

Technology Quality Management Workstream

Setting the Stage for a Global Dialogue

Session Objective

1. This session introduces the Board and IAASB stakeholders to the IAASB's new Technology Quality Management (QM) Workstream. The Workstream is designed to:
 - Understand how firms are applying ISQM 1¹ and ISA 220 (Revised)² to emerging technologies used in audit and assurance engagements, particularly those that are complex, opaque, or difficult to interpret (e.g., artificial intelligence (AI) driven tools).
 - Assess whether additional support, such as non-authoritative materials or other activities, could facilitate the use of emerging technologies in a manner consistent with the public interest. This includes helping firms and practitioners apply these standards in a way that supports responsible innovation and consistent application, while contributing to acceptance and clarity for other stakeholders (e.g., regulators, preparers, users).

Session Format

2. The session will be delivered in two parts:
 - **Public Session (Livestreamed):** This segment will introduce the Workstream to the Board and external stakeholders, providing:
 - The catalyst for the initiative and its alignment with the IAASB's [Technology Position](#).
 - An overview of the IAASB's evidence-gathering and stakeholder engagement plans.
 - **Private Workshop Session:** In this closed session, Board members will provide perspectives on strategic questions designed to help shape the focus and priorities of the Workstream's evidence-gathering activities. (*Note: These questions are outlined in a separate agenda paper available only to Board members, technical advisors, and official observers.*)

Why This Workstream, Why Now?

3. Feedback received in connection with the IAASB's Technology Position (September 2024) and the recently finalized [Technology Catalog of Issues and Possible Actions](#) indicates a clear role for the IAASB in helping the global audit community navigate how the IAASB's quality management standards apply to emerging technologies. This includes how those standards apply to the development, acquisition, maintenance, and ultimate use of such technologies in audit and assurance engagements. These emerging technologies, such as AI-driven applications, are often powerful, difficult to interpret, and may give rise to new quality management challenges.

¹ International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

² International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements*

4. This Workstream is being launched at a time when powerful new technologies, such as generative AI, machine learning, and advanced automation, are becoming more commonly used in audit and assurance engagements. These tools may offer significant opportunities to enhance engagement quality but also raise important practical questions about how to apply the IAASB's quality management standards in new and unfamiliar contexts. This is particularly true where technologies are continuously evolving or not easily interpretable. Clarifying how the principles in ISQM 1 and ISA 220 (Revised) apply to these technologies can promote consistency, strengthen stakeholder confidence, and support innovation that serves the public interest.
5. The Workstream reflects the IAASB's commitment to supporting high-quality engagements in a rapidly evolving environment. While the IAASB has not yet determined whether additional support is needed, such as non-authoritative materials or other activities, this initiative seeks to gather evidence and perspectives to inform that decision. Specifically, the IAASB will explore whether firms and practitioners would benefit from further support in applying the standards to emerging technologies in a practical, scalable, and globally coherent manner. In doing so, the Workstream also seeks to support other stakeholders such as regulators, preparers and users of financial statements.

Structure of the Paper

6. To support the Board's consideration of the Technology QM Workstream, this paper includes:
 - [Key messages](#) to support external communication and alignment.
 - [Background information on ISQM 1 and ISA 220 \(Revised\)](#).
 - A description of the [Workstream's objectives and strategic fit](#).
 - An overview of the approach to [information gathering and stakeholder engagement](#).
 - A summary of the proposed [next steps](#).

Key Messages: Rationale and Strategic Positioning

7. Key messages in this paper are summarized below:
- (a) ISQM 1 and ISA 220 (Revised) are being implemented across jurisdictions globally, with early indications suggesting they are effective and fit-for-purpose.
 - (b) Since their finalization in 2020, technology has evolved rapidly and unpredictably. The emergence of AI-driven tools introduces practical questions about how firms and practitioners apply these standards, especially in areas like tool approval, engagement-level oversight, and evaluating whether outputs are appropriate for use.
 - (c) The IAASB aims to help firms and practitioners confidently and responsibly leverage emerging technologies to enhance audit and assurance quality. Supporting consistent and enforceable application of the IAASB's standards can also reinforce regulatory acceptance and help sustain the relevance of the profession in a rapidly evolving environment.
 - (d) Because many of these technological tools are developed or acquired at the firm level, ISQM 1 is a natural starting point for exploring how these tools are governed and ultimately approved for use in engagements.
 - (e) Paragraph 32(f) of ISQM 1 sets out the relevant quality objective for such tools, with supporting application material that outlines considerations for firms when approving such tools for use in engagements, including data quality, intended purpose and IT controls.
 - (f) The IAASB's working hypothesis is that non-authoritative materials, such as practice notes, guidance or illustrative examples, may be the most timely and effective way to support consistent application. This remains subject to stakeholder input.
 - (g) In line with the [Public Interest Framework](#), the IAASB is pursuing a structured, inclusive outreach strategy to better understand current practices, emerging risks, and implementation challenges across jurisdictions.

