ul style="list-style-type: none"> <li>• Subject to certain exceptions, ISA 501 requires the auditor to attend the physical inventory counting of the client to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory. The auditor may perform the required audit procedures by using manual or <u>automated tools and techniques</u>, individually or in combination with each other. <u>Automated tools and techniques</u> may include <u>live video</u>, <u>screensharing</u> or video footage from a <u>drone</u>.</li> </ul>
	<p>Appendix 2</p> <p>1. When the design and performance of an audit procedure includes selecting items for testing, the auditor may use various approaches to identify and select items for testing. Such approaches may involve:</p> <ul style="list-style-type: none"> <li>• Selecting all items;</li> <li>• Selecting specific items; and</li> <li>• Audit sampling.</li> </ul>

ISA	ISA Paragraph
	<p>The application of any one or a combination of these approaches may be appropriate depending on the circumstances. The auditor may also use <u>automated tools and techniques</u> to identify and select items for testing.</p>
	<p>Appendix 2</p> <p>2. The appropriateness of an approach or technique in selecting items for testing depends on a number of factors, such as:</p> <ul style="list-style-type: none"> <li>• The intended purpose(s) of the audit procedure;</li> <li>• How the audit procedure is designed;</li> <li>• Whether the auditor is performing the audit procedure manually or using <u>automated tools and techniques</u>;</li> <li>• The characteristics of the population being tested; and</li> <li>• The persuasiveness of audit evidence that is needed in the circumstances.</li> </ul>
	<p>Appendix 2</p> <p>3. The auditor may determine that it is possible to apply an audit procedure to the entire population of items. If the audit procedure has been designed appropriately, the application of the audit procedure to an entire population may result in more persuasive audit evidence. Applying an audit procedure to an entire population may be appropriate when, for example:</p> <ul style="list-style-type: none"> <li>• The population constitutes a small number of large value items;</li> <li>• There is a significant risk and other means of selecting items do not provide sufficient appropriate audit evidence; or</li> <li>• <u>Automated tools and techniques</u> can be used to perform the audit procedure.</li> </ul>
	<p>Appendix 2</p> <p>6. The auditor may use <u>automated tools and techniques</u> to identify and select specific items for testing. For example, ISA 315 (Revised 2019) explains that, when automated procedures are used to maintain the general ledger and prepare financial statements, non-standard journal entries may exist only in electronic form and may therefore be more easily identified through the use of <u>automated tools and techniques</u>.</p>

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ISA 570 (Revised 2024) <sup>8</sup>	<p>A13. The auditor may also use <u>automated tools and techniques</u> when designing and performing risk assessment procedures as required by paragraph 11.</p> <p>Examples:</p> <p>The auditor may use <u>automated tools and techniques</u> when:</p> <ul style="list-style-type: none"> <li>• Performing analytical procedures to understand the trends of key financial ratios (e.g., the entity's key sources of earnings and their relationship to cash generation) or identify inconsistencies or unusual events.</li> <li>• Applying predictive models to assess an entity's financial condition or to understand the impact of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (e.g., models for prediction of bankruptcy or insolvency).</li> </ul>
	<p>A42. Considerations for the auditor's evaluation regarding the significant assumptions on which management's assessment is based may include:</p> <p>...</p> <p>Example:</p> <p>The use of <u>automated tools and techniques</u> may assist the auditor when performing sensitivity analysis of management's assessment of going concern to understand how outcomes are affected by changes in input variables such as discount or growth rates.</p>
	<p>A46. The nature and extent of the auditor's procedures may vary depending on the method, significant assumptions and data used by management to assess the entity's ability to continue as a going concern as well as the nature and circumstances of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.</p> <p>Examples:</p> <p>Data</p> <ul style="list-style-type: none"> <li>• When management's assessment of going concern includes large volumes of data from multiple sources, there may be</li> </ul>

