

Agenda Item 8-A

Technology Update

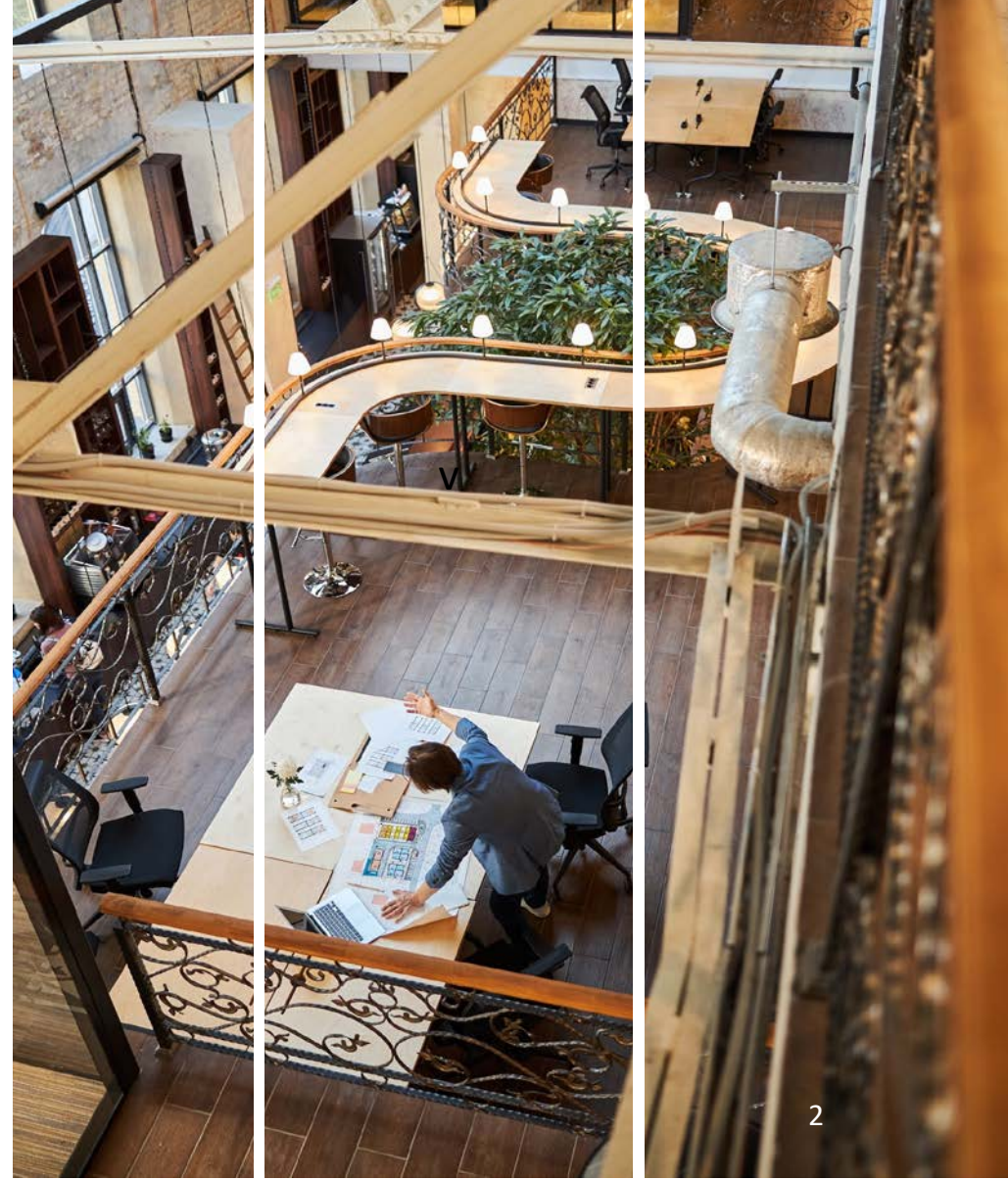
**IESBA Meeting, New York
September 21, 2023**

