



International Auditing
and Assurance
Standards Board

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Ethics Standards
Board for Accountants®

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Meeting: Stakeholder Advisory Council (SAC)
Meeting Location: New York, United States of America
Meeting Date: April 29, 2024

Agenda Item E

Technology-Related Initiatives (IAASB/IESBA) – Cover

Objective of Agenda Item

1. The objective of this Agenda Item is to obtain strategic direction of the SAC members concerning the Boards' technology-driven endeavors..

Status of Each Board's Technology-Related Initiatives

2. The following information is intended to equip the SAC members with the necessary information about the status of technology-related initiatives at each Board to inform a strategic discussion about the initiatives during the meeting.

IESBA's Technology Working Group

3. From 2019 to 2022, the IESBA conducted extensive fact-finding work and stakeholder outreach on the latest technology developments and the ethical challenges they create for professional accountants (PAs). The insights and recommendations arising from such work are detailed in the Technology Working Group (TWG)'s [Phase 1](#) (2019-2020) and [Phase 2](#) (2021-2022) Reports, which served to inform the [Technology-related revisions](#)¹ to the Code, released in April 2023. These revisions strengthen the Code's robustness and expand its relevance as technology continues to advance rapidly.
4. The IESBA's Technology Initiative remains a strategic initiative² of the IESBA given the potential for technological advancements to impact the Code. It is thus in the public interest for the IESBA to continue to closely monitor the transformative effects of technology and to identify any new ethical issues that might be created.
5. A four-pillar approach to monitoring technology developments was adopted by the IESBA in June 2023 consisting of internal board education, environmental scanning, ad-hoc analysis of technology impacts on other workstreams and facilitating the implementation of the TWG Phase 2 Report recommendations.

¹ [IESBA Technology Project](#)

² [IESBA Strategy and Work Plan 2024-2027 Consultation Paper](#)

IAASB's Technology Position Initiative

6. The IAASB's Technology Position initiative, as outlined in Table B of The IAASB's Strategy and Work Plan for 2024-2027³ (SWP), is a strategically important initiative for the Board. The initiative involves developing a paradigm that will guide the Board's activities during the Work Plan period relating to the impact of technology. Specifically, the initiative is described in the SWP as follows:

Establish a Board Position on addressing the impact of technology in the IAASB's standards, including the Board's vision and roadmap. This position will inform standard-setting and related activities during the Work Plan period.

7. One of the primary catalysts for this initiative is the rapid evolution of technological capabilities, particularly the advancements in artificial intelligence-enabled applications, and their increasing adoption by entities and auditors. As the IAASB enters its new Work Plan period, the Board deemed it appropriate to revisit its approach to technology recognizing the dynamic landscape shaped by technological innovations.
8. To gauge the perspectives of Board members, staff conducted a survey in the weeks leading up to the March 2024 Board meeting. The survey sought feedback on whether the following statement accurately describes the Board's Technology Posture⁴ about the use of technology in audits:

The IAASB's Technology Posture, as it develops or revises the ISAs, is *not to require* but *rather to acknowledge and support* the use of technology in audits through guidance integrated in application material of the ISAs.

Board members generally agreed that the statement is accurate. Board members also acknowledged that its current Technology Posture is generally regarded by the IAASB's stakeholders as relatively non-committal because, although the use of technology by auditors is acknowledged and supported, the use of technology by auditors is not promoted in the auditing standards.

9. During the March 2024 IAASB meeting, the Board deliberated on whether its Technology Posture, as described above, remains suitable in light of the following three factors:
- (a) The increasing sophistication of technological tools available to entities.
 - (b) The increasing sophistication of technological tools available to auditors.
 - (c) The growing expectation that auditors use technological tools to enhance the quality of their audits.

SAC Discussion

Coordination between two Standard Setting Boards (SSBs)

10. Whilst the two Standard Setting Bodies (SSBs) are independent of one another with separate remits, the two Boards have coordinated the development of their Strategy and Work Plans for the

³ Refer [Agenda Item 4-D](#) for the final version of the SWP which was approved by the Board at its December 2024 meeting

⁴ The Board's *Technology Posture* refers to an overall statement that serves as a guiding paradigm for the Board's standard-setting and other activities during the Work Plan period. In contrast, the Board's *Technology Position* not only encapsulates the Technology Posture but also delineates the comprehensive approach for translating the Technology Posture into action and the process for ensuring that Technology Posture remains appropriate based on emerging technological developments.

coterminous period (2024-2027), allowing them to better identify opportunities for coordination and synergy, whether in their technical projects or on other activities such as stakeholder activities.

