

Audit Evidence Workstream Plan Post June 2019

Objective of this Paper

The objective of this paper is to outline the plan for conducting further information-gathering and research regarding audit evidence related issues to enable the AEWG to develop recommendations to the Board for possible further actions.

Background and Introduction

1. In advancing its work after the March 2019 Board meeting, the AEWG focused on itemizing the issues related to audit evidence and technology in the context of the ISAs (i.e. when applying certain aspects of the ISAs), ensuring there is clarity about the issues, including the AEWG's initial views regarding the issues, and identifying possible actions that are available to address the issues. The AEWG presented to the Board in June 2019 an itemization of issues and possible actions in [Agenda Item 7 Appendix 2](#). In general, the main drivers of the issues identified by the AEWG are technology, professional skepticism and the growing number of sources of information available to auditors. The listing of issues presented to the Board did not include ED-315¹ and ED-220² in recognition of the active projects on these standards that had already progressed to exposure drafts and that the task forces concerned were in the process of coordinating with the Technology Working Group (TWG) and other task forces or working groups, as appropriate.
2. Although the Board agreed that the issues listed in [Agenda Item 7 Appendix 2](#) are comprehensive, the Board did not support development of a project proposal in relation to audit evidence at this stage and was generally of the view that further information-gathering and research (including outreach) are necessary to understand the source of some of the issues, whether, and the extent to which, the issues or other issues (if any) are creating challenges in practice and how they may be best addressed.³ The Board emphasized that such information would be important in determining whether, and if so, the extent to which, ISA 500⁴ and possible related standards need to be revised.
3. To facilitate its recommendation, the Board recommended establishing a **workstream plan** that broadly outlines the planned activities of the AEWG. This paper sets out the workstream plan for the further information-gathering and research activities to be undertaken by the AEWG. A separate workstream plan has been developed by the TWG that sets out the proposed process for identifying, developing and issuing non-authoritative guidance material to address the effect of technology when applying certain aspects of the ISAs.

¹ Exposure Draft – Proposed international Standard on Auditing 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*

² Exposure Draft – Proposed International Standard on Auditing 220 (Revised), *Quality Management for an Audit of Financial Statements*

³ For purposes of this plan, the suggested actions as presented to the Board by the AEWG have been captured and retained in **Appendix 1** of this paper. However, it is acknowledged that the suggested actions may change based on the outcome of the proposed further information gathering activities.

How this Plan is Distinguished from the Technology Workstream Plan?

4. As noted in the introduction, the AEWG is primarily focused on performing further information-gathering and research activities to pinpoint and prioritize audit-evidence-related issues when applying the ISAs, with the ultimate objective to develop informed recommendations to the Board on possible further actions to address such issues (which may include standard setting).
5. The role of the TWG is generally to identify matters for which there is an opportunity for a more immediate response through developing and issuing guidance to address the effect of technology when applying certain aspects of the ISAs. In considering recommended actions at the time of itemizing the issues in [Agenda Item 7 Appendix 2](#) of the June 2019 Board meeting, the AEWG identified specific issues that could be considered for guidance by the TWG.⁵
6. It is not the objective of the AEWG to divorce audit evidence from the factors that underpin or drive these issues, but rather to formulate a holistic view of overarching audit evidence issues that may include aspects of, inter alia:
 - Technology
 - Professional skepticism
 - Sources of information.

Accordingly, the AEWG may still obtain additional information from its information-gathering and research activities on the technology-related matters identified in [Agenda Item 7 Appendix 2](#) that have been attributed to the TWG.

7. As the AEWG progresses its information-gathering and research activities, further matters may be identified for which there is an opportunity for a more immediate response in the form of guidance. To the extent that such issues relate to technology, the AEWG will coordinate with the TWG to consider such matters.

Objective of Further Audit Evidence Related Information-Gathering and Research

8. **Appendix 1** to this paper includes the itemization of issues as it was presented in [Agenda Item 7 Appendix 2](#) of the June 2019 Board meeting in recognition of the work that has already been undertaken by the AEWG. It also provides the context for the *further* information-gathering and research that the Board requested, as well as presenting the initial views of the AEWG in addressing the issues.
9. The objective of information-gathering and research activities (including outreach) post June 2019 is to:
 - (a) Further understand the audit-evidence-related issues identified in **Appendix 1**, including whether these are issues currently experienced in practice and the pervasiveness of the issues, as well as their root causes.
 - (b) Explore whether there are additional issues related to audit evidence that have not been identified in **Appendix 1**.
 - (c) Explore stakeholders' views about possible actions to address the issues.

⁵ In the view of the AEWG, issues or actions that have been categorized as 1.1 in **Appendix 1**, primarily represent technology areas where there is an opportunity for a more immediate response in the form of guidance. Accordingly, a listing of such issues was provided for consideration by the TWG.

Further Information-Gathering and Research Activities and Timeline

10. The AEWG is planning the following activities to undertake further information-gathering and research:

- Targeted outreach activities (see paragraph 11 below).
- Academic research (see paragraph 12 below).
- Other information-gathering activities (see paragraph 13 below)

As these activities progress, further needs or opportunities for information-gathering and research may be identified.

Targeted outreach Activities

11. The AEWG intends to conduct the following targeted outreach activities:⁶

Stakeholder Group	Nature of Activity	Approximate Timing
Regulators and Audit Oversight Bodies		
IFIAR Standards Coordination Working Group	Teleconference with representatives	November 2019
IOSCO	Teleconference with representatives	November 2019
European Audit Inspection Group	Roundtable through videoconference	December 2019
Representatives from regulator inspection teams. To be identified and selected by IAASB staff in coordination with the AEWG.	Roundtable through videoconference	December 2019
Public Sector		
INTOSAI	Teleconference with representatives	November 2019
National Standard Setters		
IAASB National Standard Setters Group	Teleconference with representatives (focusing on audit-evidence-related issues)	November 2019

⁶ Where appropriate, the itemization of issues as presented to the IAASB ([Appendix 2](#)), may be presented to a stakeholder group to demonstrate the nature and extent of existing information gathering activities, which may also be useful in soliciting input and discussions on the subject matter.

