IAASB TECHNOLOGY QUALITY MANAGEMENT GUIDE SERIES

NOVEMBER 2026

APPLYING THE QUALITY MANAGEMENT STANDARDS TO AI-ENABLED TECHNOLOGICAL TOOLS

GUIDE 1

Common Conceptual Foundation

Status of This Document

The IAASB approved this document on October 28, 2026, ahead of Guides 2 to 4. This is a **pre-final version** of Guide 1. As the IAASB continues to develop the guide series, it may identify matters to update, add, or remove to support the cohesiveness of the guide series. In mid-2027, the IAASB expects to publish all the guides together as one integrated guide series, including in a digital format designed for easy navigation and improved accessibility.

How Guide 1 Is Organized

1. **Guide 1** is read together with the **Introduction to the Guide Series**, which explains the purpose, status and audience of the guide series. **Guide 1** sets out the concepts on which **Guides 2 to 4** build. It is organized as follows:

> Terms shown in teal, like AI-enabled technological tool, are described in the glossary in **Appendix 2**.

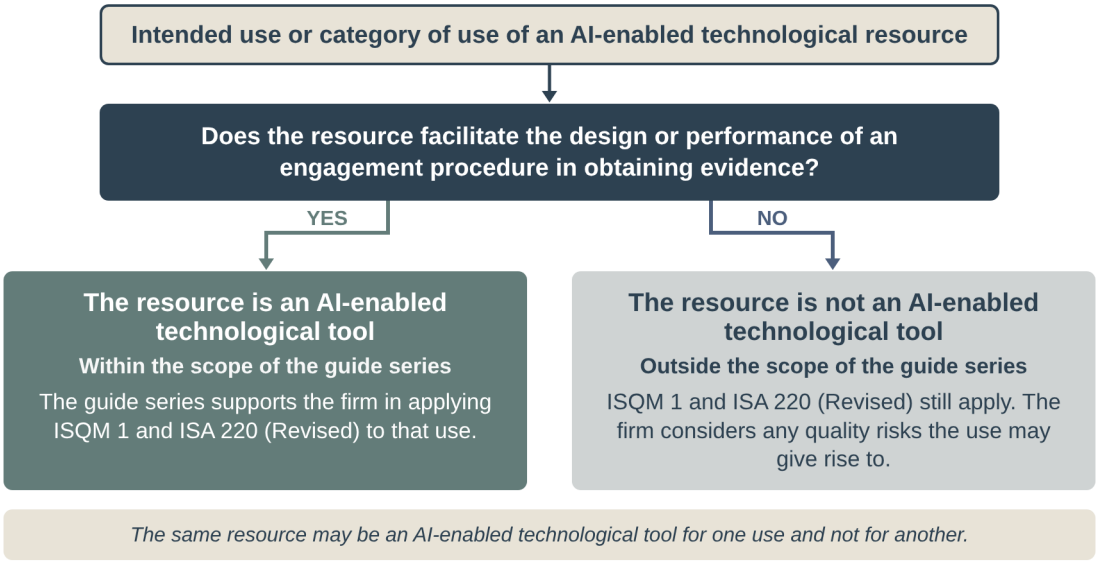
- **Section 1** explains when a use of an AI-enabled technological resource is within the scope of the guide series.
- **Section 2** sets out the foundation in ISQM 1 and ISA 220 (Revised) at the firm and engagement levels.
- **Section 3** describes the life cycle of an AI-enabled technological tool at the firm, which **Guides 2 to 4** follow.
- **Section 4** explains how the firm applies its risk assessment process to AI-enabled technological tools, including the risk assessment considerations that **Guides 2 to 4** draw on.
- **Appendix 1** provides illustrative examples of uses within and outside the scope of the guide series.
- **Appendix 2** is the glossary.

1. Scope of the Guide Series

2. The guide series focuses on AI-enabled technological tools. These tools incorporate, or provide access to, one or more AI systems. They may be general-purpose, making broad functionality available that supports many uses, or may take the form of a specific application, agent or workflow designed for a defined purpose.

3. An AI-enabled technological tool may use generative AI, agentic AI, other forms of machine learning or a combination of AI technologies. These labels are not always clear-cut and may change as technologies evolve. The guide series therefore focuses on the functionality made available and how it is used, rather than establishing rigid boundaries among types of AI.[7]

4. The applicability of the guide series depends on the intended use or category of use of an AI-enabled technological resource, rather than its product name or its capabilities. What makes the resource an AI-enabled technological tool, and thereby brings that use within the scope of the guide series, is that it facilitates the design or performance of an engagement procedure in obtaining evidence. For an audit, such engagement procedures are audit procedures to obtain sufficient appropriate audit evidence.[8] Accordingly, the same general-purpose AI application or audit platform may be within the scope of the guide series for one intended use or category of use and outside it for another. The figure below illustrates this.



Appendix 1 provides illustrative examples.

5. Some uses are outside the scope of the guide series because they do not facilitate the design or performance of an engagement procedure in obtaining evidence. Examples include administrative uses and uses that support the direction, supervision and review of the engagement, such as tracking

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7 International Organization of Securities Commissions (IOSCO), *Supervisory Toolkit for AI Use in Capital Markets* (May 2026), p. 11, footnote 12, observes that categorizations of AI are not always clear-cut, as boundaries may be blurred and definitions imprecise.

8 ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 17, requires the auditor to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion. Proposed ISA 500 (Revised) (ED-500) was on exposure when the **Introduction to the Guide Series** and **Guide 1** were approved (see footnote 3 in the **Introduction to the Guide Series**). ED-500, paragraph A13, explains that the auditor's procedures to obtain sufficient appropriate audit evidence include risk assessment procedures, further audit procedures and other audit procedures that are required to be carried out to comply with the ISAs, including evaluating the relevance and reliability of information intended to be used as audit evidence. For other assurance engagements, the guide series refers by analogy to the equivalent engagement procedures and evidence concepts under the applicable assurance standards.

the status of open review notes.[9] Direction, supervision and review are part of engagement-level quality management under ISA 220 (Revised) and extend to work performed using AI-enabled technological tools (see paragraph 22).

6. AI-enabled technological resources may also be used in other parts of the firm's operations or SOQM, for example, to support resource allocation or the firm's monitoring and remediation process. These uses, like those above, involve technological resources as that term is described in ISQM 1,[10] rather than technological tools (see paragraph 1 of the **Introduction to the Guide Series**).

7. The firm determines the intended use or category of use when applying its risk assessment process, before the tool is deployed. In doing so, the firm may consider relevant functionality beyond the intended use or category of use.

8. The firm establishes policies or procedures that engagement teams apply when using the tool. Policies are statements of what should or should not be done, and procedures are actions to implement policies.[11] The firm may communicate these policies or procedures through its methodology, training or other communications. The firm may enforce some policies or procedures through the tool itself (see **Section 4.4**). A new or expanded use not addressed by those policies or procedures may call for consultation, for example with those responsible for the tool, or further consideration by the firm before the tool is used in that way.

