



IESBA - International Ethics Standards Board for Accountants
529 Fifth Avenue
New York 10017
USA

20 June 2022

Re: Comment letter relating to the IESBA's Proposed Technology-related Revisions to the Code

Dear IESBA Chair and Board Members,

1. The Committee of European Audit Oversight Bodies ("CEAOB") appreciates the opportunity to comment on the IESBA ("Board") consultation on Proposed Technology-related Revisions to the Code issued in February 2022. As the organisation representing the audit regulators of the European Union and the European Economic Area, the CEAOB encourages and supports continuing improvement of professional standards for the audit profession.
2. The content of this letter has been prepared by the International Auditing Standards Subgroup and adopted by the CEAOB. The comments raised in the letter reflect matters agreed within the CEAOB. It is not intended, however, to include all comments that might be provided by the individual regulators that are members of the CEAOB and their respective jurisdictions.
3. As audit regulators, our mandate encompasses the oversight of the independence of statutory auditors, based on the requirements applicable in our respective jurisdictions.
4. The IESBA Code of Ethics ("Code") is used in several European jurisdictions, but not all of them. The CEAOB clearly sees a benefit in enhancing the Code, as it constitutes a basis for benchmarks at international level. Moreover, a number of international audit firms and networks have voluntarily committed to complying with the Code.

General comments

5. We welcome IESBA's initiative aimed at revising the Code to remain relevant and fit for purpose in response to the effects of trends and developments in technology. These efforts will contribute to further enhancing confidence and public trust in the audit profession.

Specific comments

6. Regarding the proposals of the Exposure Draft, we would like to raise the following comments:





Professional competence and due care

7. The wording in paragraph 113.1 A2 seems to suggest that a high level understanding of technology-related developments by the professional accountant would be sufficient. We suggest clarifying that the required level of skills in technology-related developments is highly dependent on the types of services the professional accountant is providing.

Confidentiality of information

8. Paragraph 114.1 A1 explains that maintaining confidentiality of information involves taking appropriate action to 'secure' information during the entire cycle of data possession. Given the word 'secure' can be broadly interpreted, we suggest including language to clarify what is expected from the professional accountant.

Complex circumstances

9. Paragraph 120.13 addresses complex circumstances. While it is useful to provide guidance to professional accountants on the topic, the language on both what complex circumstances entail and on potential responses are very vague. We suggest being more specific on what complex circumstances entail. For example, a provision for doubtful debts may involve uncertainties and multiple variables and assumptions but would normally not be considered as complex.
10. We also suggest clarifying what the professional accountant is expected to do as a response to mitigate the challenges that may arise from complex circumstances.

Organisational culture

11. The language in paragraph 120.14 A3(b) should be expanded to state that professional accountants are expected to demonstrate ethical behaviour in dealings with all parties with which they have a professional or business relationship. For example the proposed phrase 'business organisations and individuals' does not encompass government agencies.

Applying the conceptual framework – Professional accountants public practice

12. In paragraph 300.6 A2 the considerations that are relevant to identifying threats when relying on the output from technology should also include the source and appropriateness of the inputs to that technology.

Professional appointments – Using the work of an expert or the output of technology

13. The phrase 'ability to understand the output from the technology for the context in which it is to be used' in paragraph 320.10 A2 should be strengthened to cover the professional accountant's ability to assess the reasonableness of the output.
14. We suggest expanding the factors to be considered when a professional accountant intends to use the output of technology in paragraph 320.10 A2 to also include appropriate user management, for example authorisations in the system and super users.





Business relationships

15. The proposed examples of technology-related arrangements that constitute a close business relationship in paragraph 520.3 A2 could be improved. It could be clarified that the “products or solutions” are related to technology and the arrangements could also include cases in which one or both parties use the product or solution developed for their internal purposes.

Provision of non-assurance services (“NAS”) to an audit client

16. The language of paragraph 600.6(b) should be expanded to include ongoing maintenance and support of IT systems as well as the provision of hosting services to audit clients.
17. We consider that the new paragraph 601.5 A2 is unhelpful to determine whether accounting and bookkeeping systems include automated services that are routine or mechanical. IT systems services can be complex systems but also simple models (for example, Excel). We suggest providing examples of what would be considered as mechanical/routine services and what would not.
18. As noted in our comment letter dated 5 May 2020, relating to the IESBA Exposure Draft on Non-Assurance Services, paragraph R606.6 prohibits the provision of IT systems services to an audit client that is a PIE if the provision of such services might create a self-review threat. We note that European legislation prohibits the provision of design or implementation services for financial information technology systems to an audit client that is a PIE.¹ It would also seem helpful to retain the examples of prohibited IT systems services for PIE audit clients in paragraph 606.6 A1.

Other

19. In the Code both the terms ‘professional accountant’ and ‘accountant’ are used. We suggest considering if the term ‘professional accountant’ should be used consistently instead of ‘accountant’.

Please do not hesitate to contact me or the Chair of the CEAOB International Auditing Standards Sub-group should you have any questions on the content of this letter.

Yours faithfully,

Patrick Parent
Chairman

¹ Article 5(1)(e) of the European Audit Regulation.

