

Technology and the Impact on Audit, Assurance and Ethics

Stakeholder Advisory Council Meeting

October 21 – 22, 2025

New York, New York



Why This Matters

EMERGING TECHNOLOGIES

Emerging technologies—including artificial intelligence—are **transforming the environment** in which professional accountants operate

These technologies are distinguished by unique characteristics that **fundamentally differ** from those of traditional systems. Key characteristics include



- Opacity
- Non-determinism
- Adaptivity



Input from the SAC is **timely and critical**. This input will help inform the SSBs on how to support the **clarity, consistency, and acceptance** of existing ethical and quality management principles

Implications of Emerging Technologies

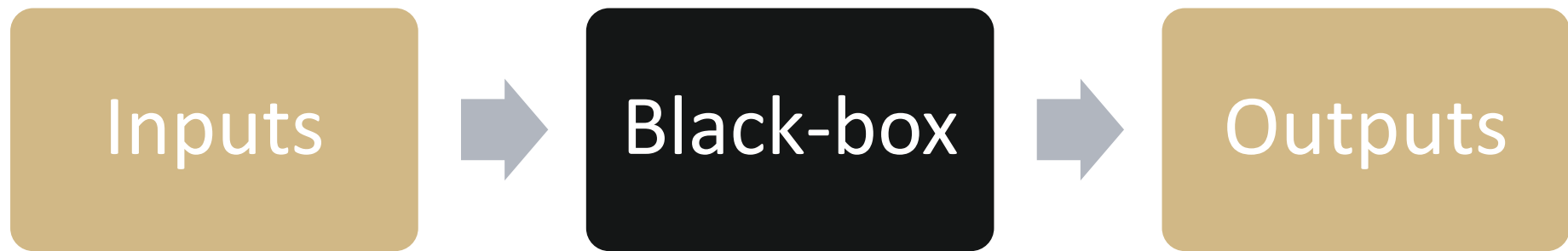
OPPORTUNITIES, RISKS, AND CHALLENGES

 Key Opportunities	 Key Risks and Challenges
<ul style="list-style-type: none">• Increased efficiency and productivity• Enhanced decision-making and expanded capabilities• Reduced human error• New business opportunities• More innovation at a faster pace• Technology democratization – significant capabilities now not limited to large firms	<ul style="list-style-type: none">• Bias in data and algorithms• Misinformation• Over-reliance on black-box thinking• Automation bias• AI “hallucinations”• Maintaining confidentiality/data privacy• Accountability• Speed of change

Common Challenges

THE “BLACK BOX” PROBLEM

- Many emerging technologies operate as **opaque** systems
- This creates **uncertainty** about whether the tool functions as designed or produces reliable results



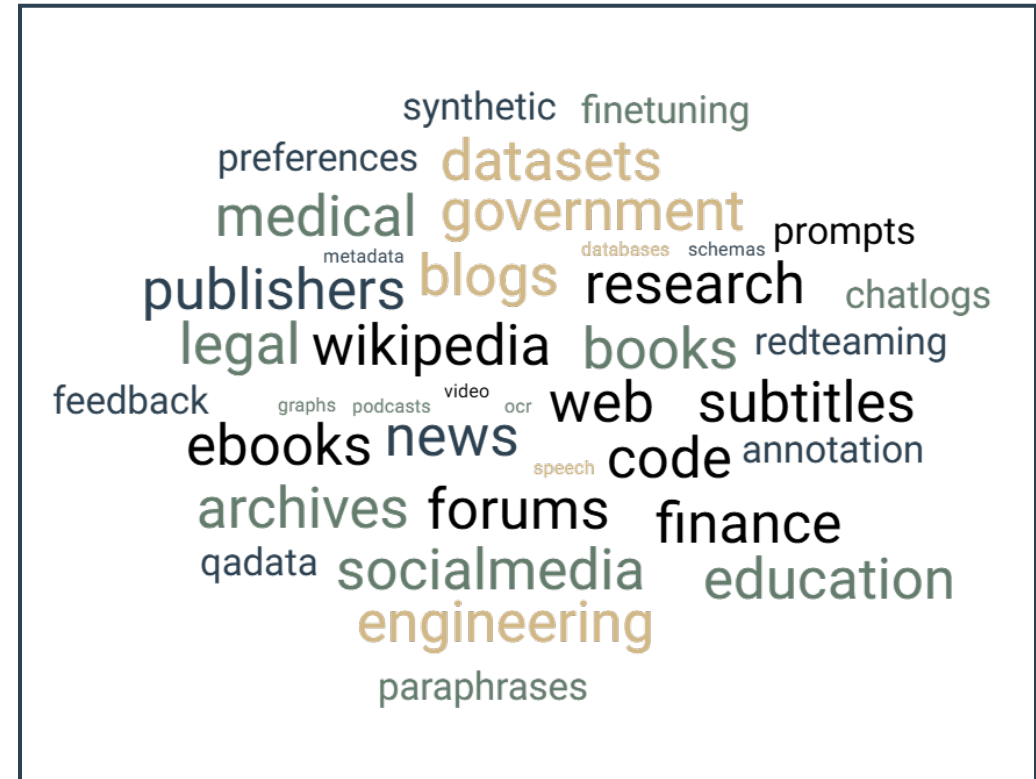
How do we rely on what we can't explain?