9. Where an AI-enabled technological resource assists engagement team members in preparing engagement documentation, the test in paragraph 4 applies. For audits of financial statements, ISA 230 requires documentation of the procedures performed, their results and the evidence obtained, and significant matters arising and the conclusions reached on them.[12]

10. Such a use is within the scope of the guide series where the resource facilitates the design or performance of an engagement procedure in obtaining evidence (i.e., it is a technological tool). For example, the use of a tool may include extracting and analyzing information from source documents, or preparing a first draft of documentation from the entity's documents or transcripts of discussions with the entity, which engagement team members then evaluate.

11. However, where the resource only records, organizes, or expresses work already performed and conclusions already reached by engagement team members, without adding to or revising the results or conclusions of that work, that use is outside the scope of the guide series.

12. Placing a use outside the scope of the guide series does not make engagement documentation less important. Engagement documentation remains central to engagement quality. The quality objective in ISQM 1 that addresses engagement documentation and, for audits of financial statements, the requirements of ISA 230 apply to engagement documentation however it is prepared.

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9 ISA 220 (Revised), paragraphs 29–31, address direction, supervision and review.

10 ISQM 1, paragraph A104.

11 ISQM 1, paragraph 18(u).

12 ISA 230, *Audit Documentation,* paragraph 8.

Uses of AI Outside the Scope of This Guide Series

The scope of the guide series does not limit the application of ISQM 1 or ISA 220 (Revised). Those standards apply to the technological resources relevant to the firm's SOQM and to the performance of engagements, whether or not they are AI-enabled and whether or not a particular use is within the scope of the guide series.[13]

A use outside the scope of the guide series may still give rise to quality risks. For example, an administrative use that processes confidential engagement information may give rise to quality risks relating to confidentiality, and a use that drafts engagement documentation from completed work may give rise to quality risks relating to the accuracy of that documentation. The firm considers such uses when identifying and assessing quality risks and designing and implementing responses under ISQM 1.[14]

13. The IAASB may consider broader uses of AI-enabled technological resources for future IAASB non-authoritative material informed by its approach to addressing technology-related matters.[15]

2. Foundation in the IAASB's Quality Management Standards

2.1 Firm-Level and Engagement-Level Quality Management

14. The following objective in ISQM 1 is the overall reference point for the guide series.

FROM THE STANDARD

Objective, ISQM 1, paragraph 16

The objective of the firm is to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm, that provides the firm with reasonable assurance that:

(a) The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and

(b) Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

15. The quality objective in paragraph 34(f) of ISQM 1, which directly addresses technological resources, is relevant when AI-enabled technological tools are used. Where an AI-enabled technological tool, or a relevant element of it, is obtained from a service provider, the quality objective in paragraph 34(h) of ISQM 1, addressing the appropriateness of resources obtained from service providers, is equally relevant.

[13] ISQM 1, paragraphs 34(f) and A104, and ISA 220 (Revised), paragraphs 25 and A64.

[14] ISQM 1, paragraphs 27 and 28.

[15] IAASB, The IAASB's *Technology Catalog Process: Approach to Addressing Technology-Related Matters*, approved March 2026 (Agenda Item 3-E). The approach explains how technology-related matters are identified, evaluated and addressed, including through non-authoritative material.

> FROM THE STANDARD
>
> **Technological Resources, ISQM 1, paragraph 34(f)**
>
> *Appropriate technological resources are obtained or developed, implemented, maintained, and used, to enable the operation of the firm's system of quality management and the performance of engagements*.
>
> **Service Providers, ISQM 1, paragraph 34(h)**
>
> *Human, technological or intellectual resources from service providers are appropriate for use in the firm's system of quality management and in the performance of engagements, taking into account the quality objectives in paragraph 34(d), (e), (f) and (g)*.

16. ISQM 1 describes a firm's SOQM as operating in a continual and iterative manner[16] and being responsive to changes in the nature and circumstances of the firm and its engagements. It also does not operate in a linear manner. The eight components of the SOQM are interrelated.[17] AI-enabled technological tools may therefore create or affect quality risks across the SOQM and are not solely a matter for the resources component.

17. Using an AI-enabled technological tool may also affect the achievement of other quality objectives in ISQM 1, including those relating to the following components of the SOQM:

    - Governance and leadership;
    - Relevant ethical requirements;[18]
    - Acceptance and continuance;
    - Engagement performance;
    - Human and intellectual resources; and
    - Information and communication.

    The firm identifies and assesses the related quality risks through its risk assessment process (see **Section 4**), and designs and implements responses in the components concerned. Its monitoring and remediation process provides information about the design, implementation and operation of those responses, and the firm remediates any deficiencies identified (see **Guide 4**). Not every intended use or category of use of an AI-enabled technological tool affects each of these components.

18. Application material in paragraph A105 of ISQM 1 sets out matters the firm may consider when obtaining, developing, implementing and maintaining an IT application. These include:

    - The completeness and appropriateness of data inputs and confidentiality of data;

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16 ISQM 1, paragraph 8.

17 ISQM 1, paragraphs 9 and A9.

18 The relevant ethical requirements that apply to the firm ordinarily comprise the provisions of the International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with national requirements that are more restrictive (ISQM 1, paragraph 18(t)). **Guide 2** refers to provisions of the IESBA Code that relate to AI-enabled technological tools where they arise in the components of the SOQM. The IESBA has a Technology workstream that develops non-authoritative material to support the consistent and effective application of the IESBA Code in an environment affected by emerging technologies. The IAASB coordinates with the IESBA on the two Boards' technology-related activities to reinforce connectivity. Technology-specific guidance and other implementation support resources issued by the IESBA are available on the IESBA's Technology focus webpage.

- Whether the application operates as designed and its outputs achieve their intended purpose;
- The general IT controls that support its continued operation; and
- The specialized skills and training needed to use it, and procedures explaining how it operates.

19. Work performed by a network or service provider may provide important information and support, but the firm retains responsibility for its SOQM and for determining whether a resource is appropriate for use in the firm's circumstances. Paragraphs 50 to 54 of ISQM 1 address network requirements or network services. Paragraphs A110 to A113 of ISQM 1 address resources obtained from service providers. **Guide 2** addresses how the firm may use information and work from its network or service providers.

20. Firm-level and engagement-level quality management operate together. At the firm level, the firm:

- Determines which tools or functionality to make available;
- Identifies and assesses quality risks; and
- Designs and implements responses, such as approval conditions, methodology and training, controls over access and information, involvement of individuals with specialized skills or expertise, and implementation support.

21. At the engagement level, the engagement team applies the firm's policies or procedures in the circumstances of the engagement, using the resources the firm makes available, such as tools and methodology, and information communicated by, or obtained from, the firm. The engagement team also communicates relevant information from the engagement to the firm.[19]

22. For audits of financial statements, the engagement partner takes overall responsibility for managing and achieving quality on the engagement.[20] This includes determining that sufficient and appropriate resources, including technological resources, are assigned or made available to the engagement team,[21] and taking responsibility for the direction and supervision of engagement team members and the review of their work, including work performed using AI-enabled technological tools.[22]

23. An AI-enabled technological tool is a resource. The firm and the engagement team, including the engagement partner, retain the responsibilities required of them by the standards.[23] This remains the case when a tool carries out a large part of the work involved in an engagement procedure. The figure below illustrates how firm-level and engagement-level quality management operate together, and where human involvement fits.

