

IAASB GUIDE SERIES

Applying the IAASB's Quality Management Standards to AI-Enabled Technological Tools

GUIDE 1

Common Conceptual Foundation

How Guide 1 Is Organized

1. **Guide 1** is organized as follows:

- ~~**Section 2 – Scope and Why AI-Enabled Technological Tools Warrant Focused Guidance**~~ – Explains which uses of AI-enabled technological tools are within the scope of the guide series and why such tools may warrant focused quality management guidance.
- ~~**Section 3 – How the Guide Series Is Organized: The Quality Management Life Cycle**~~ – Introduces the quality management life cycle used as the navigation structure for **Guides 2 to 4**.
- ~~**Section 4 – Foundation in the IAASB's Quality Management Standards**~~ – Explains how firm-level quality management under ISQM 1 and engagement-level quality management operate together when AI-enabled technological tools are used.
- ~~**Section 5 – Applying the Firm's Risk Assessment Process**~~ – Explains how the firm's ISQM 1 risk assessment process applies, including the six relevant considerations and the relationship among quality objectives, quality risks and responses.
- ~~**Section 6 – Scalability and Proportionality**~~ – Explains how the guide series supports scalable and proportionate quality management for firms with different circumstances.
- ~~**Appendix 1 – Glossary**~~ – Provides descriptions of key terms used throughout the guide series to support consistent terminology.

1. **Guide 1** is non-authoritative and is read together with the **Introduction to the Guide Series**, which explains the purpose, status and audience of the guide series. It does not amend or override the IAASB's standards or establish additional requirements. **Guide 1** sets out the concepts on which **Guides 2 to 4** build:

- **Section 1** explains when a use of an AI-enabled technological tool is within the scope of the guide series.
- **Section 2** sets out the foundation in ISQM 1 and ISA 220 (Revised) at the firm and engagement levels.
- **Section 3** describes the life cycle of an AI-enabled technological tool at the firm, which **Guides 2 to 4** follow.

- Section 4 explains how the firm applies its risk assessment process to AI-enabled technological tools, including the risk assessment considerations that **Guides 2 to 4** draw on.
- Appendix 1 provides illustrative examples of uses within and outside the scope of the guide series.
- Appendix 2 is the glossary.

2.1 AI-Enabled Technological Tools Within Scope

1. Scope of the Guide Series

~~1.2. The guide series addresses AI-enabled technological tools.~~ The guide series focuses on AI-enabled technological tools, as described in paragraph 1, that are enabled by AI. AI-enabled technological tools incorporate, or provide access to, one or more AI systems and may make. They may be general-purpose, making broad functionality available one or more AI-enabled capabilities that support multiple that supports many uses, or may take the form of a specific application, agent or workflow designed for a defined purpose. ~~For purposes of the guide series, an AI-enabled capability is functionality made available through an AI-enabled technological tool; it is not a separate category of technological resource.~~

AI system: OECD definition

"An AI system is a machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments. Different AI systems vary in their levels of autonomy and adaptiveness after deployment."

~~2.3.~~ An AI-enabled technological tool may use machine learning, generative AI, agentic AI, other forms of machine learning or a combination of AI technologies. These labels applied to particular technologies are not always clear-cut and may change as technologies evolve. The guide series therefore focuses on the functionality made available and how it is used, rather than establishing rigid boundaries among types of AI.⁷

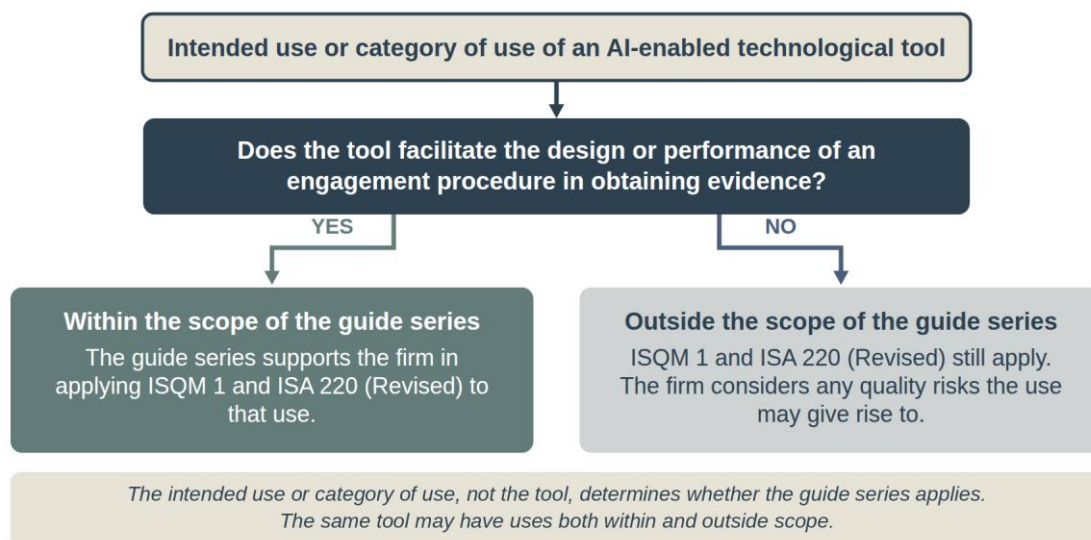
~~3.4.~~ The applicability of the guide series depends on the particular intended use or category of use of an AI-enabled technological tool, rather than the product name or the tool in the abstract. An intended use or category of use is within the scope of the guide series where the AI-enabled technological tool facilitates the design or performance of an engagement procedure in obtaining evidence. For an audit, these are audit procedures to obtain sufficient appropriate audit evidence.⁸ Accordingly, the

⁷ International Organization of Securities Commissions (IOSCO), *Supervisory Toolkit for AI Use in Capital Markets* (May 2026), p. 11, footnote 12, observes that categorizations of AI are not always clear-cut, as boundaries may be blurred and definitions imprecise.

⁸ Proposed ISA 500 (Revised) (ED-500) was on exposure when the **Introduction to the Guide Series** and **Guide 1** were approved (see footnote 3 in the **Introduction to the Guide Series**). ED-500, paragraph A13, explains that the auditor's procedures to obtain sufficient appropriate audit evidence include risk assessment procedures, further audit procedures and other audit procedures that are required to be carried out to comply with the ISAs, including evaluating the relevance and reliability of information intended to be used as audit evidence. Extant ISA 500, paragraph 5(c), defines audit evidence as information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. ED-500, paragraph 8(b), proposes a revised definition but retains the notion of information used to draw conclusions that form the basis for the auditor's opinion. For other assurance engagements, the guide series refers by analogy to the equivalent engagement procedures and evidence concepts under the applicable assurance standards.

same **general-purpose AI application** or audit platform may be within **the scope of the guide series** for one **intended use or category of use** and outside **scope** for another. **The figure below illustrates this.**

4. ~~Documentation is an important aspect of quality management addressed throughout the guide series. At the firm level, ISQM 1 establishes requirements for documentation of the SOQM, including the firm's quality objectives and quality risks, its responses and how those responses address the quality risks, and evidence of the design, implementation and operation of responses. At the engagement level, ISA 230 and the specific documentation requirements in ISA 220 (Revised) and other relevant engagement standards apply. Where an AI-enabled technological tool assists in preparing engagement documentation, whether that use is within the scope of the guide series continues to depend on what the tool is being used to do. A use that itself facilitates the design or performance of an engagement procedure in obtaining evidence may be within scope, whereas a use limited to documenting work already performed or conclusions already reached by engagement personnel does not, by itself, bring the use within scope. The guides illustrate how these existing documentation requirements may apply when AI-enabled technological tools are used but do not establish separate documentation requirements for such tools.~~



Appendix 1 provides illustrative examples.

5. ~~Some uses are outside the scope of the guide series because they do not facilitate the design or performance of an engagement procedure in obtaining evidence. Examples include administrative uses and uses that support the direction, supervision and review of the engagement, such as tracking the status of open review notes.⁹~~
- 5.6. ~~Uses limited to administrative activities that do not facilitate the design or performance of an engagement procedure are outside the scope of the guide series. AI-enabled technological resources may also be used in other parts of the firm's operations or SOQM, for example to support resource allocation or internal administration. Those uses may be important to engagement quality and may give rise to considerations under the firm's monitoring and remediation process. These uses, like those above, involve technological resources as that term is described in ISQM 1, but they are~~

⁹ ISA 220 (Revised), paragraphs 29–31.

outside the scope of this guide series,¹⁰ rather than technological tools (see paragraph 1 of the **Introduction to the Guide Series**).

