

## The IAASB and Disruptive Technologies

### Objective of the IAASB Discussion

The objective of this Agenda Item is to:

- (a) Provide the Board with an update of the work completed in relation to Disruptive Technologies,
- (b) Inform the Board of the proposed way forward; and
- (c) Obtain the Board's views on the proposed way forward.

### Background

1. While the IAASB has deep expertise on audit and assurance standards, that may not be true for in a future when disruptive technologies have a greater impact on elements of the economy. Therefore, consistent with its approved strategy, the IAASB has agreed a dedicated effort aimed at improving its and others' awareness of technology disruption – to better understand how changes in technology are affecting the market and how standards may need to evolve to address/support these changes.
2. The IAASB's strategic planning process has primarily covered short- to medium-term audit and assurance issues, focused on workstreams and projects already initiated or identified based on public consultation and outreach activities. Current projects or initiatives that may be affected by technology transformation are technology, audit evidence, fraud and audits of less complex entities. The IAASB's current planning for future IAASB action has not yet focused on the "unknown" with respect to disruptive technology.
3. The objective of the disruptive technologies research work is to enable the IAASB to be prepared for technology disruption transforming audit and assurance, demonstrate how the IAASB can respond appropriately and within its mandate to support audit quality, and potentially leverage technology to improve its own position as a global standard-setter.
4. IAASB leadership has partnered with an established expert in order to supplement its own knowledge of technology. The IAASB engaged Founders Intelligence (FI) to research and analyze the landscape of innovation activity in audit and assurance, and to explore the space via a Disruptive Technologies roundtable attended by industry stakeholders, technology entrepreneurs and corporate innovators.
5. The IAASB staff's and FI research included investigating over 100 technology innovator companies and interviewing over 20 organizations to identify technology innovation trends and to evaluate the potential impact on the audit and assurance ecosystem.
6. Following the research, IAASB leadership and staff, and FI (the team) held two whiteboarding sessions in August 2020 and October 2020 to identify key takeaways and possible next actions for the IAASB. These were then presented to a larger stakeholder group via a Disruptive Technologies roundtable session in November 2020, with the aim to obtain broader views on the key takeaways and the IAASB's possible next actions.

## Summary of Technology Innovations and Potential Impacts

7. The team identified technologies which may impact four broad areas of audit and assurance (noting that some technologies may impact multiple areas):
  - a) Accessing information or data – obtaining information from the entity or other sources.
  - b) Verifying information – performing procedures about accuracy and completeness of the entity's data.
  - c) Protecting information – maintaining confidentiality and following cross-border data protection laws.
  - d) Assessing internal controls – obtaining an understanding of the entity's internal control and performing risk assessment procedures thereon.
8. Certain technologies will have a momentous impact while others, a lesser impact. Certain technologies will be used in the profession imminently, while others are years away and others may not materialize. There is an inevitable degree of uncertainty when it comes to disruption, both in terms of the form and timing
9. A summary of the identified technology innovation trends and their potential impact on audit and assurance is on page 3-4 of **Agenda Item 1-A** for reference.

## Disruptive Technologies Roundtable

10. As mentioned above, the team shared the research findings with a small group of stakeholders and held whiteboarding sessions to understand perceptions on the key takeaways.
11. To obtain broader views on the key takeaways and the IAASB's possible next actions, FI and the IAASB staff facilitated a Disruptive Technologies roundtable which included participants from varying parts of the global audit and assurance ecosystem (i.e., regulators, national standard setters, preparers, public accountancy organizations, some IAASB members). Refer to **Appendix 1** for the list of roundtable participants.
12. Based on the responses from the whiteboarding sessions, we identified certain technology innovations which were common across the key takeaways and invited the innovators behind those technologies to share more about the technology and to answer questions about it.
13. For purposes of the roundtable, IAASB staff prepared a report summarizing the technology trends and themes, and initial views on how technology may disrupt the profession, as well as possible further actions for IAASB consideration (**refer to Agenda Item 1-A**). Roundtable participants were requested to provide their input and key takeaways which were summarized in **Agenda Item 1-B**.

### Matters for IAASB Discussion

1. What technology innovation trends are likely to have the greatest impact on audit and assurance. Of particular interest is which of the areas identified in paragraph 7, above, may be most impacted, in the 7+ year time horizon?

## Proposed Approach Going Forward

14. Possible action items based on the insights from the roundtable together with the findings from the research undertaken are outlined in **Agenda Item 1-B**. The action items are categorized into three broad categories and further divided by action items for the IAASB and action items for others (these categories are aligned to those identified in **Agenda Item 1-A**, page 6, “Getting Future Ready: Areas for Action”):
  - Facilitate industry innovation
  - Act on standard setting considerations (both short and long term)
  - Build board and staff capacity
15. We seek the Board’s initial views with respect to:
  - The research undertaken;
  - The outputs from the roundtable discussions and how the identified possible action items are framed in terms of the need for the IAASB to stay up-to-date and connected to emerging technology trends,
  - How emerging technology trends could affect the IAASB’s work plan; and
  - The impact for “our ways of working” (which may include considerations relating to the IAASB’s processes or procedures, staff, and Board members).

### **Matters for IAASB Discussion:**

#### *Staying Up-to-Date*

2. What combination of initiatives should the IAASB undertake to maintain awareness of emerging trends (to stay close and connected to the technology innovations related to the audit and assurance ecosystem)? Such initiatives may involve, for example, staff, Board expertise, external expertise or advisory groups.

#### *Near Term Considerations*

3. Based on the emerging trends, would you adapt the current workplan (including, if and how trends may affect current workstreams or projects) or are there topics that you would prioritize once existing projects are completed?

#### *Strategic Considerations*

4. What strategic considerations are there arising from disruptive technologies and what does it mean for the IAASB’s ways of working?

**Appendix 1**

**Disruptive Technologies Roundtable Participants List**

<b>Participant Name</b>	<b>Organization</b>	<b>Region</b>
Laura Shiffman	FEI	US
Alan Young	GPPC	Global
Loretta Fong	HKICPA	Hong Kong
Olaf Riedel	IDW, Technology Technical Committee	Germany
Lisa Padmore	IFAC, Technology Advisory Group	Barbados
Jeremy Justin	IFIAR	Canada
Huseyin Yurdakul	IOSCO	Global
Barb Vanich	PCAOB	US
Gonzalo Ramos	PIOB	Spain
Tom Seidenstein	IAASB	US
Len Jui	IAASB	China
Fernando Ruiz	IAASB, Technology Working Group	Mexico
Chun Wee Chiew	IAASB	Singapore
IAASB Staff		
Willie Botha	IAASB	US
Brett James	IAASB	US
Beverley Bahlmann	IAASB	US
Yvonne Chan	IAASB	Canada
James Gunn	Managing Director, Professional Standards	US