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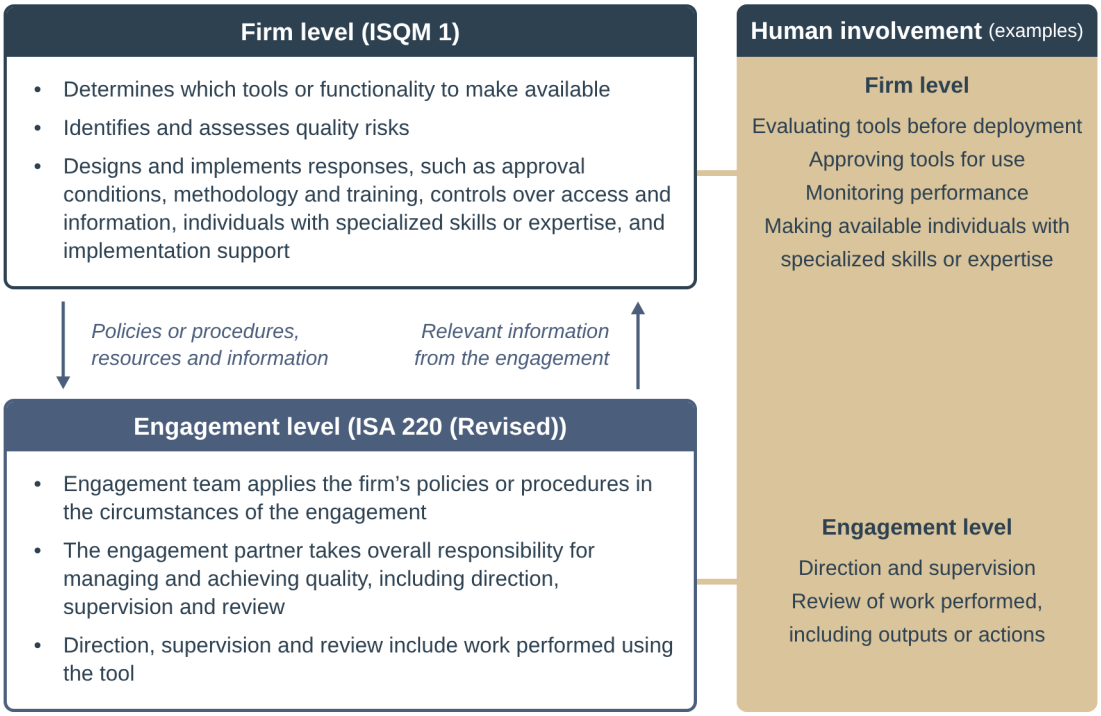
19 ISA 220 (Revised), paragraph 4.

20 ISA 220 (Revised), paragraphs 13 and 15.

21 ISA 220 (Revised), paragraph 25.

22 ISA 220 (Revised), paragraph 29. See also International Forum of Independent Audit Regulators (IFIAR), *Use of Technology in Audits – Innovation and Audit Quality 2026* (April 2026), pp. 4–7, for regulators' perspectives on integrated responsibilities across the firm and engagement levels.

23 ISQM 1, paragraph 22, requires the firm to assign responsibility for its SOQM to individuals. ISA 220 (Revised), paragraphs 13 and 15, require the engagement partner to take overall responsibility for managing and achieving quality on the audit engagement, including when assigning procedures, tasks or actions to other members of the engagement team (paragraph 12(d)). A technological tool is a technological resource (ISQM 1, paragraphs 34(f) and A104).



The tool is a resource. The firm and the engagement team retain the responsibilities required of them by the standards.

24. Human involvement is an important part of how the firm and the engagement team fulfill their responsibilities when a tool is used. At the firm level, human involvement may include, for example, evaluating a tool before deployment, approving it for use, monitoring its performance and making available individuals with specialized skills or expertise. At the engagement level, it may include directing the use of the tool, evaluating its outputs or actions, supervising and reviewing work, and intervening when needed, for example to challenge an output or to override or reverse an action.

25. Whether human involvement is effective may depend on whether that involvement is reasonably capable of addressing the matter it is intended to address, and whether the individuals involved have:

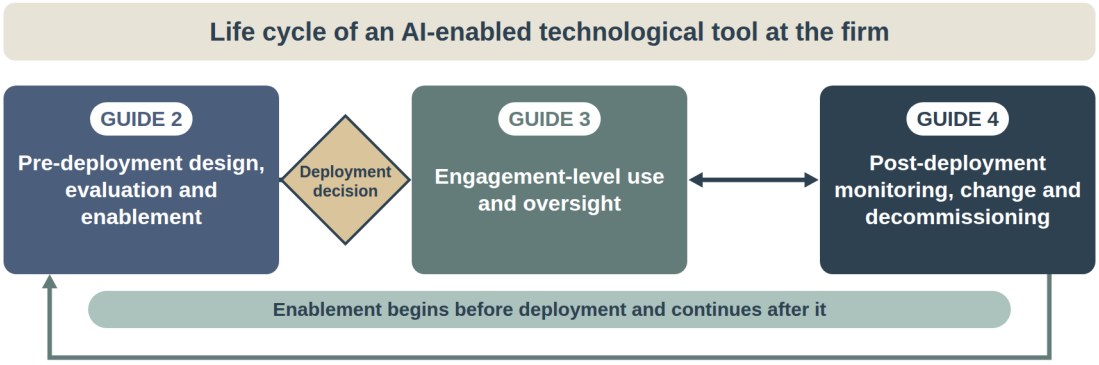
- Appropriate competence and capabilities;
- Sufficient time; and
- Relevant information and authority to direct, evaluate, challenge, authorize, intervene or escalate as appropriate.

26. Human involvement may be one of the firm's responses to quality risks (see **Section 4.4**). Its nature and extent depend on the quality risks it addresses and need not be the same for every output or action. **Guides 2 to 4** each address human involvement further, as relevant.

27. **Guide 3** explains how engagement-level quality management under ISA 220 (Revised) supports the application of the other relevant engagement standards when AI-enabled technological tools are used. The requirements governing the design or performance of engagement procedures, the evidence obtained and the documentation prepared remain in those standards.

3. The Life Cycle of an AI-Enabled Technological Tool at the Firm

28. The guide series uses the life cycle of an AI-enabled technological tool at the firm as a navigation structure. The life cycle describes the phases of the tool's life at the firm, from when the firm obtains or develops it, through its design, configuration and use on engagements, to its eventual decommissioning.[24] It is a practical way of explaining how the firm's quality management responsibilities may apply at each of those phases. The figure below shows the three phases of the life cycle, the deployment decision between the first two phases, and enablement, which begins before deployment and continues after it.



Information from use and monitoring feeds back into the firm's risk assessment process. Depending on its effect on the intended use, a change, such as a new AI model version, may call for further evaluation or enablement.

29. As the figure shows, engagement-level use and post-deployment monitoring take place at the same time and inform each other, and information arising from them may require the firm to revisit its earlier understanding of the tool, or an earlier risk assessment, response or decision. The activities within each phase are also not necessarily sequential and may overlap. For example, design, configuration, evaluation, methodology development and enablement may occur together.

