

Project Proposal – Artificial Intelligence and Digital Technology

Introduction

Artificial Intelligence and the use of other Digital Technology are being adopted across the accounting profession and in a wide-ranging number of industries, professions and businesses. Professional accountants will need to develop an understanding of these technologies and determine the upskilling or knowledge they will require to work alongside or with these developments. In addition, the professional and ethical obligations related to the new work practices and professional services that will result from the developments in Digital Technology need to be considered and assessed.

This project aims to build an understanding of how Artificial Intelligence and Digital Technology is being used by professional accountants and to determine whether additional professional and ethical obligations or guidance is required in this area to assist professional accountants.

Background

Technological innovations and developments have been a large consideration across a number of APESB's recent projects, including the revision of APES 310 *Client Monies* and the recent restructure project which saw all of APESB's pronouncements being revised to align with the restructured *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code).

As part of the due process for the pronouncement restructure project, APESB sought feedback on the applicability of our standards to the increasing use of technology in the accounting profession. APESB received limited feedback on this matter, with only one stakeholder suggesting that if there were changes required for technological matters, they should be included in the Code.

While the Board received limited feedback, it is aware that technological developments will have a large impact on the accounting profession. Therefore, at the August 2019 Board meeting, 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.

Key Considerations

In undertaking this project, APESB will need to consider:

- 1) Building an understanding of Artificial Intelligence and Digital Technology

The use of Artificial Intelligence and other Digital Technologies are new developments that APESB Technical Staff have not had a great deal of exposure too. A key aspect of this project will be for Technical Staff to research and analyse how the accounting profession is using these technologies in practice. This will require wide stakeholder engagement across the accounting profession.

The interest in the ethics of Digital Technologies, especially Artificial Intelligence, is broader than just the accounting profession. There are a number of Australian consultations and discussion papers relating to Artificial Intelligence and ethics that will need to be considered including, but not limited to:

- The Australian Government's Department of Industry, Innovation and Science Discussion paper: [Artificial Intelligence: Australia's Ethics Framework](#), which was used to develop a set of Artificial Intelligence ethics principles.
- Standards Australia is currently consulting on [developing standards for Artificial Intelligence](#).

Technical Staff have also noted that there are universities who have devoted projects to ethics and Artificial Intelligence (such as [Oxford University](#)) and entities that have developed their own code of conduct relating to Artificial Intelligence, such as IBM who have released [Everyday Ethics for Artificial Intelligence](#), and who also publish their [research papers](#) on this matter.

2) IESBA's current project on Technology

At their December 2019 Board Meeting, the International Standards Board for Accountants (IESBA) have agreed to undertake a project on Technology and the impact on the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code). The IESBA has noted that while the International Code provides a high-level framework for addressing risks arising from the use of technology, there is minimal application material specifically related to technology.

Therefore, the preliminary outcomes on the International Code of IESBA's technology project will include either amendments or additional guidance on:

- Building trust and the critical role of ethics and professional judgement.
- The complexity of the professional environment in which professional accountants in business operate.
- The fundamental principles in the digital age.
- Enabling competency and skills.
- Auditor independence (especially business relationships and the provision of Information Technology Systems Services (Section 606)).

The IESBA will be considering a project proposal for Technology at their March 2020 Board Meeting. APESB will need to monitor the developments of the IESBA in relation to this matter, and consider amendments to APESB pronouncements, if applicable.

3) Guidance specific to the accounting profession

Digital developments have been a focus of the professional accounting bodies for a number of years. Technical Staff are aware that both local and international professional accounting bodies have released guidance and information relating to the impact of these developments on the profession. Technical Staff will need to consider the information as part of this project

4) Consistency of material in APESB pronouncements

APESB will need to ensure that any amendments or guidance developed as an outcome of this project will be consistently referred to across the full suite of APESB pronouncements, and

where necessary, tailored to reflect the specific professional activity addressed in each pronouncement.

Proposed Project Plan

Appendix A presents the proposed project plan for Artificial Intelligence and Digital Technology. It lists the key project activities, proposed timeline, project risk assessment and resource requirements.

Other Matters

Impact on accounting, auditing, or other relevant standards

While it is hard to quantify at this stage, there could be potential for the outcomes to have a minor impact on auditing standards depending on the final outcomes. APESB Technical Staff will liaise with the other standard-setting bodies if necessary. Otherwise, no other impact is expected on other relevant standards.

Related legislative developments

Technical Staff are not aware of any specific legislation on Artificial Intelligence; however, staff will consider the interaction of legislation on matters related to data protection and privacy such as the Privacy Act 1988 and the European Union (EU) General Data Protection Regulation 2016/679.

