

Technology— Issues and Task Force Proposals

Introduction

1. In September 2020, the IESBA expressed general support for the direction of the Task Force's [preliminary views](#) to address the seven recommendations outlined in the March 2020 Approved [Project Proposal](#).¹ Feedback from the IESBA Consultative Advisory Group (CAG), National Standard Setters (NSS) and the Forum of Firms (FoF) during Q4 was also generally supportive.
2. This paper outlines the Task Force's responses to the overall feedback received, and its progress in addressing the seven recommendations—with the aim, and priority, of developing an exposure draft for first read in March 2021.
3. Additionally, this paper provides an update on the development of non-authoritative material, which was initially recommended in the Phase 1 Final Report and continues to be recommended by the Task Force and various stakeholders.

Non-Authoritative Material

4. The Phase 1 Report² recommended the development of non-authoritative material, to be considered as part of the collaborative efforts between IFAC and IESBA and possible collaboration with subject matter experts from professional accountancy organizations and/or NSS. The report identified the following potential topics for development:
 - (a) Impact of technology (with links to Recommendations 1 (Building Trust), 2 (Complexity), 3 (Transparency) and 7 (Independence))
 - (b) Leadership in promoting ethical behavior (with links to Recommendations 1 (Building Trust) and 3 (Transparency))
 - (c) Professional competence (with links to Recommendation 6 (Enabling Competencies and Skills)); and
 - (d) Confidentiality (with links to Recommendations 4 (Accountability) and 5 (Confidentiality)).
5. The Task Force is of the view³ that development of non-authoritative material related to each of the recommendations will be helpful to stakeholders.
6. The Task Force notes feedback from the CAG on the benefits of developing non-authoritative material in order to respond more quickly to calls for additional guidance in light of technological developments, contemporaneously with the following timeline for the Technology project:
 - Development of an exposure draft (by mid-2021);
 - Exposure draft and consultation stage (by the end of 2021);

¹ As informed by the December 2019 [IESBA Technology Working Group Phase 1, Final Report](#)

² Page 27-28, https://www.ifac.org/system/files/publications/files/IESBA-Technology-Initiative-Phase-1-Final-Report_0.pdf

³ As previously outlined in the September 2020 Board paper

- Approval of a final pronouncement (by the end of 2022); and
 - Effective date⁴ (indicatively by end of 2024).
7. IFAC Staff has produced a Summary ([Appendix 1](#)) to highlight some of its ongoing technology-related activities and outputs, which also relate to the topics outlined in the Phase 1 Final Report and accordingly, Recommendations 1, 3, 4 and 5 outlined in the Approved Project Plan.
 8. Separately, the Task Force sought expressions of interest for opportunities to collaborate with other NSS to develop non-authoritative material in order to incorporate the perspectives and subject matter expertise of various NSS on the impact of technology on the profession. During the November 2020 IESBA-NSS meeting, the Australian Accounting Professional & Ethical Standards Board (APESB) expressed interest in such collaboration.
 9. Finally, the Task Force also considered feedback that stakeholders would find it extremely useful to have some practical case studies, i.e., to bring the Code to life in the technology environment through guidance alongside the Code, which a few stakeholders also noted could be particularly helpful for some jurisdictions that are still in the very early development and implementation stages and so need more assistance.
 10. The Task Force is of the view that if feedback from the two [surveys](#) developed to inform the Task Force's approach to complexity in the professional environment and independence matters is sufficiently insightful and provides some real life examples, the Task Force will consider developing short pieces of non-authoritative material incorporating practical case studies based on these survey results.

Matter for IESBA consideration

1. Do IESBA members agree with the approach to developing and facilitating the development of non-authoritative material and working collaboratively with other organizations?

Recommendation 1: Building Trust

11. The Task Force has progressed the suggestion that Recommendation 1 largely be addressed through facilitating the development of non-authoritative material to highlight the broader role of professional accountants (PAs) with respect to technology. This is in view of many PAs being recognized as influential leaders in both their organizations and in society, and in light of the recent changes to the Code as part of the Role and Mindset project.
12. The Task Force presented indicative drafting of application material in relation to Recommendation 1 at the September IESBA meeting. Feedback from IESBA members mainly focused on drafting, for example, to: (a) avoid leading language such as “increasingly” in case it becomes archaic in the future; (b) incorporate the development of technology; (c) avoid language that is too vague such as “potential;” and (d) be conscious that the proposed revisions might dilute the original message of encouraging/ promoting an ethics-based culture.

⁴ Assuming 18 months from release of final pronouncement

13. The Task Force considered this feedback and refined the proposed drafting as follows (mark-up from September text in grey). In order to maintain the essence of the original message in 120.13 A3,⁵ the Task Force recommends adding a new paragraph for application material:

120.13 A3. Professional accountants are expected to encourage and promote an ethics-based culture in their organization, taking into account their position and seniority.

120.13 A4. Increasingly The role of the professional accountant, whether in business or in public practice, involves the use of technology, and might involve the development of technology, either directly or in relation to outputs from technology-driven processes. Promoting ethical behavior is critical within organizations ~~is particularly relevant when developing and using technology,~~ given its ~~potential~~ pervasive impact.

Defining the Term “Technology”

14. The Task Force further reflected on a suggestion from a respondent to the Role & Mindset ED that “technology” be a defined term in the Glossary of the Code to include software applications, hardware systems and artificial intelligence. In alignment with the conclusion of the Role & Mindset Task Force, the Technology Task Force does not recommend defining technology, as the term is meant in its ordinary context to be broad and encompassing. Any attempt to define or scope “technology” using specific examples might quickly become obsolete, as technology continues to advance.

Matters for IESBA consideration

2. IESBA members are requested to comment on the proposed new paragraph 120.13 A4.
3. Do IESBA members agree with not defining “technology” in the Code?

Recommendation 2: Complexity

15. While there has been a general view that dealing with the threats created by technology and complexity in the professional environment is important, to date there has been a lack of consensus from the IESBA and other stakeholders as to the best way to address this issue in the Code.
16. To further inform the next steps, the Task Force developed a survey to explore complexity more broadly with a wider stakeholder group, including seeking views on:
- (a) Option 2-1 Modifying the lead-in to the Conceptual Framework threat categories;
 - (b) Option 2-2 Modifying the existing threat categories;
 - (c) Option 2-3 Adding one or more new threat categories; and
 - (d) Option 2-4 Highlighting complexity as a pervasive factor in decision-making while applying the Conceptual Framework.

⁵ As introduced by the Role and Mindset project, effective December 31, 2021

The deadline for survey completion was November 25 and a detailed analysis of responses is currently underway. A summary of indicative key messages from the survey results will be provided by way of a verbal update during the Board presentation from the Technology Task Force Chair.

