

BRIEFING MEMO  
IAASB CAG  
March 7-8, 2023  
Hybrid Meeting

*Disclaimer: This memo is prepared by PIOB staff, in advance of the SSB/CAG meeting, applying their best knowledge and their own judgement in identifying and communicating matters of public interest and due process. PIOB Staff views are discussed with the PIOB observer and the PIOB Board and do not pre-empt further PIOB's views or discussions. The main objectives of this memo are to support the PIOB member in his/her SSB/CAG meeting observation and to help maintaining consistency and continuity of oversight.*

The agenda includes the following items:

- B – GOING CONCERN
- C – ASSURANCE ON SUSTAINABILITY REPORTING
- D – FRAUD
- E – PRIVATE SESSION (no papers)
- F – CLOSED SESSION (no papers)
- G – ISA FOR LCEs
- H – LISTED ENTITY AND PUBLIC INTEREST ENTITY (PIE)
- I – AUDIT EVIDENCE AND STRATEGY & WORK PLAN 2024-2027
- J – TECHNOLOGY

Please refer to the PIOB's Public Interest Issues on the individual IAASB projects, as of December 2022, published in the PIOB website:

[PIOB PI Issues on IAASB Projects December 2022](#)

**B - GOING CONCERN**

Objective of the project: to revise ISA 570 (Revised), *Going Concern*, to promote consistent practice and behavior to address risks of going concern (GC), establish more robust evaluation of management's assessment of GC and strengthen communication and reporting of related GC matters.

Background: Information gathering activities for the GC project started in 2020, including issuing a Discussion Paper and holding 3 roundtables. The GC Project

Proposal was approved in March 2022 and revisions to ISA 570 have been discussed in June, September and December 2022.

Status: The IAASB plans to approve the exposure draft in March 2023 and will request input from the CAG on the proposed exposure draft (ED).

After the December 2022 meeting, the IAASB decided to delay the finalization of the GC project to ensure the best prioritization of its resources and to align it with the completion of the Fraud project. The IAASB expects now to finalize the project in June 2025.

Notes/key points from the review of the documentation for this meeting

The CAG will receive a presentation that covers key proposals of the ED (item B-1) and the GC task force (TF) will report back on comments received in September 2022. The CAG has also been provided with the ED (item B.2) that will be discussed with the IAASB in March 2023. In addition, the IAASB's issues paper for March 2023 (item B.3) and December 2022 (item B.4), as well as the Conforming and consequential amendments (item B.5) have been provided as reference material.

The key proposals of the ED include revisions to terminology (Material Uncertainty), introduction of risk assessment aligned with ISA 315 (Revised), changes to the timeline over which GC should be assessed, enhancements around the evaluation of management's assessment of GC, exercise of professional skepticism, additional communications with those charged with governance and with external parties, and disclosures in the auditor's report.

Changes made since December are mostly clarification and streamlining of drafting, and primarily affect the application material.

Public Interest Issues

Please refer to the [PIOB's Public Interest Issues](#) on the Going Concern project, as of December 2022, published in the PIOB website.

PIOB Staff comments on PI

As stated in previous Briefing Memos, the proposals in the ED should be welcomed as it i) strengthens the requirements in ISA 570 making more robust the procedures performed by the auditor in evaluating management's GC assessment and ii) includes an explicit conclusion in the auditor report about the use of the GC assumption, meeting clearly the public interest. The analysis and recommendations take into

account stakeholders' feedback, including comments from the Monitoring Group, as well as the PIOB's public interest issues.

As noted in our PI issues, the application material that cautions against disclosing "original information" in the auditor report may limit the usefulness of disclosures made by the auditor, especially in "close call" situations. Given that no changes have been made to the guidance in the ED (paras. A74, A75), we reiterate our recommendation to consider how to appropriately communicate users of the financial statements relevant and decision useful information in order to reduce the expectation gap.

We will also need to follow up on further developments in relation to the PIE project and whether any differential requirements should be applied to additional entities beyond listed entities (i.e. to all PIEs), which would be in the public interest.

