

Technology Project – Schedule of Comments on October Text and Task Force Response

	Paragraph No	Commentator	Comment	Task Force Comment / Response
1	General	Yaoshu Wu	Thank you for your and the TF's hard work. I haven't specific comments.	Noted
2		Liesbet Haustermans	<p>Overall I think there is still a long way to go before this document is ready for exposure.</p> <p>In brief, as you can read in my first comment, I don't think that by just adding new words into the technology section 606, it will actually clarify much about why certain of these services might create independence threats and why others are not generating any independence concerns. As the document stands today, I don't think the users will be guided much more than before under extant code. On the contrary, all these new terms will generate more confusion and doubt than ever before.</p> <p>Additionally a lot of the daily independence issues that accounting firms are dealing with as the result of service offerings in the area of technology are still not addressed in the code.</p> <p>This is a missed opportunity for the board which I find disappointing.</p>	<p>Considered and deliberated by the TF. The TF view is that the proposed changes to s606 provide additional clarity by explicitly including examples of what type of IT systems services fall under its scope, and might create a SRT, or assume a management responsibility.</p> <p>Including definitions to differentiate between each type of service in the Code moves away from its principles-based nature.</p> <p>The general principle underlying s606 is that when a PA is identifying and evaluating whether there might be a SRT created through IT systems forming a part of the ICFR or generating information that the firm will express an opinion on. (R600.14)</p>
3	113.1 A1	None received	N/A	N/A
4	R113.3	Sung-Nam Kim	I understand that 'the recipient' refers to 'clients, the employing organizations or other users' above. Accordingly, the expression 'the recipient' may need to be changed to 'them' or any other appropriate expression.	See # 6

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5		Liesbet Haustermans	<p>The verb is missing with respect to sufficient information. I also find the “therein” change making the construct of the sentence more difficult to understand, and hence doesn’t meet the structure principle of clarity of language. I prefer to reinstate services or activities for clarity. It is unclear whether recipients of the information is the same group as clients, EO, others. Therefore I propose to rewrite as follows:</p> <p>“Where appropriate, a PA shall make clients, ... of the accountant’s professional services aware of the limitations in the services or activities and shall provide sufficient information to understand the implications of such limitations”</p> <p>By removing the word recipient you remove the ambiguity of meaning someone else than the 3 groups above. The above rewrite achieves still the same outcome.</p>	See # 6
6		Ken Siong	Suggested edit: replace with “and provide them with sufficient information to understand the implications of those limitations.”	Revised as suggested
7	114.1 A1	Liesbet Haustermans	The word “including” is superfluous and can be deleted. It is during the course of collection, use etc that you need to secure the information.	Revised as suggested
8	Complexity	Liesbet Haustermans	I general I am still unclear what this entire section is trying to achieve. It has lots of complex words, and is unclear on what it is trying to say. I can see merit in A1 as this is how the CF is written but I have no idea	See responses to following comments – which, hopefully, may address Liesbet’s concerns.

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			what A2 is conveying as a message, also because these are “only” examples? Whether we have A2 or not, will not really impact how the code operates and how the CF is to be applied. And the examples require further explanation to be clear.	
9		Saadiya Adam	<p>Reaction to October TF response after considering Sept comment: This not an easy area, and probably needs further explanation within the Explanatory Memorandum (EM) upon exposure.</p> <p>Sept comment: “It is still unclear what would be considered a complex circumstance. •A complex circumstance would not change depending on the professional accountant. That is – all PAs will consider it a complex circumstance. •PAs will first need to identify a complex circumstance. It is important to draw this out. •The real test would be how many circumstances we foresee falling within this definition.”</p>	Agree that explanation in Explanatory Memorandum will be helpful/important
10	120.13 A1	Liesbet Haustermans	This is a ‘might’ under structure principles!	Revised as suggested
11		Ellen Gorla	<ul style="list-style-type: none"> What about adding to the end of the sentence “of objectivity and professional competence and due care” 	The TF believes that complex circumstances can impact other FPs
12	120.13 A2	Liesbet Haustermans	<ul style="list-style-type: none"> These aren’t really examples; start with “such increased challenges might arise...” Makes it easier to read, although I still am not understanding half of what this sentence is saying. 	<p>Revised as suggested.</p> <p>‘Individual’ deleted as it is probably unnecessary given the use of the term ‘elements’ earlier in the sentence.</p>