30. The table below summarizes the primary focus of each phase and the guide that principally addresses it.

[24] Other publications describe AI life cycles differently, often in terms of the technical stages of developing and operating an AI system. See, for example, National Institute of Standards and Technology (NIST), *Artificial Intelligence Risk Management Framework* (AI RMF 1.0) (January 2023), Figure 2, which describes AI lifecycle stages from planning and design through to operation and monitoring. The life cycle used in the guide series is organized around the firm's quality management responsibilities, although information about the development processes of a service provider, network or the firm's IT function may be relevant to the firm.

LIFE CYCLE PHASE	PRIMARY FOCUS	PRINCIPAL GUIDE
Pre-deployment design, evaluation and enablement	Identify and assess quality risks for the intended use or category of use, and design and implement responses, that is, policies or procedures to address the assessed quality risks, including those applied at the engagement level. Responses before deployment include, where applicable, designing or configuring relevant elements of the tool; evaluating the tool, including by testing it, to obtain a sufficient basis to determine whether and how it may be made available; and preparing personnel, methodology and the operating environment for use.	**Guide 2**
Engagement-level use and oversight	Apply the firm's policies or procedures in the circumstances of the engagement; direct, supervise and review the work; evaluate the tool's outputs or actions; and communicate relevant information from the engagement to the firm and, where applicable, its network.	**Guide 3**
Post-deployment monitoring, change and decommissioning	Monitor information about performance, use, incidents and changes and, through the firm's monitoring and remediation process, the responses relating to the tool; remediate identified deficiencies; determine whether earlier assessments, decisions or responses need to be revisited; update enablement, such as guidance and training, as needed; and, when appropriate, retire, replace, restrict or suspend the tool or particular functionality and address access, information, communication and transition matters.	**Guide 4**

31. Certain matters apply across all phases and are addressed in each guide as relevant. These include the components of the SOQM, as well as matters such as human involvement; roles, responsibilities and authority; competence and capabilities; data and knowledge; privacy and confidentiality; documentation and traceability; scalability; and feedback loops.

32. The guide series uses examples to illustrate how the concepts and principles in **Guide 1** may be applied at different phases of the life cycle. The examples are not exhaustive and do not establish expectations for how a firm designs its SOQM.

33. The life cycle provides navigation, not a required way for firms to organize their governance, technology or quality management activities. A firm may use different terminology or combine activities, provided that its SOQM meets the requirements of ISQM 1.

4. Applying the Firm's Risk Assessment Process

4.1 How the Firm's Risk Assessment Process Applies

34. The firm's risk assessment process as outlined in ISQM 1[25] is fundamental to the quality management of AI-enabled technological tools.

Key ISQM 1 Concepts Used in the Guide Series

The following ISQM 1 concepts are used throughout the guide series. They are stated here with close reference to ISQM 1.

Quality objectives

Quality objectives are the desired outcomes in relation to the components of the SOQM. ISQM 1 requires the firm to establish the quality objectives it specifies and any additional quality objectives the firm considers necessary to achieve the objectives of its SOQM. A firm may also establish sub-objectives to enhance its identification and assessment of quality risks and its design and implementation of responses.[26]

The nature and circumstances of the firm and its engagements may be such that the firm may not find it necessary to establish additional quality objectives.[27] However, a firm may determine the need to establish additional quality objectives in its circumstances.

Quality risks

A risk arises from how, and the degree to which, a condition, event, circumstance, action or inaction may adversely affect the achievement of a quality objective.[28] Put simply, identifying and assessing quality risks focuses on what could go wrong in achieving the quality objectives.[29] Not every risk is a quality risk. A quality risk is a risk that has a reasonable possibility of both occurring and, individually or in combination with other risks, adversely affecting the achievement of one or more quality objectives. The firm exercises professional judgment in determining whether a risk meets that threshold.[30]

How the firm expresses its quality risks, including how specific they are, is a matter for the firm.[31] The guide series therefore does not set out quality risks. Instead, where it addresses the firm's risk assessment process, it describes what could go wrong. Considering what could go wrong is not a separate step. It is an aid to help the firm identify and assess quality risks that reflect the

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25 ISQM 1, paragraphs 25–29.

26 ISQM 1, paragraphs 18(q), 26 and A49.

27 ISQM 1, paragraph A48. In developing ISQM 1, the IAASB expressed the view that circumstances in which firms may need to establish additional quality objectives are not expected to be common (ISQM 1, *Basis for Conclusions*, paragraph 52).

28 ISQM 1, paragraphs 27(a)–(b) and A50–A53.

29 ISQM 1 does not use the phrase "what could go wrong." The guide series uses it as plain-English shorthand, drawing on the IAASB's *First-Time Implementation Guide: International Standard on Quality Management (ISQM) 1* (September 2021), pages 18 and 21, which describes the quality objectives as focusing the firm on what could go wrong in achieving them, and identifying and assessing quality risks as putting attention on what can go wrong.

30 ISQM 1, paragraphs 18(r) and A51.

31 ISQM 1 does not prescribe quality risks (ISQM 1, *Basis for Conclusions*, paragraphs 36 and 56). A firm may, for example, establish sub-objectives and express its quality risks at that more specific level (ISQM 1, paragraph A49). Regardless of whether a firm has sub-objectives, the threshold for identifying quality risks is at the level of the quality objectives in ISQM 1 (*First-Time Implementation Guide*, page 21).

nature and circumstances of the firm and its engagements, or recognize when the reasons for the assessment of a quality risk it has already identified have changed.

Responses

Responses are policies or procedures designed and implemented by the firm to address one or more quality risks.[32] ISQM 1 requires the firm to identify and assess quality risks to provide a basis for the design and implementation of responses. Responses are designed and implemented in a manner that is based on, and responsive to, the reasons for the assessments given to those quality risks, that is, their considered occurrence and effect on the achievement of one or more quality objectives.[33] In other words, a response is designed to address why the quality risk was assessed as it was. In this guide series, references to responses that address quality risks carry this meaning. The figure below illustrates how these concepts relate.



The firm exercises professional judgment throughout. The process is continual and iterative.

35. The firm's existing quality objectives, quality risks and responses may already encompass an intended use or category of use of an AI-enabled technological tool. In that case, no further quality risks need to be identified. In other cases, the use may lead the firm to identify a new quality risk, modify an existing one or reconsider the reasons for the assessment of an existing one (see **Section 4.3**).[34] Each tool is considered in the context of its intended use or category of use, but this does not mean that each tool gives rise to quality risks of its own. Several tools may be considered together because of the nature and characteristics of their intended uses. Therefore, a quality risk may relate to several tools, depending on their intended uses and the firm's consideration of the risk assessment considerations described in **Section 4.2**.

36. A firm that belongs to a network may use an assessment performed by the network, for example for a tool the network makes available to its member firms. The firm remains responsible for determining how network requirements or network services are relevant to, and are taken into account in, its SOQM, and whether they need to be adapted or supplemented, for example for jurisdictional matters.[35]

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32 ISQM 1, paragraphs 18(u) and 28.

