

# Audit & Accounting Alert Newsletter

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## At-A-Glance

A couple months ago, the May 2023 edition of the Audit & Accounting Alert described artificial intelligence, and specifically ChatGPT, as tools with potential as well as peril for accountants. With mind numbing speed, ChatGPT provides answers and analysis that can take hours for an accountant to produce. But at the current stage of development, erroneous results can occur as well. [Also, for the financial auditor, privacy of client data may be jeopardized.](#) Like other tools, when utilized with proper preparation and awareness of the inherent limitations, ChatGPT can be a helpful supplement in the accountant's toolkit, as this issue of the Alert shows.

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



**Gerald Herter - Editor**

## The ChatGPT Accountant

[Another look at the intriguing app](#)



As we step into the middle of 2023, the fields of accounting and auditing continue to undergo a profound transformation driven by digitalization, technological advancements, and evolving regulatory requirements. These changes have reshaped the way professionals operate, placing a greater emphasis on data analytics, automation, and risk management. In this article, we will explore the key trends and developments in accounting and auditing, shedding light on the strategies that professionals are adopting to thrive in this dynamic landscape.

As you read the above paragraph, the first question you might ask is why are there quotation marks at the beginning and end? After all, if you are a regular reader of the Audit & Accounting Alert (Alert), this opening sounds typical of how the articles start. The above article title may have given away the answer to that question. Back in the May 2023 edition of the Alert, an article titled Chatbots and Accounting described the artificial intelligence computer program, ChatGPT, and how it works.

Now, as this issue of the Alert was developed, the following command was entered into the ChatGPT prompt on the Internet: Write an article on accounting or auditing using information from June 2023. Within seconds, the application responded with a five-hundred-word article titled The Future of Accounting and Auditing: Navigating a Digital Transformation. The content appeared well thought out and included a discussion of the following key trends and developments:

1. Leveraging Artificial Intelligence and Machine Learning:
2. Enhanced Data Analytics:
3. Blockchain Technology:
4. Emphasis on Cybersecurity and Data Privacy:
5. Evolving Regulatory Environment:

The ChatGPT created article finished up with this conclusion:

As accounting and auditing move further into the digital era, professionals must embrace technological advancements, enhance their data analytics capabilities, and adapt to evolving regulatory landscapes. The future of the profession lies in leveraging AI, ML, and blockchain to streamline processes, improve accuracy, and provide strategic insights. Additionally, prioritizing cybersecurity and data privacy is crucial to safeguarding financial information. By embracing these changes and staying ahead of the curve, accountants and auditors can continue to add value in an increasingly digital and interconnected world.

Considering that I spend tens of hours reading, researching, writing, and rewriting each issue of the Alert, the speed and quality of the ChatGPT creation was a bit disheartening. During high school and college, English grammar and composition were among my best subjects. Fast forward to today, a mindless machine emitting electrical charges was performing as well if not better than my painstaking efforts.

Over the ages, we have gone through similar transformations, such as when the adding machine bested our efforts at adding a row of numbers. Then computers began to take over basic cognitive functions like generating random numbers. Accountants are in a never-ending challenge to stay ahead of the machines. A 1968 movie, 2001, A Space Odyssey, foresaw a time when an advanced computer took control away from the human spaceship commander. The computer's name was HAL (which was derived from the term Heuristically programmed Algorithmic computer). (As a nostalgic aside, when my accounting firm brought a tax preparation computer into the office to print tax returns, we named it HAL).

Fifty-five years later, while computers have come a long way, so far there is no HAL in sight. As a test, I asked ChatGPT to perform a typical audit function. I gave it the following query: Explain changes in General Motors operating expenses between 2019 and 2020 per the annual reports. ChatGPT's

answer was:

â€œI apologize, but as an AI language model, my responses are generated based on pre-existing knowledge up until September 2021, and I do not have access to real-time data or specific annual reports. Therefore, I cannot provide you with the exact changes in General Motors' operating expenses between 2019 and 2020. However, I can provide you with general information on operating expenses and factors that may influence them.â€

Though ChatGPT went on to provide detailed general information, it also acknowledged its limitations. So for now, humans are still more advanced. But for how long?

Another concern for auditors of financial statements is the critical importance of maintaining confidentiality of client information. Using an AI app like ChatGPT, there is no control over where the data goes after it is entered into ChatGPT. Therefore, the auditor should be careful not to input confidential client information to ChatGPT. That could limit the appâ€™s usefulness unless generic data is used that cannot be specifically related to a client.

Further details can be found at [The Dark Side of Robotic Process Automation \(RPA\): Understanding Risks and Challenges with RPA](#).