## C – ASSURANCE ON SUSTAINABILITY REPORTING

Objective of the project: the IAASB intends to develop an overarching standard for assurance on sustainability reporting with the aim to support the consistent performance of quality sustainability assurance engagements. The standard should be suitable for all sustainability topics and disclosures, neutral from a framework and assurance providers perspective.

Background and Status: the IAASB approved the project proposal for the Sustainability Assurance standard in September 2022 and presented parts of a draft ISSA 5000 in December 2022. It plans to discuss all requirements and application material at the March 2023 meeting.

Notes/key points from the review of the documentation for this meeting:

The CAG will be provided with an update and a report back, and its input to the project on specific areas will be sought. The meeting documentation includes a Presentation from the TF (item C-1) and draft definitions for ISSA 5000 (item C-2, for reference only, being an extract from the standard).

The Presentation (item C-1) includes the objectives of the overarching standard, the PIF qualitative characteristics which are being considered for its development (i.e. scalability, timeliness, comprehensiveness, enforceability, implementability, relevance), how priority areas have been addressed (e.g. limited vs. reasonable assurance, relevance and reliability of information to be used as evidence, internal control system, qualitative and quantitative factors to consider for materiality, definitions, quality management, reporting).

*Excerpt from the December 2022 IAASB BM:*

*The issues addressed in the different parts of ISSA 5000 cover areas such as suitability of reporting criteria, scope of the assurance engagement, materiality<sup>1</sup>, evidence (including reliability and sufficiency of information – material partially taken from current proposals in ISA 500 - Audit Evidence), risk assessment and the entity's system of internal controls as well as its impact on evidence.*

*The TF has used requirements from ISAE 3000, 3410 and other ISAs, as well as material from the Extended External Reporting guidance, adapted for the overarching sustainability assurance standard. The TF has drafted common requirements which apply to both limited and reasonable assurance and has differentiated, whenever needed, the requirements which apply to each type of assurance (e.g. additional procedures and work effort for the reasonable assurance<sup>2</sup>).*

The IAASB has conducted intensive outreach with a broad range of stakeholders, including the FSB, IOSCO, the EC, the US SEC, the ISSB, GRI, the Forum of Forms. The two Reference groups<sup>3</sup> have provided their input to inform the relevant IAASB proposals.

There is an update on the timeline of the project. The draft standard will be fully discussed<sup>4</sup> (in terms of all requirements and application material) at the IAASB March 2023 meeting. The ED is expected to be approved in the second half of 2023; comments period will be open in the first half of 2024. Targeted stakeholders' outreach will be undertaken during the comment period. The final standard is expected to be approved by the IAASB in the second half of 2024.

### Public Interest Issues

Please refer to the [PIOB's Public Interest Issues](#) on "Assurance on non-financial information", as of December 2022, published in the PIOB website.

### PIOB Staff comments on PI

---

<sup>1</sup> Views from the Reference Group have been provided on these proposals. Among these, the importance of considering materiality where "individual misstatements, although immaterial individually, are misleading when aggregated together in the context of the sustainability information as a whole".

<sup>2</sup> Just as an example, in a limited assurance, the practitioner is required to understand the "results" of the risk assessment, where in a reasonable assurance, the practitioner is required to understand the "entity's risk assessment process". When understanding the entity's internal controls, in a reasonable assurance, the practitioner needs also to understand the control activities and the entity's process to monitor the internal control system.

When designing procedures to assess the Risks of Material Misstatements (ROMMs), the practitioner needs to understand the underlying subject matter, the entity and its environment, and the applicable criteria (these elements are required in limited assurance). In addition to that, when performing a reasonable assurance, the practitioner needs to identify and assess the ROMMs due to error or fraud and design further procedures.

<sup>3</sup> One group includes 13 sustainability experts representing the profession, the other includes 9 sustainability experts representing other assurance providers.

<sup>4</sup> The introduction of the standard and the Report Illustrative Examples will be presented at the IAASB meeting in June 2023.

At the time this Briefing Memo (BM) is drafted, the information about the upcoming TF's proposals for the IAASB meeting in March, is not available, hence it is only possible to reiterate the comments included in the IAASB December 2022 BM (please see below, in italic).