Background: Implementation of ISQM 1 and ISA 220 (Revised) and Their Relevance to Technology

8. Approved in 2020, ISQM 1 and ISA 220 (Revised) modernize the IAASB's approach to quality management by introducing a proactive, scalable, and risk-based framework. ISQM 1 addresses firm-level quality management, while ISA 220 (Revised) focuses on engagement-level quality management responsibilities. Implementation is currently underway across jurisdictions globally, with early feedback indicating these standards provide a strong foundation for delivering consistent, high-quality audit and assurance engagements.
9. Firms are beginning to deploy advanced technologies in audit and assurance engagements—including tools that are opaque or difficult to interpret, such as generative AI—to obtain evidence, perform analysis, or generate documentation. The IAASB seeks to understand how firms are governing and approving these technologies, particularly at the firm or network level, before they are used in engagements.
10. Paragraph 32(f) of ISQM 1 sets out the required firm-level quality objective for firms that develop or acquire technological tools and approve them for use in engagements. The related application

material in paragraph A100 outlines key factors that firms may consider before approving such tools, including:

- The appropriateness and completeness of data inputs.
 - Preservation of the confidentiality of the data used to develop or operate the tool.
 - Whether the tool functions as designed and achieves its intended purpose.
 - Whether the outputs are appropriate for their intended use.
 - The sufficiency of general IT controls used to maintain the tool.
 - Whether personnel have the skills to use the tool effectively.
 - Whether procedural documentation supports consistent and appropriate use.
11. Stakeholder outreach indicates that the principles in ISQM 1 paragraph 32(f) and related application material offer a strong foundation for evaluating the appropriateness of technological tools that are developed or acquired for use in engagements. However, applying those principles to emerging technologies—especially complex or opaque tools like generative AI—raises new and practical challenges. For example:
- How does a firm evaluate whether a generative AI model functions as designed and achieves its intended purpose if the model is non-deterministic and continuously learning?
 - What constitutes sufficient evidence that an output is appropriate for its intended use, when the model's internal logic is not easily interpretable?
 - How should firms assign responsibility and accountability for tools developed by third parties, or that adapt dynamically without direct firm intervention?
12. The practical challenges posed by sophisticated technological tools—such as generative AI, including interpretability, dynamic adaptation, and third-party development—underscore the need to understand how firms are currently applying the principles of ISQM 1 and ISA 220 (Revised). This Workstream is intended to explore these questions using the standards as a foundation. It seeks to determine whether and where additional support may assist firms and practitioners in navigating uncertainty by facilitating the consistent and responsible use of emerging technologies and enabling responsible innovation.

Objectives and Strategic Importance of the Workstream

13. The Technology Quality Management Workstream focuses on understanding how firms and practitioners are applying ISQM 1 and ISA 220 (Revised) to emerging technologies used in audit and assurance engagements, particularly those that are complex, opaque, or not easily interpretable.
14. Specifically, the Workstream will:
- Understand how firms are interpreting and applying paragraph 32(f) of ISQM 1 along with the related practitioner responsibilities in ISA 220 (Revised) with respect to technological tools used in engagements. This includes how firms and practitioners are both leveraging emerging technologies to enhance audit and assurance quality, while addressing the risks and challenges those technologies may present.

- Identify additional quality management principles that firms are applying in practice but may not be explicitly reflected in the standards, and gather stakeholder views (e.g., regulators, preparers, users) on which principles should apply.
 - Assess whether additional support, such as non-authoritative materials (e.g., practice notes, guidance or illustrative examples) or other activities, could facilitate the use of emerging technologies in a manner consistent with the public interest. This includes supporting firms and practitioners in applying these standards in a way that supports responsible innovation and consistent application, while contributing to acceptance and clarity for other stakeholders (e.g., regulators, preparers, users).
15. The Workstream focuses exclusively on technological tools used directly in the performance of audit and assurance engagements. It does not address technological tools that support a firm's broader system of quality management, such as IT applications used in practice management (e.g., monitoring tools, HR tools).
16. While the IAASB's working hypothesis is that non-authoritative materials may be the most timely and effective means of achieving the Workstream's objectives, the Board remains open to all potential outcomes. The IAASB next steps will be guided by what is learned through outreach and analysis.
17. In this way, the Workstream reinforces the IAASB's commitment to:
- Evidence-based standard-setting and support activities.
 - Responsiveness to stakeholder needs across jurisdictions, including firms of all sizes.
 - Promoting global consistency in the application and enforceability of the quality management standards.
 - Strengthening public trust through quality management that anticipates and responds to ongoing technological change.
18. As the IAASB considers the form and content of potential outputs from this Workstream, it remains mindful that technology will continue to evolve rapidly. Technological tools are likely to become more complex, more opaque, and increasingly embedded in audit workflows. Accordingly, any support developed must go beyond addressing today's technologies. It should anticipate continued disruption by offering principles-based, scalable, and adaptable resources that navigate uncertainty without prescribing procedures that may quickly become outdated.

