WIRTSCHAFTSPRÜFERKAMMER
Körperschaft des
öffentlichen Rechts

AI

Questions and Answers on the Use
of Artificial Intelligence in Audit Firms

As of May 26, 2025

Preliminary remarks

The Board of Management [Vorstand] of the WPK has been monitoring the developments in the field of artificial intelligence very closely for some time. At its meeting in July 2024, the Board of Management therefore decided that the WPK should support and accompany its members in this area. For this purpose, it was decided to set up a Board Committee [Vorstandsausschuss] on Artificial Intelligence (VKI). The VKI was constituted on 27 September 2024 and defined the future tasks and priorities, which include the preparation and publication of this FAQ AI. The aim is to make it easier for public accountants* [Wirtschaftsprüfer] to access artificial intelligence. At the same time, it is to raise awareness of this topic.

Artificial intelligence refers to the ability of machines to simulate or imitate human-like cognitive processes such as logical thinking, learning and planning. AI systems learn from data, recognise patterns and can improve their performance by optimising the algorithms over time.

A special form of artificial intelligence is known as "generative artificial intelligence". This often involves models such as large language models (LLMs) or other generative architectures that use pattern recognition and probability calculations to generate new content (such as text, images or other media) with the help of large amounts of data (e.g. ChatGPT, Gemini, BERT and LlaMA). The artificial intelligence does not develop its own understanding of the content, but generates results based on statistical probabilities.

When using AI applications of all kind, it needs to be considered where the data originates, is processed or stored (i.e. on premise, on the intranet, in the EU, in the USA or in the rest of the world) with regard to data protection and professional law.

It is important to emphasise that not all artificial intelligence is generative. Many AI systems, such as rule-based models or simple machine learning applications (e.g. spam detection), do not fall into the category of generative artificial intelligence.

If companies use artificial intelligence to provide information, the public accountant must assess whether this information is sufficiently reliable for the purposes of the respective engagement in accordance with the general professional principles within the scope of his self-responsibility. Even when using artificial intelligence, the public accountant's professional scepticism remains unchanged (see also chapter 2. Legal framework).

Public accountants are also increasingly using artificial intelligence in their own practice, for example in the context of audits. This can speed up frequently repetitive processes or help to analyse large volumes of data more comprehensively. Similarly, the use of artificial intelligence can be used to optimise internal processes in the audit firm, for example in the design of presentations or offers.

The WPK is also already using artificial intelligence in the form of a chatbot in the members' area. This chat, called ADIRA, answers questions relating to the recognition of audit firms and the chamber fee. It provides information, for example, on the possible group of shareholders and managing directors of an audit firm, the membership fee or a fee reduction. The chat can be found under the "Service" section in "Meine WPK". There are plans to expand it to include other areas in the future, such as questions about quality control, registration as a statutory auditor and admission to the exam. Feedback is expressly welcomed and can be given directly via the chat in order to continuously improve the service.

The focus of this FAQ is on the possible applications in auditing practice.

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* The term "public accountants" includes public accounts and sworn auditors [Vereidigte Buchprüfer].
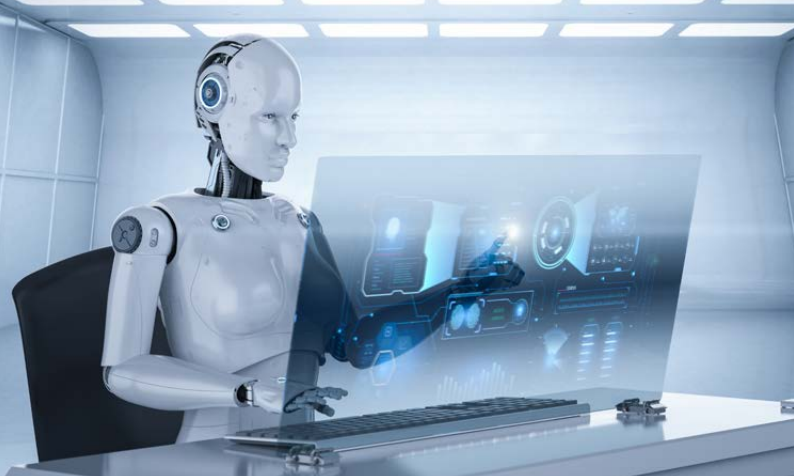
The FAQs contain questions on the following topics:
- ‣ General questions
- ‣ Legal framework
- ‣ Professional pronouncements
- ‣ Use of artificial intelligence
- ‣ Limits and risks