7. The firm determines the intended use or category of use when applying its risk assessment process, before the tool is deployed. In doing so, the firm may consider relevant functionality beyond the intended use or category of use.
8. The firm establishes policies or procedures that engagement teams apply when using the tool. Policies are statements of what should, or should not, be done, and procedures are actions to implement policies.¹¹ These may be communicated through the firm's methodology, training or other communications, and some policies or procedures may be enforced through the tool itself (see **Section 4.4**). A new or expanded use not addressed by those policies or procedures may call for consultation, for example with those responsible for the tool, or further consideration by the firm before the tool is used in that way.
9. The same test applies where an AI-enabled technological resource assists engagement team members in preparing engagement documentation. For audits of financial statements, ISA 230 requires documentation of the procedures performed, their results and the evidence obtained, and significant matters arising and the conclusions reached on them.¹²
10. Such a use is within the scope of the guide series where the tool facilitates the design or performance of an engagement procedure in obtaining evidence, including documenting that procedure, its results or the conclusions reached. For example, the tool may extract and analyze information from source documents, or prepare a first draft of documentation from the entity's documents or transcripts of discussions with the entity, which engagement team members then evaluate.
11. However, where the tool only records, organizes or expresses work already performed and conclusions already reached by engagement team members, without adding to or revising the results or conclusions of that work, that use is outside the scope of the guide series.
12. Placing a use outside the scope of the guide series does not make engagement documentation less important, and it remains central to engagement quality. The documentation requirements in ISQM 1 and, for audits of financial statements, ISA 230 apply to engagement documentation however it is prepared.

¹⁰ ISQM 1, paragraph A104.

¹¹ ISQM 1, paragraph 18(u).

¹² ISA 230, *Audit Documentation*, paragraph 8.

Uses of AI Outside the Scope of This Guide Series

The scope of the guide series does not limit the application of ISQM 1 or ISA 220 (Revised). Those standards apply to the technological resources relevant to the firm's SOQM and to the performance of engagements, whether or not they are AI-enabled and whether or not a particular use is within the scope of the guide series.¹³

A use outside the scope of the guide series may still give rise to quality risks. For example, an administrative use that processes confidential engagement information may give rise to quality risks relating to confidentiality. The firm considers such uses when identifying and assessing quality risks and designing and implementing responses under ISQM 1.¹⁴

6.13. The IAASB may consider broader uses of AI-enabled technological resources for future IAASB non-authoritative material informed by its approach to addressing technology-related matters.¹⁵

42. Foundation in the IAASB's Quality Management Standards

42.1 Firm-Level and Engagement-Level Quality Management

7.14. ~~The following objective in paragraph 14 of ISQM 1 is the overall reference point. The firm designs, implements and operates an SOQM that provides reasonable assurance that the firm and its personnel fulfill their responsibilities and conduct engagements in accordance with professional standards and applicable legal and regulatory requirements, and that engagement reports are appropriate in the circumstances for the guide series.~~

Objective, ISQM 1, paragraph 16

The objective of the firm is to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm, that provides the firm with reasonable assurance that:

- (a) The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- (b) Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

8.15. The quality objective in paragraph 3234(f) of ISQM 1, which directly addresses ~~appropriate~~ technological resources, is ~~directly~~ relevant when AI-enabled technological tools are used. Where ~~a resource~~ an AI-enabled technological tool, or a relevant element of it, is obtained from a service provider, the quality objective in paragraph 3234(h) of ISQM 1, addressing the appropriateness of resources obtained from service providers, is also equally relevant.

¹³ ISQM 1, paragraphs 34(f) and A104, and ISA 220 (Revised), paragraphs 25 and A64.

¹⁴ ISQM 1, paragraphs 27 and 28.

¹⁵ IAASB, The IAASB's *Technology Catalog Process: Approach to Addressing Technology-Related Matters*, approved March 2026 ([Agenda Item 3-E](#)). The approach explains how technology-related matters are identified, evaluated and addressed, including through non-authoritative material.

Technological Resources, ISQM 1, paragraph 3234(f)

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.

Service Providers, ISQM 1, paragraph 34(h)

Human, technological or intellectual resources from service providers are appropriate for use in the firm's system of quality management and in the performance of engagements, taking into account the quality objectives in paragraph 34(d), (e), (f) and (g).

9.16. ISQM 1 describes a firm's SOQM as operating in a continual and iterative manner¹⁶ and being responsive to changes in the nature and circumstances of the firm and its engagements. ~~Effective SOQMs do not~~ also does not operate in a linear manner. The eight components of the SOQM are interrelated.⁴²¹⁷ AI-enabled technological tools may therefore create or affect quality risks across the SOQM and are not solely a matter for the resources component.

40.17. ~~Paragraph 32(f) is not considered in isolation.~~ Depending on the intended use or category of use and relevant circumstances, other quality objectives specified in ISQM 1 may also be relevant, including those relating to ~~governance~~ the following components of the SOQM:

- Governance and leadership;~~;~~
- ~~r~~Rel~~e~~vant ethical requirements;~~;~~¹⁸
- ~~a~~Acc~~e~~ptance and continuance;~~;~~
- ~~e~~Engagement performance;~~;~~
- ~~h~~Human and intellectual resources, ~~and information; and~~
- Information and communication, ~~may also be relevant.~~

Requirements in the monitoring and remediation component may also be relevant. However, not every intended use or category of use of an AI-enabled technological tool affects each of these

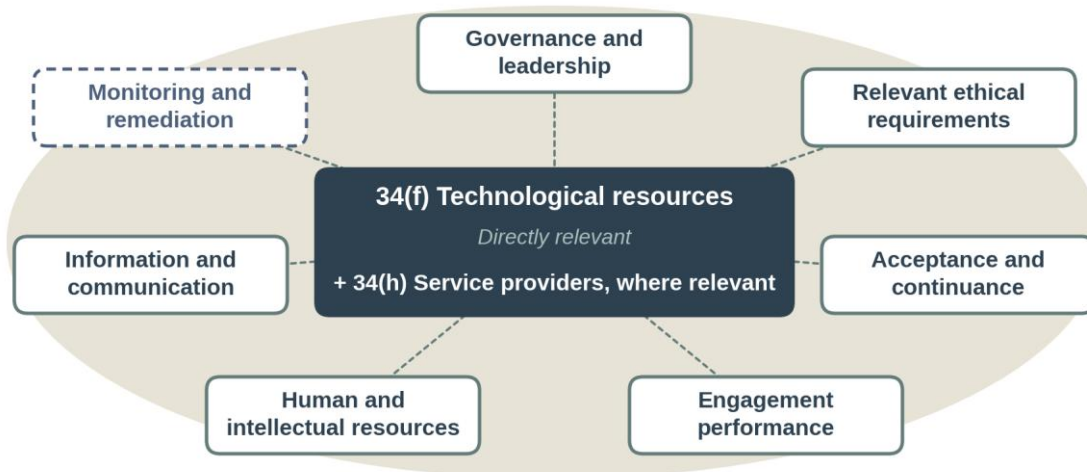
¹⁶ ISQM 1, paragraph 68.

⁴² ~~ISQM 1 deals with a firm's responsibilities to design, implement and operate a system of quality management, which comprises eight components as depicted in the figure in paragraph 22.~~

¹⁷ ISQM 1, paragraphs 9 and A9.

¹⁸ In relation to the relevant ethical requirements component, the quality management responsibilities of the firm and its personnel include the fulfillment of responsibilities in accordance with relevant ethical requirements. Technology-specific guidance issued by IESBA may be particularly relevant in addressing the implications of using AI-enabled technological tools with respect to quality objectives relating to relevant ethical requirements. This is owing to the complementary and mutually reinforcing nature of the quality management considerations under the IAASB's quality management standards and ethical and independence considerations under the IESBA Code. IESBA undertakes various activities as part of its strategic work on technology, including pursuing the development of non-authoritative materials to support the consistent and effective application of the IESBA Code in an environment impacted by emerging technologies, including AI (~~visit the IESBA's Technology focus webpage for more information~~). The IAASB will continue to coordinate with IESBA regarding the IAASB's and IESBA's technology-related activities to reinforce the connectivity and interoperability of the IAASB's quality management standards with the IESBA Code. For more information on technology-specific guidance and other implementation support resources issued by IESBA, visit the IESBA's Technology focus webpage. In addition, paragraph R320.11 of the IESBA Code requires a professional accountant in public practice who intends to use the output of technology to determine whether that use is appropriate for the intended purpose. Paragraph 320.11 A1 sets out factors to consider.

components or gives rise to a new quality risk. The figure below shows the other components of the SOQM that may be relevant alongside the quality objectives in paragraphs 34(f) and 34(h) of ISQM 1.



Other quality objectives, and monitoring and remediation, may also be relevant, depending on the intended use or category of use. Not every use affects each of them. The SOQM operates in a continual and iterative manner.

44.18. Application material in paragraph A1005 of ISQM 1 identifies sets out matters the firm may consider when obtaining, developing, implementing and maintaining an IT application, including. These include:

- The completeness and appropriateness of data inputs, and confidentiality, whether of data;
- Whether the application operates as designed, whether and its outputs achieve their intended purpose;
- The general IT controls, that support its continued operation; and
- The specialized skills and training needed to use the application, and procedures explaining how the application operates.

42.19. Work performed by a network or service provider may provide important information and support, but it does not transfer or reduce the firm's responsibility for its SOQM or for determining whether a resource is appropriate for use in the firm's circumstances. Paragraphs 48 to 52 50 to 54 of ISQM 1 address network requirements or network services. Paragraphs A105 to A108 A110 to A113 of ISQM 1 address resources obtained from service providers. Guide 2 addresses how the firm may use information and work from its network or service providers.

43.20. Firm-level and engagement-level quality management operate together. At the firm level, the firm may:

- Determine which tools or functionality to make available;
- Identify and assess quality risks, design and implement responses, and establish approval conditions;
- Provide methodology and training;
- Control access and information, and provide; and
- Provide specialist or consultation and implementation support.