*Excerpt from the IAASB December 2022 BM*

*The drafting of ISSA 5000 has advanced and, along with the discussion of the different parts, needs to be evaluated from a holistic perspective. As this is a first draft of the standard, it may be helpful, at a later stage, when all the parts are drafted (and before they are exposed), that an "inventory" of requirements taken/adapted/excluded from ISAEs and ISAs is provided, to better understand the rationale undertaken and have an overall view (the same exercise was done for the ISA for LCEs and was really helpful).*

*The approach followed for the drafting seems to be appropriate, as it envisages requirements which apply to both limited and reasonable assurance, while other requirements are tailored and more specific to the type of assurance.*

It is essential to continue the efforts on the language used in ISSA 5000 which, at the December meeting, was still very profession driven. It would be useful if these efforts to make language profession-neutral were coordinated with the IESBA. *If ISSA 5000 aspire to be used by any assurance provider (not just Professional Accountants), as indicated in the project proposal approved, the IAASB may still need to refine the terms and definitions used in the standard, to achieve more clarity/simplicity and adoption from assurance providers who are out of the accounting profession.*

*There is lack of geographic diversity in the composition of the two reference groups. Both have a prevalence of representatives from Asia-Oceania, North America, Europe and UK. The group including experts representing the profession comprises one member from Central and South America and one from Africa-Middle East, while the group including other experts lacks that geographical representation.*

In mid-February, the ISSB announced that "its initial IFRS Sustainability Disclosure Standards, S1 and S2, will become effective starting January 2024. Given sustainability disclosure is new for many companies globally, the ISSB will introduce programmes that support those applying its Standards as market infrastructure and capacity is built". "The ISSB will ramp up activities to support the global implementation ahead of issuing inaugural standards at the end of Q2 2023".

Given the ISSB's announcement, and the fact that the European Sustainability Reporting Framework will be effective in 2024, the IAASB's work on ISSA 5000 becomes even more relevant. We acknowledge the constant adaptation of the IAASB, in terms of prioritization and resource allocation, which has resulted in an updated

timeline of the project and an expected completion date, which has been anticipated before the end of 2024.

## D – FRAUD

Objective of the project: enhance and clarify the role and responsibilities of the auditor in relation to fraud in an audit of financial statements. Enhancement of ISA 240 and conforming and consequential amendments to other ISAs.

Background and Status: The IAASB approved the Fraud Project Proposal in December 2021. The last IAASB discussions, in December 2022, focused on transparency options in the auditor’s report and on “fraud and suspected fraud”, with updated redrafting of ISA 240. The IAASB will not discuss the Fraud project in March 2023. At this meeting, the CAG will be provided with an update from the TF.

### Notes/key points from the review of the documentation for this meeting:

The documentation includes the report back to the CAG (item D), the Presentation from the TF (item D-1) and the issues paper which was presented at the IAASB meeting in December 2022 (item D-2, for reference only to the CAG).

The Presentation to the CAG (item D-1) lists a number of topics, including: professional skepticism, specific fraud-related procedures to journal entries, audit documentation, identifying and assessing the Risk of Material Misstatements (ROMMs), fraud and suspected fraud, transparency in the auditor’s report on fraud.

Some of those topics were already discussed at IAASB level, while some are initial proposals from the TF (which met in February 2023), that have not been presented yet at the IAASB.

Examples of the TF’s proposals include:

- Professional skepticism: needed throughout the audit. Introduction of a requirement to perform additional audit procedures when fraud, suspected fraud or alleged fraud is identified. Additional procedures built on principles of ISA 500 (e.g. not biased towards corroborative information or excluding contradictory information; consider all audit evidence obtained).
- Audit documentation: some enhancements (e.g. discussion among engagement team includes fraud risk factors identified), and some new proposals (e.g. fraud or suspected fraud identified, audit procedures performed, professional judgment made, conclusions reached).

