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Mr Ken Siong
IESBA Program and Senior Director
International Ethics Standards Board for
Accountants
529 Fifth Avenue
New York, NY 10017
USA

Dear Mr Siong,

Proposed Technology-related Revisions to the Code

RSM International Limited, a worldwide network of independent audit, tax, and consulting services firms focused on serving the middle market, appreciates the opportunity to comment on the IESBA's proposed revisions to the IESBA Code relating to technology.

We support the additional rules and supporting application as they help Professional Accountants apply the IESBA Code when using technology. We agree that the revisions are necessary for the Code to continue to remain fit for purpose in response to the effects that the development of technology has on the Accounting Profession. We also support the IESBA's objective to ensure that the IESBA code remains principles-based.

We support additional guidance throughout the Code as technology impacts accountants both in business and in public practice. We also recognise that use of technology and interpretation of its outputs can be complex and so welcome the introduction of consideration of "complex circumstances" in section 120 of the proposed Code of Ethics.

Regarding the revisions to the International Independence Standards, we note the statistic quoted in the Explanatory Memorandum that 24% of respondents to the survey titled "The Impact of Technology on Auditor Independence" did not think that NAS positions are relevant when a firm sells or licenses technology to a client. We agree that selling, reselling or licensing technology is a non-assurance service and so Section 600 should apply to those services. We therefore agree with the clarifications made in the proposed text.

Close Business Relationships is a complex topic and so we are supportive of the additional technology-related examples provided. Similarly, we support the proposed amendments related to the threats to independence and risk of performing a management responsibility when providing services that involve technology.

We have specific comments and suggested amendments or additions and have set out these by responding to the specific questions below. If you have any questions relating to our response, please contact me at peter.oastler@rsm.global.

Yours sincerely,

Peter Oastler

Peter Oastler
Global Ethics and Independence Leader
RSM International

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Specific Comments

Technology-related Considerations When Applying the Conceptual Framework

- 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?**

Ans: Yes, we support the proposed paragraphs 200.6.A2 and 300.6.A2. Use of technology and interpretation of its outputs is relevant to Public Accountants both in public practice and in business and the proposed text will help Public Accountants assess threats compliance with the IESBA's fundamental principles.

We suggest that the section would be easier to follow if a sub-heading were included before paragraphs 200.6.A2 and 300.6.A2 such as "Identifying threats associated with the use of technology".

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

- 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?**

Ans: Yes, we support the proposed paragraphs R220.7, 220.7 A2, R320.10 and 320.10 A2; analysis in relation to the output of technology is relevant to Public Accountants in business and in practice and so it helps the IESBA Code remain fit for purpose by adding factors to consider in determining whether reliance on the output of technology is reasonable.

For clarity, we suggest that R220.7 be amended to read: "...(a) *The work of other individuals, whether internal or external to the employing organization, or other organizations*".

We suggest to include another factor to be considered under paragraphs 220.7A2 and 320.10 A2 as follows: "*The effectiveness of the organization's general and application controls related to the technology.*"

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?**

Ans: Yes, we support this; the use of technology and interpretation of its outputs can be complex, and the proposed application guidance will be helpful to Public Accountants. However, we think providing an example of how technology could be used to analyse relevant data to better inform the accountant's judgment would be helpful. Perhaps, by adding, "for example, to test the sensitivity of the variables and assumption inherent in the estimation process" to the end of that bullet.

- 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?**

Ans: We are not aware of any other considerations.

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?

Ans: We support the additional guidance to explain that additional skills are needed in the digital age. However, rather than only making reference to “interpersonal, communication and organizational skills”, we suggest that paragraph 113.1A1 (b) is amended to: “(b) *The application of soft skills (for example, interpersonal, communication and organizational skills).*” We think that this will help clarify that there are other soft skills that are relevant.

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?

Ans: We do not agree as we think it is helpful to refer PAs to standards of professional competence, for example, those in the IESs.

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

Ans: Yes, we support this as it provides additional guidance for Professional Accountants to ensure confidentiality is maintained. This is particularly relevant when data is stored and retained within IT systems.

- (b) the proposed Glossary definition of “confidential information?”

Ans: Yes, we support this.

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)?

Ans: Yes, we support that “privacy” is not included as it is addressed by national laws and regulations which PAs are required to comply with under paragraph R100.7.

Independence (Parts 4A and 4B)

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.

Ans: Yes, we support the proposed revisions. However, we suggest the following addition to 601.5 A2 (additions emphasised in bold): “...factors to be considered include **what the technology does, how the technology functions, the output of the technology, and whether...**” For example, if the technology were to make complex calculations this might not be routine and mechanical. Similarly, if the output of the technology was to determine a course of action this also might not be routine and mechanical. These examples might not be identified when considering solely “how the technology functions”.

- (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.**

Ans: Yes, we support this; close business relationships is a complex topic and it is helpful to include additional guidance related to how technology might be relevant.

- (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).**

Ans: Yes, we support this. In the Explanatory Memorandum it is stated that 24% of respondents to the survey titled “The Impact of Technology on Auditor Independence” did not think that NAS positions are relevant when a firm sells or licenses technology to a client. We agree that selling, reselling or licensing technology is a non-assurance service and so Section 600 should apply to those services. We therefore agree with the clarifications made in the proposed text.

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)?**

Ans: Yes, we support this. However, in paragraph 606.3 A1, we recommend providing examples of directly or indirectly hosting an audit client’s data, to align with the explanatory memorandum, as follows (additions emphasised in bold): “... Provides services in relation to the hosting ~~(directly or indirectly)~~ of an audit client’s data, **either directly (for example, on internal servers), or indirectly (for example on a third-party cloud provider’s servers).**”

In addition, we think that when providing ongoing operation, maintenance, monitoring or updates with respect to an audit client’s IT system it can be difficult to ensure that a competent individual from the client makes all management decisions. We therefore suggest including an additional bullet to paragraph 606.3 A1 such as: “Ongoing operation, maintenance, monitoring, or updating of an audit client’s IT system without the proper involvement of competent management”.

We also think that it would be helpful, in paragraph 606.5 A1, if the IESBA considered providing additional examples of safeguards that might be available and helpful to reduce the threat to an acceptable level. For example:

- Having an appropriate reviewer who was not involved in planning, performing or supervising the audit work performed with a specific focus on areas that present a self-review threat.

- (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?**

Ans: Yes, we support this as a self-review threat might apply in the circumstances described in extant subparagraph 606.4 A2.

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

Ans: Yes, we support this.

We also have another comment relating to subsection 606. In paragraph 606.2 A1, we suggest including in the range of services: *“Providing or licensing IT hardware or software”*. This would align with proposed paragraph 600.6.

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

Ans: Yes, we support the changes. However, in 900.1, we suggest deleting the words *“including greenhouse gas statements”* as this is covered by adding *“environmental, social and governance disclosures”*.

We also recommend updates to paragraph 900.13 A4 to align with our suggestion above related to paragraph 606.3 A1.