

Technology

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IAASB CAG Meeting

March 7–8, 2023

Agenda Item J.1

Technology: IAASB Focus



Current and Future Workplan activities

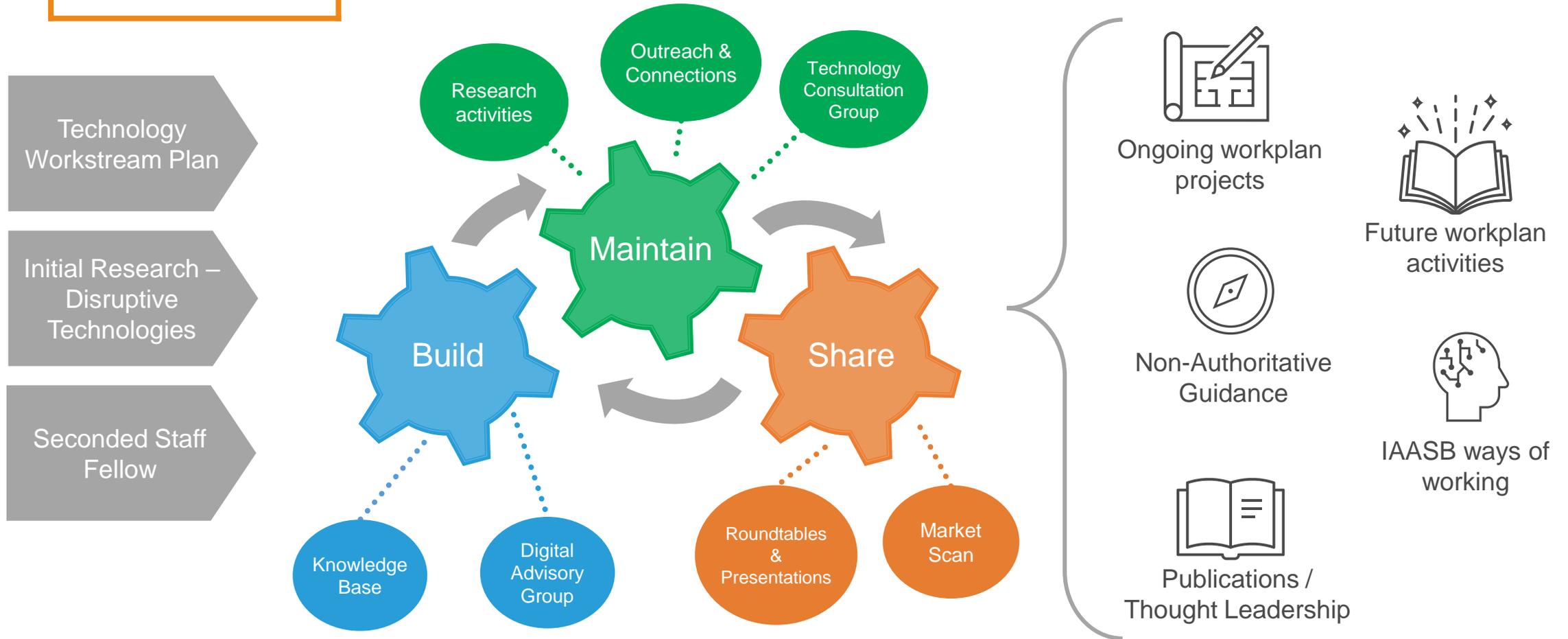
Explore how the IAASB most effectively can respond to technology via new or revised International Standards or non-authoritative guidance



Investigate disruptive technology trends

Explore technology's effect on audit and assurance – both in the current environment and in the future – in order to be prepared for technology disruption and be able to respond appropriately to support audit and assurance quality

Technology: IAASB Focus



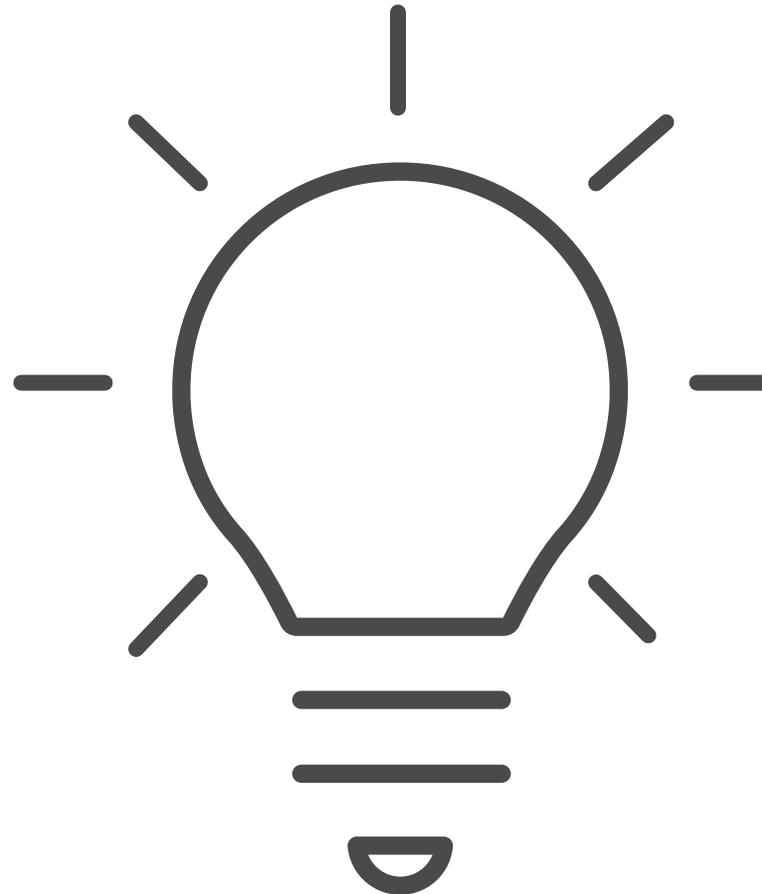
Technology: Actions from Digital Advisory Group