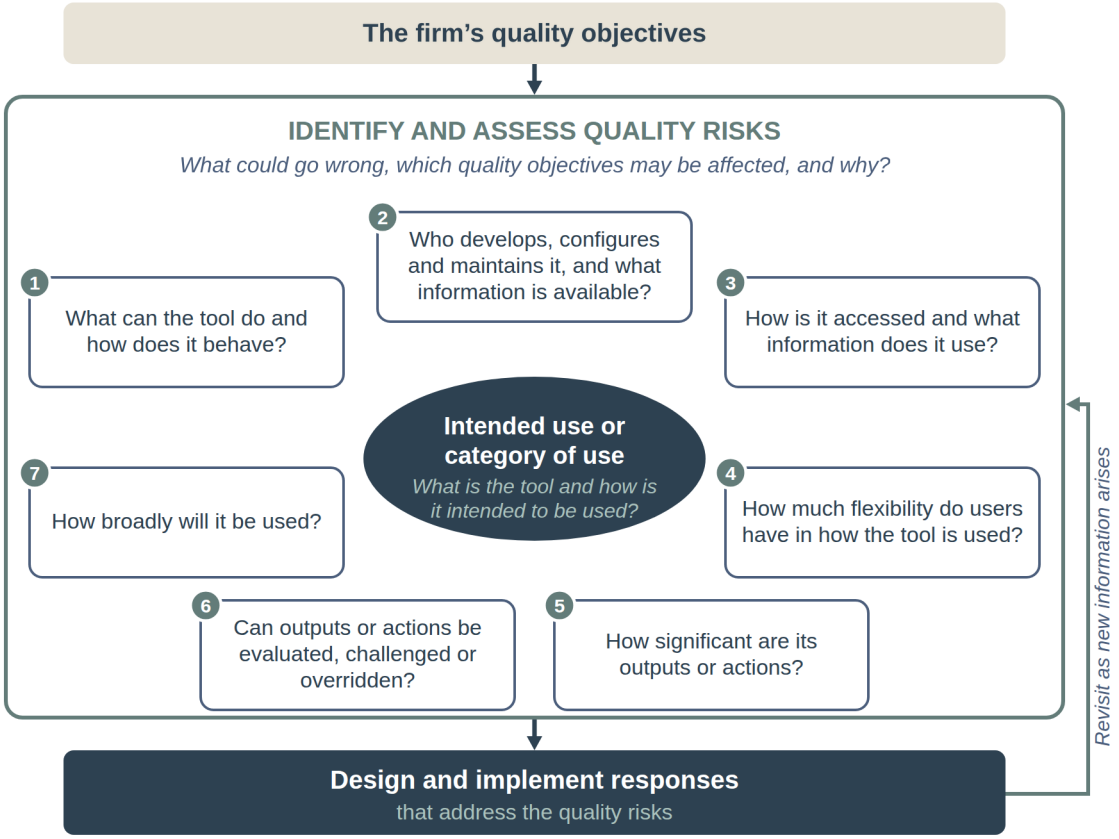
33 ISQM 1, paragraphs 27, 28 and A54.

34 ISQM 1, paragraphs 27(a) and 29. The resources of the firm, which include its technological resources, are among the matters the firm understands in identifying and assessing quality risks. The *First-Time Implementation Guide* (page 31) notes that existing quality risks may need to be modified or reassessed.

35 ISQM 1, paragraph 51.

37. Engagement teams do not repeat the firm's risk assessment process. They apply the firm's responses to quality risks, that is, its policies or procedures, in the circumstances of the engagement. However, a firm cannot identify all quality risks that may arise at the engagement level or set forth all relevant and appropriate responses. For audits of financial statements, ISA 220 (Revised) recognizes that the engagement team, led by the engagement partner, is responsible for determining whether to design and implement responses at the engagement level beyond the firm's policies or procedures.[36]

38. The figure below illustrates how a firm may consider an AI-enabled technological tool when identifying and assessing quality risks. The intended use or category of use is at the center, because it provides the context for understanding the tool and what could go wrong in achieving the quality objectives. Around it are the risk assessment considerations, framed as questions.



39. For an AI-enabled technological tool designed for a clearly defined purpose, the intended use may be described with relative precision. A tool with broader functionality may support many uses. In that case, the firm may identify reasonably foreseeable categories of use. For example, for a general-purpose AI application, the firm may be able to describe broad categories of use, such as extracting and analyzing information from source documents or identifying items for further investigation. Where relevant, the firm may also describe uses that are not permitted. Uses may be considered together as a category where the firm concludes that they give rise to the same quality risks, for the same

[36] ISA 220 (Revised), paragraphs 4(b) and A7.

reasons, and so can be addressed by the same responses.[37] New or expanded uses may require further application of the firm's risk assessment process.

4.2 Risk Assessment Considerations for an AI-Enabled Technological Tool

40. The risk assessment considerations, introduced as questions in the figure in **Section 4.1**, help the firm understand an AI-enabled technological tool and its intended use or category of use, and think through what could go wrong in achieving the quality objectives. They are explained in more detail below to illustrate why they may be relevant when the firm identifies and assesses quality risks. The considerations are not a separate risk framework, an exhaustive list or a mandatory checklist. The firm is not expected to address or document each consideration separately. Their relevance and relative importance vary with the circumstances, and they are applied together. In the text, a consideration is marked with its numbered icon, for example 5 for how significant a tool's outputs or actions are.

1 *Consideration 1: What Can the Tool Do and How Does It Behave?*

41. The tool's functionality, and the extent to which it exhibits relevant AI characteristics, may affect what could go wrong in achieving the quality objectives. The firm may consider, for example:

- The functionality made available by the tool, including relevant functionality beyond the intended use or category of use; and
- The extent to which that functionality exhibits opacity, probabilistic behavior, adaptivity and autonomy.

42. Not every tool exhibits every characteristic, and a tool may combine deterministic functionality with functionality that exhibits probabilistic behavior. Characteristics are not binary. A tool may exhibit a characteristic to a greater or lesser degree. The list is not exhaustive; other characteristics may also be relevant depending on the tool, its intended use or category of use and the surrounding circumstances.[38] The table below explains why each may matter for quality management.

CORE CHARACTERISTIC	WHY IT MAY MATTER FOR QUALITY MANAGEMENT
Opacity	It may be harder to test the tool, to evaluate or challenge its outputs or actions, and to investigate unexpected behavior. It may also be harder to document or explain how the tool contributed to the engagement work.

[37] A response may address more than one quality risk, provided it is sufficiently precise to effectively address each of them (*First-Time Implementation Guide*, page 29).

[38] The IESBA staff publication *Emerging Technologies: A Characteristics-Based Approach to Ethical Considerations for Professional Accountants* (July 2026) describes characteristics such as opacity, non-determinism, dependence on data, perpetual adaptivity, autonomy, scalability and speed, and how they may create or amplify threats to compliance with the fundamental principles. This guide refers to probabilistic behavior and adaptivity for the related characteristics, and addresses dependence on data through Consideration 3 and scale and speed in paragraph 43.

