

June 20, 2022

International Ethics Standards Board for Accountants

To: Ms. Gabriela Figueiredo Dias (Chair)

529 Fifth Avenue

New York, NY 10017

USA

Subject: Comment on the IESBA Proposed Technology-related Revisions To The Code

Dear Ms Gabriela Dias,

1. The International Forum of Independent Audit Regulators (IFIAR) appreciates the opportunity to comment on the International Ethics Standards Board for Accountants (IESBA) request for comments on its Exposure Draft, Proposed Technology-related Revisions to the Code. As an international organization of independent audit oversight regulators that share the goal of serving the public interest and enhancing investor protection, IFIAR is committed to improving audit quality globally through the promotion of high-quality auditing and professional standards, as well as other pronouncements and statements.
2. IFIAR's objectives are as follows:
 - Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity, with a focus on inspections of auditors and audit firms.
 - Promoting collaboration and consistency in regulatory activity.
 - Initiating and leading dialogue with other policymakers and organisations that have an interest in audit quality.
 - Forming common and consistent views or positions on matters of importance to its members, while considering the legal mandates and missions of individual members.
3. The comments we provide in this letter reflect the views expressed by many, but not necessarily all, members of IFIAR. However, the comments are not intended to include, or reflect, all the views that might be provided by individual members on behalf of their respective organisations.
4. Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by IFIAR.

Summary of Comments

5. IFIAR is strongly supportive of IESBA's aim to ensure that the Code reflects the challenges which professional accountants face as a result of the increasing use of technology. We are supportive of the suggested additions in relation to the providing, selling, reselling or licensing of technology and the provision of technology related non-audit services and agree that the changes made to those sections that relate to independence are clear and will support consistency in practice.

6. IFIAR does not support the inclusion of the use of the material covering 'output of technology' within the sections designed to address the use of, or reliance upon, the work of others/experts. We do not believe that the areas are sufficiently similar conceptually and believe that the proposed revisions related to the use of the output of technology should be addressed within their own discrete section of the Code. We also do not support the emphasis on the use of the "Outputs of Technology" as the most effective deployment of technological resources occurs when the professional accountant is involved in each stage of a tool's usage, from scoping through to implementation.

7. Additionally, many of the suggested revisions, such as those relating to complexity and interpersonal skills, do not only relate to technology. IFIAR supports these additions but believes that the rationale for them should be more thoroughly reflected in the Basis of Conclusions and we suggest IESBA considers aligning the projects scope and title with the substance of the revisions, which are wider than just technology.

Technology-related Considerations When Applying the Conceptual Framework

8. IFIAR supports the proposal to enhance the material requiring professional accountants to consider how technology may create threats to the fundamental principles of the Code and agrees that the proposed revisions in paragraph 300.6.A2 are reasonable and include most of the factors that a professional accountant should be aware of when considering the impact of technology. However, it is potentially confusing that the factors included in this paragraph are separate from the threats described in 300.6.A1 and it would be clearer if the technology specific factors to consider were integrated into the existing material here rather than being included under their own heading. We would also support the inclusion of additional examples and factors, such as the need for a professional accountant to consider whether they may need to engage an expert to facilitate the effective deployment of technology.

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

9. IFIAR agrees that the material included in paragraph 320.10.A2 is a reasonable starting point as an outline of factors to be considered by a professional accountant when determining whether reliance on the output of technology is reasonable. However, we believe the challenges professional accountants face could be better addressed if the material was presented in a section separate from Using the Work of an Expert given the unique challenges that the use of technology brings to the professional accountant.

When making use of or relying on the work of an expert, a professional accountant is relying on an individual or organization's intrinsic expertise in relation to a specific subject matter, their experience, skills, qualifications, and judgements to assist in their work, drawing conclusions based on reports or other works prepared by the expert. In order to best make use of technological tools the professional accountant needs to understand the data being used, the complexity of the relationships present and enough of the working of the tools to ensure that the professional accountant is meeting their professional competence and due care obligations. This is likely to be a more involved process than is usually the case when making use of the work of an expert, with the professional accountant being actively involved in the iterative use of the tool.

The emphasis on the use of the output of the technology, rather than on the whole process for making use of a technological resource, is not the most effective approach to ensuring the appropriate use of technological resources. For example, it would be beneficial to include material on (i) when the professional accountant may need to consider consulting an expert in the technology being deployed and (ii) how the professional accountant should determine whether or not the firm has effectively implemented any third-party solutions into their own methodologies.