Encapsulating “Technology” in a Separate Section of the Code

17. At the September IESBA meeting, a Board member suggested that having a separate section to encapsulate all technology-related changes and considerations might be more beneficial than tagging on piecemeal changes throughout the Code. The view was that it would be easier for readers to digest the full effect that technology has on the application of the Code. Preliminary support for this suggestion was echoed by three other members.
18. The Task Force acknowledges that there is a broad spectrum of understanding among PAs in relation to their knowledge of new technology, including one end of the spectrum where PAs have no understanding at all of new technology and how its use would impact the application of the Code. The benefit of a single section approach is the relative ease with which PAs, in particular those with less knowledge, could find relevant guidance in the Code.
19. However, the Task Force also recognizes that PAs are required to have some extent of understanding of new technology. This will become key as technology becomes more and more prevalent and increasingly important in an audit or in the preparation of financial statements, as well as in an organization’s normal operations. Hence, the Task Force believes that it would be overly simplistic to address all technology-related matters in a single section:
 - (a) The section might quickly become ‘out-of-date’ by providing too much specificity—there will always be emerging technology and, as per a typical product lifecycle, emerging technology would eventually become the ‘new norm’ as it becomes more commonly used, understood and trusted.
 - (b) Conversely, in an effort to avoid specificity and losing relevance, the section could also become too vague and high level, meaning that it could be easily overlooked.
 - (c) It would go against the ‘building-blocks’ approach of the Code—the Code provides five fundamental principles; a conceptual framework with which to identify, evaluate, and address threats to these fundamental principles; and then contextual guidance on top of this. If all technology-related considerations were put in a single section, arguably the rest of the Code would become less relevant in the face of the ‘new normal(s)’.
 - (d) It would beg the question whether the Code would need to be changed and updated every time a new technology service emerges.
 - (e) While the Code changes being considered by the Task Force have technology as their catalyst, these matters encompass more widely applicable themes: identifying and managing complexity; and the increasing focus on and need for transparency and accountability. Placing these themes under a section on technology would not reflect their pervasive nature and application beyond technology matters.
20. The Task Force therefore continues to recommend an approach to addressing the transformative effects of technology on PAs and auditor independence in a more holistic manner, which spans across the fundamental principles underpinning the Code. To silo the Code changes in a single section would undermine the quilt that is being stitched together to strengthen the Code and more

explicitly spell out how PAs can evolve in terms of responding to and managing complexity catalyzed by technology. This more holistic approach encompasses what it means to be ethically accountable, transparent and achieve confidentiality in the face of increasing technological changes; as well as undertaking a deep dive into an update of the auditor independence provisions to incorporate the impact of technology.

21. Nevertheless, the Task Force continues to see merit in a separate subsection within Section 120 to highlight complexity as a pervasive factor in decision making while applying the conceptual framework (Option 2-4), similar to the Role and Mindset Task Force’s approach to bias. Through its survey, the Task Force has sought stakeholder views on whether doing so would be beneficial.

Highlighting Complexity as a Pervasive Factor in Decision-making

22. It is important to note that pending the evaluation of the survey responses, the Task Force is not yet recommending one or a group of options. The Task Force continues to be of the view that there is merit in each of the four, non-mutually exclusive, options.
23. However, since the Task Force has already obtained directional feedback from the IESBA on indicative drafting developed for Options 2-1, 2-2 and 2-3 in its [June Agenda Paper](#), the Task Force has now developed illustrative drafting for Option 2-4 to socialize how this might read:

Complexity [under a separate heading in Section 120]

120.xx A1 Complex problems, characterized by unpredictable, interrelated, dynamic and often unknown factors, have a pervasive effect on compliance with the fundamental principles and affect the exercise of professional judgment when identifying, evaluating and addressing threats to compliance with the fundamental principles.

120.xx A2 Complex problems tend not to have solutions, but rather require ongoing management. This contrasts with complicated problems, which might be difficult, but are generally solvable using defined steps, algorithms and formulas, and where there is generally a well-defined outcome that signifies success.

120.xx A3 Situations where professional accountants should consider the effects of complexity when exercising professional judgment include those with a:

- Dynamic and fast or exponentially changing environment.
- High degree of uncertainty or ambiguity, including where there are unknown factors outside the control of the accountant.
- Lack of predictability and/or reproducibility.
- Unique context that has not been previously faced by the accountant.
- Lack of explainability or transparency.
- High sense of urgency with severe consequences for any decision made.
- Lack of clear outcomes that indicate success.

120.xx A4 Actions that might help manage and mitigate complexity include:

- Adopting adaptive and growth mindsets.
- Maintaining awareness of the evolving professional, business and technological environment and seeking appropriate upskilling.
- Performing frequent or continuous scenario analysis to allow for ongoing management of unpredictable results and determine appropriate actions.
- Using technology to assist in monitoring and evaluating a complex system.
- Consulting broadly and in a timely manner with a wide range of experts to obtain input and ensure appropriate challenge as part of the evaluation process.

24. The Task Force also considers that paragraph R113.3 provides an opportunity to highlight an action that might help manage complexity. The Task Force proposes to incorporate an element of complexity by adding a reference to inherent uncertainties:

R113.3 Where appropriate, a professional accountant shall make clients, the employing organization, or other users of the accountant's professional services or activities, aware of the limitations inherent in nature of the services or activities, including limitations and uncertainties inherent in them.

25. The Task Force is also considering further changes to Subsection 113 in relation to Recommendations 3 (Transparency), 4 (Accountability), and 6 (Enabling Competencies and Skills). Refer to **Agenda Item 5-B** to facilitate reading of how the various recommendations interact.

Matters for IESBA consideration

4. Do IESBA members agree with not attempting to encapsulate all technology-related changes in a separate section of the Code?
5. IESBA members are requested to provide directional input on the: (i) illustrative separate subsection for consideration as part of Section 120 to highlight the impact of complexity in the professional environment; and (ii) proposed refinement to paragraph R113.3.

Recommendation 3: Transparency

26. The Task Force continues to explore the close link between transparency and accountability and how this is balanced with the fundamental principle of confidentiality. Recommendation 3 is, therefore, being considered in conjunction with Recommendations 4 and 5.
27. At the September IESBA meeting, the Task Force explored transparency in two broad contexts:
- (a) Not withholding information in a manner that would be deceptive, with a recommendation to make an explicit reference to transparency in Subsection 111; and
 - (b) Incorporating the idea of “shedding enough light,” as is appropriate in the circumstances, to inform the decision making of others.

28. The IESBA was supportive of building the concept of transparency more directly into the Code. However, there was some concern with “shoehorning” the second context of transparency within application material related to diligence. The Task Force was encouraged to consider how a level of transparency should permeate all processes and ensure that this is present in the Code. This broader approach, of including transparency and accountability in the same location above all of the fundamental principles, is considered under Recommendation 4 (Accountability), together with indicative drafting (see paragraph 41).
29. However, given the recommendation described under Recommendation 2 to add a reference to uncertainty in paragraph R113.3, the Task Force also sees merit in adding application material to incorporate the idea of “shedding enough light” as follows:

113.3 A1 A professional accountant considers the level of transparency appropriate for clients, the employing organization, or other users of the accountant’s professional services or activities when making them aware of the nature of the services or activities.

Matter for IESBA consideration

6. IESBA members are requested to comment on the proposals to incorporate transparency within new application material in 113.3 A1.

Recommendation 4: Accountability

30. Feedback from the September IESBA meeting mainly focused on the Task Force’s proposed changes to Subsection 220.7⁶ to emphasize accountability, including deliberations on the extent of a PA’s responsibility to understand what is “under the hood” and how far down the chain of reliance the PA needed to go in order to demonstrate that the reliance is reasonable. This sentiment was also echoed by an NSS representative at the November IESBA-NSS meeting.
31. The Task Force has considered the feedback from the IESBA and NSS. The Task Force is of the view that fundamentally, if a PA is relying on technology or the work of another individual, it is their responsibility to have a reasonable awareness and understanding to ensure that reliance is appropriate.
32. Nevertheless, the Task Force acknowledges and agrees that PAs cannot be expected to be the “expert” in technology and fully understand what is “under the hood.” Rather, PAs have to be comfortable with the output from technology. It is the Task Force’s view that this can be achieved with the PA understanding the quality controls around the system, program changes and other general IT controls, such as monitoring of the operation of the system as well as controls over the analysis of the output from technology.
33. This means that although the PA may not understand the “black box” which is “under the hood,” at least they are comfortable with the control structure monitoring the system and its output in order to reasonably rely on the technology.
34. The Task Force has therefore refined the proposed drafting as follows (mark-up from September text in grey):

⁶ Relying on the work of others

Relying on Technology or the Work of Others

R220.7 A professional accountant who intends to rely on technology or the work of other individuals, either internal or external to the employing organization, or other organizations shall exercise professional judgment to determine what steps to take, if any, in order to fulfill the responsibilities set out in paragraph R220.4.

