

**Meeting:** IESBA  
**Meeting Location:** Virtual  
**Meeting Date:** November 30 - December 9, 2020

## Agenda Item

# 5

### Technology

#### Objective

- To:
  - receive an update on outreach since the September board meeting;
  - consider the Task Force's recommendations relating to development of non-authoritative material; and
  - provide input on the Task Force's developing views and proposed approaches to progress the identified recommendations within the [approved project proposal](#).

#### Task Force Members

- The Task Force comprises:<sup>1</sup>
  - Brian Friedrich, Chair, IESBA Member
  - James Barbour, IESBA Technical Advisor
  - Gregory Driscoll, IESBA Technical Advisor
  - Hironori Fukukawa, IESBA Member
  - Myriam Madden, IESBA MemberIAASB Correspondent member:
  - To be determined; the Task Force thanks Melissa Bonsall for her contributions

#### Activities Since Last IESBA Meeting

- At the September 2020 IESBA meeting, the Task Force presented and received feedback on its preliminary views to progress the identified recommendations in the approved [project proposal](#), *Enhancing the Code in an Evolving Digital Age*.
- Given the travel restrictions preventing in-person meetings, the Task Force continued its work in two small teams to mitigate the time zone challenges posed by having geographically widely dispersed Task Force members. Each small team met virtually on numerous occasions to advance all of the

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<sup>1</sup> Staff and Technical Advisor support:

- Misha Pieters, IESBA staff (seconded from XRB)
- Kam Leung, IESBA staff
- Laura Friedrich, IESBA Technical Advisor
- Ellen Gorla, IESBA Technical Advisor

recommendations allocated to its members, with the full Task Force meeting on three occasions to reflect on IESBA feedback, consider the small team deliberations, and agree on a direction forward.

5. Broader outreach was prioritized during this quarter and operationalized through two surveys seeking stakeholder feedback on two specific topics:

- Technology and complexity in the professional environment (Recommendation 2)
- The impact of technology on auditor independence (Recommendation 7)

The surveys close on November 25<sup>th</sup>. A verbal update providing an initial overview of the results of these surveys will be provided by the Task Force Chair during the meeting.

6. In addition, Task Force members presented to a variety of stakeholders, as follows:

October

- Forum of Firms
- IFAC Knowledge Sharing Event: Ethics and Technology
- CPA Canada

November

- National Standards Setters
- UK Financial Reporting Council
- Accountancy Europe - Professional Ethics and Competences Working Party
- European Group of International Accounting Networks and Associations (EGIAN)

December (planned)

- Accountancy Europe - podcast: Because People Count

7. Desk research continued through the review of papers, articles, and multimedia related to disruptive technologies, with consideration of their current and potential impact on ethics in the profession. The Task Force is maintaining an extensive repository of content using Microsoft Teams.
8. The Task Force has also considered its work to develop an exposure draft for first read in March 2021. A snapshot of the status of progress on all seven of the recommendations outlined in the project proposal is included in an appendix to this paper.

### **Next Steps**

9. The Task Force plans to:
  - Use the results of the two stakeholder surveys to develop non-authoritative material; and
  - Inform the development of an exposure draft for an initial read at the March 2021 Board meeting
10. Some Task Force members and support staff are also collaborating on a joint event and papers with PAOs in early 2021 with a focus on *Critical Thinking and Professional Judgment in an Era of Complexity and Digital Change*.

**Action Requested**

11. IESBA members are asked to:

- (a) Consider the Task Force's observations and views as set out in **Agenda Item 5-A**; and
- (b) Provide input on the Matters for IESBA Consideration in **Agenda Item 5-A**

**Material Presented**

Agenda Item 5-A	Issues and Task Force Views
Agenda Item 5-B	Compilation of Proposed Changes to the Code

Recommendation	Recommendations on track for inclusion in Exposure Draft (ED) (first read March 2021)	Facilitate development of Non-authoritative material (NAM)
<b>1 Building Trust – The Critical Role of Ethics and Professional Judgment</b>	Add application material paragraph in 120.13 A4	In conjunction with PAOs (early 2021)
<b>2 Complexity of the Professional Environment</b>	Pending results of survey	With PAOs (early 2021)
	Determining next steps: ED, Discussion Paper, NAM, and global roundtables. NAM will include use of case examples (TTF to develop).	
<b>3 Suitability of the FPs - Transparency</b>	Add explicit reference to transparency in R111.2, 113.3 A1 and Section 100	Collaborative partner to be sought (TTF to provide review)
<b>4 Suitability of the FPs – Accountability</b> <ul style="list-style-type: none"> <li>• Add on a PA’s willingness to accept responsibility?</li> <li>• Amend given increasing use of external experts/ intelligent agents?</li> <li>• Add references to technology given reliance on technology?</li> </ul>	Add explicit reference to accountability in Section 100 and technology in Section 220	Collaborative partner to be sought (TTF to provide review)
<b>5 Suitability of the FPs – Confidentiality</b> Revise Subsection 114 (Confidentiality) to give consideration to privacy-related matters and the need to actively protect information.	Developed a more principles-based approach in Subsection 114 to ensure the FP continues to address emerging issues arising in a technology context.	Collaborative partner to be sought (TTF to provide review)
<b>6 Enabling Competencies and Skills</b> Add application material to Subsection 113 highlighting the importance of professional or “soft” skills. Provide examples of emergent technical skills needed in a digital age.	Hybrid approach developed in Subsection 113	In conjunction with PAOs (early 2021)
<b>7 AUDITOR INDEPENDENCE: strengthening the provisions in Part 4A of the Code:</b>		
Consider revising Section 520 to address the threats to independence created by close business considerations	Pending results of survey.	Pending results of survey to develop use case NAM

Technology (Cover Note)  
 IESBA Meeting (December 2020)

Recommendation	Recommendations on track for inclusion in Exposure Draft (ED) (first read March 2021)	Facilitate development of Non-authoritative material (NAM)
that might arise from the sale or licensing of technology	Developed technology-related examples of close business relationships for inclusion in Section 520	
Consider revising Section 600	Pending survey results, modernize Section 600 to emphasize that services are increasingly being performed by technology.	
Consider revising Subsections 601-610 to include specific examples	Pending survey results, consider the need to include technology specific examples and/or whether safeguards remain appropriate in each subsection	
Consider revising Subsection 606	Recommend a two-part approach to Subsection 606: <ul style="list-style-type: none"> <li>• Refine the design and implementation phase</li> <li>• Develop requirements that apply to post implementation support services under a new heading in Subsection 606.</li> </ul>	
Modernize terminology: “Office”	Pending – to address feedback from Board in September.	
Modernize terminology: “ <b>Routine or mechanical</b> ”	Developed indicative application material, to consider location pending results of survey.	
Modernize terminology: “ <b>Financial interests</b> ”	Not yet considered	

Key: Green Near first read draft  
Amber Work in progress  
Red Not yet started