

Consultation Response

IESBA Proposed Technology-related Revisions to the Code of Ethics

20 June 2022

AIA Response: IESBA Proposed Technology-related Revisions to the Code of Ethics

Question 5/6: 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?

Yes. We agree with the inclusion of paragraphs 200.6 and 300.6 and welcome the emphasis that this places on the way in which technology can create ethical threats. The considerations regarding the use of technology are sensible and follow the thought processes considered in respect of use of other external sources of information and experts. Placing this in the explanatory paragraphs in sections 200 and 300 is sensible and should serve to make the considerations more visible to PAIBs and PAPPs and should therefore help to embed this in ethical considerations more easily.

Question 7: 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?

Yes.

Question 8:

We would welcome the inclusion of an additional statement which highlights the impact upon the reliability of such technology of the mindset/ focus or the preparer of such technologies and the purpose for which the technology was designed. We believe that an appreciation of these factors will highlight any potential bias with the design of the technology and its consequent impact on the resulting information. This would be consistent with the considerations outlined over the output of technology

Question 9: Do you support the proposed application material relating to complex circumstances in proposed paragraphs 120.13 A1 to A3?

Yes.

We welcome the application materials relating to complex circumstances proposed in paragraphs 120.13 A1 to A3 but have some concerns that the terminology around complex and its distinction from complicated may be unfamiliar to accountants if they are not familiar with the paper 'Complexity and the professional accountant: Practical guidance for ethical decision-making' which does provide a detailed explanation of the distinction between 'complicated' versus 'complex'. The distinction between these two terms is important and the Code needs to properly reflect this.

Question 10: 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?

We are concerned that the key difference between complex and complicated as discussed in the Complexity and the professional accountant – Practical Guidance for ethical decision making referred to above may not be sufficiently clear as the two terms are used interchangeably in common English and therefore a key aspect of the code may fail to be appreciated by users of the Code.

Question 11: 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?

Within R113 the code states that professional competence requires a continuing awareness and understanding of technology related developments. Within the context of a rapidly changing technology and the increasing complexity of this, especially around the capacity of machine learning and AI, this is potentially a very difficult standard for professional accountants to maintain. The inclusion of such a statement is welcomed and recognised as critical as the technology affecting and supporting the work of a professional accountant develops but further consideration is required of how to enable this to be achieved. Therefore 113.3 is particularly welcomed as it will help to place a clearer boundary on the area of accounting competence. Explicitly requiring accountants to understand the limit of their professional competence in this arena is a key component in maintaining confidence in our work.

Question 12: 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?

Yes - we agree with these proposals.

Question 13 / 14: 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?”

Yes, we agree with these proposals. However, we are concerned that the expectations and requirements that this places on accountants within organisations may be difficult for them to fully discharge. Within many organisations there is likely to be clear demarcation of responsibilities around data management which may mean that their ability to ensure lawful destruction of information is compromised. We are therefore concerned that 114.1 A1 as currently drafted is not generalisable.

Question 15: 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)?

Yes, we agree that privacy should not be explicitly included as a requirement by PAs as this is covered by the requirements to comply with national law and regulations.

Question 16: 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.

Yes – we support this revision

Question 17: Do you support the proposed 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

Yes, we support this inclusion although we think that additional examples may help to support users of the Code in its application.

Question 18: Do you support 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).

Yes – we agree with the proposed revisions around providing, selling, reselling or licensing technology.

Question 19: 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)?

Yes, we support the revisions as such service create the assumption of management responsibility and therefore management threat. We believe that this would also create a presumption of an independence threat by any reasonably informed third party. We feel that there is a need to clarify what client systems are to be covered by paragraphs 606.3 A1 and A2 to enable the users of the Code to understand and appreciate precisely what is expected of them.

Question 20: Do you support 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?

Yes – we agree with the withdrawal of the presumption in extant subparagraph 606.4 A2(c)

Question 21: Do you support the other examples of IT systems services that are prohibited for audit clients that are public interest entities because they might create a self-review threat in proposed paragraph 606.4 A3?

Yes, we agree with the other examples of IT systems services in proposed paragraph 606.4. We would support the removal of the word might from this paragraph as we believe that the examples given would indeed create a self- review threat and therefore would suggest that, where the self-review threat created is for a public interest entity, that the provision of such services would be prohibited.

Question 22: Do you support the other proposed changes to the International Independence

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Standards of the Code, including the proposed changes to Part 4B of the Code?

Yes – we support the proposed changes, including to Part 4B of the Code, with reference to our comments above.

About AIA

The Association of International Accountants (AIA) was founded in the UK in 1928 as a professional accountancy body and promotes the concept of 'international accounting' to create a global network of accountants.

AIA is a Recognised Qualifying Body (RQB) for statutory auditors in the UK and regulated by the Financial Reporting Council (FRC). AIA is a Prescribed Body under the Companies (Auditing and Accounting) Act 2014 in the Republic of Ireland. AIA's professional qualification has been independently assessed by the UK National Information Centre (UK ENIC, formerly NARIC) for global qualifications and skills as comparable to Level 7 on the Regulated Qualifications Framework.

AIA is a supervisory body under the UK and ROI Money Laundering Regulations. AIA practising certificate holders also enjoy additional wide ranging statutory and business recognition.

AIA is a Commonwealth Accredited Organisation and a member of the European Federation of Accountants and Auditors for SMEs (EFAA).

AIA believes in creating a global accountancy profession and supports the International Federation of Accountants (IFAC) in their vision of a global accountancy profession recognised as a valued leader in the development of strong and sustainable organisations, financial markets and economies. AIA has adopted IFAC's Code of Ethics for professional accountants and also incorporates IFAC's International Education Standards (IES) into its qualifications and policies.

AIA has members working throughout the whole spectrum of the accountancy profession. Many of our members are at the top of the accountancy industry, from senior management to director level. Conversely, significant numbers of our members work in small and medium sized businesses (SMEs) and we strive to champion the importance of SMEs and their needs.

Further Information

The above replies represent our comments upon this consultation document. We hope that our comments will be helpful and seen as constructive. AIA will be pleased to learn of feedback, and to assist further in this discussion process if requested.

If you require any further information, please contact:

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