SUMMARY OF SIGNIFICANT CHANGES

Catalog of Issues and Proposed Actions (Catalog)

This agenda paper summarizes the significant feedback received <u>at the thematic level</u> and outlines significant changes made to the Catalog <u>at the issues level</u>, as reflected in the <u>marked version</u> of the Catalog in **Agenda Item 5-B**, based on feedback provided by the Board at the December 2024 IAASB meeting and feedback provided by the Technology Consultation Group and stakeholders during outreach performed during Q1-2025 (see Appendix 1 of **Agenda Item 5** for a list of organizations engaged by the Technology Team during the stakeholder outreach).

Theme#1: Terminology	
What we heard about theme#1	
The Board and stakeholders strongly supported revisiting technology-related terms in the ISAs and ISQMs, including "automated tools and techniques," to ensure consistency and clarity. They also agreed that this review should be conducted by the Audit Evidence and Risk Response project team, in collaboration with the Technology Team and Technology Consultation Group, as outlined in the Catalog. Stakeholders also asked the Board to avoid referring to specific technologies so as to "future proof" the standards.	
Issue #	**Significant changes**
1(a)	**Terminology –** no significant changes to the Catalog for this theme

Theme#2: Conceptual Framework
What we heard about theme#2
Stakeholders broadly agreed that the Board should monitor emerging technologies and innovations in audit and assurance, particularly those that could challenge the conceptual framework underpinning the IAASB's standards. Additionally, there was consensus that this theme should be positioned in the Catalog after terminology, ensuring a logical progression from foundational concepts to more specific themes. Most of the stakeholders who commented on the prioritization of the actions for this theme proposed that the prioritization should be "low" for all proposed actions.

Issue #	Significant changes
2(a)	**Inherent limitations of an audit** *Changes to Issue* • Expanded the issue description to highlight not only auditors' use of technology but also the impact of entity-driven technologies, particularly black-box systems. The use of emerging technologies by both auditors and entities may influence how inherent limitations in the audit are described and contextualized in the standards. *Changes to Prioritization of Proposed Action* • The Board agreed that this is not an urgent matter and requested that proposed action be re-prioritized as "low".
2(b)	**Impact of the growing use of technology-enabled procedures on expectations about the use of technology in audits and the concept of reasonable assurance** *Changes to Issue* • Revisions to the issue respond to concerns raised by some Board members that the description was overemphasizing potential efficiency gains from the use of technology particularly because the use of technology may increase the work effort rather than reduce it. • Retained the issue on the Catalog because feedback from outreach undertaken indicates that there are in fact evolving expectations by the public about the impact of technology on audits and that this issue should be closely monitored by the Board. *Changes to Source of Insight* • Added additional sources of insight based on outreach performed in Q1-2025 and removed "Guiding action #2" to address comments from some Board members about whether evolving expectations is in fact acting as a "barrier" to the use of technology in audits or assurance engagements.
2(c)	**Auditing framework for continuous auditing** *Changes to Issue* • Stakeholders supported continued monitoring of this issue in the Catalog, noting that while IAASB's standards don't prohibit it, they also don't facilitate it. They cautioned against a delayed, reactive approach if adoption becomes widespread. Based on

	feedback, the issue description was refined to reflect cloud computing's role in enabling continuous auditing and its connection to continuous reporting. *Changes to Source of Insight* • Added additional sources of insight based on outreach performed in Q1-2025.
Theme#3: Quality Management	
What we heard about theme#3 Stakeholders expressed mixed views on whether the Board should initiate a project on quality management specifically related to the use of technology in engagements. Some stakeholders, notably some firms, questioned the need for such a project, given that ISQM 1 and ISA 220 (Revised) have only been effective since December 15, 2022, and appear to provide a robust framework for considering quality objectives, risks and responses. Other stakeholders, including the Stakeholder Advisory Council, were supportive of the Board conducting further information gathering to determine whether the quality management principles in ISQM 1 and ISA 220 (Revised) remain adequate in addressing the complexities posed by emerging technologies.	
3(a)	**Firm-level approval of technological resources used in engagements** *Changes to Issue* • Based on feedback provided by the Board, the specific reference to Generative Artificial Intelligence (Gen AI) was removed and replaced by a broader reference to complex technology resources *Changes to Source of Insight* • *Added sources of insight based on outreach performed in Q1-2025* *Changes to the Proposed Action* • Removed the reference to "principles-based specificity" due to concerns by some Board members that the reference was unclear.
3(b)	**Engagement-level approval of technological resources** *Changes to Source of Insight* • Added sources of insight based on outreach performed in Q1-2025

	Changes to the Proposed Action • Removed the reference to "principles-based specificity" due to concerns by some Board members that the reference was unclear.
3(c)	**Technological resources used in engagements which are developed by service providers** *Changes to Issue* • The description of the issue was enhanced and streamlined based on feedback received. Further, the word "unnecessarily" was introduced to emphasize the fact that the IAASB will not be arbitrarily removing the expectation that firms obtain a sufficient understanding of the tools they license from service providers. *Changes to Source of Insight* • Added additional sources of insight based on outreach performed in Q1-2025.