- 14.21. ~~The~~At the engagement level, the engagement team applies the firm's policies or procedures in the circumstances of the engagement—, using the resources the firm makes available, such as tools and methodology, and information communicated by, or obtained from, the firm. The engagement team also communicates relevant information from the engagement to the firm.¹⁹
- 15.22. For audits of financial statements, the engagement partner ~~remains—ultimately responsible~~continues to take overall responsibility for managing and achieving quality on the engagement.²⁰ This includes determining that sufficient and appropriate resources, including technological resources, are assigned or made available to the engagement team,²¹ and taking responsibility for the direction and supervision of engagement team members and the review of their work, including work performed using AI-enabled technological tools.²²
- 16.23. An AI-enabled technological tool is a resource ~~used by the engagement team and.~~ It does not ~~assume~~take on responsibilities ~~assigned by that~~ the standards assign to the firm, engagement partner or engagement team.²³ This remains the case when a tool carries out a large part of the work involved in an engagement procedure. The figure below illustrates how firm-level and engagement-level quality management operate together, and where human involvement fits.

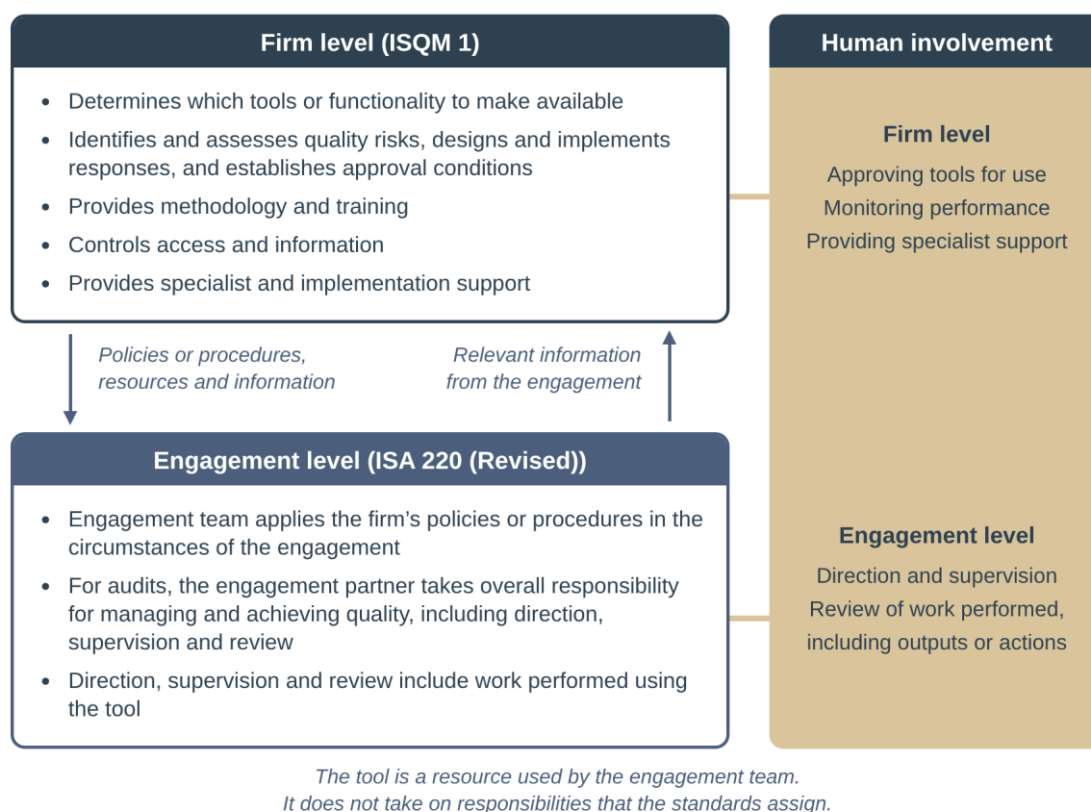
¹⁹ ISA 220 (Revised), paragraph 4.

²⁰ ISA 220 (Revised), paragraphs 13 and 15. See also paragraph 29, which addresses the engagement partner's responsibility for direction, supervision and review.

²¹ ISA 220 (Revised), paragraph 25.

²² See International Forum of Independent Audit Regulators (IFIAR), *Use of Technology in Audits — Innovation and Audit Quality 2026* (April 2026), pp. 4–6, ~~for discussion of~~ 7. for regulators' perspectives on integrated responsibilities across the firm and engagement levels.

²³ ISQM 1, paragraph 22, requires the firm to assign responsibility for its SOQM to individuals. ISA 220 (Revised), paragraphs 13 and 15, require the engagement partner to take overall responsibility for managing and achieving quality on the audit engagement, including when assigning procedures, tasks or actions to other members of the engagement team (paragraph 12(d)). A technological tool is a technological resource (ISQM 1, paragraphs 34(f) and A104).



24. Human involvement is an important part of how the firm and the engagement team fulfill their responsibilities when a tool is used. At the firm level, human involvement may include approving a tool for use, monitoring its performance or providing specialist support. At the engagement level, it may include directing the use of the tool, evaluating its outputs or actions, supervising and reviewing work, and intervening when needed, for example to challenge an output or to override or reverse an action.

17-25. Effective Whether human involvement is effective may depend on whether that involvement is reasonably capable of addressing the matter it is intended to address, and whether the individuals involved have:

- aAppropriate competence and capabilities;
- sufficient time, and relevant; and
- Relevant information and authority to direct, evaluate, challenge, authorize, intervene or escalate as appropriate, and whether the contemplated human involvement is reasonably capable of addressing the matter it is intended to address.

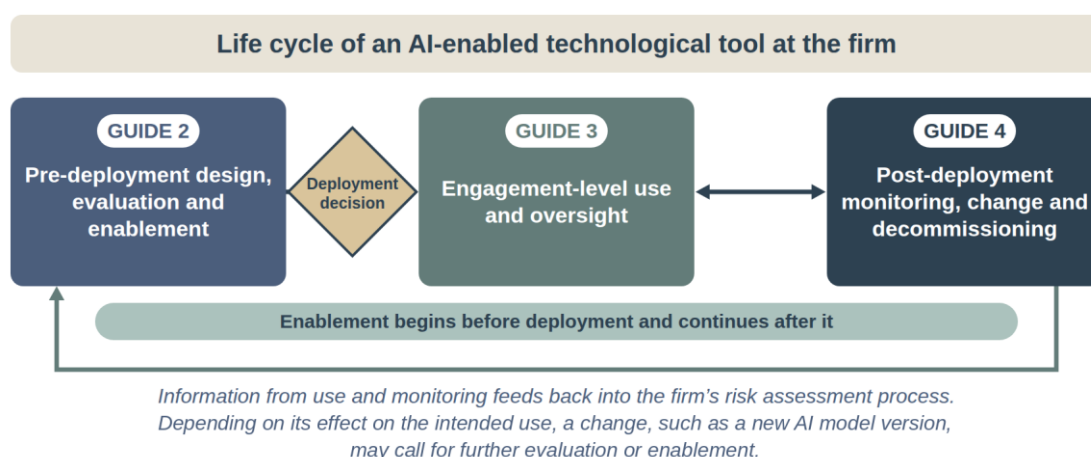
26. Human involvement may be one of the firm's responses to quality risks (see **Section 4.4**). Its nature and extent depend on the quality risks it addresses and need not be the same for every output or action. **Guides 2 to 4** each address human involvement further, as relevant.

18-27. **Guide 3** explains how engagement-level quality management under ISA 220 (Revised) supports the application of the other relevant engagement standards when **AI-enabled technological tools** are

used. The requirements governing the design or performance of engagement procedures, the evidence obtained and the documentation prepared remain in those standards.

3. The Life Cycle of an AI-Enabled Technological Tool at the Firm

19.28. The guide series uses ~~a quality management~~ the life cycle of an AI-enabled technological tool at the firm as a navigation structure. The life cycle describes the phases of the tool's life at the firm, from when the firm obtains or develops it, through which the common conceptual foundation established in **Guide 1** is applied across **Guides 2 to 4** its design, configuration and use on engagements, to its eventual decommissioning.²⁴ It is a practical way of explaining how the firm's quality management responsibilities may apply before, during and after an AI-enabled technological tool is used in engagements, including when it is decommissioned. The at each of those phases. The figure below shows the three phases of the life cycle is not a separate quality management framework, a prescribed tool development process or an additional process imposed by the guide series, the deployment decision between the first two phases, and enablement, which begins before deployment and continues after it.



20.29. The phases are As the figure shows, engagement-level use and post-deployment monitoring take place at the same time and inform each other, and information arising from them may require the firm to revisit its earlier understanding of the tool, or an earlier risk assessment, response or decision. The activities within each phase are also not necessarily sequential and activities may overlap. For example, design, configuration, evaluation, methodology development and enablement may occur together. Information arising from engagement use or monitoring may necessitate revisiting an earlier understanding, risk assessment, response or decision.

30. The table below summarizes the primary focus of each phase and the guide that principally addresses it.

²⁴ Other publications describe AI life cycles differently, often in terms of the technical stages of developing and operating an AI system. See, for example, National Institute of Standards and Technology (NIST), *Artificial Intelligence Risk Management Framework* (AI RMF 1.0) (January 2023), Figure 2, which describes AI lifecycle stages from planning and design through to operation and monitoring. The life cycle used in the guide series is organized around the firm's quality management responsibilities, although information about the development processes of a service provider, network or the firm's IT function may be relevant to the firm.