The development of artificial intelligence is highly dynamic and is constantly leading to new technical possibilities and diverse areas of application. The following statements reflect the status at the time of publication of this FAQ.
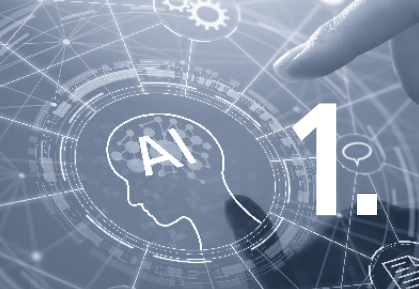
Content

General questions

1.1. Why does the public accountant have to deal with the topic of artificial intelligence in general and in what context is the use of artificial intelligence in the audit firm appropriate?

Public accountants can encounter artificial intelligence in many different forms. AI systems are increasingly being used by clients, their suppliers and customers as well as in the audit firm itself. Their use is not always obvious but often takes place in background processes or applications.

As expected, digitalisation and the use of artificial intelligence will continue to increase in the future. It is therefore necessary and sensible for professionals to deal with this topic in order to be able to recognise and classify artificial intelligence and, in a further step, to be able to use the positive potential for their own auditing practice.

The extent to which it is appropriate or necessary to deal with this topic depends, among others, on the following influencing factors:
- Type of the engagements as well as current and intended digitalisation status of the firm's clientele,
- The current and intended digitalisation status of the audit firm.

If the audit firm's management decides against dealing with AI, there is not only the risk of no longer being able to take on certain engagements from clients in the future, but also that employees will use freely available, possibly unsuitable AI systems without authorisation. This can lead to breaches of professional obligations, data protection regulations or quality standards. It is therefore advisable to make provisions in the quality control system of the audit firm as to whether and, if so, which AI systems may be used for which tasks.

Details on the required regulations can be found in chapter 2.2.

1.2. What understanding of artificial intelligence should a public accountant have?

The assessment of the reliability and relevance of results generated by AI systems depends on the extent to which the public accountant can understand and assess how they work. Therefore, the use of AI results requires the public accountant to carefully assess the risk of material misstatements by the AI system used and to take this into account as part of the audit strategy.

A basic understanding of artificial intelligence and the systems based on it is necessary in order to be able to use it effectively in the context of audit and assurance engagements, in particular, an audit of financial statements. It is also necessary for professionals to be aware of the specific risks associated with the use of artificial intelligence, such as data distortions, misinterpretation of results or hallucinations of AI (i.e. false or invented information that is not based on real data).

Specific detailed knowledge of the technical processes of AI systems, on the other hand, is generally not a priority. However, the degree of knowledge required increases with the level of audit assurance that is to be achieved from the use of AI.

If the client uses artificial intelligence that is relevant for the preparation of the annual financial statements or the management report, it may be necessary – analogous to the audit of other IT systems as
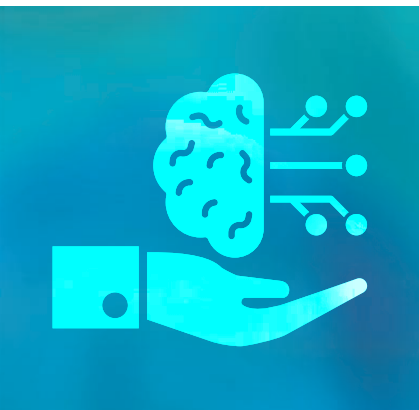
part of the audit of the annual financial statements – to call on the expertise of IT or AI specialists. This is particularly the case if the statutory auditor does not have the necessary expertise to audit such systems.

