



**INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA**

Our Ref: STA/001

31 May 2022

Ken Siong,
IESBA Program and Senior Director,
International Ethics Standards Board for Accountants (IESBA),
529 Fifth Avenue,
New York, NY 10017,
United States of America.

Submitted via website: www.ethicsboard.org

Dear Mr. Siong,

PROPOSED TECHNOLOGY- RELATED REVISIONS TO THE CODE

The Institute of Certified Public Accountants of Uganda (ICPAU) appreciates the opportunity to respond to the **Proposed Technology- related Revisions to the Code.**

Our comments are herein the attached.

We hope you will find our comments helpful.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'Charles Lutimba'. The signature is stylized and includes a circular flourish.

CPA Charles Lutimba
MANAGER, STANDARDS AND TECHNICAL SUPPORT

*Appendix 1: Comments to the Proposed Revisions to the Code relating to the definition of engagement team and group audits
Appendix 2: Survey Report about ICPAU's Consultation on the Proposed Technology- related revisions of the Code*

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APPENDIX 1: ICPAU'S COMMENTS ON THE IESBA EXPOSURE DRAFT- PROPOSED TECHNOLOGY- RELATED REVISIONS TO THE CODE

The comments below are a reflection of results from the Proposed Technology- related Revisions to the Code survey that was conducted by ICPAU between March and April 2022 as well as the discussion about the same during the 28th meeting of the Public Practice Panel of the Professional Standards Committee held on 12 May 2022. About 40 members participated in the survey that was conducted electronically (see survey report in Appendix 2). As reflected in the comments below, we are generally supportive of the proposed technology- related revisions to the Code.

Technology-related Considerations when Applying the Conceptual Framework

Question 1: Do you support the proposals which set out the thought process to be undertaken when considering whether the use of technology by a professional accountant 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?

Comment:

We are supportive of the proposals which set out the thought process to be undertaken when considering whether the use of technology by a professional accountant might create a threat to compliance with the fundamental principles in proposed paragraphs 200.6 A2 and 300.6 A2 (refer to question 1 in the survey report). This is because considerations such as whether the accountant has the professional competence to understand, use and explain the output from the technology and whether the technology incorporates expertise of judgments of the accountant or the employing organisation actually determine the level of the accountant's compliance with the fundamental principle of professional competence and due care. Inability to understand, use and explain output from the technology greatly undermines the accountant's competence. We feel that this proposal will actually compel accountants to always seek training and further knowledge for any technology that they may not be conversant with.

While we agree that all other considerations are important, we are of the view that the accountant's competence to understand, use and explain the output from the technology should be given more prominence since adoption of technology in accounting work requires the competencies of the accountant to evolve with the technology so adopted.

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

Question 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?

Comment:

We are supportive of 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 R200.7, 220.7 A2, R320.10 and 320.10 A2. As shown in the question 2 in the survey results, the respondents agreed with the inclusion of the proposed factors but rated the nature of activity to be performed by the technology highest, followed by the accountant's ability to understand the output from the technology for its intended use, the expected use of or extent of reliance on the output from the technology and whether the technology is established and effective for its intended purpose.

Consideration of "Complex Circumstances" When Applying the Conceptual Framework

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

Comment:

We support the proposed application material relating to complex circumstances in proposed paragraphs 120.13 A1 to A3 especially because the material is not restricted to complex circumstances caused by technology- specific situations but can also address circumstances caused by rapidly changing laws and regulations.

Question 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?

Comment:

We are not aware of any other considerations, including jurisdiction- specific translation considerations that may impact the proposed revisions.

Professional Competence and Due Care

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

Comment:

We support the proposed revisions to explain the skills that professional accountants need in the digital age, and to enhance transparency in proposed paragraph 113.1 A1 and the proposed revisions to paragraph R113.3 respectively.

Question 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?

Comment:

We agree with the decision 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. This is because inclusion of such additional material would make the Code prescriptive and not principles based. It's enough that the Code contains a requirement for professional accountants to maintain professional competence and due care in all their professional engagements.

Confidentiality and Confidential Information

Question 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?"