Stakeholder Group	Nature of Activity	Approximate Timing
	and any jurisdictional developments in this regard).	
IFAC Member Bodies		
A limited number of IFAC member bodies (i.e. professional accountancy organizations) who are not also National Standard Setters. To be identified and selected by IAASB staff in coordination with the AEWG.	Teleconference with representatives (focusing on audit-evidence-related issues and any jurisdictional developments in this regard).	November 2019
Practitioners		
Global Public Policy Practices Committee	Teleconference with representatives	December 2019
Input from selected other firms in the Forum of Firms (FoF), i.e. the next tier of audit firms (below GPPC), such as: <ul style="list-style-type: none"> • RSM • Mazars • Baker Tilly • PKF (To be coordinated with the IFAC secretariat for the FOF)	Teleconferences with representatives – this may include a request for input on audit-evidence-related issues.	November – December 2019
IFAC SMP Committee	Audit evidence focused discussion with the SMP Committee.	October – November 2019
Respondents to ITC⁷ and RFI⁸ who specifically commented on audit evidence		
To be determined	Teleconferences with representatives	November 2019

⁷ Feedback from respondents to the 2015 Invitation to Comment, [Enhancing Audit Quality: A Focus on Professional Skepticism, Quality Control and Group Audits](#).

⁸ 2016 Request for Input, [Exploring the Growing Use of Technology in the Audit, With a Focus on Data Analytics](#).

Academic Research

12. The AEWG will explore the **academic research** that has already been undertaken in relation to audit evidence and consider whether the AEWG believes that 'new' academic research should be undertaken. However, the preliminary view is that it may not be practicable to undertake new research given the time it would likely take for high quality research to be completed, and therefore the AEWG intends to first focus on existing academic research that may be relevant. This may be achieved by, for example:
- Reaching out to IAASB members to share any knowledge or information on existing research on a particular subject;
 - Coordinating with stakeholder groups, for example NSS and IFAC member bodies, in identifying any relevant research and other publications, including contacting academics to expand the search as may be appropriate.

Other Information Gathering Activities

13. The AEWG intends to leverage existing information that may be relevant, including:
- Analyzing the history and development of ISA 500.⁹
 - The [post-implementation review](#) of the clarified ISAs that was completed in 2013.
 - 2016 Request for Input, [Exploring the Growing Use of Technology in the Audit, With a Focus on Data Analytics](#).
 - Feedback from respondents to the 2015 Invitation to Comment, [Enhancing Audit Quality: A Focus on Professional Skepticism, Quality Control and Group Audits](#).
 - Feedback statement to: [Exploring the Growing Use of Technology in the Audit with a Focus on Data Analytics](#).
 - The work performed by the Professional Skepticism Working Group.
 - Inputs received from stakeholders in response to the recent IAASB's consultation on its [Proposed Strategy for 2020-2023 and Work Plan for 2020-2021](#).
 - The responses to the [AICPA's Proposed Statement on Auditing Standards, Audit Evidence](#),¹⁰ issued in June 2019.
14. The AEWG will also coordinate with other Standard Setting Boards, such as IESBA, when issues are identified that may be relevant to them, or if the AEWG determines that further input from them will be useful as part of its information gathering.

Expected Outcome

15. The results of the further information-gathering and research activities as set out in this paper will supplement the work that has already been conducted by the AEWG as was presented in [Agenda Item 7](#)

⁹ Agenda Item 8: [IAASB paper March 2019](#)

¹⁰ The comment period on the proposed Statement closes on September 18, 2019.

[Appendix 2](#) of the June 2019 IAASB meeting. The overall results are planned to be provided to the Board at the March 2020 IAASB Meeting, together with the AEWG's recommendations for possible further actions, such as guidance or standard setting, if it is identified that further action is necessary.¹¹

¹¹ The recent announcement (in August 2019) of changes to the expected timeline for the IAASB's Quality Management projects has necessitated proportionate adjustments to staff and Task Force or Working Group resources, and Board plenary time in relation to the IAASB's other projects and workstreams, including in relation to the work of the AEWG. Therefore, the AEWG's feedback and recommendation to the Board, and any subsequent actions to be taken will be affected and may require adjustment as the major active projects of the IAASB are progressed to completion.

Appendix 1

Itemization of Audit-Evidence-Related Issues identified by the Audit Evidence Working Group as at June 2019

This Appendix is based on [Agenda Item 7 Appendix 2](#) of the June 2019 Board meeting. This Appendix has been organized into each ISA and identifies the issues related to audit evidence as primarily driven by considerations linked to technology, professional skepticism and sources of information. It first shows the issues related to ISA 500, and then the issues related to the remaining ISAs in sequential order of those ISAs.

The actions¹² that are available to address the issues related to audit evidence are as follows:

1. Non-authoritative guidance to be developed, which is subcategorized into:
 - 1.1 Guidance addressing the effect of technology when applying certain aspects of the ISAs.¹³
 - 1.2 Guidance addressing audit-evidence-related issues when applying certain aspects of the ISAs.
2. Matters that are relevant to a current project.
3. A project to revise the standards to address audit evidence (ISA 500 and possibly related standards).
4. A targeted project to address relevant aspects of technology across the ISAs (i.e. possibly in the form of an omnibus standard focused on technology).
5. The issue is acknowledged and will be considered as part of the IAASB's forward work plan.
6. The matter is presently not considered an issue.

¹² For purposes of this plan, the suggested actions as presented to the Board (in June 2019) have been retained. However, it is acknowledged that the suggested actions may change based on the outcome of the proposed further information gathering activities.

¹³ In the view of the AEWG, issues or actions that have been categorized as 1.1, primarily represent technology areas where there is an opportunity for a more immediate response in the form of guidance. Accordingly, a listing of such issues was provided for consideration by the TWG.

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
ISA 500, Audit Evidence			
1	Questions have arisen about the purpose of ISA 500 in the context of the other ISAs, in particular whether ISA 500 is intended to be a performance standard. ¹⁴	The AEWG is of the view that ISA 500 is relevant to many ISAs and the relationship between ISA 500 and the other ISAs should be further considered, in particular whether ISA 500 is a performance standard, or a foundational standard that is applicable to the other ISAs. The AEWG recognizes that audit evidence is obtained and used by the auditor in each conclusion reached by the auditor in performing an audit.	3
2	Evolution in technology and the nature and number of sources of information has resulted in descriptions in ISA 500 becoming outdated, ¹⁵ and raised questions as to whether ISA 500 should be updated to reflect new technology and information sources.	The AEWG recognizes this as a modernization issue that requires updates to ISA 500.	3 4
Audit procedures			
3	New technologies have given rise to confusion about whether certain technological tools are audit procedures in their own right, or whether they provide information that the auditor performs audit procedures on (e.g., pictures from a drone) (i.e., a lack of clarity on the difference between “information (to be used as audit evidence)”, “evidence” in general as used in IAASB	The AEWG agrees that these are issues that should be clarified, however the definitions would need careful consideration, including in the context of the IAASB’s other standards. The AEWG acknowledges the need to explore a definition of audit procedures, including considering whether all procedures undertaken during an audit are an audit procedure and whether an audit	1.1 3

¹⁴ For example, the objective of ISA 500 indicates that “the objective of the auditor is to design and perform audit procedures”, and paragraph 6 requires the auditor to “design and perform audit procedures.”

