



Friday, 21 July 2023

Mr Channa Wijesinghe
Chief Executive Officer
Accounting Professional and Ethical Standards Board (APESB)
Level 11
99 William Street
Melbourne VIC 3000

Submission by email: enquiries@apesb.org.au

Dear Channa

Proposed Standard: APES 225 Valuation Services (the Standard) (APES 225)

Chartered Accountants Australia and New Zealand (**CA ANZ**) appreciates the opportunity to provide comment on above mentioned Exposure Draft (**ED**) issued by the Accounting Professional and Ethical Standards Board (**APESB**).

CA ANZ supports the proposed amendments to the Standard which include quality management conforming amendments, alignment of phrasing and wording to the Code of Ethics for Professional Accountants (including Independence Standards (**APES 110**) and the accommodation of technology-related revisions to the International Code of Ethics for Professional Accountants (including Independence Standards) (**International Code**).

APES 225, by its numeric codification is intended to be a standard which applies to members in business and in practice. CA ANZ therefore supports the inclusion of applicable references to APES 110 for members in business who provide valuation services. CA ANZ supports proposed new paragraph 4.4 and proposed amendments to paragraphs 3.2 to clearly define the expectations of members in business.

In **Appendix 1** we have responded to the APESB's request for specific comments. **Appendix 2** provides more information about CA ANZ. Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact Josephine Haste CA, josephine.haste@charteredaccountantsanz.com

Yours sincerely,

Vanessa Chapman

Group Executive, General Counsel and Corporate Assurance

Appendix 1

Responses to Request for Specific Comments

1. Describe an example(s) or use case(s) of how Artificial Intelligence (**AI**) or digital technology is used in valuation services, including where applicable:
 - (a) the type of technology used (for example, data analytics, artificial intelligence including supervised or unsupervised machine learning, autonomous and intelligent systems, cloud services, robotic process, automation, cybersecurity, blockchain or the internet of things(s);
 - (b) the aspects of the services the technology undertakes and the accountants' role in the use of the technology (such as how the accountant interacts or interfaces with the technology and/or how the accountants impacts or provides inputs to the technology and/or how the accountant uses and/or interprets the outputs of the technology;
 - (c) the opportunities or benefits of using the technology in the services;
 - (d) the risks or concerns of using the technology in the services; and
 - (e) any ethical considerations or concerns about using the technology in the services.

CA ANZ consulted with its Business Valuations Committee to inform our response to request for specific comment 1.

Digital technology in the form of widely available software products is extensively used in the profession to assist with business valuation services. The rate of adoption of AI is somewhat slower, particularly in small to medium practices (**SMPs**). The rate of adoption of AI in SMPs with respect to valuation services may reflect uncertainty regarding how the use of AI impacts on compliance with relevant mandatory and application material paragraphs of APES 225, in particular, proposed paragraphs 3.7, 5.2 and 4.8.

Some of the larger firms report that they do not permit the use of externally developed generative AI, such as OpenAI's large language model (**LLM**) known as 'Chat GPT', but are exploring how generative AI, including LLMs, can be leveraged safely for internal use so that appropriate risk management and governance requirements are met. Any potential use of an LLM model in a professional context would require the user to ensure outputs from the model are valid and reliable, including, for example, that use is secure and resilient, explainable and interpretable, privacy-enhanced and fair (i.e. free from bias). This is to ensure accountability and transparency in accordance with professional standards.

The opportunities and benefits of using AI technology are somewhat easier to identify than the associated risks. The ability to efficiently digest volumes of related information into a meaningful resource which leverages off, in some cases, global experience and expertise is enticing and may improve outcomes. The associated risks, however, are significant and serious if both the inputs and outputs of AI are either not used appropriately or not critically evaluated. Furthermore, when considering that Professional Accountants (**PAs**) are using data inputs which are owned by third parties, confidentiality and privacy must be appropriately managed in accordance with the APES 110 and relevant laws and regulations. For non-proprietary AI software, it is not clear how data inputs are stored, accessed, distributed and utilised which is problematic.

CA ANZ believes that AI, has propensity to significantly impact the accountancy profession. It is imperative that the ethical boundaries and rules of engagement are carefully considered to ensure that

AI is an asset rather than a risk to the reputation of the profession. Of particular concern is the authenticity and originality of AI outputs, which to comply with proposed APES 225, need to include the specific information on which the Member has relied and the extent to which it has been reviewed in addition to providing sufficient details to allow a reader to understand how conclusions have been reached. While AI may be useful in confirming the PAs assessments it is important that it is not used to determine the initial assessment.

2. Are there any aspects of APES 225 that you believe require revision or development of additional professional obligations to address the use of AI or digital technologies in valuation services (either relating to your response to Request for Specific Comment 1 or more generally in relation to the use of AI or digital technology)? Please provide reasons and justification for your response.

CA ANZ supports principles-based standards which are adaptable to dynamic business environments. Proposed APES 225 includes amendments to ensure that it accommodates technology-related revisions to the International Code. References to APES 110 may be useful to remind members of their ethical obligations when using AI and/or digital technologies.

We would encourage the APESB to issue non authoritative materials focusing on new technology or methods of valuation to support accountants consistently applying the standard.

Appendix 2

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents 131,673 financial professionals, supporting them to make a difference to the businesses, organisations and communities in which they work and live. Chartered Accountants are known as Difference Makers. The depth and breadth of their expertise helps them to see the big picture and chart the best course of action.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with mentored practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate boldly in the public good. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 15 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

We employ more than 500 talented people across Australia, New Zealand, Singapore, Malaysia, Hong Kong and the United Kingdom.