

Meeting: IESBA CAG Meeting
Meeting Location: Virtual
Meeting Date: September 7, 2021

Agenda Item

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Technology Cover Note

I. Objective

1. To receive a:
 - (a) A report back on the March 2021 CAG discussion.
 - (b) An update on the Technology Working Group's activities.
 - (c) To obtain CAG representatives input on the Task Force's proposed technology-related revisions to the Code.

II. Status of Technology Initiatives and Timelines

2. In March 2021, CAG representatives considered the feedback from the Q4 2020 technology surveys; and:
 - (a) Provided input on the proposed scope and focus of activities of a new Technology Working Group (TWG) that will: (i) develop technology-related non-authoritative guidance materials (NAM) in relation to ethics and independence for professional accountants and the wider stakeholder community; and (ii) undertake fact finding to identify and assess the potential impact of technology developments on the accounting profession in relation to ethics and independence.
 - (b) Reacted to an update on the proposed way forward with respect to the Technology project.
3. The CAG's feedback was considered by the IESBA at its March 2021 meeting. Following the March 2021 meeting, a publication, [IESBA Technology Initiative, April 2021 Update](#) was released to communicate to stakeholders about the IESBA's way forward, involving three work-streams and the new timeline for the release of the IESBA's Technology Exposure Draft.

Technology NAM and Fact finding

4. Refer to **Agenda Item C-1** for a summary of the TWG's activities since March 2021.

Technology Project

5. The technology project was highlighted as a priority initiative in the IESBA's [Strategy Work Plan 2019-2023](#) and is also responsive to comments from stakeholders and the Public Interest Oversight Board (PIOB). The project involves a review of the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the Code) to determine technology-related revisions that are necessary so that the Code continues to remain relevant and fit for purpose.

6. The IESBA approved a [Technology Project](#) in March 2020. This project has been informed by various inputs, including:
- (a) A [Phase 1 Report](#) issued in February 2020 which summarized the IESBA's 2018-2019 fact-finding and research on the impact of trends and developments in artificial intelligence (AI), big data, and data analytics on the ethical behavior of accountants, both in business and in public practice.
 - (b) [Stakeholder responses](#) on two global technology [surveys](#) which were issued in October 2020 on “*Technology and Complexity in the Professional Environment*” and “*The Impact of Technology on Auditor Independence*.”
 - (c) [Technology](#)-related feedback on the Non-Assurance Services (NAS) [Exposure Draft](#). In finalizing the NAS project, the IESBA determined that certain technology-related issues would be best dealt with by the Technology Task Force.¹
 - (d) Continued stakeholder input, including from targeted outreach involving a broad range of stakeholder groups and geographies,² the IESBA's Consultative Advisory Group (CAG) and the IESBA-National Standard Setters Liaison (NSS) Group.
7. The Appendix to this paper provides a history of previous discussions with the CAG about the IESBA's Technology Project.

III. Report Back on March 2021 CAG Discussions

8. Below are relevant extracts from the draft minutes of the March 2021 CAG³ meeting and an indication of how the Task Force or IESBA has responded to the CAG's comments.

Matters Raised	Task Force/ IESBA Response
DEFERRAL OF THE EXPOSURE DRAFT	
Mr. Kashiwagi (PIOB CAG Observer) expressed support for the bifurcation of the workstreams and welcomed the intent of strong collaboration between the two technology groups. While he appreciated the reasons for the deferral, he expressed a hope that there would be no further delay given some urgency in addressing issues arising from the rapid pace of technology developments.	Support noted. The IESBA's technology workstreams have been prioritized as of March 2021 and are being accelerated, with an ED anticipated by December 2021.

¹ See pages 7-8 of the NAS [Basis to the Conclusions](#).

² Refer to the Appendix 1 to **Agenda Item C-1** to sight the list of outreach activities relating to technology.

³ The draft March 2021 minutes will be approved at the September 2021 IESBA CAG meeting.

<p>Ms. McGeachy-Colby (SMP AG representative) noted that there are a lot of interesting activities on technology across the profession. She expressed support for a principles-based approach to developing the exposure draft, noting a desire that there be no significant changes to the Code given the need for a period of stability.</p>	<p>Support noted.</p> <p>The Task Force continues to develop technology-related revisions to the Code using a principles-based approach, and only to the extent that such changes are necessary.</p>
<p>SCOPE OF THE WORKING GROUP'S WORK</p>	
<p>Ms. Blomme thanked Mr. Friedrich for his involvement in the Accountancy Europe (AE) podcast and noted that AE members have a preference for addressing ethical matters arising from technology through NAM, with Code changes only as necessary. She expressed support for the topics identified as a priority by the Technology Working Group, especially with respect to confidentiality as technology is making rapid changes to the traditional ways of handling data. Further, use of social media has given rise to a greater appreciation of the importance of confidentiality. Finally, on the topic of data governance, the issue of data hosting has become more visible in terms of its implications for independence in the context of NAS.</p>	<p>Support noted.</p> <p>Agenda Item C-1, paragraphs 9 and 10 provides an update on the status of NAM development.</p>
<p>SURVEY RESULTS – COMPLEXITY</p>	
<p>Ms. Meng similarly expressed support for the principles-based approach.</p> <p>With regard to the four options explored in the survey, she commented that threats arise from inappropriate behavior. Complexity does not necessarily negatively or inappropriately impact behavior and therefore she did not consider complexity to be a threat. She therefore found the combination of option 2 (to amend the existing threats) and option 3 (to add a new type of threat) not easy to understand but acknowledged that the four options were not mutually exclusive.</p>	<p>Support noted for the principles-based approach.</p> <p>Points accepted regarding how to address complexity in the Code. The Task Force has considered the survey results and opted for option 4 which involves highlighting in the Code that complexity is a pervasive factor, and a discussion about how professional accountants might deal with complexity. That approach was supported by the majority of survey respondents.</p> <p>The proposed language is set out in Agenda Item C-3, proposed paragraphs 120.13 A1 to 120.13 A3.</p>

