

### Promoting the Role and Mindset Expected of Professional Accountants

#### Comments on ED Question 4

#### (Impact of Technology)

ED Question 4:

*Notwithstanding that the IESBA has a separate Working Group that is exploring the implications of developments in technology, are there any additional matters relating to the impact of technology beyond the proposals in paragraphs 110.1 A1(b)(iii), 113.1 A2 and 120.12 A2 that you consider should be addressed specifically as part of the Role and Mindset project?*

The respondents' responses are divided into four groups:

1. Support with minor amendments
2. Support with more substantive amendments
3. Does not support
4. No comment

#### 1. Support with Minor Amendments

##### 02 Accounting and Audit Board of Ethiopia

Yes

Addressing technology impacts on role and mind set projects gives intuition Technology Working Group in 2018 to investigate how developments such as artificial intelligence and big data might impact the ethical behavior of Professional accountants.

##### 04 Independent Regulatory Board for Auditors

No. We agree with the inclusion of proposed amendments with regard to technology and its relation to the role and mindset of the professional accountant, e.g. automation bias. We appreciate that this project has remained focused on the objective of the role and mindset of the professional accountant and look forward to the IESBA project and its focus on technology related issues.

##### 06 United Kingdom Financial Reporting Council

No. We agree with the proposed references that serve to identify the need to be aware of technology-related developments and possible related issues. We have not, at this time, encountered specific ethical issues related to technology that could not be addressed at a high level by the extant ethical principles. However, we recognise that these are developing areas and support the working group further exploring the implications of developments in technology. The challenges that may be created by developments are not uniquely concerned with -ethics and there is likely to be considerable overlap of interests between IESBA, IMSB and IAESB and we encourage co-operation in this respect.

##### 07 Accounting Professional Ethical Standards Board Australia

APESB is supportive of the proposed references to technology in proposed paragraphs

110.1 A1(b)(ii) and 120.12 A2. APESB agrees that it would be premature to add additional application material before the completion of the work being undertaken by IESBA's Technology Working Group

##### 08 The New Zealand Auditing and Assurance Standards Board

We have not noted any other matters to address.

#### **09 Baker Tilly International**

Response: We support the consideration of technology in relation to the role and mindset of professional accountants. Technology increasingly plays a large part in every aspect of an accountant's role so it is extremely important to set appropriate expectations.

We agree with the IESBA conclusion that the impact of technology is more likely to relate to "undue reliance" on technology and "automation bias", both of which are, in our view, equally applicable to PAIBs, Auditors and other accountants in practice but who are not auditors. The risk of "computer says no" (or indeed "yes") is significant in all walks of life and it is imperative that all Professional Accountants are constantly aware of this risk.

We agree with IESBA that it would be premature to develop application material in advance of the technology working group deliberations; however, it is important to provide guidance on how to address the issues relating to technology. To this end, we assume that the technology working group will develop appropriate guidance in the near future.

#### **10 BDO International Limited**

There are no additional matters relating to the impact of technology that we believe should be addressed as part of this Role and Mindset project.

#### **11 Crowe Global**

We welcome IESBA's recognition of the impact of technology upon ethical behaviour. Cybersecurity, data management and social media are all examples of new challenges that have an ethical dimension and influence upon "role and mindset". IESBA has to be flexible in its standard setting to enable standards and related implementation guidance to evolve as technology develops and new issues emerge.

#### **12 Deloitte Touche Tohmatsu Limited**

No, we do not think any additional matters need to be addressed until the Technology Working Group concludes its current project.

#### **14 Grant Thornton International Limited**

GTIL does not believe there are any additional matters relating to the impact of technology beyond the proposals noted in the paragraphs above.

While not part of the Role and Mindset project, GTIL would like the Board to address matters regarding the implications of developments in technology and whether any additional, specific guidance should be developed relating to the NAS permissibility of technology related products and service provisions.

#### **15 KPMG IFRG Limited**

We have no additional matters on the impact of technology to suggest at this time.

