cpab exchange

The evolving use of technology in the audit

The rapid advancement of technology continues to accelerate the pace of innovation. Canadian audit firms are embedding advanced technologies in their audit workflows and beginning to make use of agentic artificial intelligence (agentic AI). These advancements offer opportunities to enhance audit quality, promote consistency and improve efficiency in the audit. To take advantage of these innovations, audit firms will need to address the additional risks that come with these advancements. This document identifies additional risks to consider, building on the key messages in CPAB's 2024 publication, the use of artificial intelligence in the audit - balancing innovation and risk.

> Agentic AI can be used for simple, task-specific tools that perform isolated actions to advanced multi-modal systems capable or for making complex, autonomous decisions across multiple systems and processes. At their most advanced, these technologies can independently plan, act and adapt to achieve goals or complete tasks.

What our inspections reveal

The Canadian Public Accountability Board (CPAB) is seeing a growing use of advanced technology in audits. In CPAB's 2025 inspections, we noted instances where auditors relied on automated tools and techniques (ATTs) as the primary source of audit evidence for a specific class of transaction.[1]

When ATTs were used as the primary source of audit evidence, in some instances CPAB observed limited procedures to validate the completeness and accuracy of the data inputs. In one tool, substantive testing was generally limited to transactions flagged as higher risk or outliers, with no additional testing performed on the transactions determined to be low risk by the algorithm. This raised concerns around the transparency around how risk classifications were determined by the tool, and whether the auditor sufficiently challenged the outputs.

[1] See CPAB's 2025 interim report for a description of significant findings relating to the use of technology.

IFIAR's Technology Task Force

CPAB leads the International Forum of Independent Audit Regulators' (IFIAR) Technology Task Force. The mandate of the task force is to enhance IFIAR members' understanding of how technological resources used by the six largest global audit firms are impacting audit quality. The task force engages in discussions with each firm's global leaders to understand their network-level approaches to oversight of technological resources used in audits across their networks. We encourage you to read IFIAR's 2025 publication on the use of technology in audits for additional information and perspectives.

Firm and network-level considerations

The Canadian Standard on Quality Management (CSQM 1) outlines a comprehensive framework for managing quality within an audit firm. This includes establishing policies and procedures addressing the development or acquisition, implementation and ongoing maintenance of technological tools used in engagements.[2] As such, it is critical that audit firms establish quality objectives, identify and assess quality risks and design and implement responses[3] that address the quality risks related to the use of advanced technology on audit engagements. For example, the risk assessment process could include identifying new quality risks that the implementation[4] of advanced technologies will create, including the identification of gaps in technical knowledge, skills and capacity. Audit firms will also need an effective plan for obtaining or developing and implementing the technology across the firm. As part of this, we encourage audit firm leadership to consider when engagement with relevant regulators and other stakeholders is appropriate.

Audit firms should also be mindful of the risk of overreliance on technology. This risk increases when the output or results appear authoritative, are difficult to understand or lack sufficient information to allow auditors to challenge the underlying assumptions. It is important that auditors continue to exercise an appropriate level of professional skepticism. For example, when the auditor is unable to understand or challenge the output provided, or key decisions are contained within an algorithm.

AI lacks ethical reasoning, as such, firms should consider how to establish strong governance frameworks that prioritize transparency and explainability. Effective adoption of AI includes ensuring that technology enhances audit quality without compromising trust and accountability. This includes continuous monitoring for bias and reliability and ensuring that auditors have the skills to effectively challenge the output.

[2] CSQM 1, paragraph 32(f).
[3] CSQM 1, paragraph 25 and 26.
[4] See additional application guidance included in CSQM 1, paragraph A100.

The following are some examples of firm-level responsibilities and responses to quality risks that could be considered by firms planning to implement the use of technology in audit engagements:

Approval of tools for use	Review and update processes for approving audit tools for use by engagement teams. This could include: • Defining and refining established roles and responsibilities for those involved in obtaining or developing, implementing, and monitoring and oversight of the tools. • Establishing policies around the frequency of reassessment of tool effectiveness, for example, when a new version of the underlying large learning model is introduced. • Providing guidance on circumstances where tools are most or least effective (i.e., specific industries, geographic locations or organization sizes).
Methodology and guidance	Provide practical guidance on integrating technology into the audit, including how tools work together with the firm's audit methodology and guidance and identifying circumstances where the firm should update or revise its methodology.
Monitoring and oversight	Ensure tools are used only on approved engagements and remain fit for purpose. Implement periodic reviews and coaching programs to reinforce proper use.
Training requirements	Understand the current and evolving skill sets and consider how training may need to differ based on the individuals using the technology. For example, understanding the knowledge, training and expertise needed to review the output or how to develop critical thinking skills of junior auditors.
Whistleblowing and other ethical concerns	Establish formal escalation and whistleblowing procedures, including processes to identify and address anomalies within tools, or ethical concerns around use of AI in the audit.

