

Meeting: IESBA
Meeting Location: Virtual
Meeting Date: September 14-21, 29 & October 1, 2020

Agenda Item

7

Technology

Objective

1. To consider, and provide input on, the Task Force's preliminary views and proposed approaches to progress the identified recommendations within the [approved project proposal](#).

Task Force Members

2. The Task Force comprises:¹
 - Brian Friedrich, Chair, IESBA Member
 - James Barbour, IESBA Technical Advisor
 - Gregory Driscoll, IESBA Technical Advisor
 - Hironori Fukukawa, IESBA Member
 - Myriam Madden, IESBA Member

Correspondent member:

- Melissa Bonsall, IAASB Technical Advisor

Activities Since Last IESBA Meeting

3. At the June 2020 IESBA meeting, the Task Force presented and received feedback on its preliminary views on two of the recommendations within the approved [project proposal](#), *Enhancing the Code in an Evolving Digital Age*, specifically on recommendation 2 *Complexity* and recommendation 7 *Independence*.
4. 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 for 9-10 hours to advance all of the recommendations allocated to its members, with the full Task Force meeting periodically on three occasions to reflect on IESBA feedback and consider the small team deliberations and agree on a direction forward.

¹ 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

5. The Task Force identified a need for additional examples and feedback from a broad range of stakeholders to progress its work on the recommendations. Cognizant that most stakeholders remain preoccupied with the ongoing COVID-19 pandemic, feedback was sought, where possible, from the:
 - IAASB's Technology Working Group
 - International Panel on Accountancy Education
 - CPA Canada Public Trust Committee
 - Australian Accounting Professional & Ethical Standards Board
 - New Zealand Auditing and Assurance Standards Board
6. The Task Force Chair has sought feedback from the CAG at its meeting on 1 September and will brief the Board on the main comments received during the Board session.
7. Desk research continued through the review of papers, articles, and multimedia related to disruptive technologies, with consideration for how these are, or might, impact ethics in the profession. The Task Force is maintaining an extensive repository of content using Microsoft Teams.

Next Steps

8. The Task Force plans to continue engaging with representatives of key stakeholder groups in Q4 to obtain input on their current thinking. The Task Force Chair will present significant matters discussed during those meetings to the IESBA in due course.

Action Requested

9. IESBA members are asked to:
 - (a) Consider the Task Force's observations and preliminary views as set out in **Agenda Item 7-A**;
and
 - (b) Provide input on the Matters for IESBA Consideration in **Agenda Item 7-A**

Material Presented

For Discussion

Agenda Item 7-A Issues and Task Force Preliminary Views

APPENDIX: Recommendations outlined in the approved Project Proposal – Enhancing the Code in an Evolving Digital Age

- A. BUILDING TRUST – THE CRITICAL ROLE OF ETHICS AND PROFESSIONAL JUDGMENT
1. Within the scope of PAs' professional duties and responsibilities, consider adding new application material in Part 1 to more clearly highlight a broader societal role for PAs in promoting ethical behavior as a critical, consistent foundation for businesses, firms and other organizations, particularly when developing and using technology.
- B. COMPLEXITY OF THE PROFESSIONAL ENVIRONMENT
2. Consider revising the Code to more effectively deal with the threats created by the complexity of the professional environment in which PAs perform their professional activities. For example, consideration will be given to the following:
 - Revising the description of “intimidation threat” in Section 120² to capture a variation of the intimidation threat created by the complexity of certain technology applications or compliance rules.
 - Highlighting the issue of “complexity” under Section 120, in a manner similar to the approach the IESBA has taken in adding application material on bias and organizational culture in the [Role and Mindset Exposure Draft](#) (ED).
 - Modifying the lead-in language to the paragraph³ of the Code that introduces the five categories of threat so it would read less definitively. Doing so would provide some flexibility as to how PAs can identify and address a threat such as complexity without necessarily having to shoehorn it into one of the five categories of threat.
 - In Sections 200⁴ and 300,⁵ providing examples of threats, as well as the work and operating environments of employing organizations and firms and the operating environment of clients, that might impact the evaluation of the level of a threat. These examples would focus specifically on technology and the complexity of work environments.
 - Reviewing the Code to expand references to individuals to include machines and intelligent agents as appropriate, for example, in the description of “self-review threat” in Section 120.
- C. SUITABILITY OF THE FUNDAMENTAL PRINCIPLES FOR THE DIGITAL AGE
3. Consider revising Subsection 113⁶ by expanding a PA's responsibility to be transparent, which is not currently expressly stated in the Code. This would take into consideration that there may be circumstances that impact the extent of transparency

² Section 120, *The Conceptual Framework*

³ Paragraph 120.6 A3

⁴ Section 200, *Applying the Conceptual Framework – Professional Accountants in Business*

⁵ Section 300, *Applying the Conceptual Framework – Professional Accountants in Public Practice*

⁶ Subsection 113, *Professional Competence and Due Care*

that may be appropriate (e.g., in an audit, the type and timing of audit procedures, and in business, proprietary commercial information).

4. Consider strengthening the concept of accountability in the Code by, for example:

- Including new material in Subsection 111⁷ on a PA's willingness to accept responsibility. This would need to take into account whether this aspect of accountability is already covered sufficiently in the proposed new material in Subsection 111 under the Role and Mindset project.
- More clearly explaining the concept of accountability in Subsection 113 in light of the increasing use of external experts and intelligent agents.
- Including appropriate references to technology in the provisions relating to relying on the work of others in Section 220.⁸ Consideration will need to be given to how best to progress these changes in light of the Role and Mindset project.

5. Consider revising Subsection 114⁹ in light of the increased availability and use of personal and other sensitive data to give appropriate consideration to privacy-related matters and the need to actively protect information.

D. ENABLING COMPETENCIES AND SKILLS

6. Consider adding new application material to Subsection 113 to highlight the importance of professional or "soft" skills, and provide examples of the emergent technical skills needed in the digital age. In this regard, consideration will be given to the International Education Standards (IES) and related guidance documents prepared by the former International Accounting Education Standards Board (IAESB), especially on professional values, ethics and attitudes, and Information and Communications Technology.

E. AUDITOR INDEPENDENCE

7. With a view to strengthening the IIS in Part 4A:

- Consider whether certain provisions in Part 4A, such as those in Section 520,¹⁰ should be revised to address the threats to independence created by the sale or licensing of technology applications to audit clients and the use of an audit client's technology tool in the delivery of non-assurance services (NAS) to another entity.
- Revise Section 600,¹¹ particularly Subsection 606,¹² with respect to the provision of technology-related NAS. Consideration will need to be given to the

⁷ Subsection 111, *Integrity*

⁸ Section 220, *Preparation and Presentation of Information*

⁹ Subsection 114, *Confidentiality*

¹⁰ Section 520, *Business Relationships*

¹¹ Section 600, *Provision of Non-assurance Services to an Audit Client*

¹² Subsection 606, *Information Technology Systems Services*

revised principles addressing the permissibility of NAS and related provisions when finalized under the [NAS project](#), as well as broader relevant feedback received on the NAS Exposure Draft.

- In relation to the concept of an “office,” consider whether Section 510¹³ should be revised to better capture the threats to independence created by the use of modern communication technologies by firms. Such technologies potentially challenge the notion of an engagement partner’s physical office location being a determining factor in whether that engagement partner or the audit engagement can be unduly influenced by another partner in that same office.

¹³ Section 510, *Financial Interests*