

IESBA's Exposure Drafts on Engagement Team and Group Audits and Technology

APESB Roundtable

9 May 2022



Accounting Professional & Ethical Standards Board

Welcome

Nancy Milne OAM
Chairman



Accounting Professional & Ethical Standards Board

APESB Roundtable - Agenda

2.00 PM	Welcome
2.05 PM	<i>IESBA's Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits</i> ED
2.40 PM	Roundtable discussions - Engagement Team/Group Audits
3.05 PM	Feedback Session - Engagement Team/Group Audits
3.25 PM	Break
3.35 PM	<i>IESBA's Proposed Technology-related Revisions to the Code</i> ED
4.05 PM	Roundtable discussions - Technology
4.30 PM	Feedback Session - Technology
4.50 PM	Way forward and closing remarks

Engagement Team – Group Audits

APESB Roundtable, 9 May 2022

Caroline Lee, Task Force Chair

Agenda

**Proposed Terms and
Definitions**

**Independence
Considerations in a
Group Audit**

**Other Matters -
Proposed Conforming
Amendments and
Effective Date**





Proposed Terms and Definitions



Proposed Definition: Engagement Team

Defined Term	Extant Code	Proposed Definition aligns with ISQM1 (Marked-up against Extant Code)
Engagement team (Applicable to all assurance engagements)	<p>All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform assurance procedures on the engagement. This excludes external experts engaged by the firm or by a network firm.</p> <p>The term “engagement team” also excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013), <i>Using the Work of Internal Auditors</i>.</p>	<p>All partners and staff performing the engagement, and any <u>other</u> individuals engaged by the firm or a network firm who perform assurance procedures on the engagement, <u>excluding external experts and internal auditors who provide direct assistance on the engagement.</u> This excludes external experts engaged by the firm or by a network firm.</p> <p>The term “engagement team” also excludes individuals within the client’s internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013), <i>Using the Work of Internal Auditors</i>.</p> <p><u>In Part 4A, the term “engagement team” refers to individuals performing audit or review procedures on the audit or review engagement, respectively. This term is further described in paragraph 400.A.</u></p> <p><u>ISA 220 (Revised) provides further guidance on the definition of engagement team in the context of an audit of financial statements.</u></p> <p><u>ISA 620 deals with the auditor’s responsibilities relating to the work of an individual or organization in a field of expertise other than accounting or auditing, when that work is used to assist the auditor in obtaining sufficient appropriate audit evidence.</u></p> <p><u>ISA 610 (Revised 2013) deals with the auditor’s responsibilities if using the work of internal auditors, including using internal auditors to provide direct assistance on the audit engagement.</u></p> <p><u>In Part 4B, the term “engagement team” refers to individuals performing assurance procedures on the assurance engagement.</u></p>

Proposed Definitions: Audit Team, Review Team and Assurance Team

Audit Team

- (a) All members of the engagement team for the audit engagement;
- (b) All others within , or engaged by, a the firm who can directly influence the outcome of the audit engagement, including:
 - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent);
 - (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and
 - (iii) Those who ~~provide perform an engagement~~ quality ~~control for the engagement, including those who perform the review, or a review consistent with the objective of an~~ engagement quality ~~control~~ review, for the engagement; and
- (c) All those within a network firm who can directly influence the outcome of the audit engagement.

In Part 4A, the term "audit team" applies equally to "review team."

Section 400 – New guidance on ET and AT

Proposed guidance on Engagement Team (ET) and Audit Team (AT):

- New application material in Section 400 to clarify which individuals are now considered part of ET and AT

Engagement Team and Audit Team

400.A An engagement team includes all partners and staff in the firm who perform audit procedures on the engagement, and any other individuals who perform such procedures who are from:

- (a) A network firm; or
- (b) A firm that is not a network firm, or another service provider.

For example, an individual from a component auditor firm who performs audit work on the financial information of a component for purposes of a group audit is a member of the engagement team for the group audit.

400.B In ISQM 1, a service provider includes an individual or organization external to the firm that provides a resource that is used in the performance of engagements. Service providers exclude the firm, a network firm or other structures or organizations in the network.

