Technology Update

IESBA Meeting, New York
September 21, 2023

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Objectives

To consider:

• An update on the **TWG activities**

• A **presentation** on Technology and Fraud
Update on TWG Activities
Highlights from joint meeting with TEG

- Preliminary stress-test of upcoming Technology pronouncement
- Specific scenarios
Preliminary Stress Testing

- Some situations might be difficult to navigate but the provisions are still robust and prevail to allow reaching an appropriate ethical conclusion.

- Specific elements discussed:
  - Complex situation (120.5 A8): Confusion if there is an additional requirement by the mere nature of being complex rather than just difficult to navigate.
  - Close business relationships: indirect provision of service through technology (consider case study).
  - Professional competence and due care: what do we mean in the context of using technology.

Conclusion reached that Code covers it sufficiently from an ethical framework.
Specific Scenarios

Artificial intelligence (AI) tools (e.g., ChatGPT) to highlight:

- AI is a powerful tool but also fallible.
- Confidentiality concerns.
- Only valuable if you understand whether information is accurate and valid.
- Know policies of technology service providers and organizations – interaction between policy and ethics.
- Link to ISQM 1 quality components.
- Supervising AI - Walk through ways to supervise different types of AI.
- Forced reliance on AI and other technologies - When a PA doesn’t understand the technology they should either withdraw or get an expert / specialist involved.
Specific Scenarios

- **Foundational model / Large Language Models / Generative AI and self-review threats**
  - Conflict of interest as opposed to independence concern.
  - Dependent on facts and circumstances.
  - Would prompt generation be characterized as design and implementation?

- **Intellectual Property rights versus third party rights**
  - Importance of client confidentiality.
  - Consider jurisdictional rules and regulations.
  - Risk of reliance on third party tools (not only technology).
Specific Scenarios

- **Blockchain**
  - Independence concerns when a node is created in order to have a copy of the ledger and provide the requested assurance.

- **Contract readers and completeness of information**

- **Smart contracts that use external data sources**
  - The subject matter that is audited does not belong to the client, but rather a data organization.

- **Client and engagement acceptance dilemmas**
  - Start ups, adverse media.
  - New versus existing clients.
Next Steps
Questions/Comments
Presentation on Technology and Fraud