

Technology Quality Management Workstream

Feedback and Potential Next Steps

Objective:

This paper summarizes insights from the IAASB's initial information-gathering phase of the Technology Quality Management (QM) Workstream, drawing primarily on eight roundtables across the world, with global and regional participants held in Q3 and Q4 2025, and seeks the Board's input on potential next steps, including possible forms of support.

Introduction

Overview

1. Across industries, organizations are adopting Generative Artificial Intelligence (Gen AI) and other advanced forms of artificial intelligence (AI) to transform operations, enhance effectiveness and redefine the value they deliver.
2. The audit profession faces the same imperative: although firms have long used technological tools supported by well-established quality management and certification processes (see paragraph 41 for more information), those processes were designed for traditional tools that are transparent and deterministic. As firms increasingly explore technological tools with more complex characteristics, as outlined in paragraph 6, questions naturally arise about how the IAASB's quality management standards should be applied to manage the quality of these more sophisticated tools.
3. In June 2025 (see [Agenda Item 8](#)), the Board launched the information-gathering phase of the Technology Quality Management (QM) Workstream. The Workstream explores how firms and practitioners are applying the IAASB's quality management standards (i.e., ISQM 1¹ and ISA 220 (Revised)²) to emerging technologies used in audit and assurance engagements.
4. The Workstream builds on the IAASB's [Technology Position](#), which emphasizes the Board's commitment to *facilitate and, where appropriate, encourage the use of technology by firms in the systems of quality management and by practitioners in their engagements*. It also reflects the Board's shift toward proactively assessing how the standards operate amid rapid technological change, recognizing that new technologies may challenge the practical application of existing requirements.
5. A *working hypothesis* guiding the Workstream is that, while emerging technologies introduce new and evolving risks, the existing principles-based framework of the IAASB's quality management standards, together with additional support that could be provided by the IAASB in the public interest, could provide a robust foundation for effectively managing these risks.

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

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

6. As outlined in the [Briefing Note](#) for roundtable participants (participants), the Board is aware of implementation challenges in applying the quality management standards to emerging technological tools that exhibit one or more of the following characteristics:

- **Opacity:** when the tool's logic or decision-making process is not transparent.
- **Non-determinism:** when identical inputs can produce different outputs because of probabilistic processing or contextual sensitivity.
- **Adaptivity:** when the tool evolves after deployment through user interactions, updates or retraining.

Statement in the Briefing Note

The global audit profession stands at a pivotal moment. Emerging technologies, particularly artificial intelligence, are reshaping audits and assurance engagements. These innovations offer new opportunities to enhance engagement quality, improve efficiency, and expand the scope and value of assurance services.

7. Although technologies like Gen AI present tremendous opportunities for enhancing quality, effectiveness and efficiency, the distinctive characteristics described above, which are inherent in Gen AI tools, are giving rise to practical implementation challenges. These challenges relate to understanding how the existing principles in the IAASB's quality management standards should be applied when managing the new and evolving risks associated with these characteristics.
8. In facilitating the roundtable discussions, staff highlighted that, without further clarification, the use of emerging technologies could give rise to several challenges, namely:
- **Regulatory Fragmentation:** when regulators interpret the standards inconsistently across jurisdictions;
 - **Diversity in Practice:** when firms apply the standards differently, creating variability in engagement quality;
 - **Uneven Playing Field:** when larger, better-resourced firms are better positioned to navigate emerging technologies than small and medium-sized practices (SMPs).

Participants generally affirmed that these challenges resonate with their experiences and observations.

9. Against this backdrop, the initial information-gathering phase sought to understand whether additional support is needed and what type of support would most effectively help firms and practitioners apply ISQM 1 and ISA 220 (Revised) to emerging technologies. Stakeholders—including regulators, audit committee members, investors, and other users of external reporting, as well as academics—were also asked whether such support could enhance their understanding of how emerging technologies are being used, how quality is being managed, and what practices most effectively build trust when these tools are used in audit and assurance engagements. Taken together, these insights form the basis for staff's conclusions and recommendations presented later in this paper.
10. The IAASB's December 2025 meeting marks the conclusion of this initial information-gathering phase (see "**Approach to Information Gathering**" below). Based on the insights described in **Sections 1–3**, staff concluded that additional support would be beneficial to help firms and practitioners apply the quality management standards to emerging technologies. **Section 4** therefore presents staff's

proposal that this support take the form of non-authoritative materials (NAM) that provide practical guidance on applying the standards in this context.

Approach to Information Gathering

11. To support this work, and consistent with the commitment outlined in the June 2025 Agenda Paper, the Board adopted an information-gathering approach intended to be:
 - (a) **evidence-driven**, grounding conclusions in stakeholder input and analysis;
 - (b) **collaborative**, engaging firms of all sizes, regulators, standard setters and users across jurisdictions; and
 - (c) **scalable**, ensuring that outputs and conclusions are practical across jurisdictions and firm sizes.
12. A primary component of this initial phase of information gathering was the eight Technology QM roundtables hosted by the IAASB and partner bodies. These roundtables are summarized as follows:
 - [Appendix 2](#) provides an overview of the roundtables, including their purpose, design and timing.
 - [Appendix 3 – Brussels roundtable](#): This roundtable served as the Workstream’s primary global event, bringing together representatives of international regulatory and oversight bodies such as the International Forum of Independent Audit Regulators (IFIAR) and the International Organization of Securities Commissions (IOSCO), as well as leaders from global network firms and other stakeholders.
 - [Appendix 4 – Africa, Asia, Canada and Latin America regional roundtables](#): The summary focused on new insights or regional perspectives that build on the themes identified in Brussels.
 - [Appendix 5 – Australia, New Zealand, and Middle East regional roundtables](#): The summary for these roundtables will be posted separately on December 4, 2025. These sessions occurred too close to the finalization of this Issues Paper for full analysis.
13. Beyond the roundtables, staff continued to engage with the Project Board Members who provided strategic advice about the Workstream (see [Appendix 1](#)), the [Technology Consultation Group](#) (TCG) and [Technology Advisory Network](#) (TAN) through quarterly meetings, and held targeted discussions with key stakeholders including the [Forum of Firms](#) and the [Stakeholder Advisory Council](#).
14. Complementing these outreach activities, staff have conducted desktop research reviewing prominent AI governance frameworks issued by, among others, the U.S. National Institute of Standards and Technology (NIST), the International Organization for Standardization (ISO) and the Organization for Economic Co-operation and Development (OECD). This research informs consideration of what forms of non-authoritative support the IAASB might develop to promote consistent application of the quality management standards to emerging technologies.

Structure of this Paper

15. This paper is organized into four sections reflecting the topics explored during the Technology QM roundtables and integrating insights from broader information-gathering activities:

- [Section 1](#) describes current and emerging uses of Gen AI in audit and assurance engagements and explores how Gen AI is expected to transform engagements in the future.
- [Section 2](#) summarizes challenges and emerging practices in applying the IAASB's quality management standards to emerging technologies.
- [Section 3](#) explores stakeholder expectations for the governance, use and oversight of AI-enabled tools.
- [Section 4](#) considers whether the IAASB should clarify how its quality management standards apply to emerging technologies and, if so, what form that clarification might take.

Although the roundtable discussions were not limited to Gen AI, this technology featured most prominently and therefore serves as a primary focus of the paper.

Section 1 – How AI is Being Used Today and What is on the Horizon

Introduction

16. This section provides foundational context for the later discussion of quality management by summarizing what we heard across the roundtables—supplemented by desktop research—about how Gen AI is currently being used in audit and assurance engagements and how these capabilities are expected to evolve. The purpose of this section is to anchor the quality-management considerations in **Sections 2–4** within a clear understanding of both present practice and likely future developments.

Today: Rapidly Expanding AI Use Cases

17. Across all regions, participants emphasized that Gen AI is moving rapidly from experimentation to day-to-day use. The examples below are illustrative, not exhaustive, and reflect the range of use cases described at the roundtables. Together, they establish a baseline for understanding how firms are integrating Gen AI into existing workflows today:
 - (a) Gen AI supports detailed transactional testing, including high-volume document matching (e.g., three-way matches).
 - (b) Tools support the preparation of financial statement disclosure checklists and perform financial statement tie-out procedures, flagging potential gaps as a “first-pass” quality check.
 - (c) Chat-based interfaces allow practitioners to query internal and external auditing and accounting requirements and guidance, reducing time spent on technical research.
 - (d) Models are used to identify unexpected trends and fluctuations in financial data, helping teams identify potential higher-risk areas.
 - (e) Gen AI summarizes materials, such as audit committee minutes and internal audit reports, to help identify potential risks and inform planning.
 - (f) Tools prepare a first draft of walkthroughs based on prior-year audit working papers and current-year business process narratives, highlight year-over-year changes, and capture control documentation.
 - (g) Gen AI assists reviewers by performing a preliminary review to identify potential contradictions, omissions, or areas requiring more attention.