CORE CHARACTERISTIC	WHY IT MAY MATTER FOR QUALITY MANAGEMENT
Probabilistic behavior	It may be harder to set criteria for judging whether the tool performs as intended, to repeat results and to test the tool. Outputs may also appear plausible but be inaccurate, incomplete or unsupported, for example because information is omitted, misclassified or incorrectly extracted, or because content is fabricated (sometimes referred to as hallucinations).
Adaptivity	Outputs or actions may become less predictable over time. Earlier evaluation and approval may no longer remain relevant.
Autonomy	Actions may occur without an individual directing each step. Authorization, intervention points, logging, exception handling and the ability to reverse actions may therefore become more important.

43. A tool may also process large volumes of information quickly, so that an inaccurate output or inappropriate action may be repeated across many items before it is identified, and it may be harder for individuals to review outputs or actions with appropriate care. Outputs that appear plausible may also lead individuals to place too much reliance on them (sometimes referred to as automation bias).

2 *Consideration 2: Who Develops, Configures and Maintains It, and What Information Is Available?*

44. Who develops, configures and maintains the tool or relevant elements, and what information the firm has about those activities, may affect how well the firm understands the tool and whether it can change it. Where the firm has limited information about, or control over, these activities, it may be more challenging for the firm to determine whether the tool is appropriate for the intended use or category of use, or to identify when a change affects how the tool performs. The firm may consider, for example:

- Who developed or selected the tool or relevant elements;
- Who configures, tests, maintains and can change the tool or those elements;
- What work is performed by the firm, its network or service providers, including whether different arrangements apply to different elements; and
- What information is available to the firm about those activities and about the tool's performance and limitations.

3 *Consideration 3: How Is It Accessed and What Information Does It Use?*

45. How the tool is accessed and hosted, how information flows, and what information it uses may affect confidentiality and the reliability of its outputs. For example, confidential information may be retained or used for purposes the firm did not intend or that have not been authorized, or outputs may be based on information that is incomplete, outdated or unsuitable for the intended use or category of use. The firm may consider, for example:

- How the tool is accessed and hosted;
- Where information is received, processed, stored or accessed and by whom;
- The nature, provenance, quality and sensitivity of information used to train, ground or operate the tool, or information retrieved for the tool;

- The applicable data-use, retention, privacy, confidentiality and security arrangements, including for cybersecurity; and
- Legal and regulatory requirements that apply to the use of the tool or to the information it uses, such as requirements relating to AI, data protection or where information may be stored or processed.

4 *Consideration 4: How Much Flexibility Do Users Have in How the Tool Is Used?*

46. The more discretion users have in how the tool is used, the harder it may be for the firm to anticipate how it will be used and whether its evaluation of the tool and its other responses address those uses. The firm may consider, for example:

- Whether the firm defines centrally how the tool is used or leaves engagement teams to determine this, for example by writing their own prompts, adjusting settings, adding knowledge sources or building their own agents or workflows;
- The extent to which the quality of outputs or actions depends on those choices and on users' skills; and
- Whether the firm can identify use of the tool beyond the intended use or category of use, for example through its monitoring activities.

5 *Consideration 5: How Significant Are Its Outputs or Actions?*

47. The more the tool's outputs or actions contribute to the work performed on the engagement, the greater the potential effect if they are inappropriate. The firm may consider, for example:

- How outputs or actions may affect engagement procedures, evidence, professional judgments, conclusions or documentation; and
- The degree to which the results of an engagement procedure depend on the tool's outputs or actions, and the relative importance of the evidence from that procedure.[39]

6 *Consideration 6: Can Outputs or Actions Be Evaluated, Challenged or Overridden?*

48. The capacity to evaluate outputs or actions, and the human involvement contemplated, may affect whether inappropriate outputs or actions are identified and addressed before they affect the engagement. The firm may consider, for example:

- Whether outputs or actions can feasibly be traced to reliable source information, reproduced, corroborated or otherwise evaluated, including whether inaccurate, incomplete or unsupported outputs, particularly omissions, are likely to be detected;
- Whether individuals can challenge outputs, override or reverse actions or otherwise intervene when needed; and
- The nature and extent of human involvement contemplated, including whether it is reasonably capable of addressing the matter it is intended to address (see **Section 2.1**).

[39] The relative importance of the evidence from an engagement procedure reflects how much it is expected to contribute to the persuasiveness, and thereby the sufficiency and appropriateness, of the auditor's or assurance practitioner's evidence, considered together with the evidence from the other procedures performed.

7 *Consideration 7: How Broadly Will It Be Used?*

49. The more broadly the tool is used, the more engagements may be affected if it does not perform as intended, for example because of a configuration error or a change in the AI model it uses, before this is identified. The firm may consider, for example:

- The number and types of users, engagements and jurisdictions;
- The range of permitted or reasonably foreseeable uses; and
- The extent to which the tool is connected to other systems or tools, such as the firm's engagement software or document repositories, through which its outputs or actions may reach other engagement work.

Applying the Considerations Together

50. The considerations are not sequential, and no single consideration by itself determines whether a quality risk exists or how it is assessed. For example, a summarization tool may produce outputs that can be readily compared with source information 6, but the same use may still give rise to quality risks if confidential engagement information is sent outside the firm without the firm understanding how that information is stored, used or protected 3. Conversely, strong controls over access to the tool and the information it uses 3 do not, by themselves, address quality risks relating to outputs that significantly influence professional judgments and are difficult to evaluate 5 6.

51. The considerations are also interrelated. For example, a firm that develops a tool itself may have more information about how the tool works and how it has been tested 2 than a firm that obtains the tool from a service provider. What the firm knows about the tool may, in turn, affect how it approaches the other considerations, such as understanding what the tool can do and how it behaves 1 and how information flows through it 3.

4.3 Identifying and Assessing Quality Risks

52. The firm identifies and assesses quality risks in accordance with ISQM 1.[40] For an AI-enabled technological tool, the firm uses its understanding of the tool, the intended use or category of use and the relevant circumstances, informed by the risk assessment considerations in **Section 4.2**, to think through what could go wrong, which quality objectives may be affected, and why. Thinking through what could go wrong is not a separate step but an aid to identifying and assessing quality risks. It informs both whether a quality risk exists and the reasons for the firm's assessment of it.

53. The risk assessment considerations may show that the reasons for the assessment of a quality risk the firm has already identified have changed. The responses may then need to change, even though the quality risk itself is unchanged.[41] For example, the firm may already have identified a quality risk relating to the quality objective on technological resources.[42] For a tool that extracts terms from contracts, the considerations may reveal that the tool could omit non-standard terms without indicating that it has done so 1, and that engagement team members reviewing its outputs may not see what was missed 6. The quality risk may be unchanged, but these reasons may call for specific responses, such as testing the tool with contracts containing known non-standard terms.

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40 ISQM 1, paragraph 27.

41 ISQM 1, paragraphs 28 and A54.

42 ISQM 1, paragraph 34(f).

54. The firm identifies and assesses quality risks before designing the responses to address them.[43] Having a policy or procedure in place that may already address a quality risk, such as one requiring engagement team members to review a tool's outputs, does not remove the need to identify and assess that quality risk. Understanding what could go wrong, and why, helps the firm judge whether that policy or procedure is enough. For example, reviewing outputs may not reveal information the tool has left out.