¹⁵ For example, paragraph 5(a) of ISA 500 describes accounting records as the records of initial accounting entries and supporting records, such as checks and records of electronic fund transfers; invoices; contracts; the general and subsidiary ledgers, journal entries and other adjustments to the financial statements that are not reflected in journal entries; and records such as work sheets and spreadsheets supporting cost allocations, computations, reconciliations and disclosures.

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#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	standards other than the ISAs, “audit evidence” and “audit procedures”).	<p>procedure is a combination of multiple actions or procedures.</p> <p>This issue is related to the definition of engagement team in ISA 220 (Revised) and may need more urgent attention.</p>	
4	<p>New technologies have raised questions about where audit procedures performed using new technologies fit within:</p> <ul style="list-style-type: none"> • The categories of audit procedures (i.e., inspection, observation, inquiry etc.); and • The nature of audit procedures (i.e., risk assessment, tests of controls, tests of details). 	<p>The AEWG is of the view that guidance could be developed to clarify how the ISAs may be applied to the use of new tools and techniques. Such guidance could highlight that new tools and techniques may provide different types of results than manual-based procedures and the results may be used by the auditor in a different manner. For example, the use of new tools and techniques as risk assessment procedures may be more effective and cover a greater portion of the population, but the auditor may have many more items to investigate. On the other hand, this may result in the need for less tests of details.</p>	<p style="text-align: center;">1.2 3</p>
5	<p>The use of new technology to perform audit procedures has raised questions about whether an audit procedure can be both a risk assessment procedure and a substantive procedure at the same time, i.e., a procedure that serves a dual purpose. This is particularly the case for certain data analytic tools.</p>	<p>The AEWG notes that this principle has been acknowledged in paragraph A15 of ED-315. In the context of ISA 500, further consideration could be given to:</p> <ul style="list-style-type: none"> • Clarifying that an audit procedure can be both a risk assessment procedure and a substantive procedure, consistent with the approach in ED-315. • Emphasizing that the purpose of the procedure needs to be established when designing the audit procedure and other ISAs apply in circumstances when a procedure is both a risk 	<p style="text-align: center;">1.1 1.2 2 (ISA 315 TF) 3</p>

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#	Description of Issue	AEWG Initial Views	Recommended Action(s)
		<p style="text-align: center;">assessment procedure (ISA 315 (Revised)) and a substantive procedure (e.g., ISA 330 and ISA 520).</p> <p style="text-align: center;"><i>This has been identified as a focus area by the Board.</i></p>	
6	<p>The use of new technology to perform audit procedures has raised questions about the auditor’s evaluation of whether the audit procedure is designed in a manner that provides the audit evidence needed about the relevant assertion being tested. For example, there may be overreliance on an audit procedure because of the use of technology in performing the procedure (i.e., a lack of due care or objectivity that impairs the exercise of professional skepticism).</p>	<p>The AEWG agrees that despite the benefits, overreliance on technology is a concern and further actions could be taken to highlight the need for professional skepticism in applying the audit procedure.</p> <p>This issue has also been addressed in paragraph A56 of ED-220.</p>	<p style="text-align: center;">1.1 1.2 3</p>
Sufficient appropriate audit evidence			
7	<p>Auditors are required to exercise professional judgment in concluding whether sufficient appropriate audit evidence has been obtained, and, if not, when to seek further evidence from additional sources. Given concerns about auditors appropriately exercising professional skepticism, questions have arisen about whether ISA 500 could more robustly address the need for professional skepticism when making such judgments.</p>	<p>The AEWG is of the view that more could be done to address what factors would prompt an auditor to seek further audit evidence from additional sources. The AEWG noted the work already undertaken by the PSWG, which may provide an important reference point for these considerations.</p>	<p style="text-align: center;">1.2 3</p>
8	<p>The evolution in the number and nature of sources of information and use of technology to perform audit procedures have raised questions about the factors that are considered by the auditor in concluding whether</p>	<p>The AEWG is of the view that the concepts of “appropriate audit evidence” and “sufficient audit evidence” are important concepts that are integral to the ISAs. The AEWG suggests that clarification of these concepts could facilitate an improved</p>	<p style="text-align: center;">3</p>

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	<p>sufficient appropriate audit evidence has been obtained. It brings into question:</p> <p>(a) Whether the definitions of appropriateness of audit evidence and sufficiency of audit evidence¹⁶ are appropriate.</p> <p>(b) What factors are considered by the auditor in concluding whether sufficient appropriate audit evidence has been obtained.</p>	<p>understanding of their intended meaning, and the work already undertaken by the PSWG may provide an important reference point for these considerations. The AEWG recognizes that the meaning of sufficient appropriate audit evidence is closely related to the concept of reasonable assurance and an acceptably low level of audit risk, and that fundamental issues of this nature are beyond the remit of the project.</p> <p>The AEWG also suggests clarifying that the factors considered by the auditor in determining whether sufficient appropriate audit evidence has been obtained are considered at various points throughout the audit, i.e., regarding:</p> <ul style="list-style-type: none"> • Risks of material misstatement related to the account balance, class of transaction or disclosure; and • The overall opinion on the financial statements. <p>The AEWG also plans to consider the responses to the AICPA's Proposed Statement on Auditing Standards, Audit Evidence,¹⁷ issued in June 2019.</p>	
Information to be used as audit evidence			
9	<p>Auditors are required to exercise professional judgment in considering the reliability of information to be used as audit evidence. Given concerns about auditors appropriately exercising professional skepticism,</p>	<p>The AEWG is of the view that more could be done to address the factors that may be considered by an auditor in considering the reliability of information to be used as audit evidence. The AEWG noted the work</p>	3

¹⁶ Paragraph 5(e) of ISA 500 describes the sufficiency of audit evidence as the measure of the quantity of audit evidence.

¹⁷ The comment period on the proposed Statement closes on September 18, 2019.