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			<ul style="list-style-type: none"> • Why only individually? It can be in combination that these elements are uncertain. • Should this be 'or' or do you need all three to end up with an increased challenge? <p>Why only "might" here and no probability in the previous elements? Delete this might is my suggestion for easier reading.</p>	
13		Ellen Gorla	<p>I still struggle with this paragraph and how individually uncertain differs from something that is interconnected or interdependent. Maybe it would help if the paragraph was revised to use assumptions and interconnected and independent as examples of facts and circumstances. See my suggested edit</p> <p>"Examples of when such increased challenges might arise include where the relevant facts and circumstances involve:</p> <ul style="list-style-type: none"> - multiple variables such as assumptions. - elements that are individually uncertain, such as when elements are interconnected or interdependent." 	Explanation to be included in the Explanatory Memorandum
14		Ken Siong	<p>Why "might be" and not a more direct "are" (as in the previous two examples of individual uncertainty and multiple variables/assumptions)? We are providing examples after all. Interconnectedness or interdependency would clearly point to an increased challenge.</p>	Revised as suggested

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15	120.13 A3	Andy Mintzer	Last bullet: I suggest deleting might have...I don't think the double might is needed... "... might impact any judgments the accountant might have made? " So I suggest "... might impact any judgments the accountant made".	See revised text
16		Liesbet Haustermans	<p>Under this construct it is unclear who has to take the actions. It has to be the PA. Therefore rewrite under structure principle of clarity as follows:</p> <p>"Actions that a PA might take in managing and mitigating..."</p> <p>Third bullet:</p> <ul style="list-style-type: none"> • What is the difference with bullet 1? Also is only discussing enough? Shouldn't it be consulting rather? I think bullet 1 and 3 could be combined in a better way. • This reference to uncertainties or difficulties is different than what is discussed above in A1 and A2, as there it is only about complex circumstances and challenges as a consequence, and not about uncertainties or difficulties. This is unclear why. • Why is there reference to technology here, whereas above in 13 A1 and A2 there is no reference at all to technology. A1 and A2 only address challenges in applying the CF because of a complex situation. This is very unclear language. <p>Last bullet:</p>	<p>Comments noted:</p> <p>Introduction revised</p> <ul style="list-style-type: none"> • Bullet 1 involves consulting – to get advice additional input etc. Bullet 3 is about ensuring interested parties are informed and understand the position. Text of third bullet revised to make the distinction clear. • Technology is referred to because it may be useful in analysing complex circumstances • Revised to clarify purpose.

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			<ul style="list-style-type: none"> • How do you “monitor” complex circumstances? Isn’t it rather monitoring whether there are any new developments, and then assess whether they may impact your previously made judgments? • I don’t think the use of might is appropriate here. The accountant has made a previous judgement; otherwise there is no need to re-assess previous judgement. I think the sentence should be: “Monitoring any new developments or changes in such circumstances to assess whether they might impact any judgments the accountant previously made” 	
17		Ellen Gorla	<p>As drafted this paragraph doesn’t tie back to the fundamental principles. It seems to me that what we should be providing the PA with are some actions that they might want to consider taking when they think their competence to navigate the complex circumstance is lacking or to support that they have exercised an appropriate level of objectivity or due care when it comes to complex circumstances.</p> <p>Last bullet: Suggest adding the term “professional” before accountant.</p>	See # 16
18		Ken Siong	<p>Second bullet: Suggest add a purpose: “Using technology to analyze relevant data to better inform the accountant’s judgments.”</p> <p>Last bullet: Delete “of” so that it reads “Monitoring the complex circumstances”.</p>	Revised as suggested

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19		Saadiya Adam	<p>Reaction to October TF response after considering Sept comment: Noted the comment on #49 [of the September Schedule]. Unsure if that approach is workable.</p> <p>Sept comment: "Questioned if a complex circumstance is always complex regardless of who the PA is? If that is the case, how to ID that circumstance? Personal reflection not every circumstance is complex. So it is defining the complex circumstance"</p>	
20	120.14 A3	Sung-Nam Kim	<p>I concur with an addition of this sub-bullet.</p> <p>If we decide to add this sub-bullet, the singular form of 'the accountant' should be changed to the plural form like 'the accountants' to get it aligned with the subject 'professional accountants' at the very beginning of this paragraph.</p>	See revised text
21		Andy Mintzer	<p>May I suggest rather than business organizations and individuals to use a broad all-encompassing term...maybe?</p> <p>(b) Demonstrate ethical behavior in dealings with those with which the accountant or the firm or employing organization has a professional or business relationship.</p>	No change
22		Liesbet Haustermans	<p>I am not supporting this addition because of the argument in the question above. In the R&M ED comments nobody questioned whether this should be extended further. It is implicit in the Code that a PA has to act ethically; see eg. references in 100.3 in the new intro of R&M. Therefore this is duplicative</p>	Noted – TF remains of the view that this addition should be retained