Section 400 – New guidance on ET and AT

Proposed guidance on Engagement Team (ET) and Audit Team (AT):

- Clarifies which types of experts are included in ET and AT, and where EQR is included

400.C An audit engagement might involve experts from the firm or a network firm, external experts or, in the case of a group audit, experts from a component auditor firm outside the group auditor firm's network, who assist in the engagement. Depending on the role of the individuals, they might be engagement team or audit team members. For example:

- Individuals with expertise in a specialized area of accounting or auditing who perform audit procedures are engagement team members. These include, for example, individuals with expertise in accounting for income taxes or in auditing client information using automated tools and techniques.
- Individuals within or engaged by the firm who have direct influence over the outcome of the audit engagement through consultation regarding technical or industry-specific issues, transactions or events for the engagement are audit team members but not engagement team members.
- Individuals who are external experts in fields other than accounting or auditing are neither engagement team nor audit team members.

400.D If the audit engagement is subject to an engagement quality review, the engagement quality reviewer and any other individuals performing the engagement quality review are audit team members but not engagement team members.

Glossary – Proposed New Definitions

Group	A reporting entity for which group financial statements are prepared
Group financial statements	Financial statements that include the financial information of more than one entity or business unit through a consolidation process
Group audit	An audit of group financial statements
Group audit client	The entity on whose group financial statements the group auditor firm conducts an audit engagement. The group audit client includes its related entities as specified in paragraph R400.20 and any other components that are subject to audit work
Group auditor firm	The firm that expresses the opinion on the group financial statements
Group engagement partner	The engagement partner who is responsible for the group audit

Glossary – Proposed New Definitions

Component

An entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for purposes of planning and performing audit procedures in a group audit

Component audit client

When a component is:

- (a) A legal entity, the entity and any related entities over which the entity has direct or indirect control; or
- (b) A business unit, function or business activity (or some combination thereof), the legal entity or entities to which the business unit belongs or in which the function or business activity is being performed.

Component auditor firm

The firm performing audit work related to a component for purposes of the group audit

Glossary – Proposed New Definitions

- Audit team for the group audit
- (a) The engagement team for the group audit, including individuals from component auditor firms who perform audit work related to components for purposes of the group audit;
 - (b) All others within, or engaged by, the group auditor firm who can directly influence the outcome of the group audit, including:
 - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the group engagement partner in connection with the performance of the group audit, including those at all successively senior levels above the group engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent);
 - (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the group audit; and
 - (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the group audit;
 - (c) All those within a network firm of the group auditor firm's network who can directly influence the outcome of the group audit; and
 - (d) Any individual within a component auditor firm outside the group auditor firm's network who can directly influence the outcome of the group audit.



Independence - Group Audits



Group Audits – Overview

Proposed Section 405

**Independence
requirements for
individuals**

**Independence
requirements for firms**

- Group auditor firm and its network
- Component auditor firms outside the network

**Changes in
component
auditor firms**

**Breach of
independence at
a component
auditor firm**

Key Principles: Independence for Individuals (R405.3)

- **ALL members of the audit team for the group audit are subject to the same independence requirements**
- **Independence is required with respect to the group audit client**

Group audit client:

The entity on whose group financial statements the group auditor firm conducts an audit engagement. The group audit client includes its related entities as specified in paragraph R400.20 and any other components that are subject to audit work

Key Principles: Independence for GA Firm and Network Firms (R405.4 -5)

Which Firm	Independence Requirements
Group Auditor Firm and Network Firms of Group Auditor Firm	<ul style="list-style-type: none">• Independence required of the group audit client• Includes the related entities of the group audit client and any other components scoped in under ISA 600 (Revised)

➤ Position reflects principles already applicable to firms and network firms in extant Code

Key Principles: Independence for Non-network CA Firms (R405.6 - 10)

Which Firm	Independence Requirements
Component Auditor Firms (CAFs) outside a Group Auditor Firm's Network	<ul style="list-style-type: none"> Independence required of the component audit client (as defined) in accordance with the relevant ethical requirements <ul style="list-style-type: none"> * If Group audit client is PIE, follow PIE requirements CAF to hold no direct or material indirect financial interests in the entity on whose group financial statements the group auditor expresses an opinion Section 511 requirements with respect to loans and guarantees involving the entity on whose group financial statements the group auditor expresses an opinion Apply conceptual framework with respect to all other related entities of the group audit client (if CA firm knows or has reason to believe a relationship or circumstance involving the CA firm is relevant to independence) Apply conceptual framework if CA firm knows, or has reason to believe, that threats to its independence are created by a relationship or circumstance of a firm within its network with the component audit client or group audit client

