Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Technology

Ethics and Independence approach to the use of technology

Emerging technology is transforming how information is generated, processed and reported, and how audit and assurance work is carried out. Artificial intelligence (AI), agentic AI systems, digital assets, and cloud-based platforms are increasingly embedded in how firms operate, how decisions are made, and how trust is built with clients, investors, and the public.

This transformation creates significant opportunities but also introduces new or amplifies existing risks, for ethics and independence. Technology can challenge professional judgement, introduce bias, obscure accountability, and create threats to independence that did not exist in traditional service delivery models.

Revisions issued by the XRB in 2023 and effective from December 2024, sharpen and strengthen the Code[1] to be fit for purpose in the age of rapid digitalisation. The technology-related revisions are principles-based and technology-agnostic, designed to apply to all technologies and to withstand the continuing pace of change. The key changes impacted:

Professional competence and due care. Assurance practitioners must understand, be able to explain, and evaluate the technology they use, including keeping pace with technology-related developments relevant to their professional activities. Relying on opaque or unexplained outputs is not acceptable.

Enquiring mind. In relation to Role and Mindset, having an enquiring mind became a mandatory requirement when applying the conceptual framework. It is a prerequisite to understanding the source and relevance of inputs, and the sufficiency of technology outputs for the intended purpose.

Use of technology outputs. New explicit requirements apply whenever an assurance practitioner uses technology outputs - whether internally developed, purchased, or third party. Assurance practitioners must assess fitness for purpose, understand limitations and assumptions, evaluate data quality and potential bias, and determine the appropriate extent of reliance.

Automation bias. In the context of Role and Mindset, automation bias - the tendency to favour outputs generated by technology even when contradictory information raises questions about their reliability – is now explicitly named in the Code as a bias that can impair objectivity and the proper exercise of professional judgement. The Code requires assurance practitioners to be alert to this and other biases, and professional responsibility cannot be delegated to a machine.

Complex circumstances. The Code now includes guidance on managing complexity - defined as arising from the compounding effect of interactions between uncertain elements and interdependent variables and assumptions. Rapid digitalisation has made such circumstances more prevalent, and assurance practitioners

[1] PES 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*

must communicate inherent uncertainties to their firm or users of their professional activities, and remain alert to changes in facts and circumstances.

Confidentiality. Confidentiality obligations have been extended to cover the full data lifecycle: collection, use, transfer, storage, dissemination, and lawful destruction. The use of client data for purposes such as AI model training requires proper authorisation, with clear boundaries around consent.

Independence. The independence standards have been reinforced to address risks specific to technology-enabled services: self-review threats, the risk of assuming management responsibility, and commercial dependencies that can arise when technology is used to deliver professional services to audit or assurance clients.

See here for further information.

Additional materials to support practitioners are available on the XRB's technology support and resources page.