220.7 A2 Factors to consider in determining whether reliance on technology is reasonable include:

- The level of understanding and confidence in the organization's system of quality controls, including internal controls over processes such as vendor selection; development and implementation; system and data security; and review of system outputs.
- The experience and reputation of the technology provider in the marketplace.
- The extent of algorithms, learning, and autonomy incorporated into the technology and their levels of explainability and transparency.
- The extent of bias in the data and algorithms.

Accountability as a Broader Concept

35. The Task Force was encouraged to go further and highlight accountability because simply including it as a reference in Section 220 appeared to downplay its importance. The Task Force considered that accountability ties to the fundamental principles of Integrity, Professional Competence and Due Care, and Professional Behavior. The Task Force therefore believes that a more holistic approach that emphasizes accountability as a broader concept has merit in the upfront sections of the Code.
36. As such, following the September IESBA meeting, the Task Force considered where best to highlight accountability given the public interest for a professional accountant to be accountable for the decisions, actions or outcomes for which they are responsible.
37. The Task Force reviewed the upfront sections of the Code and considered the following areas to emphasize or highlight the link to accountability:
 - (a) In the introductory sections, such as paragraphs 100.4 or 110.2 A1;
 - (b) In the fundamental principles of Integrity or Professional Behavior;
 - (c) In a new requirement in Subsection 113 that would highlight that a professional accountant should take reasonable steps to ensure that there is not inappropriate or undue reliance on people working under them or on technology;
 - (d) In organizational culture as referenced in paragraphs 120.13 A1 to A2; and

- (e) In the applicability provisions⁷ to highlight the obligations of a professional accountant in business (PAIB) when they are relying on technology, and to the extent it would be equally applicable to a professional accountant in practice (PAPP).
38. In considering how to incorporate accountability in the upfront sections of the Code, the Task Force also deliberated on the necessity of specifying who, or what, the PA should be accountable to, or for, in the Code. With the finalization of the Role and Mindset pronouncement, the Task Force is of the view that the Code appropriately emphasizes the importance of the PA's responsibility to act in the public interest in paragraph 100.6 A1.⁸
39. The Task Force also considered that Section 220 is contained in Part 2 of Code specific to PAIBs. Despite the building blocks approach to the Code, the Task Force believes that it is important to emphasize and explicitly acknowledge the obligations that a PAPP must be aware of when relying on technology.
40. Upon reflection and consideration of the various areas to highlight the link to accountability as mentioned above, The Task Force proposes to:
- (a) Update paragraph 100.4 to emphasize “accountability” in tandem with highlighting the importance and linkage to “transparency” in paragraph 100.4 of the Role & Mindset pronouncement. The Task Force believes that this approach incorporates the IESBA suggestion to take a step back and highlight accountability as integral to the fundamental principles of the Code.
- (b) Develop a new requirement paragraph R113.4 to highlight the obligations of a PA.
41. Indicative drafting is as follows:
- 100.4 The Code establishes five fundamental principles to be complied with by all professional accountants and against which they are held accountable. In fulfilling accountability, an accountant considers the level of transparency appropriate in light of the situation. The Code also includes a conceptual framework that sets out the approach to be taken to identify, evaluate and address threats to compliance with those fundamental principles and, for audits and other assurance engagements, threats to independence. The Code also applies the fundamental principles and the conceptual framework to a range of facts and circumstances that accountants might encounter, whether in business or in public practice.
- ...
- R113.4 When undertaking professional activities, a professional accountant shall take reasonable steps to ensure that there is not inappropriate use of, or reliance on, the work/outputs of others or on technology.

⁷ Set out in paragraphs 200.4(b) and R300.5 to 300.5 A1

⁸ https://www.ifac.org/system/files/publications/files/Final-Pronouncement-Role-and-Mindset_0.pdf

42. The Task Force also believes that developing non-authoritative material would be an appropriate avenue to emphasize that it is in the public interest for a professional accountant to be accountable for the decisions, actions or outcomes for which they have due responsibility.

Matter for IESBA consideration

7. IESBA members are requested to comment on the Task Force’s recommendations to:
- (a) Add additional factors in paragraph 220.7 A2 to consider when determining whether reliance on technology is reasonable;
 - (b) Emphasize “accountability” and “transparency” as broader concepts which tie to the fundamental principles in paragraph 100.4 (of the Role & Mindset pronouncement); and
 - (c) Add a new requirement in paragraph R113.4 to highlight that a PA should take reasonable steps to ensure that there is not inappropriate or undue reliance on people working under them or on technology.

Recommendation 5: Confidentiality

43. The Task Force has developed proposed enhancements to Subsection 114 by condensing the requirement for a PA to comply with the principle of confidentiality. This more principles-based approach is to ensure that the fundamental principle continues to address emerging issues arising in a technology context.
44. Proposed changes include subsuming several sub-requirements within the main requirement; changing “respect” to “protect” confidential information; and to consider including subsumed concepts within application material, where appropriate. The Task Force recommends changing “respect” to “protect” to be more active, in light of the potential public outcry if there were a breach. The Task Force is mindful that the appropriate actions to “protect” would need to be scalable, and would be determined in the context of the circumstances and the sensitivity of the information. The Task Force seeks views on this change, and whether such a change might require additional application material or non-authoritative guidance.
45. Indicative drafting of what this approach might look like is as follows:

R114.1 A professional accountant shall comply with the principle of confidentiality, which requires an accountant to ~~respect the confidentiality of information acquired as a result of professional and business relationships. An accountant shall:~~

- ~~(a) Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or an immediate or a close family member; [subsumed in the main requirement to protect confidential information; consider adding inadvertent or social environment in application material]~~
- ~~(b) Maintain confidentiality of information within the firm or employing organization; [subsumed in the main requirement to protect confidential~~

information, consider whether maintaining confidentiality should be noted in application material]

- ~~(c) Maintain confidentiality of information disclosed by a prospective client or employing organization; [added phrase to R114.2]~~
- ~~(ad) Not disclose~~ Protect confidential information acquired as a result of professional and business relationships ~~outside the firm or employing organization and not disclose such information~~ without proper and specific authority, unless there is a legal or professional duty or right to disclose; *[Added “protect” as a more active requirement. Consider whether application material would be needed]*
- ~~(eb)~~ Not use confidential information acquired as a result of professional and business relationships for the personal advantage of the accountant or for the advantage of a third party; and
- ~~(f) Not use or disclose any confidential information, either acquired or received as a result of a professional or business relationship, after that relationship has ended; and [Subsumed by R114.2]~~
- ~~(gc)~~ Take reasonable steps to ensure that personnel under the accountant’s control, and individuals from whom advice and assistance are obtained, respect the accountant’s duty of confidentiality.