55. ISQM 1 requires the firm to document its quality objectives and quality risks and to describe the responses and how those responses address the quality risks.[44] It does not require the firm to document everything it considered in identifying them. The firm may, however, document the reasons for its assessment of a quality risk, which reflect what could go wrong, to support the consistent implementation and operation of the responses.[45] **Guide 2** illustrates what firm-level documentation relating to an AI-enabled technological tool may include.

4.4 Designing and Implementing Responses to Address the Quality Risks

56. Responses relating to an AI-enabled technological tool may operate at different points in its life cycle, for example in how the tool is designed, evaluated and approved before deployment (**Guide 2**), in how engagement teams use and oversee it, including through human involvement (**Guide 3**), and in how the firm monitors it after deployment (**Guide 4**). **Guide 4** also addresses how the firm's monitoring and remediation process applies to those responses.

57. When a general-purpose AI application or other tool with broad functionality is made available, it may be impracticable to anticipate every individual use or to list every permitted and prohibited use. This is particularly likely where users have discretion in how the tool is used 4.

58. In such cases, the firm may instead describe broad categories of use and, where relevant, uses that are not permitted (see **Section 4.1**), and set the conditions on which the tool is made available (approval conditions). These may include principles-based boundaries, supported as appropriate by guidance and training, consultation or escalation, controls built into the tool or into how it is accessed, and monitoring. Approval conditions are one type of response and do not necessarily require a separate approval for each use. **Guide 2** explains approval conditions in more detail.

59. The responses available to a firm may also vary depending on how the tool is developed, provided or controlled and on the information available to the firm. For example, when a tool, or parts of it, are obtained from a service provider, the firm may have limited information about, or ability to influence, aspects of the service. Such limitations do not change the quality objectives the firm is required to achieve, but may affect the responses available and whether the firm can obtain a sufficient basis for its decision to make the tool or particular functionality available for particular uses, users or circumstances.

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[43] ISQM 1, paragraphs 27–28. The process is iterative (paragraph A45), so the firm may revisit its quality risks as it designs responses. However, a response does not replace the identification and assessment of quality risks: a quality risk that is not identified or properly assessed is a deficiency in its own right (paragraph 18(a)(ii)).

[44] ISQM 1, paragraphs 60(b) and (c).

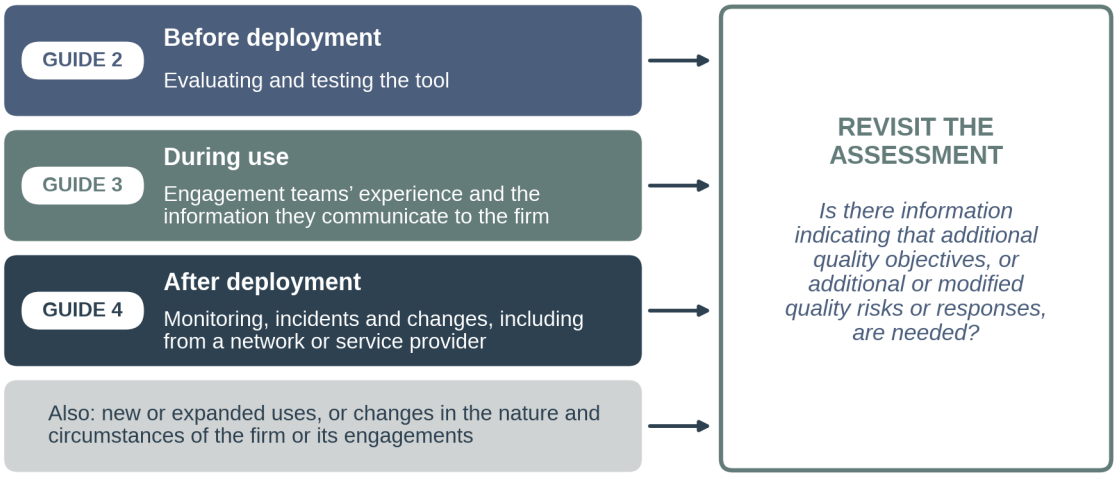
[45] ISQM 1, paragraphs A207 and A210. Paragraph A208 explains that the form, content and extent of documentation may be affected by factors such as the complexity of the judgments involved and whether the matter relates to an area of greater quality risk.

4.5 Revisiting the Assessment

60. ISQM 1 requires the firm to establish policies or procedures designed to identify information indicating that additional quality objectives, or additional or modified quality risks or responses, are needed.[46] For an AI-enabled technological tool, such information may arise at any phase of the life cycle described in **Section 3**, for example:

- Before deployment, from evaluating and testing the tool (**Guide 2**);
- During use, from engagement teams' experience with the tool and relevant information they communicate to the firm (**Guide 3**); and
- After deployment, from monitoring the tool, from the firm's monitoring and remediation process as it applies to the responses relating to the tool, and from incidents and changes, including changes communicated by a network or service provider (**Guide 4**).

Information may also arise from new or expanded uses, or from changes in the nature and circumstances of the firm or its engagements. The figure below illustrates this.



61. Changes to the tool, how it is provided or how it is used may affect whether an earlier assessment and the related responses remain appropriate. Examples include new models or versions, changes to configurations, prompts or knowledge sources, and changes to access or data-use terms. The significance of a change depends on its effect on the tool's relevant functionality, the intended use or category of use, and the reasons for the assessment of the related quality risks. The risk assessment considerations in **Section 4.2** may help the firm judge that effect and whether the change calls for revisiting the assessment. How a service provider labels a change does not, by itself, determine its significance.

[46] ISQM 1, paragraph 29. The firm's risk assessment process is iterative, and the information the firm uses in it includes the results of the firm's monitoring and remediation process and information from the network or service providers (ISQM 1, paragraphs A45–A46).

Appendix 1

Illustrative Examples: Scope of the Guide Series

Technological resources used directly by engagement teams may serve multiple purposes. An AI-enabled technological resource is an AI-enabled technological tool only when it is used to facilitate the design or performance of an engagement procedure in obtaining evidence (see paragraph 1 of the **Introduction to the Guide Series**). The following examples illustrate whether a particular use of an AI-enabled technological resource is within the scope of the guide series (see **Section 1**). They are not exhaustive. A use that is outside the scope of the guide series may nonetheless give rise to quality risks that the firm addresses under ISQM 1, and ISA 220 (Revised) continues to apply.

ILLUSTRATIVE USE OF AN AI-ENABLED TECHNOLOGICAL RESOURCE	WITHIN SCOPE?	REASON
Taking minutes of internal engagement-team meetings held to coordinate scheduling, staffing and deadlines.	**No**	The use is administrative and does not facilitate the design or performance of an engagement procedure in obtaining evidence.
Recording and summarizing information obtained during inquiries performed as part of engagement procedures, where engagement team members use the summaries in evaluating the results of those procedures and retain them as part of the engagement documentation.	**Yes**	The use facilitates the performance of an engagement procedure in obtaining evidence. It may involve the same technology, with the same functionality, as the previous example. The use, rather than the technology, determines whether the guide series applies.
Analyzing the entity's financial information, industry benchmarks and external sources such as news reports, to identify unusual trends or relationships and to identify and assess risks of material misstatement.	**Yes**	The use facilitates the performance of risk assessment procedures in obtaining evidence.
Reviewing draft financial statements and identifying potential missing or inconsistent disclosures, for engagement team members to investigate further.	**Yes**	The use facilitates the performance of an engagement procedure in obtaining evidence.