Technology in Auditing Standards

Identify opportunities for technology related standard setting activity including areas that may not be fully addressed through existing standards

Accessibility and Consumption of Auditing Standards

Investigate options to make auditing standards more digital and capable of integration into audit technologies



Encouraging the Use of Technology

Explore approaches to more clearly articulate the IAASB's position about the value of technology in the audit

Addressing Barriers to Adoption of Technology – Data access

Examine opportunities to address data standardization requirements or opportunities with relevant stakeholders

Thought Experiments

- Designed to enable a better understanding of the impact of different technologies on achieving the audit objective and on auditing standards
- Use of scenarios to determine where gaps may exist in the standards or where standards may be helping or hindering the adoption of technology
- Scenarios covering entity-deployed technology and auditor-deployed technology – algorithms, machine learning, open banking and anomaly detection
- Participants with different backgrounds and experience to provide broad spectrum of perspectives

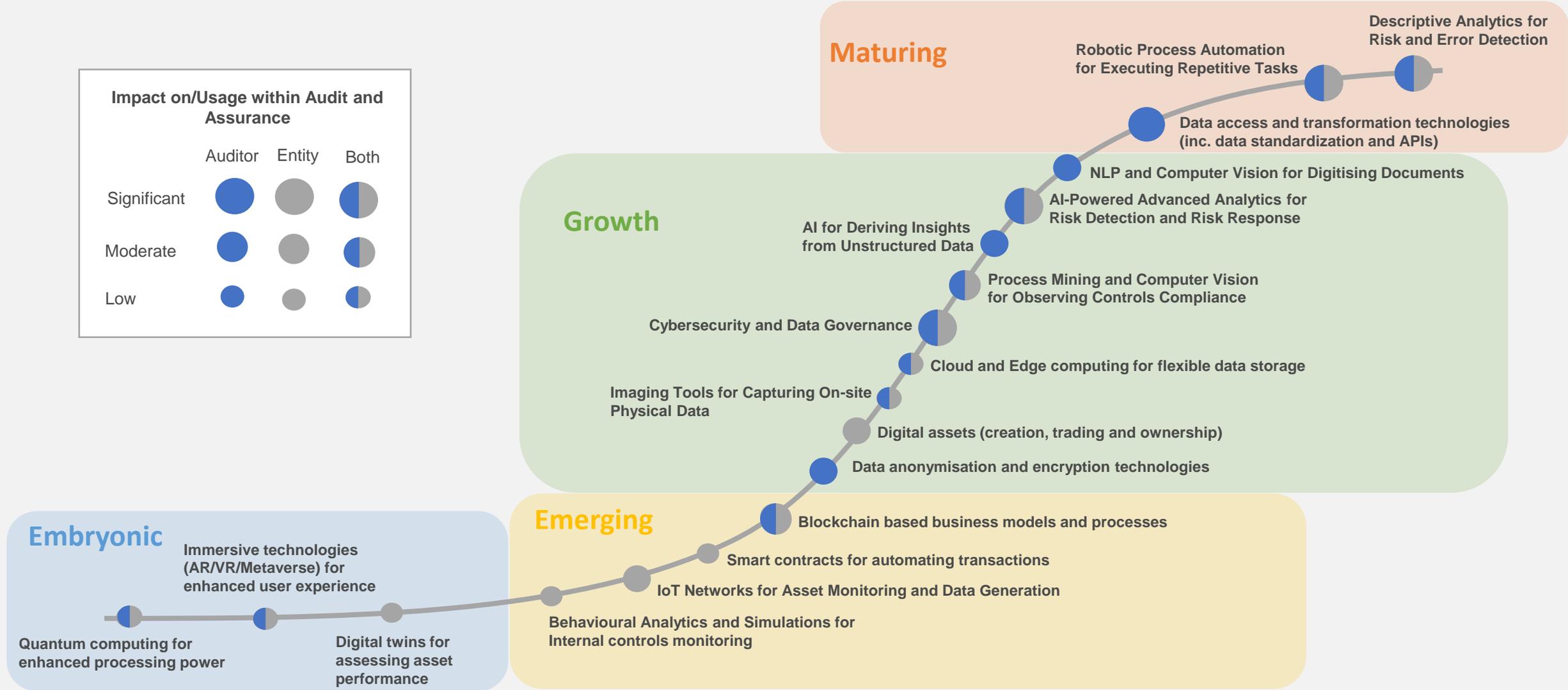


Matters for IAASB CAG Consideration

1. The Representatives are asked for their views on the Technology initiative activities presented today

Audit and Assurance Technology Landscape

Impact on/Usage within Audit and Assurance			
	Auditor	Entity	Both
Significant	●	●	●
Moderate	●	●	●
Low	●	●	●



Trends from research and outreach activities

- Consistent access to appropriate data (including for use in training AI) continues to be a barrier to greater and more widespread use of technology
- Technology adoption lags innovation – people-related factors are a significant contributor including required skills/expertise, confidence, capacity and mindset shift
- Artificial Intelligence and Machine Learning technologies are consistently identified as the most revolutionary and are increasingly used
 - To support risk identification and anomaly detection
 - To identify key terms in unstructured documents (e.g., leases, contracts)
 - To perform predictive analytics to support forward looking procedures (e.g., going concern)
- Diverse views exist on the expected impact of Blockchain and related technologies – however Digital Assets are becoming more prevalent
- Remote working continues to influence technology innovations

Matters for IAASB CAG Consideration