Consideration of “Complex Circumstances” When Applying the Conceptual Framework

10. IFIAR is supportive of the additional material in paragraphs 120.13.A1 to A3 and agrees that this is the most sensible place within the Code to discuss this concept, as opposed to introducing an additional fundamental principle of “Complexity” as was suggested in some previous IESBA publications.
11. Paragraph 120.13.A3 suggests that the professional accountant might “*use technology to analyse relevant data to better inform the accountants judgement*”. Whilst this is reasonable, the proposed wording could be seen to conflict with the material included within the Code on automation bias. We suggest that the IESBA considers updating this paragraph to make clear that whilst technology can be used to better inform judgement, for example in risk assessment procedures, automation bias will still be a relevant factor to be considered.

Professional Competence and Due Care

12. IFIAR supports the proposed material in relation to professional competence and due care, although the proposed additions in paragraph 113.1.A1 could be improved in order to make them less generic. Additionally, we note that much of this material is not technology specific.
13. IFIAR would support additional guidance and examples on the meaning and practical application of the proposed additions to paragraph 113.1 A1 that relate to “interpersonal, communication and organisation skills”. Although these concepts are generally well understood colloquially, they are likely to be interpreted differently by different professional accountants leading to inconsistent application in practice.

Confidentiality and Confidential Information

14. IFIAR is generally supportive of the proposed Glossary definition of “confidential information”, though consideration will need to be given to whether conforming amendments are required to ISQM 1 in order to support professional accountants in complying with the proposed requirements. This should be discussed with the IAASB in the course of finalising the revisions to the Code.
15. IFIAR agrees that “privacy” should not be included as a specific requirement to be observed by professional accountants, given varying laws and regulations in different jurisdictions. IFIAR would however support additional material on the factors that professional accountants should consider when undertaking cross-border engagements and how they might respond to potential conflicts between local laws and regulations.

Independence

16. Overall, IFIAR is supportive of the changes made to Parts 4A and 4B. We support the addition of paragraphs 400.16.A1. This paragraph would codify what many professional accountants have, based on our experience, taken as the position on a principle’s basis, though we suggest that the material be further revised to make clear that this requirement applies regardless of the level of professional judgment required in providing the service, and that this should be linked more strongly to the material on “routine or mechanical”. We also believe that the material could be further enhanced to include a discussion of the professional accountant’s need to consider if the proposed provision of a service is in relation to a financial or a non-financial system as this factor may influence the significance of the threat to independence.
17. We encourage the IESBA to include additional material on the “indirect” provision of services. IFIAR believes that the examples in paragraph 606.3.A1 could be expanded, and that the example in 606.4.A3 could be more specific and include the “running/storing” of client’s programs and data as this would be clearer and easier to apply in practice. We would also support additional material on managements responsibilities in relation to these services to aid in the practical application of these requirements.

Conclusion

18. Overall, we support the IESBAs proposed revisions and agree that the majority of the suggested material will aid professional accountants in reasonable, and consistent, application of the Code to scenarios which include the use of technology. Many of the revisions reflect practical challenges that professional accountants face and provide specific material on issues for which professional accountants have previously had to rely on principles alone.

19. However, the IESBA should carefully consider their approach to creating an equivalence between the use of technology and the use of, or reliance upon, the work of others/experts. Though we understand that some of the same concepts will apply in both scenarios, there are also fundamental conceptual differences which could be better addressed by considering the use of technology as a discrete section within the Code.

20. We have not commented on proposed changes to the sections of the Code as they relate to Professional Accountants in Business, since we believe they are outside IFIAR's scope. However, we would strongly encourage that IESBA continues to maintain consistency with revisions to the sections of the Code which relate to Professional Accountants in Public Practice, as work on this exposure draft is finalised.

Please do not hesitate to contact me or Martijn Duffels, Chair of the IFIAR Standards Coordination Working Group (SCWG), to discuss any of our comments.

Yours faithfully,



Duane DesParte, IFIAR Chair

Cc: Takashi Nagaoka, IFIAR Vice Chair
Martijn Duffels, SCWG Chair,
Carl Renner, Executive Director