Comment:

We support the proposed revisions relating to the description of the fundamental principle of confidentiality in paragraphs 114.A1 and 114.1 A3 as they reinforce the requirement to comply with the fundamental principle of confidentiality.

However, we recommend:

- a) Inclusion of whether there is a legal requirement to disclose confidential information as an additional factor for consideration when deciding whether to disclose confidential information in 114.1 A3.
- b) Amendment of the definition of confidential information in the Glossary to read "any information, data or other material in whatever form or medium (including written, electronic, visual or oral) acquired in the course of professional and business relationships that is not in the public domain." We feel that this will limit the term 'confidential information' to professional information and exclude any other information e.g., personal information that may be acquired from say long association with a client.

Question 8: Do you agree that "privacy" should not be explicitly included as a requirement to be observed by professional accountants in the proposed definition of "confidential information" in the Glossary because it is addressed by national laws and regulations which professional accountants are required to comply with under paragraphs R100.7 to 100.7 A1 of the Code (see sub-paragraph 369(c) of the explanatory memorandum)?

Comment:

We agree that "privacy" should not be explicitly included as a requirement to be observed by professional accountants in the proposed definition of "confidential information" in the

Glossary because it is addressed by national laws and regulations which professional accountants are required to comply with under paragraphs R100.7 to 100.7 A1 of the Code (refer to question 4 of the survey report).

Professional accountants in Uganda are prohibited, under Section 4.3 of the ICPAU Code of Ethics, from using information confidential to a client or employer acquired in the course of professional work except where consent has been obtained from the client, employer or other proper source, or where there is a legal right or duty to disclose. We believe this in addition to the requirement to comply with the fundamental principle of confidentiality is adequate to ensure that professional accountants in our jurisdiction preserve the confidentiality of professional information acquired during the execution of their professional duties.

Independence (Parts 4A and 4B)

Question 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 professional accountants providing, selling, reselling or licensing technology to an audit client to apply the Non- Assurance Services provisions in Section 600, including its subsections (see proposed paragraphs 520.7 A1 and 600.6).

Comment:

We are supportive of the revisions in paragraphs 400.16 A1, 601.5 A2 and A3 relating to “routine or mechanical” services. We absolutely agree with the principle that firms or network firms should not assume management responsibility for audit clients as embedded in the Non-Assurance Services Provisions of the Code.

We support the approach of not providing additional examples to clarify the technology-related arrangements that constitute close business relationships as this is in sync with the principles-based approach of the Code.

Additionally, we support the proposed revisions to remind professional accountants providing, selling, reselling or licensing technology to an audit client to apply the Non- Assurance Services provisions in Section 600, including its subsections. As indicated in the survey results for question 6, majority of the respondents (71%) agreed with the requirement to maintain independence in all their professional engagements.

Question 10: Do you support the proposed revisions to subsections 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 "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 threat 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?

Comment:

We are supportive of the proposed revisions to subsections 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. We agree that providing such services to an audit client will greatly comprise the firm or network firm's independence.
- b) The withdrawal of the presumption in extant subparagraph 606.4 A2 (c) and the addition of "implementing accounting or financial information reporting software, whether or not it was developed by the firm or network firm" as an example of IT systems service that might create a self- review threat in proposed paragraph 606.4 A3. As indicated in question 8 of the survey results indicates that 54% of the respondents believed that implementation of accounting or financial information reporting software, whether or not it was developed by the firm or network firm is an example of an IT systems service that can create a self-review threat. We therefore welcome this addition.
- c) The other examples of IT systems services that might create a self- review threat in proposed paragraph 606.4 A3. As indicated in question 9 of the survey results, majority of the respondents either agreed or strongly agreed with the examples of IT systems services that might create a self- review threat.

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

Comment:

We support the proposed changes to Part 4B of the Code.

APPENDIX 2: SURVEY REPORT ABOUT ICPAU'S CONSULTATION ON THE PROPOSED TECHNOLOGY- RELATED REVISIONS TO THE CODE

1.0 Introduction

ICPAU conducted a survey to obtain members' views about the proposed technology-related revisions to the Code. The survey was administered electronically to members by email from March to April 2022.