Life cycle phase	Primary focus	Principal guide
Pre-deployment design, evaluation and enablement	Where applicable, design or configure relevant <u>elements</u> of the tool; <u>evaluate the tool, including by testing it, to</u> obtain a sufficient basis to determine whether and how it may be made available; design and implement responses, <u>that is, policies or procedures to address the assessed quality risks, including those applied at the engagement level</u> ; and prepare personnel, <u>methodology</u> and the operating environment for use.	Guide 2
Engagement-level use and oversight	Apply the firm's policies or procedures in the circumstances of the engagement; direct, supervise and review the work; evaluate the tool's outputs or actions; and communicate relevant ~~experience~~ <u>information from the engagement</u> to the firm <u>and, where applicable, its network</u> .	Guide 3
Post-deployment monitoring, change, ~~revalidation and remediation~~ <u>and decommissioning</u>	Monitor information about performance, use, incidents and changes, ~~and~~ ; determine whether earlier assessments, decisions or responses need to be revisited; <u>update enablement, such as guidance and training, as needed; and, when appropriate, retire, replace, restrict or suspend the tool or particular functionality and address access, information, communication and transition matters.</u>	Guide 4
Decommissioning	~~Retire, replace, restrict, suspend or otherwise remove the tool or particular functionality from authorized use and address access, information, communication and transition matters.~~	Guide 4

21.31. Certain matters apply across all phases and are addressed in each guide as relevant. These include governance and leadership; the firm's risk assessment process; roles, responsibilities and authority; competence and capabilities; relevant ethical requirements; human involvement; data, and knowledge; privacy and confidentiality; information and communication; documentation and traceability; scalability; and feedback loops.

22.32. The guide series uses examples and illustrations to show to illustrate how the ~~common~~ concepts and quality management principles ~~introduced~~ in **Guide 1** may be applied ~~in practice~~ at different phases of the ~~quality management~~ life cycle. The examples are ~~intended to assist readers in understanding how those concepts and principles may operate in particular circumstances; they not exhaustive and~~ do not ~~prescribe a particular approach or outcome~~ establish expectations for how a firm designs its SOQM.

23.33. The life cycle provides navigation, not a required way for firms to organize their governance, technology or quality management activities. A firm may use different terminology or combine

activities, provided that its SOQM ~~achieves the quality objectives and the overall objective in~~ meets the requirements of ISQM 1.

54. Applying the Firm's Risk Assessment Process

5.1 Overall Architecture

4.1 How the Firm's Risk Assessment Process Applies

~~24-34.~~ The firm's risk assessment process ~~under paragraphs 23 to 27 of~~ as outlined in ISQM 1²⁵ is fundamental to the quality management of AI-enabled technological tools. ~~In applying that process, the firm establishes the quality objectives specified in ISQM 1 and any additional quality objectives it considers necessary; identifies and assesses quality risks; and designs and implements responses to address the quality risks.~~

~~25.~~ When applying the firm's risk assessment process to an AI-enabled technological tool, the firm considers the tool in the context of an intended use or category of use. The intended use or category of use provides the context for understanding the tool and determining which conditions, events, circumstances, actions or inactions (collectively referred to as "circumstances")¹⁶ may adversely affect the achievement of quality objectives and are therefore relevant to the identification and assessment of quality risks.

~~26.~~ The figure below frames the firm's consideration of an AI-enabled technological tool as a series of questions. It begins with what the tool is and how it is intended to be used, followed by six relevant considerations that may help the firm understand the circumstances relevant to identifying and assessing quality risks. **Section 5.2** explains why each consideration may matter and the circumstances the firm may consider in answering these questions.

Key ISQM 1 Concepts Used in the Guide Series

The following ISQM 1 concepts are used throughout the guide series. They are stated here with close reference to ISQM 1.

Quality objectives

Quality objectives are the desired outcomes in relation to the components of the SOQM. The firm establishes the quality objectives specified in ISQM 1 and any additional quality objectives it considers necessary to achieve the objectives of its SOQM. A firm may also establish sub-objectives to enhance its identification and assessment of quality risks and its design and implementation of responses.²⁶

The nature and circumstances of the firm and its engagements may be such that the firm may not find it necessary to establish additional quality objectives.²⁷ However, a firm may determine the need to establish additional quality objectives in its circumstances.

²⁵ ISQM 1, paragraphs 25–29.

¹⁶ ~~For ease of reference throughout the guide series, "circumstances" is used to refer collectively to conditions, events, circumstances, actions or inactions that may adversely affect the achievement of quality objectives. See ISQM 1, paragraphs 25(a)–(b) and A45–A48.~~

²⁶ ~~ISQM 1, paragraphs 18(q) and 24, 26 and A49.~~

²⁷ ISQM 1, paragraph A48. In developing ISQM 1, the IAASB expressed the view that circumstances in which firms may need to establish additional quality objectives are not expected to be common (ISQM 1, *Basis for Conclusions*, paragraph 52).

Quality risks

A risk arises from how, and the degree to which, a condition, event, circumstance, action or inaction may adversely affect the achievement of a quality objective.²⁸ Put simply, identifying and assessing quality risks focuses on what could go wrong in achieving the quality objectives.²⁹ Not every risk is a quality risk. A quality risk is a risk that has a reasonable possibility of both occurring and, individually or in combination with other risks, adversely affecting the achievement of one or more quality objectives. The firm exercises professional judgment in determining whether a risk meets that threshold.³⁰

How the firm expresses its quality risks, including how specific they are, is a matter for the firm.³¹ The guide series therefore does not set out quality risks. Instead, where it addresses the firm's risk assessment process, it describes what could go wrong. Considering what could go wrong is not a separate step. It is an aid to help the firm identify and assess quality risks that reflect the nature and circumstances of the firm and its engagements, or recognize when the reasons for the assessment of a quality risk it has already identified have changed.

Responses

Responses are policies or procedures designed and implemented by the firm to address one or more quality risks. ~~Their nature, timing and extent are based on, and responsive to, the reasons for the assessments given to those quality risks.~~³² ISQM 1 requires the firm to identify and assess quality risks to provide a basis for the design and implementation of responses. Responses are designed and implemented in a manner that is based on, and responsive to, the reasons for the assessments given to those quality risks, that is, their considered occurrence and effect on the achievement of one or more quality objectives.³³ In other words, a response is designed to address why the quality risk was assessed as it was. In this guide series, references to responses that address quality risks carry this meaning. The figure below illustrates how these concepts relate.

²⁸ ISQM 1, paragraphs 27(a)–(b) and A50–A53.

²⁹ ISQM 1 does not use the phrase “what could go wrong.” The guide series uses it as plain-English shorthand, drawing on the IAASB's *First-Time Implementation Guide: International Standard on Quality Management (ISQM) 1* (September 2021), pages 18 and 21, which describes the quality objectives as focusing the firm on what could go wrong in achieving them, and identifying and assessing quality risks as putting attention on what can go wrong.

³⁰ ISQM 1, paragraphs 4618(r) and A46A51.

³¹ ISQM 1 does not prescribe quality risks (ISQM 1, *Basis for Conclusions*, paragraphs 36 and 56). A firm may, for example, establish sub-objectives and express its quality risks at that more specific level (ISQM 1, paragraph A49). Regardless of whether a firm has sub-objectives, the threshold for identifying quality risks is at the level of the quality objectives in ISQM 1 (*First-Time Implementation Guide*, page 21).

³² ISQM 1, paragraphs 4618(u) and 2628.

³³ ISQM 1, paragraphs 26 27, 28 and A54.



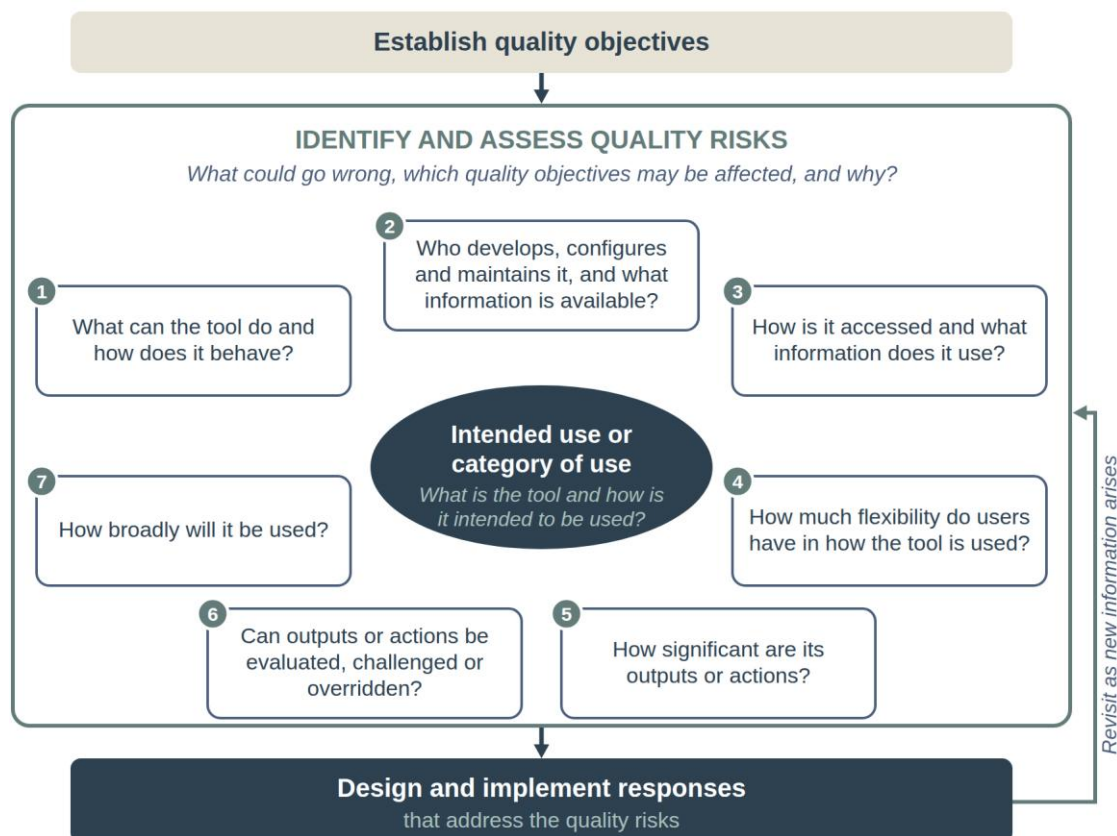
The firm exercises professional judgment throughout. The process is continual and iterative.