#### **16 Moore Global**

113.1 A2 We agree with need to add in technology in relation to competence given the significant impact it is having on the profession, with the shift from traditional book-keeping and accountancy services towards data analytics and advisory services, and the need for professional accountants to stay relevant.

The examples of bias given in par 120.12 A2 is also to be applied when using technology in services, beyond just the automation bias. For example, the potential to use incorrect data or inputs when setting up the technology tools (anchoring bias, availability bias in deciding which data to use as inputs), similarly using the standard, pre-set norms contained in the technology tools without further consideration of the best suitability thereof (form of representation bias and even Groupthink in a manner), etc. It might not be quite as obvious

that these biases are also applicable when using technology (which will ultimately lead to the automation bias).

It should also be recognised that in addition to the risk of bias in the use of technology, it can be used in a more direct unethical way to perpetrate fraud, such as the Volkswagen emissions fraud case. The need for a critical and analytical mindset and skills in using technology should be reinforced.

The increased reliance on computers could arguably be responsible to contributing to a less “inquiring” mindset. Computers facilitate the ability to conduct work remotely from clients/employers and fellow employees, with less time spent on human communication and interaction. The importance of continued communication and human interaction can be listed as a safeguard against this type of “bias”.

#### **17 PricewaterhouseCoopers International Limited**

We have no further suggestions

#### **18 RSM International**

No.

#### **19 U.S. Government Accountability Office**

We did not identify any additional matters relating to the impact of technology beyond the proposals in paragraphs 110.1 A1(b)(iii), 113.1 A2, and 120.12 A2 that we believe should be addressed specifically as part of the Role and Mindset project.

#### **20 Association of Chartered Certified Accountants**

The inclusion of technology in the Fundamental Principles and Conceptual Framework is also helpful. This recognises the transformations in accounting, assurance and finance as a result of technology developments and their potential impact on compliance with the Code. At this stage, we have not identified any additional matters relating to the impact of technology that should be addressed specifically as part of the Role and Mindset project.

We believe technology is an important strategic issue for ethics and the IESBA needs to engage with this subject matter as it is likely to impact on the Code. ACCA has undertaken research to examine the challenges of new technology, the importance of ethics in an evolving digital environment, and the technical, ethical and interpersonal skills and competencies that professional accountants will need in the future. We would therefore welcome the opportunity to be involved in future discussions to explore the implications of developments in technology and whether further enhancements to the Code are necessary.

We also welcome the redrafting of the principle of Objectivity which is expressed more positively; the additional references to technology in the principles of Objectivity and Professional Competence and Due Care which highlight the importance of this area; and the new behavioural requirement in relation to the public interest within the principle of Professional Behaviour.

#### **21 Accountancy Europe**

No, we believe the proposed paragraphs about the impact of technology are sufficient for the purpose of the Code. At this stage, our recommendation would be not to emphasize technology further in the Code and to wait for the outcome of the technology working group. It is important for the Code to remain principles-based and technology neutral.

#### **22 Botswana Institute of Chartered Accountants**

No further comments.

#### **23 Chartered Accountants Australia and New Zealand**

We consider that the proposals in paragraphs 110.1 A1(b)(iii), 113.1 A2 and 120.12 A2 are sufficient to bring

the impact of technology on ethical matters to front of mind for professional accountants pending a more considered response from the Working Group.

#### **24 Consultative Committee of Accountancy Bodies**

We do not have additional matters to suggest but agree that it is appropriate and important to consider the impact of technology in assessing the appropriateness and application of the Code.

#### **25 CPA Australia Ltd**

CPA Australia is supportive of the proposed reference to technology at paragraphs 110.1A1(b)(iii) and 120.12 A2. Without pre-empting the proposals of the technology working group, it is suggested that 'technology' be a defined term in the Glossary of the Code to include software applications, hardware systems and artificial intelligence.

