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INTEGRA INTERNATIONAL
YOUR GLOBAL ADVANTAGE

Audit & Accounting Alert Newsletter

ISSUE 11 | NOVEMBER 2024

At-A-Glance

The October 2024 issue of the Alert tracked the progression and importance of artificial intelligence (AI) in accounting over the past ten years, and the challenge to maintain control going forward. Now a new survey by BDO emphasizes the responsibility of the audit profession to embrace the potential of AI when employed alongside trained professionals to move audit effectiveness to even higher levels. This issue highlights the survey.

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



Gerald Herter - Editor

Artificial Intelligence and Auditing

Advanced technology coupled with professional skepticism
enhances the audit process



In October, BDO released the 2024 BDO Audit Innovation Survey, a new initiative that queried 200 finance leaders at middle-market companies as to the influence of AI in the audit process. The survey addressed five areas:

1. Understanding tech challenges leads to efficient engagements
2. Technology isn't a quick fix – auditor curiosity cannot be automated
3. Data governance lags among internal finance & accounting teams
4. Finance & accounting teams eye new strategies amid accountant shortage
5. Looking ahead

The survey emphasized that qualified, trained auditors using their professional skepticism, while working alongside advanced technologies like artificial intelligence, provide the combination necessary to deliver high quality audits. In the early days of computer use, auditors would often test the data going into the computer and the results that the computer produced to assure accuracy. Comptometers were intermediary mechanical devices that bridged the gap between manual and automated processes.

Artificial intelligence (AI), like adding machines, comptometers, and calculators, offers efficiencies that assist, but do not replace, the critical thinking that the auditor brings to the examination.

Technology issues requiring attention between auditor and the client systems include compatibility, keeping up to date, data matching, and adequacy of technical expertise. Shortcomings can be minimized by adequate planning and keeping ahead of emerging AI advancements.

While the benefits of technology are recognized, the auditor's competence and experience are paramount. Technical ability is expected as part of overall competence. When choosing an external auditor, a proven track record and industry knowledge are considered the top concerns along with

current use of the latest technology.

For technology systems to be considered reliable, data governance policies and procedures need to be comprehensive and effective. The survey found that for 69% of respondents, data governance was inadequate. From development and implementation, through monitoring and testing, well established data management is necessary to assure trustworthy outcomes. The data governance policies will enhance data consistency and standardization within the data infrastructure, while the data governance procedures will help strengthen data quality and allow for validity testing of the data.

The SEC recently adopted a new rule, **Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure**, effective September 5, 2023, “to enhance and standardize disclosures regarding cybersecurity risk management, strategy, governance, and incidents by public companies that are subject to the reporting requirements of the Securities Exchange Act of 1934. Specifically, we are adopting amendments to require current disclosure about material cybersecurity incidents. We are also adopting rules requiring periodic disclosures about a registrant’s processes to assess, identify, and manage material cybersecurity risks, management’s role in assessing and managing material cybersecurity risks, and the board of directors’ oversight of cybersecurity risks.”

Other regulations under development in this area will also require companies to comply with new data governance rules. The report indicated that between 70% and 90% of companies are currently using or will implement in the next year the following technologies: cloud computing, artificial intelligence, data analytics, internet of things, blockchain, robotic process automation, extract, transform, and load (ETL) software, and virtual reality.

Further details can be found at [2024 Audit Innovation Survey](#).

Worldwide Update



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

International

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

- **Voluntarily applying ISSB Standards**—A guide for preparers, published September 25, 2024, “to support companies as they start to apply ISSB Standards voluntarily as well as helping them communicate their progress to investors. The guide also highlights two elements of the Standards that are designed to support implementation for preparers:
 - transition reliefs so that preparers can use a phased-in approach to the requirements. These transition reliefs include ‘climate-first’ reporting, the timing of reporting, comparative disclosures and reliefs around the disclosure of greenhouse gas emissions;
 - proportionality mechanisms built into the ISSB Standards to provide adequate measures to address the range of capabilities and circumstances of companies.

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

- **Building a Just World and a Sustainable Planet: G20 Call to Action 2024** issued October 17, 2024. “G20 leaders must advocate for a comprehensive ecosystem built upon the IFRS Sustainability Disclosure Standards, the IAASB’s International Standard on Sustainability Assurance 5000, and the IESBA’s international ethics and independence standards for sustainability reporting and assurance.”

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

- *No new developments.*

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

- **Investor Education on Crypto-Assets FINAL REPORT**, published October 9, 2024, “summarizes the results of a survey distributed to members of IOSCO’s Committee for Retail Investors (C8) in autumn last year about retail investor behaviour, demographics, and experiences with crypto-assets.”

