

Technology Project

Schedule of IESBA Comments on [August Draft](#)

	Paragraph No	Commentator	Comment	Task Force Comment / Response
1	R111.2	Sung Nam	I understand the 'the information' is meant to refer to all 'reports, returns, communications and other information'. This paragraph sounds awkward due to the overlapped use of 'information'.	No change - outside the terms of the TTF project proposal
2	Subsection 113	Brian Friedrich	<p>(i) Specific reference to the IESs should be made.</p> <p>The lack of reference to the IESs and the 'light touch' in terms of clarifying what professional skills are and why they are so important in the digital age is a significant missed opportunity.</p> <p>(ii) Stakeholders have expressed that as AI and other technologies become more pervasive, many traditional roles of accountants are expected to become redundant. What will keep us relevant is the 'professional' side of 'professional accountant'. That is what the IESs 3 and 4 focus on with respect to "Professional skills, values, ethics, and attitudes."</p>	<p>(i) The TTF's view was that specific reference to the IESs in the text of the Code would be inappropriate given that jurisdictions have their own education standards. Refer to paragraph 16 of Agenda Item 7. The TTF intends that the importance of education standards (with particular reference to the IESs) should be emphasised in the Explanatory Memorandum</p> <p>(ii) The TTF's view is that 'professional skills, values, ethics and attitudes' are precisely what the Fundamental Principles promote – particularly Integrity, Objectivity and Professional Behavior.</p>
3	113.1 A1	Liesbet Haustermans	<p>(i) I find the "including" construct confusing in this sentence. Serving clients requires professional knowledge and skills.</p>	<p>(i) Revised</p>

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			<p>Professional skills are defined per IES 3 as some of the soft skills listed here, but there is more in IES 3. If the TF believes it is critical to summarize what IES3 understands as professional skill, then that should be done in a separate sentence and not combined in a sentence with professional knowledge per IES, which I am guessing is the IESBA language for technical competence, as per a above?</p> <p>(ii) I also don't see the link of this change with technology, and don't believe it adds a lot of clarification to the extant code. Is it needed? What is it adding, and is it and how is it resolving a gap in the code?</p> <p>(iii) Additionally this subsection is about professional competence, and by having this addition it somehow shifts the focus from what is truly important.</p>	<p>(ii) Noted. The Board's views to be sought on the merits of including this amendment</p> <p>(iii) If one takes the view that 'professional competence' includes all the characteristics that contribute to the provision of professional activities, it would not be inappropriate to include these skills. Also refer to paragraph 18 of Agenda Item 7.</p>
4		Ken Siong	<p>The mismatch between the singular ("professional ... skill") and the plural ("... organizational skills") makes it unclear whether "interpersonal, communication and organizational skills" are part of "professional skill" or part of "professional knowledge and skill". It could be read both ways, and both would be supportable. A way to finesse the question would be to simply</p>	Noted – and revised

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			<p>change "skill" to "skills" in both R113.1 and 113.1 A1, i.e., refer to "professional skills" in the plural.</p> <p>Do also a search throughout the rest of the Code to see whether the term "professional skill" is used again.</p>	
5		Brian Friedrich	Also intellectual skills (such as critical thinking, adaptability) and personal skills (such as commitment to lifelong learning)	If the Board considers that all these characteristics should be included, §113.1 A1 should be revised to include a bullet point list of different skills. The Board's views to be sought. Also refer to paragraph 17 of Agenda Item 7.
6		Ellen Gorla	<p>I don't see how these additions tie to technology.</p> <p>Also, I don't think these additions are appropriate and seem to add skills that go beyond the skills identified in the requirement above in R113.1(a) which are the skills called for in current technical and professional standards and relevant legislation. If the task force believes these skills need to added as requirements, then the requirement paragraph needs to adjusted so that the application guidance is truly application and not an addition to the requirement.</p> <p>While these are important skills, I think the focus in the code should be on skills that would result in a violation if the PA did not have them because they lacked competence or did not result in the PA exercising due care.</p>	See #3 (i) and 5 above

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7		Sung Nam	It sounds awkward because of the overlapped use of 'skill', a singular first and then a plural form.	See #4 above
8	113.3 A1	Liesbet Haustermans	<p>(i) What kind of information is this sentence talking about and to whom and by whom? And what is the link with what is above in R113.3 and professional competence and due care in general? Also what is the link with technology?</p> <p>(ii) Also the use of language could better: a PA <u>considers</u> what another party would <u>consider</u>? What are the “obligations” of integrity and confidentiality? Is that referring to the “requirements” under these two FPs?</p> <p>(iii) Also what is the point of reference for the “sufficient/appropriate” information; what is the consideration and for what purpose?</p> <p>(iv) In summary, it is unclear:</p> <ul style="list-style-type: none"> -what this provision is trying to say -what the circumstances are when it would apply -what is the framework against which appropriate or sufficient information can be compared -how to judge consistency with integrity and confidentiality 	<p>(i) Information about the nature and limitations of the professional services/activities. That has been explicitly set out in the revised text. See also paragraphs 10 and 11 of Agenda Item 7 in response to the link with technology.</p> <p>(ii)/(iii)/(iv) Noted – see revised text</p>