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			material in my view, which is also outside the remit of the technology project.	
23		Ellen Gorla	I don't think it is needed given section 100, Complying with the Code.	See # 22
24		Ken Siong	I support this addition. It is not contradicting the R&M provision. In addition, by the time this addition becomes effective, the R&M provisions will already be effective in Dec 2021.	Noted
25	200.6 A1	Ellen Gorla	<p>Bullet (a) Self-review Threats: Might it be clearer to move the last bullet from 200.6A2 to this section? Maybe revised to read:</p> <p>“- A professional accountant relies on output from technology that was designed and developed by the employing organization.”</p> <p>Bullet (b) Self-interest Threats: Might it be clearer to move the second to last bullet from 200.6As to this section? Maybe revised to read:</p> <p>“- A professional accountant relies on output from technology that is based on expertise or judgement that is attributable to the employing organization.”</p>	Considered and deliberated by the TF. The TF view is that moving the last two bullets into the examples of threats in A1 would de-emphasize the considerations that a PA should think about when it uses technology. As such, no change.
26	200.6 A2	Sung-Nam Kim	Fourth bullet: The new phrase has made this sub-bullet tricky to understand.	See revised lead-in
27		Andy Mintzer	The first four bullet points are broadly written and don't refer to a specific kind of threat...is it necessary to call out self-review threat in the last two bullet points? Maybe removed the yellow text?	See revisions to 4 th bullet

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			<ul style="list-style-type: none"> • Whether the technology is based on expertise or judgment attributable to the employing organization, reliance on the output from which might create a self-review threat. • Whether the technology was designed or developed by the employing organization and so might create a self-interest threat. 	
28		Liesbet Haustermans	<p>Lead-in: Adding this bit in between commas makes the structure of the sentence more difficult to understand for a non-native English speaker. Under structure drafting principles, such sentences should be avoided.</p> <p>“Facts and circumstances to consider when identifying threats to compliance with the fundamental principles that might be created by the use of technology when relying on the output of the technology, include...”</p> <p>Fourth bullet: Why is this threat identified here? And not in the examples above, to be consistent with the structure of extant code? This is not structure proof, therefore to be deleted. The bit after the comma is also not grammatically correct.</p> <p>Last bullet: Why is the threat identified here? And not in the examples above, to be consistent with the structure of the extant code? I don’t believe extant code uses “so”. Language to be avoided.</p>	<p>Lead-in - see # 30</p> <p>4th bullet – see revised text</p> <p>5th bullet – the threat is identified because it is a less obvious consequence than the threat in the preceding bullet (which is now not expressly referred to)</p>

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			“Therefore” is allowed. However this example needs to go any way because of structure of the code.	
29		Ellen Gorla	<p>First bullet: It is not clear why the way technology functions or whether it is being used for the purpose it was designed could give rise to a threat. Please provide clarification in the papers that go to the board and if it can’t be clarified, then recommend these bullets be removed. An alternative would be to provide examples of what these mean and add them to 200.6 A1 under the appropriate threat.</p> <p>Third bullet: this bullet seems unnecessary and out of place given the inclusion of “technology” in 113.1 A2. I would suggest it be removed.</p> <p>Last two bullets: Suggest these be moved to the 200.6A1 as examples of the respective threats. In addition, I don’t know what the difference is between “based on expertise or judgement attributable to the employing organization” and “designed and developed by the employing organization” and so suggest the difference be clarified not only in the standard but in the papers that go to the board. If clarification can’t be provided and they in essence mean the same thing, then suggest you use the same phrase. If they don’t mean the same thing and clarification can’t be provided then would recommend they not be included.</p>	See previous comments

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30		Ken Siong	<p>This comes across as having been dropped in without any connection to the previous paragraph. (Also, the formulation of “facts and circumstances to consider isn’t consistent with the structure drafting conventions.) To improve the connectivity and flow, consider something like:</p> <p>“The use of technology is a specific circumstance that might create threats to compliance with the fundamental principles. Factors that are relevant in identifying such threats when a PA relies upon the output from technology include:”</p> <p>Fourth bullet:</p> <ul style="list-style-type: none"> • “judgment” → Plural • “and so might create a SRT.” (No need to repeat “reliance on the output from which” as that’s already in the lead-in. 	<p>Lead-in revised as suggested</p> <p>Other points noted and accepted</p>
31	220.7 A2	Sung-Nam Kim	<p>Second bullet: after “or extent of reliance” → Please include a comma in between.</p>	Done
32		Liesbet Haustermans	<p>Sixth bullet: Which organization? Do you mean the employing organization perhaps? So if there is no oversight over development, eg. because it is an off the shelf package, you cannot rely on the technology?</p>	See revisions to address the points raised