46. The Task Force recommends adding additional application material regarding access and controls around dissemination as follows:

114.1 A2 In deciding whether to disclose confidential information, factors to consider, depending on the circumstances, include:

...

- ~~The proposed type of communication and to whom it is addressed.~~
- Whether the parties to whom the communication is addressed or access is granted are appropriate recipients.
- The extent to which controls are in place to prevent further dissemination by the recipient.

47. The Task Force also recommends adding application material highlighting that protection is important throughout the lifecycle as follows:

114.1 A3 Protection of confidential information is important throughout the collection, use, storage, dissemination, and lawful destruction of the information.

48. As noted above, the Task Force recommends subsuming material from the first requirement into this second requirement, as follows:

R114.2 A professional accountant shall:

- (a)** Protect the confidential information of a prospective client or employing organization; and

(b) ~~eContinue~~ to comply with the principle of confidentiality even after the end of the relationship between the accountant and a client or employing organization. When changing employment or acquiring a new client, the accountant is entitled to use prior experience but shall not use or disclose any confidential information acquired ~~or received~~ as a result of a professional or business relationship.

49. The Task Force recommends adding a definition of “confidential information,” including mentioning data within the definition and being mindful of a difference between “confidentiality” and “privacy,” but at the same time recognizing a desire to explicitly mention privacy in the Code. The Task Force has intentionally drafted the definition to be broad, including all information that is not in the public domain, without specifying whether the information is that of the accountant’s firm, client, or employing organization, or a prospective client or employing organization. An indicative definition is as follows:

Confidential Information

Data, information, and material that is not in the public domain. This includes information for which privacy would be required or reasonably expected.

50. The Task Force has considered whether there should be a scalability concept included in the Code whereby the actions that need to be taken to protect confidential information depend on the sensitivity of the information (e.g., greater sensitivities related to health, biometric, salary information) or whether this is already adequately built into the conceptual framework with reference to assessing the level of the threat. On balance, the Task Force does not recommend further changes in this regard, noting that this is covered by the focus on “addressing the level of threat.”
51. Finally, the Task Force also considered the suggestion of an IESBA member to consider the misuse of data. The Task Force is of the view that the misuse of data would be addressed with the proposed definition of confidential information, and accordingly, the application of confidential information in Subsection 114.

Matter for IESBA consideration

8. IESBA members are asked for directional thoughts on the Task Force’s preliminary recommendations to amend Subsection 114 to:
- (a) Condense the requirements; and
 - (b) Amend the active word “respect” to “protect” in relation to confidential information.

Recommendation 6: Enabling Competencies and Skills

52. At the September meeting, the Task Force sought indicative views on three options to incorporate and provide examples of professional skills. The Task Force noted that the International Panel on Accountancy Education (IPAE) and the former the International Accounting Education Standards Board (IAESB) have already spent significant time exploring new and emerging skill requirements given advances in technology. The [International Education Standards](#) (IESs) detail the skills required and at what level of proficiency. The three options considered were to:
- Directly cross-reference the relevant IESs within Subsection 113.
 - Incorporate selected text from the IESs into the Code.

- Use a hybrid approach with some IES wording as well as direct IES cross-referencing.
53. The IESBA queried how best to deal with the IESs, noting that the IPAE does not fall under the oversight of the PIOB. The IESBA therefore advised a degree of caution in relation to cross-referencing.

Options Informed by Feedback and Developed Further

54. The Task Force further considered the option of directly cross referring to the IESs given the IESBA's cautionary comments in September. The Task Force also considered feedback from the IESBA-NSS meeting whereby a few NSS were supportive of the hybrid approach. One NSS representative cautioned against embedding or paraphrasing the IESs into the Code whilst another noted that purely cross-referencing to the IESs in the Code would make it difficult for local adoption where the IESs are not adopted.
55. The Task Force considers that referring to the IESs directly will be highlighting what is already required under existing IFAC membership requirements, i.e., it will result in emphasizing something that applies to professional accountancy organizations which are IFAC members in any event.
56. As such, the Task Force has further considered the following options for incorporating the competence elements from the IESs:
- (a) Incorporating the key elements from the IESs within Subsection 113 and noting that the IESs contain the standards for professional competence;
 - (b) Incorporating the key elements from the IESs within Subsection 113 without direct reference to the IESs, noting, however, that professional competency requirements are established at a local level without explicitly referencing the IESs; or
 - (c) A definitional approach to professional competence.
57. The Task Force sees merit in bringing into the fundamental principle of professional competence and due care the key elements of the relevant IESs, namely: technical competence (IES 2); professional skills (IES 3); and professional values, ethics and attitudes (IES 4). This is because the IESs break down professional competence into these key areas, supported by specific learning outcomes and assigned proficiency levels that are expected of a professional accountant in that respect. IFAC member bodies are required to develop and assess the competence of PAs in accordance with these standards.
58. As IFAC membership consists of more than 170 professional accountancy organizations across 130 countries and jurisdictions,⁹ the Task Force believes that the fundamental principle of professional competence and due care should embody the IESs' key elements.
59. Accordingly, the Task Force developed indicative drafting to:
- (a) add emphasis on the importance of professional skills which are not easily replicable by technology. The Task Force notes that professional skills is the element of the IESs that is not intuitive in the Code, and has expanded on what it encompasses. Where "technical knowledge" is fairly clear to most PAs, in contrast, "professional skills" might be differently interpreted or confounded with the term technical knowledge.

⁹ <https://www.ifac.org/who-we-are/membership>

- (b) provide new application material within subsection 113 with reference to the IESs, noting that the IESs contain the standards for professional competence;
- (c) add emphasis on adopting adaptive and growth mindsets to keep up with technology developments to actively pursue opportunities as well as manage risks in paragraph 113.1 A2, as modified per the Role and Mindset pronouncement. The Task Force has purposefully aligned the reference to “adaptive and growth mindsets” which is also being considered as an action that might help manage and mitigate complexity, as part of Recommendation 2 on Complexity (Option 2-4).

60. The Task Force recommends the following changes:

R113.1 A professional accountant shall comply with the principle of professional competence and due care, which requires an accountant to:

- (a) Attain, and maintain, apply and integrate technical professional knowledge and professional skills with the professional values, ethics and attitudes embodied in the Code, at the level required to ensure that a client or employing organization receives competent professional service perform professional activities, based on current technical and professional standards and relevant legislation; and
- (b) Act diligently in accordance with applicable relevant technical and professional standards and legislation.

113.1 A1 Standards of professional competence are contained in the *International Education Standards* as maintained by IFAC and are implemented through the professional competency requirements of individual jurisdictions.

113.1 A24 Serving clients and employing organizations with professional competence requires the exercise of professional skills such as sound judgment, critical thinking, leadership, communication and collaboration in applying professional knowledge and skill when undertaking professional activities.

113.1 A23 Maintaining professional competence requires a continuing awareness and an understanding of relevant technical, professional—and, business and technology-related developments. Adopting adaptive and growth mindsets and cContinuing professional development enables a professional accountant to develop and maintain the capabilities to perform competently within the professional environment.

61. Finally, the Task Force believes that it would be valuable to help facilitate the development of non-authoritative material to highlight the technical skills needed for technology upskilling and the importance of professional skills that are not easily replicable by technology (for example, “the human in the loop” concept, which is the process of leveraging the power of the machine and human intelligence to create machine learning-based AI models).

