



## Feedback by the Malta Institute of Accountants on the Exposure Draft Proposed Technology-related Revisions to the Code

The Malta Institute of Accountants (MIA) would like to submit its comments to the Exposure Draft, *Proposed Technology-related Revisions to the Code*, developed and approved by the International Ethics Standards Board for Accountants (IESBA) (hereinafter referred to as the Draft Exposure Draft).

### Request for Specific Comments on page 22 of the Draft Exposure Draft

Through paragraph 63, the IESBA is seeking specific comments on the matters set out below:

#### *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?

MIA supports the proposals; considerations are generic and self-explanatory.

#### *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?

MIA needs clarity as to the:

- extent of what is covered by “technology”, for example, is it something as straight forward as Microsoft Excel? As this is included in the sections related to experts, is this expected to cover only areas where an expert would need to be referred to?
- Expected level of documentation around the factors to be considered;
- 4<sup>th</sup> and 5<sup>th</sup> bullets of paragraph 220.7 A2 – the extent to which this is tested (controls testing); and
- Extent of evaluation of reputation of the developer.

#### *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?

Yes, MIA supports this.



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?

No.

*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?

Yes.

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?

Yes.

*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?”

Yes.

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)?

Yes.

*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.

Yes.

- (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.

No comments.



- (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).

MIA needs clarity as to the extent of what technology covers in 600.6. Does this go as far as, for example, including Microsoft Excel?

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)?

Yes.

- (b) The withdrawal of the presumption in extant subparagraph 606.4 A2(c)<sup>1</sup> 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>2</sup> in proposed paragraph 606.4 A3?

Yes.

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

Yes.

Part 1: SECTION 110 – THE FUNDAMENTAL PRINCIPLES: SUBSECTION 113 – PROFESSIONAL COMPETENCE AND DUE CARE paragraph 113.1 A1 on page 25 of the Draft Exposure Draft

Why has "undertaking professional activities" been removed?

We thank you for the opportunity to provide you with our feedback. Please contact us should you require any clarification.

Ms Maria Cauchi Delia  
CEO, MIA  
20 June 2022

<sup>1</sup> Extant subparagraph 606.4 A2(c) states that "Providing the following IT systems services to an audit client does not usually create a threat as long as individuals within the firm or network firm do not assume a management responsibility: ... Implementing "off-the-shelf" accounting or financial information reporting software that was not developed by the firm or network firm, if the customization required to meet the client's needs is not significant."

<sup>2</sup> This means that in the case of non-PIE audit clients, firms will need to apply the conceptual framework to address the threat. For PIE audit clients, the provision of such a service will be prohibited.