40 responses were obtained and analyzed. This survey report describes the responses, based on the survey results.

The report is presented according to members' responses to the issues below:

- General technology- related considerations
- Confidentiality and confidential information
- Independence
- NAS Provisions when providing, selling, reselling or licensing technology
- Conclusion

2.0 General Technology- related Considerations

This section of the report contains general views of the respondents about technology-related considerations when applying the Conceptual Framework. According to the survey results, respondents identified the accountant's competence to understand, use and explain output from the technology as well as whether the technology was designed by the accountant majority of the respondents as the circumstances as the most likely circumstances to create threats to compliance with the fundamental principles as outlined in the Code. (See below for detailed responses).

	VERY UNLIKELY	UNLIKELY	NEITHER LIKELY NOR UNLIKELY (UNDECIDED)	LIKELY	VERY LIKELY	TOTAL	WEIGHTED AVERAGE
Availability of information about how the technology functions	5.41% 2	16.22% 6	5.41% 2	45.95% 17	27.03% 10	37	3.73
Appropriateness of the technology for the intended purpose/ use	2.78% 1	19.44% 7	11.11% 4	36.11% 13	30.56% 11	36	3.72
Accountant's competence to understand, use and explain output from the technology	2.78% 1	13.89% 5	0.00% 0	50.00% 18	33.33% 12	36	3.97
Whether or not technology incorporates the accountant's expertise or judgments	2.78% 1	13.89% 5	13.89% 5	44.44% 16	25.00% 9	36	3.75
Whether the technology was designed by the accountant	5.56% 2	38.89% 14	13.89% 5	22.22% 8	19.44% 7	36	3.11

Qtn: To what extent are the following technology- related circumstances likely to create threats to compliance with the fundamental principles? Survey responses collected March-April 2022, from ICPAU members, n= 40.

In relation to consideration of use of technology in accounting roles, the respondents identified the nature of activity to be performed by the technology and the accountant's ability to understand the output from technology for its intended use as the major factors that should be considered when determining whether to rely on, or use the output of technology for its intended use. (See below for detailed responses).

	STRONGLY DISAGREE	DISAGREE	NOT SURE	AGREE	STRONGLY AGREE	TOTAL	WEIGHTED AVERAGE
The nature of activity to be performed by the technology	0.00% 0	0.00% 0	0.00% 0	55.56% 20	44.44% 16	36	4.44
The expected use of or extent of reliance on the output from the technology	0.00% 0	8.33% 3	5.56% 2	50.00% 18	36.11% 13	36	4.14
Accountant's ability to understand the output from technology for its intended use	0.00% 0	0.00% 0	5.71% 2	51.43% 18	42.86% 15	35	4.37
Whether the technology is established and effective for its intended purpose	0.00% 0	2.78% 1	11.11% 4	55.56% 20	30.56% 11	36	4.14
Whether the technology has been appropriately tested and evaluated for its intended use	0.00% 0	5.56% 2	11.11% 4	52.78% 19	30.56% 11	36	4.08
The reputation of the developer/vendor of the technology	2.78% 1	2.78% 1	11.11% 4	58.33% 21	25.00% 9	36	4.00
Role in the design, development, implementation, operation and maintenance of the technology	0.00% 0	2.78% 1	8.33% 3	63.89% 23	25.00% 9	36	4.11
Appropriateness of the inputs of the technology e.g., data	2.86% 1	5.71% 2	5.71% 2	51.43% 18	34.29% 12	35	4.09

Qtn: Do you agree with the inclusion of the following as factors that should be considered when determining whether to rely on, or use the output of technology for the intended purpose? Survey responses collected March- April 2022, from ICPAU members, n= 40.