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			<p>-what is the link with technology</p> <p>-what is the exact expectation from the PA under this construct</p>	
9		Ken Siong	<p>(i) "Adequacy of info" is a more general and broader concept than the specific matter of "inherent limitations". The link between the two is also unclear. So, not sure whether the application material is really addressing the requirement.</p> <p>(ii) The present tense for an action doesn't work in application material - it could be interpreted as a requirement.</p>	<p>(i) See proposed amendment to §R113.3 (to include reference to 'nature of' the services or activities.</p> <p>(ii) Noted – see revised text</p>
10		Brian Friedrich	<p>(i) Support this as a means of including the concept of transparency, but would prefer that the word 'transparency' itself be added, for searchability in eCode and PDF</p> <p>(ii) To get at the inherent tension here, consider phrasing as "...the obligations of Integrity, within the bounds of Confidentiality" or words to that effect</p>	<p>(i) Upon reflection the Task Force agrees with the IESBA members who characterize the further additions as editorial in nature and unnecessary. See paragraphs 23 to 25 of Agenda Item 7.</p> <p>(ii) References to Integrity and Confidentiality deleted as the essence is captured in the revised text.</p>
11		David Clark	<p>Should this read "provided to a client about a professional service....."</p> <p>Both sufficient and appropriate are words that are appropriate in this context.</p>	<p>(i) No – because §R113.3 refers to users of the professional services or activities.</p>

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12		Andy Mintzer	<p>Is there a requirement to determine the adequacy? I don't think this word is required...</p> <p>Suggests <i>“When determining the information to provide about the limitations of a professional service or activity...”</i></p>	Noted – see revised text
13		Ellen Gorla	<p>I don't see how these additions tie to technology.</p> <p>As drafted, it isn't clear how this ties back to the requirement that the PA make sure the client/employing organization understands the inherent limitations of their service.</p>	<p>See #8 above</p> <p>Noted – see revised text</p>
14		Sung Nam	It is hard to figure out what relevance exists between 'the obligations of Integrity and Confidentiality' (to be fulfilled by an accountant) and 'sufficient/appropriate information' (to be provided by clients).	See #10 (ii) above
15	114.1 A2	Liesbet Haustermans	(i) Simplify sentence under structure principles. Sentences is considered too long per structure and tries to deal with too many concepts and thoughts. It also uses “includes..., including”. I suggest to break into 2 sentences?	<p>(i) Noted – see revised text</p> <p>(ii)/(iii) See paragraphs 34 and 35 of Agenda Item 7 for the Task Force's considerations.</p>

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			<p>(ii) Also is this perhaps a hidden R? It sounds like the PA needs to do this in order to maintain confidentiality?</p> <p>(iii) Rewrite:</p> <p>R “The PA shall take appropriate action to secure information acquired in the course of prof/BRs whilst the information is within the possession, knowledge and control of the accountant. The accountant shall maintain the confidentiality of the information during the collection, use, storage and lawful destruction of the information.”</p> <p>In application material you will then have to come up with guidance on what constitutes appropriate action in order to have a framework against which to confirm whether the action is appropriate.</p>	
16		Andy Mintzer	In light of the text at the end of the sentence I don't think the text I struck is needed – is it redundantly communicating the same concept at the end of the sentence? I responded more favorably to how the concept was expressed at the end.	Noted – see revised text
17		Brian Friedrich	Prefer 'protect', but otherwise support the inclusion of the data life-cycle	Noted – see revised text
18		Ellen Gorla	I understand including the terms “possession and control” but the term “knowledge” doesn't seem	Noted – see revised text

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			needed. When a PA has knowledge of confidential information, seems to me that is the trigger that they need to take steps to secure it. As drafted, it seems like the PA already knows they have confidential information and we are just trying to highlight for them here that they have to task steps to ensure that information is secure during all phases (when it is being collected, when stored, used, shared with an appropriate party or disposed of).	
19		Andy Mintzer	Delete <i>'whilst it is in their possession, custody or control...'</i>	Noted - see revised text
20	114.1 A3	Liesbet Haustermans	These two bullets could be better separated with bullet 1 talking about the means of communicating; and bullet 2 about the persons/the to whom. The two are now mixed between the two bullets with bullet 1 also addressing the individuals which is then repeated in bullet 2.	Noted - see revised text
21		Ken Siong	Delete 'confidential'	Noted – see revised text
22	R114.2	Sung Nam	Consider changing to 'the previous professional or business relationship'.	See #1 above
23	120.6 A5	Liesbet Haustermans	By having this paragraph here, you are deviating completely from structure principles, and it weakens the conceptual framework description in 120 significantly as it is focusing on just one aspect that could create a threat, namely technology; whereas in	Comments noted. The purpose of the paragraph is to identify the factors that might be taken into account when identifying and evaluating threats to the FPs when using technology – and, as such, it is of general application. See revised text.

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			<p>120 it is about all facts and circumstances more generally when the CF is being described in general.</p> <p>This provision is also not aligned to how the CF is drafted under the code. Threats are created by <u>facts and circumstances</u> (see above 120.6 A2). These facts or circumstances are <u>not factors</u>; factors are only used when evaluating the level of threat see 120.8. So under this construct in the extant code: the use of technology is a fact or circumstance. This may create a threat to the fundamental principle. If so then the factors are there to assess the level of the threat.</p> <p>Please rewrite this provision as such. You can add technology as a fact above in 6.A2, but there it is expressly said that there may be many facts and circumstances that can create a threat. Adding only technology there would look very odd, in my opinion.</p> <p>I actually believe this level of granularity doesn't belong in section 120, but could be addressed in part 2 and 3 where the overall CF is further explained for the particular situation of a PAIB or a PAPP, and that is where technology could come into play as a fact creating a more complex environment and hence generating a threat to compliance with the fundamental principles.</p> <p>This should be: "Might consider"</p>	<p>Refer also to paragraph 38 of Agenda Item 7 for Task Force considerations.</p>
24		Ken Siong	To be more Structure compliant, suggest redraft as:	Noted - See revised text

