

Meeting: IESBA
Meeting Location: Virtual
Meeting Date: June 9-11, 14 and 25, 2021

Agenda Item

4

Technology – Working Group Activities

Objectives

1. To receive:
 - (a) An update on the Working Group's¹ activities.
 - (b) Two presentations on the topic of Blockchain from external presenters.
 - (c) An update on the IAASB's Technology workstreams.

Background

Working Group Terms of Reference

2. The IESBA approved the [terms of reference](#) for the newly established Technology Working Group and agreed to the following scope and areas of focus during its March 2021 meeting.

<p>Develop non-authoritative material (NAM), including in relation to the areas of:</p> <ul style="list-style-type: none"> • Ethical Leadership in an Era of Complexity and Digital Change • Confidentiality and Privacy • Auditor Independence • Accountability and Transparency 	<p>Conduct fact-finding and information gathering on disruptive technologies and related issues, including:</p> <ul style="list-style-type: none"> • Blockchain e.g., Cryptocurrencies and Initial Coin/ Security Token Offerings • Cyber-security • Cloud-based Services • Internet of Things (IoT) • Data Governance
---	---

¹ The Working Group comprises:

- Brian Friedrich, Chair, IESBA Member
- Vania Borgerth, IESBA Member
- David Clark, IESBA Technical Advisor
- Sundeep Takwani, IESBA Technical Advisor
- Johanna Field, IAASB Correspondent Member

Recap of March 2021 Discussions

3. The IESBA asked that the Working Group:
 - Specify the timing and topics to be covered by the forthcoming technology-related guidance to assist professional accountants in applying the Code (i.e., NAM). It was suggested that the NAM relating to auditor independence should be prioritized.² During the June 2021 meeting, the IESBA will be briefed on the Working Group's planned approach and timeline for developing NAM.
 - Clarify the criteria to be applied in deciding which topics and issues will be covered in NAM, versus those that will be covered in the forthcoming technology Exposure Draft (i.e., proposed changes to the Code), and those that might receive attention in both from different perspectives.
4. The Planning Committee exchanged views about the review process for finalizing NAM at its May 2021 meeting. The IESBA will be briefed on the outcome of the Planning Committee discussions during the June Executive Session.

Working Group Activities since March 2021

5. Since the March 2021 meeting, the Working Group has met twice via videoconference to develop the agenda materials.
6. During Q2 2021, the Working Group:
 - (a) *Developed a Technology Briefing Note to support its outreach information gathering activities.* The Briefing Note is informational and intended to provide stakeholders with background on the IESBA's multi-workstream technology initiative. It highlights the areas of focus with respect to technology information gathering, including the questions and topics that are being explored about the ethical implications of developing, implementing and using technology in relation to accounting and finance, including auditing.
 - (b) *Contributed to the development of a thought-leadership paper titled, Complexity and the Professional Accountant.*³ The paper was informed by a [virtual workshop](#) jointly hosted by CPA Canada, the Institute of Chartered Accountants of Scotland (ICAS), and IFAC in February 2021. The workshop participants, including IESBA representatives, exchanged views and perspectives having considered an exploratory paper titled, [Ethical Leadership in an Era of Complexity and Digital Change](#). The paper is the first in a series. Subsequent titles will include:
 - Technology is a Double-edged Sword.
 - Identifying and Mitigating Bias and Mis-/Disinformation.
 - Mindset and Enabling Skills.
 - (c) *Participated in targeted stakeholder outreach* to: (i) proactively monitor the evolving technology landscape; (ii) promote awareness of the various IESBA technology workstreams; and (iii)

² The development of NAM on the topic of independence will commence in Q3 2021. The Working Group anticipates close coordination with the Rollout Working Group for Non-Assurance Services (NAS) and Fees. Already, the NAS Basis for Conclusions clarifies the applicability of the general provisions in revised Section 600 when providing new and emerging services, including technology-related NAS. This is also highlighted in a short YouTube [video](#) that is featured on the IESBA's website.

³ The paper will be shared with the Board for information.

identify potential collaborators for developing technology-related NAM. A complete list of the targeted outreach activities related to technology is included in **Agenda Item 1-A**. Key outreach activities include:

- Meeting with the IESBA-National Standard Setters Liaison Group.
 - Meeting with the Committee of European Auditing Oversight Bodies' (CEAOB) International Auditing Standards Subgroup.
 - Webinar hosted by CPA Australia.
 - Exploratory meeting with the Saudi Organization for Certified Public Accountants (SOCPA) to plan for a regional multi-stakeholder outreach event on technology that will be hosted by SOCPA.
- (d) *Noted the submissions to [Technology Surveys](#) from the Chinese Institute of Certified Public Accountants (CICPA). Key themes arising from the submissions were referred to the Technology Task Force, and are consistent with those outlined in [Agenda 4-A, Technology Survey Results](#) which formed part of the March 2021 IESBA meeting materials.*
- (e) *Continued to perform desk research with respect to disruptive technologies. The Working Group Chair will share key observations and insights, particularly in relation to blockchain.*