#### **26 Chartered Professional Accountants of Canada**

We support the revisions currently proposed in the paragraphs noted above and appreciate that further changes may be suggested once the Technology Working Group completes its deliberations. At this time, we offer one additional area in Part 1 that it may be helpful to consider regarding technology which is the Fundamental Principle of Confidentiality. We believe it would be relevant to add new application material in the Confidentiality subsection to raise professional accountants' awareness of the importance of taking measures to ensure privacy when using technology to store and transmit confidential information.

#### **27 Federación Argentina de Consejos Profesionales de Ciencias Económicas**

We have no proposal for aggregates

#### **28 FAR**

No. (FAR supports the proposals.)

#### **29 Hong Kong Institute of Certified Public Accountants**

Professional accountants are continuously increasing the use of automated tools and techniques to prepare information and analysis when carrying out their professional activities. Applying professional judgement to evaluate outputs of complex, sophisticated computer systems becomes more important.

While we support the proposals in paragraphs 110.1 A1(b)(iii), 113.1 A2 and 120.12 A2 as appropriate reminders on the development in technology, we believe developing further application material and illustration to address the impact of technology to ethical behaviour of professional accountants would be helpful.

#### **30 Iranian Association of Certified Public Accountants**

That notwithstanding, we strongly support the revisions particularly, introduction of the concept of an inquiring mind. and have no more comment to add.

#### **31 Instituto dos Auditores Independentes do Brasil**

No comments on this topic.

#### **32 Institute of Chartered Accountants in England and Wales**

There are no additional matters that we consider should be addressed as part of the Role and Mindset project. We look forward to the results of the technology working group which should inform the development of the Code for the future.

#### **35 Institute of Chartered Accountants of Nigeria**

IFAC should also consider including a definition of technology to help users understand that it includes the whole gamut of innovation, artificial intelligence and innovations, data and analytics. This is important since

technology has evolved from the way we understood it 5 or 10 years ago.

### **36 Institute of Chartered Accountants of Scotland**

We agree with the inclusion of “technology” within the objectivity principle in order to highlight the threat posed to objectivity by over-reliance on technology. We also agree with the inclusion of the reference to technology within the professional competence and due care principle.

### **37 Institut der Wirtschaftsprüfer**

We agree with the proposed paragraphs related to the impact of technology in relation to the Code. We do not believe that there are any additional matters in this respect that need to be addressed specifically as part of the Role and Mindset project. Rather, we believe that any further requirements and guidance ought to be based on the outcome of the work being undertaken by the Technology Working Group.

### **38 Institute of Singapore Chartered Accountants**

We have no further concerns relating to the impact of technology and we acknowledge that proposals addressing technology-related developments will be developed by the Technology Working Group.

### **39 Japanese Institute of certified Public Accountants**

There are no additional matters that we believe should be addressed.

### **41 Royal Nederlandse Beroepsorganisatie van Accountants**

We support IESBA's position to emphasize the professional accountant's responsibility in a general way. We believe that with the proposals in the exposure draft, sufficient guidance is offered to the professional accountant to fulfill his responsibility. Further we believe that with these proposals the IESBA with the Code of Ethics meets the requirements set for the accountant in this time of technological developments and a critical attitude of the environment in which the professional accountants act.

### **42 South African Institute of Chartered Accountants**

SAICA agrees with the proposed changes.

### **43 Wirtschaftsprüferkammer**

In our view, there are no additional matters that should be addressed specifically as part of the Role and Mindset project.

### **44 IFAC Professional Accountants in Business Committee**

No not as part of the role and mindset project, but we would support further exploration of technology implications through the work of the separate Technology Working Group.

## **2. Support with More Substantive Amendments**

### **01 Abu Dhabi Accountability Authority**

It is not clear how all professional accountants can maintain understanding of technology related developments, e.g. data analytics. Perhaps this section can be made clearer.