35. The firm's existing quality objectives, quality risks and responses may already encompass an intended use or category of use of an AI-enabled technological tool. In that case, no further quality risks need to be identified. In other cases, the use may lead the firm to identify a new quality risk, modify an existing one or reconsider the reasons for the assessment of an existing one (see Section 4.3).³⁴ A separate inventory of quality risks for each tool is neither expected nor practicable, particularly for a firm that uses many tools.
36. A firm that belongs to a network may use an assessment performed by the network, for example for a tool the network makes available to its member firms. The firm remains responsible for determining how network requirements or network services are relevant to, and are taken into account in, its SOQM, and whether they need to be adapted or supplemented, for example for jurisdictional matters.³⁵
37. Engagement teams do not repeat the firm's risk assessment process. They apply the firm's responses to quality risks, that is, its policies or procedures, in the circumstances of the engagement. However, a firm cannot identify all quality risks that may arise at the engagement level or set forth all relevant and appropriate responses. For audits of financial statements, ISA 220 (Revised) recognizes that the engagement team, led by the engagement partner, is responsible for determining whether to design and implement responses at the engagement level beyond the firm's policies or procedures.³⁶
38. The figure below illustrates how a firm may consider an AI-enabled technological tool when identifying and assessing quality risks. The intended use or category of use is at the center, because it provides the context for understanding the tool and what could go wrong in achieving the quality objectives. Around it are the risk assessment considerations, framed as questions.

³⁴ ISQM 1, paragraphs 27(a) and 29. The resources of the firm, which include its technological resources, are among the matters the firm understands in identifying and assessing quality risks. The *First-Time Implementation Guide* (page 31) notes that existing quality risks may need to be modified or reassessed.

³⁵ ISQM 1, paragraph 51.

³⁶ ISA 220 (Revised), paragraphs 4(b) and A7.



27-39. For an AI-enabled technological tool designed for a clearly defined purpose, the intended use may be described with relative precision. A tool with broader functionality may support many uses. In that case, the firm may identify reasonably foreseeable categories of use. For example, for a general-purpose AI application, the firm may be able to describe broad categories of use, such as extracting and analyzing information from source documents or identifying items for further investigation. Where relevant, the firm may also describe uses ~~are reasonably similar, they~~ that are not permitted. Uses may be considered together as a category ~~rather than separately where the firm concludes that the same responses would effectively address what could go wrong for each of them.~~³⁷ New or expanded uses may require further application of the firm's risk assessment process.

5.2 Relevant Considerations

4.2 Risk Assessment Considerations for an AI-Enabled Technological Tool

28-40. The ~~six~~ risk assessment considerations, introduced as questions in the figure ~~that follows paragraph 32~~ in Section 4.1, help the firm understand an AI-enabled technological tool and its intended use or category of use, and think through what could go wrong in achieving the quality objectives. They are explained in more detail below to illustrate why they may be relevant when the firm identifies and assesses quality risks ~~relating to an AI-enabled technological tool~~. The considerations are not a separate risk framework, an exhaustive list or a mandatory checklist. The firm is not expected to

³⁷ A response may address more than one quality risk, provided it is sufficiently precise to effectively address each of them (First-Time Implementation Guide, page 29).

address or document each consideration separately. Their relevance and relative importance vary with the circumstances, and they are applied together.

Relevant consideration

Why it may matter and what the firm may consider

1 Consideration 1-: What can the tool do and how does it behave?—Can the Tool Do and How Does It Behave?

Functionality and relevant AI characteristics

41. The tool's functionality, and the extent to which it exhibits relevant AI characteristics, may affect what could go wrong in achieving the quality objectives. The firm may consider, for example:

- WhatThe functionality made available by the tool ~~makes available~~, including relevant functionality beyond the intended use or category of use; and ~~whether and to what extent~~
- The extent to which that functionality exhibits opacity, probabilistic behavior, adaptivity and autonomy.

29.42. Not every tool exhibits every characteristic, and a tool may combine deterministic functionality with functionality that exhibits probabilistic behavior. Characteristics are not binary. A tool may exhibit a characteristic to a greater or lesser degree. The list is not exhaustive; other characteristics may also be relevant depending on the tool, its intended use or category of use and the surrounding circumstances. The table below explains why each may matter for quality management.

Core characteristic	Why it may matter for quality management
Opacity	~~The basis for an output or action may not be visible, traceable or readily understandable. This may make it more difficult to determine what and howIt may be harder to test; the tool, to evaluate, corroborate or challenge the tool'sits outputs or actions; document how those outputs or actions were evaluated and used; and to investigate the causes of unexpected behavior or deficiencies; and. It may also be harder to document or explain how the tool contributed to the engagement work.~~
Probabilistic behavior	~~The same or similar inputs may produce different outputs or actionsIt may be harder to set criteria for judging whether the tool performs as intended, to repeat results and to test the tool. Outputs may also appear plausible but be inaccurate, incomplete or unsupported, for example because information is omitted, misclassified or incorrectly extracted, or because uncertainty or probability affects how outputs or actions are generated or selected. This may affect performance criteria, repeatability, testing and the evaluation of outputs or actions. content is fabricated (sometimes referred to as hallucinations).~~
Adaptivity	~~The tool may adjust its behavior after deployment in response to new data, feedback, interaction or changes in its operating environment. This may affect the predictability of its outputsOutputs or actions and whether earliermay become less predictable over time. Earlier evaluation and approval may no longer remain relevant.~~

Core characteristic	Why it may matter for quality management
Autonomy	~~The tool may recommend, initiate, sequence or execute actions~~ Actions may occur without step-by-step human direction. Greater autonomy may increase the importance of authorizationan individual directing each step. Authorization, intervention points, logging, exception handling and reversibilitythe ability to reverse actions may therefore become more important.

~~30. These characteristics do not, by themselves, determine whether a quality risk arises or what response is appropriate. Their implications depend on the functionality of the tool, the intended use or category of use, and the surrounding circumstances, as further explored in Section 5. Existing quality management principles remain applicable, but the application of the firm's risk assessment process and the nature and extent of responses and monitoring activities, may need to be adapted.⁴⁰~~

~~43. A tool may also process large volumes of information quickly, so that an inaccurate output or inappropriate action may be repeated across many items before it is identified, and it may be harder for individuals to review outputs or actions with appropriate care. Outputs that appear plausible may also lead individuals to place too much reliance on them (sometimes referred to as automation bias).~~

4. ² Consideration 2: Who develops, configures and maintains the tool or relevant elements, and what information is available about those activities
Develops, Configures and Maintains It, and What Information Is Available?

~~Development, configuration, maintenance and information available~~

~~44. Who develops, configures and maintains the tool or relevant elements, and what information the firm has about those activities, may affect how well the firm understands the tool and whether it can change it. Where the firm has limited information about, or control over, these activities, it may be more challenging for the firm to determine whether the tool is appropriate for the intended use or category of use, or to identify when a change affects how the tool performs. The firm may consider, for example:~~

- ~~• Who developed or selected the tool or relevant elements;~~
- ~~• Who configures, tests, maintains and can change the tool or those elements;~~
- ~~• What work is performed by the firm, its network or service providers, including whether different arrangements apply to different elements; and~~
- ~~• What information is available to the firm about those activities and about the tool's performance and limitations.~~

5. ³ Consideration 3: How is it accessed and what information does it use?
Is It Accessed and What Information Does It Use?

~~Access, hosting, information flows and information used~~

~~45. How the tool is accessed and hosted, how information flows, and what information it uses may affect confidentiality and the reliability of its outputs. For example, confidential information may be retained~~

⁴⁰ ~~Committee of Sponsoring Organizations of the Treadway Commission (COSO), Achieving Effective Internal Control Over Generative AI (GenAI), 2026, explains that its existing framework remains applicable while Gen AI's probabilistic and adaptive characteristics may require more dynamic risk assessment, control and monitoring.~~

or used for purposes the firm did not intend or that have not been authorized, or outputs may be based on information that is incomplete, outdated or unsuitable for the intended use or category of use. The firm may consider, for example:

- How the tool is accessed and hosted;
- ~~w~~Where information is received, processed, stored or accessed and by whom;
- ~~t~~The nature, provenance, quality and sensitivity of information used to train, ground or operate the tool, or information retrieved for the tool; and
- ~~t~~The applicable data-use, retention, privacy, confidentiality and security arrangements.