When fraud or suspected fraud is identified, the TF had already presented in December its proposals. The TF included the different steps in a specific and separate

section in ISA 240: evaluate whether the Risk of Material Misstatements (ROMMs) due to fraud is still appropriate; design and perform additional procedures to obtain additional audit evidence; determine whether control deficiencies exist; determine which additional responsibilities the auditor may have, due to law, regulations and ethical requirements (including NOCLAR in ISA 250); communicate with TCWG about fraud or suspected fraud; consider other implications for the audit (e.g. implications on the auditor's opinion on the financial statements, management's integrity, reliability, etc.).

Transparency options in the auditor's report have been discussed in December 2022, with the IAASB concluding that the same filter as in ISA 701 (KAMs) should be used, applicable only to listed entities, and that fraud-related matters should be reported under the KAM section of the auditor's report. The IAASB also concluded that no communication is required in the auditor's report on significant deficiencies of internal controls that are relevant to the prevention and detection of fraud. Among the arguments: the objective of an audit of financial statements is not to provide an opinion on internal controls, and a separate section in the auditor's report would "give undue emphasis" to ROMMs due to fraud (vs. due to errors). In the TF's proposals, a specific sub-heading in KAMs should describe fraud-related KAMs, and a reference to the relevant disclosures in the financial statements should be provided, as well as how the ROMMs was addressed in the audit<sup>5</sup>.

An area that the TF will need to address for the June meeting, is the use of technology. In June and in September, a full draft of ISA 240 (Revised) will be discussed and the approval of the ED is targeted in December 2023.

### *Public Interest Issues*

Please refer to the [PIOB's Public Interest Issues](#) on the Fraud project, as of December 2022, published in the PIOB website.

### *PIOB Staff comments on PI*

At the time this BM is drafted, the information about the upcoming TF's proposals for the IAASB meeting in March, is not available, hence it is only possible to reiterate the comments included in the IAASB December 2022 BM (please see below, in italic) and in the latest PIOB's PI issues (published in January 2023).

### *Excerpt from the IAASB December 2022 BM*

---

<sup>5</sup> The presentation is, by definition, concise and does not describe in detail all the proposals and the current thinking of the TF. We will be able to evaluate the TF's proposals in due course, once they are elaborated and presented at the IAASB meeting (in June 2023).

*The redrafting of the different parts in ISA 240 is consistent with the objective to clarify and strengthen the standard, especially where it expands on key concepts such as professional skepticism and commitment to quality.*

On the transparency options in the auditor's report, the PIOB acknowledged the outreach conducted by the IAASB to specific groups of stakeholders (preparers, TCWG, users, etc.). The PIOB believes that the option to include a separate section in the auditor's report describing the identified and assessed fraud risks, the auditor's response and the relevant findings/observations, would strengthen transparency and is in the public interest. The alternative to include such information under the Key Audit Matters (KAMs) section may reduce emphasis given to fraud. The PIOB looks forward to the future consultation and encourages the IAASB to continue pursuing the public interest. Consideration of significant deficiencies in internal controls, which may help preventing or detecting fraud, is also an important aspect. What the auditor needs to disclose can be expected to drive changes in auditor behavior, and in turn contribute to enhanced transparency in management's and TCWG's reporting on fraud, thus helping to address the expectation gap. The PIOB looks forward to the consideration by the IAASB of the views from a broad group of stakeholders about transparency in the auditor's report.

## G – ISA FOR LCEs

Objective of the project: to develop a stand-alone ISA for audits of financial statements of LCEs.

Background and Status: in response to the comments to the ED and feed-back gathered at the international conference in May 2022, the IAASB had previously discussed specific parts of the ISA for LCEs. The ED for Part 10 (Group Audits) was approved in December 2022 and is currently open for comments (due in May 2023). At the IAASB meeting in March, the TF will propose remaining parts revised/redrafted of the standard. The CAG will be provided with an update and its input will be requested on specific areas.

### Notes/key points from the review of the documentation for this meeting

The Presentation (item G-1) summarizes the main changes occurred to the ISA for LCEs since the last CAG discussion. Among these: revisions in the Authority to prohibit the application of the standard in case of involvement of Component Auditors (CAs), except in limited circumstances (i.e. when physical presence of CAs is needed for specific group audits procedures); group specific qualitative characteristics in addition



to LCEs characteristics<sup>6</sup>; revisions related to the proportionality of the standard (e.g. in terms of documentation requirements); simplification and more clarity in the understanding of the entity's system of internal controls, combined identification and assessment of Risk of Material Misstatements (ROMMs).

