

Technology – Report Back on September 2019 CAG Discussion

Below are extracts from the draft minutes of the September 2019 CAG meeting¹ and an indication of how the Task Force and/or IESBA has responded to the CAG's comments.

Matters Raised	Task Force/IESBA Response
<ul style="list-style-type: none"> Mr. Hansen queried about the extent of outreach to academics and educators. 	<p>Ms. Mulvaney noted that whilst the Working Group had mostly been focused on reviewing academic research to date, it also had an opportunity to engage with a professor with more recent research work on ethics in artificial intelligence (AI). In this regard, Ms. Mulvaney added that the Working Group will consider the need for further engagement with academics and educators in Q4 2019.</p> <p><u>Update subsequent to the CAG discussion</u></p> <p>Over the course of the Phase 1 work, the WG engaged with the academic community on three separate occasions. See the Appendix to the final report summarizing the various outreach activities undertaken as part of Phase 1.</p> <p>Also, as reported on page 30 of the Phase 1 report, based on its analysis of the information received in Phase 1, including academic research reviewed and discussions with those from the academic community, the TWG did not identify any specific areas or issues that warrant further academic research at this time. However, the TWG has highlighted the importance of continuing to assess and remain alert for potential research topics as the Technology initiative moves forward.</p>
<ul style="list-style-type: none"> Mr. Hansen questioned the Working Group's rationale for focusing on AI and Big Data under Phase 1. 	<p>Ms. Mulvaney noted the IESBA's view that these technologies are likely to have the most pervasive impact across all PAs' work. She also explained that the IESBA will consider information gathering on other types of technologies in future phases of the initiative.</p>
<ul style="list-style-type: none"> Mr. Dalkin acknowledged the coordination activities between the IESBA and the IAASB and suggested that the IAASB's and 	<p>Ms. Mulvaney noted that this was a timely example and that the Working Group would consider it as</p>

¹ The draft September 2019 minutes will be approved at the March 2020 IESBA CAG meeting.

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<p>AICPA’s current activities on audit evidence might be an area of interest for the IESBA in relation to its technology work stream. By way of an example, Mr. Dalkin cited an independence issue that arose when an audit client offered to purchase a fraud detection software that the firm developed for its audit work.</p>	<p>part of its review of independence issues that might arise as a result of technology in Q4 2019.</p>
<ul style="list-style-type: none"> Mr. Nicholson noted that trust is and has always been important and that in his view it might be that there is an increased focus on trust more broadly and not only with respect to the work of PAs. He also challenged the observation that AI increases the need for human judgment and decision. He suggested that in his view the need for judgement shifts based on other factors, for example, the stage of the process (i.e. whether the AI is used in the design or implementation stage of a process). Further, he observed that AI is unlikely to be judged based on what is best in the public interest. 	<p>Ms. Mulvaney agreed that PAs need to be involved much earlier than traditionally in the digital age and that the Working Group’s Final Phase 1 Report will highlight this observation more clearly.</p> <p><u>Update subsequent to the CAG discussion</u></p> <p>Point noted. As AI and its applications evolve, the significant role of human judgment and the enhanced opportunities to exercise it are recognized and discussed in the Phase 1 report (see pages 10-11).</p>
<ul style="list-style-type: none"> Mr. Nicholson wondered if there is an opportunity for PAs to have a broader societal role in promoting ethical behavior than other professionals given their role in society. Ms. Meng added that PAs can encourage best practices and enhanced governance in relation to technology. Reflecting on Mr. Nicholson’s suggestion, Mr. Bradbury suggested that the Working Group consider a recommendation for PAs to have a broader role in promoting ethical behavior with respect to undertaking professional activities. 	<p>Points taken into account. The Phase 1 report contains a discussion about a broader societal role for PAs in promoting ethical behavior, as well as a recommendation to develop guidance to that effect (see pages 9-10). The project will take this recommendation forward for further development.</p>
<ul style="list-style-type: none"> In relation to the Working Group’s observations relating to the necessary competencies and skills for PAs, Mr. Pavos pointed out that the pace of technological changes creates a risk to the accountancy profession. He noted that it is helpful to 	<p>Point noted. Education standards fall within the remit of IFAC and professional accountancy organizations. Continuing evolution of education and ethics standards will be necessary as technology increasingly permeates the work of PAs. IESBA will engage in appropriate coordination with</p>

Matters Raised	Task Force/IESBA Response
<p>maintain the linkage between education standards and ethics standards when addressing the skills that are necessary for PAs of the future.</p>	<p>IFAC and its Education initiative as the Technology initiative further develops.</p>
<ul style="list-style-type: none"> • Mr. Bradbury wondered whether the pace of technological change could also result in PAs needing to rely more on the work of experts versus upskilling themselves. 	<p>Point accepted. The TWG has noted through its outreach a consistent acknowledgement among stakeholders that PAs need to upskill themselves on understanding how newer technologies work and to keep this knowledge current with technological advancements (see page 20 of the Phase 1 report). To counter the risk of undue reliance on experts and intelligent agents, the TWG has recommended that the concept of accountability be strengthened in the Code (see pages 17-18 of the Phase 1 report).</p>
<ul style="list-style-type: none"> • Mr. Thompson cautioned the Working Group against focusing only on AI. He noted that there are other technologies that are already being used by PAs that also create ethical dilemmas. 	<p>Ms. Mulvaney acknowledged that there is a spectrum of types of AI and other technologies. She explained that whilst the focus has been on advanced technology such as AI, the TWG will also assess the impact of other technologies such as automation.</p>
<ul style="list-style-type: none"> • Ms. Pettersson expressed in her view that the topic of technology is of significant public interest and therefore the Board should carefully assess how the ethical issues should be treated, including the consideration of including a new section in the Code that deals with technology. By way of example, she suggested that the increasing reliance on subject matter experts and data scientists in undertaking the audit engagement requires further review. 	<p>Dr. Thomadakis reminded CAG Representatives that the IESBA's technology initiative is only in its Phase 1 stage and that given the broad nature of the topic, he anticipates that IESBA's approach and process for moving forward will be based on cumulative findings and observations.</p>