

Appendix 5

Summary of What We Heard

Australia, the Middle East and New Zealand Roundtables

Introduction

1. The views summarized in this appendix reflect those of the participants. This appendix highlights incremental and region-specific insights from roundtables held in Australia, New Zealand, and Middle East. It does not repeat themes already captured in the summary of the Brussels roundtable in **Appendix 3** or the summary of the Africa, Asia, Canada and Latin America roundtables in **Appendix 4**.
2. These roundtables were each structured into four sessions, consistent with previously held roundtables which are summarized in **Appendices 3 and 4**. This summary presents the key insights 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. Participants reaffirmed the dual objectives of audit quality and efficiency, consistent with earlier roundtables. However, across **Australia, New Zealand** and the **Middle East** roundtables, participants focused more extensively on data sovereignty, data residency and privacy considerations than in previous regions, noting that these factors meaningfully influence technology deployment decisions.

Current Use Cases

4. Current AI use cases align broadly with use cases identified in previous roundtables. However, participants noted several contextual nuances:
 - (a) **Australia** and **New Zealand** reported more mature use of AI-enabled workflow support such as automated business process evaluation and walkthrough documentation.
 - (b) **Across all three regions**, participants highlighted increased use of AI-enabled evidence synthesis tools that help reviewers scan, summarize, and cross-reference large volumes of financial, operational, and industry information.

A practitioner from New Zealand in their own words:

With the current use cases... we don't necessarily document that something was brainstormed through Copilot or the internal tool. The human-in-the-loop is such that staff treat it as their own.

Future State: Increased Agentic AI

5. Participants shared the global vision toward agentic AI, but emphasized region-specific implementation attitudes:
 - **New Zealand** stressed that “human-in-the-loop” oversight will remain non-negotiable, even as systems become more autonomous.
 - **Middle East** participants underscored a disciplined and highly risk-aware progression, driven by sensitivity over data handling and regulatory scrutiny.
 - **Australia** noted that anticipated efficiency gains will be measured at the engagement level, not only at the task level, reflecting a shift toward holistic AI-supported audit orchestration.

Session II – Applying the IAASB’s Quality Management Standards

6. Participants agreed that ISQM 1 and ISA 220 (Revised) remain principles-based and fit for purpose, while acknowledging that new technologies that are opaque, non-deterministic and adaptive introduce unique risks requiring clearer guidance on how to apply the standards and to promote consistent application.

Emerging Practices

7. **Evaluating Whether a Tool is Fit for Purpose:** Across **Australia** and the **Middle East**, firms reported greater caution with non-deterministic tools than in other regions. Several firms described extended pilot phases, independent validation, and bespoke guardrails to ensure AI is used strictly within intended boundaries.
8. **Ongoing Monitoring:** **Australian** firms highlighted emerging practices in tracking AI behavior for signs of model drift, recalibrating tools when necessary.
9. **Documentation:** Participants reiterated the need for robust documentation but added new insights:
 - **New Zealand** emphasized aligning documentation with local inspection expectations, reflecting heightened focus on audit quality culture.
 - **Australia** reported growing use of tool-specific documentation templates, enhancing transparency over design, testing, and deployment decisions.
10. **Staff Training and Development:** Participants described the need for training that goes beyond prompt engineering to include:
 - Analytical reasoning,
 - Professional skepticism toward AI-generated outputs, and
 - Ethical use of AI, a theme raised strongly in **Australia** and the **Middle East**.
11. **Supervision:** Participants analogized the outputs of AI to the work of a junior auditor whose outputs can be insightful but occasionally incorrect or incomplete, particularly in judgement sensitive areas. Participants emphasized the need for active supervision and explicit challenge of AI generated outputs.

