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International Ethics Standards Board for Accountants
529 Fifth Avenue, 6th Floor
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June 20, 2022

Proposed Technology-related Revisions to the Code

To the members of the International Ethics Standards Board for Accountants:

Grant Thornton International Ltd. (GTIL) appreciates the opportunity to comment on the exposure draft, Proposed Technology-related Revisions to the Code, approved for publication by the International Ethics Standards Board for Accountants (the IESBA or the Board).

GTIL is an umbrella organisation that does not provide professional services to clients. Professional services are delivered by GTIL member firms around the world. Representative GTIL member firms have contributed to and collaborated on this comment letter with the public interest as their overriding focus.

We thank the Board for their continued efforts to serve the public interest and acknowledge the challenges they face to set high-quality standards that will enhance the profession. However, we do have some concerns regarding the proposed revisions to the Code relating to the technology revisions, which we discuss in our comment letter.

Request for Specific Comment

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

GTIL agrees with IESBA's approach to include these considerations in Sections 200, however we believe the guidance in section 300.6 A2 would be better positioned in section 606 of the Code. These considerations are specific to the performance of technology services and would be more prominent if placed in section 606 – Information Technology System Services of the Code.

Furthermore, we recommend that the IESBA provide greater clarity on the meaning “*whether the technology incorporates expertise or judgements of the firm*”, in paragraphs 300.6 A2. We are not clear as to the intent of this wording and believe IESBA should provide clarification.

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?

GTIL supports IESBA's approach to recognize that relying on the outputs of technology can be akin to relying on the work of others or experts and agrees with the proposed revisions to paragraphs R220.7 and R320.10.

However, in the International Standards for Auditing (ISAs), they refer to the term “using the work...”, as opposed to the “extent of reliance on”. We believe there should be consistent use of terminology in the auditing and independence standards, and recommend the Board change the language in paragraphs 220.7 A2, 320.10 A2 and in other paragraphs of the proposals that use the terminology “relies” or “reliance on”.

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?

GTIL does not support the proposed application material relating to complex circumstances in proposed paragraphs 120.13 A1 to A3.

The considerations discussed in paragraphs 120.13 A1 to A3 related to complex circumstances have been evident in the extant conceptual framework, and we do not see any added benefits with the addition of these paragraphs. As advancements in technology continue to develop, auditors and professional accountants will need to apply the considerations and criteria in the extant conceptual framework and use their professional judgment in the evaluation of the services to determine if they create any threats to independence.

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?

Not applicable

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?

GTIL supports revising the IESBA Code to explain the skills needed by professional accountants in the digital age and enhance transparency in proposed paragraph 113. A1 and the proposed revisions to paragraph R113.3.

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?

GTIL agrees 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.

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

GTIL supports the proposed revisions relating to the description of the fundamental principle of confidentiality in paragraphs 114.1 A1 and 114.1 A3. Regarding the proposed glossary definition of confidential information, while we are not opposed to the proposed definition, the term “confidential information” has been a long-standing term used in the Code and we don’t see any benefit in defining at this juncture.

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)?

GTIL agrees that “privacy” should not be explicitly included as a requirement to be observed by professional accountants in the proposed definition of “confidential information” because it is addressed by national laws and regulations that apply to professional accountants. However, please refer to our comment above regarding defining “confidential information”.

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.

GTIL supports the proposed revisions in paragraphs 400.16 A1 and 601.5 A2 and A3. However, we believe the terminology “whether the technology is based on expertise or judgments of the firm or network firm” requires clarification. It is not clear what the IESBA’s intent is, and clarification would assist the firm in their analysis and application of the proposed standards.

(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.

GTIL supports the additional proposed examples to clarify the technology-related arrangements that constitute a close business relationship in paragraph 520.2 A2, however we believe the addition of examples to clarify technology related arrangements that constitute close business relationships would be beneficial.

Accounting firms are entering into selling or licensing arrangements with their audit clients, who are in turn directly utilizing the technology in the delivery of services to their own customers/clients, or where the accounting firm enters into a similar arrangement with the audit client and the accounting firm is using the technology in the delivery of services to their clients.

Given the various scenarios that could constitute a close business relationship, we believe the IESBA should consider providing additional scenario-based examples or a practice aid to help professional accountants better understand the impact they have on independence.

(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).

GTIL supports the proposed revisions to remind professional accountants providing selling, reselling or licensing technology to an audit client to apply NAS provisions in section 600, including its subsections. However, we believe this guidance is better placed in the introduction of section 600 so that the linkage to non-assurance services is clear and more prominent to professional accountants.

Furthermore, the new provisions need to clearly delineate guidance for technology business relationships that do not involve the performance of non-assurance services, such as when a firm resells a third-party system to an audit client and there are no other obligations of the professional accountant. These types of arrangements are becoming increasingly prevalent, however the proposed provisions do not address them.

Therefore, we recommend the IESBA should consider including additional guidance to explain the independence requirements for these types of business relationships with audit clients.

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)?

GTIL supports the proposed revisions to subsection 606, including 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.

However, we have concerns that the proposed revisions may be too broad and fail to recognize that nearly all information is now hosted in the cloud, and it is important to distinguish the nature of the data and the hosting service provided. For example, is the intent to include portals to transfer client data to support deliverables as required under professional standards where the client is responsible for downloading any deliverables or other records upon completion of the service?

We would encourage the IESBA to take this point into consideration.

(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?

GTIL does not support the withdrawal of the presumption in the extant subparagraph 606.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 services that might create a self-review threat in proposed paragraph 606.4 A3.

If a firm implements a third-party accounting or financial information reporting software and makes insignificant modifications, and the services do not involve designing, developing, significant customizations to the system, we wouldn't view the services as creating a self-review threat because the services would not be evaluated or relied on as part of the audit.

Therefore, we would ask IESBA to reconsider their position on this matter.

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

GTIL supports the other examples in proposed paragraph 606.4 A3 that might create a self-review threat and would therefore be prohibited from being provided to Public Interest Entity audit clients under paragraph R606.6.

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

GTIL supports the proposed changes to Part 4B of the Code.

GTIL would like to thank the IESBA for this opportunity to comment. As always, we welcome an opportunity to meet with representatives of the IESBA to discuss these matters further. If you have any questions, please contact Gina Maldonado-Rodek, Director - Global Independence at gina.maldonado-rodek@gti.gt.com

Sincerely,

A handwritten signature in cursive script that reads "Kim Gibson". The signature is written in black ink and is positioned to the left of a vertical line.

Kim Gibson

GTIL Global head – Risk Management and Independence

cc: Gina Maldonado-Rodek