- (h) Tools assist staff in preparing first drafts of audit documentation and various documents (e.g. communications to those charged with governance).

Direction of Travel: Toward Agentic AI-Orchestrated, End-to-End Audits

18. Roundtable discussions and external research converge on a clear direction of travel: firms expect a shift from discrete, assistance-focused tools toward more integrated, “agentic AI”-orchestrated audit workflows. This evolution reflects a broader global trend in AI development: from technologies that support individual tasks to systems that coordinate complex, interdependent activities.
 - (a) Assurance leaders described a future in which a significant proportion of routine and semi-structured audit activities may be performed by various forms of AI, with human involvement concentrated at key points of judgment, oversight and accountability (see paragraph 6 of **Appendix 3**).
 - (b) External research similarly anticipates the emergence of multi-agent systems capable of planning, executing and refining audit procedures across interconnected workflows. These systems are designed not merely to process information but to manage tasks, learn from interaction and coordinate across multiple components of the audit process.
19. Taken together, these insights indicate an emerging shift in how audits may be performed in the future. Rather than relying on tools that support isolated tasks, firms anticipate a gradual move toward AI-enabled workflows that integrate planning, execution, review and documentation. In this model, AI systems could increasingly coordinate routine activities, while practitioners continue to provide oversight, exercise professional judgment and make final determinations. Although the pace and extent of this evolution will vary across firms and jurisdictions, participants acknowledged that it represents a meaningful trend worth monitoring.

What is “Agentic AI”?

Agentic AI refers to an advanced form of artificial intelligence that goes beyond responding to commands or analyzing data. It is designed for autonomous decision-making and action, enabling systems to set goals, plan, and execute tasks with minimal human intervention.

Source: Google Cloud (2025), What is Agentic AI?

From Use Cases to Quality Management Considerations

20. If these trends continue, they may broaden the range of quality-management considerations beyond the evaluation of individual tools. Participants observed that more integrated or agentic AI workflows could interact with multiple aspects of the audit process, including risk assessment, evidence gathering, documentation and review.
21. Considering these potential developments, some participants suggested that the IAASB may, in due course, wish to consider whether publishing NAM could help firms apply the quality-management standards to such evolving practices. They also emphasized the importance of continuing to monitor developments and to gather further insight before determining the extent or nature of any support that may be appropriate.

Matter for IAASB Consideration:

1. Based on your own experiences and outreach, do Board members agree that the use cases and direction of travel described in **Section 1** appropriately reflect current and emerging uses of Gen AI in audit and assurance engagements?

Section 2 – Applying ISQM 1 and ISA 220 (Revised) to Emerging Technologies

Introduction

22. This section summarizes what we heard about how firms and practitioners are applying ISQM 1 and ISA 220 (Revised) to emerging technologies, particularly those that exhibit the characteristics described earlier in paragraph 6 (opacity, non-determinism and adaptivity). The roundtable discussions highlighted both the practical challenges firms face when applying the quality management standards to such technologies, and the emerging practices being developed to address those challenges. The section also integrates insights learned from staff outreach conducted outside the roundtables as well as desktop research.
23. Before turning to the specific challenges and emerging practices, this section provides brief context on how firms are accessing and deploying Gen-AI-enabled tools today and outlines the aspects of ISQM 1 and ISA 220 (Revised) that are most directly affected. This framing helps illustrate where stakeholders see opportunities for NAM to support more consistent and proportionate implementation of the IAASB's quality management standards.

Background

How ISQM 1 and ISA 220 (Revised) Frame Technological Resources

24. ISQM 1 includes a requirement for firms relating to, among other matters, quality management of technological resources used in performance of engagements. Specifically, paragraph 32(f) of ISQM 1 requires that a firm establish the following quality objective:

Appropriate technological resources are **obtained or developed, implemented, maintained, and used**, to enable the operation of the firm's system of quality management and **the performance of engagements** [*emphasis added*].

25. While the quality objective applies broadly to all technological resources used by a firm, including administrative tools such as time-recording or learning-management systems, this Workstream focuses on technological tools ("tools") used in the performance of engagements. For such tools, the firm's system of quality management includes policies and procedures that respond to risks arising from their development, acquisition, deployment, and ongoing monitoring, a process often referred to informally as the firm's "*tool certification process*."

Tool Certification Processes

Certification refers to the process a network or firm uses to evaluate and approve a technological tool for use in engagements and to monitor its continued operation after deployment.

26. The related application material in ISQM 1 provides guidance on what “appropriate” means in this context.
- (a) **Paragraph A100** outlines matters a firm may consider when approving a technological tool for use in engagements, whether developed internally or obtained from a service provider. It also addresses considerations for monitoring the tool’s continued operation, for example through the implementation of general IT controls (GITCs) after deployment. Aspects of these matters are further elaborated in paragraphs A101 and A104.
 - (b) **Paragraphs A105–A108** add further considerations when the firm obtains services, including technological resources such as a foundational Gen AI model, from a third party (i.e., a service provider). The considerations in A100 continue to apply, as the firm remains responsible for its system of quality management, including understanding how the service provider has addressed those same considerations.
 - (c) Together, these paragraphs frame how firms apply ISQM 1 when onboarding third-party technologies such as Gen AI tools.
27. ISA 220 (Revised) picks up this framework at the engagement level by addressing “engagement resources,” including technological tools made available by the firm (i.e., certified by the firm for use). The engagement partner is required to determine that sufficient and appropriate resources are assigned or made available and to take responsibility for using those resources appropriately in the circumstances of the audit engagement. The application material on technological resources explains that firm-approved tools can help obtain sufficient appropriate audit evidence, but that inappropriate use may increase risks such as over-reliance or threats to confidentiality.
28. ISQM 1 and ISA 220 (Revised) also include application material that addresses circumstances in which a firm prohibits the use of certain technological tools and outlines related quality-management responsibilities for the firm and the engagement team. For example, ISQM 1, paragraph A101, notes that the firm may establish policies and procedures to address circumstances in which an engagement team uses a technological tool that has not been approved by the firm, and ISA 220 (Revised), paragraph A64, describes the engagement partner’s responsibilities in such situations. Participants noted that these aspects of the standards are increasingly relevant in the context of emerging technologies, including instances where staff may access publicly available Gen-AI tools outside the firm’s established processes (see paragraph 64 below).

How Firms Access Gen AI Tools

29. Developing and training foundational Gen AI models requires access to very large datasets, specialized computing infrastructure and expertise that align more closely with the business models of dedicated AI developers than with those of firms. Based upon roundtable conversations and other research, firms are generally not building foundational models themselves. Instead, they license the use of existing foundational models from third-party providers (service providers in the terminology of ISQM 1) and focus their efforts on configuring and integrating those models into firm-specific applications and workflows.
30. The foundational model itself is treated as a technological resource obtained from a service provider. Its design, training data and internal logic remain the responsibility of the developer. However, the firm remains responsible for deciding whether the model will be onboarded and applying the quality

objective in paragraph 32(f) and the considerations in paragraphs A100, A101, A104 and A105–A108 when onboarding and monitoring the model.

31. On top of these foundational models, firms develop or configure their own applications. These may include, for example, planning assistants, anomaly-detection routines and chat-based interfaces that allow practitioners to query methodology, accounting guidance or other firm resources. Larger firms typically access foundational models through enterprise arrangements with major cloud providers in secure environments (for example, through services such as Microsoft Azure OpenAI Service, Amazon Bedrock, or Google Cloud's generative AI platforms). By contrast, a number of SMPs are accessing Gen AI capabilities through commercially available tools and platforms, often under standard service agreements.
32. Participants from global network firms highlighted that many technological tools are certified at the network level, with individual firms within the network then undertaking their own evaluations to address jurisdiction-specific laws, regulations and risk assessments. They observed that, because ISQM 1 establishes requirements at the firm level and does not explicitly address network-level structures, questions can arise about how network-level responsibilities and firm-level responsibilities interact in practice. These themes are explored further later in this section (see paragraphs 70–73).
33. Across these deployment models, the nature of the firm's quality-management responsibility does not change. Whether a tool is developed internally or obtained from a service provider, the firm applies the considerations in the application material of ISQM 1 when deciding whether to approve the tool for use in engagements and how to monitor its continued operation once deployed.
34. When the firm onboards a third-party foundational model, its understanding of the model may be obtained through a combination of vendor documentation, contractual commitments, discussions with the service provider and, where available, third-party assurance (for example, assurance reports prepared in accordance with ISAE 3000 (Revised) or System and Organization Controls (SOC) 2 reports) that address the design and operating effectiveness of relevant controls. These sources do not transfer responsibility to the service provider; rather, they provide evidence to support the firm's own assessment.
35. Where firms build or configure applications on top of foundational models, for example a Gen-AI-enabled "chat assistant" that surfaces firm methodology or a tool that structures risk-assessment documentation, those applications themselves become technological resources within the scope of ISQM 1. They therefore need to be evaluated, tested, approved for use and monitored in line with the firm's quality objective and related policies or procedures established in accordance with the relevant requirement and application material in ISQM 1 and, where applicable, the service-provider material.