2. The Representatives are asked for their views on the technology landscape highlighted. Of particular interest is which technologies are likely to have the greatest impact on audit and assurance

Technology adoption in audit and assurance

Person factors

- Training and skills – technology topics in audit curricula, timely tool training, availability of specialized skills
- Characteristics - Growth mindset, agility, critical thinking
- Audit firm culture that promotes technology adoption
- Confidence in audit quality value of technology
- Engagement budget and time pressures eased to support technology adoption

Task factors

- Technology and tools to complement auditor judgement (e.g. Contract analytics)
- Automation solutions to replace time intensive, repetitive tasks
- Availability of appropriate exogenous data for benchmarking and deeper insight
- Judgement framework for systematic treatment of outliers (to address information overload and algorithm aversion)

Environment factors

- Regional/Global investment in and development of technologies
- Client expectation of use of technology, support for data access and transformation journey
- Audit firm innovation investment to achieve/maintain competitive advantage
- Availability of necessary talent to develop and deploy emerging technologies
- Positive perceptions of stakeholders (inc. regulators) to audit quality benefits of technology

Source: [Digital Transformation & Innovation in Auditing: Insights from a Review of Academic Research](#) | IFAC

Forum of Firms – Polling results

To what extent are the following technologies currently used in your audits?



To what extent are the following technologies being used by audited entities?

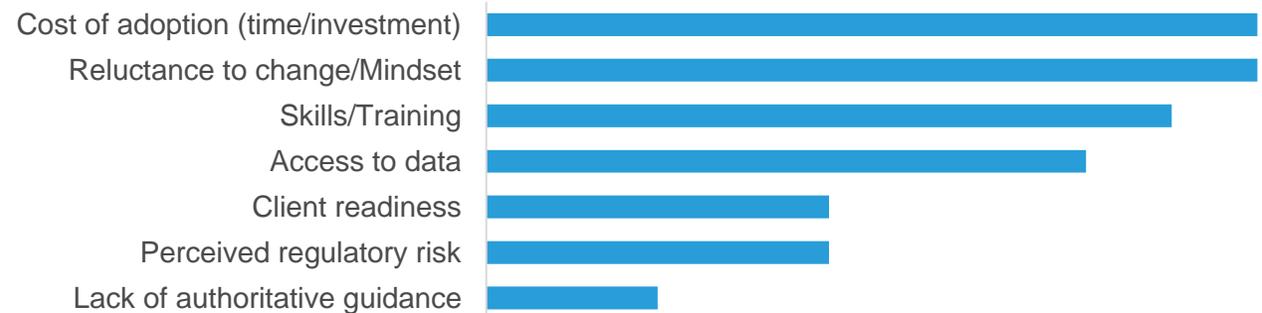


Forum of Firms – Polling results

Where in the audit is technology most benefiting audit quality?



What do you think are the main barriers to adoption of technology in the audit?



How might the barriers identified be addressed?

- Education (including education for regulators and standard setters)
- Audit firm/network collaboration and cross sharing
- Case studies and examples of technology in standards
- Market driven change (client and/or regulatory)

Matters for IAASB CAG Consideration

3. The Representatives are asked for their views on the barriers to adoption of technology in audit and assurance and how these might be overcome (including what actions may be taken by the IAASB)

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