

**Highlights of the Joint Session of the
INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA) – INTERNATIONAL
AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)
and NATIONAL STANDARD SETTERS (NSS)
Held on May 8, 2018 in Vienna, Austria**

1. Technology

Dr. Stefan Schmidt, Chair of the Institut der Wirtschaftsprüfer (IDW) Auditing and Accounting Standards Board, briefed NSS representatives on the IDW's efforts to respond to the impact of digitization on the profession under the overarching theme of "Building Trust in a Digitized Economy." Among other matters, he outlined the evolution of the IDW's IT Committee and the planned integration of its activities into the work of other IDW Committee; IDW projects with respect to potential IT-related assurance services that build trust; and initial issues identified with respect to blockchain and cryptocurrencies, and the related assurance challenges.

Ms. Sachiko Kai of the Japanese Institute of Certified Public Accountants (JICPA) updated NSS representatives on the JICPA's work in the virtual currency area. She provided, in particular, an overview of the JICPA's recent exposure draft of the Industry Audit Practice Committee Practice Statement: *Practice Statement Concerning the Audit of Financial Statements of Virtual Currency Exchange Service Provider*.

Following the presentations, and informed by developments and initiatives concerning technology at the jurisdictional level, NSS representatives held breakout discussions exploring technologies and initiatives that will have the most significant impact on the profession, and how the IAASB and IESBA should respond from a standard-setting perspective. Key points raised in the discussions included the following:

- There is a need for the Boards to be nimble given the rapid developments in this area. While standard-setting responses may be more for the longer term given the still evolving landscape, in the short term consideration could be given to other responses such as practice notes, FAQs, etc. In this regard, guidance could be developed to describe how to apply the existing international standards to some of these technological advancements or to highlight their associated risks.
- The two Boards could work together to develop a common understanding of the different technological developments before developing specific responses to address risks pertinent to their mandates.
- The availability of technical skills in the different technologies is a major issue that spans the entire profession.
- There is a need for standard setters to better understand how blockchain technology is currently being used, including engaging with service providers who are developing this technology.
- There is a need for financial reporting frameworks to provide additional guidance related to how cryptocurrencies should be accounted for in the financial statements, for example as intangible assets or financial instruments.
- There is potential for the gap between large firms and smaller firms to grow even wider in the technological context, and the key challenge is how to most effectively upskill the latter.

- There is a need to understand the challenges with respect to data analytics and to determine appropriate actions to address them.