A Layered Lens of Technology and Quality-Management Responsibility

36. This Gen AI deployment pattern, which involves onboarding a foundational model, building firm applications on top of it and then using those applications in engagements, can be viewed as giving rise to a set of corresponding layers of quality-management responsibility. At the firm level, ISQM 1 requires policies and procedures to address quality risks relating to obtaining, developing and maintaining technological resources, including those obtained from service providers. At the engagement level, ISA 220 (Revised) requires engagement partners to direct, supervise and review how these tools are used and to determine that their use is appropriate in the circumstances. For purposes of this paper, these existing requirements are considered through a layered lens.

37. Applied to Gen AI, this layered lens can be described in terms of three inter-connected layers:
- **Foundational model onboarding** – Typically involving matters that may include evaluating and approving for use a third-party foundational model, including understanding vendor assurances, data-governance arrangements and controls relevant to security, availability, processing integrity, confidentiality and privacy, supported where appropriate by third-party assurance reports.
 - **Firm-developed or configured applications** – Typically involving matters that may include designing, testing, approving for use and monitoring the applications that sit on top of the foundational model; defining intended-use boundaries; and supporting these applications with appropriate GITCs and documentation; and
 - **Engagement-level use** – Typically involving matters that may include directing, supervising and reviewing how approved tools are applied in engagements; assessing whether outputs are appropriate for the audit objectives; and determining whether those outputs are sufficiently supported by evidence.
38. Participants observed that the relative emphasis across these layers may differ by firm size and structure. For SMPs that access Gen AI through commercially available interfaces, emphasis may fall more heavily on understanding vendor attestations and service-provider controls, often using third-party assurance reports as an input, while also focusing on how tools are used in practice. For larger firms, additional layers of internal certification, validation and monitoring may apply at both the foundational-model onboarding stage and the application-development stage. **Exhibit 1** illustrates these relationships graphically.

Exhibit 1

Engagement-level use in audit engagements

- **Examples:** using the tools for risk assessment, substantive procedures, documentation
- **Standard anchors:** ISA 220 (Revised) engagement-resources and direction/supervision/review requirements

Firm-developed / configured applications

- **Examples:** Firm chat assistants, documentation tools, anomaly-detection routines
- **Standard anchors:** ISQM 1, paras. 32(f), A100, A101, A104

Foundational Gen AI model

- **Example:** LLM provided via cloud platform
- **Standard anchors:** ISQM 1, para. 32(f), A100, A105–A108

39. This layered lens is used in this paper as an analytical framework for considering how the quality-management standards apply in practice to onboarding foundational Gen AI models, to building applications on top of those models and to using those applications in the performance of engagements. It also provides a structure for understanding the challenges and emerging practices described in the remainder of this section and could, in due course, be used to organize future NAM that describes quality-management responsibilities at each layer.

40. The Board's views on the usefulness of this layered lens in conceptualizing how quality-management responsibilities apply across different Gen-AI deployment models would assist in determining whether it should be used as an organizing structure for any future NAM.

ISQM 1 Firm-Level Challenges and Emerging Practices

Challenges

41. Participants noted that a number of the global network firms have established mature certification processes for traditional technological tools that are transparent, deterministic and operate consistently once deployed. This understanding is supported by the results of external reviews, such as the UK Financial Reporting Council's [thematic review](#) (published June 2025) of tool certification processes at the UK's six largest firms, which found that pre-deployment certification procedures were "well established". These processes typically include defined testing, documented approval and periodic re-validation before and after implementation.
42. In contrast, tool certification policies and procedures are still evolving for emerging technologies that are opaque, non-deterministic or adaptive. Participants at the roundtables highlighted challenges in operationalizing several of the principles set out in paragraph A100 of ISQM 1. The following paragraphs summarize some of the challenges raised.

Principle #1: Data inputs are complete and appropriate

43. As noted earlier, foundational Gen AI models used by firms are developed by third-party service providers and trained on vast datasets drawn from public and proprietary sources. Because developers generally do not disclose how these datasets are composed or curated, firms have limited visibility into their completeness or appropriateness. Several participants questioned how far a firm can, or should, be expected to evaluate the completeness and appropriateness of data used by a service provider to train a Gen AI model.
44. Participants emphasized that this challenge arises mainly at the foundational-model layer. For firm-developed or configured applications built on top of those models, firms generally have direct oversight of data inputs, such as engagement documentation or firm methodology, and can therefore reasonably assess their completeness and appropriateness.

Principle #2: The IT application operates as designed and achieves the purpose for which it is intended

45. Participants agreed that this fit-for-purpose principle continues to apply fully but is more complex to operationalize for Gen AI tools. Traditional testing methods, developed for deterministic systems with fixed logic, are not easily adapted to probabilistic tools whose reasoning is opaque and whose outputs vary with each prompt or data context.
46. Across regions, participants highlighted several challenges, such as:
- Difficulty verifying that a Gen AI tool is functioning as intended rather than producing plausible results.
 - Uncertainty about how to define and evidence "fit-for-purpose" for probabilistic models.

- Questions about how far testing needs to go, such as how many different prompts, phrasings or contextual scenarios should be tested, in order to evaluate whether a probabilistic Gen AI tool performs consistently and is fit for its intended use.
 - An explainability gap, for example, “*We can test what came out, but not why it came out that way.*”
47. These challenges arise differently across the various layers of technology. At the foundational-model layer, firms largely rely on vendor testing and third-party attestations. At the application layer, participants noted that firms can define intended use cases, set acceptance criteria and implement guardrails to promote consistent results.
48. Participants agreed that while the principle remains appropriate, its application to Gen AI has prompted discussion about output reliability, transparent testing and documentation to support understanding of intended performance under defined conditions.
49. Participants also observed that the growing field of AI assurance may offer useful insights for operationalizing this principle. In some jurisdictions, reporting entities are beginning to seek assurance on whether their AI models are fit for purpose, which requires the development and application of suitable criteria. Some participants noted that the IAASB could, in due course and subject to the Board’s views on the NAM proposal in Section 4, play a role in developing non-authoritative suitable criteria that could support both external AI assurance engagements and firms’ own fit-for-purpose assessments of AI-enabled tools under ISQM 1.

Principle #3: The general IT controls (GITCs) necessary to support the IT application’s continued operation as designed are appropriate

50. This principle addresses the expectation that firms implement GITCs, such as access management, change management and incident response, to help ensure that technological tools continue to operate as designed once deployed. Participants agreed that these controls remain critical in supporting the reliability of traditional IT applications.
51. However, participants noted that traditional GITCs were developed for systems with relatively stable functionality and formal, identifiable change events. By contrast, Gen AI tools may evolve through retraining, contextual adaptation or other forms of model adjustment that occur without explicit triggers or direct firm involvement. They emphasized that performance may shift even when the underlying code base remains unchanged, meaning that access controls and formal change-management processes alone may not be sufficient to ensure continued operation as designed.
52. Participants further noted that the adaptive nature of Gen AI tools means that pre-deployment testing alone cannot demonstrate ongoing reliability. Because these tools may change in subtle ways during use or through updates made outside the firm’s control, limited visibility into how and when performance shifts occur complicates efforts to understand continued operation as designed. As a result, firms may need to supplement traditional GITCs with more formalized, ongoing monitoring mechanisms, such as targeted re-testing, drift detection or other forms of post-deployment validation, to detect and respond to changes in performance over time.

Principle #4: The need for specialized skills to utilize the IT application effectively, including the training of individuals who will use the IT application

53. Participants agreed that this principle has taken on heightened importance. Gen AI tools require users to exercise judgment in prompting, interpreting and validating outputs. Participants discussed the increasing emphasis being placed on competence and capabilities when using such tools.
54. Participants stressed that appropriate competence includes digital literacy, understanding data provenance and model limitations and the ability to identify when AI-generated information may be incomplete, biased or unreliable.
55. Some participants observed that training often focuses on operating AI tools rather than reinforcing audit fundamentals such as evaluating evidence or maintaining professional skepticism. Over-reliance on AI could erode core judgment skills.
56. Participants also emphasized that developing evaluative skills is essential, noting concerns such as *“Do they have the skills to review something they have never done manually themselves?”*
57. Participants agreed that there is a perceived need for both specialized technical expertise and broad-based auditor training that strengthens practitioners’ ability to interrogate and contextualize AI outputs.