11. To ensure efficient collaboration on technology-related issues, the two SSBs intend to pursue the following actions, e.g., staff representation on respective SSBs' Technology Working / Consultation groups, staff members from both SSB's will attend the Boards' experts groups discussions to ensure matters of mutual interest are addressed efficiently.

IAASB's Technology Position Initiative

11. At the core of the IAASB's standard-setting activities lies a steadfast commitment to developing globally accepted and leading standards to support the consistent performance of quality audit engagements that serve the public interest. As the IAASB sets out to shape its Technology Position in 2024, the Board will be operating under a fundamental premise that technology, properly deployed and supported by appropriate safeguards, has the potential to elevate audit quality.
12. The SAC is invited to share perspectives on the suitability of the IAASB's current Technology Posture in light of the three factors described in paragraph 9 and further discussed below.

How Entities Are Using Technology

13. The primary focus of auditing standards regarding the use of technology pertains to the technology utilized by auditors, rather than by entities themselves. However, the manner in which entities incorporate technology into their business processes can influence whether auditors also need to leverage technology in their audits. Recognizing and comprehending this connection is crucial for the IAASB as it shapes its Technology Posture.
14. The IAASB's Disruptive Technologies initiative has brought to light various technologies that are being developed by entities and auditors, including insights about their relative stages of development. As part of that initiative, the IAASB has been monitoring the significant recent advancement of artificial intelligence (AI) and its current or imminent adoption by entities. Of particular interest is generative AI, including its application in Large Language Models like the widely recognized ChatGPT.
15. Preliminary evidence gathered by the IAASB indicates that the integration of generative AI into entities' operations, which affects their financial reporting, is still in its infancy. Nevertheless, there is a widespread expectation that entities will increasingly integrate AI and other sophisticated technologies into their business processes. Such integration is anticipated to fundamentally alter their financial reporting risk profiles.
16. A critical consideration for the Board is whether the utilization (or expected utilization) by entities of AI and other sophisticated technologies is giving rise to a new class of risks of material misstatement and whether these risks can be effectively addressed with traditional audit techniques, commonly referred to as "manual audit procedures." Specifically, as the Board develops its Technology Posture, it should consider whether there are characteristics about the use of technology by entities that may, under certain circumstances, require auditors to utilize technology of their own to respond to those risks.

How Auditors Are Using Technology

17. In late 2016, the IAASB sought feedback from stakeholders regarding the implications of the growing use of technology in audits, with a focus on data analytics tools. Based on the feedback received⁵, it was determined that the principles outlined in the ISAs were resilient enough to accommodate how auditors were utilizing, or expected to utilize, technology in their audits.
18. However, it is important to recognize that this feedback was gathered several years ago. Therefore, it is prudent for the Board to consider whether advancement in the capabilities associated with technology used in audits, or those expected to be used in the near future, may threaten the alignment between how audits are (or will be) conducted in practice and how the ISAs envision audits are performed.
19. For example, the use of sophisticated AI applications in audits could blur the lines between what have traditionally been regarded as distinct processes in the audit: the process of designing and performing audit procedures to identify and assess risks of material misstatement and the process of designing and performing procedures to respond to assessed risks. In this example, the utilization of AI may enable these processes to be carried out simultaneously, thereby creating confusion about how to apply the auditing standards.

The Growing Expectation That Auditors Use Technology in their Audits

20. There is a growing expectation that auditors use technological tools to enhance the quality of audits. Just as this paper was being developed, Accountancy Europe published an Information Paper titled [“5 Ways Professional Accountancy Organisations Support the Technological Transformation of Auditing.”](#) A key takeaway from the Information Paper was highlighted on the second page as follows:

Society and businesses are making use of new technologies. In parallel, the accountancy profession, including auditors, must innovate as well to respond to the market's needs, continue playing its public interest role and remain attractive.

Matters for SAC Consideration

SAC members are asked for their views on:

1. The SSBs proposed coordination efforts and highlight other opportunities for coordination and linkages, if any, exist.
2. Whether the IAASB's Technology Posture should transition to *promoting*, rather than be limited to *acknowledging and supporting*, the use of technology in audits.

Material Presented

For Discussion

Agenda Item D.1: Presentation

⁵ For more information, refer to the [Feedback Statement](#) prepared by Staff in January 2018 about the feedback received from stakeholders to request for information: [Exploring the Use of Technology in the Audit, with a Focus on Data Analytics](#) published in September 2016.