SURVEY RESULTS – INDEPENDENCE	
<p>Mr. Hansen (CAG Chair) questioned if support services when tagged onto the sale of technology products should also be considered in terms of whether there are implications for independence.</p>	<p>Point accepted.</p> <p>Support services such as operating, maintaining, monitoring or updating IT systems have been considered in the proposed changes to subsection 606 of Section 600,⁴ and Section 950 of the Code. See Agenda Item C-3.</p>
<p>Mr. Kashiwagi (PIOB CAG Observer) commented that while it is good that 76% of survey respondents agreed that Section 600 should apply to NAS that are enabled by technology, there is an issue if 24% do not. He therefore felt it important for the IESBA to consider how to emphasize that services provided by people or by technology should be equally considered through the NAS provisions.</p>	<p>Point accepted.</p> <p>Paragraphs 600.6 and 520.7 A1 of Agenda Item C-3 are intended to provide:</p> <ul style="list-style-type: none"> • A “sign-post” in Section 520 that will prompt firms to refer to the provisions in Section 600 when assisting an audit client through the sale and licensing of technology. • An introductory paragraph in Section 600 to help firms pinpoint the scenarios or circumstances where technology is used, whereby the requirements and application material of Section 600 would be applicable.

IV. Matters for CAG Consideration

Technology Fact Finding and NAM

9. During the September 2021 CAG meeting, the Chair of the TWG will brief Representatives on the technology NAM and fact finding drawing from the matters set out in **Agenda Item C-1**.
10. Representatives will be asked for views on the TWG’s progress to-date, its planned deliverables and next steps.

Technology Project

11. For the purposes of the CAG’s discussion about the IESBA’s Technology Project, the following materials have been provided:
 - **Agenda Item C-2, Slide Presentation: Summary of Task Force Proposals and Matters for CAG Discussion** which includes a summary of the Task Force’s current thinking about the technology-related to the Code and the rationale for them. The Task Force Chair will use the Slide Presentation to guide the CAG session.
 - **Agenda Item C-3, Proposed Text: Technology-related Revisions (Mark-up from Extant⁵)**.

⁴ Section 600, *Provision of Non-Assurance Services to an Audit Client*

⁵ The term extant Code is used to refer to the most current version of the Code, including the following recently approved revisions:

12. Representatives will be asked to consider the key issues raised by the Task Force and provide views on the proposed technology-related revisions to the Code.

Material Presented

Agenda Item C-1	Paper: Technology NAM and Fact Finding	
Agenda Item C-2	Technology Project Slide Presentation: Summary of Task Force Proposals and Matters for CAG Discussion	
Agenda Item C-3	Proposed Text: Technology-related Revisions (Mark-up from Extant)	
Material Presented – FOR IESBA CAG REFERENCE PURPOSES ONLY		
September 2021 IESBA Meeting Agenda Item 7	Technology Project – Issues and Task Force Proposals	www.ethicsboard.org/meetings/september-13-17-27-2021-virtual-meeting
IESBA Meeting Agenda Item 7D	Proposed Text: Technology-related Revisions (Clean Version)	

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- Revised Part 4B, *Independence for Assurance Engagements Other than Audit and Review Engagements* which became effective in June 2021.
 - The revisions arising from the Role and Mindset Expected of Professional Accountants project that will become effective in December 2021.
 - The revisions relating to the objectivity of an engagement quality reviewer and an appropriate reviewer that will become effective in December 2022.
 - The Non-Assurance Service (NAS) and fee-related revisions to the Code that will become effective in December 2022.

Project History Summary: Technology

	CAG Meeting	IESBA Meeting
Information gathering/ discussion ⁶	March 2019 September 2019	March 2018 June 2018 September 2018 December 2018 March 2019 June 2019 September 2019 December 2019
Project commencement, including: <ul style="list-style-type: none"> • Approval of project proposal 	March 2020	March 2020
Development of proposed international pronouncement (up to exposure) ⁷	September-October 2020 March 2021	June 2020 September-October 2020 November-December 2020 March 2021 June 2021

Refer to the [IESBA Technology Project webpage](#) for links to all meetings outlined above.

⁶ Report on [Phase 1 fact-finding](#) was issued in February 2020.

⁷ Technology [surveys](#) issued in 2020