Appendix 2

Glossary

This glossary supports consistent terminology across the guide series and helps readers navigate it. Established definitions are used or adapted where suitable. Other publications on AI may use different terms or descriptions for similar concepts. The final column identifies the principal source or indicates that the description is specific to the IAASB guide series. "Adapted from" indicates that a description is based on a definition in the source cited, with changes, and "informed by" indicates that it draws on concepts in the publications cited.

TERM	DESCRIPTION	PRINCIPAL SOURCE
Adaptivity	The ability of an AI system to adjust its behavior after deployment in response to new data, feedback, interaction or changes in its operating environment.	IAASB guide-series description informed by OECD/IOSCO and NIST.[47]
Agentic AI	AI systems capable of pursuing goals by making decisions and taking actions with varying degrees of autonomy and human involvement.	Adapted from the AICPA[48] glossary; informed by UK FRC[49] and IOSCO.
AI-enabled technological tool	A technological resource used directly by an engagement team to facilitate the design or performance of engagement procedures in obtaining evidence and that incorporates, or provides access to, one or more AI systems. An AI-enabled technological tool may be general-purpose, making broad functionality available that supports many uses, or may take the form of a specific application, agent or workflow designed for a defined purpose.	IAASB guide-series term informed by ISQM 1 and OECD/IOSCO terminology.
AI model	A core component of an AI system used to make inferences from inputs to produce outputs. An AI model may be incorporated into, or accessed through, an AI-enabled technological tool.	Adapted from the AICPA glossary definition of "model," based on NIST terminology.
AI system	A machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations or decisions that can influence physical or virtual environments. Different AI systems vary in their levels of autonomy and adaptiveness after deployment.	Updated 2024 OECD definition.[50]

[47] NIST, *Artificial Intelligence Risk Management Framework (AI RMF 1.0)* (January 2023), and *Artificial Intelligence Risk Management Framework: Generative Artificial Intelligence Profile, NIST AI 600-1* (July 2024).

[48] American Institute of Certified Public Accountants (AICPA), *Glossary of AI Terms* (2026).

[49] Financial Reporting Council (FRC), *Generative and Agentic AI Guidance: Risks, Mitigations and Illustrative Examples* (March 2026).

[50] Organisation for Economic Co-operation and Development (OECD), *Explanatory Memorandum on the Updated OECD Definition of an AI System*, OECD Artificial Intelligence Papers, No. 8 (March 2024), p. 4.

TERM	DESCRIPTION	PRINCIPAL SOURCE
Approval conditions	Conditions established by the firm governing whether and how an AI-enabled technological tool or particular functionality may be made available or used. They may address the purposes or circumstances of use, information that may be processed, authorized users or configurations, required procedures or human involvement, consultation or escalation, and circumstances requiring further firm-level consideration.	IAASB guide-series term.
Arrangement	How one or more relevant elements of an AI-enabled technological tool are developed, provided or controlled, including by the firm, its network or an external service provider.	IAASB guide-series term.
Automation bias	A tendency to favor output generated from automated systems, even when human reasoning or contradictory information raises questions as to whether such output is reliable or fit for purpose.	ISA 220 (Revised), paragraph A36.
Autonomy	The degree to which an AI system can recommend, initiate, sequence or execute actions without step-by-step human direction.	IAASB guide-series description informed by OECD/IOSCO and FRC.
Deployment	The firm's decision to make an AI-enabled technological tool, particular functionality or a category of use available for engagement use, and the act of making it available. Deployment relates to an intended use or category of use and may be broad or limited, including through a controlled pilot.	IAASB guide-series term.
Deterministic	An algorithm that, given the same inputs, always produces the same outputs. The guide series also applies the term to functionality that behaves in this way.	Adapted from the AICPA glossary definition of "deterministic algorithm," based on NIST terminology.
Element	A constituent part of an AI-enabled technological tool, such as an application, agent or workflow, AI model, hosting environment or other service.	IAASB guide-series term.
Enablement	Activities that prepare personnel, methodology and the operating environment for the use of an AI-enabled technological tool, such as training, guidance, approved prompts or templates, access and communication of known limitations. Enablement takes place before deployment and continues after it as users, uses or the tool change.	IAASB guide-series term.
General-purpose AI application	A user-facing AI-enabled application or environment designed to support a broad range of tasks or uses rather than a single defined purpose.	IAASB guide-series term.

TERM	DESCRIPTION	PRINCIPAL SOURCE
Generative AI	AI systems or models that generate content, such as text, images, audio or code, in response to inputs such as prompts, using patterns learned from training data. Large language models are a form of generative AI that interpret and generate text.	Adapted from UK FRC; informed by NIST.
Intended use or category of use	The purpose for which an AI-enabled technological resource is contemplated or expected to be used, or a grouping of reasonably foreseeable uses that the firm considers together when applying its risk assessment process.	IAASB guide-series term.
Knowledge source	A repository, database, methodology, policy, document set or other source from which an AI-enabled technological tool retrieves information to generate or support outputs or actions.	IAASB guide-series term.
Life cycle (of an AI-enabled technological tool)	The phases of an AI-enabled technological tool's life at the firm, from when the firm obtains or develops it, through its design, configuration and use on engagements, to its eventual decommissioning. The guide series uses the life cycle as a practical navigation structure to organize how the firm's quality management responsibilities apply at each phase. It is not a separate quality management framework or a prescribed tool-development process.	IAASB guide-series term.
Opacity	The extent to which the basis for an AI system's output or action is not visible, traceable or readily understandable to users or other relevant parties.	IAASB guide-series description informed by NIST, IOSCO and FRC.
Probabilistic behavior	Behavior in which uncertainty or probability affects how outputs or actions are generated or selected, such that the same or similar inputs may produce different outputs or actions.	IAASB guide-series description informed by AICPA and FRC terminology.
Revalidation trigger	An event, change or other information that may indicate a need to revisit an earlier evaluation, risk assessment, response or approval decision, such as a model or configuration change, change in knowledge sources, expanded use, an incident, a performance issue or a change in relevant requirements.	IAASB guide-series term.
Risk assessment considerations	Matters that may help the firm understand an AI-enabled technological tool and its intended use or category of use, think through what could go wrong, and identify and assess quality risks relating to it. **Section 4.2** describes seven such considerations. They are not a separate risk framework, an exhaustive list or a mandatory checklist.	IAASB guide-series term.

TERM	DESCRIPTION	PRINCIPAL SOURCE
Service provider	An individual or organization external to the firm that provides a resource that is used in the system of quality management or in the performance of engagements. Service providers exclude the firm's network, other network firms or other structures or organizations in the network. A single AI-enabled technological tool may involve more than one service provider, for example where the AI model, the cloud service on which the tool runs and the application engagement teams use are provided by different parties.	Adapted from ISQM 1, paragraph 18(v).

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