Based on the feed-back received, accounting Estimates (which will be discussed at the March IAASB meeting), are now proposed to be included in the scope of the standard. The approach followed by the TF's proposals aims at reducing complexity of requirements, allowing the use of ISA for LCEs when the entity has a small number of "more complex" accounting estimates. This should be achieved through: revising the qualitative characteristics of the estimates in the Authority of the standard; aligning the structure with ISA 540; adding a requirement related to the disclosure of accounting estimates; enhancing the EEM to support the requirements. A stand-back requirement (whether the entity is still an LCE when "more complex" estimates are present) will be introduced.

The IAASB plans discussing the full proposed ISA for LCEs (except Part 10) at the June 2023 meeting, with the aim to approve the final one in December 2023.

### Public Interest Issues

Please refer to the [PIOB's Public Interest Issues](#) on ISA for LCEs, as of December 2022, published in the PIOB website.

### PIOB Staff comments on PI

At the time this BM is drafted, the information about the upcoming TF's proposals for the IAASB meeting in March, is not available yet, hence it is not possible to formulate comments on those proposals.

We note that the work of the TF has been, so far, responsive to the feed-back received to the ED, as well as through the outreach undertaken. Specifically, the drafting of a separate Part 10 on Group Audits, the revisions of the Authority section (including qualitative characteristics and quantitative thresholds to be set at jurisdictional level), consideration of accounting estimates, are aimed at addressing the concerns raised since the inception of the project.

The current timing of the project, with a parallel work on Part 10 (currently exposed), and the advancement of the remaining parts of ISA for LCEs, should allow a timely completion, as planned, by the end of 2023.

---

<sup>6</sup> Additional qualitative characteristics which need to be considered for the purpose of GA, and applied to the single entity or business unit, include: group structure and activities, access to information or people, consolidation process.

We keep supporting this project, for the potential it has in addressing jurisdictional fragmentation.

## H – LISTED ENTITY AND PUBLIC INTEREST ENTITY (PIE)

Objective of the project: This narrow scope project originated from the IESBA's project to review the definitions of Listed Entity and Public Interest Entities (PIE) in the Code of Ethics, with a key objective to achieve convergence between concepts in the Code and ISAs.

Background & status: The IESBA approved its final pronouncements in the Code in December 2021 (approved by the PIOB in April 2022). The IAASB approved a project proposal to address PIE matters in its March 2022 meeting which is being developed in two phases or tracks:

- Track 1 (fast moving) addressing transparency of independence requirements applicable to PIEs (with a proposed effective date aligned with IESBA's PIE pronouncement of December 15, 2024) – The IAASB approved an exposure draft (ED) in June 2022 and will discuss feedback in March 2023, with a view to approve the final pronouncement in June 2023. The CAG will receive an overview of feedback received to the consultation and request comments on proposed direction.
- Track 2 addressing convergence of concepts between the Code and ISAs and other matters, to be finalized by June 2025 (delayed from September 2024 to ensure the best prioritization of its resources) – The CAG will receive an update on discussions at the December 2022 IAASB meeting.

## Notes/key points from the review of the documentation for this meeting

The CAG has been provided with a presentation (item H.1) that highlights key issues for both tracks and the revised ED for Track 1 (item H.2). In addition, the IAASB's March 2023 issues paper for Track 1 (item H.3) and the December 2022 issues paper for Track 2 (item H.4) have been provided as reference material.

### Track 1

The presentation shows an overview of comments received to the ED, with 38 responses, of which 2 from Monitoring Group (MG) members (IOSCO and IFIAR) and CEAOB. As usual, the majority of responses come from the profession (either Professional and Accounting Organizations or Firms).