Common Challenges

UNDERSTANDING THE INPUTS

- Limited visibility over training and source data that feeds into Large Language Models
- Large-scale datasets make it hard, or impracticable, to assess inputs

How do you address inputs that expand beyond our visibility?



Ethical Implications of Emerging Technologies

WHAT EVOLUTIONARY IMPACTS ON THE PROFESSION ARE WE SEEING?

New ethics and independence implications?

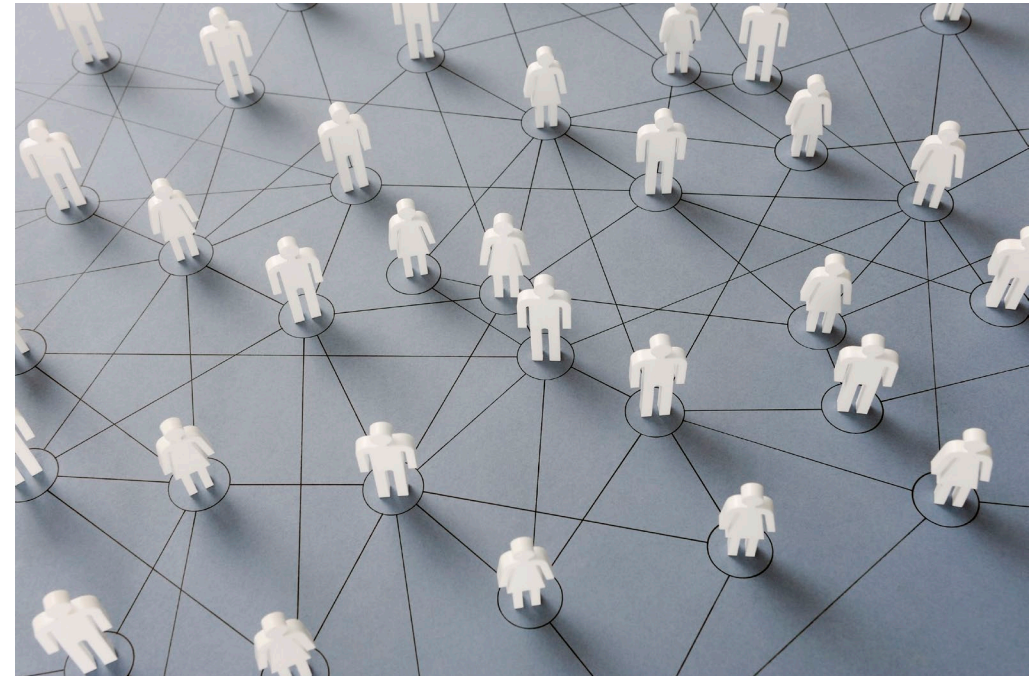
Some key evolutions

- Transformations in ownership, business and operational models
 - Including PEI to accelerate technology investments for growth
- Impact of AI on culture and governance
- Changes in make-up of professional resources in firms
- Impact on composition and distribution of audit and accounting market
- Impact on quality management at engagement level