Approach to Information Gathering and Stakeholder Engagement

19. The IAASB is adopting a structured, inclusive, and evidence-driven approach to this Workstream. The objective is to understand not only how the quality management standards are applied in theory to emerging technologies used in engagements, but also how firms are currently managing the associated risks in practice. This understanding will be informed by engagement with a wide range of stakeholders, including firms, regulators, standard setters, users, and technology providers.
20. The engagement approach will be:

- **Evidence-Driven:** The Workstream does not presuppose the need for guidance or other outputs. All conclusions will be grounded in stakeholder input and an analysis of current practices.
- **Collaborative:** Outreach will span global networks, mid-tier firms, small and medium practices, regulators, audit and assurance oversight bodies, standard setters, those charged with governance, users of financial statements, academics, and technology providers.
- **Scalable:** The IAASB will reflect the diversity of the profession, ensuring that any outputs are relevant and practical across firms of all sizes and jurisdictions.

21. Planned activities include:

- A **series of roundtables** with key stakeholders, including both global stakeholders (e.g., GPPC,³ IFIAR,⁴ IOSCO,⁵ INTOSAI,⁶ and the Forum of Firms⁷) and jurisdictional stakeholders. Where possible, roundtables will be co-hosted with jurisdictional standards setters to capture diverse geographic, regulatory, and cultural perspectives.
- Targeted **one-on-one meetings** including, for example, firm-level quality leaders, technology developers and other relevant parties (see paragraph 20).

22. Consistent with the IAASB's Technology Position, this outreach is designed to prioritize relevance and practicality. The aim is to understand what firms and practitioners are actually doing today to manage quality when developing, acquiring, maintaining, and using emerging technologies, including:

- How firms evaluate and approve technologies developed internally for use in engagements.
- How firms assess and approve technologies developed by third-party service providers.
- How engagement-level quality management responsibilities are met when using firm-approved technologies.
- How those responsibilities are met when bespoke technologies that are not centrally approved by the firm are used in engagements.

Jurisdictional standard setters are expected to play a vital role in obtaining local insights, tailoring outreach to local contexts, and supporting communication within their ecosystems.

³ The [Global Public Policy Committee](#) (GPPC) brings together leaders from the six largest international accounting networks to focus on public policy issues facing the global accounting profession.

⁴ The [International Forum of Independent Audit Regulators](#) (IFIAR) comprises audit regulators from jurisdictions around the world.

⁵ The [International Organization of Securities Commissions](#) (IOSCO) brings together the world's securities regulators.

⁶ The [International Organization of Supreme Audit Institutions](#) (INTOSAI) operates as an umbrella organization for the external government audit community

⁷ The [Forum of Firms](#) is an independent association of international networks of firms that have transnational audit appointments or are interested in accepting such appointments. The Forum brings together member firms and involves them closely with IFAC's activities

Next Steps

23. This Workstream represents an important step in operationalizing the IAASB's Technology Position. Its primary purpose is to obtain information about how firms are currently approaching the quality management of emerging technologies—insights that are not yet widely available or consistently understood. It reflects a deliberate shift toward proactive monitoring of how the standards are functioning in the context of rapid technological advancement, and toward identifying what forms of support may be needed to maintain their relevance and support high-quality engagements.
24. The Technology Team will present insights from the Workstream to the Board at the December 2025 meeting. At that stage, the IAASB will consider whether:
- Non-authoritative materials (e.g., practice notes, guidance or illustrative examples) would be effective in supporting consistent and scalable application in line with the Workstream's objectives; or
 - A compelling case exists for more formal standard-setting in targeted areas.
- Any potential actions will be informed by evidence that is gathered and evaluated transparently, in consultation with stakeholders.
25. The Workstream is grounded in the IAASB's public interest mandate, with a clear focus on:
- Supporting the effective and consistent implementation of ISQM 1 and ISA 220 (Revised).
 - Facilitating the responsible use of emerging technologies in audit and assurance engagements.
 - Enhancing audit quality and reinforcing regulatory confidence.
 - Advancing the public interest in a rapidly evolving technological environment.

Matter for IAASB Consideration:

Does the Board have any initial views or reflections on the objectives, scope, or strategic importance of the Technology Quality Management Workstream—particularly regarding how ISQM 1 and ISA 220 (Revised) apply to emerging technologies used in audit and assurance engagements?