

June 17 2022

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International Ethics Standards Board for Accountants

International Federation of Accountants

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KICPA's Comments on IESBA's Exposure Draft on Proposed Technology-related Revisions to the Code

Dear Ken Siong,

We, at the Korean Institute of Certified Public Accountants (KICPA), strongly support the International Ethics Standards Board for Accountants (IESBA) for its commitment to developing high-quality professional ethics standards to raise the bar for ethical conduct expected from professional accountants and to serve the public interest. We are also very pleased to have opportunity to provide our responses to the IESBA Exposure Draft, "IESBA Exposure Draft, "Technology" as below.

1. 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? Are there other considerations that should be included?

<p>We agree that reliance on the output of technology to perform work can create additional threat to compliance with the Code. We support the proposals to add new application material paragraphs requiring to consider such threat and the proposed considerations set forth in the paragraphs.</p>
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However, the Exposure Draft doesn't clearly define the term "technology" or the scope thereof. The technology herein appears to be intended as a full-range of technologies ranging from AI and machine learning to blockchain, among others, given the nature of the principles-based approach of the Code. What concerns us is that the application scope of the revised Code's requirements relevant to technology may become broader than originally intended because there is a wide range of technologies from a very simple tool to a highly sophisticated technology. We hope the IESBA considers these concerns in finalizing the revisions to the Code.

2. 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? Are there other factors that should be considered?

We agree that professional judgement must be exercised to determine whether reliance on or use of the output of technology is reasonable and fit for purpose when considering the threat to compliance with the Code. We support the proposed relevant application materials and considerations.

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

We believe that the proposed application material is helpful in dealing with relevant situations as the use of sophisticated technology such as AI may cause complex circumstances and pose additional threat to compliance with the Code.

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?

Professional accountants in non-English speaking countries may find it difficult to clearly distinguish the meaning of complex from those of complicated or other similar terms. As the Code alone may not be sufficient to ensure accurate understanding and application

of the terms, we hope that explanatory material, education, outreach activities, among others, are provided to help address the challenges in interpretation after the pronouncement of the revised Code.

However, we do agree that no significant issue will arise even if some PAs turn to the new application material on complex circumstances when 'unclear', 'difficult', 'complicated' circumstances are encountered due to difficulty in clearly distinguishing such terms, as described in the Exposure Draft.

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?

We support the proposed revisions.

We only hope that the revised Code provides additional explanation as to how relevant the additional skills set forth in paragraph 113.1 A1 are to the skills that PAs need in digital age.

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?

We support the decision of the IESBA, because the extant Code (paragraph R113.1) already sets forth clear requirement for professional competence, which is deemed to be an implicit requirement for compliance with IES, as described in the explanatory memorandum of Exposure Draft.

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?"

We agree with the proposed guidance and new Glossary definition as the use of technology raises the level of threat to compliance with principle of confidentiality.

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)?

We agree with the IESBA’s decision.

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).

(a) We support the proposed revisions as they clearly distinguish automated services from “routine or mechanical” services.

(b) We support the inclusion of joint technology sale or licensing arrangements as an example of business relationship.

(c) We agree with the proposed revisions as they make clear that providing, selling, reselling or licensing technology constitutes the provision of non-assurance services.

10. Do you support the proposed revisions to subsection 606, including:
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- (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)18 and the addition of "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?

(a) We agree with the proposed revisions as they help readers understand when a management responsibility is assumed from IT service perspective.

(b), (c) We support the proposed revisions as they clearly set forth the examples of IT system services that might create a self-review threat considering the revised NAS provisions that prohibit provision of all IT system services that may cause a self-review threat to public interest entities (PIE).

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

We support the proposed changes.

We hope that the IESBA finds our comments useful for its project aimed to further improve the Technology aspect of the Code. Please contact us at dyou@kicpa.kr for any further question regarding our comments.

Thank you.