Even with the use of artificial intelligence, the general principles and overall responsibility of the public accountant remain unchanged.

2. Legal framework

2.1. What specific legal provisions need to be observed when using artificial intelligence in an audit firm?

First of all, the following legal provisions are currently mandatory for the use of artificial intelligence in audit firms:

AI Regulation
This EU regulation (2024/1689) sets out standardised rules for AI systems that are marketed and used in the EU. It categorises AI systems according to their risk:
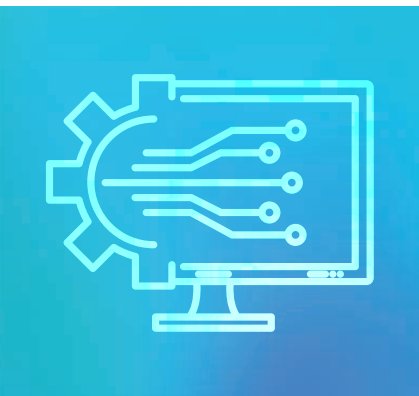
- High-risk practices such as social scoring are prohibited (Art. 5 of the AI Regulation). Such prohibited AI applications do not affect public accountants.
- So-called high-risk AI systems are not prohibited but are heavily regulated. This includes AI systems that are intended to be used for the recruitment or selection of natural persons in the context of personnel management, in particular to place targeted job advertisements, screen or filter applications and evaluate applicants (Art. 6 para. 2 in conjunction with Annex 3 no. 4a of the AI Regulation). It is conceivable that public accountants use such systems. As deployers, they must fulfil certain obligations, such as setting up a competent human oversight to monitor the operation of the AI application in accordance with the instructions for use (Art. 26 AI Regulation).
- The third level consists of the so-called general-purpose AI models. These include large generative AI models that enable the flexible generation of content. They are subsequently categorised according to whether or not they present a systemic risk (Art. 51 et seq. AI Regulation). A systemic risk within the meaning of the AI Regulation refers to a risk that is "specific to the high-impact capabilities of general-purpose AI models, having a significant impact on the Union market" (Art. 3 no. 65 AI Regulation). Public accountants can be both providers and deployers of general-purpose AI systems. Providers of such AI models are obliged, among other things, to implement a copyright compliance strategy and to publish a summary of the content used to train the AI model (Art. 53 AI Regulation). Providers of general-purpose AI models with a systemic risk are subject to further obligations (Art. 55 AI Regulation).
- Both providers and deployers of AI systems at all levels must also always take measures to ensure that their staff have a sufficient level of AI literacy (Art. 4 AI Regulation)
- Furthermore, providers and deployers of AI systems must fulfil certain transparency obligations. The obligations are different for providers and deployers (Art. 50 AI Regulation). In any case, Art. 50 para. 1 and 2 of the AI Regulation could be relevant for public accountants, for example when the practice makes available the use of a tax chatbot to clients or the interested public.

General Data Protection Regulation (GDPR)
If AI systems process personal data, the data protection requirements of the GDPR must be observed. This applies in particular to the lawfulness of data processing and the protection of the rights of natural persons.

Copyright
Questions about copyright arise both when using third-party information to train generative AI and when using the information generated by generative AI. Many questions have not yet been conclusively answered with regard to the new "phenomenon" of AI. The use of information protected by copyright is regulated in Germany by Section 44b of the German Copyright Act (UrhG). This states that the use of protected third-party works for training AI is permitted, provided the works are legally accessible, for example on the internet or in print, and any copies are deleted after training. Works created by a gener-

ative AI do not enjoy copyright protection, as copyright law presupposes a human act of creation. However, copyright protection may exist if a human controls the generative process and merely uses the AI as an aid.

