Society of Certified Accountants and Auditors of Kosovo - SCAAK

Ms. Gabriela Figueiredo Dias
Chair
International Ethics Standards Board for Accountants
529 5th Avenue
New York, New York 10017
United States of America

Ardiana Bunjaku
Executive Director

Sylejman Vokshi 50
10000 Prishtina, Kosovo
T   +383 38 249 043
ardiana.bunjaku@scaak.org

Submitted electronically

Prishtina, 22 June 2022

Dear Gabriela,

Response to the *International Ethics Standards Board for Accountants (IESBA) Exposure Draft: IESBA Exposure Draft: Proposed Technology-related Revisions to the Code*

SCAAK appreciates the opportunity to provide our comments to the *IESBA Exposure Draft: Proposed Technology-related Revisions to the Code*https://www.ifac.org/publications-resources/discussion-paper-audits-less-complex-entities. Our response has been prepared with input from our Education and Professional Standards Committee and in collaboration with the European Federation of Accountants and Auditors for SMEs ("EFAA").

The Society of Certified Accountants and Auditors of Kosovo (SCAAK) represents accountants and auditors providing professional services in Kosovo. Constituents are mainly small practitioners ("SMPs"), including a significant number of sole practitioners. SCAAK's members provide a range of professional services (e.g., audit, accounting, bookkeeping, tax, and business advice) to SMEs.

GENERAL COMMENTS

SCAAK is concerned to ensure that professional standards and regulation is proportionate to the capacities of small- and medium-sized accountancy practices (SMPs) and their small- and medium-sized entity (SMEs) clients and tailored to the needs and characteristics of SMPs and SMEs. This project is integral to the scalability of the *International Code of Ethics for Professional Accountants* (the Code) as well as maintaining its relevance in the face of technological change.

SCAAK is concerned that SMPs, as with all such public consultations, may be least likely to respond to these proposals for various reasons ranging from lack of awareness as well as time and resources. Therefore, SCAAK encourages targeted outreach to the SMP community perhaps via a focus group of SMPs, such as the IFAC SMP Advisory Group, or a short survey.

We are generally supportive of these technology-related enhancements to the Code and believe they provide some additional guidance as technologies continue to evolve at an exponential rate and significantly change the way professional accountants (PAs) work.

We do, however, have some concerns. We believe SMPs will find it especially challenging to determine the suitability of specific technologies. We also have some concerns on how this might apply to IT teams with PAs working in business (PAIB) as well as sole practitioners.

QUESTIONS IN ED

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?*

   We generally support the proposals.

   While technology has always been present – since the days of the Abacus and before - but the pace of technological change seems to be exponential. The proposals, therefore, need to stand the test of time and anticipate changes impossible to predict. We believe they meet this test.

   We wonder, however, whether these proposals also apply to IT teams with PAs working in business (PAIB). If they do, then we have some doubts as to whether PAIB will be able to implement them.

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?*

   We generally support the proposed revisions.

   We believe, however, that given the limited technical resources and know how available to SMPs the proposed revised wording of R320.10, which requires PAs to determine whether a particular technology is appropriate for the intended purpose, will prove especially challenging. SMPs, unlike larger practices, will likely not have staff equipped to make this assessment.

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?*

   We generally support the proposed application material.

   We are concerned, however, that the new material may introduce additional documentation requirements.

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?*

   We are not aware of any other considerations that may impact the proposed revisions.

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?*

We generally support the proposed revisions.

While we welcome the addition of interpersonal, communication and organizational skills we note that such skills have always been essential, and going forward may prove even more important, but they are not necessarily technology related. Furthermore, it ought to be recognized that PAs are not expected to be equally proficient in both sets of skills.

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?*

We agree with not including any additional new application material.

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?"*

We support the proposed revisions and Glossary definition of "confidential information".

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)?*

We agree that "privacy" should not explicitly be included as a requirement.

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.

(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.

(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).

We generally support the proposed revisions.

We wonder, however, whether 600.6 is best included in the opening paragraph 600.1 or just after.

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)?

(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 threat19 in proposed paragraph 606.4 A3?

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

We generally support the proposed revisions.

We suggest, however, that the Board consider elevating 606.3 A2 to a requirement, albeit a negative one.

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

We support the proposed changes to Part 4B of the Code.

We wonder, however, whether 950.5 is best included in the opening paragraph 950.1 or just after.

CONCLUDING COMMENTS

We trust that the above is clear, but should you have any questions on our comments, please do not hesitate to contact us.

Yours faithfully,

Ardiana Bunjaku

Executive Director