FRC guidance on auditor independence when using AI: insights, threats and what to communicate

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Short answer: on 16 November 2026 the UK Financial Reporting Council (FRC) published guidance for audit firms on keeping integrity, objectivity and independence when they use technology, including AI, to produce insights for audited entities. It is non-authoritative guidance that adds no new requirements. It covers communicating insights to management or those charged with governance, and giving them access to the technology that produces those insights.

TL;DR The short version

- On 16 November 2026 the UK FRC published non-authoritative guidance on keeping auditor independence when using technology, including AI, to produce insights for audited entities.
- It adds no new requirements but notes that opaque AI tools and large volumes of insights can make independence threats more significant.
- Auditors should record why each insight was shared and with whom, and test whether sharing it puts them in management's role.

Read online, listen to it, or change the text size: https://blogs.iictp.org/frc-auditor-independence-guidance-technology-ai

What did the FRC publish?

The FRC says the guidance responds to auditors asking how to apply the Ethical Standard in specific situations, often involving technology. It builds on earlier FRC guidance on generative and agentic AI tools in audits and on potential use cases of AI in audit.

How it works: insights and independence

- AI and analytics can help auditors find risks of material misstatement or chances to strengthen internal control.
- Insights the auditing standards require auditors to communicate raise no concern, per the XBRL International summary of the guidance.
- For other insights, the guidance explains how to judge whether sharing amounts to a non-audit service or a favour, and which threats may arise.
- The FRC's release names two situations: communicating insights obtained through technology, and providing access to technology that lets management or those charged with governance obtain insights directly.

What the sources say about AI-specific threats

- Opaque AI tools can make some threats more significant.
- A large volume of insights raises the risk that management acts on them without scrutiny, especially because generative outputs can sound plausible and confident.
- If management and the auditor use the same tool, the audit may reproduce correlated errors and biases without independent challenge.

Limitations and open questions

- This is a summary of the FRC release (primary) and the XBRL International commentary (secondary). The guidance document itself was not read, so its worked examples and thresholds are not described.
- It is UK guidance under the FRC's Ethical Standard; other jurisdictions' rules may differ.
- Being non-authoritative, it does not create new obligations.

What it means for accountants and auditors

- Record why an insight was shared, to whom, and what work produced it.
- Test whether sharing an insight changes what you would need to audit, or whether it makes you part of management's decision.
- Document the tool's limits and your independent verification.
- Avoid giving management and the audit team the same unverified model output as a shared basis for decisions.

Frequently asked questions

- **Does the guidance add new rules?** No. The FRC says it is non-authoritative and adds no new requirements.
- **Does it apply outside the UK?** It is FRC guidance on the UK Ethical Standard; check your own regulator.
- **What is the main risk it names?** Threats to integrity, objectivity or independence from communicating technology-derived insights.

Related reading

- What is LLM hallucination?
- How to evaluate an LLM application
- Responsible AI in practice
- AI Practitioner

Sources and currency

Sources were read on 22 November 2026. Products, rules and standards change, so check the linked originals before you rely on any detail.

> Related credential: AI Practitioner. Explore the exam facts and syllabus.

Sources and further reading

1. Financial Reporting Council. New guidance supports auditor independence when using technology, including AI. 16 November 2026. frc.org.uk/news-and-events/news/2026/11/new-guidance-supports-auditor-independence-when-using-technology-including-ai.
2. XBRL International. FRC publishes auditor AI guidance. 20 November 2026. xbrl.org/news/frc-publishes-auditor-ai-guidance.

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