INDEPENDENT REGULATORY BOARD FOR AUDITORS

Artificial Intelligence Audit Risks Mitigation

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> The information contained in this communique was generated by artificial intelligence. It has been reviewed and authorised for issue by the Director: Standards.

We bring to the attention of registered auditors and firms the growing use of artificial intelligence (AI) tools in the auditing profession, and the potential risks that they pose to the integrity of their work. Specifically, we highlight the use of GPT-3, an AI tool that has the capability to generate natural-sounding language, including written text, which can be used to create false evidence and fabricated working papers.

As registered auditors and firms may be aware, GPT-3 is a language generation model developed by OpenAI that uses machine learning to generate human-like text, based on input prompts. It has the ability to understand context, generate coherent paragraphs and even entire documents, and has been used in a variety of applications such as chatbots, content creation, and even legal document generation. While the potential of this technology is significant, it also presents a major risk to the integrity of the audit process if not properly controlled.

The use of GPT-3 and other AI tools in the audit profession can be used to create false evidence and fabricated working papers, which can lead to inaccurate conclusions and misstatements in financial statements. This can have serious consequences for both the auditors and the organisations they audit. In addition, the use of these tools can also lead to ethical violations, such as fraud and misrepresentation, leading to disciplinary action or legal penalties.

In order to mitigate these risks, we strongly recommend that registered auditors and firms implement safeguards. Specifically, we recommend the following:

- Develop a clear policy on the use of AI tools within the firm and on audits, and provide training for staff on the risks and proper use of these tools;
- Establish procedures to verify the authenticity of evidence and working papers;
- Develop a protocol to monitor the use of AI tools within the firm and on audits, and investigate any suspicious activity; and
- Include language in engagement letters that covers the use of AI tools in audits.

By taking these steps, registered auditors and firms can help to ensure the integrity of the audit process and protect themselves, their firms and their clients from the risks posed by AI tools like GPT-3.

In conclusion, we want to remind registered auditors and firms that as registered auditors, they play a critical role in ensuring the accuracy and integrity of financial information that is relied upon by

investors, stakeholders and the public. The use of AI tools in the audit process may provide certain benefits but it also poses potential risks that must be managed effectively. We urge registered auditors and firms to be vigilant and proactive in protecting themselves, their firms and their clients by implementing safeguards and procedures that mitigate these risks and help ensure the integrity of the audit process.

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Director: Standards

About the IRBA

The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.