

AGENDA PAPER

Item Number: 9
Date of Meeting: 5 March 2024
Subject: Project update on Technology

Action Required For Discussion For Noting For Information

Purpose

To:

- (a) provide the Board with an update on APESB's Technology project and related international developments; and
- (b) seek the Board's approval to close this project.

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 aim was 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 with a [Phase 1 \(Research\) Report](#) 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). The TWG issued a [Final Report \(Phase 2\)](#) in November 2022.

For the APESB Technology project, 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](#)).
- December 2022 – on a summary of proposed Technology-related revisions to the IESBA Code and TWG Final Phase 2 Report recommendations and stakeholder feedback on the APESB Technology Surveys ([Agenda Item 9](#)).

In April 2023, the IESBA issued the final pronouncement of [Technology-related Revisions to the Code](#). The pronouncement will be effective for audits and reviews of financial statements for periods beginning on or after 15 December 2024, with early adoption permitted.

Technology Project progress update

Since the last update provided to the Board in December 2022, Technical Staff have worked on the implementation of technology-related revisions to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) and select APESB pronouncements. The details of the progress of this project are set out in the relevant sections below.

Technology-related revisions to APES 110

In September 2023, APESB issued ED 05/23 [Proposed Technology-related Revisions to APES 110](#), which proposed revisions to APES 110 to incorporate changes made by the IESBA to the IESBA Code.

The revisions were to strengthen the Code in guiding the mindset and behaviour of professional accountants in both business and public practice when they use technology. The enhanced guidance addresses key concerns related to fundamental principles such as professional competence and due care, confidentiality and complex circumstances arising from digital technology. Additionally, the amendments strengthen and provide greater clarity on independence, specifically in relation to technology-related non-assurance services provided to audit or assurance clients by firms and network firms.

The comment period closed on 21 October 2023. Four submissions were received, and respondents generally supported the proposal. The Board approved the issue of the amending standard for technology-related revisions to the Code at the November 2023 Board meeting ([Agenda Item 4](#)).

The APESB will issue the amending standard in March 2024, and it will be effective for engagements beginning on or after 1 January 2025.

Issue of Revised APES 215 *Forensic Accounting Services* and APES 225 *Valuation Services*

A key focus of APESB's Technology project was to determine whether the extant provisions in APES 225 *Valuation Services* (APES 225) and APES 215 *Forensic Accounting Services* (APES 215) needed to change to address the impact of AI and digital technologies.

Technical Staff undertook a focused stakeholder engagement program to seek comments and feedback on the impact of digital technologies on these standards. Technical Staff engaged with the established APES 215 and APES 225 Taskforce members to seek their views. APESB also issued [two technology surveys](#) with the responses to surveys presented to the Board at the December 2022 Board meeting ([Agenda Item 19](#)).

In addition, both exposure drafts on APES 215 ([ED 07/22](#)) and APES 225 ([ED 02/23](#)) sought specific comments on how AI and digital technologies are used in forensic accounting and valuation services and the revisions required, if any, to the requirements and guidance in APES 215 and APES 225.

The Board considered the responses to the specific comments for APES 215 and APES 225 in May 2023 ([Agenda Item 3](#)) and August 2023 ([Agenda Item 3](#)), respectively. In both instances, the Board approved revisions that ensured these pronouncements would meet the new Technology-related revisions to APES 110 when it was issued. No additional provisions were required to address the matters raised by respondents to the exposure drafts.

Revised [APES 215](#) was issued in June 2023, and the revised [APES 225](#) was issued in September 2023.

Analysis and review of other APESB pronouncements

Technical Staff have conducted a detailed review of APESB pronouncements (other than APES 110, APES 215 and APES 225) to determine whether updates are needed to align the pronouncements with the APESB's approved revisions to APES 110 for Technology-related revisions and to ascertain if additional requirements or guidance material is required to address AI and digital technologies.

The review noted that revisions are required to align definitions and update cross-references to paragraphs in APES 110 that have been renumbered across the pronouncements. Technical Staff note that these changes are also to ensure alignment with other Amending Standards issued by the APESB (such as Revisions to the definitions of Listed Entity and Public Interest Entity (PIEs) and the definition of Engagement Team and Group Audits).