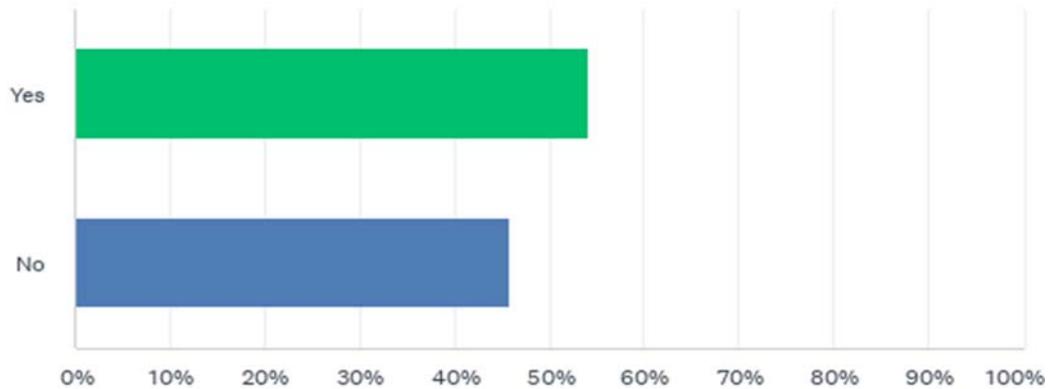
The IESBA recognizes that professional accountants might find themselves working in complex circumstances brought on by, amongst other factors, the impact of new technologies. Accordingly, the IESBA is proposing inclusion of a discussion of such complex circumstances. The survey results showed that the respondents strongly agreed with the proposals in relation to complex circumstances as shown in the table below.

	STRONGLY DISAGREE	DISAGREE	NOT SURE	AGREE	STRONGLY AGREE	TOTAL	WEIGHTED AVERAGE
Professional accountants should maintain the confidentiality of information acquired in the course of professional and business relationships.	0.00% 0	0.00% 0	0.00% 0	13.89% 5	86.11% 31	36	4.86
Inclusion of a glossary definition of 'confidential information' as any information, data or other material in whatever form or medium (including written, electronic, visual or oral) that is not in the public domain.	0.00% 0	2.86% 1	5.71% 2	42.86% 15	48.57% 17	35	4.37

Qtn: To what extent do you agree with the following proposals? Survey responses collected March- April 2022, from ICPAU members, n= 40.

3.0 Confidentiality and Confidential Information

The proposed technology related revisions to the Code explain how professional accountants maintain the confidentiality of information acquired in the course of professional and business relationships. The discussion of the Code's fundamental principle of confidentiality is all encompassing and is intended to cover privacy in a principle- based manner. In this regard, the IESBA is proposing the exclusion of the definition of "confidential information" in the Glossary since privacy is often covered in jurisdiction- level laws and regulations. 54% of the respondents agreed with this new definition of "confidential information" as shown in the graph below.



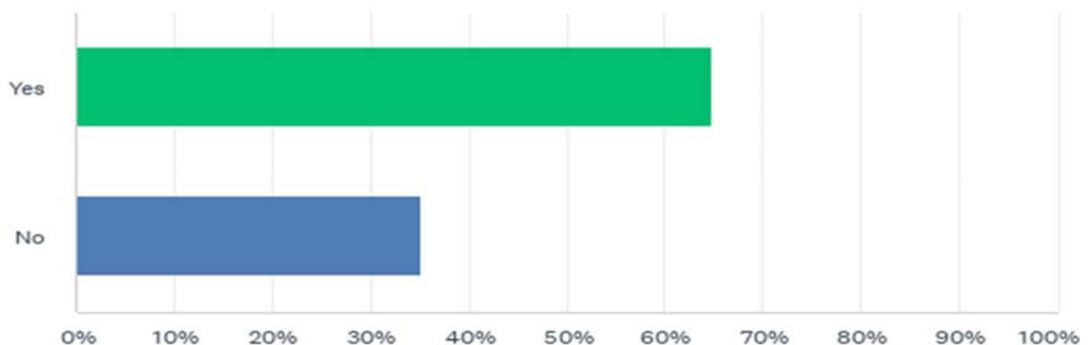
Qtn: Do you agree with the exclusion of privacy as a requirement to be observed by professional accountants in the proposed definition of “confidential information” in the glossary because it is addressed by national laws and regulations which accountants are required to comply with? Survey responses collected March- April 2022, from ICPAU members, n= 40.