Matter for IESBA consideration

9. IESBA members are invited to comment on:

- (a) The recommendation that the fundamental principle of professional competence and due care should embody the IESBs' key principles;
- (b) The indicative amendments to paragraph R113.1 and the recommended additional application material in paragraph 113.1 A2; and
- (c) Adding emphasis on adopting adaptive and growth mindsets in a renumbered paragraph 113.1 A3.

Recommendation 7: Independence

62. In order to categorize the identified evolving tools and NAS engagements, the Task Force developed an illustrative [diagram](#)¹⁰ to determine the extent to which new tools and services that are being offered:
- (a) Fit within Section 600 (and its subsections, as currently reflected in the proposed NAS text in [Agenda Item 2-F](#)). A fundamental question is whether these new tools and engagements, in fact, constitute “services” (at least in part) such that they fit intuitively into the existing NAS provisions.
 - (b) Are engagements where the firm designs or implements a system for a client, which falls into Subsection 606.¹¹ Even though the system being designed or implemented could be considered a “product,” the engagement is for the design or implementation of the client’s system, which reflects a service.
 - (c) Are new engagement types that are enabled by new technologies that do not fit within the current NAS Subsections 601 to 610.
 - (d) Would result from a firm developing and maintaining ownership of a tool and licensing it to clients with or without further customization. This could result in a “licensing of a product” arrangement if a generic version of the tool is licensed to a client. If there is no “service” attached, this arrangement does not fit neatly in the NAS provisions.
63. Feedback received from IESBA members and stakeholders is supportive of the direction, with a focus on what is being delivered to the client as opposed to how it is being delivered (i.e. through technology or a human resource).
64. The Task Force sought detailed feedback on the direction of travel by way of a second stakeholder survey that closed on November 25, the results of which are being evaluated. A summary of indicative key messages from the survey results will be provided by way of a verbal update during the presentation from the Technology Task Force Chair.

Business Relationships

65. In relation to business relationships, at the September meeting the Task Force expressed the view that when a product is sold/licensed by a firm to an audit client, the independence threats resulting from that product sale/licensing should be evaluated based on two perspectives:

¹⁰ IESBA June 2020 Board Paper, Agenda Item 9-A, Page 16

¹¹ Subsection 606, Information Technology Systems Services

- (a) The threats that might be created based on the nature of the business relationship that is formed through the arrangement; and
 - (b) The threats that might be created based on the underlying service or output performed by the product, making the assumption that it is the provision of a service that is relevant and not whether the service is performed by technology, by firm staff or a combination thereof.
66. Some IESBA members expressed concern that the Task Force is viewing licensing software to an audit client as a business relationship, noting that a business relationship is when there is a mutuality of interests for two parties, i.e. they both work together to drive business through an alliance, subcontracting relationship, joint venture, etc.
67. The Task Force reflected on this concern and noted that the Code does not define or describe the term business relationship. The Task Force further observed that the title of Section 520 is “Business Relationships,” but that most of the section’s requirements focus on “close business relationships.”
68. The Task Force is of the view that “business relationship” is a broader concept (i.e. it can consist of any commercial arrangement), whereas a “close business relationship” has a focus on the “mutuality of interests” that arise. As such, the Task Force recommends that the IESBA consider a project to revisit Section 520 more comprehensively, as this matter is beyond the scope of the technology project.
69. Where firms are licensing software:
- (a) To their audit clients, who are in turn directly utilizing the technology in the delivery of services to their customers/clients, or
 - (b) From an audit client and directly using the technology in the delivery of services to their clients, even if there is no formal alliance or marketing arrangement between the parties, these circumstances could create a mutuality of interests resulting in a close business relationship.
70. How close the business relationship is would depend on factors including the promotion of the use of the technology in marketing or proposal materials provided to the end user, the prominence of the software in the delivery of the service to the end user, and any branding on output created by the technology and delivered to the end user.
71. In order to highlight independence issues that might arise from close business relationships in circumstances that involve licensing of software, the Task Force recommends adding examples to clarify when licensing software to, or from, an audit client would be considered a close business relationship:
- 520.3 A2 Examples of a close business relationship arising from a commercial relationship or common financial interest include:
- Having a financial interest in a joint venture with either the client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client.
 - Arrangements to combine one or more services or products of the firm or a network firm with one or more services or products of the client and to market the package with reference to both parties.

- Distribution or marketing arrangements under which the firm or a network firm distributes or markets the client's products or services, or the client distributes or markets the firm or a network firm's products or services.
- Delivery of a non-assurance service offering involving the utilization of an audit client's technology to third parties where such technology, or the output from such technology, is the primary element of the offering, or specific reference to the client and/or its technology is made in marketing materials, contract documents, or deliverables and other outputs.
- Utilization of a firm's technology by an audit client in a service offering to its customers where such technology, or the output from such technology, is the primary element of the offering, or specific reference to the firm and/or its technology is made in marketing materials, contract documents, or deliverables and other outputs.

72. The Task Force considers that the threats created by the product sale/licensing that result from the underlying service or output performed by the product are best dealt with in Section 600 rather than in Section 520. The Task Force is recommending changes to paragraph 600.3, considered in more detail below. The Task Force is still exploring whether and how best to cross reference between the two Sections.

Matter for IESBA consideration

10. IESBA members are requested to provide directional input on the Task Force's proposed approach to address the close business relationships that *might* arise from the sale and licensing of technology by adding additional examples in Section 520.

Reflecting on Technology Products that Will Increasingly Perform Types of NAS

73. The product service continuum has been explored in June and September with the IESBA. Directional input was supportive of the view that the requirements and application material to evaluate threats to independence seem to apply equally regardless of whether the output is developed by a firm's technology or intelligent agent or by the firm's staff. Subsequently, the Task Force has identified a need to make it more explicit within Section 600 that the section and subsections dealing with NAS apply regardless of whether the service is performed by individuals or by technology.
74. The Task Force recommends adding wording within the introduction of Section 600 to make it explicit that a NAS might be performed by individuals within the firm, by technology owned by the firm, by technology sold or licensed by the firm to the client, or a combination thereof. The Task Force considers it is useful to include this overarching statement upfront in Section 600, rather than to repeat this in each of the subsections.
75. Indicative drafting is as follows¹²:

¹² Based on NAS text to be approved by the IESBA at the December 2020 meeting

600.2 Firms and network firms might provide a range of non-assurance services to their audit clients, consistent with their skills and expertise. Providing non-assurance services to audit clients might create threats to compliance with the fundamental principles and threats to independence.

600.3 The manner in which non-assurance services are provided by a firm might include:

- By one or more individuals within the firm.
- By technology owned by the firm.
- By technology licensed by the firm from a third party.
- By technology sold or licensed by the firm to an audit client when that technology incorporates the technical knowledge and/or professional skills of a professional accountant [or others within the firm/attributable to the firm], or performs a professional activity that might otherwise be executed by a professional accountant [or others within the firm/attributable to the firm];
- A combination of the above.

76. In addition, the Task Force is considering expanding references to “personnel” or “an individual” to reference technology where relevant, with indicative drafting as follows:¹³

600.9 A2 Factors that are relevant in identifying and evaluating the different threats that might be created by providing a non-assurance service to an audit client include:

- The nature, scope, intended use and purpose of the service.
- The manner in which the service will be provided, such as the personnel to be involved and their location, or the use of technology developed by the firm.

...