Key matters discussed are:

- Disclosures in the auditor report (ISA 700 (Revised) and communications to those charged with governance (ISA 260 (Revised)) - There was overall support for the key proposals, that are: i) disclosure in the auditor's report, ii) conditional requirement to disclose in the auditor's report when the differential requirements require public disclosure, and iii) application material to communicate with those charged with governance the application of differential independence requirements. It is noted that both MG members (and CEAOB) preferred an unconditional requirement to disclose in the auditor report and that the revisions to ISA 260 (Revised) were made as requirements rather than application material.
  - ☐ The TF proposes to keep the proposals unchanged, as it considers that there is enough support for the use of the auditor report and believes the conditional requirement is a proportionate approach. For the revisions to ISA 260 (Revised), the TF considers that the proposals under track 2, discussed in December, will eliminate the concern raised by the MG respondents (elevate to a requirement).
- Interim reviews - There were mixed views about revising ISRE 2400, but if a revision is considered, the majority supported following a similar approach to that of ISA 700 (Revised). In respect to ISRE 2410, IESBA considered the comments to the ED and agreed in February 2023 to retain the scope of the requirement applicable to both audits and reviews, and potentially include a question and answer in the staff Q&A document.
  - ☐ The TF proposes to address the revisions to ISRE 2400 (consistent with those proposed now for ISA 700 (Revised) as part of Track 2. They also acknowledge that a revision to ISRE 2410 has been included as potential project for the next strategy period.

## Track 2

The TF will share the key conclusions agreed by IAASB in December 2022:

- Include in ISA 200 (Revised) and ISQM1 the "overarching objective", guidelines for establishing "differential requirements" and the list of factors and examples used in evaluating the extent of public interest of an entity developed by IESBA.
- Expand the applicability of existing differential requirements to all PIEs in extant ISAs, with one exception. The TF identified and analyzed all instances where the ISAs or ISQMs provide differential requirements for listed entities and concluded that there would be sufficient basis to expand the differential requirements to all categories of PIEs, except for ISA 720 (Revised), that will be considered at a later stage.
- Adopt the definition of PIE (including application material for local standard setters) in ISQM 1 and ISA 200 (Revised) to ensure convergence of definitions used by IAASB standards and the IESBA Code. They also proposed to replace the definition of *Listed entity* in the Glossary with the definition of *Publicly traded entity* from the Code.

*Public Interest Issues*

Please refer to the [PIOB's Public Interest Issues](#) on the PIE project, as of December 2022, published in the PIOB website.

*PIOB Staff comments on PI*

Track 1

Overall, the proposals in the ED, and primarily the requirement to use the auditor's report as the mechanism to achieve the public disclosure required by the Code, are in the public interest. An unconditional requirement could achieve greater consistency across the globe, but we acknowledge the arguments supporting conditional disclosures.

We also acknowledge the decision to address the revisions required for interim reviews under ISRE 2400 under track 2, without waiting for a full revision of the standard. Given that the instances will be rare in practice, it is considered a reasonable approach.

We note that the IESBA will need to follow up on how to address situations where the auditor report is not publicly available, as the revisions envisaged by IAASB will not address the requirement in the Code to "publicly disclose".

Track 2

As stated in the December Briefing Memo, the conclusions reached by the TF and supported by IAASB are very encouraging and show a public interest mindset. The conclusions of the TF are aligned with and address the proposals in the PIOB public interest issues, such as achieving convergence with IESBA's Code of Ethics, by adopting the definitions of PIE and publicly traded entity, as well as the factors to determine public interest in the financial condition of an entity. This should ensure that the IAASB's standards and the Code can be applied in a coherent manner, which is also consistent with the qualitative characteristics of the PIF.

The PIOB observer at the December meeting also supported the approach and recognized the collaboration with IESBA, leveraging their work.

Regarding the extension of the existing differential requirements in the ISAs and ISQMs to all PIEs (and not limiting it only to listed or publicly traded entities), it is also in the public interest as it meets the heightened expectations on the audits of these type of entities, that require, among other, greater communication with TCWG and

transparency with users of the audit report. The PI issues noted the need to ensure that exceptions to this approach are limited and explained.

## I – AUDIT EVIDENCE AND STRATEGY AND WORK PLAN 2024-2027

This session includes the report-back to the CAG on the following projects:

Audit evidence: The IAASB approved the exposure draft in September 2022 and the consultation is open for comments until April 2023.