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			<p>"Factors to consider in determining whether threats might be created by the use of technology, the output from which a PA might rely upon, include:</p> <p>..."</p> <p>Could be more than one threat?</p>	
25		Brian Friedrich	<p>This is beneficial in terms of the <u>use</u> of technology; consider also addressing when technology is being chosen or developed and implemented (e.g., is there a self-interest threat to implement technology to boost the bottom line, even if that means using technology that violates privacy or is unfairly biased?)</p>	<p>The TTF concluded that the issue of self-interest is covered by the second bullet. This will be explained in the Explanatory Memorandum.</p>
26		David Clark	<p>Are we talking about examples of considerations here, there might be others "examples of factors an accountant might consider include but are not limited to:" - This connects well with my next comment about the SRT,</p> <p>Last bullet - Is this the only threat that might be created?</p>	<p>Noted - See revised text</p>
27		Ellen Gorla	<p>Only the last bullet ties back to one of the above threats, the rest of the bullets seem to imply that there is a new threat, aside from the ones above.</p> <p>If the task force brings these bullets to the board in September, it would be helpful for the agenda papers</p>	<p>Noted - See revised text</p>

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			to explain what this paragraph is setting out to do because as of now seems more like factors to consider to determine if the PA has the competence to use the technology or has exercised due care when using the technology.	
28	120.6 A5 1 st bullet	Brian Friedrich	“...and its level of explainability”? One of the key threats raised by stakeholders was that the system would not be able to be understood because it is <u>not</u> explainable; as such PC&DC would be threatened	The TTF concluded that ‘explainability’ is an inappropriate term to use in the Code for, inter alia, translation reasons. See revised text in the third bullet which aims to address this issue
29	120.6 A5 2 nd bullet	Yaoshu	It's difficult to understand how to identify and evaluate if there's a threat to independence.	The threat is to compliance with the FP of Professional Competence and Due Care
30		Andy Mintzer	I realize the next two bullets start off with “Whether the...” and I didn’t edit those...but for this one I kept going back and forth as to whether it was even needed to be said...if a PA uses inappropriate technology they have bigger problems...it should be a full-stop.	Noted
31	120.6 A5 3 rd bullet	Yaoshu	It's difficult to understand how to identify and evaluate if there's a threat to independence.	The threat is to compliance with the FP of Professional Competence and Due Care
32	120.6 A5 4 th bullet	Liesbet Haustermans	(i) Reference to network firm is only correct in part 4 and needs to be deleted! it is firm and employing organization in part 1, 2 and 3	(i) Noted – see revised text (ii) See revised text

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			(ii) It is very strange that it refers to SR threat here in 120. Should this not go in section 600 or part 2 rather?	
33		Andy Mintzer	Not sure the struck language is necessary as it implies a SRT is limited to expertise or judgment. As revised by me it is more broad and not limited to any dimension.	See revised text
34		Brian Friedrich	Seems odd to single out one type of threat in this list	See revised text
35	Complex Circumstances	Ellen Gorla	Unlike the above section on bias, this new section is not clear to me what the PA should be doing. Think the section needs further refinement to better connect for the reader how they are to consider complexity when using the conceptual framework.	See #36
36		Ken Siong	120.13 A1-A2 taken together use too broad a brush to paint the picture we want to draw. They suggest the environment in which a PA operates is always complex, which may not be the case. A PA doing a simple compilation engagement, preparing a simple tax return or using a spreadsheet to calculate depreciation according to the stated accounting policy, might not face any real complexity, let alone complication. I would suggest starting first with a statement recognizing that some circumstances in which a PA operates might be complex because ... (list some of the reasons why complexity exists, e.g., inherent	Noted - See revised text

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			uncertainties, unpredictability, numerous variables and assumptions, etc (use some of the explanations in the NAM complexity paper). Then make the link that such complexity makes it more challenging to identify, evaluate and address threats.	
37		Brian Friedrich	<p>The inclusion of complexity in a separate section here seems to work, but the key message from stakeholders is not coming through. Complicated and complex are not on the same continuum, they are distinct.</p> <p>In the digital age (and with the growing interconnectedness of geopolitical systems and social mandates for ESG, etc.) organizations, and leaders, are facing increased complexity. As professionals, we are trained to “solve” things, and clients/employers want answers. But complex situations cannot be solved per se (e.g., climate change and the pandemic will not be solved, they will be need to be managed and mitigated). As professionals there is a need to shift our way of thinking. No matter how technically competent we are, individually and collectively, we cannot have the ‘solution’ to all challenges. The text below sounds more like “complexity makes things more difficult, but no worries, we just need to talk to more people and use the right information to get to the answer.”</p>	Noted - See revised text

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38	120.13 A1	Ellen Gorla	Think this phrase needs clarification. What type of challenges are increased?	See revised text
39		Liesbet Haustermans	What challenges? What is it that in a complex environment makes the application of the CF more complicated? I think that is what PAs should be made aware of in this provision. The sentence as is now, is not helping in that respect.	See revised text
40		Brian Friedrich	Agreed – this makes sense	OK
41	120.13 A2	Liesbet Haustermans	<p>(i) I have difficulty understanding these provisions and have no idea what they are saying and after; eg. what does the reference to interconnected elements mean and the link with technology?</p> <p>I doubt that users of the code will understand what this is saying. The purpose of the structure project was to increase clarity of language and to improve readability and understandability by having shorter and simpler sentences, avoiding complex grammatical structures and by avoiding legalistic and archaic language.</p> <p>I am really sorry that this new section is not meeting one of these objectives, and I am</p>	(i)/(ii)/(iii) Noted - See revised text. See also paragraphs 42 and 43 of Agenda Item 7 in relation to the link with technology.

