Meeting: IESBA
Meeting Location: New York
Meeting Date: June 12-16, 2023

Agenda Item

9

Technology Working Group

Objectives of Agenda Item

1. To consider:
   (a) The updated Terms of Reference for the Technology Working Group (TWG);
   (b) An update on the TWG activities; and
   (c) A presentation on the ethical use of generative AI and large language models, and related data governance.

Background

2. With the finalization of the TWG Phase 2 Report in November 2022, the IESBA’s Technology Initiative remains a strategic initiative of the IESBA given the potential for technological advancements to impact the Code. It is thus in the public interest for the IESBA to continue to closely monitor the transformative effects of technology and to identify any new ethical issues that might be created.

Recap of December 2022 Discussion

3. During the December 2022 IESBA meeting, the Board supported the TWG’s proposed four-pillar approach to monitoring technology developments going forward. The four-pillar approach consists of internal board education, environmental scanning, ad-hoc analysis of technology impacts on other workstreams as needed, and facilitating the implementation of the TWG Phase 2 Report recommendations, including contributing to the development or facilitating the development of non-authoritative materials.

4. In light of the reduced intensity of the monitoring work, the IESBA agreed to reconstitute the TWG as a smaller working group. The TWG now consists of:
   • David Clark, Chair, IESBA Technical Advisor
   • Paul Muthaura, IESBA Member

Liaison with the IAASB’s technology work is provided by IAASB Correspondent Member Johanna Field.

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1 IESBA Technology Project
2 IESBA Strategy and Work Plan 2024-2027 Consultation Paper
5. The TWG staff will continue to share relevant insights and recommendations with other IESBA Task Forces, Working Groups, and the Planning Committee, as appropriate.

6. Part of the new TWG’s remit will be to maintain the liaison with the Technology Experts Group (TEG).

**Activities Since the Last IESBA Discussion**

7. Since December 2022, the TWG has met twice via video conference to develop the agenda materials for the June Board meeting.

8. The TWG met with the TEG in May 2023 with the focus of the meeting being on artificial intelligence (AI), data governance and other recent technological developments. The TWG will brief the Board on the highlights of that meeting.

9. In addition, the TEG Terms of Reference were updated and noted during the TEG meeting. Refer to Appendix 1 for the updated TEG Terms of Reference.

**Educational Session**

*External Presentation*

10. Danielle Supkis Cheek, Vice President of Strategy and Industry Relations at MindBridge, will provide an educational session on generative artificial intelligence (AI), large language models, and data governance. The session will build on the introduction to ChatGPT provided during the March 2023 IESBA meeting, discussing the nuances of ethical considerations regarding the use of AI, the practical uses of AI in today’s assurance engagements, and how the human element co-exists with and can effectively supervise the use of AI.

**Action Requested**

11. IESBA members are asked to:
   
   (a) Agree the TWG’s updated Terms of Reference as contained in Agenda Item 9-A; and
   
   (b) Share views on, and reactions to, the presentation from Danielle Supkis Cheek.

**Material Presented**

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<thead>
<tr>
<th>Agenda Item 9-A</th>
<th>TWG updated Terms of Reference</th>
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<tbody>
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<td>Agenda Item 9-B</td>
<td>External Presentation</td>
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3 MindBridge develops AI and machine learning software to help organizations detect anomalous patterns of activities, unintentional errors and intentional financial misstatements.
Objectives of Technology Expert Group (TEG)

1. To provide a forum for knowledge sharing, including insights, expertise, or advice on technology trends and developments, and related ethical issues they might create. This includes consideration of how such trends, developments and issues might vary across geographical regions and/or stakeholder perspectives.

2. To act as a “sounding board” and provide support to the IESBA’s Technology Working Group (TWG) in monitoring technology developments, and to provide advice on the TWG’s activities and deliverables.

Key Responsibilities and Engagement Modalities

3. Key responsibilities of TEG members include:
   - Providing insights, expertise, or advice on identified developments in existing and new technologies, their use and application, and related ethical issues.
   - Contributing to, or assisting in, the provision of educational sessions at the IESBA board meetings on emerging technology topics or areas.
   - Responding to questions from the TWG from time to time.
   - Providing input to, or assisting in, the development of non-authoritative guidance material to assist professional accountants in applying the IESBA Code when using technology.

4. The TEG will engage with representatives of the TWG through virtual meetings at mutually agreed times. Each meeting will generally be up to 2 hours.

5. The meetings will be chaired by a member of the TWG or IESBA Staff. Meeting support, including agenda planning and scheduling, will be provided by IESBA Staff. Meeting discussions may be recorded for internal IESBA Staff purposes only.

6. The TWG may also ask some TEG members to attend virtually certain parts of a TWG meeting or an IESBA Board meeting to provide input or advice on selected technology topics or matters.

TEG Membership and Term

7. The TEG will comprise of 6 to 9 members in a voluntary capacity and with different and relevant expertise, which collectively covers a broad range of technologies. A broad range of geographical and stakeholder perspectives will also be considered.

8. TEG members will be individuals who have a background in, and deep understanding of, technology developments (including adoption timeframes of key innovations or technologies), or have expertise in using or implementing specific technologies.
9. The initial appointment of the TEG members will be for a minimum term of one year. Members may continue to serve for additional periods, subject to the TWG’s periodic evaluation of contribution levels from TEG members.

10. The Terms of Reference are subject to review by the IESBA from time to time.

11. For transparency, the Terms of Reference will be posted to the TWG Project Page on the IESBA website together with the composition of the TEG.