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			Last bullet: "If not" is an odd use in a bulleted list. This is clearly an additional bullet: "-Whether the effectiveness of the technology has been evaluated or tested"	
33		Ken Siong	<p>Second bullet: Add a comma after "on".</p> <p>Third bullet: change "for" to "in".</p> <p>Last bullet:</p> <ul style="list-style-type: none"> • This seems to overlap with the 4th from last bullet "The extent to which the specific technology has an established use for the purpose intended." Consider merging the two into a simpler bullet such as: "Whether the technology is established and effective in use in similar circumstances by the employing organization or others." • We don't normally answer the "if not" in a list of factors in the Code. It is implicit in the consideration of factors. 	See proposed revisions to address the points raised
34	220.7 A3	Sung-Nam Kim	The same word 'factor/factors' have been used twice for different meanings or purposes. I suggest avoiding the overlap.	Point addressed
35		Liesbet Haustermans	<p>Delete opportunity; ability is enough already. Superfluous language!</p> <p>I still don't understand why a PA's position might impact a PA's ability to determine whether reliance is reasonable. Also which of the previous bullets in A2 would be impacted in fact by the position? I am still</p>	<p>Revised as suggested</p> <p>The paragraph addresses the fact that persons of different seniority or having different responsibilities will not have the same ability to access certain types of information – and this should be taken into account when considering the PA's compliance or otherwise with R220.7</p>

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			unclear on the meaning of this paragraph as written now.	
36	300.6 A2	Sung-Nam Kim	Please see the comment on para 200.6 A2.	See revised text conformed to §200.6 A2
37		Ellen Gorla	Seem my comments in section 200.	See revised text conformed to §200.6 A2
38		Liesbet Haustermans	Lead-in: Same as above. Third bullet: Why do they need to explain the output, and to whom? Is understanding and using not sufficient already? Last two bullets: Same as above.	See revised text conformed to §200.6 A2
39		Ken Siong	See my comments and suggestions on the corresponding para in S200.	See revised text conformed to §200.6 A2
40	320.10 A2	Sung-Nam Kim	Lead-in: change “on” to “of” Second bullet: After “on” → Please consider adding a comma in between.	See revised text conformed to §220.7 A2
41		Liesbet Haustermans	Same comments as above.	See revised text conformed to §220.7 A2
42		Ken Siong	See my comments and suggestions on the corresponding para in S220.	See revised text conformed to §220.7 A2
43	400.14 A1	Liesbet Haustermans	“... regardless of the nature of extent of such use.” → With the explicit reference to R400.13 this can be	See # 44

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			read as meaning that when technology is used, this is equal to assuming a MR. This is an unintended consequence that this specific wording is creating. And therefore it is required to better explain the linkage between assuming a MR and technology. It is about AMS (application mgmt. services), and outsourcing of IT by the client eg, or when the client is not taking responsibility for some of the tools being implemented at the client.	
44		Ken Siong	Edit: "When technology is used in the provision of a professional service to, or the performance of a professional activity for, an audit client..."	Revised as suggested
45	520.7 A1	Liesbet Haustermans	<ul style="list-style-type: none"> • Should be "a firm" under structure drafting principles. • What if the software was developed by the NWF? Add NWF? 	Revised as suggested
46		Sung-Nam Kim	Given that the network firm should also be included here, a change may need to 'any of the firm' or any other appropriate expression.	Revised as suggested
47	600.6	Sung-Nam Kim	<p>I agree with the necessity of this para.</p> <p>Given that sub-bullet (a) is very broad in nature (thinking about the potential for threats whenever technology is used), sub-bullet (b) seems to be one of</p>	Noted. (b) revised to set out the circumstances contemplated more explicitly.

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			<p>a number of sub-sets of sub-bullet (a). I wonder if the two should be listed in parallel.</p>	
48		Liesbet Haustermans	<p>The issue exists only when the firm who licenses also has developed the software, as otherwise this would constitute a reseller arrangement (section 520 application), and would not create a NAS situation that falls under 600. (pure licensing of a software that was developed by a third party)</p> <p>Bullet (b):</p> <ul style="list-style-type: none"> • I have no idea what this sentence means and I need an example to understand what this sentence is saying. The way it is written it appears like you provide a NAS subsequently to having sold IT at the client that the firm developed? I don't think that is the intention? <p>The issue in my opinion is that the firm develops a software which it subsequently licenses to the client, and the software essentially performs a NAS. That is equal to the firm providing the NAS directly. So eg. a tax compliance software; if the firm has developed a tool that calculates the tax provisions for the accounting entries. Instead of the firm coming in and calculating the tax provision manually, the software, once licensed to the client performs the NAS, and that is where the problem is located. The</p>	(b) - see revised text which takes into account the point made in # 53

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			<p>issue is about whether the technology is based on expertise or judgment that a firm or the network firm has translated into a technology tool.</p> <p>The language should be along the lines of: “The firm licenses a software to the client that the firm has developed, when the software offers functionality that is equivalent to performing a NAS to the client.”</p> <ul style="list-style-type: none"> • Word missing: add “or <u>is sold</u> or licensed..” • “it” is not appropriate wording. It is “the client” 	
49		Ken Siong	Bullet (b): change “the output of..” to “the output <u>from...</u> ”	Revised as suggested
50	600.9 A2	Liesbet Haustermans	<p>Third bullet:</p> <ul style="list-style-type: none"> • Is the client not always “relying” on a service? Why are they asking for the NAS otherwise? Relying is not clear in the context of these factors. <p>I guess what the TF is after is not about “reliance or frequency” of the service, but it is rather about taking responsibility for certain activities i.e. a managed service, hence becoming a MR? That is where somehow frequency comes in, as in an outsourced service you take over the process from the client, and you perform the NAS on ongoing basis, and TAKE RESPONSIBILITY for</p>	See # 51- and revised text