4 Consideration 4: How Much Flexibility Do Users Have in How the Tool Is Used?

46. The more discretion users have in how the tool is used, the harder it may be for the firm to anticipate how it will be used and whether its evaluation of the tool and its other responses address those uses. The firm may consider, for example:

- Whether the firm defines centrally how the tool is used or leaves engagement teams to determine this, for example by writing their own prompts, adjusting settings, adding knowledge sources or building their own agents or workflows;
- The extent to which the quality of outputs or actions depends on those choices and on users' skills; and
- Whether the firm would be able to determine whether the tool is being used beyond the intended use or category of use, for example from records of how the tool is used.

2-5 Consideration 5: How ~~significant are its outputs or actions to engagement procedures, evidence or judgments~~Significant Are Its Outputs or Actions?

~~Significance of outputs or actions and extent of reliance~~

47. The more the tool's outputs or actions contribute to the work performed on the engagement, the greater the potential effect if they are inappropriate. The firm may consider, for example:

- How outputs or actions may affect engagement procedures, evidence, professional judgments, conclusions or documentation; and
- ~~t~~The extent to which they results of engagement procedures that use them are expected to be relied upon³⁸; ~~and whether actions are reversible or may have wider consequences.~~

3-6 Consideration 6: Can ~~outputs or actions be evaluated, challenged or overridden~~Outputs or Actions Be Evaluated, Challenged or Overridden?

~~Evaluation and human involvement~~

48. The capacity to evaluate outputs or actions, and the human involvement contemplated, may affect whether inappropriate outputs or actions are identified and addressed before they affect the engagement. The firm may consider, for example:

³⁸ In the context of facilitating the design or performance of engagement procedures to obtain evidence, "relied upon" refers to the degree to which the results of the engagement procedures are expected to contribute to the persuasiveness, and thereby the sufficiency and appropriateness, of the auditor's or assurance practitioner's evidence.

- Whether outputs or actions can feasibly be traced to reliable source information, reproduced, corroborated or otherwise evaluated; including whether inaccurate, incomplete or unsupported outputs, particularly omissions, are likely to be detected;
- Whether individuals can challenge outputs, override or reverse actions or otherwise intervene when needed; and
- ~~†The nature and extent of human involvement contemplated; and, including whether these individuals have the competence and capabilities, sufficient time, relevant information and authority needed for that involvement.~~ it is reasonably capable of addressing the matter it is intended to address (see Section 2.1).

6.7 Consideration 7: How broadly will it be used? Broadly Will It Be Used?

Scale and breadth of intended use

49. The more broadly the tool is used, the more engagements may be affected if it does not perform as intended, for example because of a configuration error or a change in the AI model it uses, before this is identified. Narrower use does not, by itself, mean that a quality risk is lower, and broader use does not, by itself, mean that it is higher. The firm may consider, for example:

- The number and types of users, engagements and jurisdictions;
- ~~†The~~ range of permitted or reasonably foreseeable uses; and
- ~~†The extent of connections to which the tool is connected to other systems; and whether an issue could affect multiple engagements or uses because the same tool or functionality is widely relied upon, or tools, such as the firm's engagement software or document repositories, through which its outputs or actions may reach other engagement work.~~

Applying the Considerations Together

~~34.50.~~ The considerations are not sequential, and no single consideration is determinative by itself determines whether a quality risk exists or how it is assessed. For example, a summarization ~~use may involve tool may produce~~ outputs that can be readily compared with source information (consideration 6), but the same use may still give rise to ~~significant~~ quality risks if ~~sensitive confidential~~ engagement information is ~~processed through an arrangementsent outside~~ the firm ~~has not sufficiently understood~~ without the firm understanding how that information is stored, used or protected (consideration 3). Conversely, ~~well-controlled~~ strong controls over access and hosting arrangements to the tool and the information it uses (consideration 3) do not ~~remove quality risks when, by themselves, address what could go wrong with~~ outputs that significantly influence professional judgments and are difficult to evaluate (considerations 5 and 6).

51. The considerations are also interrelated. For example, a firm that develops a tool itself may have more information about how the tool works and how it has been tested (consideration 2) than a firm that obtains the tool from a service provider. What the firm knows about the tool may, in turn, affect how it approaches the other considerations, such as understanding what the tool can do and how it behaves (consideration 1) and how information flows through it (consideration 3).

54.3 ~~Quality Objectives and~~Identifying and Assessing Quality Risks

~~32.52. In applying the risk assessment process to~~The firm identifies and assesses quality risks in accordance with ISQM 1.³⁹ For an AI-enabled technological tool, the firm uses its understanding of the tool, ~~the intended use or category of use and the relevant circumstances to consider,~~ informed by the risk assessment considerations in **Section 4.2**, to think through what ~~may~~could go wrong, which quality ~~objective or~~ objectives may be affected, and why ~~there is a reasonable possibility of an adverse effect. A characteristic or limitation of the technology.~~ Thinking through what could go wrong is not a separate step but an aid to identifying and assessing quality risks ~~on its own; it becomes relevant when, in the circumstances, it may adversely affect the achievement of.~~ It informs both whether a quality ~~objective~~ risk exists and the reasons for the firm's assessment of it.

~~33. Not every risk associated with an AI-enabled technological tool meets the ISQM 1 threshold for identification as a quality risk. The firm considers the reasons for its assessment, including the circumstances identified through the considerations in Section 5.2 and how they interact in the intended use context.~~

Quality Risks and Quality Responses

~~53. The risk assessment considerations may show that the reasons for the assessment of a quality risk the firm has already identified have changed. The responses may then need to change, even though the quality risk itself is unchanged.⁴⁰ For example, the firm may already have identified a quality risk relating to the quality objective on technological resources.⁴¹ For a tool that extracts terms from contracts, the considerations may reveal that the tool could omit non-standard terms without indicating that it has done so (consideration 1), and that engagement team members reviewing its outputs would not see what was missed (consideration 6). The quality risk may be unchanged, but these reasons may call for specific responses, such as testing the tool with contracts containing known non-standard terms.~~

~~54. The firm identifies and assesses quality risks before designing the responses to address them.⁴² Having a policy or procedure in place that may already address a quality risk, such as one requiring engagement team members to review a tool's outputs, does not remove the need to identify and assess that quality risk. Understanding what could go wrong, and why, helps the firm judge whether that policy or procedure is enough. For example, reviewing outputs may not reveal information the tool has left out.~~

~~A policy or procedure that the firm has designed or intends to implement does not replace the need to identify and assess the quality risk it is intended to address. For example, if an AI-enabled capability may produce an inappropriate output that could adversely affect the achievement of a quality objective, a policy requiring personnel to evaluate that output is a response to the quality risk. The existence or anticipated implementation of that policy does not eliminate the need to identify and assess the quality risk.~~

³⁹ ISQM 1, paragraph 27.

⁴⁰ ISQM 1, paragraphs 28 and A54.

⁴¹ ISQM 1, paragraph 34(f).

⁴² ISQM 1, paragraphs 27–28. The process is iterative (paragraph A45), so the firm may revisit its quality risks as it designs responses. However, a response does not replace the identification and assessment of quality risks: a quality risk that is not identified or properly assessed is a deficiency in its own right (paragraph 18(a)(ii)).

~~34-55.~~ ISQM 1 requires the firm to document its quality objectives and quality risks and to describe the responses and how those responses address the quality risks.⁴³ ~~In documenting the quality risks and how the firm's responses address them, it does not require the firm may also to document everything it considered in identifying them. The firm may, however, document the reasons for the assessments given to the its assessment of a quality risks, including the consideration of occurrence and effect on the achievement of one or more quality objectives. This may, which reflect what could go wrong, to support the consistent implementation and operation of the responses. The guide series does not suggest or specify a particular form of⁴⁴ Guide 2 illustrates what firm-level documentation, and it is neither necessary nor practicable for the firm to document every matter considered or judgment made in applying its risk assessment process.²¹ relating to an AI-enabled technological tool may include.~~

Illustrative Quality Risks

~~The examples are not exhaustive and do not imply that every firm identifies the same risks.~~

Illustrative quality objective	Illustrative quality risk	How the considerations outlined in Section 5.2 may inform the identification and assessment of quality risks
~~Appropriate technological resources are obtained or developed, implemented, maintained and used.~~	~~An AI-enabled tool used to develop an independent expectation to evaluate a management estimate produces an inappropriate output that is not identified before it affects the engagement team's evaluation.~~	~~The functionality may exhibit probabilistic behavior or opacity (1); the output may significantly influence evidence or judgment (2); it may be difficult to evaluate or challenge (3); or relevant development, configuration, data or testing information may be inadequate (4 and 5).~~
~~Personnel have the competence, capabilities and information needed to fulfill their responsibilities.~~	~~Personnel use a general-purpose AI application for engagement procedures without sufficiently understanding relevant limitations or boundaries, resulting in inappropriate use or over-reliance.~~	~~The tool may make broad functionality available (1); outputs may be used for different purposes or with varying significance (2); effective human involvement may require particular competence and information (3); and use may be dispersed across many users or engagements (6).~~
~~Relevant ethical, legal, regulatory and firm requirements relating to confidential information are fulfilled.~~	~~Confidential firm or engagement information is accessed, retained, transferred or used inappropriately.~~	~~Information available to the firm about relevant network or service provider arrangements may vary (4); information may be processed, stored or accessed in ways that affect confidentiality, privacy or data-use requirements (5); and broad use may increase the potential reach of an issue (6).~~

⁴³ ISQM 1, paragraphs 58(a) and (b60(b) and (c).

