

Audit & Accounting Alert Newsletter

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At-A-Glance

Technology continues the rapid and pervasive penetration into all aspects of life, including accounting. One of the emerging applications is the chatbot, which can provide knowledgeable human-like conversation for limitless topics on a real-time basis. With the click of a mouse, an immediate answer is provided. Care needs to be taken, since accuracy is not guaranteed. Even so, in a world where speed is an important factor, chatbot use is growing rapidly. This issue looks at the world of chatbots and one specific application, ChatGPT.

Also, our Worldwide Update covers news from organizations across the globe.



Gerald Herter - Editor

Chatbots and Accounting

A new tool to facilitate accounting analysis



ChatGPT is one of the latest in a long history of time saving devices that have been developed over several millennia, dating back to innovations, such as the abacus originating more than four thousand years ago. Used appropriately, efficiencies can be realized in gaining information. But though results may be attained more quickly, sometimes, just like with humans, the wrong answer is attained, only faster.

Early in my career, many years ago, my first financial audit was of a steel forge. A huge computer printout of inventory was placed in front of me for use in making price testing selections. I was pleased that each section of the printout had computer-generated subtotals, with a grand total at the end. So I wondered why a comptometer operator was assigned to manually add up all the columns of numbers. To my surprise, the comptometer operator produced a total much different than that on the printout. Further investigation revealed that the subtotal calculations were restricted to a certain number of digits. If the actual total required a larger number of digits, the extra digits were left off by the computer, leading to erroneous amounts.

To put things in perspective, a Brigham Young University study in early 2023 found that accounting students got about 75% of answers to accounting questions correct, while ChatGPT was only successful about 50% of the time. However, ChatGPT is still relatively new, having been released by OpenAI on November 22, 2022. Since its answers are based on the vast amount of data that it accesses, the accuracy should improve over time as more data is generated. In an April 2023 article in Science Times, five experts all predicted that in time Artificial Intelligence (AI), upon which ChatGPT is built, will attain human intelligence levels, though currently it is lacking in traits such as human emotions. Consequently, some governments, and individuals such as Elon Musk, are calling for caution with the development and rollout of AI while accuracy issues and other risks are addressed.

Artificial intelligence is the ability of a machine (computer) to have been taught (programmed) to respond to inputs similar to how a human would respond. AI does this by employing machine learning, which analyzes massive sets of data to develop and improve processes. Machine learning is then applied with natural language processing (NLP), which enables the computer to work with human language.

From here, a chatbot is created which establishes a conversational style that is more like talking with another person. ChatGPT runs a generative pre-trained transformer (GPT), a language model that predicts responses based on the group of words presented.

Like so many tools in the past, ChatGPT, when used effectively, can free up accountants and auditors. They will have more time to focus on strategic issues, while not getting as bogged down with routine functions that are performed just as well if not better by this approach. So ChatGPT is not likely to replace accountants but will allow them to become even more valuable advisors. However, accountants still need to do a better job of making colleagues and clients aware of just how versatile and wide-ranging their skill sets have developed for providing a broad array of business planning and decision-making advice.

Further details can be found at [ChatGPT is still no match for humans when it comes to accounting](#) and [Financial Services Will Embrace Generative AI Faster Than You Think](#).

Worldwide Update



Periodic roundup of recent and upcoming actions and activities by auditing and accounting organizations throughout the world.

IASB – International Accounting Standards Board (www.ifrs.org)

- *No new developments.*

IFAC – International Federation of Accountants (www.ifac.org)

- **The International Auditing and Assurance Standards Board (IAASB) - Exposure Draft - Proposed International Standard on Auditing 570 (Revised 202X) Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs**, issued April 26, 2023, to “promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern; strengthen the auditor’s evaluation of management’s assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional skepticism; and enhance transparency with respect to the auditor’s responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements. The comment period ends August 24, 2023.

• **The International Ethics Standards Board for Accountants (IESBA) – Final Revisions to International Code of Ethics for Professional Accountants**, issued April 23, 2023, “strengthen the Code in guiding the mindset and behavior of professional accountants when they use technology, provide enhanced guidance fit for the digital age in relation to the fundamental principles of confidentiality, and professional competence and due care, as well as in dealing with circumstances of complexity, and strengthen and clarify the International Independence Standards (IIS) by addressing the circumstances in which firms and network firms may or may not provide a technology-related non-assurance service to an audit or assurance client.” Effective for audits and reviews of financial statements for periods beginning on or after December 15, 2024.