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			<p>the execution of the process, and hence why it becomes assuming a MR</p> <ul style="list-style-type: none"> “With which” is improper language and not structure approved as unclear 	
51		Ellen Gorla	Third bullet: I agree with Mike A, and think it would be better to use entrenched or the task force’s concept of dependency because to me reliance seems to convey that the individual with SKE that is overseeing the service is not providing oversight and as such, isn’t able to accept responsibility (R600.8) rather is relying on the PA.	Noted – see revised text
52		Ken Siong	Third bullet: I’m not sure I understand this bullet point. This could apply to a simple recurring NAS such as the preparation of a tax return – what is the issue?	The issue is where a NAS – for example to facilitate quarterly reporting – is depended upon by management and so creates a threat to compliance with the fundamental principles (familiarity)
53	601.5 A2	Liesbet Haustermans	“whether the technology is based on expertise or judgment attributable to the firm or the network firm” → This is somehow the language I think should go into 600.6 b, although it would be nice if the word attributable can be avoided for translation reasons.	Noted – see # 48
54		Ellen Gorla	I don’t believe this paragraph is needed because what matters is 601.5 A1 not these factors. Whether the services manually done or automated will require the PA to use their expertise and judgement. If the task force thinks it is really important to mention that accounting and bookkeeping services might be manually done or automated then it should be added into 601.5A1 but I would argue that in today’s	Noted – no change

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			<p>environment, readers of the code don't need to be told that because there are probably very few that manually keep books any longer.</p> <p>I believe including phrase in particular is concerning because it implies that if the technology uses expertise or judgements that are attributable to the firm then it would not be routine and mechanical even if it required little or no professional judgment and the client has made all decisions (e.g., firm develops an excel spreadsheet to use to calculate the client's depreciation and the client makes all necessary decisions regarding what gets entered). Shouldn't matter if the PA calculates the amount using paper and pen, a calculator (which presumably could be considered technology) or an Excel spreadsheet.</p>	
55		Ken Siong	"a network firm"	Revised as suggested
56	601.5 A3	Ken Siong	Edit: Suggest move "whether manual or automated" to immediately after "Examples of services"	Revised as suggested
57	Subsection 606	Liesbet Haustermans	<p>I believe section 606 needs more significant rework. In my opinion the changes that are made are not addressing enough the current technology environment, and the independence questions and matters accounting firms are facing when dealing with IT system services for audit clients.</p> <p>I don't think it is sufficient to only add "generally used consulting jargon" into the provisions to make the code more modern.</p>	See # 2 above

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			<p>What is missing is the clarification as to why these services are potentially problematic from an independence perspective. Why are these services creating eg; a SRT; or why are some of these services fully prohibited as because of their nature they are mostly only provided under the format of a managed service.</p> <p>I am convinced that when a user will read the revisions they will still know as much as under the current version of NAS, and in fact, more doubt is created now because concepts like D&I are now extended to include unclear undefined concepts like maintenance, upgrading, supporting (whatever that is), etc...</p> <p>If the TF wants to develop an ED that achieves the objective of the Technology project objectives (modernizing the code), more work is needed. Therefore I am repeating that I don't believe the board is able to vote on this ED in the current format in the December meeting. I believe it is better for the board to delay the ED and offer a more complete and better project ED, than sending this now out to respondents and receiving plenty of negative reactions from stakeholders, which may lead to re-exposure.</p>	
58		Saadiya Adam	In response to verbal suggestion from Rich at the Sept meeting of eliminating s606 (hence leaving it up to the general SRT provisions in s600) → I would be	Noted

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			concerned of the messaging this would send to PAs that are not keeping abreast of these changes. I would disagree.	
59	606.2 A1	Sung-Nam Kim	Second bullet: I agree with the proposed change.	Noted
60		Saadiya Adam	Second bullet: Agree with the TF proposal [including all terms under “implementing”].	Noted
61		Liesbet Haustermans	<p>Lead-in: The “including” and “bulleted list” indicate under structure that it is not a complete list. What other services could there be given it is a very detailed list?</p> <p>First bullet: Why is there reference here to hardware and software specifically? Is there a reason why here only?</p> <p>Second bullet:</p> <ul style="list-style-type: none"> • What “other ways” would they be? If considered needed, why don’t we also say designing or developing or other ways of designing or developing? I think this addition is redundant, as per above, I don’t think anything is really missing in this complete set of consulting language • I can see some merit in the approach [including all terms under “implementing”], but I wonder then why you don’t do so for bullet 1, 3 and 4 also? And if done there, it becomes too much. The biggest risk with the approach, especially as only implementing is defined, is that a user of the code will ignore 606.2 A1 as considered irrelevant by them, and then they will use the 	<p>1st bullet – the TF considers it important to be clear that IT systems services apply to both hardware and software.</p> <p>2nd bullet – see revised formulation</p> <p>4th bullet – revised as suggested</p>