Emerging Practices

58. Although tool certification processes for Gen AI-enabled tools are still developing, participants described a number of approaches that firms are beginning to adopt in response to the risks created by opaque, adaptive or non-deterministic technologies. These approaches reflect a shift from static, pre-deployment approval to ongoing monitoring throughout the tool's lifecycle.
59. The emerging approaches identified across firms included the following:
 - **Tiered certification and risk-based approval gates.** Participants reported that some firms are exploring tiered approval processes. Tools that influence audit evidence or professional judgment may be subject to deeper review, while low-risk administrative tools may follow a streamlined process.
 - **More frequent or iterative certification cycles.** Participants noted examples of shorter certification intervals or aligning re-testing with vendor version releases.
 - **Dynamic testing and monitoring.** Firms were described as experimenting with continuous monitoring practices, including drift detection, tolerance-band checks and targeted validation after vendor updates.
 - **Escalation procedures for anomalous behavior.** A small number of firms were said to be developing structured escalation pathways for unusual results, including thresholds for human review or temporary suspension of use.
 - **Consolidated evidence drawn from vendor information and firm validation.** Where visibility into foundational models is limited, participants noted efforts to compile materials such as vendor documentation, third-party assurance reports and internal test results to support tool certification decisions.

- **Defined limits on purpose and use.** Participants described efforts to document intended uses and prohibited uses to prevent inappropriate reliance in areas requiring significant professional judgment.
 - **Proportionate approaches for SMPs.** Participants emphasized the importance of scalable approaches that enable SMPs to demonstrate compliance without replicating large-firm infrastructures.
60. These emerging practices illustrate how firms have been exploring ways to interpret the principles in ISQM 1, including those in paragraph A100, for application to technologies that challenge traditional testing and monitoring assumptions. They also highlight opportunities for non-authoritative guidance to promote consistency and proportionality across firms of all sizes.
61. Participants emphasized that these firm-level practices focus primarily on the approval and monitoring of tools under ISQM 1, but their effectiveness ultimately depends on how those tools are used within engagements. This led naturally to discussions about ISA 220 (Revised).

ISA 220 (Revised) Engagement-Level Challenges and Emerging Practices

Challenges

62. At the engagement level, partners and teams are using Gen AI-enabled tools to support tasks such as risk assessment, substantive testing and documentation. Participants emphasized that the principles of direction, supervision and review in ISA 220 (Revised) remain fully applicable. However, using tools whose logic is opaque and whose outputs may vary introduces new complexities.
63. Participants consistently identified four key challenges:
- (a) **Limited explainability.** Reviewers may be unable to determine how an AI tool generated a particular output, making it harder to assess re-performability and the sufficiency and appropriateness of evidence.
 - (b) **Risk of automation bias and over-reliance.** Teams may place undue confidence in outputs that appear persuasive. Several participants stressed the need to remain alert to risks of over-reliance.
 - (c) **Competence to supervise technology-enabled work.** Partners and managers need a sufficient understanding of how tools operate to direct and review their use, even when supported by specialists.
 - (d) **Maintaining professional skepticism.** When outputs seem complete or well-reasoned, less-experienced staff may not recognize when results are implausible.
64. Participants also raised concerns about unauthorized or unsupervised use of public AI tools. Instances of staff using public interfaces to summarize documents or draft text were noted, creating confidentiality and consistency risks. Firms reported challenges in identifying this behavior.
65. Another recurring theme was the evolving interaction between engagement teams and a firm's technology specialists. As tools become more embedded in workflows, engagement teams often rely on specialists for configuration, output interpretation and issue resolution. Participants observed that this creates uncertainty about how responsibilities for assessing the use of tools and their outputs should be allocated while still preserving the engagement partner's overall responsibility for managing and achieving audit quality.

66. Taken together, these observations highlight areas where participants believe further clarity could support clear boundaries for what tools may and may not do, documentation that evidences direction, supervision and review, including how the reliability of outputs was assessed, and clarity about interactions between engagement teams and technology specialists.

Emerging Practices

67. Although practices continue to evolve, participants described several steps that firms have been exploring to adapt direction, supervision and review procedures to AI-enabled workflows.
68. Examples of emerging engagement-level practices included the following:
- **Documenting rationale and oversight.** Participants described approaches to documenting when a tool was used and how its outputs were evaluated.
 - **Human-validation checkpoints.** AI outputs were described as being treated as preliminary inputs, with explicit human review required before conclusions are formed, particularly in high-judgment areas.
 - **Supporting reviewer understanding.** Participants referenced the use of short guides or explanations that outline a tool's capabilities and limitations to assist reviewers in understanding how outputs were generated.
 - **Strengthening training.** Partners and managers were said to receive training focused on interrogating outputs and evidencing professional skepticism.
 - **Clarifying roles and responsibilities.** Participants referred to work underway in some networks to define the respective responsibilities of engagement teams and technology specialists when tools are used in performing procedures.
 - **Reinforcing acceptable-use expectations.** Participants highlighted efforts to enhance communications and training to discourage the use of unapproved public interfaces.
69. These efforts remain uneven across firms but reflect a broader movement to operationalize ISA 220 (Revised) in environments where explainability and control are less direct. They also suggest areas where NAM could help achieve greater consistency.

Clarifying Accountabilities at the Network, Firm and Engagement Levels

70. As noted earlier in paragraph 32, participants from global network firms highlighted the significant role that network-level processes play in the development, evaluation and deployment of AI-enabled tools. They observed that this creates practical questions about how network-level activities interact with requirements that apply at the level of the individual firm under ISQM 1.
71. Discussions across all roundtables emphasized that many of the challenges identified under ISQM 1 and ISA 220 (Revised) are interconnected. While firms are responsible for quality-management processes governing the design, approval and monitoring of tools, engagement partners remain responsible for how those tools are used and for the sufficiency and appropriateness of resulting audit evidence. Participants noted additional complexity where tools are developed, evaluated or deployed at a network level even though the requirements in ISQM 1 apply at the level of the individual firm.

72. Participants stressed that as AI becomes more deeply embedded in workflows, and as network-level processes increasingly shape the tools made available to firms, lines of accountability can become hard to distinguish. Questions raised included:
- Who is responsible for re-certifying tools after vendor model updates?
 - What should engagement teams document when relying on centrally approved tools?
 - What information must flow between central technology teams and engagement teams?
 - How should network-level certification be governed and documented in order to meet regulatory expectations across jurisdictions and avoid fragmented approaches?
73. Participants agreed that clearer articulation of these interdependencies, including how network-level activities relate to firm-level responsibilities under ISQM 1, could promote consistency, reduce duplication of validation activities and support effective oversight across firm sizes and structures. They emphasized that this could be achieved without altering the standards themselves.

Section 2 Conclusion

74. The discussions highlighted that while ISQM 1 and ISA 220 (Revised) provide a strong foundation for managing quality in the use of technological tools, their application to emerging tools such as Gen AI introduces challenges linked to opacity, non-determinism and adaptivity. Firms and engagement teams must demonstrate compliance in environments where technology can change without direct action by the firm, where the logic behind outputs may not be observable and responsibilities span multiple layers of the organization.
75. Participants emphasized that clearer expectations, particularly around tool certification, ongoing monitoring, acceptable use, documentation and accountability, could support consistent and proportionate implementation. The discussions also identified opportunities for NAM to help practitioners operationalize the principles in the IAASB's quality management standards as AI-enabled tools continue to evolve.
76. Participants also noted that the involvement of network-level structures in the development, evaluation and deployment of tools adds an additional dimension to how firm-level responsibilities under ISQM 1 are operationalized, reinforcing the need for clarity about roles and accountabilities across networks, firms and engagement teams.

Matters for IAASB Consideration:

Board members are asked to share their views about whether:

2. The layered lens described in paragraphs 36–40 is a helpful framework for conceptualizing how quality-management responsibilities apply across different Gen-AI deployment models.
3. The challenges and emerging practices described in **Section 2** reflect what firms and practitioners are encountering in applying ISQM 1 and ISA 220 (Revised) to emerging technologies.
4. There are particular themes or issues highlighted in **Section 2** that should be considered further when discussing potential next steps in **Section 4**.