Discussion

ETHICAL IMPLICATIONS OF EMERGING TECHNOLOGIES

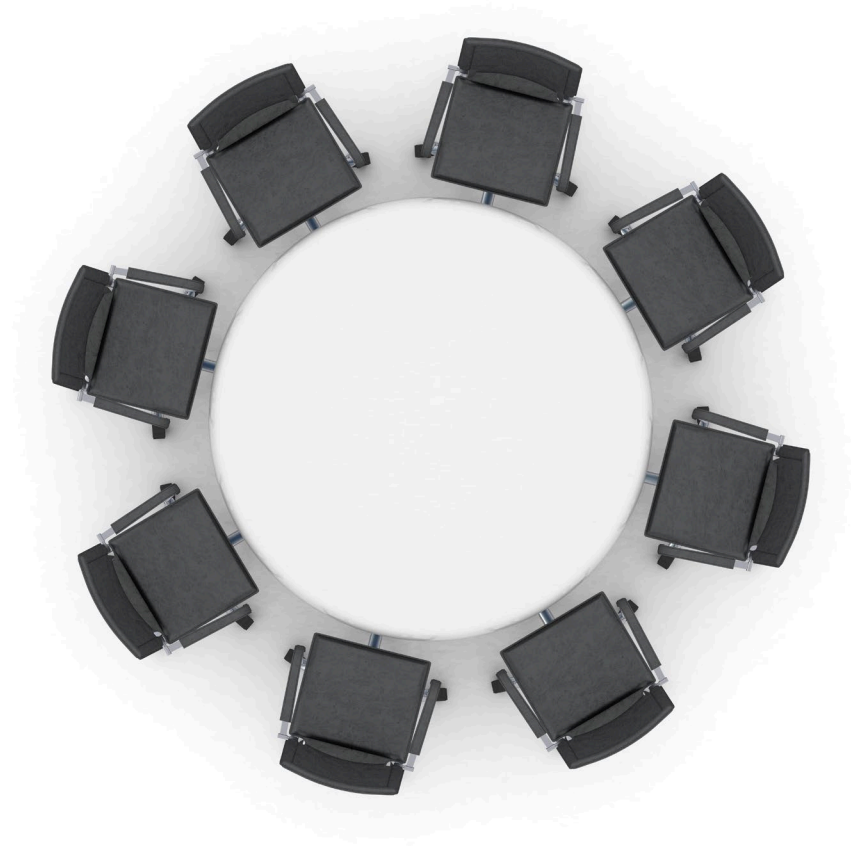
1. What are the ethical implications of the growing use of, and reliance on, AI-enabled and other advanced technologies in audit, assurance and advisory services, and from a business context?



Discussion

ETHICAL IMPLICATIONS OF EMERGING TECHNOLOGIES

2. What role should IESBA play in addressing such implications and in promoting ethical governance of emerging technologies to encourage innovation that aligns with the public interest, maintain public trust in the profession, and reduce regulatory fragmentation globally?



Quality Management Considerations

ISQM 1; PARAGRAPH 32(F)

ISQM 1 establishes the **foundation** for a firm's system of quality management, including processes for evaluating, approving, and maintaining the **technological tools used in engagements**

“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.”

Quality Management Considerations

ISQM 1; PARAGRAPH A100

Paragraph A100 states a firm may consider certain matters in obtaining, developing, implementing and maintaining an IT application. These include

*“The data inputs are **complete and appropriate**”*

*“The IT application **operates as designed and achieves the purpose** for which it is intended”*

Discussion

QUALITY MANAGEMENT CONSIDERATIONS

3. What quality management principles are essential in relation to the use of emerging technological tools to contribute to building and sustaining trust in audit and assurance engagements?



Discussion

QUALITY MANAGEMENT CONSIDERATIONS

4. What actions can the IAASB take to promote clarity, consistency and acceptance in relation to the application of existing quality management standards to emerging technologies, while continuing to foster innovation?



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