

TECHNOLOGY INITIATIVE

Background

In recognition of the pace and magnitude of change caused by disruptive technological innovations, the IESBA established a **technology** initiative to explore the ethical implications arising from the transformative effects of technological trends and developments on the accounting, assurance, and finance functions. Phase I of this initiative was led by the IESBA's Technology Working Group (TWG). The TWG was formed in 2018 to conduct information gathering and analysis of the impact of those trends and developments in technology on the ethical behavior of professional accountants (PAs) as well as the sufficiency of the IESBA's [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the Code) in dealing with any ethical issues identified.

Information gathering under Phase 1 focused on artificial intelligence (AI) and the related areas of big data and data analytics. In addition to desk research, the TWG conducted in-person meetings with diverse stakeholder groups including accounting firms, professional accountancy organizations, regulators, national standard setters, academics and ethics organizations.

As part of its analysis, the TWG compared the principles embodied in a number of published AI ethics frameworks to the fundamental principles in the Code and considered the impact of any differences on the sufficiency of the provisions in the Code. Additionally, the TWG obtained input from the IESBA Consultative Advisory Group (CAG) prior to finalizing its findings and recommendations. The TWG presented its [Phase 1 report](#) to the IESBA in December 2019.

Phase 1 Findings and Recommendations

The TWG's analysis concluded that, generally, the Code currently provides high level, principles-based guidance for most technology-related ethics issues that PAs and firms might encounter. However, the TWG's Phase 1 report cites various findings and sets out a number of recommendations grouped into five key topical areas where material in the Code could be enhanced. These recommendations are summarized below.

“Over the last few years, the pace, significance and complexity of technology advances, such as machine learning, have given rise to new opportunities and challenges for the accountancy profession.

The effective organization and delivery of services are already undergoing major change. The global accountancy profession will have to recognize and address new ethical challenges in a rapidly changing technological environment.

The IESBA Technology Working Group has delivered a comprehensive and informative report in this strategic area. This lays the groundwork for our substantive and timely response to ethical and public interest challenges posed by radical technological change.”

Dr. Stavros Thomadakis, IESBA Chair

IESBA Technology Working Group Recommendations

Building Trust – The Critical Role of Ethics and Professional Judgment

1. Add new application material in Part 1 of the Code (*Complying with the Code, Fundamental Principles and Conceptual Framework*) to more clearly highlight a broader societal role for PAs in promoting ethical behavior as a critical, consistent foundation for businesses, firms and other organizations, particularly when developing and using technology.

Complexity of the Professional Environment

2. Revise the Code to more effectively deal with the threats created by the complexity of the professional environment in which PAs perform their professional activities, giving consideration to options such as those described in the Complexities of the Professional Environment subsection of the [Phase 1 report](#).

Suitability of the Fundamental Principles for the Digital Age

3. Revise Subsection 113 (*Professional Competence and Due Care*) by expanding a PA's responsibility to be transparent, which is not currently expressly stated in the Code. Circumstances that impact the extent of transparency that may be appropriate (e.g., in an audit, the type and timing of audit procedures, and in business, proprietary commercial information) would need to be considered.
4. Strengthen the concept of accountability in the Code by:
 - Including new material in Subsection 111 (*Integrity*) on a PA's willingness to accept responsibility. This would need to take into account whether this aspect of accountability is already covered sufficiently in the proposed new material in Subsection 111 under the IESBA's [Role and Mindset Expected of Professional Accountants project](#).
 - More clearly explaining the concept of accountability in Subsection 113 in light of the increasing use of external experts and intelligent agents.
 - Including appropriate references to technology in the provisions relating to relying on the work of others in Section 220 (*Preparation and Presentation of Information*). Further consideration should also be given to how best to progress these changes in light of the IESBA's Role and Mindset project.
5. Revise Subsection 114 (*Confidentiality*) in light of the increased availability and use of personal and other sensitive data to give appropriate consideration to privacy-related matters and the need to actively protect information.

Enabling Competencies and Skills

6. Add new application material to Subsection 113 to highlight the importance of professional or “soft” skills and provide examples of the emergent technical skills needed in the digital age.

Auditor Independence

7. With a view to strengthening the provisions in Part 4A of the Code (*Independence for Audit and*

Review Engagements) relating to auditor independence:

- Consider whether Section 520 (*Business Relationships*) or other provisions in Part 4A should be revised to address the threats to independence created by the sale or licensing of technology applications to audit clients and the use of an audit client's technology tool in the delivery of non-assurance services (NAS) to another entity.
- Revise Section 600 (*Provision of Non-assurance Services to an Audit Client*), particularly Subsection 606 (*Information Technology Systems Services*), with respect to the provision of technology-related NAS, taking into account the [proposals](#) under the IESBA's NAS project that were released for exposure in January 2020.
- In relation to the concept of an "office," consider whether Section 510 (*Financial Interests*) should be revised to better capture the threats to independence created by the use of modern communication technologies by firms. Such technologies potentially challenge the notion of an engagement partner's physical office location being a determining factor in whether that engagement partner or the audit engagement can be unduly influenced by another partner in that same office.

The IESBA will establish a project to action these Phase 1 recommendations, which largely aim to modernize the Code and enhance the contextual relevance of some of its sections, and thereby support the Code's effective application in an evolving digital age.

Non-authoritative Guidance Material

Many stakeholders with whom the TWG engaged during Phase 1 suggested developing guidance material to explain how the current Code can be applied by PAs to address technology-related ethics issues. In response, pursuant to the TWG's recommendation, the IESBA will explore development of non-authoritative guidance material related to several of the topic areas of the findings to be released in formats suitable for their purpose over the next 12 – 18 months under Phase 2 of the Technology initiative.

Information Gathering on Other Technology-Related Topics

The TWG also recommended additional information gathering be conducted with respect to other technology-related topics and to analyze their impact on PAs' ethical behavior and the sufficiency of the Code. The potential topics identified by the TWG as a priority for Phase 2 include:

- Blockchain, Cryptocurrencies and Initial Coin/Security Token Offerings
- Cyber-crime and Cyber-security
- Internet of Things
- Data governance

The IESBA will consider the appropriate timelines for additional information gathering under Phase 2, taking into account its work plan for 2020 and resources available.

More Information

For more information about the Technology initiative, please visit the [IESBA project webpage](#).

Key Contacts

Dr. Stavros Thomadakis, IESBA Chairman (stavrosthomadakis@ethicsboard.org)

James Gunn, Managing Director, Professional Standards (jamesgunn@ProfStds.org)

Ken Siong, Senior Technical Director (kensiong@ethicsboard.org)

About the IESBA

The [International Ethics Standards Board for Accountants](http://www.ethicsboard.org)[®] (IESBA[®]) is an independent global standard-setting board. The IESBA's mission is to serve the public interest by setting ethics standards, including auditor independence requirements, which seek to raise the bar for ethical conduct and practice for all professional accountants through a robust, globally operable [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](http://www.ethicsboard.org) (the Code).

The IESBA believes a single set of high-quality ethics standards enhances the quality and consistency of services provided by professional accountants, thus contributing to public trust and confidence in the accountancy profession. The IESBA sets its standards in the public interest with advice from the IESBA Consultative Advisory Group (CAG) and under the oversight of the Public Interest Oversight Board (PIOB).

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529 Fifth Avenue, New York, NY 10017
T + 1 (212) 286-9344 F +1 (212) 286-9570
www.ethicsboard.org