Exposure Draft 02/23: *Proposed Standard: APES 225 Valuation Services*

	Review of Submissions - Specific Comments Exposure Draft 02/23: *Proposed Standard: APES 225 Valuation Services*

Note: General comments relating to Exposure Draft 02/23 are addressed in a separate table. This table excludes minor editorial changes.

Item No.	Paragraph No. in ED	Respondent	Respondents' Comments	Change made to standard?

1	Specific Comment 1	CA ANZ	**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.
				No

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			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	Specific Comment 1	Deloitte	**Request for Specific Comment 1:** Describe an example(s) or use case(s) of how 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); (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 accountant impacts or provides inputs to the technology and/or how the accountant uses and/or interprets the outputs of the technology);(c) the	No

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			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. ***Deloitte's response:*** Deloitte uses Microsoft Excel and data visualisation tools such as Tableau and Power BI to analyse and examine valuation related data. Deloitte does not currently use AI or digital technology to reach valuation conclusions.	
3	Specific Comment 2	CA ANZ	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.	No
4	Specific Comment 2	Deloitte	**Request for Specific Comment 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 technology 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 **Deloitte's response:** We do not believe any aspects of APES 225 require revision or development of additional professional obligations to address the use of AI or digital technology in valuation services.	No
5	1.2	CPAA	We believe the proposed effective date of 1 January 2024 is appropriate, noting that earlier adoption is permitted.	No
6	1.2	IPA	IPA also supports the proposal that the amendments will be effective for engagements commencing on or after 1 January 2024, with earlier adoption permitted.	No

ED 02/23 - Specific Comments Table

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7	4.6	Deloitte	Clause 4.5 of APES 225 (Clause 4.6 in the current draft) requires that, a Member shall gather sufficient and appropriate evidence by such means as inspection, inquiry, computation and analysis to provide reasonable grounds that the Valuation Report and the conclusions therein are properly supported. When determining the extent and quality of evidence necessary the Member shall exercise professional judgement, considering the nature of the Valuation, the type of Valuation Service and the use to which the Valuation Report will be put. Should Members use AI or digital technology in valuation, as set out in Clause 4.6, we would expect the Member to gather sufficient and appropriate evidence by such means as inspection, inquiry, computation and analysis to provide reasonable grounds that the Valuation Report and the conclusions therein are properly supported through alternate verification. If it was not possible for a Member to gather sufficient and appropriate evidence to support the results produced by AI or a digital tool for all material inputs into a valuation, then a Member should not use that AI or digital tool in a Valuation Engagement or Limited Scope Valuation Engagement.	No

RESPONDENTS

1	CA ANZ	Chartered Accountants Australia and New Zealand
2	CPAA	CPA Australia
3	Deloitte	Deloitte Touche Tohmatsu
4	IPA	Institute of Public Accountants