Technical Staff have noted these issues on the APESB Issues Register and will conduct a separate project in 2024 on APES 110 Conforming Amendments to APESB pronouncements.

Joint issue of NAM by APESB and IESBA on Auditor Independence and Technology

On 13 July 2023, the APESB and the IESBA jointly released practical guidance [Applying the Code's Conceptual Framework to Independence: Practical Guidance for Auditors in Technology-related Scenarios](#) to assist professional accountants in navigating the ethical challenges and opportunities created by technological advancements. The publication describes important technology-related provisions of the IESBA Code. It offers three practical examples of technology-related non-assurance services to demonstrate how to apply the independence requirements in the Code.

The Technical Staff of APESB and IESBA jointly developed the non-authoritative publication with input from the IESBA Technology Task Force as part of the IESBA's phase 2 Technology Working Group activities. Further details are available in the IESBA's [media release](#).

Assessment of recommendations in the IESBA TWG Final Report (Phase 2)

The IESBA Technology Working Group issued its [Final Report \(Phase 2\)](#) on 18 November 2022. The report included 10 key recommendations for IESBA's consideration. This was presented at the December 2022 Board meeting ([Agenda Item 9\(a\)](#)).

The report noted that " ... the technology landscape, although dynamic and evolving, has not seen a revolutionary turn that would significantly impact the relevance of the Code. Rather, the findings of Phase 2 underpin the fact that, with few exceptions, the Code continues to remain applicable and relevant to guide ethical decision-making around a PA's involvement with the design, implementation, or use of disruptive and transformative technologies and related issues."¹

Technical Staff have reviewed the report to determine whether APESB should undertake any additional actions in its Technology project. The details of the recommendations, the response by the IESBA and the consideration of further action to be undertaken by APESB are set out in Agenda Item 9(a).

The review notes that the IESBA has addressed most matters by including revisions in the IESBA Code or through the issue of non-authoritative materials on technology. Some of the recommendations are to be considered in future work streams of the IESBA as identified in their approved [IESBA Strategy and Work Plan 2024-2027](#). (SWP). The only actions that APESB should undertake relate to the ongoing promotion of the Code and the ethical considerations relevant to Technology.

Technical Staff are of the view that the recommendations from this report have been, or will be, adequately addressed by the IESBA and that there are no matters that APESB needs to address in its other pronouncements.

Small and Medium Practices (SMPs)

In the November 2023 Board meeting ([Agenda Item 4](#)), Technical Staff noted stakeholders' input on SMP's difficulty in coping and adapting to code changes due to limited resources and capacity. To assist SMPs, APESB has launched a focus area ([Small and Medium Practices](#)) on its website, which brings together information and resources for SMPs on developments in professional and ethical standards that are relevant to them.

Way forward

As APESB will shortly issue the Amending Standard to APES 110 on Technology-related revisions, and reviews performed by Technical Staff have not identified significant amendments required to other APESB pronouncements for Technology, Technical Staff are of the view that the technology project should now be closed.

¹ Paragraph 4, [IESBA Technology Working Group Final Report \(Phase 2\)](#), 2022.

Technical Staff are planning to undertake a detailed review of all APESB pronouncements in 2024 as part of the APES 110 Conforming Amendments project. This will provide the opportunity to consider whether any technology-related issues require further consideration by the Board.

In addition, a matter will be included on the issues register for Technical Staff to continue to monitor the changing technological landscape to determine if amendments are required to APESB's suite of pronouncements. This matter will remain on the Issues Register for the remaining portion of the APESB's current strategic plan. It will be reassessed as part of the determination of the strategic priorities for the next strategic period.

Accordingly, Technical Staff are recommending that the AI and digital technology project be closed and any residual issues be addressed via the APES 110 Conforming Amendments project.

Staff Recommendation

That the Board:

- (a) approve the closure of the APESB's Technology project; and
- (b) note the progress on APESB's Technology project.

Materials Presented

Agenda Item 9 (a) Review into Recommendations in IESBA TWG Final Report (Phase 2)

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