

Technology Work Group: Status Update and Issues Related to Inferences of Better Quality Audit Evidence in Non-Authoritative Support Material

Objective of the IAASB Discussion

The objective of this Agenda Item is to obtain the IAASB's input on the Technology Working Group's (TWG) proposed approach to address the issue around inferences of better quality audit evidence relating to the use of automated tools and techniques (ATT).

Background

1. The TWG has been following the [Technology Workstream Plan](#) since August 2019. In developing the support materials per the Technology Workstream Plan, some Board members and other stakeholders raised concerns that inferences may be made that the use of ATT will result in a more efficient audit or higher audit quality. The TWG recognizes that by highlighting the effects of technology on the audit, or comparing manual procedures to those involving ATT, it may prompt some readers to deduce that using ATT results in a more efficient and higher quality audit.
2. However, as explained further in paragraphs 4 to 6, the TWG believes that avoiding comparisons or not highlighting the effects of technology on the audit is, in certain circumstances, an impediment to developing useful, robust support materials. Furthermore, by not discussing that using ATT might be more effective than performing a manual procedure in certain circumstances, the resulting support material was possibly dissuading readers from using an ATT.
3. As such, the TWG seeks the Board's input on whether the Board agrees that the non-authoritative support materials should describe certain circumstances where the use of ATT may produce better quality audit evidence for certain assertions – without implying that manual procedures are inferior or cannot be used to effectively obtain audit evidence.

Obtaining Sufficient Appropriate Audit Evidence – ISAs are flexible

4. The ISAs are flexible in terms of how audit procedures may be performed – manually, involving the use of ATT, or a combination of both.
5. The ISAs intend that the auditor exercise professional judgment in deciding the nature, timing and extent of an audit procedure as some options may produce better quality audit evidence for certain assertions than others. Some circumstances may be more conducive to the use of ATT or ATT may be better suited to the execution of a particular procedure for certain assertions. For example:
 - a) In some circumstances, the choice to use ATT may mitigate sampling risk in a large population and so provide better quality audit evidence relevant to the assertion being tested. For example, ATT can be used in performing an audit procedure over every item in the population which may not be practical with a manual procedure.
 - b) In other circumstances, an auditor may determine that performing audit procedures manually is as effective as using, such as when information to be used as audit evidence is maintained only in hard copy format, or when a population subject to testing has few items.

6. Proponents of the use of ATT often point to enhanced efficiency when using ATT to analyze certain aspects of a large population. Efficiency is not directly linked to audit quality, which is the IAASB's focus. Therefore, the TWG proposes to make only ancillary references to efficiency in the support materials.

Proposed Approach Going Forward

7. To properly explain the effect of technology when applying certain aspects of the ISAs, the TWG believes it is necessary that the non-authoritative support materials address circumstances where using ATT in an audit procedure results in better quality audit evidence relevant to the assertion being tested. The TWG believes this can be done without implying that manual procedures are inferior or cannot be used to effectively obtain audit evidence. As such, the TWG believes it is helpful and appropriate to:
 - a. Highlight certain considerations when addressing the effect of technology on applying certain requirements of the ISAs;
 - b. Compare and contrast the use of technology in applying certain aspects of the ISAs to not using technology; and
 - c. Focus on how an auditor may take advantage of the capabilities and functions of ATT.
8. That being said, the TWG also proposes to include the following at the front of each non-authoritative support material publication to describe, at a high level, how both manual procedures and procedures involving ATT can be used to effectively obtain audit evidence.

Applying the ISAs: Use of ATT

In applying the ISAs, an auditor may design and perform audit procedures manually or through the use of ATT, and either technique can be effective. Regardless of the tools and techniques used, the auditor is required to comply with each requirement of a relevant ISAs.

In certain circumstances, when obtaining audit evidence, an auditor may determine that use of ATT to perform certain audit procedures may result in better quality audit evidence relative to the assertion being tested. For example, in order to mitigate sampling risk, ATT can be used in performing an audit procedure over every item of a large population. In other circumstances, performing audit procedures may be effective without the use of ATT, such as when information to be used as audit evidence is maintained only in hard copy format.

Matters for IAASB Consideration

1. Does the IAASB support the approach proposed by the TWG?
2. What views does the IAASB have on the proposed text to the front of each non-authoritative support material publication developed by the TWG?