Practical Challenges

12. **Sufficiency of Testing:** Participants highlighted ongoing uncertainty about how to determine sufficiency for probabilistic and non-deterministic AI models. Differences in accuracy thresholds were noted as a risk of global consistency.
13. **Relative Responsibilities Between Network Level and Firm Level Tool Certifications:** While many tools are developed globally at the network level, participants from **Australia**, **New Zealand** and the **Middle East** described locally driven deployment decisions, reflecting jurisdictional legal, regulatory and data residency considerations. Several **Australian** and **New Zealand** firms maintain independent local certification processes even when network approvals exist.
14. **Oversight of Third-Party Providers:** Participants noted uncertainty regarding expectations for evaluating third-party AI tools:
 - **Australian** participants noted that SOC reports alone are not sufficient, especially for AI systems subject to frequent updates.
 - **Middle East** participants highlighted the expectation that data be retained within national borders as an additional constraint when using global cloud-based AI vendors.
15. **Explainability and Re-performability:** Participants emphasized the importance of traceability, interpretability, and visibility into model design, consistent with prior roundtables but with a sharper focus on ensuring meaningful challenge of the tools' outputs.
16. **Challenges for SMPs:** Regulators from the **Middle East** and **New Zealand** noted that in some markets, the maturity of systems of quality management of some SMPs may not yet support the responsible adoption of more advanced AI tools. Participants also emphasized that SMPs in particular face persistent challenges in assessing third-party or off-the-shelf AI tools, including evaluating vendor claims, understanding the reliability of the underlying models, and determining whether such tools meet their system of quality management requirements.

A representative from an accounting body in Australia in their own words:

Small firms struggle with selecting third-party tools. They don't know whether the tools comply with quality management requirements or how far they can rely on the third-party provider's sign-off on the reliability of the tools.

Session III – Stakeholders' Expectations

17. Themes from earlier roundtables were reaffirmed; however stakeholder expectations in **Australia**, **New Zealand** and the **Middle East** revealed distinct regional nuances, particularly around transparency, value, and cybersecurity.

Stakeholders' Expectations

18. **Clarity and Transparency Around AI Use:** Participants described growing expectations for transparency:
 - (a) **Regulatory and Inspection Transparency:** Regulators in **Australia** and the **Middle East** increasingly expect audit trails demonstrating:

- Firm-level AI tool certifications
 - Engagement-level evaluation of AI generated output.
- (b) **External Transparency:** Some **Middle East** investors suggested that if AI begins to perform substantial portions of the audit autonomously, it may warrant reconsideration of disclosures related to accountability, oversight and audit fees.

A regulator from the Middle East in their own words:

As with earlier transitions to data analytics, investors and regulators will want to understand the extent to which AI is used in audits and how its use is reflected in reporting frameworks.

19. **Data Confidentiality and Security:** Data confidentiality remains a top priority:
- **Middle East** participants noted that assessments of AI related confidentiality and security risks are typically grounded in established frameworks such as ISO/IEC 27000 information security management standards, SOC reports, and similar certifications, which are widely used in the region to evidence cybersecurity controls and compliance with data residency requirements.
 - **Australian** participants noted challenges when vendors introduce AI features before firms that evaluate them within their quality management systems.
20. **Alignment on Value: New Zealand** participants emphasized that stakeholders prioritize quality and insight, not mere efficiency. AI should support deeper analytical insights, not become a mechanism to reduce cost at the expense of audit quality.

Session IV – The IAASB’s Role

21. Participants agreed that the IAASB has a central role in supporting consistent, responsible adoption of emerging technologies. Even non-authoritative materials (NAM) issued by the IAASB were described as having a significant influence in practice.
22. Participants viewed practical, timely NAM as a critical next step, particularly for navigating the challenges posed by non-deterministic AI tools.
23. Consistent with other regions, participants supported NAM including, for example, NAM on firm-level policies relating to fit-for-purpose assessments. However, several other areas for possible NAM were also raised.

Areas Where IAASB’s Contribution May be Most Valuable

24. **Engaging with third-party services providers on AI:** Participants across all three regions encouraged the IAASB to develop NAM to support firms in assessing and monitoring vendor-developed AI tools. They noted that while auditors rely heavily on these tools, vendors are not themselves subject to the IAASB’s quality management standards, creating a gap that disproportionately affects SMPs.

Consideration for How the IAASB Moves Forward

25. Participants emphasized the need for coordinated global efforts and stronger ethical foundations. Participants from Australia highlighted the importance of incorporating ethical principles for use of AI into training at all levels, ensuring practitioners not only use AI responsibly but also understand its broader implications for public trust.