Presentations on Blockchain

7. To inform the Board's ongoing deliberations about ethics and independence issues that might arise from the use of blockchain technology in accounting and financial reporting as well as audit and assurance, two informational presentations have been arranged for the June 2021 meeting. Following each presentation, IESBA members will be provided an opportunity to ask questions.
8. The first presentation titled "Use of Blockchain in Corporate and Financial Reporting, and Regulatory Implications" will be held on June 9, 2021. Drawing from relevant academic research, guest speakers [Dr. Kathleen Bakarich](#) and [Dr. John Castonguay](#), Assistant Professors of Accounting, Taxation, and Legal Studies in Business at Hofstra University will brief the IESBA on:
 - How blockchain, including cryptocurrency, is being used in corporate and financial reporting as well as audit and assurance, and the potential ethics and independence issues that might arise.
 - Key regulatory developments relating to blockchain, including recent decisions made and deliberations being undertaken by regulators and standards setters such as the International Accounting Standards Board (IASB), the US Financial Accounting Standards Board (FASB) and the US Securities and Exchange Commission (SEC).
9. The second presentation titled "Blockchain and Internal Control – Relevant Insights and Perspectives" will be held on June 10, 2021. Guest speakers [Dr. Sri Ramamoorti](#), Associate Professor, University of Dayton, and Mr. [Eric E. Cohen](#), Owner of Cohen Computer Consulting will highlight key aspects of an August 2020 paper titled, [Blockchain and Internal Control: The COSO Perspective](#) that was commissioned by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The paper:
 - Provides perspectives for using the COSO Internal Control – Integrated Framework (2013) to evaluate risks related to the use of blockchain in the context of financial reporting and to design and implement controls to address such risks.

- Is intended to help inform decisions regarding oversight, risks, and internal control over financial reporting (ICFR) in a blockchain environment.

IAASB-IESBA Coordination, Including Presentation from IAASB Representative

10. The International Auditing and Assurance Standards Board (IAASB) has two workstreams focused on technology. One workstream is staff-led and the other is being progressed by a [Working Group](#) (the IAASB's TWG). The staff-led initiative is focused on disruptive technology and involves exploring the effects of technology on audit and assurance – both in the current environment and in the future – to ensure auditors are equipped to take full advantage of innovation, and ensure technological advances are not an impediment to high audit quality.
11. The objective of the workstream being progressed by the IAASB's TWG is to:
 - Explore emerging developments in the effective and appropriate use of technology, including data analytics, to enhance audit quality; and
 - Explore how the IAASB most effectively can respond to these emerging developments via new or revised International Standards on Auditing or non-authoritative guidance (including Staff publications) and in what timeframe.
12. During the June 2021 meeting, the IESBA will receive a presentation from IAASB Deputy Director, Brett James. Among other matters, Mr. James will:
 - Elaborate on the activities of the IAASB's TWG and explain where technology fits into the IAASB's strategic actions and [current work plan](#).
 - Highlight the technology-resources that are available on the IAASB's website, including:
 - IAASB Staff FAQ (March 2021): [Addressing Risk of Overreliance on Technology Arising from the Use of Automated Tools and Techniques and from Information Produced by an Entity's Systems](#).
 - IAASB Staff FAQ (November 2020): [Using Automated Tools and Techniques When Identifying Risks of Material Misstatement in Accordance with ISA 315 \(Revised\)](#).
 - IAASB Staff Publication (September 2020): [Using Automated Tools & Techniques in Performing Audit Procedures](#).
 - IAASB Staff Publication (April 2020): [Audit Documentation When Using Automated Tools and Techniques](#).
13. The Working Group coordinates its activities with the IAASB TWG. For example, in May 2021, IESBA representatives, including Mr. Greg Driscoll (correspondent member to the IAASB TWG), briefed the members of the IAASB TWG on the IESBA's various technology workstreams, including the activities of the Working Group. The IESBA will be briefed on the key outcomes of that meeting in June 2021.

Next Steps

14. The Working Group will continue to advance its work and provide an update to the IESBA and the IESBA Consultative Advisory Group in September 2021.

Actions Requested

15. IESBA members are asked to note:
- (a) The update on the Working Group’s activities;
 - (b) The presentations on Blockchain;
 - (c) The update on the IAASB technology workstreams; and
provide comments or reactions.

Material Presented

For Discussion

Agenda Item 4-A Technology Working Group Slide Presentation