⁴⁴ ~~ISQM 1, paragraphs A207 and A210. Paragraph A208 explains that the form, content and extent of documentation may be affected by factors such as the complexity of the judgments involved and whether the matter relates to an area of greater quality risk.~~

²¹ ISQM 1, paragraph A202.

5.4 Responses

4.4 Designing and Implementing Responses to Address the Quality Risks

56. Responses relating to an AI-enabled technological tool may operate at different points in its life cycle, for example in how the tool is designed, evaluated and approved before deployment (**Guide 2**), in how engagement teams use and oversee it, including through human involvement (**Guide 3**), and in how the firm monitors it after deployment (**Guide 4**).

35. Depending on the quality risks, responses relating to an AI-enabled technological tool may include:

- designing or configuring relevant elements of the tool, where applicable, including by limiting or structuring the functionality made available;
- evaluating the tool, including through testing where appropriate, against criteria relevant to the intended use or category of use;
- assigning clear responsibilities and decision authority, including when consultation or escalation is required;
- establishing approval conditions governing whether and how the tool or particular functionality may be used (see also paragraph 44);
- implementing technical controls to enforce relevant restrictions on access or functionality;
- providing personnel with appropriate guidance and training for the intended use or category of use;
- requiring appropriate human involvement to evaluate, challenge or intervene in the tool's outputs or actions; and
- monitoring the tool's performance, use and relevant changes to determine whether earlier assessments or responses need to be revisited.

36-57. ForWhen a general-purpose AI application or other tool with broad functionality is made available, it may be impracticable to anticipate every individual use or create an exhaustive list of every permitted and prohibited use~~s~~. This is particularly likely where users have discretion in how the tool is used (see consideration 4 in Section 4.2).

37-58. ~~The~~In such cases, the firm may ~~therefore establish instead~~ describe broad categories of use and, where relevant, uses that are not permitted (see **Section 4.1**), and set the conditions on which the tool is made available (approval conditions using). These may include principles-based boundaries, supported as appropriate by guidance and training, consultation or escalation, ~~technical controls~~controls built into the tool or into how it is accessed, and monitoring. ~~Where the firm or its network develops or materially configures relevant elements of a tool designed for a defined purpose, responses may place greater emphasis on the design or configuration of those elements and on evaluating the resulting tool, including through testing, for the intended use.~~ Approval conditions are one type of response. They govern whether and how the tool or particular functionality may be made available or used. The term does and do not imply that ISQM 1 ~~requires~~necessarily require a separate approval document or for each use. **Guide 2** explains approval process. Depending on the quality risks, they may address permitted purposes or circumstances of use, information that may be processed, authorized users or configurations, required human involvement, and when consultation, escalation or further firm-level consideration is required. Approval conditions may operate together with other responses as needed in more detail.

- ~~38. The nature and extent of documentation relating to an AI-enabled technological tool will depend on the nature and circumstances of the firm and its engagements and the quality risks and responses involved. Relevant firm-level documentation may include, for example, the intended use or category of use; key information supporting the firm's understanding or evaluation of the tool; significant judgments or conclusions arising from evaluation, including testing; identified limitations; approval conditions; and decisions to make the tool or a particular functionality available, restrict it, modify it, suspend it or discontinue it. Such documentation may be maintained in different forms and locations as part of the firm's SOQM.~~
- ~~39. Different firms may design different responses to the same quality risk because their circumstances, resources and existing policies or procedures differ. What matters is whether the responses are based on, and responsive to, the reasons for the assessment of the quality risk and operate together to achieve the related quality objective or objectives.~~
- ~~40. The following illustration shows how an illustrative quality objective, illustrative quality risk and illustrative responses may be linked in particular circumstances.~~
- 41-59. The responses available to a firm may also vary depending on how ~~relevant elements of~~ the tool ~~are~~is developed, provided or controlled and on the information available to the firm. For example, when ~~one or more elements of a tool~~a tool, or parts of it, are obtained from a service provider, the firm may have limited information about, or ability to influence, aspects of the service. Such limitations do not change the quality objectives the firm is required to achieve, but may affect the responses available and whether the firm ~~has~~can obtain a sufficient basis for its decision to make the tool or particular functionality available for particular uses, users or circumstances.

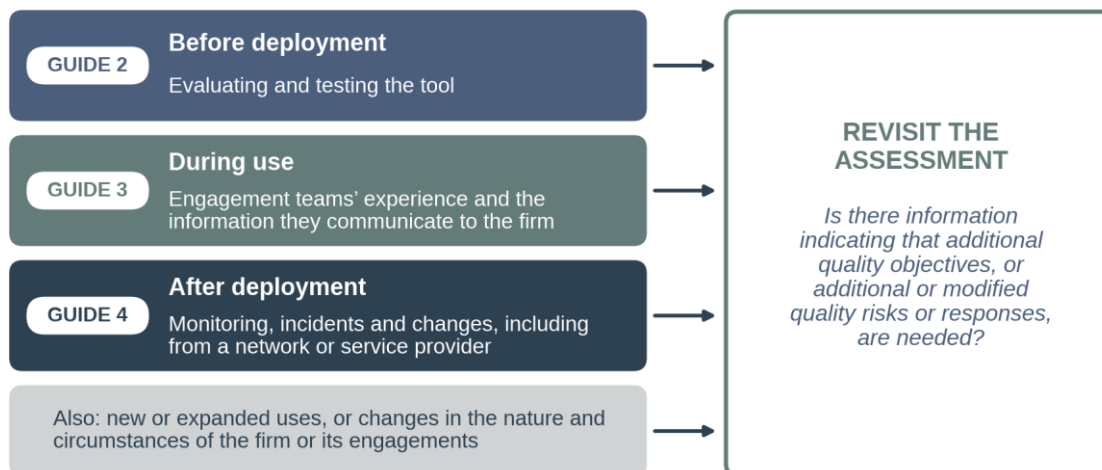
~~5.5 Continual and Iterative Application~~

4.5 Revisiting the Assessment

- ~~42. Consistent with the continual and iterative nature of the SOQM, the firm's risk assessment process may need to be revisited as relevant information arises. Information from engagement use, monitoring activities, incidents, changes communicated by a network or service provider, expanded uses, or changes in the firm's circumstances may indicate that quality objectives, quality risks or responses need to be revisited.~~
60. ISQM 1 requires the firm to establish policies or procedures designed to identify information indicating that additional quality objectives, or additional or modified quality risks or responses, are needed.⁴⁵ For an AI-enabled technological tool, such information may arise at any phase of the life cycle described in **Section 3**, for example:
- Before deployment, from evaluating and testing the tool (**Guide 2**);
 - During use, from engagement teams' experience with the tool and relevant information they communicate to the firm (**Guide 3**); and
 - After deployment, from monitoring, incidents and changes, including changes communicated by a network or service provider (**Guide 4**).

⁴⁵ ISQM 1, paragraph 29. The firm's risk assessment process is iterative, and the information the firm uses in it includes the results of the firm's monitoring and remediation process and information from the network or service providers (ISQM 1, paragraphs A45–A46).

Information may also arise from new or expanded uses, or from changes in the nature and circumstances of the firm or its engagements. The figure below illustrates this.



~~43-61.~~ Changes to ~~models, versions, configurations, service arrangements, prompts, knowledge sources, connected systems, access arrangements, data-use terms, users or scale~~ the tool, how it is provided or how it is used may affect whether an earlier assessment and the related responses remain appropriate. ~~Examples include new models or versions, changes to configurations, prompts or knowledge sources, and changes to access or data-use terms.~~ The significance of a change depends on its effect on the tool's relevant functionality, the ~~intended use or category of use~~, and the reasons for the ~~quality-risk assessment, not only on how the assessment of the related quality risks.~~ How a service provider labels a change is labelled by a provider does not, by itself, determine its significance.

~~44.~~ ~~Guide 3~~ addresses information arising from engagement use and feedback to the firm. ~~Guide 4~~ addresses post-deployment monitoring, incidents, change, revalidation, remediation and decommissioning and how information arising after deployment feeds back into the firm's risk assessment process.

Appendix 1

Illustrative Examples: Scope of the Guide Series

Technological resources used directly by engagement teams may serve multiple purposes. An AI-enabled technological resource is an AI-enabled technological tool only when it is used to facilitate the design or performance of an engagement procedure in obtaining evidence (see paragraph 1 of the **Introduction to the Guide Series**). The following examples illustrate whether a particular use of an AI-enabled technological resource is within the scope of the guide series (see **Section 1**). They are not exhaustive. A use that is outside the scope of the guide series may nonetheless give rise to quality risks that the firm addresses under ISQM 1.