4.0 Independence

The IESBA considered additional examples of close business relationships where firms are licensing software:

- a) To their audit clients, who are in turn directly utilizing the technology in the delivery of services to their own customers/ clients; or
- b) From an audit client and directly using the technology in the delivery of services to their clients.

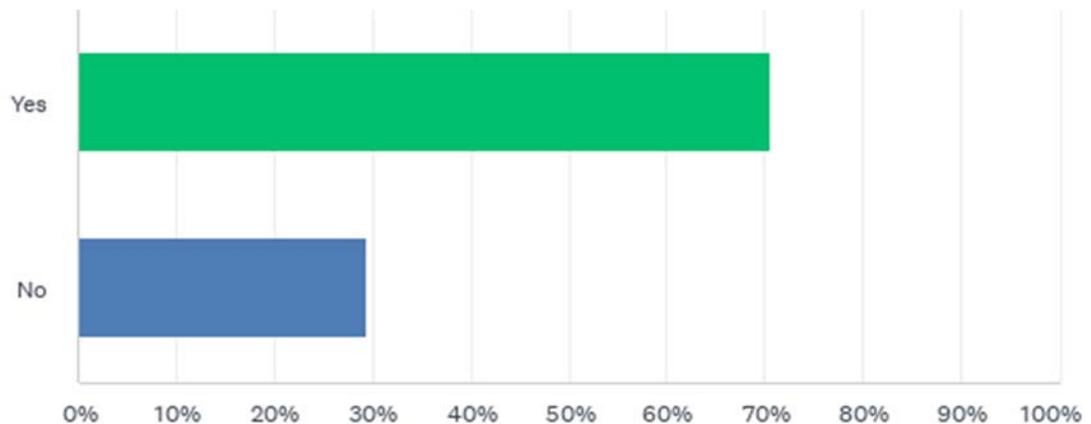
However, the IESBA decided against inclusion of such examples. The survey results indicated that majority (65%) of the respondents agreed with this approach. Below is the detailed presentation of members’ responses.



Qtn: The IESBA is proposing exclusion of additional examples of close business relationships in the Code regarding the sale or licensing of technology to firms as this would contradict the principles- based nature of the Code. Do you agree with this proposal? Survey responses collected March- April 2022, from ICPAU members, n=40.

5.0 NAS Provisions when providing, selling, reselling or licensing technology

The proposed revisions include a requirement for firms to consider NAS provisions when technology is provided, sold, resold or licensed by a firm or network firm to an audit client. About 71% of the respondents agreed with this requirement as shown in the graph below.



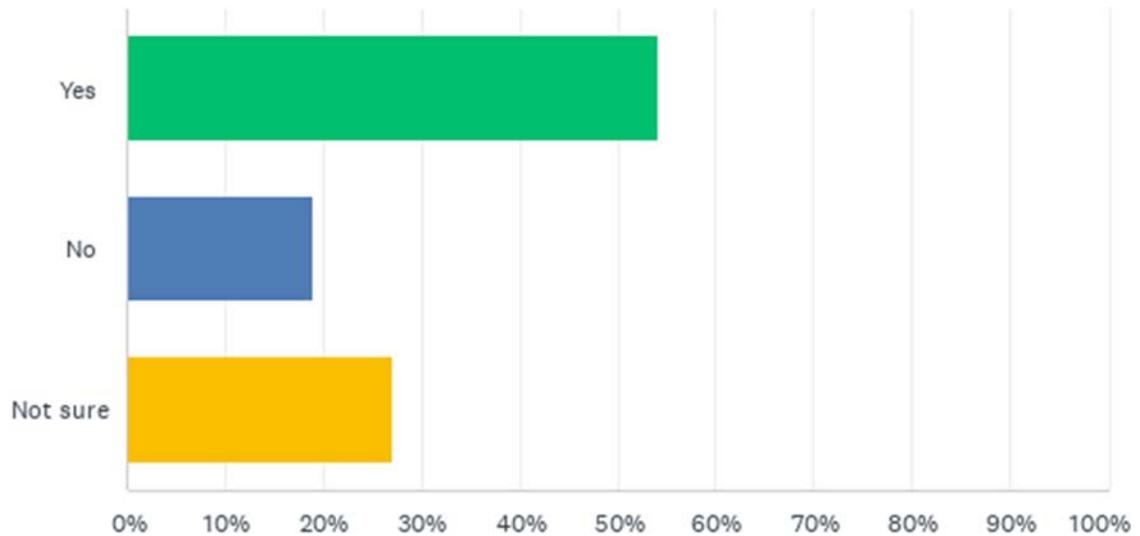
Qtn: Do you agree with the proposed requirement for firms or network firms that provide, sell, resell or license technology to audit clients to comply with the Non- Assurance Services (NAS) provisions of the Code? Survey responses collected March- April 2022, from ICPAU members, n=40.

