

Technology Workstream Plan Post June 2019

Objective of this Paper

The objective of this paper is to outline the plan for identifying, developing and issuing non-authoritative guidance material that addresses the effect of technology when applying certain aspects of the ISAs

Background and Introduction

1. At its meeting in June 2019, the Board noted the importance and pressing need for the development of guidance material on the implications of technology on the responsibilities of auditors. The Board recommended establishing a '*Technology Workstream Plan*' that broadly sets out the proposed process for identifying, developing and issuing non-authoritative guidance that address the effects of technology when applying certain aspects of the ISAs.
2. Simultaneously, the Audit Evidence Working Group (AEWG) is focused on performing further information-gathering and research activities to pinpoint and prioritize issues in relation to **audit evidence**, with the ultimate objective to provide informed recommendations to the Board on possible further actions to address such issues. The AEWG has recognized that, in general, the main drivers of the audit-evidence-related issues are technology, professional skepticism and the growing number of sources of information available to auditors. Therefore, the AEWG may still obtain information from its information-gathering activities that relate to technology matters, some of which may also be discussed with the TWG.
3. The role of the Technology Working Group (TWG) is to identify technology related matters for which there is an opportunity for a more immediate response through developing and issuing guidance. As a starting point the TWG will draw on its previous deliberations, including input received from other IAASB task forces and working groups. Furthermore, the AEWG presented to the Board in June 2019 an itemization of issues and possible actions in [Appendix 2 of Agenda Item 7](#). In considering recommended actions at the time of itemizing the issues in [Appendix 2 of Agenda Item 7](#), the AEWG identified specific issues that could be considered for guidance by the TWG.

Process

Identifying and Prioritizing Issues

4. In determining the nature and scope of topics to be included in non-authoritative guidance, the Technology Working Group (TWG) plans to identify and prioritize specific areas of concerns as identified by and referred to the TWG by IAASB Task Forces, Working Groups and other relevant stakeholders (such as the Data Analytics Project Advisory Panel or national standard setters¹). In addition, the TWG will consider areas of concerns as highlighted through recent information-gathering and outreach activities conducted, to the extent that it relates to technology. For example, the preliminary listing was compiled based on issues as identified by the AEWG as it relates to technology, and in particular, where there is an opportunity for a more immediate response in the form of guidance. Refer to **Appendix 1** for a summary of research that may be relevant for this purpose.

¹ This may include information previously provided by NSS, such as their responses to specific requests for input, prior to the May 2019 NSS meeting.

5. The TWG will compile a listing or register of the identified topics and through consultation with the IAASB Chair and Technical Director, categorize each topic by priority and the anticipated time of its completion.
6. Based on the ‘*identifying and prioritizing*’ activities as described above, the TWG will update the register on a quarterly basis to reflect changes in, for example, stakeholders’ needs and expectations. The TWG will present an update on a quarterly basis to the Board, either electronically or in person (such as at Board meetings, subject to available plenary time and other competing priorities). These updates may provide opportunities for Board members to contribute or provide input to particular topics based on their relevant outreach, experience or expertise.

Outputs

7. The expected outputs of the Technology Workstream Plan are:
 - i. The development of non-authoritative guidance material in an expedient manner.
 - ii. A register outlining the scope and timing of specific topics or issues where there is an opportunity for a more immediate response in the form of non-authoritative guidance that addresses the effect of technology when applying certain aspects of the ISAs.
8. Preliminary topics identified,² categorized by priority and timeline, are included in the table below. The targeted publication dates are based on Staff’s best estimate, taking into account the specialized expertise required and available resources. The major risks to achievement of this timeline are the availability of specialized expertise that may be required. These risks can be mitigated by seeking early assistance from firms and others who have the specialized expertise.³ Furthermore, the recent announcement (in August 2019) of changes to the expected timeline for the IAASB’s Quality Management projects has necessitated proportionate adjustments to staff and Task Force or Working Group resources in relation to the IAASB’s other projects and workstreams, including in relation to the work of the TWG, which may require further adjustment as major active projects of the IAASB are progressed to completion during 2019/2020.

Topic	Priority	Targeted publication
1. FAQ on the use of automated tools and techniques when performing risk assessment procedures in accordance with ISA 315 (Revised) ⁴	High	December 2019
2. The emergence of new technologies has given rise to questions about the auditor’s documentation (i.e. various documentation challenges that may be experienced by auditors).	High	January 2020

² Items 1 to 8 in this preliminary listing represents those topics which were originally identified by the AEWG and referred to the TWG, as explained in the “Background and Introduction” section, above.

³ This may include, for example, collaboration with National Standard Setters

⁴ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*

<p>3. Audit procedures</p> <ul style="list-style-type: none"> • The use of technology to perform audit procedures has raised questions about whether an audit procedure can be both a risk assessment procedure and a substantive audit procedure. • Evolution in technology and the nature and number of sources of information, in particular the use of data analytic tools, raises questions about planning and performing substantive analytical procedures in accordance with ISA 520 (I.e. the effect of new technology and information sources). 	High	April 2020
<p>4. Through using technology, there is a risk of overreliance on an audit procedure as the auditor may not appropriately evaluate whether the audit procedure is designed and performed in a manner that provides the audit evidence needed about the relevant assertion being tested. This relates to whether the audit procedure is responsive to the assessed risks of material misstatement, designing how the procedure is to be performed and how the results are obtained. Furthermore, it includes highlighting the need for professional skepticism (also see paragraph A56 of ED-220).</p>	High	May 2020
<p>5. Evolution in technology and the nature and number of sources of information raises questions about aspects of the auditor’s responsibilities relating to fraud in accordance with ISA 240. For example, utilizing new technologies and new types of information sources in relation to fraud risk factors and evaluating the risk of material misstatement due to fraud.</p>	High	June 2020
<p>6. Evolution in technology and the nature and number of sources of information raises questions about aspects of the auditor’s responsibilities relating to going concern in accordance with ISA 570 (Revised). For example, utilizing new technologies and new types of information sources in relation to going concern risk factors and evaluating the appropriateness of management’s use of the going concern assumption.</p>	High	July 2020
<p>7. Evolution in technology used to perform audit procedures has raised questions about the concept of performance materiality in circumstances when 100% of the population, or a significant portion thereof, is tested.</p>	Medium	September 2020