David Clark, Working Group Chair

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

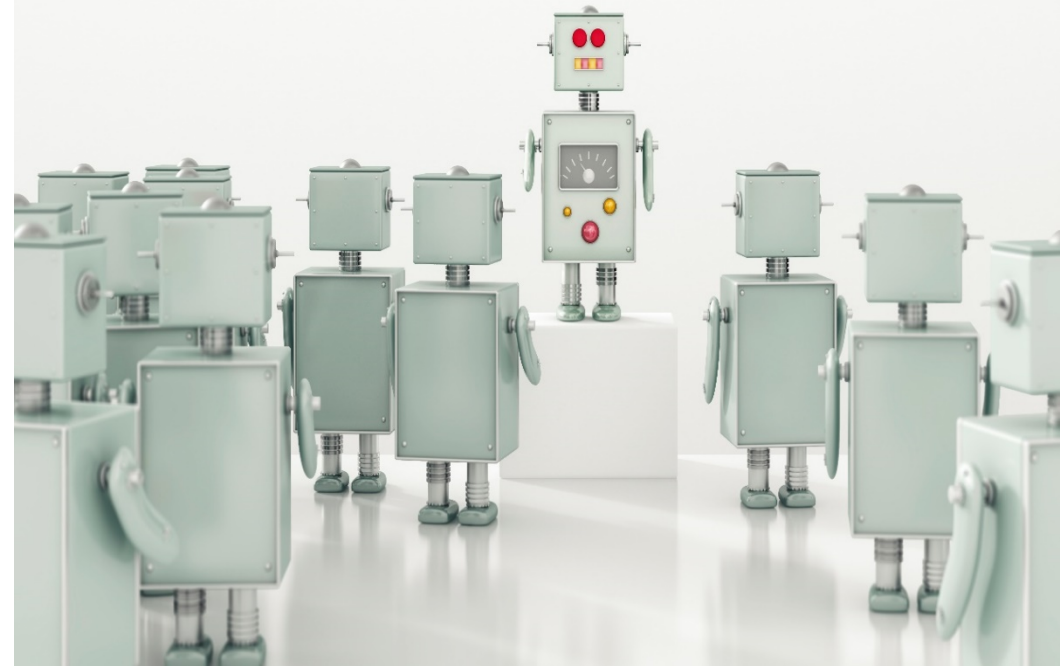
- **Some situations might be difficult to navigate but the provisions are still robust and prevail to allow reaching an appropriate ethical conclusion.**
- **Specific elements discussed:**
 - Complex situation (120.5 A8): Confusion if there is an additional requirement by the mere nature of being complex 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

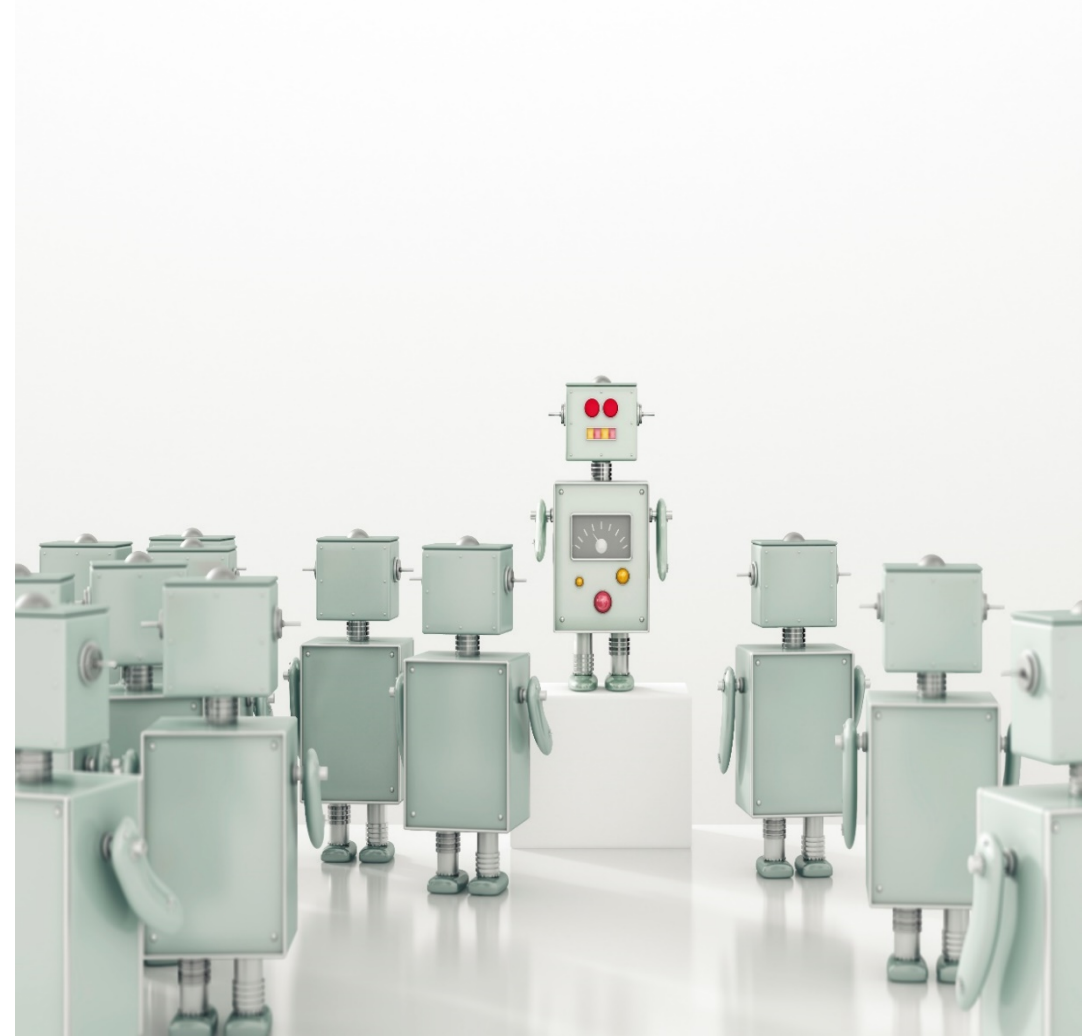
➤ Artificial intelligence (AI) tools (e.g., ChatGPT) to highlight:

