

## AGENDA PAPER

**Item Number:** 9  
**Date of Meeting:** 7 December 2022  
**Subject:** Project update on Technology

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Action Required     For Discussion     For Noting     For Information

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### 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 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 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.
- September 2022 – on the IESBA Technology Taskforce's initial proposals resulting from submissions on the IESBA Technology ED, the IESBA TWG's Draft Phase 2 Report and Technical Staff's development of Technology Surveys ([Agenda Item 19](#)).

## Technology Project progress update

Since the September 2022 Board Meeting, Technical Staff have continued to focus on information gathering.

### IESBA Technology-related Revisions to the Code

The IESBA Technology ED closed on 20 June 2022. Fifty submissions were received, and respondents generally supported the proposals with recommendations to enhance the guidance material. As a result, the Technology Taskforce will [present](#) at the November/December 2022 IESBA meeting and seek approval of a final [amending standard](#) for Technology-related revisions to the IESBA Code with a proposed effective date of 15 December 2024.

Technical Staff provided a summary of the proposed amendments in the IESBA Technology ED at the March 2022 Board meeting ([Agenda Item 6\(a\)](#)). The key amendments in the proposed final amending standard from the IESBA Technology ED are summarised in Agenda Item 9(a).

The CEO will provide a verbal update from the November/December IESBA meeting at this Board meeting.

Technical Staff propose to review the Technology amending standard in the coming months to determine the impact on APES 215 *Forensic Accounting Services* (APES 215) and APES 225 *Valuation Services* (APES 225).

### IESBA's Technology Working Group (TWG) and Technology Experts Group (TEG)

The IESBA TWG completed its outreach activities, analysed and evaluated the learnings from its various outreach meetings and desktop research and presented a Draft Phase 2 Report to the IESBA and IESBA Consultative Advisory Group at their respective September 2022 meetings. The TWG [Final Phase 2 Report](#) was issued on 18 November 2022 and included 10 key recommendations for IESBA's consideration, which are summarised in Agenda Item 9(a).

Technical Staff propose to review the Final Phase 2 Report in the coming months to determine the impact of the report's findings and themes on APES 215 and APES 225.

TWG has indicated that work will recommence in early 2023 on the APESB-IESBA NAM on auditor independence after the Technology-related revisions to the IESBA Code are finalised.

There have been no further TEG meetings since the meeting in July 2022.

## APESB Technology Surveys

Technical Staff 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 and APES 225. The surveys sought 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, aspects of the services 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 promoted on APESB's LinkedIn page and at the CA ANZ Business Valuation and Forensic Accounting conferences held in September and October 2022, respectively. In addition, technical Staff discussed the forensic accounting services survey at APES 215 Taskforce meetings, and a Taskforce member promoted the survey to all members of CPA Australia's Forensics and Financial Investigations Discussion Group (FFIDG).

Despite attempts to promote the surveys, the response rates were low. The responses to the forensic accounting survey are attached at Agenda Item 9(b) and include some useful insights including:

- Risks or concerns – *“risk that forensic accountants don't understand the methods or processes applied to data to arrive at the result they are relying on to form an opinion”* and *“Risk that AI doesn't think exactly how a human does and the need to fully understand the process and output and that the output is a”*[accurate]
- Ethical considerations:
  - *“forensic accountants need to understand (or work with professionals who understand and can articulate) the methods and processes applied to data to arrive at outputs relied upon by the forensic accountant; any assumptions, limitations, or biases need to be understood and appropriately factored into the preparation of evidence”*.
  - *“Possibly the decision you make to rely upon the AI/digital tech report or output or validate that the output is accurate. Challenges may arise in making that decision when the Forensic Accountant does not have the technical expertise to truly understand what the AI/digital tech has performed”*.
- Change in practices – *“employing specialists in these areas to work shoulder-to-shoulder with forensic accountants”*.
- Any change required to APES 215 – *“consideration that forensic accountants should engage in appropriate collaboration/consultation with experts in these domains where their knowledge/experience is limited”* and *“No. I think that when you rely on it, you detail that reliance in your expert witness report”*.

## Technical Staff Paper and Desktop Research

Technical Staff have continued our desktop research, which has predominantly focussed on forensic accounting to date. Technical Staff note that obtaining specific details of technology examples via this research has some limitations, possibly due to proprietary issues. However, it has highlighted examples of technology used in forensic accounting services, including:

- Robotic Process Automation (RPA) to automate repetitive tasks such as reviewing, extracting and combining data from various sources, which improves efficiency and accuracy.

- Blockchain is a distributed/shared ledger (as opposed to a centralised ledger such as a bank) that is immutable due to how transactions are coded. Forensic accountants might examine blockchain data for fraud, which has some similarities to examining other ledgers, but with the added challenge of the technology.
- Machine Learning can identify data or accounting anomalies in fraud investigations and the algorithms learn and improve from previous interactions with datasets.
- Natural Language Processing enables computers to analyse textual and speech data and can identify potentially fraudulent patterns in data more efficiently than humans.

Whilst using technology has significant benefits, it comes with challenges and ethical considerations. Accountants need sufficient competence to use the technology, including basic coding or scripting skills. As the intelligence of the technology increases, such as machine learning, understanding the results becomes more difficult, meaning technology experts may be required. Accountants should monitor whether technology outputs are as expected, especially if relying on the outputs in an expert's report for court proceedings.

As noted above, the Technology-related revisions to the IESBA Code are expected to be approved in December 2022 and issued in Q1 2023 and the TWG Phase 2 Report has just been issued. Accordingly, to enable Technical Staff to consider the impact of these changes and report findings, Technical Staff now propose to present a preliminary paper on APES 215 and APES 225 to the Board in H1 of 2023 and a final paper in H2 2023.

Requests for Specific Comments on technology are included in the proposed Explanatory Memorandum to the APES 215 Exposure Draft (refer to Agenda Item 4 of this Board meeting), and Technical Staff will analyze the responses to these questions in due course.

### **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 SMPs may find the Technology-related amendments to the IESBA Code more challenging. No further SMP issues are noted at this stage regarding APESB's Technology Project, but this will continue to be monitored.

### **Way forward**

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

- recommence collaboration with the IESBA TWG on the development and publication of the joint APESB-IESBA NAM in early 2023;
- continue desktop research, other engagement activities and consider the IESBA developments and responses to the APES 215 Exposure Draft on the impact of technology on APES 215 and APES 225;
- prepare a preliminary report in H1 of 2023 and a final paper in H2 of 2023; and
- continue to provide Technical Staff support to the IESBA TEG as required.

### **Staff Recommendation**

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

**Materials Presented**

Agenda Item 9(a) Summary of IESBA Technology Developments  
Agenda Item 9(b) APESB Forensic Accounting Survey Responses

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**Date** 1 December 2022