

Tech Talk

IAASB[®]

May 2019

Technology and the Future Ready Auditor

This is the first communiqué from the IAASB's Technology Working Group. The communiqués will provide updates on the IAASB's efforts to incorporate the use of technology and data analytics by auditors in an ever-changing audit environment. This communiqué seeks to enhance the understanding of how these technologies fits into the IAASB's current projects as well as other relevant news and information on technology.

Data Analytics and Current EDs

Auditors play a key role in contributing to the credibility of the financial statements on which they are reporting. In an ever-changing world, the IAASB needs to ensure that the International Standards are fit for purpose – no matter what auditors face.

Feedback from stakeholders indicates that the current ISA standards are not 'broken' and do not prohibit the use of technological advances in the performance of an audit. However, and equally important, feedback also indicates that practitioners are seeking guidance from the IAASB on applying the ISAs and that current standards should be modernized as projects to revise standards are undertaken by the IAASB.

Below are some areas where the IAASB is reflecting technology in its standards.

ISA 315 (Revised) ED

In the proposed standard the IAASB noted the need to explicitly recognize the importance and the use of automated tools and techniques to perform risk assessment procedures. The proposed standard includes examples of how these automated tools and techniques are used to perform various risk assessment procedures. For example, using technology to perform procedures on large

volumes of data to provide information that is useful for the identification and assessment of risk of material misstatement. Such procedures may also provide evidence to support the conclusion that the possibility of a material misstatement is remote.

Quality Management Standards

The IAASB developed application material related to automated tools and techniques for the new quality management standards at a firm level (ISQM 1) as well as at the engagement level (ISA 220). Examples include explicitly recognizing technological resources as an input to the assurance process and the use of automated tools and techniques in the assurance process. Proposed ISA 220 (Revised) also notes that Inappropriate use of such technological resources may increase the risk of overreliance on the information produced for decision purposes, or may create threats to complying with relevant ethical requirements.

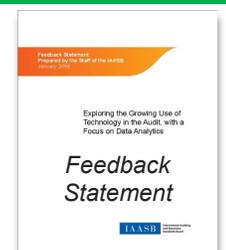
“The use of data analytics in an audit of financial statements will not replace the need for the auditor to exercise appropriate professional judgement and professional skepticism.”

Background

The IAASB established the Technology Working Group (originally known as the Data Analytics Working Group) in mid-2015 as a way to inform the Board on how and when to respond to developments in technology most effectively in the public interest. Since its inception, the Working Group has performed outreach with various stakeholders.

The Working Group's activities have also included monitoring and gathering information on the various applications of data analytics and the relationship to the financial statement audit (such as the effect on risk assessments, testing approaches, analytical procedures and other audit evidence). And in 2016, the Working Group published a **Request for Input (RFI)** with targeted questions for stakeholder response. The feedback from this RFI was published in January 2018 in the form of a **Feedback Statement**.

(Please follow the link for the RFI and Feedback Statement by clicking the pictures below))



“Furthermore, the world continues to change at an ever-increasing rate, with complexity becoming more prominent, in particular in relation to technology. Thus there is some urgency to deal with changes that are needed to keep the standards relevant and fit-for-purpose.”

Prof. Arnold Schilder

A Look at Artificial Intelligence

The IAASB believes that its work on technology goes beyond data analytics. Below are relevant information and articles on the use of artificial intelligence in the audit of financial statements:

- [A CPA's Introduction to AI: From Algorithms to Deep Learning, What You Need to Know](#), Source: American Institute for Certified Public Accountants
- [Transforming audit and interaction with AI](#), Source: Institute of Chartered Accountants of Scotland
- [Research Ideas for Artificial Intelligence in Auditing: The Formalization of Audit and Workforce Supplementation](#), Source: American Accounting Association
- [AI Optimizes Intel's Business Processes: An Audit Case Study](#), Source: Intel
- [Process Audit: How to Prepare Your Team for AI](#), Source: Tenfold
- [Practice Q&A: Audit and AI](#), Institute of Chartered Accountants in England and Wales
- [The impact of Digital and Artificial Intelligence on audit and finance professionals](#), Source: Association of Chartered Certified Accountants

Strategy and Work Plan 2020 – 2023



In response to a survey released by the IAASB in 2018, the IAASB has identified opportunities and challenges that are driven by environmental factors for which practitioners are interested in obtaining more guidance. In particular, advancements in the use of technology was identified as a significant environmental driver that likely will shape the [Strategy for 2020–2023 and Work Plan for 2020–2021](#). This identification as a significant environmental driver is because businesses and economies are increasingly affected by rapidly changing and evolving technologies. Developments in the use of technologies and tools, including automated data analytics, are also having a revolutionary effect on the delivery of audit and assurance engagements.



Interaction with Other Groups

The Working Group is interacting with similar groups set up by other standard-setting boards and committees.

- The IESBA recognized that there is a pressing need within the global accountancy profession to better understand and address the implications of technology trends and developments on the role and responsibilities of both professional accountants in business and in public practice. In Response, the IESBA established the Technology Working Group in January 2018 and approved the [Working Group's Terms of Reference](#) at its December 2018 meeting.
- The [IFAC Global Knowledge Gateway](#) has a [Technology section](#), which includes over 300 articles, videos and resources, including the Guide to Practice Management, which was recently updated with a new module on 'Leveraging Technology'. The IFAC Technology Advisory Group (TAG) focuses on raising awareness on emerging technology trends and issues impacting business and the global accountancy profession. It recently held a webinar on Data Analytics.



The next communiqué will include how technology may impact the risk assessment process in response to ED ISA 315 (Revised). If you have any comments or ideas please contact:
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