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			<p>asking the TF to rethink these paragraphs while keeping these principles in mind.</p> <p>I have tried to come up with an alternative but I am unclear on the intention of the TF with regards to this section. I think it needs to come back to what I said above on facts and circumstances. I think technology may create a complex circumstance which can then lead to threats to compliance with the FPs. So from that perspective I can see some merit in having the concept of complexity in the code. However I don't think that having an academic description on complexity as in A2 is really helpful for the user of the code.</p> <p>(ii) Delete the "to be aware of"; is superfluous language under structure principles</p> <p>(iii) Could the use of subject matter here create confusion with the term used in ISAE 3000 and part 4B?</p>	
42		Brian Friedrich	<p>Perhaps "that require appropriate management and mitigation techniques"</p> <p>Perhaps "interconnected or interdependent elements that are uncertain and unpredictable"</p> <p>This sounds more like complicated, not complex; is this referring to a lack of explainability? If so, it would be clearer to refer to it as such. A lack of explainability doesn't mean 'difficult to understand or explain', it</p>	See revised text

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			means that the system <i>cannot</i> explain itself and we as humans can't see under the hood – again, irrespective of competence (even within data science fields – think “black box”).	
43		Andy Mintzer	I don't disagree that interconnected elements are more complex...but this may imply that they need to be judged to be interconnected to be complex...and I don't think elements that are “uncertain, unpredictable or difficult...” need to be interconnected to be complex	See revised text
44		Ellen Gorla	Think these examples are too broad and would help to provide specific examples of how an item could impact the PA's assessment under the conceptual framework.	That's challenging to incorporate in the Code at a principles-based level. Please refer to the NAM where the issue of complexity is discussed in more detail.
45	120.13 A3	Liesbet Haustermans	<p>I don't understand what this sentence is trying to say.</p> <p>Tend to require: Is this a hidden requirement under structure? I believe so.</p> <p>What action does that require from a PA? This is unclear and missing.</p> <p>No idea what the link of this factor is with managing complexity. Is fast technology not rather increasing complexity?</p> <p>Discussing within the firm with whom and for what reason? Not really clear to me.</p>	Noted - See revised text

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			<p>Is technology not an example of a fact or a circumstance that can create a threat instead of a separate situation? (see explanation above on how the CF is designed)</p> <p>So does this mean that I just tell the client that there is uncertainty or difficulty? How will that mitigate the issue?</p> <p>Organization culture is internal, so why did the TF add something regarding external in this subsection?</p>	
46		Ken Siong	<p>"tend to" seems quite soft and creates some ambiguity. Consider making a stronger, unequivocal statement that complex circumstances require a PA to be on heightened alert to monitor the external environment and how changes might impact the PA's judgments and decisions. This would then nicely link to the actions that follow</p> <ul style="list-style-type: none"> - This doesn't seem to link back to 120.13 A1, i.e., the increased challenges of identifying, evaluating and addressing threats. I also don't think one can mitigate the complex circumstances per se - it's more about mitigating the challenges. So: <p>"Actions that might assist the PA/PAs in managing and mitigating the challenges arising from complex circumstances include:</p> <p>..."</p>	Noted - See revised text which aims to avoid a requirement whilst getting the message across

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			<p>- This is required in any situation (complex or simple) under the CF. Consider whether something like the following might more explicitly convey the nuance in a complex situation:</p> <p>"Applying an inquiring mind to aspects that make the circumstances especially complex, such as the underlying assumptions, the uncertainties or the inter-relationships involved.</p>	
47		Brian Friedrich	The first means of managing and mitigating is recognizing the distinction – and quite possibly differentiating those aspects that can be solved (complicated – even if they are extremely difficult) and those that will require ongoing monitoring, management and adjustment.	Noted – See revised text
48		Yaoshu	It is difficult to understand what is the relationship of the threats with the complex circumstances	See revised text
49		Ellen Gorla	It is unclear what ‘keep under review ...’ means.	See revised text
50	120.14 A3	Liesbet Haustermans	<p>We added this initial provision as part of role and mindset. Were respondents then asking to extend the original expectation to entities outside of their organization? I don't think so.</p> <p>I also think the proposal now is going too far. It basically sets an expectation that when eg. you buy goods for the organization you need to consider to</p>	See revised text - The Board's views to be obtained

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			<p>preach ethical behavior at the vendor’s organization. That doesn’t make much sense in my opinion.</p> <p>“Well positioned to promote”; it does not include an action in fact. Is that what the TF aimed at? So why was this added then if there is no expectation to act?</p>	
51		Brian Friedrich	Agreed, but what is the behavioural expectation here?	See #50 above
52	R220.7	Sung Nam	<p>I am interested to know if the phrase ‘or other organizations’ added here as part of the Role & Mindset’ project was purposefully deleted. If so, I draw TF’s attention to the necessity of conforming changes by deleting the language ‘organization’ 2 spots in the next paragraph.</p> <p>Suggest changing this to ‘the work of others’ given the change of the heading to differentiate between 1) reliance on the work of others and 2) reliance on technology, and an addition of new paragraph 220.7 A2.</p>	See revised text
53	220.7 A2	Ellen Gorla	<p>If a PA is going to rely on technology, I would expect them to</p> <ul style="list-style-type: none"> • Test it to ensure it is functioning as expected. <p>Do their due diligence on the vendor that designed or developed the technology. For example, if the technology was susceptible to breach, would be looking for confirmation that the vendor has</p>	See revised text and additional bullet

