

AGENDA PAPER

Item Number: 6
Date of Meeting: 10 June 2021
Subject: Project update on Technology

Action Required For Discussion For Noting For Information

Purpose

To:

- a) provide the Board with an update on the Technology project; and
- b) seek the Board's views on the proposed way forward.

Background

In August 2019, the Board requested Technical Staff to develop a project plan to consider the applicability of the current ethical and professional standards to Artificial Intelligence and Digital Technologies.

The [project plan](#) was reviewed by the Board and approved at the March 2020 Board meeting. The key phases of the project plan include information-gathering and research, analysis and review of APESB pronouncements. The project aims to understand how professional accountants use artificial Intelligence and Digital Technologies and determine whether additional professional and ethical obligations or guidance are required in APESB pronouncements.

The IESBA also has a project on Technology. Its Working Group issued a [phase 1 report](#) in late 2019 and subsequently approved a project proposal to develop enhancements to the International Code of Ethics. The objective of the IESBA's project and its Technology Taskforce is to enhance the Code's provisions in response to the transformative effects of major trends and developments in technologies to maintain the Code's robustness and relevance.

Project progress update

Technical Staff have performed the following tasks to date;

- Desktop review and research into Artificial Intelligence/Digital Technologies and current guidance available for professional accountants;

- Identification of key stakeholders and organisations for further consultation;
- Engagement with IESBA and presentation in August 2020 to APESB by IESBA Technology Taskforce Chair (at the time) Brian Friedrich.
- Prepared submissions on IESBA Technology Surveys on *Technology and complexity in the Professional Environment* and *Impact of Technology on Auditor Independence* in Nov 2020.

In December 2020, in addition to its Technology Taskforce, the IESBA established a new Technology Working Group (TWG) to focus on Non-Authoritative Material (NAM) development and perform fact-finding and research on technologies. It is expected that the research will cover the impact of technological developments such as Artificial Intelligence (AI), Big Data/Data Analytics, Blockchain, Cybersecurity and Cloud Computing on the behaviour of professional accountants in both business and public practice. Findings from the research performed by the TWG will inform the development of the Exposure Draft by the IESBA Technology Taskforce.

APESB also received an update on the IESBA Technology project at the May 2021 IESBA National Standards Setters (NSS) meeting. We understand that the Technology Taskforce is considering revisions across certain areas of the Code, such as clarifying the fundamental principles and threats in relation to technology (particularly the impact on professional judgement), the meaning of '*routine and mechanical*' and the IT services provisions in NAS.

Due to APESB's projects associated with COVID-19 and the priority of other APESB Technical projects (Quality Management, Non-Assurance Services and Fees), the time available to devote to the APESB Technology project in recent times has been limited. This project will become more of a focus in the second half of 2021.

However, the additional engagement activities undertaken by the IESBA Technology Taskforce have led APESB Technical Staff to form the view that it is best for any Code related changes to be driven by the outcomes of the IESBA Technology project.

We also note that at IESBA's March 2021 meeting, it has been determined to defer the Exposure Draft on Technology from June 2021 to December 2021. The rationale for this deferral is to provide global stakeholders with a period of stability to adopt Code changes from revisions to NAS and Fees provisions, as well as recognising the burdens created by the COVID-19 pandemic. Refer to agenda item 6(a) for an update from the IESBA about their Technology project and the updated project timeline.

The IESBA TWG has been tasked with developing NAM on four topics in 2021 to be issued quarterly. The four topics are:

- (a) Ethical Leadership in an Era of Complexity and Digital Change;
- (b) Confidentiality and Data Privacy;
- (c) Auditor Independence; and
- (d) Accountability and Transparency.

The IESBA TWG has reached out to APESB to collaborate on NAM development regarding auditor independence during the second half of 2021. APESB has accepted this invitation to collaborate with IESBA as any material developed will also be useful for APESB's project on Technology.

Based on the desk research done to date, it is clear that the impact of technologies in the professional environment is complex and far-ranging. Given IESBA's resources and focus on the Code (including auditor independence), it is best if APESB's initial focus is on selected national professional pronouncements. This approach will enable APESB to focus its efforts on an area of professional practice that is unlikely to be addressed by IESBA's Technology workstreams.

Technical Staff believe that after APESB's assistance to IESBA concerning the development of NAM on auditor independence, APESB should assess the impact of technologies on Forensic Accounting and Valuation Services. The insights gained from this process could then feed into a review of other areas of professional practice.

Way forward

Subject to the Board's views Technical Staff propose to:

- Collaborate with the IESBA TWG on the development of NAM for auditor independence during the second half of 2021;
- Perform research on the impact of technologies on Forensic Accounting and Valuation Services and prepare a preliminary paper at the November 2021 Board meeting;
- Respond to the IESBA ED on Technology in the first half of 2022; and
- Prepare a final paper on the impact of technologies on APES 215 *Forensic Accounting Services* and APES 225 *Valuation Services* for the June 2022 Board meeting.

Staff Recommendation

The Board:

- (a) note the progress of the technology project; and
- (b) provide feedback with respect to the proposed way forward.

Material Presented

Agenda Item 6(a) IESBA update on Technology Project

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