2.2. What professional duties must be observed when using artificial intelligence in an audit firm?

When using artificial intelligence in an audit firm, all professional obligations must be observed, as these apply regardless of the technology used.

Diligence (Section 43 para. 1 sentence 1 of the Public Accountant Act [Wirtschaftsprüferordnung] (in the following "WPO"), Section 4 of the Professional Charter for Public Accounts and Sworn Auditors [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] (in the following "Professional Charter for WP/vBP")

Before using AI systems, the public accountant must acquire a sufficient understanding of the processing procedures and information generation. AI expertise is therefore not only required by Art. 4 of the AI Regulation, but also by professional law. In particular, the public accountant must get familiar with how prone to error the AI systems are, whereby the public accountant can rely on reliable statements from third parties if necessary.

On this basis, the public accountant must assess in which areas of his professional activity AI systems can be used and what influence they have on the professional decisions to be made diligently. As a result, it is conceivable that suitable AI applications with a low susceptibility to error can directly provide sufficient audit evidence for simple matters. In the case of complex issues with a high relevance to the result of the audit, however, the professional decision as a rule cannot (yet) be based exclusively on AI-generated information. Instead, it should principally at least be checked whether the generated information is comprehensible from a professional point of view. If uncertainties remain, the information should only be used to check the plausibility of the results of other audit procedures.

The necessity and the intensity of an ex-post check ultimately depend on the degree of the ex-ante risk of error of the system used is in the relevant context. Recognising so-called "hallucinations" is always important when using generative artificial intelligence.

Self-responsibility (Section 43 para. 1 sentence 1 of the WPO, Section 12 of the Professional Charter for WP/vBP)

The public accountant must act on his own responsibility (Section 43 para. 1 WPO). Therefore, even when using AI applications, he must determine his actions on his own responsibility, form his own judgement and make his own decisions (Section 12 para. 1 of the Professional Charter for WP/vBP). The principle that the use of technical aids is permitted as long as self- responsibility is maintained therefore also applies to the use of artificial intelligence.

The considerations outlined in the section on diligence are also important in the context of self-responsibility. The following therefore also applies here: The less important the information generated by the AI is for the result of the professional activity, the less the need to adopt the results as one's own by means of an ex-post review. This does not affect the obligation to ensure the professional suitability of the AI systems used in the context of diligence (see above). The principles for the delegation of professional decisions to professional staff apply accordingly.

The more significant the AI-generated information is for the result of the professional activity, the higher the requirements in the context of self-responsibility. In the case of complex issues with a high relevance to the result, the focus is likely to shift – again in parallel to diligence – towards an ex-post control by the public accountant in the sense that the public accountant must adopt the result of the AI-supported audit procedures as his own through separate audit procedures.

Duty of confidentiality (Section 43 para. 1 sentence 1 of the WPO, Section 10 of the Professional Charter for WP/vBP)

When using AI applications, the possibility of third parties gaining access to data that is subject to the professional confidentiality of the public accountant - for example, through information provided by the artificial intelligence - must be ruled out. If this cannot be ruled out, data that is fed into artificial intelligence must be anonymised or pseudonymised. When using a service provider that provides the public accountant with an AI system, Section 50a of the WPO must be observed.

Continuing professional development (Section 43 para. 2 sentence 4 of the WPO, Section 5 of the Professional Charter for WP/vBP)

The professionally relevant aspects of information generation by AI are the subject of the continuing professional development obligation pursuant to Section 43 para. 2 sentence 4 WPO, Section 5 of the Professional Charter for WP/vBP, if public accountants come into contact with AI systems in the course of their professional activities (own application or application by the client). The technical knowledge required for the use of AI is not the subject of continuing professional development, but an aspect of diligent professional practice (Section 43 para. 1 sentence 1 WPO, Section 4 of the Professional Charter for WP/vBP).