Section 3 – Stakeholder and Regulatory Expectations for AI-Enabled Tools

Introduction

77. Session 3 of the roundtables shifted the focus from how firms and practitioners are applying the IAASB's quality management standards to how other stakeholders—including regulators, audit committee members, investors and other users of external reporting, as well as academics—expect AI-enabled tools to be governed in practice. Because this session was intended to draw out perspectives of participants that are not assurance practitioners and do not work with ISQM 1 or ISA 220 (Revised), they were asked to set aside the detailed wording of the standards and describe, in plain language, what they expect to see when AI is used in audit and assurance engagements.
78. Across the roundtables, participants consistently emphasized that while they support the responsible use of AI, trust in AI-enabled engagements depends on several core principles. Participants highlighted the importance of:
- clear **governance** and **accountability** for how tools are developed, approved and used;
 - **transparency** about a tool's capabilities, limitations and data handling;
 - an appropriate level of **explainability** for the tool's intended use;
 - **ongoing oversight** to ensure tools continue to operate as expected;
 - strong **confidentiality** and security safeguards; and
 - **proportionate** and globally consistent approaches that reduce the risk of regulatory fragmentation.

Expectations for Governance, Accountability and Trust in AI-Enabled Engagements

79. Participants stressed that governance expectations are rising as AI becomes more embedded in audit and assurance workflows. Regulators and audit committees in particular noted that they expect firms to establish clear lines of responsibility for how tools are designed, approved, deployed and monitored. Several participants observed that while firms often have strong governance for traditional tools, AI tools require more explicit clarity about who is accountable for monitoring ongoing performance, responding to incidents and communicating changes to engagement teams.
80. A recurring theme was the expectation that firms understand and clearly articulate how an AI tool is used within an engagement. Participants emphasized that this does not require explaining the internal mechanics of a foundational Gen AI model, but it does require clarity about the tool's intended purpose, its limitations and how its outputs are evaluated. Participants representing academia noted that transparency is a precondition for meaningful oversight by those charged with governance.

Expectations for Explainability, Reliability and Appropriate Use

81. Participants generally accepted that full technical explainability at each decision and output is unrealistic for foundational Gen AI models developed by third-party providers. However, they stressed that stakeholders still expect an appropriate level of explainability for the tool's intended use. This includes being able to describe why a tool is suitable for a given procedure, how outputs are expected to be evaluated and what safeguards prevent inappropriate reliance.
82. Participants also raised concerns that rapid advances in AI could outpace firms' ability to validate tools. Several noted that updates to foundational models or supporting infrastructure may occur

without the firm's advance knowledge or control, and that stakeholders therefore expect firms to implement controls that detect changes in performance and respond promptly. One regulator noted that *"a tool that is not monitored becomes a tool that is not trusted."*

Expectations for Confidentiality and Security

83. Stakeholder expectations regarding confidentiality and security were uniformly high. Participants highlighted that the use of AI increases the sensitivity of these concerns because client information may be processed in distributed cloud environments or through multiple layers of third-party infrastructure. Even where contractual safeguards exist, participants stressed that stakeholders expect firms to demonstrate a clear understanding of data flows, retention practices, access controls and incident-response protocols.
84. Several participants noted that trust could erode quickly if firms cannot demonstrate that AI tools protect client information at least as effectively as traditional tools. This included expectations that firms prevent inadvertent disclosure through unapproved public interfaces and maintain robust oversight into how staff interact with AI systems.

Expectations for Global Consistency and Proportionality

85. Participants from global firms, regulators and national standard setters emphasized the importance of consistent expectations across jurisdictions. They noted that fragmented or divergent regulatory approaches would impose significant operational burdens, increase uncertainty and risk creating uneven levels of assurance quality. Participants stressed that, where possible, expectations for AI governance should be principles-based and proportionate so that they can be implemented effectively by firms of all sizes.

Section 3 Conclusion

86. Taken together, these perspectives reflect a broad expectation that AI-enabled tools must be governed with rigor, transparency and accountability supported by clear articulation of how responsibilities are shared across firms, networks and engagement teams. Participants observed that the IAASB has an important role in clarifying how the existing standards apply in this environment and where NAM may help promote consistency, strengthen trust and reduce the risk of regulatory fragmentation.
87. Participants observed that many of the principles they identified, including governance, accountability, transparency, explainability, confidentiality and ongoing oversight, are already reflected in the IAASB's quality management standards. However, they noted that this connection is not always apparent to stakeholders who are less familiar with ISQM 1 and ISA 220 (Revised). Participants therefore encouraged the Board to consider whether NAM could help make these linkages more explicit and clarify how the standards apply when AI-enabled tools are used in engagements.

Matters for IAASB Consideration:

Board members are asked to share their views about whether:

5. Stakeholder expectations summarized in **Section 3** (governance, transparency, explainability, confidentiality, proportionality, etc.) are appropriately characterized.
6. There are additional stakeholder expectations or perspectives that should be taken into account when considering possible next steps in **Section 4**.

Section 4 – The IAASB’s Role in Supporting Quality Management for Emerging Technologies

Introduction

88. This section summarizes what we heard in the roundtables about the IAASB’s role in clarifying how its quality management standards apply to risks arising from emerging technologies, including Gen AI. It also outlines staff’s preliminary view that the IAASB should respond through the development of NAM.

What We Heard About the IAASB’s Role

89. Across the roundtables, participants agreed that the IAASB has a central role in clarifying how the quality management standards apply to these emerging technologies and in promoting greater consistency in how those standards are interpreted in practice.
90. Stakeholders emphasized that, without IAASB-led guidance, there is a risk of regulatory fragmentation, with jurisdictions developing separate expectations for Gen-AI-enabled engagements. This could result in multiple *de facto* standards, uneven practice across markets and uncertainty for both firms and regulators. Regulators and oversight bodies stressed the importance of a globally coherent reference point grounded in ISQM 1 and ISA 220 (Revised).

Confirming the Workstream’s Working Hypothesis

91. Firms, regulators and other stakeholders broadly supported the Workstream’s working hypothesis that the principles in ISQM 1 and ISA 220 (Revised) remain robust and capable of addressing risks arising from emerging technologies. They agreed that the more immediate need is for NAM that explain how to apply those principles to the distinctive characteristics of Gen-AI-enabled tools, rather than revising the standards themselves.
92. Participants observed that the existing quality objectives, including those related to technological resources, governance and leadership and compliance with ethical requirements, provide a strong conceptual foundation. Participants encouraged the IAASB to build on this foundation rather than initiate a standard-setting project at this time, which they believe could introduce delay and uncertainty.
93. Participants specifically emphasized that the pace of technological change described in **Section 1**, including the move toward, for example, agent-AI orchestrated workflows, means that practices are developing quickly. They supported a response that can be refreshed more frequently than a standard to reflect evolving understanding of risks and effective safeguards.

Certain Design Principles for Developing NAM

Scalability and Firm Diversity

94. A recurring theme across regions was the variation in firm maturity and resourcing. Larger firms, often with dedicated AI engineering capabilities, are deploying sophisticated Gen-AI-enabled tools and designing internal frameworks to govern them. Many SMPs are only beginning to explore Gen AI and may rely heavily on tools accessed under standard commercial agreements.
95. Participants therefore urged that any IAASB NAM should be scalable and proportionate; should recognize differences in firm size, structure and technical resourcing, as well as the nature of the entities they serve; and should avoid assuming that firms can replicate large-firm infrastructures. They encouraged the inclusion of practical examples relevant to SMPs, including how to evaluate and document reliance on third-party tools and service-provider attestations, such as SOC 2 reports.

Looking Beyond the Technological Resource Objective

96. Stakeholders stressed that future IAASB NAM should not focus solely on the quality objective in paragraph 32(f) of ISQM 1 which deals with technological resources. While this quality objective is central, participants observed that the implications of Gen AI extend across a firm's entire system of quality management.
97. In particular, participants pointed to governance and leadership, the firm's risk assessment process, acceptance and continuance considerations when AI-enabled tools are integral to service delivery, human resources and training, and monitoring and remediation activities. They encouraged the IAASB to demonstrate how technology-related considerations intersect with culture, human judgment and oversight.

Ethical Dimensions and Coordination with IESBA

98. Stakeholders across all regions emphasized the ethical dimensions of Gen-AI-enabled engagements, including confidentiality and data-protection risks, potential threats to objectivity and professional behavior and the need to reinforce professional skepticism when working with AI-generated information.
99. Because ISQM 1 requires a quality objective for compliance with relevant ethical requirements, participants encouraged close coordination between the IAASB and the International Ethics Standards Board for Accountants (IESBA) when developing NAM. They emphasized the importance of coherent expectations for responsible AI use, particularly regarding confidentiality, data governance and avoidance of bias.
100. Regulators highlighted confidentiality as a key public interest concern and cautioned that a high-profile breach or misuse of AI tools could undermine confidence in the profession. They encouraged the IAASB and IESBA to ensure that NAM on confidentiality and data-governance expectations for AI-enabled tools is explicit, practical and globally consistent.