600.12 A1 When a firm or network firm provides a non-assurance service to an audit client, there might be a risk of the firm auditing its own work, thereby giving rise to a self-review threat. A self-review threat is the threat that a firm or a network firm will not appropriately evaluate the results of a previous judgment made or an activity performed by an individual or technology from the firm or network firm as part of a non-assurance service on which the audit team will rely when forming a judgment as part of an audit.

¹³ Based on draft NAS text seeking approval by the IESBA at the December 2020 meeting

Matter for IESBA consideration

11. IESBA members are invited to comment on the Task Force's recommendation to clarify that the non-assurance services section applies regardless of whether the service is performed by individuals or by technology.

Existing Subsections or a New Subsection

77. The Task Force continues to explore whether there is a need to add a new subsection, i.e. whether there is a “new” or emerging type of service or services that arise due to technological development. For example, the Task Force continues to consider whether blockchain technology enables new services (such as eCommerce support) or is enabling existing services (such as bookkeeping) through the use of a digital ledger. An alternative thought was that this might also be considered to be an extension of information technology systems services, which is considered in more detail under the heading of Subsection 606 below.
78. Although the Task Force has not yet identified any “new” service, rather that technology is further enabling the existing categories of services, the Task Force has not ruled this out. It is expected that survey results will assist in determining the need for a new subsection (e.g. 611), as respondents were asked to provide specific use cases for technology-enabled NAS.
79. The Task Force does not recommend including a separate section to cover technology-enabled NAS as a broad category. In many instances, technology-enabled services relate to existing service categories.
80. Possible examples of technology-enabled services to include in each subsection are as follows, bearing in mind that further or alternative examples may be identified through the survey results:
- 601 Accounting and bookkeeping services (e.g., automated transaction processing)
 - 602 Administrative services (e.g., intelligent document management or data aggregation)
 - 603 Valuation services (e.g., valuations based on AI-enabled predictive models)
 - 604 Tax services (e.g., AI-enabled tax minimization tools)
 - 605 Internal audit services (e.g., automated cybersecurity penetration testing)
 - 607 Litigation support services (e.g., AI-enabled prediction of success at trial)
 - 608 Legal services (e.g., AI-enabled legal document scanning or predictive analytics)
 - 609 Recruiting services (e.g., résumé screening incorporating natural language processing)
 - 610 Corporate finance services (e.g., blockchain-based data visualization to provide information in real-time).
81. On balance, the Task Force considers that the examples in the NAS sections are sufficiently broad to cover and include services that are increasingly augmented or performed by technology. There is a balancing act between the risk of narrowing the examples in the NAS sections by including very specific technology examples, and making it more apparent that the examples include and extend to services that are performed by technology. The results of the survey will be helpful to provide a more comprehensive list of use case examples which may provide further evidence for or against the

addition of examples. If deemed necessary, further insight may be sought from stakeholders in the exposure draft.

82. The Task Force developed the following indicative drafting for Subsection 605 as a possible way to reflect an extension of the existing examples to include technology-enabled examples (note that a similar approach would be followed for other subsections as determined appropriate and 605 is simply a test case):

605.2 A1 Internal audit services comprise a broad range of activities and might involve assisting the audit client in the performance of one or more aspects of its internal auditing activities. Internal audit activities might include:

- Monitoring of internal control – reviewing controls, monitoring their operation and recommending improvements to them, including:
 - Penetration testing.
 - Testing business continuity or disaster recovery plans.
 - <<Add more traditional manual example>>
- Examining financial and operating information by: ...

83. An additional approach to providing specific examples in the Code would be to facilitate the development of non-authoritative materials that illustrate the connection between the extant subsections 601 and 610 and the use of different technologies to provide such services.

Matter for IESBA consideration

12. IESBA members are invited to comment as to whether they consider it:

- (a) Useful to add technology specific examples to the subsections of Section 600, as relevant; and/or
- (b) Necessary to facilitate the development of non-authoritative materials in this area.

Subsection 606 Information Technology System Services

84. The Task Force discussed the “stages” of information technology (IT) system services, which include the design, development, implementation, maintenance and operation, and the “substages” of implementation which include installation, configuration, customization and integration.

85. Matters being considered include:

- (a) The need for a definition of an information technology system.
- (b) The need for additional application material in the context of the requirements related to the design, development, and implementation stages including a description of the activities within each stage and their applicable substages, such as installation, configuration, customization, and integration.
- (c) The need for additional application material around customization and “off the shelf” software, including what constitutes “off the shelf” software and the types of services related to “off the shelf” software that might create threats to independence.

- (d) A need to add requirements and application material associated with information system services beyond design and implementation, including the maintenance and operation of information systems and the hosting, storing and synchronization of data, and if addressed, where such material should be located (i.e. as a new part(s) within Subsection 606 or in a new subsection under Section 600).

Defining Information Technology System

- 86. The Task Force considered the construct of Subsection 606, noting that the Subsection references information technology systems broadly, incorporating systems that both relate to and are unrelated to the audit client's accounting records, internal controls over financial reporting or financial statements. The information technology system concept is intentionally broad. However, the requirements and application material then emphasize that designing or implementing systems that are unrelated to internal control over financial reporting, or do not generate information forming a significant part of the accounting records or financial statements, should not involve the assumption of a management responsibility.
- 87. The Task Force does not recommend defining "information technology systems" given the construct of the extant Subsection.

Clarification Around Implementation of "Off the Shelf" Software

- 88. Subsection 606 describes services related to IT systems that include the design or implementation of hardware or software systems. Extant Subsection 606 has a focus on setting up the technology system for a client (i.e., services that occur after the system has been designed but before the system is available for regular use by the client).
- 89. The Task Force explored each stage and activity in more detail and considered the need to define and describe what is meant by:
 - (a) Design; and
 - (b) Each activity within implementation i.e., installation, configuration, customization, integration.The Task Force noted that the AICPA Code of Professional Ethics and interpretations¹⁴ reflect on each of these stages and activities in more detail.
- 90. The Task Force considered that the use of the word "implement" in 606.3 A1 lacks clarity, given all of the various activities that implementation incorporates. The benefit of defining or describing each activity would be to provide a more complete picture of the activities of implementation. The downside, however, is that it would result in a significant restructuring of this Subsection, bearing in mind that the revised NAS provisions are expected to be finalized at the December 2020 IESBA meeting under the NAS project.
- 91. Cognizant of the need to limit the amount of change to the NAS section, the Task Force does not recommend significantly amending the requirements and application material. This is because the Task Force generally considers that the Code already includes the principles and factors to assist a PA identify and evaluate the threats that arise from each of these activities under the broader title of implementation.