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			addressed this issue and is staying on top of the issue.	
54		Brian Friedrich	Are we trying to get at the extent to which the PA (or firm/employing organization) is able to assess the accuracy and objectivity of the system? The inclusion from the June strawman of “The explainability and level of transparency inherent in the technology.” seemed appropriate. Consider adding back?	See #28 The last bullet seeks to address this issue
55		Sung Nam	There will be 2 organizations such as an employing organization for technology internally developed and a 3rd party technology provider. Factors to consider could be different for each of the 2 organizations. The organization in this new bullet point is likely to refer to the employing organization. However, with respect to the 3rd party technology provider, its reputation, expertise and capabilities shall be added as a factor to consider.	Noted - See revised text and additional bullet
56		Liesbet Haustermans	(i) Is it the oversight over? Or, the understanding of? Oversight means that the organization is controlling the technology? That won't be the case if developed by a third party. (ii) Also why only the organization? Why not the PA?	All noted - See revised text

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			<p>(iii) As the TF seems to go for a list of terms most frequently used in the space of technology, I think 'customization' is missing in this list.</p> <p>(iv) Why "to be"? That makes it only apply in future?</p> <p>(v) Should the work of others not go in A1? A1 is reliance on others; A2 is reliance on technology.</p>	
57		Ken Siong	<p>(i) We should try to be consistent on terminology between A1 and A2 ("reasonable" vs "appropriate"). They seem interchangeable, although the former seems to work slightly better with the list of factors in 220.7 A2.</p> <p>(ii) I would consider updating to be part of maintenance?</p> <p>(iii) Why "work of others" when this para is addressing reliance on technology?</p> <p>(iv) To be added:</p> <ul style="list-style-type: none"> • Whether established technology has been used in similar circumstances by the organization or others. • The reputation of the developer of the technology if acquired or developed by an external vendor. 	All noted - See revised text

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			The more established a particular technology is when used in similar circumstances, the more confidence one should have in relying on it.	
58	220.7 A3	Liesbet Haustermans	<p>Should be “another factor” under structure</p> <p>Why opportunity? Is ability not sufficient?</p> <p>Also does seniority really matters? If the information regarding the factors can be obtained and analyzed, why can this decision not be taken by a less senior accountant?</p> <p>It is unclear what this provision is after.</p> <p>I also still believe that junior accountants generally have a much better understanding of technology and what it does, then senior accountants.</p>	All noted - See revised text
59		Ken Siong	As above - use consistent terminology ("reasonable" or "appropriate").	See revised text
60		Brian Friedrich	Perhaps it would be clearer to phrase as “These factors are considered in light of...” or something like that	No change
61	400.14 A1	Liesbet Haustermans	<p>This is a very dangerous paragraph, as it implies that if technology is minor in the professional service, MR is not prohibited.</p> <p>Why only wholly or substantially? MR clauses do apply in any case when a service is being provided which may involve technology.</p>	Noted – the objective is to make it clear that the fact that a firm uses technology does not mean that an assumption of management responsibility cannot occur - See revised text

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			<p>I am not clear why this paragraph is in section 400. I think it belongs in section 600 with cross reference to 400.</p> <p>It is referring to the paragraphs in the same subsection right above, so we don't refer back under structure principles. We only do that in new subsections.</p>	
62		David Clark	Just as the preceding aforementioned section states in it's title, isn't it also appropriate to consider the work of a third party and reliance on it too? Can't we better phrase this then to include: "When a professional service is provided to an audit client which depends wholly or substantially on the use of technology or the work of a third party, the requirements in paragraphs R400.13 and R400.14 apply."	No change – see objective set out in #61 above
63		Brian Friedrich	This can be read as the <i>client depends wholly or substantially on the use of tech...</i> Consider: "When a professional service provided to an audit client is performed wholly or substantially through the firm's use of technology..."	See revised text
64		Andy Mintzer	I found "depends" unclear...prefer to more directly that it is the tech that does the service	Noted - See revised text
65		Ellen Gorla	Since this is application guidance would find it helpful to be a bit more direct in saying that the technology can't do something a human would be prohibited from	Noted - revised text seeks to clarify this point

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			<p>doing. I know it is a bit wordier but what if we said the following instead?</p> <p>The requirements related to management responsibilities in paragraphs R400.13 and R400.14 are applicable even when a professional accountant uses technology to perform a non-attest service. This means, the technology may not perform an activity that the professional accountant would be prohibited from performing.</p>	
66	Section 520	Yaoshu	The modification of this part, I don't know where The modification of "The use of an audit client's technology tool in The delivery of NAS to another client" is reflected in The PDF document Overview	This comment is not understood
67	520.3 A2	Liesbet Haustermans	Fully supporting this new addition. Makes it much clearer now.	Noted
68		Yaoshu	In addition to co-developing software with the client, reselling the clients' software is also a business relationship	This is covered by §520.3 A2, third bullet as revised
69		David Clark	<p>(i) Don't we also need to cover the situation where the product is sold by other parties, not just one or both of the parties involved. Could say ".....parties sell or license, directly or indirectly to third parties."</p> <p>(ii) Also isn't there a BR created even when the product is not jointly developed, i.e. when a</p>	<p>(i) The circumstances contemplated are covered by the fact that the intermediary would itself be a third party</p> <p>(ii) See revision to §520.3 A2, third bullet</p>

