

27 June 2022

International Ethics  
Standards Board  
For Accountants

Dear Sirs

**COMMENTS ON PROPOSED TECHNOLOGY -RELATED REVISIONS TO THE CODE**

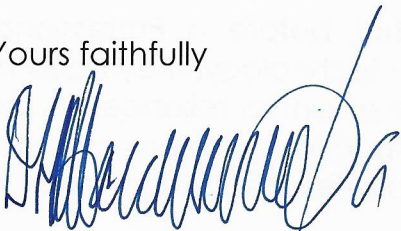
The Botswana Accountancy Oversight Authority (BAOA) values this opportunity to comment on the Exposure Draft, Proposed Technology – Related Revisions to the Code.

The BAOA is responsible for providing oversight to accounting and auditing services and promotion of the standard, quality, and credibility of providing financial and non-financial information by entities, including Public Interest Entities (PIEs). This is attained through standard setting, financial reporting monitoring, audit practice reviews, corporate governance reviews, enforcement of compliance and oversight over Professional Accounting Organisations, and education and training of professional accountants in Botswana.

Please refer to our Appendix to this letter to see our comments on the questions raised in the Exposure Draft.

Kindly e-mail us at [dmajinda@baoa.org.bw](mailto:dmajinda@baoa.org.bw) or phone directly on +267 361 3008, if further clarity is required on any of our comments.

Yours faithfully



Duncan Dankie Majinda  
**Chief Executive Officer**

## Appendix

### *Technology -related considerations when applying the Conceptual Framework*

#### Question 1

**Do you support the proposal which sets 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?**

#### Response:

Yes, we support the proposals set out, as emerging technologies create threats to compliance with the code.

One consideration is that the technology being applied should have a degree of expert assurance bestowed on it. Such warrant of competence can be in the form of 3rd party certifications, compliance with recognized standards and period reviews of the technology's competence and compliance with regulatory standards and benchmarks.

### ***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?**

#### Response:

Yes, we support the proposed revisions. We agree that before a Professional Accountant can place reliance on the data derived from technology, they need to understand the data obtained from the technology, the extent of reliance on the output and the appropriateness of the inputs used in the technology to produce the outputs. With all the factors considered, this will give the Professional Accountant a peace of mind in using the output of the technology.

## ***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?**

Response:

Yes, we agree with the proposed application material because it is open to including others in the process, for example, the firm, relevant stakeholders, and experts. We are also in agreement that it is important to monitor any developments or changes in the facts and circumstances and to assess whether these may have impact on the judgment the accountant had previously made. This would help in always making the accountant's judgment relevant.

The proposal is also consistent with the principle of professional judgement and achieves greater harmony with other standards in auditing and the conceptual frameworks of the IASB.

### **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?**

Response:

We are not aware of any.

## ***Professional Competence and Due Care***

### **Question 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?**

Response:

We support the amendments. Since the approach to the amendment is principles based, the wording supports and places the burden on the PA to exercise professional judgement in situations which are unclear. This is appropriate as accountants will be exposed to rapid developments in technology, which arise faster than the Board's ability to keep amending the provisions of the Code.

We also support the revisions of paragraph R113.3 as this would enable the client to make informed decisions on whether to continue utilising the services of the PA or not.

#### **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?**

Response:

We are in support of the exclusion of the application material as competencies of PA's are addressed in the International Education Standards. Furthermore, the responsibility to ensure that PAs are competent in technology related areas continues to be driven by the Professional Accountancy Organizations through Statements of Member Obligations (SMOs). The Professional Accountants (PA) are already required by the code to identify the relevant applicable professional competence standards and resources in order to comply with the requirement in paragraph R113.1.

If the Professional Competence considerations are added in the Ethical Standards, it would be prudent to add the complete provisions and application material in this section, as opposed to reference to other standards hence our support for the exclusion.

#### ***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?"**

Response:

We are in support of the new definition. The revision broadens the scope of coverage to include all information related to the client, which a PA may meet, when providing services. The proposed Glossary definition of confidential information is also clear and easy to understand.