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			<p>old/usual interpretation to apply the subsequent provisions, especially the one on the SRT below. Because of that reason, I don't believe it is a good idea.</p> <p>What section 606 is still lacking is clear interpretation why some of these specific services could be ok and why others not. It is a collection of regularly used consulting jargon, but it does not explain the difference between eg. (as an example of my point:) configuring and customizing and the impact of this difference on the application of the rules. In my view configuring will lead to a lower risk, than customizing a software, especially when it is the configuration of a software that was developed by a third party without any involvement of the firm, where the firm is only the reseller of the software.</p> <ul style="list-style-type: none"> • Fourth bullet: Delete "as a specific service" as superfluous. The sentence starts already with services including... 	
62		Ellen Gorla	<p>Second bullet:</p> <ul style="list-style-type: none"> • "Installing" → Believe this term should either be its own bullet or be eliminated if we are going to include it as a type of "implementation" service and in 606.4A3 we say the self-review threat may exist when providing implementation services. I don't see how installing a system gives rise to the self review threat and so keeping it in here makes 606.4A3 to seem out of step. If this remains, 	See revised text

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			<p>the explanation needs to explain why the self-review threat is created when installing an IT system happens.</p> <p>I'm fine with this approach [including all terms under "implementing"], however, would suggest a slight reordering to ease understanding: "Implementing IT systems which includes services such as installing, configuring, interfacing and customizing IT systems."</p>	
63		Ken Siong	<p>Edit: Suggest better worded as: "Implementing IT systems, including installation, configuration, interfacing and customization."</p> <p>This way, you don't have to define "implementing" in quotes within the text of the Code and can simply refer to "implementing" because the bullet now is comprehensive.</p>	Revised as suggested
64	R606.3	Sung-Nam Kim	<ul style="list-style-type: none"> Bullet (d): It sounds that 'generates and uses' is better. 	Verbs reversed
		Liesbet Haustermans	<p>Bullet (b):</p> <ul style="list-style-type: none"> I don't like this deletion of b; the way it was written was to mirror the language in the MR section where R400.14 is one of the key provisions within the code. We are downgrading the importance of that paragraph by combining it here. <p>Why are you repeating the entire list of consulting jargon words here again given IT system services have just been defined above yet?</p>	No change – revision responded to previous comments

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65	606.3 A1	Andy Mintzer	<p>You asked is the last part of the sentence needed?</p> <ul style="list-style-type: none"> ... I would keep it. 	Noted, the TF has retained the latter part of the sentence based on the various views expressed in response to the October text.
66		Sung-Nam Kim	<ul style="list-style-type: none"> I suggest deleting the phrase 'and such data is By adding the new phrase 'or provides services in relation to the hosting of', it is not clear what follows the verb 'host'. I suggest adding commas before and after the phrase 'an audit client's data' for the benefit of Code users. 	See # 65
67		Liesbet Haustermans	<ul style="list-style-type: none"> It is either "might result" or "result" under drafting guidelines. "Would result" is not permitted under structure This is a hidden R now; It should be drafted as proper prohibition if the TF believes these services are impermissible, similarly to all prohibitions in section 600. Should "services in relation to hosting" be explained what it would be in application material? <p>The latter part of the sentence "..and such data is accessible only through the firm or NWF" → I think it is redundant.</p>	<ul style="list-style-type: none"> Noted – see revised text <p>See # 65</p>
68		Ellen Gorla	<ul style="list-style-type: none"> The latter part of the sentence "..and such data is accessible only through the firm or NWF" → I think it is an important point. 	See # 65

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69		Ken Siong	<ul style="list-style-type: none"> • Add a comma after “or provides services in relation to the hosting of” • “...and such data is only accessible through...” → change “is” to “are” <p>The latter part of the sentence “..and such data is accessible only through the firm or NWF” → I support keeping this to be unequivocal.</p>	<p>Revised as suggested</p> <p>See # 65</p>
70		Saadiya Adam	<p>The latter part of the sentence “..and such data is accessible only through the firm or NWF” → The additional wording does not hurt.</p>	<p>See # 65</p>
71	606.3 A2	Liesbet Haustermans	<p>If the firm licenses an inhouse developed software which is permissible under NAS, so in the course of a permissible service, this means under this language that hosting data through that license is permissible. (which I support by the way, but I don’t believe all board members seemed to agree with)</p> <p>Language in A1 and A2 combined is unclear as under A1 it is arranging a facility, but under A2 it is happening as part of a permissible service. So is A2 then prohibited because of A2?</p> <p>Is it sufficiently clear that the TF’s view is that services around hosting, including offering the facility for hosting, is impermissible as considered assuming a MR, whereas when the hosting is linked to a permissible NAS it is considered permissible?</p>	<p>Noted and considered by the TF. The TF will consider broader feedback from the Board and through the exposure process.</p>