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	questions have arisen about whether ISA 500 could more robustly address the need for professional skepticism when making such judgments.	already undertaken by the PSWG, which may provide an important reference point for these considerations.	
10	The evolution in the nature and number of sources of information has brought into question the appropriateness of certain statements in the standards about information obtained internally and externally. ¹⁸ In some instances, there may be overreliance on certain information sources without appropriate professional skepticism being exercised.	The AEWG recognizes this as a modernization issue that requires updates to the standard. The AEWG also recognizes that there are certain information sources or technologies where there is an increased risk of overreliance, such as blockchains. However, it is not appropriate to address specific types of technologies or information sources in the standards. Therefore, in addition to addressing the overreliance on information sources and technology in a principles-based way in the standards, further guidance may be appropriate to address specific types of technologies relevant to today's environment. The AEWG noted the work already undertaken by the PSWG, which may provide an important reference point for these considerations.	1.2 3
11	Questions have arisen regarding whether all information to be used as audit evidence should be subject to the same rigor when considering the relevance and reliability of such information. For example, should information to be used in risk assessment procedures be subject to the same level	The AEWG is of the view that there is a need to emphasize or clarify the matters considered by the auditor when considering the relevance and reliability of information, including:	1.2 2 3

¹⁸ For example, paragraph A31 of ISA 500 includes statements that may no longer be appropriate in today's environment, including statements such as:

- The reliability of audit evidence is increased when it is obtained from independent sources outside the entity.
- The reliability of audit evidence that is generated internally is increased when the related controls, including those over its preparation and maintenance, imposed by the entity are effective.

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#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	of consideration as information to be used in a substantive analytical procedure?	<ul style="list-style-type: none"> • Clarifying that the nature and purpose of the audit procedure affects the required relevance and reliability of the information. • Explaining the need for appropriate planning for gathering audit evidence, for example, planning which information sources will be used and the criteria for that information, the tools and techniques to be used and the engagement team members who will apply the tools and techniques, and considering the degree to which the information achieves the planned criteria. <p>The AEWG recognizes that the relevance and reliability of information is also referenced in ED-315.</p> <p>The AEWG also notes that there are some inconsistencies across ISA 500 because in some places it refers to the relevance and reliability of audit evidence, rather than information to be used as audit evidence, for example, paragraphs 11, A5 and A31.</p>	
12	<p>The evolution in technology and the nature and number of sources of information has created challenges in considering the reliability of internal and external information. For example:</p> <ul style="list-style-type: none"> • Considering the reliability of information from an external source is challenging in certain circumstances given access issues. • There may be confusion as to when the information source is a service organization, and 	<p>The AEWG is of the view that there could be clarification of when an information source is a service organization, including more specific guidance that addresses certain types of information sources or technologies.</p> <p>With respect to the other two issues, the AEWG is of the view that guidance could explore these issues, for example:</p> <ul style="list-style-type: none"> • The extent to which an auditor may use information generated by artificial intelligence 	<p style="text-align: center;">1.1 1.2 3</p>

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	<p>therefore when ISA 402¹⁹ applies. For example, in the case of information generated through a blockchain, questions have arisen about whether the blockchain could be considered a third party service organization and whether it forms part of the entity's information system relevant to financial reporting.</p> <ul style="list-style-type: none"> Auditors lack appropriate expertise in the algorithms underlying new technology that is used to generate information. 	<p>(AI), particularly when it is based on unstructured machine learning.</p> <ul style="list-style-type: none"> How the auditor may determine that the information generated by AI is appropriate (e.g., the entity would need to be able to explain to the auditor how the technology generated the information). 	
13	<p>The evolution in the nature and number of sources of information has brought into question the differentiation in work effort regarding the reliability of information between information produced by the entity and other information sources.²⁰</p>	<p>The AEWG recognizes this as a modernization issue that requires updates to ISA 500.</p>	3
14	<p>The evolution in the nature and number of sources of information has brought into question the auditor's responsibilities in circumstances when there is information that contradicts management's assertions but the reliability</p>	<p>The AEWG is of the view that these situations relate to the auditor's professional skepticism and that further guidance that draws out the work of the PSWG and how it applies to these circumstances would be useful.</p>	1.2 3

¹⁹ ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*

²⁰ Paragraph 7 of ISA 500 indicates that when designing and performing audit procedures, the auditor shall **consider the relevance and reliability** of the information to be used as audit evidence. However, paragraph 9 imposes additional responsibilities when using information produced by the entity; it requires the auditor **to evaluate whether the information is sufficiently reliable** for the auditor's purposes. It is also notable that paragraph 5(b) of ISA 520 requires the auditor **to evaluate the reliability of data** from which the auditor's expectation of recorded amounts or ratios is developed, taking account of source, comparability, and nature and relevance of information available, and controls over preparation.

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	of that information may not be determinable, for example, because of its source (e.g., social media).		
15	The factors considered in the evaluation of the reliability of information are different in ISA 500 compared to ISA 520, which creates confusion about the attributes of information that affect the reliability of information. ²¹	The AEWG is of the view that the difference is due to the specific nature of analytical procedures dealt with in ISA 520. Therefore, the AEWG is of the view that the use of different factors is appropriate.	1.2 6
16	The increasing use of information generated by the client's IT applications in performing audit procedures has raised questions about the extent of understanding and testing needed of general IT controls and application controls, and the impact of deficiencies in general IT controls and application controls on the reliability of that information.	The AEWG notes that ED-315 addresses the extent to which the auditor needs to have an understanding of general IT controls and application controls. The AEWG notes that there may be a need to address IT with respect to testing controls, and the impact of deficiencies in these controls on the reliability of information.	2 (ISA 315 TF) 5 (ISA 330)
17	The standards use the terms "information" and "data" , and this raises questions about whether they are different and should be subject to different considerations.	The AEWG is of the preliminary view that there is no need to distinguish between information and data for purposes of evaluating audit evidence, however the actions undertaken in relation to issue 3 could affect this view. The AEWG further notes that these terms are used intermittently throughout the ISAs.	6

²¹ Paragraph 9 of ISA 500 requires the auditor to evaluate whether the information is sufficiently reliable for the auditor's purposes, including, as necessary in the circumstances (a) obtaining audit evidence about the accuracy and completeness of the information; and (b) evaluating whether the information is sufficiently precise and detailed for the auditor's purposes. Paragraph 5(b) of ISA 520 describes the evaluation of the reliability of data as taking account of source, comparability, and nature and relevance of information available, and controls over preparation.

