		Agenda Item
Meeting:	IESBA	**9**
Meeting Location:	Virtual	
Meeting Date:	June 8-15, 2020	

Technology

Objective of Agenda Item

1. To present, and receive feedback on, the Task Force's preliminary views and proposed approach to progress the identified recommendations within the approved project proposal.

Task force

2. Members:

    - Brian Friedrich, Chair, IESBA Member

    - James Barbour, IESBA Technical Advisor

    - Gregory Driscoll, IESBA Technical Advisor

    - Hironori Fukukawa, IESBA Member

    - Myriam Madden, IESBA Member

    Correspondent member:

    - Melissa Bonsall, IAASB Technical Advisor

    Staff and Technical Advisor support:

    - Misha Pieters, seconded staff from New Zealand External Reporting Board

    - Laura Friedrich, IESBA Technical Advisor

    - Ellen Goria, IESBA Technical Advisor

Activities Since Last IESBA Meeting

3. Following the approval of the project proposal at the March 2020 IESBA meeting, the Task Force met virtually to prioritize the seven recommendations outlined in the project proposal (see Appendix to this Cover Note) as part of Phase 2 of the technology initiative.

4. Given the travel restrictions preventing in-person meetings, the Task Force held a full team virtual meeting in early April to plan how to progress the project. In order to mitigate the time zone challenges posed by having geographically widely dispersed Task Force members, the full Task Force was spilt into two small teams – with the Chair serving on both small teams together with two other Task Force members. Each small team met virtually for 10-11 hours to advance one of the prioritized recommendations, with the full Task Force subsequently meeting on two additional occasions to consider the small team deliberations and agree on a direction forward. In addition, each Task Force member was allocated one of the remaining recommendations to start to progress. This approach

enables multiple recommendations to be taken forward by facilitating preliminary scoping and helping to identify any significant challenges that ought to be addressed by the full Task Force, or even the Board, sooner rather than later.

5. The Task Force Chair led a webinar on April 20 outlining the background to the technology initiative, explaining the key findings and recommendations from the Technology Phase 1 Report, and outlining the Phase 2 approach. A total of 467 individuals registered for the webinar, with 168 participants attending live from 21 countries. A link to the webinar recording was provided to those unable to attend the live session.

6. Beyond the work of the Technology Task Force to address the potential Code impact of the Phase 1 recommendations, there continues to be a need for fact finding and analysis on a variety of other technologies that the Technology Working Group did not focus on in Phase 1. Stakeholders are being targeted that can help provide feedback on the developing direction of the Task Force at the same time as contextual information on technology streams not yet explored in detail by the Technology Working Group, such as blockchain, cybersecurity, and Internet of Things (IoT), among others. This wider approach will allow the Task Force to use what it learns to support both its work on proposed Code enhancements and any non-authoritative material to be developed in a principles-based manner by considering potential issues related to these additional technologies – and others that are as yet unknown. In the longer term, as resources become available, the Task Force and the Board can consider whether additional specific fact finding is needed, and plan accordingly.

7. Having said this, the Task Force decided in April to limit outreach for the quarter given the COVID-19 pandemic. The Task Force was cognizant that most stakeholders were in all likelihood preoccupied with their business continuity plans and personal situations and therefore postponed any planned outreach until deemed more appropriate to proceed.

8. Desk research continued through the review of papers, articles, and multimedia related to disruptive technologies, with consideration for how these are, or might, impact ethics in the profession. The Task Force is maintaining an extensive repository of content using Microsoft Teams.

9. In May, the Task Force Chair was invited by the AICPA (with thanks to Ellen Goria) to attend a presentation and exchange of ideas with the Wall Street Blockchain Alliance on blockchain, crypto, and the future of the accounting profession.

10. To continue pursuing opportunities related to non-authoritative materials that could be produced as a collaborative effort between IFAC, IESBA and other stakeholders, the Task Force Chair and IESBA senior staff will meet with IFAC's Knowledge Group on June 3. The Task Force Chair will provide the Board with a verbal update at its June meeting.