### **33 Institute of Certified Public Accountants of Uganda**

ICPAU does not believe that the Role and Mindset project has appropriately addressed the impact of technology especially ethics in a digitalized world. ICPAU proposes that the Board addresses the skills and values that are needed in a digitalized world. There is need to develop skills to apply in a digitalized world and the professional accountant needs to be alert to the adequacy of their skills in a continuously changing technological environment. This will influence compliance with fundamental principle of professional competence.

#### 40 Malaysian Institute of Accountants

We believe that there is a need for additional guidance or safeguards to be provided on overcoming bias as illustrated in paragraph 120.12 A2. The mitigation suggested in Paragraph 120.12 A3 is good but appears to be the only safeguard in the document. Since it is almost impossible to remain objective when accountants are in a position of conflict of interest, we suggest that accountants should consider abstaining or removing themselves from such situations.

In addition, we suggest that there be greater clarity in the definition of "undue reliance" and guidance on how such undue reliance could happen in practice. For an individual in a senior management capacity, it is inevitable that there be a certain extent of reliance on individuals, systems or infrastructure. The suggested application guidance could include examples that illustrate undue reliance on:

- a) individuals;
- b) organisations; and
- c) technology.

### 3. Does Not Support

#### 05 National Association of State Boards of Accountancy

NASBA believes it would be best to allow the Technology Working Group to complete its work and, if appropriate, suggest revisions to the Code at that time rather than use a piecemeal approach. Further, we do not believe it is necessary to call out technology in these provisions. For example, 113.1 A2 does not require the addition of "and technology-related" as the material is already complete and can stand on its own without the additional verbiage.

#### 13 Ernst Young Global Limited

Developments and trends in technology are rapidly transforming business models, processes, and capabilities, and as well the manner in which enterprises interact with the market and other stakeholders. Therefore, we are supportive of the Code being updated with regard to considerations for new and evolving technologies. However, rather than making these changes as part of the Role and Mindset project, we believe the Board should consider deferring any updates to the Code related to developments in technology until there is a chance to evaluate the report and recommendations from the Technology Working Group.

#### 45 IFAC Small and Medium Practices Committee

The SMPC recognizes the significant impact technology developments are having on the accountancy profession and the need to reinforce the value of PAs' professional judgment, knowledge and expertise. However, as the Technology Working Group is not due to present its Phase 1 final report and recommendations for the Board's consideration until December 2019, we question the timing of the proposals to include reminders in Part 1 of the Code of the potential impact of technology on compliance with the Code. The Board agreed that including examples involving technology would be premature giving the Technology Working Group's ongoing work and we believe this should be the same approach for these other changes and that all the proposals should therefore be deferred.

Any changes in the Code will need to be translated and in certain jurisdictions, other due process will also be required before the Code can be adopted. Unless the changes are critical, non-substantive amendments should be avoided where possible. The SMPC believes that the Board needs to be more sensitive to balancing the burden arising from the changes to the Code and the likely benefits to the public interest.

Para R112.1 states that a PA shall comply with the principle of objectivity, which requires an accountant to exercise professional or business judgment without being compromised by (c) undue influence of, or undue reliance on individuals, organizations, technology or other factors. In Para R220.4, it has been added that when preparing or presenting information, a PA shall: (e) avoid undue reliance on individuals, organizations

or technology. The SMPC is concerned about the inclusion of “undue reliance” and how such undue reliance could happen in practice. For a person in a senior management capacity, it is inevitable that there will be a certain extent of reliance on individuals, systems or infrastructure. The question arises about when that reliance crosses the line to become undue reliance. For clarity of application, there should be examples to illustrate undue reliance on individuals, organizations or even on technology, where warranted.

We recommend the Board consider revising para 113.1 A2 to state that the skill sets have to be appropriate to the role or work performed by the PA. At present, it just includes “relevant” which could be too vague as a term. It should be tailored to ensure the PA can comply with the competence requirements applicable to his or her individual work areas.

#### **4. No comment**

**03 Basel Committee on Banking Supervision**

**34 Institute of Chartered Accountants Of India**

**46 Professor Sir Andrew Likierman**