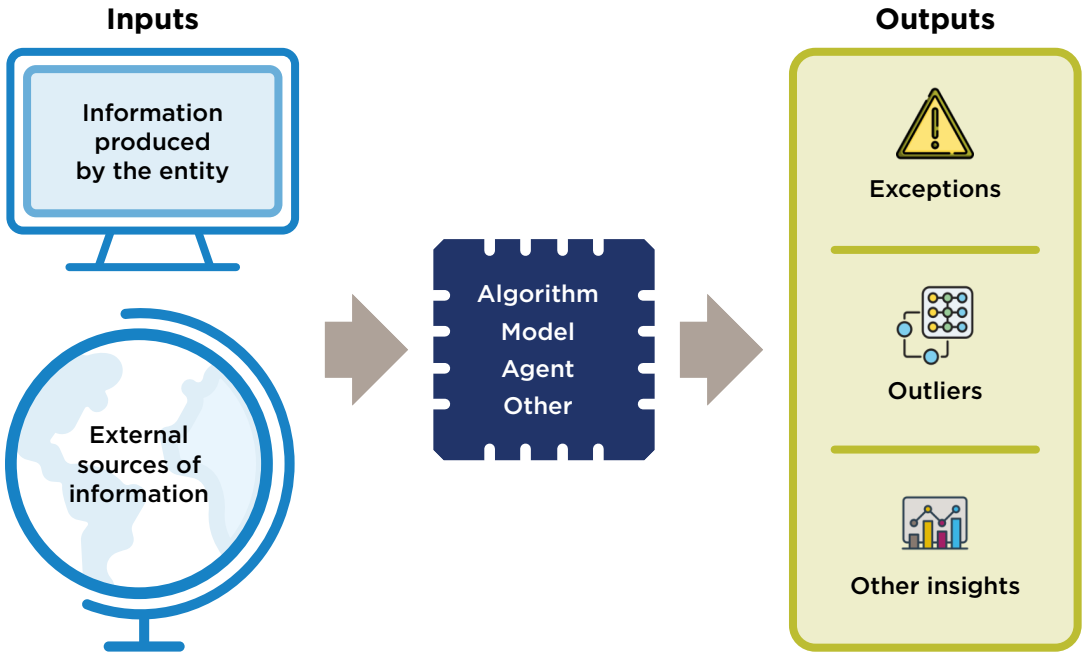
Engagement level considerations

Where it is used effectively, technology can enhance audit procedures, but it does not replace professional judgment. As audit firms increasingly adopt advanced technologies, maintaining audit quality requires a clear framework for human oversight and transparency. Canadian Auditing Standard (CAS) 220, *Quality management for an audit of financial statements*, reinforces this by outlining specific responsibilities of the auditor regarding quality management at the engagement level and the related responsibilities of the engagement partner.[5]

The use of technology in the audit:

When an auditor is using a technological resource, it is important that they have a clear understanding of how and why the technology is being used and the basis for the decisions being made. The following questions may help to guide the auditors' use of technological resources:

- Are the relevant inputs clearly understood by the engagement team?
- Has the accuracy and completeness of the data been evaluated?
- Does the engagement team understand how the tool makes decisions?
- Can outputs be corroborated through other relevant sources?
- Are the outputs explainable?
- Has the engagement team sufficiently challenged any conclusions drawn by the tool?



[5] CAS 220, paragraph 1.

Clearly defining the role of auditors

CPAB has noted that many audit firms consistently state that the audit will remain human-led and that the use of AI or advanced technology will include a human in the loop. However, effective adoption requires more than just explaining this concept or including it in training. It requires a behaviour shift and clear articulation of the desired involvement at each stage of the audit. For example, at the beginning stages of the audit, the audit partner may want to consider how to set appropriate expectations for engagement team members on how technology will be used,[6] including any specific planned uses of AI. At this stage it is also important to identify and understand the risks associated with using technology, and to plan appropriate responses, such as review procedures that will address the associated risks. Through fieldwork, consideration of how the engagement team will evaluate the effectiveness of any tools used and review of technology driven decisions is important. Lastly, during the final stages of the audit, it is important for senior members of the engagement team to consider how they assess the overall use of technology,[7] including whether professional skepticism was exercised to address the identified risks of material misstatements.[8]

Transparency in technology-driven decisions

As technological resources operate more autonomously (including where agentic AI is utilized), supervision and oversight mechanisms may need to be enhanced. This could include development of processes that ensure engagement teams have visibility of key decisions that are made by the technology. For example:

- Maintaining a clear, documented roadmap of steps taken or decisions made by the technological tools. In doing this, auditors need to ensure there is sufficient detail retained in the audit file so an experienced auditor with no prior involvement can clearly understand the nature, timing, and extent of the procedures performed, the results and evidence obtained, and the significant matters and professional judgments that informed the conclusions.[9]
- Establishing challenge mechanisms that will alert engagement teams when technology makes decisions that could affect parts of the audit strategy.

Transparency with audit committees and other stakeholders

It is also important to be transparent with other stakeholders, including those charged with governance (i.e. audit committees) and regulators, regarding how technology is being used in the audit. This could include clearly explaining how technology is used in the audit workflow, the extent that auditors are utilizing ATTs to perform procedures and any related decision making. This transparency is essential to the oversight role that audit committees play in supporting audit quality.

[6] For additional considerations see CAS 220, paragraphs A65 and A68.
[7] CAS 220, paragraph A68.
[8] CAS 220, paragraph 29.
[9] CAS 230, paragraph 8.

Looking ahead

CPAB supports the International Audit and Assurance Standards Board's (IAASB) Technology initiative, which is focused on responding proactively to the challenges and opportunities that emerging technologies present. The IAASB's initiative aims to conduct gap analyses to ensure that standards keep pace with technological advancements.[10] CPAB will continue to monitor the application of advanced technologies through its inspections and will share observations gained through various communications, including the annual and interim inspections reports. As new technologies emerge, we encourage firms to engage in proactive and ongoing dialogue with CPAB promoting transparency, to uphold the shared commitment to audit quality.

[10] For more information on this initiative, visit the IAASB's Technology Position Initiative.

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