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
Use of a Management's Expert			
18	The evolution in the nature and number of sources of information and introduction of new application material dealing with external information sources has raised questions about the distinction between a management's expert and an external information source.	<p>It is acknowledged that conforming amendments to ISA 500 were made as part of the project on ISA 540 (Revised)²² and resulted in new material on external information sources. The AEWG is of the view that further clarification of the difference between a management's expert and external information source may be useful.</p> <p>The AEWG also notes that clarification of the difference between an auditor's expert, information source and when a technology specialist is a member of the engagement team would also be useful. The AEWG notes that the definition of "engagement team" has been addressed in ED-220. The AEWG plans to ensure that appropriate coordination is undertaken with the ISA 220 Task Force.</p> <p><i>This is a focus area for Regulators.</i></p>	<p>1.2 2 (ISA 220 TF) 3</p>
Selecting items for testing			
19	The use of new technologies brings into question whether the requirements and application material dealing with the selection of items for testing are relevant and appropriate for certain types of audit procedures.	<p>The AEWG is of the view that paragraph 10 of ISA 500 is appropriate. However, the AEWG suggests clarifying in ISA 500 when ISA 530²³ is applicable.</p> <p>The AEWG also notes that there are concerns about the application of sampling techniques, and how this</p>	<p>1.2 3 5 (ISA 530)</p>

²² ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

²³ ISA 530, *Audit Sampling*

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
		affects the consideration of sufficient appropriate audit evidence, and that possible revisions may also be needed to ISA 530.	
Inconsistency in audit evidence			
20	Continued audit failures highlight concerns about the extent of professional skepticism exercised by auditors. This includes concerns about the auditor's professional skepticism and bias towards seeking evidence to support management's assertions (consistent or corroborating evidence) rather than evidence that is inconsistent with management's assertions.	<p>The AEWG is of the view that there could be clarification about how contradictory evidence is related to inconsistent evidence.</p> <p>The AEWG further notes that auditor bias is related to the need to apply objectivity, which is a principle of relevant ethical requirements. The AEWG is of the view that the application of the fundamental principles of the IESBA Code²⁴ in the context of the audit could be explained in ISA 500 (the AEWG notes that the ISAs refer to relevant ethical requirements but do not explain how the principles apply to the performance of the audit).</p> <p><i>This is an evolving area and will need guidance in future.</i></p>	1.2 3
ISSUES IN OTHER ISAs RELATED TO AUDIT EVIDENCE AND TECHNOLOGY			
ISA 200, OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR AND THE CONDUCT OF AN AUDIT IN ACCORDANCE WITH INTERNATIONAL STANDARDS ON AUDITING			
21	Evolution in technology and the nature and number of sources of information raises questions about whether	The AEWG recognizes this as a modernization issue that requires updates to the standard. As the issue	4

²⁴ International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards)

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	ISA 200 should be updated to reflect new technology and information sources. For example, the application material related to control risk, inherent risk and detection risk could discuss factors arising from technology that affect these risks.	relates to technology, it could be updated as part of a targeted project to address technology across the ISAs. <i>It may be necessary to add visualization techniques as a form of technology.</i>	
ISA 210, AGREEING THE TERMS OF AUDIT ENGAGEMENTS			
22	Evolution in technology and the nature and number of sources of information raises questions about whether ISA 210 should be updated to reflect new technology and information sources. For example, the application material discussing the content of the engagement letter could include technology-related issues, such as the availability of algorithms and audit trails, access to key sources of internal and external data, security over data and arrangements with service providers (e.g., data warehouses).	The AEWG recognizes this as a modernization issue that requires updates to the standard. As the issue relates to technology, it could be updated as part of a targeted project to address technology across the ISAs.	4 1.1
ISA 230, AUDIT DOCUMENTATION			
23	Evolution in technology raises questions about whether ISA 230 should be updated to reflect new technology. For example: <ul style="list-style-type: none"> • The definition of audit file may be outdated. • Descriptions about the form, content and extent of audit documentation could include examples more reflective of technological tools. 	The AEWG recognizes this as a modernization issue that requires updates to the standard. As the issue relates to technology, it could be updated as part of a targeted project to address technology across the ISAs.	4
24	The emergence of new technologies has given rise to questions about the auditor’s documentation, including:	The AEWG is of the view that the principles dealing with documentation remain appropriate and given the principles-based nature of ISA 230, it is adaptable for	1.1 4

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	<ul style="list-style-type: none"> • How the auditor is expected to document the procedures performed in order that the documentation test is met (i.e., an experienced auditor having no connection with the audit is able to understand how the technology operated). This includes, for example: <ul style="list-style-type: none"> ○ How to document iterations of an analytical tool, e.g., when the test is refined. ○ How to document in circumstances when machine learning is used by an entity and/or the auditor. ○ How to document the algorithms supporting the technology (e.g., AI’s “black box”). ○ Documentation expectations related to testing the information or underlying data. • Documentation challenges arising from the client’s use of technology, for example, in circumstances when the client’s information may only be available for a short period of time (e.g., in the case of many AI related applications). 	<p>circumstances when technology is used by the entity, or when technology is used by the auditor in performing the procedure. However, the AEWG suggests further exploring the need to focus on the degree to which documentation supports an understanding of the conclusions reached (i.e., instead of documentation that supports an ability to understand the audit procedures performed). In this regard, the AEWG drew similarities to the use of the work of an auditor’s expert, i.e., that the auditor does not reperform the expert’s work, but instead understands how the work is suitable for the purposes of the audit.</p> <p>The AEWG recognizes that some of the documentation challenges are also specific to certain types of technology, such as AI, and therefore guidance may provide clarity about how ISA 230 can be applied to such technology.</p> <p>The Board has welcomed this addition and encouraged guidance to be developed.</p>	
ISA 240, THE AUDITOR’S RESPONSIBILITIES RELATING TO FRAUD IN AN AUDIT OF FINANCIAL STATEMENTS			
25	<p>Evolution in technology and the nature and number of sources of information raises questions about whether ISA 240 should be updated to reflect new technology and information sources. For example:</p>	<p>The AEWG agrees that there may be circumstances when the use of technology may be more effective than manual procedures in identifying fraud and addressing the risks of material misstatement due to fraud. However, as the standards should not imply that technology is required, the AEWG suggests further</p>	<p>1.1 4</p>

