

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

Agenda Item 5

Technology Project

Objectives

1. To consider the Task Force's¹ proposed technology-related revisions to the Code.
2. To provide directional input to the Task Force on identified matters.

During the meeting, the Task Force Chair will:

- Walk through the proposed revisions to the Code set out in **Agenda Item 5-A** and explain the Task Force's current thinking and rationale.
- Highlight specific matters or areas marked as placeholders where Board directional input is being sought.
- Seek input on the Matters for IESBA consideration set out in **Agenda Item 5-B**.

The Task Force welcomes advance input, including drafting suggestions. Please email comments and suggestions to kamleung@ethicsboard.org.

Recap of the March 2021 Board Meeting

3. The IESBA agreed to the Technology Task Force's and Planning Committee's recommendation for a short-term deferral of the approval of a technology-related Exposure Draft (ED) from June to December 2021.
4. The IESBA also received a report on and discussed the [key messages](#) heard on the two technology [surveys](#) undertaken in Q4 2020. Among other matters, the following were raised by IESBA members:
 - The survey results demonstrate a clear need for non-authoritative material (NAM) to explain how the revised non-assurance services (NAS) provisions operate with respect to technology-related NAS. In this regard, the Technology Working Group plans to liaise with the NAS and Fees Rollout Working Group to develop technology-related NAM, including to clarify the applicability of the revised NAS provisions.

¹ The Task Force comprises:

- Rich Huesken, Chair, IESBA Member
- James Barbour, IESBA Technical Advisor
- Greg Driscoll, IESBA Technical Advisor
- Brian Friedrich, IESBA Member
- Hiro Fukukawa, IESBA Member

- Guidance is needed to address the “collecting, storing, and hosting of client data,” but the Code generally remains sufficient.
 - Support for the Task Force to further address technology-enabled NAS in the Code, and in particular to provide more guidance to support ethical and independence decision-making with respect to business relationships and NAS.
5. The Public Interest Oversight Board (PIOB) observer noted that the survey results brought out important public interest issues. Considering the rise of non-financial reporting, she highlighted that the issues of (1) where a business relationship starts and finishes, and (2) what is a financial versus non-financial matter, are becoming increasingly important as professional accountants may be making decisions without sufficient guidance from an ethical perspective.

Activities since the March 2021 Discussion

6. The Task Force met virtually five times via video conference to develop the agenda items. The proposed revisions to the Code take into account:
- The [Phase 1 Report Recommendations](#). In this regard, the Task Force has considered IESBA members’ feedback on the “strawman” tabled for discussion at the December 2020 IESBA meeting.
 - The [responses](#) to the two technology surveys and the IESBA’s reactions to the comments raised.
 - The feedback from targeted stakeholder outreach undertaken in 2020 and more recently in May 2021 with the Committee of European Auditing Oversight Bodies’ (CEAOB) International Audit Subgroup and the IESBA-National Standard Setters Liaison Group. The Task Force Chair will brief the IESBA on the outcome of these outreach discussions during the June meeting.

IESBA-IAASB Coordination

7. IESBA representatives, including Mr. Greg Driscoll,² briefed the members of the IAASB Technology Working Group on the IESBA’s various technology workstreams, including the work being undertaken by the Task Force. The IESBA will be briefed on the key outcomes of that meeting in June 2021.

Matters for IESBA Consideration

8. **Agenda Item 5-B** includes a list of specific matters for the IESBA to consider in reviewing the Task Force’s proposed revisions to the Code in **Agenda Item 5-A**.
9. Responsive to the input received at the March 2021 IESBA meeting, the Task Force’s considerations or proposals include:
- Consideration of where to emphasize that a professional activity may be performed by a professional accountant or by another individual or technology within the accountant’s firm or employing organization.

² Mr. Driscoll is a correspondent member of the IAASB’s Technology Working Group.

- New guidance in Section 606 to address “collecting, storing, and hosting of client data” (see paragraphs R606.7 to 606.7 A1 of **Agenda Item 5-A**). Specifically, the Task Force is of the view that such services performed by a firm or network firm should be prohibited.
 - New guidance to address issues that might arise when technology applications are sold or licensed to audit clients (see proposed changes to Sections 520³ and 600 in **Agenda 5-A**).
10. The Task Force is planning to review the independence provisions that apply to assurance engagements other than audits and reviews (i.e., Revised Part 4B, in particular Sections 920⁴ and 950⁵) after the June 2021 meeting. It is anticipated that conforming amendments will be required to Revised Part 4B so that it remains aligned to the material in Part 4A of the Code.

Next Steps

11. The Task Force will continue to advance development of the enhancements to the Code with a view to providing updated proposals in September 2021. In addition, the Task Force will obtain input on its updated proposals from the IESBA Consultative Advisory Group in September 2021.

Action Requested

12. IESBA members are asked for views and directional input on the Task Force’s proposals in **Agenda Item 5-A** taking into account the matters for IESBA consideration outlined in **Agenda Item 5-B**.

Material Presented

For Discussion

Agenda Item 5-A	Technology – Proposed Revisions to the Code (mark-up from extant) and Related Task Force Notes
Agenda Item 5-B	Technology PowerPoint Slide Presentation, Including Matters for IESBA Consideration

For Reference

Agenda Item 5-C	Technology – Proposed Revisions to the Code (Clean Version)
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³ Part 4A, Section 520, *Business Relationships*

⁴ Part 4B – Independence for Assurance Engagements Other than Audit and Review Engagements, Section 920, *Business Relationships*

⁵ Part 4B, Section 950, *Provision of Non-Assurance Services to Assurance Clients Other than Audit and Review Engagement Clients*