How the IAASB Might Provide NAM

101. Under the IAASB [Framework for Activities](#), any decision to develop NAM on technology-related quality management would fall under Component IV, *Activities to Support Implementation of the IAASB's Standards*, and specifically under *Non-Authoritative Support Materials*, which includes "NAM" as used throughout this paper. This mechanism is designed for circumstances where

challenges in applying the standards can be addressed through guidance without creating new requirements.

102. NAM may take the form of International Practice Notes, broader non-authoritative guidance documents (or Guides), or publications developed by staff or working groups. These materials help promote consistent application of the standards while remaining outside the authoritative text of the standards.
103. As alluded to earlier, stakeholders generally indicated that there is no compelling demand for standard setting at this time. They noted that such projects are resource-intensive, span multiple years and may be overtaken by technological developments.
104. Instead, stakeholders favored a mechanism that is nimble, consultative, anchored in existing principles in ISQM 1 and ISA 220 (Revised) and viewed by regulators and firms as sufficiently robust to promote convergence and reduce fragmentation.
105. NAM provides flexibility in terms of, for example, the form of materials, the development and clearance process, and the involvement of staff, Board members, technical advisors or others (whether internal or external) with relevant experience and subject-matter expertise. It is anticipated that the NAM for this Workstream may take different forms depending on factors such as the nature of the specific subject matter, whether the material addresses a specific or bespoke topic or rather focuses on addressing the application of principles more broadly, the breadth or depth of the topic(s) covered, the level of technical complexity and the relative sensitivity for timely delivery of guidance.
106. Although the forms of NAM and the various channels for developing and clearing NAM in the Framework for Activities are recognized, there could be an opportunity to establish a ‘new’ mechanism for certain NAM to be developed, with the following characteristics (meant only to illustrate the concept – such a ‘new’ mechanism would require further exploration and development for the Board’s consideration in due course):

- A commitment to develop guidance included in NAM that exhibits characteristics commensurate with the qualitative characteristics of the **Public Interest Framework (PIF)**.³

In accordance with the **IAASB Terms of Reference**⁴ and the **Integrated Due Process and PIF Operating Procedures**,⁵ only the IAASB’s International Standards are “authoritative pronouncements” that are subject to due process approved by the PIOB. Although any materials other than International Standards are non-authoritative in nature, the PIF provides sound principles that may be adapted as appropriate to enhance the relevance and credibility of such materials in supporting the public interest.

- IAASB staff retains responsibility for the development of content but undertakes the work in coordination or consultation with Board members, technical advisors or external individuals or groups with relevant expertise (e.g., the establishment of an experts group).
- Board deliberation of issues, views and proposals in public session.

³ This document is available through the Quick Links section on the [IAASB's website](#) landing page.

⁴ This document is also available through the Quick Links referenced in footnote 3.

⁵ This document is also available through the Quick Links referenced in footnote 3.

- A targeted consultation process on proposed materials (i.e., for expediency, a public consultation process is not contemplated).
- Approval of final materials by the Board in public session.

An Illustrative Development Approach

107. Participants supported a multi-stakeholder development process for any NAM, drawing on representatives with relevant expertise in AI governance and quality management systems across different stakeholder groups, including global network firms, large local firms, SMPs, regulators and oversight bodies, investors and other users, those charged with governance, academics and technology service providers.
108. Participants also supported structured coordination with IESBA and targeted outreach or consultation as part of the development process. Several noted the value of a planned refresh cycle so that guidance can evolve with technology and with emerging practice insights.

Section 4 Conclusion

109. Stakeholders view the IAASB as having an essential role in clarifying how its quality management standards apply to emerging technologies and in promoting globally consistent expectations for the quality management of Gen-AI-enabled tools. They broadly support the Workstream’s hypothesis that the standards themselves remain resilient. Stakeholders emphasized that the most pressing need is for NAM that is anchored in the existing principles in the IAASB’s quality management standards, scalable and proportionate for firms of different sizes and technological maturity, developed through a transparent multi-stakeholder process aligned with the IAASB Framework for Activities, and designed to be updated as technology and practice evolve.
110. Staff therefore propose that the Board endorse this direction and request staff to bring a detailed action plan to the March 2026 meeting. This proposal would include, among other elements, the objective and scope of the initiative, identification of appropriate themes or topics to be addressed through NAM, the proposed development process (including potential forms of NAM) and the nature, scope and timing of the anticipated deliverables.
111. In addition to developing NAM, the Workstream will continue contributing to the broader IAASB Technology Initiative through ongoing monitoring of the emerging technology landscape and further information-gathering and outreach activities. The IAASB may also have a role in supporting or coordinating with other organizations working in this area, as part of broader global efforts to promote the consistent and responsible use of emerging technologies.

Matters for IAASB Consideration:

7. Based on the insights gathered in **Sections 1–3**, does the Board believe that it is appropriate to pursue the development of NAM to support the consistent and effective application of the quality management standards to emerging technologies? If not, what other courses of action should be considered?
8. If, after considering the analysis in **Section 4**, the Board concludes that developing NAM would be an appropriate next step, does the Board support the development of a proposed action plan—consistent with paragraph 110—for discussion at the March 2026 IAASB meeting?

Appendix 1

Technology Quality Management Workstream Team Assignments

IAASB Technology Team (Workstream Team)

1. In addition to the following IAASB technical staff, the workstream team includes Megan Leicht (IAASB Project Manager):
 - Angelo Giardina
 - Ida Diu
 - Kevin Reinhardt

Project Boards Members

2. The Project Board Member contacts for the workstream:
 - Edo Kienhuis
 - Nancy Cheng

Appendix 2

Technology Quality Management Roundtables

- Over the past three months, the IAASB has held eight roundtables across the globe to explore how its quality management standards are being applied to oversee the use of emerging technologies, particularly artificial intelligence, in audit and assurance engagements. The discussions were informative, engaging, and reflected diverse perspectives.
- The roundtables spanned across **6 continents** and resulted in **over 24 hours of dynamic discussions**. In total, **approximately 250 participants** attended, representing a broad range of stakeholder groups, including:
 - Practitioners (from larger firms and SMPs)
 - Regulators and audit oversight bodies
 - Jurisdictional standard setters
 - Audit committee members, investors, and other users
 - Service providers
 - Professional accounting organizations
 - Academics
 - The public sector
 - Representatives from the International Ethics Standards Board for Accountants

Region	Date	Location	Partners
Belgium	Sept. 30, 2025	Brussels	Accountancy Europe
Africa	Oct. 9, 2025	n/a - <i>virtual</i>	Pan African Federation of Accountants and South African Institute of Chartered Accountants
Asia	Oct. 13, 2025	Kuala Lumpur	Association of Chartered Certified Accountants and Malaysia's Audit Oversight Board
Canada	Oct. 30, 2025	Toronto	Auditing and Assurance Standards Board of Canada
Latin America	Nov. 5, 2025	n/a - <i>virtual</i>	Hernán Casinelli, Amaro Gomes, and Juan Carlos Guerra
Australia	Nov. 11, 2025	Melbourne	Auditing and Assurance Standards Board of Australia
New Zealand	Nov. 13, 2025	Auckland	External Reporting Board (New Zealand)
Middle East	Nov. 18, 2025	n/a - <i>virtual</i>	Capital Markets Authority (Saudi Arabia)

Appendix 3

Summary of What We Heard Brussels Roundtable

Introduction

1. The views summarized below reflect those of the participants and do not represent the official position of the IAASB. This summary is not intended to capture every view expressed during the roundtable but highlight key messages that emerged throughout the discussion.
2. The roundtable was structured into four sessions. This summary presents the key themes that emerged from each session, listed below:
 - **Session I:** Use of Artificial Intelligence (AI) in Engagements
 - **Session II:** Applying the IAASB's Quality Management Standards
 - **Session III:** Stakeholders' Expectations
 - **Session IV:** The IAASB's Role

Session I – Use of AI in Engagements

3. Practitioners emphasized that AI adoption in audit engagements is driven largely by the goals of improving audit quality and increasing efficiency. While adoption varies across firm sizes and jurisdictions, there was broad agreement that AI is reshaping core audit and assurance activities.