<sup>8</sup> ISA 570 (Revised 2024), *Going Concern*

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	<p>inherent complexity in evaluating the reliability of the data used and the auditor's procedures may employ <u>automated tools and techniques</u> to evaluate the reliability of the data used by management.</p> <p>...</p>
ISA 600 (Revised) <sup>9</sup>	<p>A68. When determining whether the engagement team has the appropriate competence and capabilities, the group engagement partner may take into consideration such matters as the expertise of the component auditor in the use of <u>automated tools and techniques</u>. For example, as described in ISA 220 (Revised), when the group auditor requires component auditors to use specific <u>automated tools and techniques</u> when performing audit procedures, the group auditor may communicate with component auditors that the use of such <u>automated tools and techniques</u> need to comply with the group auditor's instructions.</p>
	<p>A129. In some cases, it may be possible to obtain sufficient appropriate audit evidence by performing further audit procedures centrally on these significant classes of transactions, account balances or disclosures (e.g., if they are homogeneous, subject to common controls and access to appropriate information can be obtained). The further audit procedures may also include substantive analytical procedures in accordance with ISA 520. Depending on the circumstances of the engagement, the financial information of the components may be aggregated at appropriate levels for purposes of developing expectations and determining the amount of any difference of recorded amounts from expected values in performing the substantive analytical procedures. The use of <u>automated tools and techniques</u> may be helpful in these circumstances.</p>
<b>Computer Assisted Audit Technique (CAAT)</b>	
ISA 240 <sup>10</sup>	<p>A38. The auditor's responses to address the assessed risks of material misstatement due to fraud at the assertion level may include changing the nature, timing and extent of audit procedures in the following ways:</p> <p>...</p> <p>The nature of audit procedures to be performed may need to be changed to obtain audit evidence that is more reliable and relevant or to obtain additional corroborative information. This may affect both the type of audit procedures to be performed and their</p>

<sup>9</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

<sup>10</sup> ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

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	<p>combination. For example:</p> <ul style="list-style-type: none"> <li>o Physical observation or inspection of certain assets may become more important or the auditor may choose to use <u>computer-assisted audit techniques</u> to gather more evidence about data contained in significant accounts or electronic transaction files.</li> </ul>
ISA 300 <sup>11</sup>	<p>Appendix</p> <p><b>Characteristics of the Engagement</b></p> <p>...</p> <ul style="list-style-type: none"> <li>• The effect of information technology on the audit procedures, including the availability of data and the expected use of <u>computer-assisted audit techniques</u>.</li> </ul>
ISA 330 <sup>12</sup>	<p>A16. The use of <u>computer-assisted audit techniques (CAATs)</u> may enable more extensive testing of electronic transactions and account files, which may be useful when the auditor decides to modify the extent of testing, for example, in responding to the risks of material misstatement due to fraud. Such techniques can be used to select sample transactions from key electronic files, to sort transactions with specific characteristics, or to test an entire population instead of a sample.</p>
	<p>A27. The nature of the particular control influences the type of procedure required to obtain audit evidence about whether the control was operating effectively. For example, if operating effectiveness is evidenced by documentation, the auditor may decide to inspect it to obtain audit evidence about operating effectiveness. For other controls, however, documentation may not be available or relevant. For example, documentation of operation may not exist for some factors in the control environment, such as assignment of authority and responsibility, or for some types of controls, such as automated controls. In such circumstances, audit evidence about operating effectiveness may be obtained through inquiry in combination with other audit procedures such as observation or the use of <u>CAATs</u>.</p>

<sup>11</sup> ISA 300, *Planning an Audit of Financial Statements*

<sup>12</sup> ISA 330, *The Auditor's Responses to Assessed Risks*

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ISA 550 <sup>13</sup>	<p>A36. Examples of substantive audit procedures that the auditor may perform relating to newly identified related parties or significant related party transactions include:</p> <p>...</p> <ul style="list-style-type: none"> <li>• Conducting an analysis of accounting records for transactions with the newly identified related parties. Such an analysis may be facilitated using <u>computer-assisted audit techniques</u>.</li> </ul>
<b>Other References</b>	
ISA 220 (Revised)	<p>A60. Under ISQM 1, the resources assigned or made available by the firm to support the performance of audit engagements include:</p> <ul style="list-style-type: none"> <li>• Human resources;</li> <li>• <u>Technological resources</u>; and</li> <li>• Intellectual resources.</li> </ul>
	<p>A64. The use of technological resources on the audit engagement may assist the auditor in obtaining sufficient appropriate audit evidence. <u>Technological tools</u> may allow the auditor to more effectively and efficiently manage the audit. <u>Technological tools</u> may also allow the auditor to evaluate large amounts of data more easily to, for example, provide deeper insights, identify unusual trends or more effectively challenge management's assertions, which enhances the ability of the auditor to exercise professional skepticism. <u>Technological tools</u> may also be used to conduct meetings and provide communication tools to the engagement team. Inappropriate use of such technological resources may, however, increase the risk of overreliance on the information produced for decision making purposes, or may create threats to complying with relevant ethical requirements, for example, requirements related to confidentiality.</p>
	<p>A65. The firm's policies or procedures may include required considerations or responsibilities for the engagement team when using firm approved <u>technological tools</u> to perform audit procedures and may require the involvement of individuals with specialized skills or expertise in evaluating or analyzing the output.</p>