## Worldwide Update



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

### International

#### IASB â€œ International Accounting Standards Board ([www.ifrs.org](http://www.ifrs.org))

- **IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information**, issued June 26, 2023, â€œto require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity.â€ Effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted as long as IFRS S2 Climate-related Disclosures is also applied.
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#### IFAC â€œ International Federation of Accountants ([www.ifac.org](http://www.ifac.org))

- **The International Ethics Standards Board for Accountants (IESBA) - Applying the Codeâ€™s Conceptual Framework to Independence: Practical Guidance for Auditors in Technology-Related Scenarios**, issued July 13, 2023, â€œdescribes key technology-related provisions of the International Code of Ethics for Professional Accountants (including International Independence Standards) and provides auditors with three practical examples involving technology-related non-assurance services to illustrate how to apply the Code's requirements with respect to independence.â€

#### IFR4NPO - International Financial Reporting for Non-Profit Organisations ([www.ifr4npo.org](http://www.ifr4npo.org))

- *No new developments.*

#### IOSCO â€œ International Organization of Securities Commissions ([www.iosco.org](http://www.iosco.org))

- *No new developments.*

#### ACCA â€œ Association of Chartered Certified Accountants ([www.accaglobal.com](http://www.accaglobal.com))

- **Accounting for Society's Values**. - report published June 20, 2023, "considers the social component of the sustainability agenda. It is a component that is very broad, and at present not very well defined. Yet for all organisations it is crucial to their future as a sustainable future is a combination of the environmental and social issues."

#### **CIMA " Chartered Institute of Management Accountants ([www.cimaglobal.com](http://www.cimaglobal.com))**

- *No new developments.*

#### **World Economic Forum " ([www.weforum.org](http://www.weforum.org))**

- *No new developments.*
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## **Africa, Europe, India and the Middle East (AEIME)**

#### **FRC " Financial Reporting Council of the UK ([www.frc.org.uk](http://www.frc.org.uk))**

- **Amendments to Financial Reporting Standard (FRS) 101, Reduced Disclosure Framework " International tax reform " Pillar Two model rules and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland** issued July 11, 2023. "These amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland introduce a temporary exception to the accounting for deferred tax arising from the implementation of the Pillar Two model rules, alongside targeted disclosure requirements. The amendments include an exemption for qualifying entities from certain disclosures that are primarily relevant to the consolidated financial statements of a group, provided that equivalent disclosures are included in the consolidated financial statements in which the qualifying entity is included" These amendments to FRS 101 Reduced Disclosure Framework make an exemption available from certain disclosures that are primarily relevant to the consolidated financial statements of a group, provided that equivalent disclosures are included in the consolidated financial statements in which the qualifying entity is included" The temporary exception applies immediately and retrospectively upon issue of these amendments. The effective date for the other amendments is accounting periods beginning on or after 1 January 2023, with early application permitted."

#### **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](http://www.efrag.org))**

- *No new developments.*
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## **Americas, Asia, Australia and New Zealand (AAANZ)**

#### **AICPA " American Institute of Certified Public Accountants ([www.aicpa.org](http://www.aicpa.org))**

- **GMAP - Global Management Accounting Principles 2nd edition Accounting for and auditing of digital assets**, practice aid published May 31, 2023, "are a route map of good practice, which every management accountant can use as a guide when approaching business challenges. The GMAP help management accountants work with business decision makers to create and preserve value creation within their organisation's business model."

#### **FASB " Financial Accounting Standards Board ([www.aicpa.org](http://www.aicpa.org))**

- **Exposure Draft - Financial Instruments"Credit Losses (Topic 326) Purchased Financial Assets**, issued June 27, 2023, "The amendments in this proposed Update would address the comparability and complexity concerns expressed by stakeholders by eliminating the credit deterioration criterion that currently limits the use of the gross-up approach to PCD [purchased financial assets with credit deterioration]. The proposed Update would require the application of that single accounting approach to all acquired financial assets (with certain limited exceptions, such as available-for-sale [AFS] debt securities)." Comment period ends August 28, 2023.

#### **GASB " Governmental Accounting Standards Board ([www.gasb.org](http://www.gasb.org))**

- **Implementation Guide No. 2023-1, Implementation Guidance Update** 2023, guidance published July 10, 2023, contains new questions and answers that address application of GASB standards on leases, subscription-based information technology arrangements, and accounting changes. The guide also includes amendments to previously issued implementation guidance on leases.

**COSO - The Committee of Sponsoring Organizations of the Treadway Commission** ([www.coso.org](http://www.coso.org))

- *No new developments*

**PCAOB** "Public Company Accounting Oversight Board" ([www.pcaob.org](http://www.pcaob.org))

- **Proposed Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form**, published June 26, 2023. The amendments are designed to improve audit quality and enhance investor protection by addressing aspects of designing and performing audit procedures that involve technology assisted analysis of information in electronic form. Comment period ends August 28, 2023.

**SASB** "Sustainability Accounting Standards Board" ([www.sasb.org](http://www.sasb.org))

- *No new developments*

**SEC** "Securities and Exchange Commission" ([www.sec.gov](http://www.sec.gov))

- *No new developments*

## Additional A&A News

- [Data volumes and quality 'crucial' to AI success in accounting firms](#)
- [Audit teams must collaborate to weather economic storm, experts say](#)
- [Cybersecurity for CPAs: When you are the data breach](#)
- [Report Shows Risk Management Processes in U.S. Organizations Continue to be Outpaced by Growing Risks](#)
- [How is artificial intelligence \(AI\) affecting accounting?](#)
- [Independence Matters](#)



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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