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	<ul style="list-style-type: none"> • The manner in which fraud takes place, as described in paragraphs A3–A5 could include fraud arising from the entity’s use of technology. • The audit procedures responsive to fraud, as described in paragraph A37 could include examples of audit procedures that are performed using technology. • The examples of fraud risk factors in Appendix 1 of the standard could include fraud risk factors arising from the entity’s use of technology or new information sources (e.g., complexity of the algorithms, a lack of management’s understanding of technology used across the entity, unreliable source data). • The examples of audit procedures to address the risks of material misstatement due to fraud in Appendix 2 of the standard could include audit procedures that are performed using technology. 	<p>guidance addressing the impact of technology on fraud. ED-220 has also addressed the need for appropriate resources to perform the engagement, including technological resources. The AEWG also recognizes that the standard could be modernized to include examples for technology.</p>	
ISA 265, COMMUNICATING DEFICIENCIES IN INTERNAL CONTROL TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT			
26	<p>Evolution in technology raises questions about whether ISA 265 should be updated to reflect new technology. For example, the application material addressing examples of significant deficiencies and indicators of significant deficiencies could include examples related to the entity’s use of technology.</p>	<p>The AEWG recognizes that the standard could be modernized to include examples for technology.</p>	4

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
ISA 300, PLANNING AN AUDIT OF FINANCIAL STATEMENTS			
27	<p>Evolution in technology raises questions about whether ISA 300 should be updated to reflect new technology. For example:</p> <ul style="list-style-type: none"> • The standard could address the timing of planning given the effect of technology, including the need to plan the engagement early in circumstances when the entity's use of technology is pervasive and information may only be available for short time periods. • The standard could address the need for planning in circumstances when the auditor may embed the auditors' technology in the client's systems in order to extract data for audit purposes. • Paragraph A8 and the appendix could be expanded to discuss the need for technological and intellectual resources on the engagement, including the need for human resources with technological expertise 	<p>The AEWG agrees that guidance that highlights some of the planning considerations when using technology to perform the audit procedures, or when the client is using technology, would be useful.</p> <p>The AEWG recognizes that the standard could be modernized to include examples for technology.</p>	1.1 4
ISA 320, MATERIALITY IN PLANNING AND PERFORMING AN AUDIT			
28	<p>Evolution in technology used to perform audit procedures has raised questions about the concept of performance materiality in circumstances when 100% of the population is tested, or a significant portion.</p>	<p>The AEWG is of the view that 100% testing is a perception because it is not possible to obtain complete evidence regarding all assertions or risks for an account balance, class of transaction or disclosure. The AEWG also noted that there is a difference between substantive testing of every item of a population from analyzing 100% of a population in order to identify items for further substantive testing.</p>	1.1 6

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
		<p>Furthermore, performance materiality is about aggregation risk – that is, the need to aggregate residual audit risk for assertions for items in the financial statements when considering overall audit risk for the financial statements as a whole. Since there is always some remaining audit risk (there is no such thing as absolute assurance), performance materiality is always relevant, even if it may be to a lesser degree in some circumstances.</p> <p><i>High priority area (we may have information already)</i></p>	
ISA 330, THE AUDITOR’S RESPONSES TO ASSESSED RISKS			
29	<p>Evolution in technology has increased the risk of auditors over-relying on controls over the preparation of information and heightened the need for the standard to emphasize considerations about the relevance and reliability of information used in performing audit procedures.</p>	<p>The AEWG is of the view that overreliance on controls over the preparation of information is not a new issue. As the issue is <i>not</i> only relevant to technology, it may need to be considered as part of broader actions related to ISA 330.</p> <p><i>High priority area (we may have information already)</i></p>	<p>3 5</p>
30	<p>Evolution in technology has increased the risk of auditors over-relying on technology used to perform audit procedures, and heightened the need for the standard to emphasize that the auditor should consider whether the audit procedures are responsive to the risks of material misstatement and the assertions being tested.</p>	<p>The AEWG is of the view that the risk of overreliance on technology could be highlighted in the standard or in guidance.</p>	<p>1.1 3 4 5</p>
31	<p>The use of technology that enables the analysis of larger populations has raised questions about whether the auditor is required to follow up all exceptions identified, or whether the auditor is able to perform</p>	<p>The AEWG agrees that further clarification is needed regarding this issue. However, the AEWG is of the view that the issue is <i>not</i> only relevant to technology (it could also be relevant to analytical procedures not performed</p>	<p>1.1</p>

AEWG Workstream Plan
IAASB Steering Committee (August 2019)

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	further testing only on a selection of exceptions, provided that the risk of material misstatement in the remaining population is at an acceptably low level. (See item 41)	through the use of technology). Therefore, this issue may need to be considered as part of broader actions related to ISA 330.	
32	<p>Evolution in technology raises questions about whether ISA 330 should be updated to reflect new technology. For example:</p> <ul style="list-style-type: none"> • Paragraphs A4–A8 could be enhanced to describe how technology may affect the nature, timing and extent of further audit procedures. • Paragraph A24 could be updated to include more modern examples of when substantive procedures alone may not provide sufficient appropriate audit evidence. • The requirement in paragraph 10 regarding the nature and extent of tests of controls to obtain evidence about the operating effectiveness of controls may need updating for an automated environment, and may need to include factors such as the underlying data used to support the functioning of the control and the algorithms used in the technology. • Paragraph A29 dealing with the consistency of IT processing may be outdated. • The requirements and application material dealing with audit evidence obtained in previous audits may need reconsideration, in particular the requirement in paragraph 13 that describes the 	<p>The AEWG recognizes that the standard could be modernized to include examples for technology. However, some of these issues relate to the requirements, which may need to be considered as part of broader actions related to ISA 330.</p>	<p style="text-align: center;">3 4 5</p>

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	factors to be considered in determining whether it is appropriate to use previous evidence.		
33	Evolution in technology and the nature and number of sources of information has given rise to questions about the testing of information used by the auditor in performing audit procedures to respond to the risk of material misstatement. (See item 11)	<p>The AEWG recommends clarifying the linkage to ISA 500 regarding the use of information sources in performing audit procedures including, for example:</p> <ul style="list-style-type: none"> • Clarifying that the nature and purpose of the audit procedure affects the required relevance and reliability of the information. • Explaining the need for appropriate planning for gathering audit evidence, for example, planning which information sources will be used and the criteria for that information, the tools and techniques to be used and the engagement team members who will apply the tools and techniques, and considering the degree to which the information achieves the planned criteria. 	1.2 3 5
34	Refer to items 7–8 regarding sufficient appropriate audit evidence – these considerations also apply to paragraphs 25-27 of ISA 330.	The AEWG notes that the consideration of sufficient appropriate audit evidence is evaluated at various points throughout the audit, including in the context of ISA 330. Also refer to actions in items 7–8.	1.2 3 5
ISA 402, AUDIT CONSIDERATIONS RELATING TO AN ENTITY USING A SERVICE ORGANIZATION			
35	Evolution in technology and the nature and number of sources of information raises questions about whether ISA 402 should be updated to reflect new technology and information sources, for example: <ul style="list-style-type: none"> • Clarifying the scope of the standard regarding the entity's use of IT, including providing examples of 	The AEWG is of the view that guidance outside of the standards could clarify when an information source is a service organization. This would form part of the work on audit evidence, because it is related to the information used by the auditor in obtaining audit evidence. However,	1.1 1.2 4