IFR4NPO - International Financial Reporting for Non-Profit Organisations (www.ifr4npo.org)

- *No new developments.*

IOSCO – International Organization of Securities Commissions (www.iosco.org)

- **Report on International Work to Develop a Global Assurance Framework for Sustainability-related Corporate Reporting**, issued March 28, 2023. “sets out IOSCO’s vision for a global assurance framework for sustainability-related corporate reporting. It summarises the insights from IOSCO’s fact-finding work on assurance over sustainability-related information, elaborating on the priority areas for the international assurance and ethics (including independence) standard setters’ consideration.”

ACCA – Association of Chartered Certified Accountants (www.accaglobal.com)

- **Risk Culture: Building Resilience and Seizing Opportunities**, research report published April 27, 2023, by “ACCA, The Association of Insurance and Risk Managers (Airmic), and the Professional Risk Managers’ International Association (PRMIA). They “have collaborated on a new study that gauges how risk and financial leaders are dealing with risk culture and to what extent they understand its effect on the organisation’s broader strategy.,” This first of its kind study found that while ‘box ticking’ is prevalent there is growing interest in risk culture to cope with disconnected organisational cultures and hard-to-detect breadth of risks. Key risk priorities for risk and finance professionals across all regions were ‘regulatory, compliance and risk’ followed by ‘technology, data, cybersecurity’ and ‘economic inflation and recession’”

CIMA – Chartered Institute of Management Accountants (www.cimaglobal.com)

- *No new developments.*

World Economic Forum – (www.weforum.org)

- *No new developments.*

Africa, Europe, India and the Middle East (AEIME)

FRC – Financial Reporting Council of the UK (www.frc.org.uk)

- **FRED 83 Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 101 Reduced Disclosure Framework – International tax reform – Pillar Two model rules**, issued April 5, 2023. “The OECD’s (Organisation for Economic Co-operation and Development) Pillar Two model rules introduce a global system of interlocking top-up taxes that aim to ensure that large multinational groups pay a minimum amount of income tax. FRED 83 is based on similar proposals issued by the IASB. To make similar accounting relief and disclosure requirements available in the FRC’s financial reporting standards to a consistent timeframe the FRC is consulting now, rather than waiting for the IASB’s final amendments. However, the FRC intends to consider the IASB’s final amendments when finalising its own proposals.” The FRC proposes to introduce a temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar Two model rules, alongside targeted disclosure requirements. Comments are requested by 24 May 2023.

ICAEW - Institute of Chartered Accountants in England and Wales (<https://www.icaew.com/>)

- *No New Developments*

EC – European Commission (<https://ec.europa.eu/>)

- *No New Developments*

EFRAG – European Financial Reporting Advisory Group (www.efrag.org)

- **Recommendations and Feedback Statement** relating to **Discussion Paper - Better Information on Intangibles – Which is the best way to go?**, “observes that intangibles (including both intangible assets and other intangibles that do not meet the definition of an asset) may contain many different types of resources. EFRAG therefore recommends that all the approaches examined in the DP are considered – separately or in combination, depending on the type of intangibles – in order to provide better information on intangibles. The Recommendations and Feedback Statement explains which approach(es) would apply to the different types of intangibles.”

Americas, Asia, Australia and New Zealand (AAANZ)

AICPA – American Institute of Certified Public Accountants (www.aicpa.org)

- *No New Developments*

FASB – Financial Accounting Standards Board (www.aicpa.org)

- *No new developments*

GASB – Governmental Accounting Standards Board (www.gasb.org)

- *No new developments*

COSO - The Committee of Sponsoring Organizations of the Treadway Commission (www.coso.org)

- **Achieving Effective Internal Control Over Sustainability Reporting” (ICSR): Building Trust and Confidence through the COSO Internal Control—Integrated Framework**, published March 30, 2023, is “a groundbreaking study with supplemental guidance for organizations to achieve effective internal control over sustainability reporting (ICSR), using the globally recognized COSO Internal Control-Integrated Framework (ICIF).

PCAOB – Public Company Accounting Oversight Board (www.pcaob.org)

- *No new developments*

SASB – Sustainability Accounting Standards Board (www.sasb.org)

- *No new developments*

SEC – Securities and Exchange Commission (www.sec.gov)

- *No new developments*

Additional A&A News

- [Achieving effective internal control over sustainability reporting](#)
- [FASB Updates Rules on Common-Control Leases](#)
- [How Do Audit Firms Treat Partners Who Issue Adverse Internal Control Opinions?](#)
- [PCAOB adds section on independence to inspection reports](#)
- [How the Financial Accounting Foundation plans to strengthen oversight](#)
- [3 Lessons From FTX's Bad Bookkeeping](#)



Audit & Accounting Alert is a publication of Integra International intended to highlight emerging issues in the profession. The goal is to give Integra members an awareness of developments impacting the practice of Audit & Accounting enabling them to stay on the forefront of industry trends. This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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