The continuing professional development in connection with artificial intelligence could, for example, cover the following topics:
- Further development of the audit methodology with the inclusion of AI
- Fields of application of AI within the professional activity
- Risk of error when using AI / suitability of AI-generated information as audit evidence.

Documentation / general files or audit file (Section 51b of the WPO, Sections 39 and 58 and others of the Professional Charter for WP/vBP)

Even when using AI-supported applications, the public accountant's files must provide an accurate picture of the work performed by the public accountant (Section 51b para. 1 of the WPO). The type, scope and documentation of the performance of the audit must be determined by the public accountant within the scope of his self-responsibility according to professional judgment depending on the size, complexity and risk of the audit engagement (Section 39 para. 1 of the Professional Charter for WP/vBP). Among other things, the audit procedures must be sufficiently and properly documented in the working papers (e.g. as screenshots of prompts and the information issued by the AI). If internal or external advice is obtained, its results and conclusions must also be documented (Section 39 para. 2 and 3 of the Professional Charter for WP/vBP).

The regulations make it clear that it must be documented in the working papers in a way that is at least comprehensible, i.e. verifiable, for third parties,
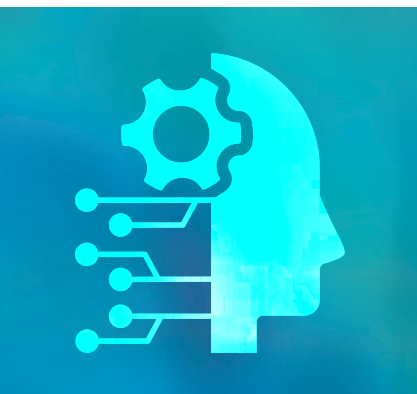
- ‣ Who performed
- ‣ Which audit procedures
- ‣ Using which means (i. e. the use of artificial intelligence, if applicable, whereby its established reliability must also be documented),
- ‣ With which audit result.

Depending on the importance of the AI-generated information for the result of the professional activity, further documentation may be useful, such as the AI version used or the AI settings made.

The reproducibility of the AI-generated information is generally not technically possible and can therefore not be required as part of the documentation.

Quality control (Section 55b of the WPO, Section 50 et seq. of the Professional Charter for WP/vBP)

The professional firm's management must make an active decision as to whether the use of artificial intelligence by employees is authorised. If certain AI applications (both self-developed and "purchased" ones) are authorised, the professional firm's management should draw up rules for their use and integrate them into the firm's quality control system. The quality control system must then also cover the AI applications used.

Engagement-related quality control measures (Sections 48 and 60 of the Professional Charter for WP/vBP)

The provisions of professional law regarding engagement-related quality control measures say that persons shall carry out the review of the long-form auditor's report or the engagement quality control review (Section 48 para. 2 sentence 2 of the Professional Charter for WP/vBP for the review of the long-form auditor's report, Art. 8 (2) of Regulation (EU) No. 537/2014, Section 48 para. 3 sentence 2 of the Professional Charter for WP/vBP for the engagement quality control review). There is no explicit provision of this kind with regard to consultation (Section 39 para. 3 of the Professional Charter for WP/vBP). However, Section 39 para. 3 of the Professional Charter for WP/vBP will have to be interpreted in such a way that it is a person who shall be consulted (cf. explanatory texts on Section 39 para. 3 of the Professional Charter for WP/vBP). In this respect, artificial intelligence cannot be a quality control assurer within the meaning of the professional regulations, nor can the use of artificial intelligence replace the aforementioned quality control instruments.

2.3. A client asks whether our auditing practice can act as AI officer [KI-Beauftragter] for him. Would this be permissible from a professional law perspective?

The role of the AI officer has not yet been provided for or defined by law. Audit firms must therefore comply with professional law, in particular, when acting as AI officer.