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			product is developed by one of the parties and sold by the other or others?	
70	520.7 A1	Ken Siong	Should be in bold, otherwise this will be read as being a sub-level nested within the level immediately above ("Buying Goods or Services").	Noted
71		Yaoshu	It is advisable to carefully consider whether this situation does not usually create a threat to independence. For example, whether contractual arrangements, parties' responsibilities within them, including how services are paid, need to be considered to avoid the provision of restricted software in this way (similar to subcontracting).	Paragraph deleted. See also paragraphs 60 and 61 of Agenda Item 7 for Task Force considerations.
72		Liesbet Haustermans	<p>I don't think this is entirely correct. It is basically saying that the firm can sell a software license to an audit client when that software is linked to an impermissible service, and this when it was another party that developed the software. That to me sounds like the firm may be performing an impermissible service then. Therefore, I think you need to add at the end: "unless the sale or licensing is in connection with an impermissible non-assurance service"</p> <p>Having these very specific rule-based sentences in the code generate the risk that you are unintentionally excluding certain situations.</p>	See #71

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73		Ken Siong	What would be the circumstances under which a firm would license technology that it has not designed or developed? This sounds more like a sublicensing relationship with the actual developer (e.g. a firm is an authorized reseller of a developer's software and purchases licenses in bulk that it then resells on a retail basis). This begs some elaboration to better understand the nature of the licensing arrangement so that readers can see what the nature of the firm's interests are in that arrangement	See #71
74		Brian Friedrich	Not sure why we need to suggest “does not usually create” rather than just leaving the sign-post of 520.7 A2 that instructs users to consider s600 as needed. Also, A1 seems like it would be a concern if the firm sold/licensed something third-party and then implemented, maintained, operated the product. Finally, are there many examples of a firm selling/licensing third party software to an audit client? Are firms actually in the business of doing this – why not go direct to the vendor/developer as the audit client?	See #71
75		David Clark	We might also want to make sure we capture the technology which was itself designed or developed by an audit client and onsold to a client, this would create threats to independence.	See #71
76		Sung Nam	This new paragraph raises the following questions.	See #71

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			<p>1. If the hardware or software is not designed/developed by the firm, it would be purchased or licensed from a) another audit client or 2) a non-audit client. Regardless of from whom it is purchased or licensed, a question arises on why the firm is engaged in resale or licensing of hardware or software to an audit client given that this is not within a normal professional business scope of the firm. Considering that this case will be rare and exceptional, I am concerned that this new paragraph may justify such case and make it deemed normal.</p> <p>2. Further, if the firm resold or licensed the hardware or software, designed or developed by audit client A, to audit client B, there could be implications to independence (ie, a significant business relationship with audit client A) that should be taken into account. If the Code adds this new paragraph but is silent about the independence implications, I am concerned that the Code's users may be misled.</p>	
77	520.7 A2	Yaoshu	The expression is not clear, I think what we want to express here is that this situation seems to be selling IT products to clients, but should actually be regarded as providing NAS services. So my suggestion is "If a firm or network form sells or licenses to an audit client	Accepted

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			hardware or software that has been designed or developed by the firm, the requirements and application materials of section 600 apply. “	
78	600.6	Ellen Gorla	Are we sure the term “implemented” is needed when the firm is performing the NAS using technology? I wouldn’t think that when performing a NAS (say a valuation) that the firm would have to implement it into the audit client’s platform.	See revised text
79		Andy Mintzer	Is “implemented” meant to include assistance provided to a client to install an unmodified off-the-shelf component that was not designed or developed by the audit firm?	See revised text
80		Liesbet Haustermans	<p>(i) This sounds strange, as it may imply that if the firm uses an SAP license (software developed by SAP) as part of a FITS implementation at an audit client, I don’t have to look at section 600? That was for sure not the intention of this paragraph but can be read as such.</p> <p>(ii) The point should be rather that the firm needs to apply the same NAS principles irrespective of whether technology is used or not as part of the service. Eg. tax calculation with pen and paper, or tax calculation through a tax software.</p>	<p>(i) Noted</p> <p>(ii)/(iii) Agreed and noted – see revised text</p>

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			(iii) I think the issue with this paragraph and the ones above in section 400 on MR and 520 on licensing is that they are too specific and therefore can be misread and even abused.	
81		David Clark	'provided to'	See revised text
82		Ken Siong	Should this be "the firm or a network firm"?	Noted – see revised text
83	600.9 A2	Ellen Gorla	Is it really the frequency or is it more whether the audit client has in effect outsourced a management responsibility to the PA?	See revised text
84		Brian Friedrich	"The manner and extent to which technology is used...?"	See revised text
85		Ken Siong	Should this not be "The nature of the technology used"? It's inconceivable that there would be a NAS that would not involve some use of technology broadly understood. Even communicating with the client via email or Zoom in performing the service would qualify as using technology.	See revised text
86		Andy Mintzer	I think the concept is extent or pervasiveness not a temporal use...the is once might be enough? Also wasn't sure about might...TF consider "expected...?"	See revised text
87		Liesbet Haustermans	I am guessing this is after the fact that the more you perform the service, it may become a managed service and hence impermissible? If so, that language is unclear. I had to guess why frequency is	See revised text

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			important, so a normal user of the code will not get to that interpretation unless it is made clearer.	
88	601.5 A2	Ellen Gorla	If the technology allows for certain criteria to be selected, and the client selects the criteria to be used, would the judgment no longer be attributable to the firm? For example, take a depreciation template. If the firm developed a template for the client to use to calculate the monthly depreciation, if the client selects all the necessary criteria for the template (e.g., type of depreciation, useful life) would this qualify as routine and mechanical?	Not necessarily because it would depend on the extent to which the technology depends on judgments etc made by the firm in developing the template. If those judgments are other than minimal, the service would not be 'routine or mechanical'.
89		Liesbet Haustermans	I don't think it is "in addition"; it is rather in application of these factors that you come to the conclusion that judgment is involved and hence not routine and mechanical. As above, 'attributable' is hard to understand. Can this word be better explained. When is sth 'attributable' to sth else?	Accepted - See revised text
90		Brian Friedrich	This wording is effective, but it seems like that there is an argument that many types of NAS can be automated (not just acctg and bookkeeping, but also tax, finance functions...) and, as such, the discussion around routine or mechanical would be better positioned in s600 for broader applicability.	No change – it would be a radical change to apply the 'routine or mechanical' exemption to other services – and give rise, the TTF suspects, to robust resistance from the PIOB and regulators.