Material Presented

For Discussion

Agenda Item 9-A   Issues and Task Force Preliminary Views

Action Requested

11.   IESBA members are asked to:

    (a)   Consider the Task Force's observations and preliminary views as set out in **Agenda Item 9-A**; and

    (b)   Provide input on the Matters for IESBA Consideration in **Agenda Item 9-A**

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

A.   BUILDING TRUST – THE CRITICAL ROLE OF ETHICS AND PROFESSIONAL JUDGMENT

1.   Within the scope of PAs' professional duties and responsibilities, consider adding new application material in Part 1 to more clearly highlight a broader societal role for PAs in promoting ethical behavior as a critical, consistent foundation for businesses, firms and other organizations, particularly when developing and using technology.

B.   COMPLEXITY OF THE PROFESSIONAL ENVIRONMENT

2.   Consider revising the Code to more effectively deal with the threats created by the complexity of the professional environment in which PAs perform their professional activities. For example, consideration will be given to the following:

- Revising the description of "intimidation threat" in Section 120[1] to capture a variation of the intimidation threat created by the complexity of certain technology applications or compliance rules.

- Highlighting the issue of "complexity" under Section 120, in a manner similar to the approach the IESBA has taken in adding application material on bias and organizational culture in the Role and Mindset Exposure Draft (ED).

- Modifying the lead-in language to the paragraph[2] of the Code that introduces the five categories of threat so it would read less definitively. Doing so would provide some flexibility as to how PAs can identify and address a threat such as complexity without necessarily having to shoehorn it into one of the five categories of threat.

- In Sections 200[3] and 300,[4] providing examples of threats, as well as the work and operating environments of employing organizations and firms and the operating environment of clients, that might impact the evaluation of the level of a threat. These examples would focus specifically on technology and the complexity of work environments.

- Reviewing the Code to expand references to individuals to include machines and intelligent agents as appropriate, for example, in the description of "self-review threat" in Section 120.

C.   SUITABILITY OF THE FUNDAMENTAL PRINCIPLES FOR THE DIGITAL AGE

3.   Consider revising Subsection 113[5] by expanding a PA's responsibility to be transparent, which is not currently expressly stated in the Code. This would take into consideration that there may be circumstances that impact the extent of transparency

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[1]   Section 120, *The Conceptual Framework*

[2]   Paragraph 120.6 A3

[3]   Section 200, *Applying the Conceptual Framework – Professional Accountants in Business*

[4]   Section 300, *Applying the Conceptual Framework – Professional Accountants in Public Practice*

[5]   Subsection 113, *Professional Competence and Due Care*

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

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

- Including new material in Subsection 111[6] on a PA's willingness to accept responsibility. This would need to take into account whether this aspect of accountability is already covered sufficiently in the proposed new material in Subsection 111 under the Role and Mindset project.

- More clearly explaining the concept of accountability in Subsection 113 in light of the increasing use of external experts and intelligent agents.

- Including appropriate references to technology in the provisions relating to relying on the work of others in Section 220.[7] Consideration will need to be given to how best to progress these changes in light of the Role and Mindset project.

5. Consider revising Subsection 114[8] in light of the increased availability and use of personal and other sensitive data to give appropriate consideration to privacy-related matters and the need to actively protect information.

D. ENABLING COMPETENCIES AND SKILLS

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

E. AUDITOR INDEPENDENCE

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

- Consider whether certain provisions in Part 4A, such as those in Section 520,[9] should be revised to address the threats to independence created by the sale or licensing of technology applications to audit clients and the use of an audit client's technology tool in the delivery of non-assurance services (NAS) to another entity.

- Revise Section 600,[10] particularly Subsection 606,[11] with respect to the provision of technology-related NAS. Consideration will need to be given to the

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[6] Subsection 111, *Integrity*

[7] Section 220, *Preparation and Presentation of Information*

[8] Subsection 114, *Confidentiality*

[9] Section 520, *Business Relationships*

[10] Section 600, *Provision of Non-assurance Services to an Audit Client*

[11] Subsection 606, *Information Technology Systems Services*

> revised principles addressing the permissibility of NAS and related provisions when finalized under the NAS project, as well as broader relevant feedback received on the NAS Exposure Draft.
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> - In relation to the concept of an "office," consider whether Section 510[12] should be revised to better capture the threats to independence created by the use of modern communication technologies by firms. Such technologies potentially challenge the notion of an engagement partner's physical office location being a determining factor in whether that engagement partner or the audit engagement can be unduly influenced by another partner in that same office.

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[12] Section 510, *Financial Interests*