#### **Question 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 subparagraph 36(c) of the explanatory memorandum)?**

Response:

We agree with excluding privacy as a key component of confidentiality considerations. The provisions of privacy law and their principles far exceed the scope of confidentiality and should be addressed separately or referenced in principle in the following manner:

“Confidentiality includes the PA complying with client policies on privacy and relevant jurisdiction-specific laws applicable, to protect the privacy on natural and juristic persons.”

### ***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”.**

Response:

We agree with the proposed revisions. We are also in agreement with paragraph 400.16.

- 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.**

Response:

We agree with the proposed revisions. The relationships disclosed will guide the PAs in knowing what type of relationships to avoid or look out for. The introduction of joint arrangement also covers the relationships between the client and the firm which was not previously covered in the code.

- c) The proposed revisions to remind PAs providing, selling, reselling or licencing technology to an audit client to apply the NAS provisions in Section 600, including its subsections.**

Response:

We agree with the proposed revisions. These will be a constant reminder to the PAs, of the type of services they need to be careful about when they offer them to the audit clients.

## Question 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)?**

Response:

We are in support of the amendment due to the increasing ethical threats that are posed by the services. The Non-Assurance Services (NAS) provisions adequately address the scope of the ethical scenarios and recommended safeguards to dealing with the various ethical dilemmas.

- (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 threat<sup>19</sup> in proposed paragraph 606.4 A3?**

Response:

We agree with the amendment. Performance of the work in this paragraph would invariably cause a management threat and give rise to self-review.

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

Response:

We agree. Even though the examples seem to be similar to the deleted 606.4.A2.

## Question 11

Do you support the proposed changes to part 4B of the Code?

Response:

Yes, we agree. An independence threat is created when a firm assumes the role of management. The inclusion of IT as part of the prohibitions is a welcome change, as times have changed, and everything is done through IT.

**Other considerations**

The impact of technology on ethics has not been scoped to other ethical principles and threats to objectivity, for example, a financial self-interest threat.

The use of technology in the discharge of a PA's duty is likely to impact the speed of delivery and costs incurred delivering services to client. The use of technology may result in charging excessive fees while performing less work due to its inherent efficiency. PA's may aggressively maintain high-increasing fees, citing the cost of research and developing the intelligence of these technology solutions. This inadvertently cause a PAs to experience ethical dilemmas at charging a reasonable fee.

Alternatively, where the PA uses readily available and established technologies, the risk of lowballing fees for services would increase. As accountants should act in the public's interest and uphold the professions reputation, such technology-driven approaches to work could be viewed as a culture of performing less detailed and stringent work which manual approaches would display.

The first part of the report discusses the background and objectives of the study. It highlights the importance of understanding the current state of the industry and the challenges it faces. The second part of the report provides a detailed analysis of the data collected during the study. This includes a comparison of the current state of the industry with previous years and a breakdown of the data by region and sector. The final part of the report offers conclusions and recommendations based on the findings of the study. It suggests ways in which the industry can improve its performance and address the challenges it faces.

Conclusions and Recommendations

The study has identified several key areas for improvement. These include the need for better data collection and analysis, the importance of staying up-to-date on industry trends, and the need for more effective communication between industry stakeholders. The following recommendations are based on these findings:

- 1. Improve data collection and analysis: This can be done by investing in better data collection methods and software, and by ensuring that data is accurate and up-to-date.
- 2. Stay up-to-date on industry trends: This can be done by regularly reading industry publications, attending industry conferences, and networking with other industry professionals.
- 3. Improve communication: This can be done by holding regular meetings with industry stakeholders, and by using a variety of communication channels to reach a wider audience.

By following these recommendations, the industry can improve its performance and address the challenges it faces. It is important to note that these recommendations are based on the findings of this study and may not be applicable to all industries. It is therefore recommended that each industry conduct its own study to determine the most effective way to improve its performance.