Key Principles: Independence for Non-network CA Firms

Group Audit Client – PIE (405.11 A1 – 12 A1 & A2)

- Guidance on implications of applying PIE standard
 - Determination of key audit partners (KAPs)
 - New guidance on EPs who perform audit work on a component audit client for the purposes of group audit who are determined KAPs for the group audit by the GEP
 - Application of revised non-assurance services (NAS) provisions
 - New guidance on independence requirements for NAS provided by a non-network CA firm to the component audit client are those applicable for PIEs even if the component audit client is a non-PIE

Network CA Firms vs Non-network CA Firms

The extant Code largely treats a firm and its network firms as one for independence purposes

- Rationale for limited scope of independence requirements for CA firms outside GA firm's network
 - Recognizes that CA firm's work is focused on component audit client and is subject to review by GA firm
 - A proportionate approach that avoids unintended consequence of potentially limiting supply of CA firms for audits of components for group audit purposes

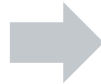
Changes in Non-network CA Firms

- Proposed application material in 405.13 A1 and 405.13 A2
 - circumstances in which the GAF requests another firm to perform audit work during or after the period covered by the group financial statements
 - A threat to the component auditor firm's independence might be created by:
 - Financial or business relationships of the component auditor firm with the CAF during or after the period covered by the group financial statements but before the component auditor firm agrees to perform the audit work; or
 - Previous services provided to the component audit client by the component auditor firm.
- Application material per paragraphs 400.31 A1-A3

Breach of Section 405 Identified at Non-network CA Firm

COMPONENT AUDITOR FIRM

- End, suspend or eliminate the breach and address the consequences;
- Evaluate the significance and impact on objectivity;
- Determine any other actions to be taken; and
- Communicate to the group engagement partner.



GROUP ENGAGEMENT PARTNER

- Review the CAF's assessment and any proposed actions;
- Evaluate the impact on the CAF's objectivity and the ability to use the CAF's work for the group audit; and
- Determine any further action to be taken.



TCWG

Group auditor firm discusses:

- the significance of the breach; and
- whether actions proposed or taken would enable the group auditor firm to use the work of the component auditor firm.

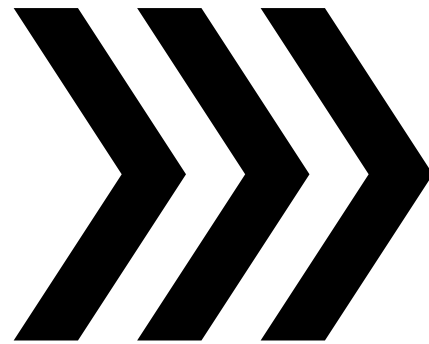
Group auditor firm cannot use the work of the component auditor firm unless TCWG concur.



Other Matters



Proposed Consequential and Conforming Amendments



Chapters 2 -6 of the Exposure Draft

set out proposed consequential and conforming amendments, including to align with:

- ISA 600 (Revised)
- Revised NAS provisions
- Proposed revised engagement team definition
- IAASB's recently finalized suite of quality management standards

The background of the slide is a grayscale image of a spiral-bound calendar. A red pen is positioned vertically on the right side of the calendar. The calendar shows days of the week (M, T, W, T, F, S) and dates (1, 2, 3, 6, 8, 10, 12, 13, 14, 15, 17, 19, 20, 21, 22, 24, 25, 26, 27, 28, 29, 30, 31).

Effective Date

To align the effective date of the Engagement Team – Group Audits provisions to the effective date of ISA 600 (Revised), i.e., for audits of financial statements for periods beginning on or after December 15, 2023



www.ethicsboard.org



[@Ethics Board](https://twitter.com/Ethics_Board)



[@IESBA](https://www.linkedin.com/company/iesba)