The tasks of an AI officer are original professional tasks of auditors in accordance with Section 2 WPO. An auditing practice, be it an auditor's own practice or an audit firm, can be an AI officer.

It is important to note that it must be an external AI officer, as an auditor may not actually be integrated into a commercial enterprise, nor may the appearance arise that the auditor is integrated into a commercial enterprise. The engagement must therefore be based on a typical client relationship as an external AI officer, and it must be promptly and clearly recognizable to third parties that the auditor performs the activity as an external AI officer on behalf of his auditing practice without being integrated into

the company's organisation. Relevant for this are, for example, the company's website, business cards, letterheads, contact details, etc.

The first-time activity as an AI officer should be urgently discussed with the liability insurer. Particularly in the case of new activities in the peripheral area of professional tasks, gaps in the insurance coverage may arise that can be closed by specialized insurance products, if necessary.

It should also be noted that income from acting as an external AI officer can be classified as commercial income by the tax authorities and a risk of infection of freelance income may occur.

If the AI officer shall also be engaged as statutory auditor of that commercial enterprise or perform other assurance activities for it, particular attention must be paid to independence. The assessment depends on the specific nature of the activity as AI officer for the enterprise to be audited.

3. Professional pronouncements

3.1. What professional pronouncements, guidance and publications are available in Germany?

For example, the IDW has published the following professional pronouncements:
- IDW Auditing Standard 861: This standard regulates the requirements for voluntary audits of AI systems outside of the audit of financial statements and sets out the profession's views according to which public accountants plan, perform and report on such engagements without prejudice to their self-responsibility
- Questions and answers on the practical application of Automated Tools and Techniques (ATT) within the audit of financial statements
- IDW Knowledge Paper on the AI Act

Apart from this, there are a number of topic-specific publications..

3.2. What key professional pronouncements, guidance and publications have been issued internationally?

From the large number of publications available, we would like to draw particular attention to the following:
- IAASB "Technology Position Statement"
- IESBA: "Technology Landscape: Artificial Intelligence"
- Accountancy Europe "5 Ways Professional Accountancy Organisations Support the Technological Transformation of Auditing"
- CAQ "Auditing in the Age of Generative AI"
- CPA Canada and AICPA "A CPA's Introduction to AI: From Algorithms to Deep Learning, What You Need to Know"
- PCAOB - SPOTLIGHT - Staff Update on Outreach Activities Related to the Integration of Generative Artificial Intelligence in Audits and Financial Reporting

4. Use of artificial intelligence

4.1. In which areas can artificial intelligence be used in the context of the financial statement audit and which specific use cases are conceivable?

The use of artificial intelligence is intended to support public accountants in their professional activities; it should not and cannot replace them, in particular, the interpersonal dialogue with their clients. Rather, AI can be used to optimise or automate audit processes. The practical implementation depends on various factors, such as the quality of the data, the technologies used and the specific requirements of the audit process.

Possible areas of application that could play an important role today or in the future include
- ▸ AI-supported analyses of booking journals and master data to efficiently analyse large amounts of data
- ▸ Recognising anomalies in data that could indicate errors or other irregularities
- ▸ Analysing business processes and supporting the assessment of potential risks
- ▸ Automated substantive testing, for example by checking matches between individual documents
- ▸ Creating text summaries, e.g. for analysing extensive contracts and other documentation
- ▸ AI-supported audit of the notes through comparison with the previous year's financial statements and comparison of the figures with previously audited documents
- ▸ Access to digital knowledge to make relevant information available more quickly and in a more structured way
- ▸ Forecasting models for risk and trend analysis
- ▸ Visualisation and structuring of results to prepare complex data for further analysis

4.2. What are the advantages of using artificial intelligence in auditing?

The use of artificial intelligence in auditing offers the opportunity to make processes more efficient and improve audit quality. By automating repetitive and time-consuming tasks such as data reconciliation, substantive testing of documents and other routine tasks, public accountants can focus more on more demanding activities, such as analysing and evaluating complex issues.