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72	606.4 A3	Ellen Gorla	<p>First bullet “implementing”: See my comment above. Since the concept of installing has been included in the definition of “implementing” I think this is not an accurate statement. For it to be accurate, “installing” needs to be removed from the definition of implementing.</p> <p>Second bullet: This bullet needs to be removed. The self-review threat is not the problem, this is a management responsibility issue.</p> <p>Last bullet “implementing”: See my comment above. Since the concept of installing has been included in the definition of “implementing” I think this is not an accurate statement. For it to be accurate, “installing” needs to be removed from the definition of implementing.</p>	<p>First bullet: No change. The TF view is that installation <i>might</i> create a SRT and that a PA needs to perform that assessment as per R600.14.</p> <p>Second bullet: “Business continuity and recover services” removed. Added to the examples under the assumption of management responsibility.</p>
73		Liesbet Haustermans	<p>Lead-in:</p> <ul style="list-style-type: none"> • Note that there are more examples here than how IT systems services is defined above. Is this on purpose? Can this confuse readers? I think it does. • This paragraph should be re-written with crisp, clear examples, that do not allow any guessing as to why there might or there might not be a SRT. The current examples are too broad and are just a list of some more examples of IT 	See revised text (which addresses certain points) and # 2

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			<p>System services, without a clear explanation as to how they might create a SRT.</p> <ul style="list-style-type: none"> The language in the lead in should be aligned to the language used in R600.14 “form part or affect...” <p>Second bullet “business continuity”: I would argue that General IT controls are always touching on ICFR. This entire bullet is about general IT controls. See eg. AICPA guidance on ICFR from 2019; it clearly spells out that General IT controls are part of ICFR also.</p> <p>Third bullet: What is “supporting software applications”? Is that maintaining it? Running them? I have no idea what the meaning of “supporting” is in the context of software applications. The word is lacking clarity. Also why is applications used here, whereas before in the description of IT system services, there was only reference to hardware and software? Inconsistent drafting.</p> <p>Fourth bullet: Why is the reference to Fin systems and ICs repeated here when it is already in the lead-in? Is there a specific reason?</p> <p>Fifth bullet: Same question as above. What is supporting hardware and software (as defined above)? Isn't that also the same as the above bullet on software applications essentially? Do you mean application management services (AMS) perhaps? But then the true issue is rather that it is an outsourced service and hence a MR, and hence</p>	

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			<p>prohibited anyway even when not touching on accounting and ICFR.</p> <p>Last bullet:</p> <ul style="list-style-type: none"> • By just using implementing here, it does requires understanding of the abbreviated term as per above. Users may have ignored that definition and hence may interpret the example in a much less extensive way • Why is this bit on client needs needed? Is it not superfluous language, as any NAS is to meet an audit client's need? <p>How can one argue that accounting software does not meet step a) in the SRT 2 prong test? "Implementing" accounting software will always impact ICFR especially given implementing now also means amongst others customizing, so why is the qualifier at the start of the para A3 needed for this paragraph? This sounds like there is accounting software that would not meet step a in the 2 prong test for SRT?</p> <p>I also still believe that <u>configuring</u> off the shelf accounting software will never create a SRT, as it is essentially "uploading a license on a PC" of a tool that was fully developed by someone else. <u>Customizing</u> is a different story as you then make changes to the setup of the software, and then you bring in accounting firm's judgment. I think by having off the shelf software here as just "an example that might create a SRT", I don't think users will understand properly when it would</p>	

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			create and when not, as the language is very general and not specific. That is also because of the fact that implementing is meaning so many things now. Which is another reason for not going that route.	
74	Section 900	Ellen Gorla	See comments above.	See responses above.
75	900.1	Liesbet Haustermans	Addition of “of financial statements” in lead-in: Why? Audit and review are defined terms referring to FS! This is structure. Delete!	Revised as suggested
76		Ken Siong	Addition of “of financial statements” in lead-in: Delete – “audit engagement” and “review engagement” are defined terms in the Glossary.	Revised a suggested
77	900.13 A3	Liesbet Haustermans	Last bullet: Why is this inconsistency created with 400.13 A3? Please remove! It is also irrelevant. “Part” is enough to be an issue.	Revised as suggested
78	900.13 A4	Liesbet Haustermans	Same point as above. As said before I don’t really see the relevance of this paragraph in part 4B. 4B is about assurance engagements, and I don’t think there are many assurance reports essentially dealing only with hosting services. So why do you have to call this one out specifically given it is not relevant in 99.9% of the assurance reports. Don’t forget that the prohibition on MR at an assurance client is only existing as follows: R900 13 A firm shall not assume a management responsibility related to the underlying subject matter and, in an attestation engagement, the subject matter	This has been included to reflect the concerns that exist at the implications of firms providing hosting or hosting related services.

