Tech Talk

IAASB

November 2019

Technology and the Future-Ready Auditor

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

Technology Workstream Plan

At its meeting in June 2019, the IAASB noted the importance and pressing need for the development of non-authoritative guidance to address the impact of technology when applying certain aspects of the ISAs.

To facilitate this process, the TWG established a Technology Workstream Plan (TWP) that broadly sets out the process for identifying, developing and issuing such non-authoritative guidance. The TWP also outlines a preliminary listing of topics (including targeted publication dates) for which there is an opportunity for an immediate response through developing non-authoritative guidance, and includes:

- The impact of new technologies on the auditor's documentation
- The question about whether an automated audit procedure can be both a risk assessment procedure and a substantive procedure
- How the nature and number of sources of information affects planning and performing substantive analytical procedures, in particular with the use of data analytic tools.

Technology and ISA 315 (Revised 2019)

ISA 315 – Automated Tools and Techniques

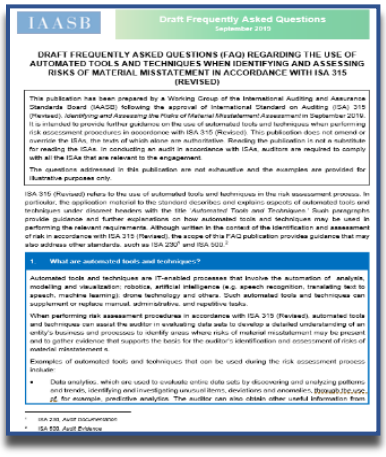
As part of its project to modernize ISA 315 (Revised) (Identifying and Assessing the Risks of Material Misstatement) for changes in the way Automated Tools and Techniques (ATT) are used in undertaking risk assessment procedures, the revised standard (approved in September 2019) more explicitly recognizes the use of such tools and techniques.

In developing the guidance within the standard (shown in separate paragraphs), the Board sought a balanced perspective, because ATT may not be available to, or used by, all auditors, and also the types of tools and techniques used could be broad. The guidance does, however, provide examples about how ATT can be used when performing risk assessment procedures, for example, when '*observation and inspection*' are used as risk assessment procedures, the relevant application material explains that '*ATT may be used to observe and inspect, in particular assets, for example through the use of remote observation tools (e.g., a drone)*.'

The final ISA 315 (Revised 2019) is expected to be published in early December 2019.

ISA 315 – FAQ

Many of the issues and challenges related to the use of ATT when performing risk assessment procedures relate to matters that are not only part of risk assessment, i.e., there are aspects of other ISAs that are also relevant, such as ISA 230, *Audit Documentation* and ISA 500, *Audit Evidence*. As the IAASB did not want to address matters not related to risk assessment in ISA 315 (Revised 2019), the TWG, together with the ISA 315 Task Force, developed frequently asked questions (FAQs) to address some of these topics. The FAQs will be released once ISA 315 (Revised 2019) has been published.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Draft Frequently Asked Questions

DRAFT FREQUENTLY ASKED QUESTIONS (FAQ) REGARDING THE USE OF AUTOMATED TOOLS AND TECHNIQUES WHEN IDENTIFYING AND ASSESSING RISKS OF MATERIAL MISSTATEMENT IN ACCORDANCE WITH ISA 315 (REVISED)

IFAC Knowledge Gateway – Technology

The IFAC Knowledge Gateway includes thought leadership, resources, articles and videos on emerging technology trends and topics, including:

- Cybersecurity is critical for all organizations - Large and small
- Machine learning: More science than fiction
- Building data science and analytics capabilities in finance and accounting
- Six essential deliverables for the finance function of the future
- Technology Will Transform Audit
- Examining Automation in Audit
- Data Will Drive Audit Quality
- Audit Data Analytics: Opportunities and Tips
- Blockchain will impact accounting

Please click here to subscribe to the Gateway bi-weekly newsletter.

How Changes in the Use of Technology affect the Gathering and Evaluation of Audit Evidence

The IAASB's Audit Evidence Working Group (AEWG), established in 2019, is currently performing information-gathering and research activities to understand, pinpoint and prioritize audit-evidence-related issues when applying the ISAs. The continual and rapid evolution in technology is one of the factors that underpin some of the issues related to audit evidence, including the increasing use of automated tools and techniques by auditors in performing engagements. Other factors underpinning audit-evidence-related issues include professional skepticism and the evolution in the nature and sources of information.

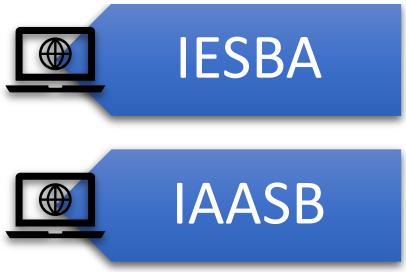
The overall objective of the information-gathering and research activities is to understand audit-evidence-related issues and explore solutions to address these issues, so that the Board is appropriately informed in determining a way forward. It is expected that the Board will discuss the outcome of the information-gathering and research activities in June 2020. The outcome of the information-gathering and research activities may provide information on technology that may be relevant to the activities of the TWG.

Interaction with Other Groups

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

- The International Ethics Standards Board for Accountants (IESBA) established their own Technology Working Group in 2018. The IESBA TWG is completing its Phase 1 information gathering and analysis and will present its final report to the IESBA at its December 2019 meeting. For more information about the IESBA Technology Initiative, please following this link.
- The Chair of the IAASB's TWG and representatives of Staff have recently engaged with representatives of the PCAOB Office of the Chief Auditor to discuss possible coordination efforts and knowledge sharing in relation to technology in the auditing landscape.

Follow the IAASB and IESBA Technology Projects



The next communiqué will provide an overview of further non-authoritative publications that are currently being considered for development in the first quarter of 2020, such as how technology may impact the auditor's documentation. If you have any comments or ideas please contact:

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