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

- **Empowering business: navigating nature-related reporting**, policy and insights report, published October 16, 2024, “calls on accountants to get to grips with the concepts, principles, challenges and opportunities of nature-related reporting. ACCA wants financial professionals to use this report as a way of engaging with boards and executive management.”
 - **The new era of ethical challenges for professional accountants**, policy and insights report, published October 14, 2024, “highlights the evolving nature of ethical challenges and the increasing complexity of ethical dilemmas in accountancy.” Based on over 1,100 responses from 135 countries, the findings reveal that 55% of accountants have witnessed unethical behaviour in their career and almost one in four (24%) have been put under pressure to behave unethically in the last three years.
 - **Audit and technology playbook: A practitioner’s guide**, policy and insights report, published October 14, 2024, “provides practical guidance for audit firms of all sizes, particularly small and medium-sized practices (SMPs), on integrating digital tools and staying competitive in an increasingly tech-driven environment.”
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Africa, Europe, India and the Middle East (AEIME)

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

- **Assurance of Sustainability Reporting Market Study**, published October 15, 2024, FRC's "initial feedback on its market study into assurance of sustainability reporting...the study has been designed to explore how the market for sustainability assurance is functioning and developing in the UK...The study found that while currently most UK companies reported having sufficient choice of provider of assurance, some raised concerns that the market may begin to consolidate around the largest UK audit firms. Some respondents expressed fears that this may limit choice and effective competition in the market in the future. Beyond this, many stakeholders highlighted possible issues around consistency in the quality of sustainability assurance services."

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

- **AI is here to stay – the profession must embrace it, responsibly**, published October 29, 2024. "ICAEW has been producing articles and resources on AI for some time now, but with the strength of need for comprehensive guidance on AI and how to use it, we've pulled together those resources into one place, along with new content that aims to give members a solid foundational knowledge of what AI is, what it does and how members can use it in the most valuable, reliable, ethical way."

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

- **EU Climate Action Progress Report 2024**, published October 31, 2024, reported that "EU greenhouse gas emissions fell by 8.3% in 2023, compared to 2022...The report states that net greenhouse gas emissions are now 37% below 1990 levels. Over the same period, EU Gross Domestic Product (GDP) grew by 68%. This points to the fact that reducing emissions and economic growth are compatible."

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

- **Exposure Draft - Business Combinations – Disclosures, Goodwill and Impairment - Feedback to Respondents – EFRAG Final Comment Letter**, issued October 17, 2024, stated that for:
 - **IFRS 3**: most stakeholders supported the IASB's goal of enhancing information on business combinations, but concerns were raised by preparers, auditors and national standard setters about some key aspects of the IASB's proposals; and
 - **IAS 36**: most constituents were not convinced that the proposed amendments would lead to changes in current practices or effectively meet the IASB's objective of reducing the effects of shielding and management over-optimism."

Americas, Asia, Australia and New Zealand (AAANZ)

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

- **2024 Global State of Enterprise Risk Oversight – 7th Edition**, published October 29, 2024, "provides a global perspective about the state of risk oversight practices in organisations around

the world, based on survey insights from 623 executives across four separate geographic regions.”

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

- **Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures Accounting Standards Update** No. 2024-03, issued November 4, 2024 – Details Disaggregation of Income Statement Expenses. “The amendments in this Update require disclosure, in the notes to financial statements, of specified information about certain costs and expenses.” Effective for annual reporting periods beginning after December 15, 2026.
- **Exposure Draft - Business Combinations and Consolidation: Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity**, issued October 30, 2024, “intended to improve the requirements for identifying the accounting acquirer in FASB Accounting Standards Codification Topic 805, Business Combination...The proposal would more closely align the requirements for determining the accounting acquirer in the acquisition of a variable interest entity (VIE) with the current requirements that apply to transactions that do not involve a VIE.” Comment period ends December 16, 2024.
- **Exposure Draft – Intangibles - Goodwill and Other - Internal-Use Software - Targeted Improvements to the Accounting for Internal-Use Software**, issued October 29, 2024, “intended to improve the operability of the recognition guidance considering different methods of software development.” Comment period ends January 27, 2025.

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

- **GASB Statement No. 104, Disclosure of Certain Capital Assets**, issued October 17, 2024, “establishes requirements for certain types of capital assets to be disclosed separately for purposes of note disclosures..., also establishes requirements for capital assets held for sale and requires additional disclosures for those capital assets.” Effective for fiscal years beginning after June 15, 2025 and thereafter.

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

- *No new developments.*

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

[Sustainability accounting: Using accounting to better society.](#)

[FASB targets greater transparency with latest accounting standards update](#)

[AI Transformation And The Role Of Finance Leaders](#)

[AICPA board approves update to peer review standards](#)

[Integrated Reporting and Thinking Conference 2024—key takeaways](#)

[The Big Tech Issues Accountants Need to Follow Today](#)



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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