Current Use Cases

4. Participants described a range of current AI applications, including:
 - (a) **Evidence Extraction and Documentation:** AI is used to extract, classify, and organize audit evidence from structured and unstructured sources. These tools support documentation preparation, validation against relevant assertions, and comparisons to disclosure requirement.
 - (b) **Workflow and Process Integration:** Firms are integrating AI directly into platforms to streamline tasks such as extraction, analysis, testing, and reporting.
 - (c) **Chatbot Tools:** Large language model tools help practitioners access accounting standards, firm methodology, and technical interpretations through conversational interfaces.
 - (d) **Anomaly Detection and Risk Identification:** AI flags unusual patterns and anomalies, supporting professional judgment and focusing procedures on higher-risk areas.
 - (e) **Reviewer Support and Supervision:** AI assists reviewers by identifying potential contradictions, omissions, or areas requiring more attention, and helps connect extracted information to source materials.
5. Participants noted that tools are developed at different levels. Some are created at the network level, others within individual firms or local practices, and some by engagement teams. Tools developed locally may later be scaled across the network. These differing pathways influence governance, oversight, and consistency expectations.

Future State: Increased Agentic AI

6. Practitioners noted growing experimentation with agentic AI, which can take initiative, adapt to context, and coordinate multiple tasks. Participants described a progression from discrete tools performing isolated tasks, to systems that collaborate with auditors, and eventually to orchestrated workflows where AI coordinates end-to-end audit processes with humans providing oversight and judgment.

A practitioner in their own words:

I am less focused on the individual pieces of technology, because they come and go. They are just LEGO bricks in the model. What matters is what the end model will look like: a fully digitized audit with a human in the loop at relevant points, but where the audit work is performed by different forms of AI.

Session II – Applying the IAASB’s Quality Management Standards

7. This session focused on applying ISQM 1 and ISA 220 (Revised) to emerging technologies. Participants agreed that the standards are principles-based and remain fit for purpose, but they highlighted both emerging practices and practical challenges.

Emerging Practices

8. **Evaluating Whether a Tool is Fit for Purpose:** Participants emphasized assessing a tool’s intended use, related risks, and the level of testing and documentation needed. Tools that influence audit evidence or professional judgment may be subject to deeper review, while low-risk administrative tools may follow a streamlined process.
9. **Ongoing Monitoring:** Firms are increasingly integrating AI tools into their quality monitoring programs. Participants noted that tools require not only pre-deployment testing but also ongoing evaluation, since AI use cases evolve rapidly (i.e., post-deployment monitoring and testing).
10. **Documentation:** Participants stressed the importance of documenting firm-level evaluations, testing protocols, approvals, and engagement-level rationale for tool use. Documentation enhances transparency and enables effective oversight.
11. **Staff Training and Development:** Firms are investing in training on AI use, data interpretation, and prompt writing, while reinforcing audit fundamentals. Participants emphasized the need for professionals at all levels to maintain strong judgment skills and professional skepticism.

A regulator in their own words:

It is not just about new staff learning how to use a tool, but learning how to audit and keeping that as part of their training.

12. **Supervision:** Participants stressed the importance of ongoing human oversight. AI tools were compared to junior auditors whose work requires supervision, questioning, and review. This applies both to tool use on engagements and to tool design and approval.

Practical Challenges

13. **Sufficiency of Testing:** Participants discussed challenges in determining how much testing is enough

for probabilistic models. They noted that additional guidance could help practitioners apply testing expectations to complex tools.

14. **Gaps Between Network Development and Local Responsibilities:** Participants noted tensions between globally developed tools and local firms' responsibilities under ISQM 1. Regulators expressed concern about transparency when local firms rely on network-level evaluations.
15. **Oversight of Third-Party Providers:** Participants noted uncertainty about how much firms must evaluate the technical underpinnings of third-party tools, especially when vendors introduce updates. SOC reports and similar attestations are used, but expectations vary across jurisdictions.

A practitioner in their own words:

When using service providers, you find they use sub-processors and you need to check what they are doing with the data. Then they release new tools or change their systems. It is not a one-off exercise when adopting technology.

16. **Explainability and Re-performability:** Participants emphasized the need for auditors to understand and justify AI outputs, even when internal model mechanics are opaque. Levels of understanding may differ by role, but auditors must be able to evaluate appropriateness for the audit context.
17. **Challenges for SMPs:** SMPs face challenges in tool evaluation, documentation, and monitoring due to limited resources. Participants noted concerns about over-reliance on generic AI tools and highlighted that some AI applications require data volumes that SMPs may not have.

Session III – Stakeholders' Expectations

18. This session explored expectations of audit committees, preparers, regulators, and other stakeholders. Discussions focused on transparency, communication, cost, oversight, and value.

Stakeholders' expectations

19. **Clarity and Transparency Around AI Use:** Stakeholders want to understand when and how tools are used, particularly in higher-risk areas. This includes internal transparency for teams, transparency for regulators, and mixed views on external transparency.
20. **Data Confidentiality and Security:** Stakeholders emphasized that confidentiality remains a top priority. AI introduces new sensitivities due to cloud architectures and third-party dependencies. Stakeholders expect firms to maintain strong safeguards.
21. **Consistency Between Proposal and Execution:** Audit committees expect that technological capabilities described during proposals will be delivered in practice.
22. **Cost Pressures:** Clients expect more insight, speed, and efficiency without increases in fees. Participants warned that these pressures cannot come at the expense of audit quality.
23. **Alignment on Value:** Stakeholders focus on the quality and insight provided, not just efficiency. Firms need to articulate how AI enhances judgment, risk identification, and evidence quality.

Session IV – The IAASB's Role

24. Participants agreed that the IAASB has a central role in supporting the profession as it adapts to emerging technologies.

25. Participants agreed that ISQM 1 and ISA 220 (Revised) remain fit for purpose but expressed support for NAM to clarify application to rapidly evolving tools.
26. Participants identified several areas where IAASB involvement would be valuable. Many challenges raised in Session II were cited as potential areas for guidance.

Areas Where IAASB's Contribution May be Most Valuable

27. **Professional Skepticism and Use of Gen AI:** Participants supported guidance on how auditors should challenge AI-generated outputs.
28. **Biases and Objectivity in Technology Use:** AI introduces risks of automation bias and outcome bias. Participants supported guidance to help firms recognize and respond to these biases.
29. **Mitigating Fragmentation Risk:** Participants expressed concern about inconsistent expectations across jurisdictions and encouraged the IAASB to help promote convergence.

A practitioner in their own words:

The Board has a role in mitigating fragmentation risk. The IAASB can bring different constituencies together. Fragmentation creates confusion, which is not in the public interest.

Consideration for How the IAASB Moves Forward

30. Participants emphasized that the IAASB cannot act in isolation. Coordination with IESBA and other bodies, as well as ongoing engagement and consultation across stakeholder groups, including stakeholders contributing strategic and technical input, is essential.
31. Participants stressed the importance of addressing the needs of SMPs. Practical and scalable resources are needed.
32. Participants saw value in case studies to translate principles into practice without being prescriptive.

Appendix 4

Summary of What We Heard Africa, Asia, Canada, and Latin America Roundtables

Introduction

1. The views summarized below reflect those of the participants and do not represent the official position of the IAASB. This appendix highlights incremental and region-specific insights from roundtables held in Africa, Asia, Canada, and Latin America. It does not repeat themes already captured in Appendix 3.
2. Insights from the Australia, New Zealand, and Middle East roundtables will be summarized in **Appendix 5**, to be posted separately on December 4, 2025. These sessions occurred too close to finalizing and posting of Board materials for full analysis in this Issues Paper.
3. The roundtables followed the same structure as the Brussels session:
 - **Session I:** Use of Artificial Intelligence (AI) in Engagements
 - **Session II:** Applying the IAASB's Quality Management Standards
 - **Session III:** Stakeholders' Expectations
 - **Session IV:** The IAASB's Role

Session I – Use of AI in Engagements

4. Participants agreed with the dual objectives of enhancing audit quality and efficiency described in the Brussels Roundtable (see paragraph 3 of **Appendix 3**). They reiterated that AI augments, not replaces, professional judgment. Participants from Asia noted that laws and regulations influence whether and how firms deploy AI. Participants from Canada emphasized that adoption is shifting toward tools that enhance professional judgment and enable stronger engagement-quality monitoring. Across regions, participants highlighted the potential for AI to improve consistency and early identification of issues.