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91	606.2 A1	Ellen Gorla	<p>Consider the benefit of including implementing as its own bullet so that a bit of clarification can be provided regarding what implementing services include. I added some information that we have in the AICPA code about implementation.</p> <p>Implementing hardware or software IT system for an audit client. Implementation services involve activities related to a client's information systems after the design and development of the system. Implementation ceases when the system is available on a regular basis to the attest client for its intended use. For example, implementation services can include activities such as installing, configuring, interfacing, customizing, and data translation. Services that are performed post-implementation, such as the maintenance, support, and monitoring of the system, are not implementation services.</p> <p>How are maintaining services (2nd bullet) different from the next bullet on hosting?</p>	See text in additional (second) bullet
92		Liesbet Haustermans	<p>(i) This para shouldn't be referring to audit client. It is not consistent with the other NAS paras where it is explaining the type of service only in more general terms.</p> <p>(ii) What is "an update service"? Isn't that maintaining? I don't think this terminology commonly used in space of software? It is also twice "services" in the same sentence</p>	<p>(i) Noted</p> <p>(ii) Noted. Updating services occurs when systems are enhanced by the addition of additional functionality</p> <p>(iii)/(iv) Correct – text to be considered and explained in Explanatory Memorandum</p>

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			<p>(broad range of services including updating services – meaning?).</p> <p>(iii) Sentence doesn't read well. Collecting, storing data or hosting. What is 'managing' hosting exactly? Do you mean that the data is kept on a subcontractor server? That bit on management is unclear to me and will be for others too</p> <p>(iv) What is meant with "indirectly" hosting? Is that when hosted on a subcontractor server? If so, that needs to better explained, so readers don't have to guess.</p>	
93		Ken Siong	<p>I think we need to better distinguish collecting and storing data as specific IT systems NAS vs collecting and storing data as incidental parts of other services. Consider clarifying as follows:</p> <p>"Collecting or storing an audit client's data as a specific service, or managing (directly or indirectly) the hosting of the client's data."</p>	See revised text
94	606.2 A2	Ellen Gorla	Why is the last sentence not bullet (d)?	Because it qualifies the examples – (a), (b) and (c)
95	R606.3 (a)	Ellen Gorla	Could this be read to mean that if a PA performed a separate evaluation of a system of internal controls as an attest engagement that they would be performing a management responsibility? If so, then including this would prevent a client from hiring <i>any</i> firm to come in and do a separate evaluation of the	

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			client's system, even if that evaluation was done as an attest engagement, as opposed to a non-attest engagement.	
96	R606.3 (b) and (c)	Brian Friedrich	Are (b) and (c) not ultimately the same? Consider combining.	(b) deleted
97	R606.3 (e)	Ellen Gorla	It is unclear if the guidance in subsection 606 when read in its entirety is concluding that a PA could operate some of the client's systems. When I read this bullet, it conveys that the client has to be responsible for <i>operating all</i> of its systems in order for the PA not to perform a management responsibility. But then when I read 606.4 A2 (a) since it says the self-review threat is not usually created if the PA operates a system that is unrelated to internal control over financial reporting, it seems to imply that the PA could operate a system that is unrelated to internal control. If the intent is to prohibit operating all client's systems then think the term "operating" should be removed from 606.4 A2 (a).	Noted - See revised text. The emphasis in §R606.3 (e) is on 'responsible for'. That does not mean that others cannot be involved in the actual operation.
98	606.3 A1	Ellen Gorla	See above comment. Given that this bullet concludes that maintaining the client's data is a management responsibility, shouldn't the term "maintaining" be removed from 606.4 A2 (a) since maintaining data that is unrelated to internal control over financial reporting would be considered a management responsibility?	See #97

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99		Liesbet Haustermans	<p>(i) This reference is not needed under a building block approach as used in the code.</p> <p>(ii) Is this provision after the fact that firm is the sole owner of a copy of client data? If yes, I agree with the statement, but can this be put in clearer language?</p> <p>(iii) Make last sentence A2.</p> <p>(iv) Why 606 only? What if the firm hosts data as result of a tax compliance activity for which the client uses a firm developed software package? Then that is outside section 606.</p>	<p>(i) Noted</p> <p>(ii) Yes</p> <p>(iii) Noted</p> <p>(iv) See revised text</p>
100		Ken Siong	<p>Could this inadvertently imply that receiving and retaining data as part of a NAS not prohibited under other sections could result in assuming management responsibility? I would drop the words "that is not prohibited under subsection 606". The principle is that if the data are received and retained as an incidental and necessary part of delivering the NAS (as opposed to the collection and retention being the NAS itself), no management responsibility is assumed.</p>	<p>See revised text</p>
101		Brian Friedrich	<p>So if the firm uses aws or another service provider to store the audit client's data – say in a disaster recovery / backup engagement – is that ok? Technically the data would be accessible directly from the provider as well as through the firm, so not</p>	<p>Noted</p>