¹⁴ Interpretations Under the Independence [Rule 1.295 Nonattest Services](#)

92. The Task Force is of the view that activities, including installation, configuration, integration, and interfacing (for example, loading of software onto a hosting site, turning on a display setting, adding a description to a drop down list), that do not require modifying or enhancing the features and functions in a way that goes beyond the options provided by a third party vendor do not generally create a self-review threat.
93. However, the Task Force does consider that there is a need to reflect on the difference between the activities in the prior paragraphs that fall under the banner of implementation and customization because the Task Force considers that different threats to independence are created as a result of customization.
94. The Task Force recommends that more guidance is needed on customization as it relates to “off-the shelf” software. This matter was also raised in response to the NAS exposure draft, with questions being raised as to what “insignificant” means. The Task Force noted that, for instance, the AICPA Code of Professional Ethics describes “customize” to mean modifying or enhancing the features and functions in a way that goes beyond the options provided by a third party vendor.
95. If customization involves modifying or adding to the software code developed by the vendor, the question is whether there is a level of modification of the code for an information system that would not create a threat. In the view of the Task Force, customization is “insignificant” only if there is no modification of the software code. The Task Force recommends that the term “configuration” better describes this activity and therefore considers that it would be clearer to use a different term than try to distinguish between significant and insignificant customization.
96. The Task Force recommends that:
- (a) Paragraph 606.3 A1¹⁵ would benefit from describing what would not generally be considered to create a self-review threat using terms like implementing, installation and configuration but to avoid referring to customization; and
 - (b) Paragraph 606.6 A1 be written to indicate that any implementation activities beyond those in paragraph 606.3 A1 would create a self-review threat (at least for public interest entities (PIEs)).
- This approach results in the least modification to the structure of the Code and additional detail could be provided in non-authoritative material.
97. Indicative drafting might be:

- 606.3 A1 Providing the following IT systems services to an audit client does not usually create a threat as long as individuals within the firm or network firm do not assume a management responsibility:
- (a) Designing, developing, or implementing IT systems that are unrelated to internal control over financial reporting;
 - (b) Designing, developing, or implementing IT systems that do not generate information forming part of the accounting records or financial statements; and
 - (c) Implementing “off-the-shelf” accounting or financial information reporting software that was not designed or developed by the firm or network firm,

¹⁵ Based on NAS text to be approved by the IESBA at the December 2020 meeting.

~~if the customization required to meet the client's needs is not significant if it is limited to one, or a combination of, the following:~~

- Installation of the software, which involves the initial loading of the software on the client's designated hosting site.
- Configuration of the software, which might include inputting the client-selected features, functionality options, and settings from predefined alternatives within the third-party vendor's software, and selecting the predefined format of certain data attributes and the inclusion or exclusion of such attributes.

98. The Task Force also considered the need to clarify examples of services that audit firms are prohibited from providing to PIE audit clients as follows:

606.6 A1 Examples of services that are prohibited because they give rise to a self-review threat include those involving designing, developing or implementing IT systems (other than as described in 606.3 A1(c)) that:

- Form part of the internal control over financial reporting; or
- Generate information for the client's accounting records or financial statements on which the firm will express an opinion.

99. The IESBA is asked to provide input on the following:

Matter for IESBA consideration

13. IESBA members are asked whether they agree with the recommendations:

- (a) Not to define "information technology services" in the Code;
- (b) To amend paragraph 606.3 A1 to describe what would not generally be considered to create a self-review threat, using descriptions of implementation, installation and configuration but avoiding the term customization, and therefore avoiding the need to specify the level of significance of customization; and
- (c) To amend paragraph 606.6 A1 to indicate that implementation activities other than as specified by those in paragraph 606.3 A1 would create a self-review threat (at least for PIEs).

Post Implementation Technology System Services

100. Given the prevalent use of technology, information technology services may increasingly stray into the post-implementation stage, to include operation and maintenance services or hosting of data, e.g., a "helpdesk" service. The extension of the technology system services is not explicitly dealt with within the Subsections of 600 but there is a reference to post-implementation services in paragraph R606.3(e)¹⁶ that mentions that the client needs to be responsible for operation of the system and for the data it uses or generates. Given the possible expansion of firms' delivery of post-implementation services, the Task Force considers that there is a need for the Code to be amended.

¹⁶ Based on NAS text to be approved by the IESBA at the December 2020 meeting

101. The Task Force considers that the most appropriate location to include the extension of technology services is by the inclusion of three more parts to Subsection 606 below the design and implementation phase that is already covered, under indicative headings such as:

- (a) “Operations;”
- (b) “Maintenance, Monitoring or Support;” and
- (c) “Hosting”

to cover services that apply once the system has been launched. The Task Force considers that the structure of Subsection 604 (Tax Services) provides a precedent for dealing with various types of services using headings within a subsection. For example, Subsection 604 covers multiple services under separate headings including: Tax return preparation, tax calculations, tax planning, etc.

102. Survey results may also provide further relevant examples for inclusion in such an extension.

103. The types of services that the Task Force is exploring adding under new headings include:

- Providing a helpdesk function to assist the audit client.
- Monitoring or maintaining the client’s systems or network (for example, supervising or training audit client personal in the use of the technology, ongoing virus protection services).
- Hosting, storing or synchronizing data owned by the audit client.
- Maintaining and monitoring the security of the client’s systems, including responsibility for responding to data breaches.

104. The key risk to independence with post-implementation services is the assumption of a management responsibility. Therefore, the Task Force is exploring circumstances where these services both do and/or do not result in the audit firm assuming a management responsibility.

105. The indicative approach for developing additional requirements and application material for the post-implementation services, under each of the various headings, would be to:

- Include an application paragraph to describe the services (similar to the list above).
- Explore which, and/or when, each of these services would result in assuming a management responsibility and would be prohibited.
- Explore if, and when, such services would not result in assuming a management responsibility and what factors should be considered in evaluating any threats that arise (for example, circumstances when advising on these matters might be permitted).
- Explore whether any other threats to independence could occur through the provision of these services.

106. If the IESBA agrees with the need to extend Subsection 606 to cover the “post implementation” services, the introductory paragraphs of the subsection will need to be amended to establish a structure for the addition of headings.

107. The IESBA is asked to provide input on the following:

Matter for IESBA consideration

14. IESBA members are invited to comment on the following:
- Whether there is a need to expand the Code to cover services such as operations, maintenance, monitoring or support services and hosting.
 - Whether separating Subsection 606 with the use of additional headings to cover the implementation and design services separately from the operations, maintenance services and hosting, is an appropriate addition to Subsection 606.
 - Views on independence considerations arising for post-implementation services.

Modernizing Terminology: “Office”

108. The Task Force continues to deliberate on the use of the term “office” in Section 510¹⁷ and the notion of an engagement partner’s physical office location being a determining factor in whether an engagement partner can be unduly influenced by another partner in that same office, given the increasing use of modern technology and remote working practices. The Task Force intends to bring an update on this topic to the March 2021 meeting.

Modernizing Terminology: “Routine or Mechanical”

109. At the September meeting, the Task Force recommended retaining the term “routine or mechanical” and to develop additional application material in conjunction with the NAS Task Force. Indicative application material that was jointly developed stresses that it is the level of professional judgment that is a key determining factor in assessing whether a service is routine or mechanical, rather than whether the service might be automated. Broader stakeholder feedback on the use of “routine or mechanical” has been sought in the independence survey. The Task Force intends to deliberate on the survey results and continue to explore the best location for application material on “routine or mechanical,” and will bring an indicative draft for a first read to the March meeting.

Modernizing Terminology: “Financial Interest”

110. The Technology Working Group Phase 1 Final Report identified a need to consider whether the concept of a “financial interest” should be revised to capture cryptocurrencies and the use of non-traditional mechanisms, such as blockchain, to transfer funds. However, this matter was not covered extensively under Phase 1, bearing in mind that further work was ongoing related to the impact of cryptocurrencies and blockchain. Phase 2 work of the technology initiative has been subsumed into the work of the Technology Task Force, which continues to gather information broadly.

¹⁷ Paragraph 510.4(c); Note that the Task Force is mindful that the term “office” is also used in Section 410, in the context of the fee dependency provisions. The Task Force believes that use of the term in this context does not require any further revision as the aggregation and measurement of revenue by geographic or practice lines is generally not impacted by whether a PAPP is able to work virtually.

