AGENDA PAPER

Item Number: 19

Date of Meeting: 23 September 2022

Subject: Project update on Technology

	Action Required		For Discussion	X	For Noting		For Information

Purpose

To provide the Board with an update on APESB's Technology project and related international developments.

Background

In March 2020, the Board approved a project plan to consider the applicability of APESB's current ethical and professional standards to Artificial Intelligence (AI) and Digital Technologies. The project aims to understand how professional accountants use AI and digital technologies and determine whether additional professional and ethical obligations or guidance are required in APESB pronouncements.

The International Ethics Standards Board for Accountants (IESBA) also has a Technology project and a phase 1 report was issued in late 2019. Subsequently, IESBA approved a project proposal to develop enhancements to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code). In addition, the IESBA established a Technology Working Group (TWG) in March 2021 to focus on fact-finding and to develop technology-related non-authoritative material (NAM).

Technical Staff have provided progress reports at the following APESB meetings:

- June 2021 – the Board approved the initial focus of APESB's Technology project on forensic accounting and valuation services (Agenda Item 6).

- September 2021 – on joint APESB-IESBA NAM and potential Technology revisions to the IESBA Code (Agenda Item 9).

- November 2021 – on the progression of APESB-IESBA NAM, the status of IESBA's Technology project and proposals for a paper on forensic accounting and valuation services (Agenda Item 10).

- March 2022 – on the progression of APESB-IESBA NAM, IESBA's Exposure Draft *Proposed Technology-related Revisions to the Code* (IESBA Technology ED) and an update on the IESBA's TWG and new Technology Advisory Group (Agenda Item 6).

- June 2022 – on stakeholder feedback on the IESBA Technology ED at the APESB Roundtable on 9 May 2022 and the IESBA's TWG and the Technology Expert's Group (TEG) (previously Technology Advisory Group) (Agenda Item 7). The Board approved APESB's submission on IESBA's Technology ED.

Technology Project progress update

Since the June 2022 Board Meeting, Technical Staff have continued to focus on information gathering. APESB's submission on the IESBA Technology ED was issued on 16 June 2022.

IESBA Proposed Technology-related Revisions to the Code

The comment period for the IESBA Technology ED closed on 20 June 2022. Fifty submissions were received, which have been analysed by the IESBA Technology Task Force. Overall, the respondents supported the proposals in the IESBA Technology ED with recommendations and highlighted areas to clarify and enhance the guidance material.

The Task Force identified the following six significant issues from the comment letters, which will be considered at the September 2022 IESBA Board meeting (Agenda Item 8) and preliminary proposed amendments (marked-up) (Agenda Item 8B):

1. Professional Skills (Section 113)

2. Confidentiality (Section 114)

3. Complex Circumstances (Section 120)

4. Use of Technology (Sections 200, 220, 300 and 320)

5. Close Business Relationships (Section 520)

6. Hosting (Subsection 606)

A summary of the comments relating to these six areas, the Task Force's initial responses, and proposed changes to address concerns raised are included in Agenda Item 19(a).

The CEO will provide a verbal update from the September IESBA meeting at this Board meeting.

IESBA's Technology Working Group

At its June 2022 meeting, IESBA was briefed on key themes observed from stakeholder outreach and related insights from the TWG's analysis and evaluation and discussions with the TEG. The IESBA also received an update on the TWG's development of thought leadership and other ethics and independence resources.

Since IESBA's June 2022 meeting, the IESBA TWG completed its outreach activities and analysed and evaluated the learnings from its various outreach meetings and desktop research in the development of the TWG's Phase 2 Report. The TWG also sought input from TEG members on the key themes in the report. The TWG will present its Draft Phase 2 Report to the IESBA and IESBA Consultative Advisory Group at their respective September 2022 meetings.

A high-level summary of the key recommendations in the Draft Report is attached to Agenda 19(a). The final report is expected to be published in Q4 2022.

The CEO will provide a verbal update from the September IESBA meeting at this Board meeting.

<u>IESBA's Technology Experts Group (TEG)</u>

The TEG's second meeting was held in July 2022 and focussed on Part II *Key Themes Observed* of the TWG's Phase 2 Report. TEG Members provided verbal feedback and written feedback. Jon Reid, Senior Technical Manager, helped to facilitate this process and provided comments and feedback on Part II of the Draft Report.

<u>Technical Staff Focus on Forensic Accounting and Valuation Services</u>

Technical Staff have developed [two technology surveys](#) focussing on the use of recent and emerging technologies in the provision of forensic accounting and valuation services and any impacts on APES 215 *Forensic Accounting Services* (APES 215) and APES 225 *Valuation Services* (APES 225).

The surveys seek feedback from professional accountants in public practice and business on examples or use cases of artificial intelligence and digital technologies, the types of technology employed, what aspects of the services are undertaken by technology, impact on service offerings, opportunities/benefits, risks/concerns and ethical considerations.

The surveys were posted on the APESB website on 5 September 2022 and are being promoted at the CA ANZ Business Valuation and Forensic Accounting conferences held in September and October 2022, respectively. The survey will close on 28 October 2022.

Technical Staff will prepare a preliminary paper on the findings of the surveys and desktop research for the December 2022 Board meeting, followed by a final paper in H1 of 2023.

Small and Medium Practices (SMPs)

Technical Staff note that due to potential resource constraints or reduced access to internal technological expertise within SMPs, Members in Public Practice in such firms may find it more challenging to address the material in the IESBA's proposed Technology-related amendments to the IESBA Code and IESBA Task Force's preliminary proposals resulting from the submissions received. For example, this could impact the circumstance around professional competence about whether "the accountant does not have sufficient expertise, or access to an expert with sufficient understanding to use and explain the output from the technology" (proposed paragraphs 200.6 A2 and 300.6 A2).

No further issues specific to SMPs are noted at this stage in respect of the APESB's Technology Project, but this will continue to be monitored and considered as the project progresses.

Way forward

The proposed way forward for this project is for APESB Technical Staff to:

- continue to collaborate with the IESBA TWG on the development and publication of the joint APESB-IESBA NAM in Q4 of 2022;

- analyse the feedback on APESB's Technology surveys, continue desktop research and other engagement on the impact of technologies on APES 225 and APES 215;

- prepare a preliminary paper for the December 2022 Board meeting and a final paper in H1 of 2023; and

- continue to provide technical staff support to the TEG as required.

Staff Recommendation

The Board note the progress on APESB's Technology project and related international developments.

Materials Presented

Agenda Item 19(a)   Summary of IESBA Technology ED Global feedback

Agenda Item 19(b)   Summary of IESBA's TWG Draft Phase 2 Report recommendations

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