Current Use Cases

5. Participants noted that current AI applications generally align with those identified during the Brussels Roundtable (paragraph 4 of **Appendix 3**). Additional region-specific examples included:
 - (a) **Real-time auditing (Africa):** AI tools integrated into entities' systems enable real-time monitoring of transactions and risk indicators, allowing for prompt action and continuous oversight rather than relying solely on periodic reviews.
 - (b) **AI-enabled translation (Asia):** Firms embed translation functions within audit platforms to support cross-border engagements and multinational teams.
 - (c) **Process design and walkthrough documentation (Asia):** AI tools transcribe walkthrough discussions and automatically generate workflow diagrams.
 - (d) **Detection of document authenticity and AI-generated content (Canada):** Tools are used to detect potentially fraudulent documents or identify AI-generated materials.

Future State: Increased Agentic AI

6. Consistent with Brussels (paragraph 6 of **Appendix 3**), participants expressed a shared vision of future agentic AI adoption. Participants from Canada emphasized that efficiency will increasingly be measured at the engagement level, driven by how well interconnected systems coordinate tasks, detect issues earlier, and support staff development.
7. Participants from Asia and Canada anticipated that predictive capabilities combined with external data sources could expand auditors' ability to identify potential risks earlier and exercise professional skepticism in complex areas.

A regulator from Asia in their own words:

From a regulatory perspective, firms are cautiously advancing AI adoption, particularly regarding traceability, explainability, and oversight. Agentic AI is viewed as the next major step, but firms are proceeding carefully to avoid over-reliance and ensure proper human checks remain in place.

Future State: AI-Enabled Real-Time Coaching and Supervision

8. A practitioner from Canada described a future where AI observes junior auditors performing tasks and provides real-time, tailored coaching. This capability could replicate in-person supervision in remote environments and help maintain consistent skill development.

Session II – Applying the IAASB's Quality Management Standards

9. Participants broadly agreed that ISQM 1 and ISA 220 (Revised) remain principles-based and fit for purpose. Regional discussions focused on how firms assess and respond to the incremental risks introduced by opaque or non-deterministic AI tools. Participants saw value in the emerging practices shared in Brussels as illustrations of how AI-related risks can be addressed within the existing quality management framework.

Emerging Practices

10. **Evaluating Whether a Tool is Fit for Purpose:** Participants reiterated the importance of assessing intended use, consistent with paragraph 8 of **Appendix 3**. Participants from Asia emphasized distinguishing between tools that assist auditors and tools that attempt to reach conclusions autonomously. This distinction helps firms define application boundaries, data parameters, and required human review.
11. **Ongoing Monitoring:** Participants described the need for continuous validation due to the evolving nature of AI models, building on themes in Brussels (paragraph 9 of **Appendix 3**). Participants from Africa, Canada, and Latin America noted that some firms track AI behavior to detect drift and recalibrate models as needed.
12. **Documentation:** Participants from Asia emphasized the need for structured documentation frameworks as AI becomes more integrated into cross-firm engagements and group audits. Participants from Latin America stressed that documentation should align with regulatory inspection expectations.
13. **Staff Training and Development:** Participants from Africa and Latin America emphasized training that strengthens professional skepticism and analytical reasoning, consistent with Brussels (paragraph 11 of

Appendix 3). They highlighted the need for auditors to understand why an anomaly is identified, not only that it was identified.

14. **Supervision:** Participants reinforced the need for human-in-the-loop oversight, consistent with paragraph 12 of **Appendix 3**. Participants from Asia and Canada noted that AI-generated interpretations can be inaccurate, especially on technical matters. Participants from Latin America emphasized the need to justify and understand AI outputs without re-performing all underlying work.

Practical Challenges

15. **Determining the Sufficiency of Testing:** Participants shared concerns similar to those in Brussels (paragraph 13 of **Appendix 3**). They noted varying accuracy thresholds across firms and emphasized the need for guidance on how to set and document these thresholds.
16. **Gaps Between Network Development and Local Responsibilities:** Participants described challenges similar to those in Brussels (paragraph 14 of **Appendix 3**). Regulators in Canada and Asia stressed the need for clarity about accountability across global and local structures, particularly when tools are centrally developed but locally deployed.

A regulator from Canada in their own words:

Determining who is responsible for oversight becomes difficult when a tool is developed globally but used locally. Who owns certification and monitoring: the network, the local firm, or the developer?

17. **Oversight of Third-Party Providers:** Participants emphasized challenges in evaluating vendor-developed tools, consistent with Brussels (paragraph 15 of **Appendix 3**). SMPs highlighted obstacles related to cost, capacity, and practical monitoring. Participants agreed that clearer guidance on third-party evaluation and monitoring would be valuable.
18. **Explainability and Re-performability:** Participants emphasized the need for tools to provide traceable, interpretable outputs, consistent with Brussels (paragraph 16 of **Appendix 3**). Participants from Africa and Asia stressed visibility into model design, data inputs, and testing.
19. **Challenges for SMPs:** SMPs across regions noted barriers related to cost, infrastructure, and uncertainty about the quality benefits of AI. Participants from Asia highlighted risks when vendors introduce AI-enabled features before firms formally evaluate them within their quality management systems.

Session III – Stakeholders’ Expectations

20. Discussions mirrored the themes in Brussels but offered region-specific nuances in expectations around transparency, value, security, and cost.

Stakeholder expectations

21. **Clarity and Transparency Around AI Use:** Participants generally aligned with Brussels (paragraph 19 of **Appendix 3**). They emphasized the need for transparency across three levels:
 - (a) **Internal Transparency:** Clear communication within firms about how tools are developed, tested, and used.
 - (b) **Regulatory and Inspection Transparency:** Regulators increasingly monitor AI tools through

analytic dashboards. Participants emphasized the need for aligned regulatory expectations across jurisdictions.

- (c) **External Transparency:** Participants supported transparency reports or audit committee briefings but noted differing views in Canada about the value of public disclosure.

An investor from Canada, discussing firms adopting AI, in their own words:

We have been auditing for over 100 years. When we moved from abacus to calculator and calculator to spreadsheet, we did not change the audit report. The report changes only when what we attest changes. How you get there is your risk to manage.

22. **Data Confidentiality and Security:** Participants reaffirmed confidentiality as a top priority (aligned with paragraph 20 of **Appendix 3**). Participants from Africa highlighted vulnerabilities related to entity-system integration. Participants from Asia and Latin America referenced ISO 27000 series standards and SOC reports as common frameworks. Participants in Canada emphasized responsible use of approved tools.
23. **Cost Pressures:** Participants echoed the themes from Brussels (paragraph 22 of **Appendix 3**). Participants from Africa described evolving pricing models that integrate both human effort and technology investment. Participants from Asia stressed that any efficiency gains from AI must be reinvested into validation and oversight.

A practitioner from Africa in their own words:

The audit pricing model is evolving beyond hours only. It now reflects both human effort and technological investment. AI may increase certain costs, but it enhances quality, coverage, and reliability.

24. **Alignment on Value:** Participants emphasized the need to demonstrate tangible value, consistent with paragraph 23 of **Appendix 3**. Participants from Canada stressed that AI should support higher-quality engagements and deeper insights, not simply reduce cost.

Session IV – The IAASB's Role

25. Participants reaffirmed the IAASB's role in supporting consistent and responsible adoption of emerging technologies. They agreed with participants in Brussels (paragraphs 24–26 of **Appendix 3**) that ISQM 1 and ISA 220 (Revised) remain robust and that NAM would be the most practical next step.
26. Participants from Africa noted that such guidance could help narrow capability gaps across the profession. Participants from Canada emphasized that IAASB leadership will be critical to balancing innovation with audit quality.
27. Participants identified a number of areas where IAASB guidance would be valuable, consistent with **Appendix 3**, including professional skepticism, bias, fragmentation risk, documentation, case studies, and scalability. Participants also highlighted additional areas for targeted guidance.

Areas Where IAASB Contribution May be Most Valuable

28. **Firm-level policies for ensuring reliability and fitness for purpose:** Participants from Africa and Asia suggested guidance that correlates technology risks with appropriate risk responses and clarifies responsibilities for ongoing evaluation, version control, and update validation.
29. **Engaging with third-party services providers on AI:** Participants from Asia and Canada supported practical guidance for evaluating and monitoring vendor tools under ISQM 1.
30. **Testing methodologies and suitable criteria on AI:** Participants from Africa and Canada suggested developing a framework for verifying model reliability and integrity.

Considerations for How the IAASB Moves Forward

31. Participants emphasized the importance of coordinated global efforts, consistent with Brussels (paragraph 30 of **Appendix 3**). They highlighted emerging regional collaborations and encouraged continued alignment among regulators, firms, standard setters, and professional bodies.

A practitioner from Africa in their own words:

Closer alignment between the IAASB's work on audit technology and IESBA's ethical framework would help ensure innovation advances within strong ethical boundaries.

32. Participants from Asia and Canada emphasized that NAM should be the near-term focus, supported by ongoing consultation to assess when more formal action may be needed.