<sup>13</sup> ISA 550, *Related Parties*

Analysis of Paragraphs in the ISAs that Refer to ATT and Related Terms  
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ISA	ISA Paragraph
	<p>A67. The firm's policies or procedures may specifically prohibit the use of certain <u>IT applications</u> or features of <u>IT applications</u> (e.g., software that has not yet been specifically approved for use by the firm). Alternatively, the firm's policies or procedures may require the engagement team to take certain actions before using an <u>IT application</u> that is not firm-approved to determine it is appropriate for use, for example by requiring:</p> <ul style="list-style-type: none"> <li>• The engagement team to have appropriate competence and capabilities to use the <u>IT application</u>.</li> <li>• Testing the operation and security of the <u>IT application</u>.</li> <li>• Specific documentation to be included in the audit file.</li> </ul> <p>A68. The engagement partner may exercise professional judgment in considering whether the use of an <u>IT application</u> on the audit engagement is appropriate in the context of the engagement, and if so, how the <u>IT application</u> is to be used. Factors that may be considered in determining whether a particular <u>IT application</u>, that has not been specifically approved for use by the firm, is appropriate for use in the audit engagement include whether:</p> <ul style="list-style-type: none"> <li>• Use and security of the <u>IT application</u> complies with the firm's policies or procedures.</li> <li>• The <u>IT application</u> operates as intended.</li> <li>• Personnel have the competence and capabilities required to use the <u>IT application</u>.</li> </ul>
ISA 600 (Revised)	<p>A81. The form of the communications between the group auditor and component auditors may vary based on factors such as the nature of the audit work the component auditors have been requested to perform, and the extent to which communication capabilities are integrated into the <u>audit tools</u> used for the group audit.</p> <p>A178. Policies or procedures established by the firm in accordance with the firm's system of quality management, or resources provided by the firm or a network, may assist the group auditor in documenting the direction and supervision of component auditors and the review of their work. For example, an <u>electronic audit tool</u> may be used to facilitate communications between the group auditor and component auditors. The <u>electronic audit tool</u> also may be used for audit documentation, including providing information about the reviewer(s) and the date(s) and extent of their review.</p>



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ISA	ISA Paragraph
Proposed ISA 500 (Revised)	<p>Appendix 1</p> <p>1B. The auditor may also use <u>automated tools and techniques</u> to perform audit procedures.</p> <p>Examples:</p> <p>Risk Assessment</p> <ul style="list-style-type: none"> <li>• <u>Data analysis</u> of an entire population of journal entries to identify unusual or unexpected trends, relationships and activities that may be relevant to the identification and assessment of risks of material misstatement such as the existence of manual journal entries within a routine sales process.</li> <li>• Use of <u>artificial intelligence technologies</u> to gather information from various sources to assist the auditor in identifying risks of material misstatement. For example, aggregated news and social media analysis filtered for relevance that may indicate areas of audit risk, such as changes in operations, regulations or other new events and conditions.</li> </ul> <p>Test of Controls</p> <ul style="list-style-type: none"> <li>• Use of <u>automated tools and techniques</u> for evaluating certain IT general access rights and configurations or reperforming the operation of the automated portion of controls throughout the period.</li> </ul> <p>Substantive Procedure</p> <ul style="list-style-type: none"> <li>• Use of <u>technologies</u> such as <u>robotic process automation</u> to automate administrative aspects of audit procedures such as obtaining external confirmations.</li> <li>• Use of <u>machine reading technology</u> to automatically vouch items selected for tests of details to underlying documentation, such as invoices.</li> </ul>