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			solely through the firm. Also, not sure if “hosting” couldn’t be better defined as it can otherwise be as broad as “storage of data, IT services, applications or software” or more narrow like “web hosting”, which is often synonymous with “hosting” in IT circles	
102	606.4	Liesbet Haustermans	<p>Before the Richard additions, I think the provision was after prohibiting managed/outsourced services as this results in a management responsibility. With the addition of SRT and reference to accounting and financial reporting incl. controls around FR, that concept of managed service is gone now.</p> <p>I think this entire paragraph needs a rewrite.</p> <p>Should this be just IC over financial reporting given right above in A2 it is saying that if no impact on FR it is Ok?</p>	See revised text
103	606.4 A2	Brian Friedrich	<p>With the other changes, is it sufficiently clear that “individuals” can also include technology? Some of these services – such as monitoring and updating, might well be automated, rather than use firm staff. Perhaps other instances in 600-series to consider as well.</p>	See revised text
104	606.4 A2 (a)	Ellen Gorla	<p>See above question about whether ‘operating’ should remain given the operating prohibition in R606.3 (a).</p>	See revised text

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			See above question about whether ‘maintaining’ should remain given the hosting prohibition in R606.3 (a).	
105		Brian Friedrich	Cautiously agree at this time – with more and more interconnectedness in organizational systems, it might be hard to ‘carve off’ a seemingly unrelated system. Perhaps “b) That do not directly or indirectly generate...”?	See revised text
106	606.4 A2 (b)	Liesbet Haustermans	The construct of the sentence doesn’t work any longer by the addition of “and”; and what you deleted from extant text. You can’t read (b) any longer by itself as before. The sentence doesn’t work in a bulleted sentence format.	See revised text
107	606.4 A4	David Clark	Need to be careful here when we provide examples of IT systems services that might create a SRT because what we are saying is that they are outright prohibited. Suggest we look more closely at the language to be used if we do not intend to prohibit them all then we could use the following, " The following examples of IT systems services create a self review threat when there is a risk that the results of the services will impact an audit client's accounting records or system of internal control:" I refer in particular to those services which are advice and recommendations based only - there is much more to take into consideration than just prohibiting them as	See revised text

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			outlined here, whether intended or not. We could certainly get comfortable by dropping the first and third examples and keeping the rest as is.	
108	606.4 A4 – 1 st and 3 rd bullets	Ellen Gorla	Given the PIE prohibition, would be helpful if the board papers for the September meeting could explain why providing advice creates a self-review threat because I'm not convinced that this bullet should be included.	Noted
109		Liesbet Haustermans	Why is advice in this space of managed/outsourced services an issue? How could such advice generate a SRT? Data only with regards to financial systems, I think is relevant only.	See revised text
110	606.4 A4 – 3 rd bullet	Brian Friedrich	Significant overlap between points 1, 2 and 3 – 3 could likely just go as it doesn't add anything particularly new	Noted – see revised text
111	606.4 A4 – 4 th bullet	Liesbet Haustermans	What is the link with financial data?, or should that still be specified? What is "supporting" software applications in fact? Is that developing applications for the client?	See revised text
112		Ken Siong	Might this be unduly broad? There might be software applications that do not relate to the accounting records/financial statements or internal control? E.g.,	See revised text

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			software relating to HR (recruitment, perf evaluations, etc) or product marketing?	
113		Brian Friedrich	“Software applications” seems overly broad	See revised text
114	606.4 A4 – 5 th bullet	Ellen Gorla	Since audit and attest engagements can be viewed as monitoring how things are going, I’m concerned with including this term without further clarification since there is an outright prohibition for PIE audit clients. I don’t believe the code intends to prohibit a PIE audit client from hiring a firm to come in and to an attest engagement (separate evaluation) to see how the client’s systems or network is performing. I also don’t think the answer should differ just because the engagement could be structured as an attest engagement.	See revised text
115		Brian Friedrich	Not sure why “monitoring” network performance, for example, is a major concern – this could include matters as benign as network speed or heat dissipation in the server room to improve equipment performance or longevity, which wouldn’t seem to impair independence.	See revised text
116	606.4 A5	Liesbet Haustermans	Substantive changes is weaker than the initial provision above which was talking about customization for the client needs. I think the latter is more appropriate; it is only not creating a threat if it is a pure implementation of a software without further change.	Now 6 th bullet to 606.4 A4. See revised text

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117		David Clark	The code does not use ‘substantive’ elsewhere, we might need to stick to "significant" which is better understood and more widely used. I like what the paragraph convey's however and it is a significant improvement.	Noted, the term has been withdrawn. Refer to Agenda Item 7 paragraphs 65 and 66.
118		Brian Friedrich	Prefer the approach discussed previously of distinguishing customization (not ok) from configuration (ok). The current proposal still results in a lack of clarity as to what is substantive.	See revised text
119	Confidential Information	Ellen Gorla	Curious what an example of this would be that wouldn't be covered by written, electronic or oral.	‘Visual’ would cover where a presentation was made.
120		Liesbet Haustermans	So everything that s not in the public domain is confidential? Isn't that going far? Shouldn't there some aspect of intention that it needs to be kept confidential perhaps? And the fact that one party is disclosing and other one is receiving? I don't think this definition is very helpful.	Correct. To take an approach that depends on a person demonstrating an intention that material is confidential (or that one is giving and another is receiving) leaves many opportunities for misunderstanding and subsequent error. To avoid this, the established approach is to treat information that is not in the public domain as confidential.
121		Brian Friedrich	This is quite “lawyerly”, but still sufficiently concise. ☺ Believe that the word ‘privacy’ should be included somewhere linked to confidentiality for searchability – if only to sign-post that this is a legal concept and the need to review your local laws and regs	The TTF does not support the inclusion of ‘privacy’ – which raise considerable legal issues because the topic of privacy is routed in jurisdictional law. Accordingly, the overriding requirement in the Code as revised by the Role and Mindset project paragraphs R100.7 to 100.7 A1 applies.