- 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.



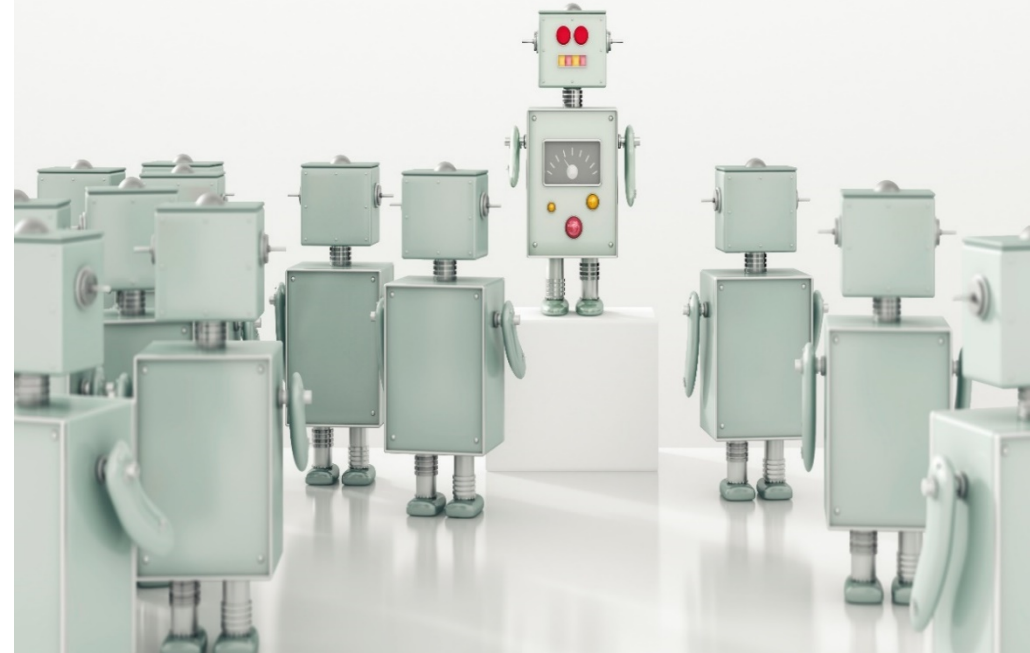
Specific Scenarios

- **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

The background consists of several overlapping paper cutouts of human heads in profile, facing right. Some heads are white with a black question mark, while others are light blue with a blue lightbulb icon. The cutouts have a layered, 3D effect with shadows.

**Questions/
Comments**



Presentation on Technology and Fraud





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