Theme#4: Determining whether to perform technology-enabled procedures

What we heard about theme#4
Stakeholders broadly supported the description of the issues included in this theme and the proposed actions.

4(a)	**Exploring introducing requirements and application material about determining whether technology-enabled procedures are required to achieve engagement objectives** *Changes to Issue* • The description was revised to emphasize that crypto and ECL estimates are only some of potentially other examples where auditors may determine that technology-enabled procedures are necessary to respond to financial-statement or assertion-level risks of material misstatement. *Changes to Source of Insight* • Added additional sources of insight based on outreach performed in Q1-2025.

4(b)	**Barriers to using technology-enabled procedures that arise because of how data is produced and maintained by entities** *Changes to Source of Insight* • Guiding Action#2 was removed as a source of insight based on comments from a Board member that stated: "*Barriers imposed by how an entity operates are not 'barriers in the standard.*"
4(c)	**The IAASB's role in promoting best practices** *Changes to Prioritization* • Some Board members questioned whether developing non-authoritative material which deal with "best practices" non-authoritative materials falls within the IAASB's remit, while others believed it does but considered it a lower priority due to resourcing constraints. In response to this feedback, we have adjusted the prioritization level from "medium" to "low." *Changes to Source of Insight* Added additional sources of insight based on outreach performed in Q1-2025. *Changes to Proposed Action* • Added additional detail to refer to the fact that the IAASB may collaborate with national standard setters in other jurisdictions to develop this material.
**Theme#5: Entities' use of technology**
Stakeholders broadly supported the theme and the positioning of each of the related issues and proposed actions.
5(a)	**Identifying, assessing, and responding to risks arising from the use of IT by entities** *Changes to Possible Standards* • Included ISQM 1 to the list to respond to a proposal by a Board member to reflect the fact that the entity's use of technology may also impact the firm's client acceptance/continuance decisions.

Theme#6: Performing technology-enabled procedures
Stakeholders broadly supported the prioritization of "proposed actions" relating to the issues within this theme. The Board requested the Technology Team to revisit the prioritization of proposed actions, particularly those within the scope of the Audit Evidence and Risk Response project, to determine whether all warranted a "high" prioritization. Following further assessment based on feedback from outreach conducted in Q1-2025, all prioritization proposals were retained as "high".

6(a)	**Exploring introducing requirements and application material about considerations for the appropriate use of technology-enabled procedures** *Changes to Possible Standards* • Added ISA 220 (Revised) based on feedback from a Board member that there are engagement-level quality management considerations associated with this issue.
6(b)	**Interpretability or explainability associated with how a technology-enabled procedure arrives at its outputs** *Changes to Issue* • The issue description was enhanced to reflect feedback from outreach undertaken, including from some of the larger firms about their Gen AI certification practices. *Changes to Source of Insight* • Added additional sources of insight based on outreach performed in Q1-2025.
6(g)	**Appropriate use of technology-enabled procedures in inventory counts** *Changes to Issue* • Streamlined the description of the issue and added another example based on feedback from practitioners where the requirement about physical attendance of inventory counts may be impracticable.

6(h)	**Documentation requirements when performing technology-enabled procedures** *Changes to Issue* • Revised based on a suggestion by a Board member to added as a documentation consideration relating to what needs to be documented at the engagement level versus what could be documented and retained at the firm level. • Updated the list of matters as examples of documentation considerations as to not suggest a comprehensive list.
Theme#7: Using the work of a (management's or auditor's) expert	
Stakeholders broadly agreed that the issues in this theme are important for the Board to monitor. However, there was also consensus at the December 2024 IAASB meeting that the prioritization levels for the proposed actions relating to 7(b) and 7(c) could be lowered by one notch.	
7(a)	*Changes to Proposed Action* • Added additional detail to the proposed action to emphasize that "reserve topics" may nevertheless be elevated to projects as circumstances change, including changes in the environment relating to emerging technologies.
Theme#8: Technological Resources and Professional Skepticism	
Stakeholders broadly supported the description of the issue and the related proposed actions.	
8(a)	**The impact of using technology-enabled procedures on the exercise of professional skepticism** *Changes to Issue* • Updated the description of the issue. *Changes to Possible Standards* • Added a reference to ISQM 1 based on a recommendation by a Board member that there is an important firm-level quality management perspective in maintaining an appropriate culture and skills as the use of technology becomes ubiquitous in assurance engagements.