In relation to IT systems services, the IESBA is proposing an expanded description of IT systems services to highlight the fact that services related to IT systems can extend beyond the design, development and implementation of hardware or software systems. The proposed definition of IT systems services is intentionally very broad so that the NAS provisions are applicable to the widest range of IT systems services possible. The survey results indicated strong agreement with this proposal as indicated in the graph below.

	STRONGLY DISAGREE	DISAGREE	NOT SURE	AGREE	STRONGLY AGREE	TOTAL	WEIGHTED AVERAGE
Inclusion of the types of IT systems services that always involve assuming a management responsibility which are prohibited for all audit clients	8.33% 3	8.33% 3	16.67% 6	41.67% 15	25.00% 9	36	3.67
Provision of examples of IT systems that might create a self-review threat which are therefore prohibited for Public Interest Entities (PIE) audit clients	5.56% 2	2.78% 1	11.11% 4	47.22% 17	33.33% 12	36	4.00

Qtn: To what extent do you agree with the following proposals in relation to the expanded description of IT systems services? Survey responses collected March- April 2022, from ICPAU members, n=40.

In developing the proposed revisions to the Code, the IESBA considered several IT systems services that involve assuming a management responsibility for an audit client or might create a self- review threat. The survey therefore sought to establish members' views about IT systems services that might create a self- review threat. According to the survey results, 54% of the respondents believed that the implementation of accounting or financial information reporting software, whether or not it was developed by the firm or network firm is an example of an IT systems service that can create a self-review threat. See graph below for survey results.



Qtn: Do you believe the implementation of accounting or financial information reporting software, whether or not it was developed by the firm or network firm is an example of an IT systems service that can create a self-review threat? Survey responses collected March-April 2022, from ICPAU members, n=40.

The survey results further indicated the following results about IT systems services that might create self-review threats (see table below).

	STRONGLY DISAGREE	DISAGREE	NOT SURE	AGREE	STRONGLY AGREE	TOTAL
Designing, developing, implementing, operating, maintaining, monitoring or updating IT systems	0.00% 0	10.81% 4	5.41% 2	45.95% 17	37.84% 14	37
Supporting an audit client's IT systems, including network and software applications	2.70% 1	8.11% 3	10.81% 4	37.84% 14	40.54% 15	37

Qtn: Please indicate the degree to which you agree that the following services can create self-review threats. Survey responses collected March- April 2022, from ICPAU members, n=40.

In the performance of professional services or provision of IT systems services, accountants or firms should avoid services or situations that imply assumption of management responsibility. This is emphasized by the survey results as shown in the table below.

	STRONGLY DISAGREE	DISAGREE	NOT SURE	AGREE	STRONGLY AGREE	TOTAL	WEIGHTED AVERAGE
The firm or network firm should avoid assuming a management responsibility for the audit client	8.11% 3	2.70% 1	0.00% 0	56.76% 21	32.43% 12	37	4.03
The collection, receipt and retention of data to enable the performance of assurance and non-assurance engagements should not result in an assumption of management responsibility	5.41% 2	2.70% 1	2.70% 1	59.46% 22	29.73% 11	37	4.05

Qtn: Please indicate the degree to which you agree with the following requirements when technology is used in the performance of professional services for an audit client by the firm or network firm. Survey responses collected March- April 2022, from ICPAU members, n=40.

6.0 Conclusion

The respondents reiterated the importance of technology in the performance of professional accountancy services. However, accountants must always understand the reliability of the technology before using it.