<p>In the context of performing further audit procedures, the use of technology that enables the analysis of larger populations has raised questions about whether the auditor is required to follow up all exceptions identified, or whether the auditor is able to perform further testing only on a selection of exceptions, provided that the risk of material misstatement in the remaining population is at an acceptably low level.</p>		
<p>8. 'Combined' guidance:⁵</p> <ul style="list-style-type: none"> • Evolution in technology and the nature and number of sources of information raises questions about whether guidance should be issued about how the engagement letter addresses technology-related issues. Issues that could be discussed include the availability of algorithms and audit trails, access to key sources of internal and external data, security over data and arrangements with service providers (e.g., data warehouses). • Evolution in technology raises questions about the need to draw attention to specific considerations in relation to audit planning in accordance with ISA 300. • Evolution in technology may create new risks regarding related parties (as addressed in ISA 550). For example, with the use of blockchain, there may be new risks regarding unidentified related parties. • Evolution in technology and the nature and number of sources of information raises questions around key audit matters in accordance with ISA 701. For example, the application material describing how the auditor may determine key audit matters could be supplemented by guidance including examples about technology related issues (e.g., audit of crypto assets or higher risks associated with technology such as the use of an AI tool). 	<p>Low</p>	<p>December 2020</p>

⁵ Where discreet topics require targeted and less extensive guidance, a single publication may be issued to consolidate such topics.

<ul style="list-style-type: none"> • Evolution in technology, and the extent to which it is used by the entity and the auditor, has raised questions about the practicalities of the auditor having an understanding of the field of expertise of the auditor's expert, as required by paragraph 10 of ISA 620, given the complexity of technology (e.g. the complexity of the algorithms used). 		
<p><i>Ad hoc:</i> As new technologies may evolve, the TWG may reconsider or reprioritize the workstream plan based on the needs of its stakeholders.</p>		

9. As the TWG develops guidance on each of the topics above, the TWG may identify a need for amendments to IAASB standards. Any such amendments will be subject to the IAASB's normal strategy and work planning processes.

Drafting and Format of Technical Guidance

10. Members of the TWG intend to draft the initial guidance in consultation with subject matter experts,⁶ as needed, which may include coordination with other relevant Task Forces or Working Groups.⁷ In addition, the TWG will identify the format to present such guidance, taking into account the audience and any other particular circumstances that may be relevant. Formats that may be appropriate, include:
- Staff alert
 - Frequently asked questions (FAQ)
 - Technology Working Group Communique
 - Other papers or reports (e.g. to explore or to provide feedback or perspectives on a discrete topic)

Approval of Guidance

11. After the completion of each guidance document or resource (and prior to publishing), the TWG will consult with the IAASB Chair and Technical Director about the appropriate approval process.
12. Additional review procedures may be warranted based on the discretion of the IAASB Chair, the TWG Chair and the IAASB Technical Director.

⁶ This may include other standard setting bodies that are performing similar technology related initiatives, such as the PCAOB or the ICAEW.

⁷ The development of the ISA 315 FAQ on 'The Use of Automated Tools and Techniques when Identifying and Assessing Risks of Material Misstatement,' in coordination with the ISA 315 Task Force, presented the first opportunity for such a collaborative work effort and the learnings from this process will inform the work of the TWG, as appropriate.

The Role of the Data Analytics Advisory Panel

13. The Data Analytics Advisory Panel was set up to:⁸
- Advise the Working Group (and other IAASB task forces/working groups as necessary) on the developments in data analytics' use in audit, thereby further informing the IAASB's thinking and approach to its standard-setting activities;
 - Serve as a technical resource to the IAASB and Working Group and providing an external perspective on the use of data analytics in a financial statement audit;
 - Act as a sounding board for the Working Group in Request for Input feedback considerations and when exploring the potential way forward, including implications and timing; and
 - Provide input to any guidance or materials the IAASB may develop.
14. The TWG may consult with the Advisory Panel on data analytics matters at each stage of the project as needed. The TWG will also give consideration to expanding the Advisory Panel to include individuals with a background in other technology topics, such as artificial intelligence, machine learning, and blockchain.

⁸ [Data analytics project advisory panel members announced](#)

Appendix 1

Summary of research previously conducted that includes aspects of Technology

- The [post-implementation review](#) of the clarified ISAs that was completed in 2013.
- 2016 Request for Input, [Exploring the Growing Use of Technology in the Audit, With a Focus on Data Analytics](#).
- Feedback statement to: [Exploring the Growing Use of Technology in the Audit with a Focus on Data Analytics](#).
- Feedback from respondents to the 2015 Invitation to Comment, [Enhancing Audit Quality: A Focus on Professional Skepticism, Quality Control and Group Audits](#).
- Appendix 2 of the [Audit Evidence](#) issues paper presented to the IAASB in June 2019 – setting out issues related to audit evidence and technology for each ISA.
- Responses to the [AICPA's Proposed Statement on Auditing Standards, Audit Evidence](#),⁹ issued in June 2019.
- Inputs received from stakeholders in response to the recent IAASB's consultation on its [Proposed Strategy for 2020-2023 and Work Plan for 2020-2021](#).

⁹ The comment period on the proposed Statement closes on September 18, 2019.