DISRUPTIVE TECHNOLOGIES ROUNDTABLE SUMMARY – FEBRUARY 9, 2022

INTRODUCTION

The second Disruptive Technologies roundtable, held in February 2022, is part the IAASB's ongoing exploration of disruptive technologies. These technologies are already impacting the audit and assurance profession and there is potential for further and greater impacts.

Our research showed four broad topic areas within the audit information value chain where technologies are having a consequential impact and, therefore, can have implications for the audit or assurance engagement. Some technologies may fall into multiple areas. The areas are:

- Accessing information and data – auditors obtaining information from various sources within or outside of the entity.
- Verifying information – performing procedures on information and data.
- Protecting information – maintaining confidentiality and following cross-border data protection laws.
- Assessing internal controls – auditors obtaining an understanding of the entity's internal control and identifying and assessing risks of material misstatements (i.e., designing and performing risk assessment procedures).

As noted in our 2020 research report, certain technologies may have a momentous impact while others may have a lesser impact. Some technologies will be used in the profession imminently, while others are years away. Our initiative seeks to understand more about these categories of technologies and the impact that they may have on the Audit and Assurance profession. The IAASB will use these insights as input into our standard setting activities in the years to come.

In the first roundtable, held in November 2020, we explored technologies relevant to each of the key topic areas. The second roundtable sought to build on this by looking at three different technologies relevant to audit and assurance and linked to the theme of "**The Future Audit: Optimized by Data Access, Automation and AI**". Attendees included representatives from national standard setters, regulators and oversight bodies, professional organizations, preparers, public accounting firms and Board members.

PRESENTERS

The roundtable consisted of three presentations along with Question and Answer sessions from the following presenters: -

- **Quantexa - Laura Hutton, Co-founder and Chief Customer Officer, and Ivan Heard, Head of Fraud**

Quantexa analyses large quantities of internal company data enriched with external data to generate a 'network view' that provides actionable intelligence for a range of use cases including fraud and financial crime detection (e.g., money laundering, procurement fraud, trade monitoring, internal fraud).

The presentation included an overview of their technology which has capabilities such as entity resolution, network generation and an

> *"The end product is a far more joined up view of many different data sources in a fairly easy to adopt manner and a much cleaner version of the truth. That is such a powerful thing for decision making purposes in many different business applications"*
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> —Ivan Heard, Head of Fraud, Quantexa

advanced analytics framework as well as sharing some real-life cases where the technology has been applied and providing some potential use cases for Audit and Assurance such as procedures around related party transactions.

- **ComplyAdvantage - Nabeel Vilcassim, CFO and Vatsa Narasimha, COO**

ComplyAdvantage is an AI-driven financial crime RegTech (Regulatory Technology) company. They use AI and big data analytics for compliance, risk and financial crime prevention primarily through counterparty (people and organizations) due diligence for organizations.

The presentation included an overview of their technology which is designed to support customer identification and anti-money laundering activities of financial institutions and fintech companies and explained how they are building underlying AI and knowledge graph technology to answer the question "Should I do business with this person / entity?".

- **PwC, UK - Gary Rapsey, Global Assurance Innovation Leader**

The final presentation was from Gary Rapsey, PwC's Global Assurance Innovation leader. Gary has experience leading the development and implementation of new audit technology globally and currently leads the strategy and team to innovate PwC's Assurance services and the way they are delivered.

The presentation shared insights into the impact of technology on the audit as well as discussing barriers to technology adoption and providing a horizon watch on future technologies.

KEY TAKEAWAYS

This section summarizes key themes and insights from the roundtable discussions.

The ability to obtain good quality data continues to be a challenge and an area of audit effort

- There is a need for standardization, particularly for Enterprise Resource Planning (ERP) and accounting software developers, to support easy access to standardized data for audit.
- There may be a role for the IAASB in regard to explaining how it is in the public interest that ERP and accounting software developers consider these changes. Use cases may help to prove value and therefore encourage adoption.
- Companies may need commercial motivation or regulatory incentive to use a common data model and, given the variety of different regulatory regimes, a common global data model may be some way off.

Having access to more data sources provides more opportunities for the auditor to identify and assess, and respond to risk; however, relevance and reliability needs appropriate consideration

- There are more opportunities for auditors to leverage the ability to assess more data points and apply more computational functionality.
- There are audit benefits of having access to more data sources, for example, to overcome instances where it may not be possible to evaluate (or fully evaluate) the completeness and accuracy of the data. There is a tendency to think that, if the auditor cannot fully evaluate the accuracy and completeness of the data then it can only be used for risk assessment.
- When evaluating whether the auditor has obtained sufficient appropriate audit evidence, the characteristics that are considered in relation to relevance and reliability may manifest differently depending on the purpose of the audit procedure(s) and the source of the information.

Technologies applied by the entity to support internal controls may need to factor into the auditor's understanding of the entity's system of internal control

- Technologies capable of performing specific tasks or focusing on transaction-level risks are more likely to be applied by the entity rather than the auditor. Such technologies may, therefore, be deployed as part of the entity's system of internal control but are relevant also to audit.
- The auditor may obtain evidence regarding the entity's technology as a control or consider the technologies' output to better understand the entity and its risks.
- Understanding how the auditor should deal with technology that is not built by or for the auditor warrants further consideration.

Technology can enhance but is not a substitute for professional judgement and skepticism

- It is important to understand what the data is and is not showing so that appropriate conclusions can be drawn from it.
- When using data as part of obtaining evidence over relevant assertions, it is important to understand how that data relates to the evidence being sought.
- When more data is available the auditor can get lost in the data—especially more junior professionals who are not sure what they are trying to get from the data, what the data is showing them and how to conclude.
- The key point is knowing when to stop collecting data. This requires judgment when analyzing data. A framework to help with this judgment of when enough evidence has been obtained would be useful.
- There is a risk of overreliance on tools and technology. There should be a continued emphasis on the importance of the need for professional skepticism.

NEXT STEPS

The IAASB thanks all participants and presenters for participating in the Disruptive Technologies roundtable. We will take the input received into account in some of our current workplan activities and in our further exploration of the disruptive technologies space.