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	<p>when the use of technology by an entity or the use of new types of information sources may be considered a service organization (paragraphs A3 and A4). For example, is the use of a public blockchain considered a service organization, and if so, who is the service provider in such cases (e.g., the developer of the blockchain, or the parties processing transactions in the blockchain)? (See item 12)</p> <ul style="list-style-type: none"> • Addressing practical challenges of obtaining an understanding of service organizations and updating the standard to reflect matters that may be considered in the context of technology. • Updating paragraph A1 to include other types of information sources that may exist in today's world. 	<p>more specific guidance that addresses certain types of technologies could also be useful.</p> <p>The AEWG also recognizes that ISA 402 could be further modernized to reflect technology.</p>	
ISA 501, AUDIT EVIDENCE—SPECIFIC CONSIDERATIONS FOR SELECTED ITEMS			
36	<p>Evolution in technology and the nature and number of sources of information raises questions about whether ISA 501 should be updated to reflect new technology and information sources, for example:</p> <ul style="list-style-type: none"> • Paragraph 4 requires attendance at physical inventory counting, which may, in some circumstances, be undertaken remotely using new technology, such as drones. The application material also appears outdated in this regard. • New types of information sources may provide information about litigation and claims, and the 	<p>The AEWG agrees that ISA 501 could be modernized, although some of the issues relate to technology, and others relate to audit evidence.</p> <p>The AEWG notes that certain technology may be used to address only specific requirements of the standard, for example, the use of a drone at a stock count does not enable the auditor to evaluate management's instructions and procedures for recording and controlling the results of the entity's physical inventory counting.</p>	<p>3 4 5</p>

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	procedures described in paragraph 9 may inadvertently limit the extent to which auditors seek information from other sources.		
ISA 505, EXTERNAL CONFIRMATIONS			
37	Evolution in technology and the nature and number of sources of information has raised questions about whether the definition of external confirmations remains appropriate. For example, there may be circumstances when a transaction is confirmed using technology through a counterparty or the confirmation is built into technology (e.g., confirmation in a blockchain).	<p>The AEWG is of the view that further clarification is needed about what audit procedures would qualify as a confirmation, and that further consideration is needed of the definition of “confirmation”. The AEWG is of the view that the issue relates to audit evidence (i.e., the information used by the auditor in arriving at the conclusions on which the auditor’s opinion is based).</p> <p><i>The question arises as to whether the term “confirmation” should be used – challenging area for audit teams.</i></p> <p><i>Consider staff guidance previously issued (also sent through by Isabelle)</i></p>	3 5
38	Evolution in technology and the nature and number of sources of information has resulted in descriptions in ISA 505 becoming outdated. For example, paragraph A12 refers to facsimile or electronic mail.	The AEWG recognizes this as a modernization issue that requires updates to the standard.	4 5
ISA 510, INITIAL AUDIT ENGAGEMENTS – OPENING BALANCES			
39	Evolution in technology used by auditors to perform audit procedures has raised questions about the ability of a successor auditor to fulfill the requirements of ISA 510 in relation to opening balances, in particular reviewing the predecessor auditor’s working papers in	The AEWG is of the view that this issue is not unique to technology, and that ISA 510 provides alternative audit procedures that may be undertaken when it is not possible to review a predecessor auditor’s working papers. Furthermore, the AEWG notes that while the predecessor auditor may be unable to provide access	6

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	circumstances when the predecessor auditor used proprietary technology to perform the procedures.	to a technology tool, they may be able to provide the output from the tool.	
ISA 520, ANALYTICAL PROCEDURES			
40	<p>Evolution in technology and the nature and number of sources of information, in particular the use of data analytic tools, raises questions about whether ISA 520 should be updated to reflect the use of new technology and information sources in performing analytical procedures. For example, technology and information sources raises questions about:</p> <ul style="list-style-type: none"> • The scope of the standard, such as whether it should more broadly apply to all analytical procedures, including those performed to identify risks (which may be dual purpose in some cases). • What is meant by the term “expectation,” which could include amounts, ratios or trends. • The requirement to determine the amount of any difference of recorded amounts from expected values, as this requirement could be perceived as limiting in the context of the varying types of analytical procedures that may be performed and the expectations that are developed. • Whether the application material should include more modern examples of data analytic tools, and how these relate to the consideration factors. For example, the application material could address the use of visualization and how the proportion of graphs could impact the auditor's judgments. 	<p>The AEWG is of the view that:</p> <ul style="list-style-type: none"> • The manner in which substantive audit procedures are described in ISA 520 may create perceptions that the standard is limited to substantive analytical procedures (see paragraph 5) and may exclude analytical procedures used by the auditor as both a risk assessment procedure and substantive analytical procedure. • More emphasis could be given to the fact that in the case of a substantive analytical procedure, the auditor’s focus is on detection risk (i.e., whether the procedure is designed to detect a misstatement that could be material). • Further clarification is needed of what is meant by “expectation” and how the auditor determines whether the amount of a difference is acceptable. <p>The AEWG is of the view that the issues are not solely related to technology (with the exception of more modern examples of tools), as they could also be relevant when using other tools and techniques. However, given the importance of these issues, guidance may be an appropriate action at this time.</p> <p><i>Priority area (that may include standard setting)</i></p>	<p>1.1</p> <p>3</p> <p>5</p>

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
41	The use of technology in performing analytical procedures has raised questions about whether the auditor is required to follow up all exceptions identified, or whether the auditor is able to perform further testing only on a selection of exceptions, provided that the risk of a material misstatement in the remaining population is at an acceptably low level. (See item 31)	The AEWG agrees that further clarification is needed regarding this issue. However, the AEWG is of the view that the issue is <i>not</i> only relevant to technology (it could also be relevant to analytical procedures not performed through technological tools). However, given the importance of this issue, guidance may be an appropriate action at this time. <i>Priority area (that may include standard setting)</i>	1.1 3 5
42	The factors considered in the evaluation of the reliability of information are different in ISA 500 and ISA 520, which creates confusion about the attributes of information that affect the reliability of information. (See item 15)	The AEWG is of the view that the difference is due to the specific nature of analytical procedures dealt with in ISA 520. Therefore, the AEWG is of the view that the use of different factors is appropriate.	1.2 6
ISA 550, RELATED PARTIES			
43	Evolution in technology and the nature and number of sources of information raises questions about whether ISA 550 should be updated to reflect new technology and information sources, for example: <ul style="list-style-type: none"> • The application material could recognize the use of technology to assist in identifying related party relationships and transactions, for example, data analytic tools may be able to analyze large volumes of data and may highlight trends that may indicate such relationships. • The application material could recognize the use of technology to test related party transactions, for example, tools that can compare the terms of transactions to arm's length transactions, or that 	The AEWG recognizes this as a modernization issue that requires updates to the standard. <i>Board: For issues 43 and 44, be cautious not to create responsibilities that are normally associated with a forensic auditor, i.e. that may go beyond the responsibilities in an external financial audit.</i>	4

