

June 20, 2022

ICAN/TA/R&T/JUNE/20/2022

International Financial Reporting Standard
Columbus Building, 7 Westferry Circus
Canary Wharf
London
E14 4HD

Dear Sir,

Re: Exposure Draft - PROPOSED TECHNOLOGY – RELATED REVISIONS TO THE CODE

Please find below our responses to the Exposure Draft named above.

Technology-related Considerations When Applying the Conceptual Framework

1. (a) Do you support the proposals which set out the thought process to be undertaken when considering whether the use of technology by a PA might create a threat to compliance with the fundamental principles in proposed paragraphs 200.6 A2 and 300.6 A2?, and

(b) Are there other considerations that should be included?

Response: We support the proposals which set out the thought process to be undertaken when considering whether the use of technology by a PA might create a threat to compliance with the fundamental principles. We have no further considerations because we believe that the process is robust and sufficient enough.

Determining Whether the Reliance on, or Use of, the Output of Technology is Reasonable or Appropriate for the Intended Purpose

2. (a) Do you support the proposed revisions, including the proposed factors to be considered, in relation to determining whether to rely on, or use, the output of technology in proposed paragraphs R220.7, 220.7 A2, R320.10 and 320.10 A2?

(b) Are there other factors that should be considered?

Response: The factors enumerated in the relevant paragraph are broad-based enough as the starting point in establishing relevant considerations to be made in determining whether to rely on or use the outputs of technology. Given the dynamic nature of technology, further factors necessary for consideration may arise in the future.

Consideration of “Complex Circumstances” When Applying the Conceptual Framework

3. Do you support the proposed application material relating to complex circumstances in proposed paragraphs 120.13 A1 to A3?

Response: Yes. We support the proposed application material relating to complex circumstances in proposed paragraphs 120.13 A1 to A3.

4. Are you aware of any other considerations, including jurisdiction-specific translation considerations (see paragraph 25 of the explanatory memorandum), that may impact the proposed revisions?

Response: Considering knowledge gained and the experience acquired in handling prior similar case(s).

Professional Competence and Due Care

5. Do you support the proposed revisions to explain the skills that PAs need in the digital age, and to enhance transparency in proposed paragraph 113.1 A1 and the proposed revisions to paragraph R113.3, respectively?

Response: We support the proposed revisions to explain the skills that PAs need in the digital age, and to enhance transparency in proposed paragraph 113.1 A1 and the proposed revisions to paragraph R113.3.

6. Do you agree with the IESBA not to include additional new application material (as illustrated in paragraph 29 of the explanatory memorandum) that would make an explicit reference to standards of professional competence such as the IESs (as implemented through the competency requirements in jurisdictions) in the Code?

Response: To align with existing standards, we agree not to make explicit reference to the standard of professional competence. However, we would like the Board to consider the inclusion of the explicit references to standards to serve as reminders of the requirements for professional competence for accountants.

Confidentiality and Confidential Information

7. Do you support (a) the proposed revisions relating to the description of the fundamental principle of confidentiality in paragraphs 114.1 A1 and 114.1 A3; and
(b) the proposed Glossary definition of “confidential information?”

Response: Yes, we support (a) the proposed revisions relating to the description of the fundamental principle of confidentiality and agree with the proposed Glossary definition of “confidential information.”

Independence (Parts 4A and 4B)

8. Do you agree that “privacy” should not be explicitly included as a requirement to be observed by PAs in the proposed definition of “confidential information” in the Glossary because it is addressed by national laws and regulations which PAs are required to comply with under paragraphs R100.7 to 100.7 A1 of the Code (see sub-paragraph 36(c) of the explanatory memorandum)?

Response: We do not agree that “privacy” should not be explicitly included as a requirement to be observed by PAs in the proposed definition of “confidential information. We are of the view that privacy should be explicitly included for the purpose of emphasis. Its definition should be subject to jurisdictional guidance as applicable.

9. Do you support the proposed revisions to the International Independence Standards, including:

- (a) The proposed revisions in paragraphs 400.16 A1, 601.5 A2 and A3 relating to “routine or mechanical” services.
- (b) The additional proposed examples to clarify the technology-related arrangements that constitute a close business relationship in paragraph 520.3 A2. See also paragraphs 40 to 42 of the explanatory memorandum.
- (c) The proposed revisions to remind PAs providing, selling, reselling or licensing technology to an audit client to apply the NAS provisions in Section 600, including its subsections (see proposed paragraphs 520.7 A1 and 600.6).

10. Do you support the proposed revisions to subsection 606, including:

- (a) The prohibition on services in relation to hosting (directly or indirectly) of an audit client’s data, and the operation of an audit client’s network security, business continuity and disaster recovery function because they result in the assumption of a management responsibility (see proposed paragraph 606.3 A1 and related paragraph 606.3 A2)?
- (b) The withdrawal of the presumption in extant subparagraph 606.4 A2(c) and the addition of

Response: We support the proposed revisions to the International Independence Standards as outlined in the paragraphs above. The provisions of the referenced paragraphs are further clarifications of considerations that are to be made by a firm or network firm in carrying out its audit and non-assurance services concerning the use of technology-related outputs, which come from technology services that may have been rendered in one form or another by such firm. The examples provided could be helpful guides as well.

“Implementing accounting or financial information reporting software, whether or not it was developed by the firm or a network firm” as an example of an IT systems service that might create a self-review threat¹⁹ in proposed paragraph 606.4 A3?

- (c) The other examples of IT systems services that might create a self-review threat in proposed paragraph 606.4 A3?

Response:

- a. We support the prohibition of services to be provided by a firm or a network firm in relation to hosting, whether directly or indirectly, an audit client’s data, the operation of an audit client’s network security, business continuity and disaster recovery function. These would largely involve the assumptions of management responsibility and thereby challenge the compliance to the fundamental principle of independence of the firm or network firm.
- b. We support the withdrawal of the presumption in extant subparagraph 606.4 A2 and the addition of “Implementing accounting or financial information reporting software, whether or not it was developed by the firm or a network firm”. Implementing accounting or financial information reporting software sets up the architecture of the technology that produces financial statements. Where a firm or network firm is involved in such implementation, self-review threat exists.
- c. We support the inclusion of the examples of technology systems services outlined in paragraph 600.4 A3 as services that create self-review threats. The same basis as adduced in the response to 10 b above applies.

11. Do you support the proposed changes to Part 4B of the Code?

Response: We support the proposed changes to Part 4B of the Code as they have provided further elaborations on the impacts of technology and services connected there with respect to assurance services.

We appreciate the privilege to contribute to the Exposure Draft and we are available should there be need for further clarification.

Yours faithfully,
For: Registrar/Chief Executive



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