Strategy and Work Plan 2024-2027: The IAASB revised the draft Consultation Paper (CP) on the IAASB's Strategy and Work Plan for 2024-2027 with feedback received in September and approved it in December for public consultation (open for comments until April 2023).

### Public Interest Issues

Please refer to the [PIOB's Public Interest Issues](#) on the Audit Evidence project, as of December 2022, published in the PIOB website.

### PIOB Staff comments on PI

Both of these projects are currently open for comments. This session is a report back session for the CAG and no further PI issues have been identified.

## J – TECHNOLOGY

Objective of the project: to enable the IAASB to be prepared for technology disruption transforming audit and assurance and demonstrate how it can respond (with standard setting or non-authoritative guidance) to support audit and assurance quality.

Background and status: In 2020 the IAASB engaged an external vendor, Founders Intelligence, to research and analyze the landscape of innovation in audit and assurance. In January 2021 the research findings were presented to the IAASB with proposed actions. At the end of 2021 a partner from the Big 4 was seconded to the IAASB, to focus on taking the proposed actions forward.

Notes/key points from the review of the documentation for this meeting

The CAG will be provided with an update on the activities undertaken by the Technology WG (item J-1) and its input will be sought.

Since the last update to the CAG, research has been conducted and non-authoritative guidance has been issued about the use of automated tools and techniques (e.g. impact on audit documentation, risk assessment, audit planning, risk of overreliance on technology).

The Digital Advisory Group (DAG)<sup>7</sup> was established with the aim to provide input and different perspectives to the IAASB.

Break-out sessions were organized at the September 2022 IAASB meeting, with the purpose to identify priority areas and the ways forward. Please refer to the September OM, where the PIOB observer reports some of the comments and themes which were discussed.

The Presentation (item J-1) includes the actions from the DAG, among which: identify current standards which need to address and include technology; investigate opportunities to integrate technologies into the standards and how to make them more digital.

The presentation includes a diagram on the level of maturity of different technologies used in Audit and Assurance, associated with the usage/impact at auditor's, entity's or both level (e.g. cybersecurity is in a growth stage, with a significant impact on both auditor's and entity's level).

A number of trends are listed, resulting from research and outreach activities.

Technology adoption in audit and assurance is described through three different factors: 1) person (e.g. skills and training, mindset, culture, budget and time pressure); 2) task (e.g. tools to complement professional judgment, automation replacing repetitive tasks); 3) environment (e.g. investment in technologies, audit firm innovation, perception of stakeholders about audit quality benefits of technology).

Polling results on the extent of use of certain technologies by the Forum of Firms (and by their audited entities), as well as on benefits on audit quality and barriers to adoption of technology, are depicted in the presentation.

---

<sup>7</sup> The group is made of 5 technology and digital experts, mainly from North America and Europe.

Among the top answers on where, in the audit, technology most benefits audit quality, there are: substantive testing and risk assessment. Fraud and Going Concern are amongst the latest.

As top answers on the barriers to the adoption of technology, there are: cost (time/investment), reluctance to change/mindset, and skills/training.

The most relevant IAASB projects which may be directly impacted by the use of technology are: Audit Evidence, Sustainability and Fraud.

### *Public Interest Issues*

Please refer to the [PIOB's Public Interest Issues](#) on Technology, as of December 2022, published in the PIOB website.

### *PIOB Staff comments on PI*

The polling results (obtained from the FoF) about the technology which mostly benefits audit quality or about what represents a barrier to the adoption of technology, should be compared with other perspectives (e.g. regulators). It would be interesting to integrate these answers with the most significant findings reported by regulatory inspections and try to reconcile the differences, especially in terms of main causes/factors which affect audit quality.

The PIOB observer at the September 2022 meeting commented, during the breakout sessions that "the discussion questions seemed oriented to the use of emerging technologies by the auditor, but not on the effects that the use of such technologies by the entities being audited might have on the risks that the auditors need to assess". He also reported in his Observation Memo that "some audit regulators seem concerned about firms developing technology tools without adequate quality control. A discussion with IFIAR would be useful".

In the past we raised a comment about the lack of gender and geographic diversity of the DAG, which is still valid at this stage.