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	analyze the population of transactions for authorization.		
44	Evolution in technology may create new risks regarding related parties. For example, with the use of blockchain, there may be new risks regarding unidentified related parties.	The AEWG noted regulators' increased interest in unidentified related parties as a result of new technology, and that guidance on this topic may be useful.	1.1
ISA 560, SUBSEQUENT EVENTS			
45	Evolution in technology and the nature and number of sources of information raises questions about whether ISA 560 should be updated to reflect new technology and information sources, for example: <ul style="list-style-type: none"> • The audit procedures described in paragraph A8 could include new types of procedures that use technology, for example, data analytic tools that are able to analyze information and identify any subsequent events. • New types of information sources may provide information about subsequent events (e.g., social media). 	The AEWG recognizes this as a modernization issue that requires updates to the standard.	4
ISA 570 (REVISED), GOING CONCERN			
46	Evolution in technology and the nature and number of sources of information raises questions about whether ISA 570 (Revised) should be updated to reflect new technology and information sources, for example: <ul style="list-style-type: none"> • The audit procedures described in paragraph A16 could include new types of procedures that use technology, for example, AI tools that are able to 	The AEWG recognizes this as a modernization issue that requires updates to the standard.	4 1.1

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	<p>predict outcomes using a variety of data inputs, both internal and external, or tools that are able to read contracts to verify the terms and conditions of contracts have been met.</p> <ul style="list-style-type: none"> • New types of information sources that may provide an indication of whether events or conditions exist that could cast doubt on the entity's ability to continue as a going concern. 		
ISA 600, SPECIAL CONSIDERATIONS—AUDITS OF GROUP FINANCIAL STATEMENTS (INCLUDING THE WORK OF COMPONENT AUDITORS)			
47	<p>Evolution in technology, and the extent to which it is used by the entity and the auditor, raises questions about whether ISA 600 should be updated to reflect the special considerations in, for example:</p> <ul style="list-style-type: none"> • Using technology to understand the group, its components and their environments and to identify risks of material misstatement. • The entity's use of technology, or the auditor's automated tools and techniques, in determining the most appropriate responses to assessed risks of material misstatement, including procedures to be performed with respect to different components. • The effect of technology on controls (including group-wide controls). • The use of multiple IT systems across the group, including the effect of technology on the entity's 	<p>The AEWG is of the view that technology presents unique challenges and opportunities in the context of group audits, and since the standard is currently under revision, further coordination should be undertaken between the ISA 600 Task Force and TWG on whether and how to incorporate technology in the standard.</p> <p><i>Use of technology in undertaking risk assessment at group level and considering group level controls and SAAE. Could also help to address restrictions in terms of physically doing work in component area, and technology might help with access issues</i></p>	2 (ISA 600 TF)

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
	financial reporting process (e.g., understanding and testing the consolidation process).		
ISA 620, USING THE WORK OF AN AUDITOR'S EXPERT			
48	<p>Evolution in technology, and the extent to which it is used by the entity and the auditor, has raised questions about:</p> <ul style="list-style-type: none"> • Who is considered an auditor's expert and whether they fall within the scope of ISA 620, or whether they are considered a member of the engagement team. (See item 18) • The practicalities of the auditor having an understanding of the field of expertise of the auditor's expert, as required by paragraph 10, given the complexity of technology (e.g., the complexity of the algorithms used). 	<p>The AEWG is of the view that clarification of the difference between an auditor's expert, information source and when a technology specialist is a member of the engagement team would be useful. The AEWG notes that the definition of "engagement team" has been addressed in ED-220. The AEWG plans to ensure that appropriate coordination is undertaken with the ISA 220 Task Force.</p> <p>The AEWG notes that the auditor is expected to have a sufficient understanding of the field of expertise of the auditor's expert. Guidance may assist in applying this requirement to technology.</p>	1.1 3
ISA 701, COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT AUDITOR'S REPORT			
49	In describing how a key audit matter was addressed in the audit, expectation gaps may be created on how much audit evidence has been obtained and the level of assurance provided, because auditors may indicate that "100% of the population was tested" when using technology on the audit.	As highlighted previously, the AEWG is of the view that "100% testing" is a misperception. However, the AEWG is of the view that when describing how the key audit matter was addressed in the audit, there should be caution that it is not in a manner that causes overconfidence in the procedures undertaken by the auditor. The AEWG is further of the view that caution in describing audit procedures is not unique to technology and therefore is not an issue that is best addressed through actions related to technology. Given that the Auditor Reporting Implementation Working Group is	2 (ARIWG)

#	Description of Issue	AEWG Initial Views	Recommended Action(s)
		currently developing a post-implementation review plan, which may include further guidance, the AEWG intends to collaborate with that group on whether and how to address this issue.	
50	Evolution in technology and the nature and number of sources of information raises questions about whether ISA 701 should be updated to reflect new technology. For example, the application material describing how the auditor may determine key audit matters could include examples about technology related issues (e.g., audit of crypto assets or higher risks associated with technology such as the use of an AI tool).	The AEWG agrees that examples of technology-related key audit matters and how these are described in the auditor's report would be useful.	1.1
ISA 705 (REVISED), MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT			
51	Evolution in technology and the nature and number of sources of information raises questions about whether ISA 705 (Revised) should be updated to reflect new technology. For example, the application material addressing examples of limitation of scope could include examples when the auditor was unable to obtain sufficient appropriate audit evidence given limitations on the availability of information generated by technology, or limitations on determining the reliability of information used as audit evidence.	The AEWG agrees that a limitation on the scope of the audit due to technology is an example that could be provided. <i>Board: Be careful how example is articulated – suggestion that example should be based on circumstance of late appointment and missed opportunity and no alternative procedures can be performed.</i>	1.1