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			<p>information of an assurance engagement provided by the firm</p> <p>The subject matter would be the hosting process, and the engagement is about providing assurance on what around hosting? Perhaps the effectiveness of the hosting process (which is the SMI then)? That is such a specific situation that I don't think it should be called out specifically here.</p>	
79		Sung-Nam Kim	Please see the comments on para 606.3 A1..	Revised as suggested
80		Ken Siong	Add a comma after "or provides services in relation to the hosting of"	Revised as suggested
81	900.13 A5	Liesbet Haustermans	<p>In 600 it is about NAS, here it is about assurance engagement? So where is it about data as result of an audit in 4A then?</p> <p>Just trying to point out that this paragraph is irrelevant here.</p> <p>If it was referring to NAS to an assurance client, I could still understand what it is saying but in the context of an assurance engagement only and not for an audit engagement, I really don't get the point. Nevertheless I find this whole reference to hosting in the context of an assurance client and MR very confusing and doesn't make any sense. See my comment above as to the reason why. It simply does not belong in section 4B for good reasons, that are different than why we may need it in part 4A. 4B should not be a copy/paste of 4A changes; changes</p>	See #78

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			should only be brought in if they are relevant. These here are definitely not relevant in the context of assurance reports.	
82	900.14 A1	Liesbet Haustermans	Same comment as above. It makes technology a MR	See # 83
83		Ken Siong	See my suggested edit on 400.14 A1.	Revised as suggested
84	950.5	Liesbet Haustermans	Same comment as above.	Revised to conform with the formulation in §600.6
85		Ken Siong	Change “output of” to “output from”	Revised as suggested
86	950.7 A2	Liesbet Haustermans	Third bullet: Same as above.	Revised to conform with §600.9 A2
87		Ken Siong	Third bullet: See my comment on 600.9 A2.	See # 52
88	950.10 A1	Liesbet Haustermans	<ul style="list-style-type: none"> • It would have been beneficial and courteous if the TF contacted also the chair of the Part 4B TF (including previous members of this TF that are still at the board) to collect input in advance of sending around the below example, that as you can see based on my comments, actually still doesn't make sense in an ISAE 3000 context. • To help your understanding on how the IT example should be written: In (a): SM is information; preparing prospective information is performing a measurement of the 	See suggested revision to §950.10 A1 – which appears to respond to the approach helpfully explained in this comment

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			<p>information to get to prospective information. Prospective information becomes this way SMI under ISAE 3000. If you then perform an assurance report on the prospective information (the SMI) you then have a SRT, as you will be measuring the same twice, once as the NAS and once as the assurance report.</p> <p>In example (b) it is similar. A valuation of a SM leads to SMI which subsequently is re-measured as part of an assurance engagement.</p> <p>The SRT is therefore created by the fact that the first measurement is performed as a NAS, and the second measurement of the same SM is performed again as part of the assurance engagement. So you are re-doing the same again as with the NAS.</p> <p>This reasoning doesn't work when it comes to designing or implementing or operating or maintaining an IT system. As an assurance report you will never re-perform that work. Evaluating might work as an example. But the example could better describe what it is evaluating, like eg. effectiveness of the general computer controls.</p> <p>Bullet (c):</p> <ul style="list-style-type: none"> • What is "evaluating" IT systems? Is that the measurement per ISAE 3000 to get to SMI? I think that might work perhaps as the only 	

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			<p>example for the SRT issue in the context of an assurance report. Essentially these examples are looking for an instance where the NAS is related to SMI which subsequently is also the SMI for the assurance engagement. That point is completely missing in example c where it is referring to only D&I, operating, maintaining.</p> <ul style="list-style-type: none"> • If you issue an assurance report on an IT system, it means the IT system is SMI itself per ISAE 3000. But in order to be SMI per ISAE 3000 some measurement or valuation needs to be done on the SM (which in my opinion is actually the IT system). So is the assurance report about the effectiveness perhaps of the IT system? Effectiveness would mean some measurement or valuation of the subject matter, being the IT system, is to take place under the ISAE 3000. So if you provide a service to improve the effectiveness of an IT system, and then you generate an assurance report on the effectiveness of an IT system, then you would create a SRT. The current language is unclear as to what is creating the SRT in the context of an ISAE 3000 assurance report. 	