IESBA TECHNOLOGY WORKING GROUP REPORT & RELATED IFAC ACTIVITIES

IFAC, with its member organizations, serves the public interest by enhancing the relevance, reputation and value of the global accountancy profession. The [IFAC Strategic Plan](#) includes three equally important Strategic Objectives:

- Speaking out and engaging as the voice for the global profession
- Leading and developing a future-ready profession
- Contributing to and promoting the development, adoption, and implementation of high-quality international standards

IFAC’s role includes promoting global adoption, convergence, education, implementation, and compliance to ensure that professional accountancy organizations (PAOs) comply with their membership obligations, advocacy, non- authoritative guidance, sharing of best practices, surveying for implementation challenges and building capacity of PAOs.

This summary outlines the IESBA recommendations for non-authoritative guidance material from the [IESBA Phase 1 Technology Initiative Report](#) and details IFAC’s related activities.

Many of IFAC’s initiatives do not fit the description of ‘non-authoritative guidance’ and are more focused on raising awareness, education and support.

IFAC Staff considered that there is some overlap between the areas identified in the Phase 1 report, so they are not seen as mutually exclusive i.e. an activity in response to one, may also relate to another.

IESBA Recommendation	Related IFAC Activities
<p>Impact of technology</p> <p>Aim: To educate stakeholders on the pervasive nature of technology and its inter-related impact across all the FPs. The publication may include discussions on the impact of machine bias as an example, the relationship between AI ethics principles and the FPs as well as the complex work environment in a digital age.</p>	<ul style="list-style-type: none"> • Multiple internal meetings have taken place to discuss if/what could be developed, the demand for material and what has been produced already. Meetings also involved IESBA Staff and IESBA Technology Working Group Chair, Brian Friedrich. • It was agreed that the IFAC Exploring the Code Series could, where appropriate, be utilized to highlight the impact of technology – this was communicated to the external author. As an example, Installment 8 Responding to NOCLAR for PAPPs includes a scenario involving a technology company. • Engagement and meetings undertaken with PAOs to explore potential opportunities for collaboration. • Two virtual knowledge sharing events were organized on October 13 & 14. The objective included exploring the pervasive nature of technology and its inter-related impact across the fundamental principles of the Code. The format involved presentations from PAOs

¹⁸ This Appendix has been provided by IFAC Staff.

IESBA Recommendation	Related IFAC Activities
<p>Targeted Audience: Regulators, NSSs and PAOs</p>	<p>and IESBA, as well as breakout sessions. The output will include a summary Knowledge Gateway article and video.</p> <ul style="list-style-type: none"> • IFAC’s Technology Advisory Group (TAG) discussed a summary of the virtual knowledge sharing events and provided advice on potential next steps. • The Knowledge Gateway is IFAC’s key mechanism for sharing thought leadership, resources and guidance on emerging trends impacting the global accountancy profession, which includes the impact of technology. • IFAC’s TAG developed a technology matrix mapping all of the material, which included 72 external ethics and technology resources by October 2020. The Matrix is updated for every TAG meeting (4 times per year) and is available on the IFAC Gateway (see the latest version here). • IFAC launched PAO Digital Readiness Tool to help PAOs gauge where they are on their digital journey using 11 pillars and 120 aspects of digital transformation. • The TAG organizes tech-oriented engagement across all IFAC Boards/Groups and SSBs often providing feedback/insights on tech related initiatives. The TAG has undertaken numerous technology initiatives in the past (e.g. webinars on Cyber Security, Data Analytics and Blockchain).
<p>Leadership in promoting ethical behavior</p> <p>Aim: To educate and motivate PAs about promoting an ethics-based culture and how they can contribute to building public trust, using examples/scenarios and taking into consideration implications in different jurisdictions.</p> <p>Targeted Audience: PAOs and individual PAs</p>	<ul style="list-style-type: none"> • IFAC’s Knowledge Gateway includes a dedicated section on ‘Building Trust and Ethics’. This includes multiple articles which align with the aim of educating PAs about promoting an ethics-based culture and how they can contribute to building public trust. For example: <ul style="list-style-type: none"> ○ Digital Readiness: PAOs can Build Upon Our Trusted Position ○ Navigating Ethics in the Digital Age ○ Dealing with Ethical Dilemmas with Confidence ○ G20 Call to Action: Building Public Sector Resilience Must be Part of Pandemic Recovery ○ Global Ethics Day: Ethics and Remote Learning in the Pandemic ○ Public Interest Responsibilities Must Remain Paramount in an Age of COVID-19 ○ When Do You Speak up? Listen up? Whistleblow? ○ Professional Accountants: Taking the Lead on Ethics and Trust in Tax Systems

IESBA Recommendation	Related IFAC Activities
	<ul style="list-style-type: none"> Initial exploratory work has been undertaken to review existing ethical decision-making frameworks produced by PAOs and consider whether there is an opportunity to leverage/develop a global version aligned with the Code.
<p>Professional Competence</p> <p>Aim: To educate stakeholders about the importance of keeping a PA’s competence levels and skills up to date, the importance of soft skills and having the right mindset in a digital age. The IESBA may consider a joint publication with IFAC in the context of IFAC’s new education initiative.</p> <p>Targeted Audience: PAOs, firms, higher education institutions</p>	<ul style="list-style-type: none"> Accountancy education is a strategic priority for IFAC. It established a comprehensive, integrated approach to respond to accountancy education challenges and opportunities posed by a rapidly changing environment in 2019. A recent summary is included in ‘Progressing IFAC’s New Approach to Advancing Accountancy Education’. The International Panel on Accountancy Education has discussed the IESBA Technology Working Group Phase 1 Final Report and how IFAC might respond and also engaged in a meeting with Stavros Thomadakis, IESBA Chair, and Brian Friedrich, IESBA Technology Task Force Chair, on July 17, 2020. IFAC convened a series of roundtable discussions in 2020 to understand the implications of COVID-19 and the future of accountancy and accountancy skills. A summary was published in ‘Accountancy Skills Evolution: Impact of COVID-19 & the Path Forward’. Key themes included the accelerated ways of working, impact of technology, practices that align to new societal demands and the right balance of skills, which collectively illustrate a roadmap for the professional accountant. IFAC organized a virtual four-day global summit, The Anticipatory Accountant: Global Trends Transforming Learning & Development on November 16-19, 2020 which focused on three broad themes: technology, the environment and society. One action in IFAC’s Strategic Plan includes to “Support professional accountancy organizations in developing and promoting an attractive, diverse profession with the skills and competencies to meet the current and future needs of private and public sector organizations and contribute to society”. IFAC facilitated the sharing of member organizations online continuing professional development (CPD) resources for use by member organizations for their members and information about online examinations. IFAC published a ‘Practice Transformation Action Plan – A Road Map to the Future’ in May 2020, which covers talent management and includes highlighting the importance of initiatives by firms to offer on-going learning and continuous development (lifelong learning) and focus on how they re-tool their staff and train accountants for the

IESBA Recommendation	Related IFAC Activities
	<p>future through the development of new skills and competencies for the digital economy.</p>
<p>Confidentiality Aim: To educate and inform stakeholders about maintaining confidentiality in a digital age and how related concepts such as data governance are expressed in the Code. Targeted Audience: PAs</p>	<ul style="list-style-type: none"> • Through the IFAC PAIB Advisory Group there has been a focus on building trust in business through effective corporate governance, as well as an initiative on the roles of professional accountants in data management (to be published in Q1 2021). This data project with CPA Canada includes mention of ethical challenges where relevant and includes a reference to the Code.