Related international developments

The International Auditing and Assurance Standards Board (IAASB) is also conducting a project in relation to Technology. The project is in the information-gathering stage, with the proposed outcomes from this project to be developing non-authoritative guidance on the effect of technology when applying certain aspects of the International Standards on Auditing and Assurance (ISAs).

Other than the IESBA developments, no other developments that impact upon this project are noted at this stage.

Benefits of this project

This project will assist in APESB's understanding of current and future technological changes that impact the accounting profession and inform the Board on whether specific obligations or guidance related to technology are required to assist professional accountants when facing ethical issues relating to Artificial Intelligence and Digital Technologies.

Appendix A

Project Plan on Artificial Intelligence and Digital Technology	
Objective	This project aims to build an understanding of how Artificial Intelligence and Digital Technology is being used by professional accountants and to determine whether additional professional and ethical obligations or guidance is required in this area to assist professional accountants.
Project Steps	<p>The activities for this project have been grouped into 3 key phases, as follows.</p> <p>Phase 1: Information-gathering and research</p> <ul style="list-style-type: none"> • Desktop review and research into Artificial Intelligence/Digital Technologies, current guidance available for members and relevant legislation. • Develop an initial analysis of the applicability of APESB pronouncements to Artificial Intelligence and Digital Technologies. • Review of current consultations/other projects relating to Artificial Intelligence and Digital Technologies. • Undertake engagement/consult with a broad range of stakeholders, including the professional accounting bodies, other standard-setters and firms, to ascertain what Digital Technologies are being implemented in the accounting profession or being used in commercial enterprises (which will impact upon professional accountants in business). • Undertake engagement/consult with technological experts, such as CSIRO, Data 61 and universities as to what technologies are being developed and implemented, and the practical and ethical challenges that have arisen in relation to the developments. • Present to the Board the summarised findings of Phase 1 of this project as key developments occur. <p>Phase 2: Analysis and review of APESB pronouncements</p> <ul style="list-style-type: none"> • Undertake intensive analysis of current provisions in APESB pronouncements to determine if additional technology-specific requirements and guidance material are required. • APESB Technical Staff to develop proposed outcomes for consideration by the Board at a 2021 Board Meeting. • Consult with stakeholders on the determined approach to develop any required materials or proposed amendments to APESB pronouncements. <p>Phase 3: Issue of project outcomes</p> <ul style="list-style-type: none"> • Present the final project outcome for the Board's approval at a Board meeting in 2021 or 2022. • Release the Board approved outcome (either as a revision to APESB pronouncements or the release of supplementary guidance material) on the APESB website.

Project Plan on Artificial Intelligence and Digital Technology

Resource Requirements	<ul style="list-style-type: none"> Estimated Technical Staff time on this project will be approximately 6-8 months; Costs may be required for stakeholder engagement, which will either be in the form of teleconferencing facilities or travel for APESB Staff (as required). At this stage, it is expected that the costs can be covered by existing allocation for taskforces, events and thought leadership activities in APESB's budget. Other costs could be incurred as Professional Development if staff attend conferences or training events to expand their knowledge. Other sundry costs, such as printing and stationery.
Timeline	<p>The initial estimate for the timeline for this project is approximately eighteen to twenty-four months. However, this will need to be assessed at the end of the information-gathering phase and in light of the proposed timeframe for the recently approved IESBA project (which has not yet been released).</p>
Project Risk Assessment (Key risks)	<p>Risk 1 Project outcomes are not acceptable or adopted by Members, Professional Accounting Bodies and other stakeholders.</p> <p><i>Assessment:</i></p> <ul style="list-style-type: none"> Probability: Low Impact: Medium Risk rating: Low <p><i>Mitigating Controls:</i></p> <ul style="list-style-type: none"> Proactively consult with stakeholders through the project, especially the Professional Accounting Bodies. Carefully assess any proposed changes to APESB pronouncements, including the practical implications of the changes. <p>Risk 2 Unable to gather necessary/useful information.</p> <p><i>Assessment:</i></p> <ul style="list-style-type: none"> Probability: Low Impact: Medium Risk rating: Medium <p><i>Mitigating Controls:</i></p> <ul style="list-style-type: none"> Initial desk research indicates sufficient literature, both from IESBA and from various professional bodies; and Liaise with university contacts to determine the current research being conducted in Australia.

Project Plan on Artificial Intelligence and Digital Technology

Risk 3

Scope of the project too broad.

Assessment:

- Probability: Medium
- Impact: Medium
- Risk rating: Medium

Mitigating Controls:

- Staff to undertake project work to ensure it is informing the project objective of specific technology obligations or guidance in APESB pronouncements.
- Staff to monitor Australian and international developments with respect to Artificial Intelligence and Digital Technology as it impacts the accounting profession.
- Board will be monitoring the progress of the project through regular project updates.