Illustrative scope examples

Illustrative use of an AI-enabled technological resource	Within scope ?	Reason
~~Using an AI-enabled technological tool to take minutes of a routine internal engagement-team or administrative meeting meetings held to coordinate scheduling, staffing and deadlines.~~	No	The use is administrative and does not facilitate the design or performance of an engagement procedure in obtaining evidence.
Using an AI-enabled technological tool to record and summarize information obtained during an inquiry performed as part of an engagement procedure, where the summary is used by engagement personnel engagement team members use the summaries in evaluating the results of that procedure those procedures and retain them as part of the engagement documentation.	Yes	The tool is being used as part of use facilitates the performance of an engagement procedure in obtaining evidence, including documenting that procedure. It may involve the same technology, with the same functionality, as the previous example. The use, rather than merely documenting an administrative meeting the technology, determines whether the guide series applies.
~~Extracting or summarizing specified contract terms as part of a procedure addressing an accounting estimate, disclosure or contractual obligation.~~	Yes	The use facilitates the performance of an engagement procedure to obtain evidence.
~~Using an AI-enabled technological tool to analyze a population of journal entries to identify unusual transactions or characteristics for further investigation.~~	Yes	The use facilitates the performance of an engagement procedure to obtain evidence.
~~Using an AI-enabled technological tool to prepare a first draft of engagement documentation, or a communication to those charged with governance, based on work already performed and findings and conclusions already reached by engagement personnel.~~	No	On these facts, the tool is assisting with recording, organizing or communicating work and conclusions already established rather than facilitating the design or performance of the underlying engagement procedure in obtaining evidence.
Using an AI-enabled technological tool to summarize the results of an engagement procedure, with engagement personnel using that summary to reach and document their conclusion.	Yes	The tool is contributing to the evaluation of the procedure's results, rather than merely documenting a conclusion already reached.

Illustrative use <u>of an AI-enabled technological resource</u>	Within scope ?	Reason
<u>Analyzing the entity's financial information, industry benchmarks and external sources such as news reports, to identify unusual trends or relationships and to identify and assess risks of material misstatement.</u>	<u>Yes</u>	<u>The use facilitates the performance of risk assessment procedures in obtaining evidence.</u>
<u>Reviewing draft financial statements and identifying potential missing or inconsistent disclosures, for engagement team members to investigate further.</u>	<u>Yes</u>	<u>The use facilitates the performance of an engagement procedure in obtaining evidence.</u>

Glossary

This glossary supports consistent terminology across the guide series. Established definitions are used or adapted where suitable. The final column identifies the principal source or indicates that the description is specific to the IAASB guide series.

Term	Description	Principal source
Adaptivity	The ability of an AI system to adjust its behavior after deployment in response to new data, feedback, interaction or changes in its operating environment.	IAASB guide-series description informed by OECD/IOSCO and NIST ⁴⁶ .
Agentic AI	AI systems capable of pursuing goals by making decisions and taking actions with varying degrees of autonomy and human involvement.	Informed by UK FRC ⁴⁷ and IOSCO; aligned with the AICPA ⁴⁸ glossary.
AI-enabled capability	~~A function or set of functions made available through an AI-enabled technological tool. An AI-enabled capability is not a separate category of technological resource for purposes of the guide series and may support one defined use or multiple potential uses.~~	~~IAASB guide-series term.~~
AI-enabled technological tool	A technological resource used directly by an engagement team to facilitate the design or performance of engagement procedures in obtaining evidence and that incorporates, or provides access to, one or more AI systems. An AI-enabled technological tool may ~~make be~~ <u>general-purpose, making broad functionality</u> available ~~one or more AI-enabled capabilities supporting multiple that supports~~ <u>many</u> uses, or may take the form of a specific application, agent or workflow designed for a defined purpose.	IAASB guide-series term informed by ISQM 1 and OECD/IOSCO terminology.
AI model	A core component of an AI system used to make inferences from inputs to produce outputs. An AI model may be incorporated into, or accessed through, an AI-enabled technological tool.	Adapted from the AICPA glossary definition of “model,” based on NIST terminology.

⁴⁶ ~~National Institute of Standards and Technology (NIST)~~, *Artificial Intelligence Risk Management Framework (AI RMF 1.0)* (January 2023), and *Artificial Intelligence Risk Management Framework: Generative Artificial Intelligence Profile*, NIST AI 600-1 (July 2024).

⁴⁷ Financial Reporting Council (FRC), *Generative and Agentic AI Guidance: Risks, Mitigations and Illustrative Examples* (March 2026).

⁴⁸ American Institute of Certified Public Accountants (AICPA), *The Glossary of AI Terms* (2026).

Term	Description	Principal source
AI system	A machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations or decisions that can influence physical or virtual environments. Different AI systems vary in their levels of autonomy and adaptiveness after deployment.	Updated 2024 OECD definition. ⁴⁹
Approval conditions	Conditions established by the firm governing whether and how an AI-enabled technological tool or particular functionality may be made available or used. They may address the purposes or circumstances of use, information that may be processed, authorized users or configurations, required procedures or human involvement, consultation or escalation, and circumstances requiring further firm-level consideration.	IAASB guide-series term.
Arrangement	How one or more relevant elements of an AI-enabled technological tool are developed, provided or controlled, including by the firm, its network or an external service provider.	IAASB guide-series term.
<u>Automation bias</u>	<u>A tendency to favor output generated from automated systems, even when human reasoning or contradictory information raises questions as to whether such output is reliable or fit for purpose.</u>	<u>ISA 220 (Revised), paragraph A36.</u>
Autonomy	The degree to which an AI system can recommend, initiate, sequence or execute actions without step-by-step human direction.	IAASB guide-series description informed by OECD/IOSCO.
Deployment	~~Making~~ <u>The firm's decision to make</u> an AI-enabled technological tool, particular functionality or <u>a</u> category of use available for engagement use, <u>and the act of making it available</u> . Deployment <u>relates to an intended use or category of use and</u> may be broad or limited, including through a controlled pilot.	IAASB guide-series term.
<u>Deterministic</u>	<u>An algorithm that, given the same inputs, always produces the same outputs. The guide series also applies the term to functionality that behaves in this way.</u>	<u>Adapted from the AICPA glossary definition of "deterministic algorithm," based on NIST terminology.</u>
Element	A constituent part of an AI-enabled technological tool, such as an application, agent or workflow, AI model, hosting environment or other service.	IAASB guide-series term.

⁴⁹ Organisation for Economic Co-operation and Development (OECD), *Explanatory Memorandum on the Updated OECD Definition of an AI System*, OECD Artificial Intelligence Papers, No. 8 (March 2024), p. 4.

Term	Description	Principal source
<u>Enablement</u>	<u>Activities that prepare personnel, methodology and the operating environment for the use of an AI-enabled technological tool, such as training, guidance, approved prompts or templates, access and communication of known limitations. Enablement takes place before deployment and continues after it as users, uses or the tool change.</u>	<u>IAASB guide-series term.</u>
General-purpose AI application	A user-facing AI-enabled application or environment designed to support a broad range of tasks or uses rather than a single defined purpose.	IAASB guide-series term.
<u>Generative AI</u>	<u>AI systems or models that generate content, such as text, images, audio or code, in response to inputs such as prompts, using patterns learned from training data. Large language models are a form of generative AI that interpret and generate text.</u>	<u>Informed by UK FRC and NIST.</u>
Intended use or category of use	The purpose for which an AI-enabled technological tool is contemplated or expected to be used, or a grouping of reasonably foreseeable uses that the firm considers together when applying its risk assessment process.	IAASB guide-series term.
Knowledge source	A repository, database, methodology, policy, document set or other source from which an AI-enabled ~~capability~~ <u>technological tool</u> retrieves information to generate or support outputs or actions.	IAASB guide-series term.
<u>Quality management life cycle (of an AI-enabled technological tool)</u>	<u>The phases of an AI-enabled technological tool's life at the firm, from when the firm obtains or develops it, through its design, configuration and use on engagements, to its eventual decommissioning. The guide series uses the life cycle as a practical navigation structure used in the guide series to organize how the firm's quality management responsibilities apply across pre-deployment design, evaluation and enablement, engagement level use and oversight, post-deployment monitoring, change, revalidation, remediation and decommissioning at each phase.</u> It is not a separate quality management framework or a prescribed tool-development process.	IAASB guide-series term.
Opacity	The extent to which the basis for an AI system's output or action is not visible, traceable or readily understandable to users or other relevant parties.	IAASB guide-series description informed by NIST, IOSCO and FRC.
Probabilistic behavior	Behavior in which uncertainty or probability affects how outputs or actions are generated or selected, such that the same or similar inputs may produce different outputs or actions.	IAASB guide-series description informed by AICPA terminology.
Revalidation trigger	An event, change or other information that may indicate a need to revisit an earlier evaluation, risk assessment, response or approval decision, such as a model or configuration change, change in knowledge sources, expanded use, an incident, a performance issue or a change in relevant requirements.	IAASB guide-series term.

Term	Description	Principal source
<u>Risk assessment considerations</u>	<u>Matters that may help the firm understand an AI-enabled technological tool and its intended use or category of use, think through what could go wrong, and identify and assess quality risks relating to it. Section 4.2 describes seven such considerations. They are not a separate risk framework, an exhaustive list or a mandatory checklist.</u>	<u>IAASB guide-series term.</u>
Service provider	An individual or organization external to the firm that provides a resource used in the SOQM or in performing engagements. It excludes the firm's network, network firms and other structures or organizations in the network.	ISQM 1, paragraph ~~46~~ 18 (v).