Artificial intelligence also offers the opportunity to increase audit quality and assurance. AI-supported analyses allow large volumes of data to be examined more efficiently and precisely. Artificial intelligence can identify patterns, anomalies or irregularities as well as potential risks or fraud indicators more comprehensively. At the same time, artificial intelligence can increase audit quality by reducing human error through the automation of standardised processes. The continuous improvement of AI models through machine learning ensures increasingly precise analyses that provide deeper insights into data and business processes and can therefore allow auditors to make more informed decisions.
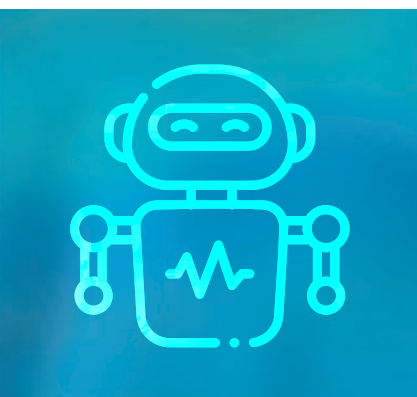
5. Limits and risks

5.1. What are the risks of using artificial intelligence in auditing?

The use of artificial intelligence in auditing promises significant benefits but also harbours risks that must be carefully considered. Public accountants must be aware that AI systems do not provide error-free or completely objective solutions, but are based on training data, algorithms and human input, which may contain weaknesses and biases. It is therefore important to always critically scrutinise the results of AI applications and not blindly trust them.

The key risks associated with the use of AI include:

‣ Liability risks can arise if incorrect AI results are adopted without being checked and lead to incorrect audit conclusions.

‣ There is a risk of consequences under professional law if professional obligations are not observed when dealing with artificial intelligence (see question 2.2).

‣ Labour law conflicts can arise if employees use AI applications without the employer's knowledge or consent and thereby violate internal guidelines, data protection regulations or other provisions.

Beside this, bias and discrimination as well as a lack of transparency in decision-making can be risks when using AI systems. Biased training data or inadequate models can lead to prejudices being reinforced or certain groups being systematically disadvantaged. At the same time, the often untransparent functioning of modern AI models makes it difficult to understand their decisions, making it difficult to recognise errors, assign responsibility and ensure trustworthy results.

In general, the following applies: The public accountant remains responsible for the results produced using artificial intelligence to the same extent as for his other work results.
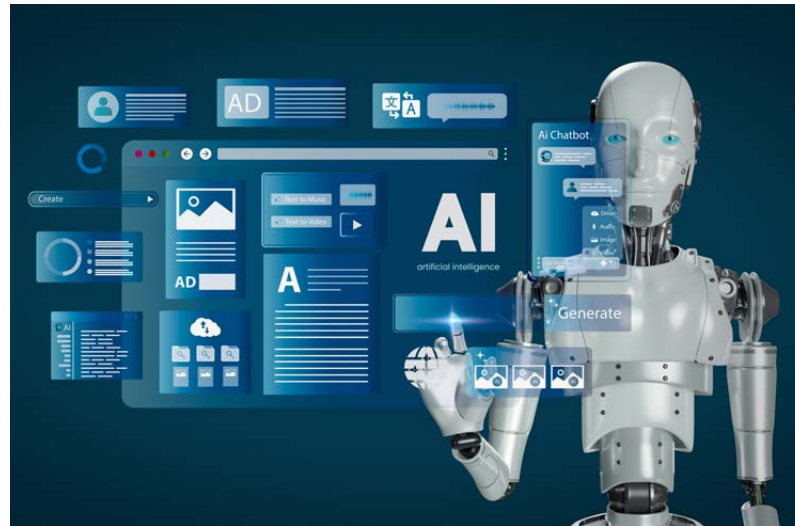
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