 **YouTube** [@IESBA](https://www.youtube.com/iesba)

Roundtable Discussions Engagement Team & Group Audits



Matters for discussion – Group 1

Definition of Engagement Team, Audit Team, Review Team and Assurance Team

1. In relation to the proposed amended definition of Engagement Team:
 - a) Do you agree with the amendments?
 - b) In practice, will more individuals be considered part of the engagement team or will it stay the same. If more individuals are captured, who are they and is it appropriate that the engagement team independence requirements apply to them?
 - c) Do the references to ISA 620 and ISA 610 (Revised 2013) in the explanation for this definition assist in determining individuals that are within the engagement team?
 - d) Does the proposed guidance on the composition of Engagement Team and Audit Team in paragraphs 400.A to 400.D assist in determining which individuals are captured within the terms 'Engagement Team' and 'Audit Team'?
2. If services other than assurance (such as valuation, corporate finance or forensic services) use the term 'engagement team' to determine the application of applicable professional and ethical standards, would the proposed revised definition still be appropriate? What issues could arise if it is not appropriate and the generic (and undefined) term of 'team' is applied?
3. The proposed changes to the definitions of 'audit team,' 'review team' and 'assurance team' are designed to ensure an Engagement Quality Reviewer (EQR) is subject to the same Independence requirements, even if they are sourced from outside a firm and its network. Do the proposed changes appropriately capture all EQRs? Are there any practical concerns that could arise from the revision of these definitions?

Matters for discussion – Group 2

Independence considerations for Group PIE Audits

4. The ED proposes that component auditors (both inside and outside the firm's network) for a Group PIE audit client need to comply with the independence requirements applicable for PIEs for the component audit engagement.
 - a) Do you agree with this proposal, including the proposed specific provisions relating to financial interest in the group audit client, and loans and guarantees?
 - b) Do you have any concerns about practical challenges in implementing this proposal?
 - c) Do you have any concerns about how this may be enforced by regulators and professional bodies in practice?
5. In relation to the proposed application material on the provision of non-assurance services to a component audit client in proposed paragraphs 405.12 A1 – 405.12 A2:
 - a) Is it sufficiently clear and are the two examples provided useful in understanding the impact of the proposals?
 - b) Is it appropriate that the public interest prohibitions apply?
 - c) Is this change likely to impact the commercial viability of taking on a component audit engagement?

Matters for discussion – Group 3

6. The new proposed Section 405 *Group Audits* sets out specific requirements for compliance with the Code to establish the Independence requirements applicable to group audits in relation to auditing standards. Does this proposed section also need to highlight that local laws and regulations on Independence should also be considered?

Breaches of Independence by Component Auditor Firm

7. Do you agree with the proposals in Section 405 to address a breach of independence by a component audit firm?
8. Will the proposals for breach reporting cause any practical issues or concerns with requirements under Australian laws and regulations, such as the Independence Declaration or reporting breaches of the Code to ASIC?

Roundtable Feedback Engagement Team & Group Audits



Break

IESBA Proposed Technology-related Revisions to the Code

Channa Wijesinghe FCPA, FCA
Chief Executive Officer &
IESBA Member

Jon Reid CA
Senior Technical Manager



Accounting Professional & Ethical Standards Board

Agenda

- Background to IESBA's Technology Proposals
- Key proposed revisions in the Technology ED:
 - Fundamental Principles – PC & DC and Confidentiality
 - Conceptual Framework – Complex Circumstances & Ethical Leadership
 - Reliance on Technology
 - Independence Standards – Technology related services and business relationships
 - Part 4B and ESG disclosures
- Focus Questions & Feedback Session

Background to IESBA's Technology Proposals



Rationale and Basis for Technology Revisions

Need to address the transformative effects of Technology and the Digital Age.

Proposed Technology-related Revisions to the IESBA Code informed by:

- IESBA's Technology Working Group's [Phase 1 Report](#).
- [Role and Mindset](#) and [Non-Assurance Services](#) projects/Code revisions.
- IESBA's two global [Technology Surveys](#) on:
 - Technology and complexity in the professional environment.
 - The impact of technology on auditor independence.
- Stakeholder outreach.

Role and Mindset – Technology Related Changes

Role and Mindset Revisions effective 1 January 2022 included:

- Maintaining professional competence includes continuing awareness and understanding of technology-related developments (113.1 A2).
- Professional or business judgement can be compromised by undue influence of, or undue reliance on, individuals, organisations, technology or other factors (110.1 A1, R112.1, 120.16 A2 & R220.4).
- Conscious or unconscious bias affects the exercise of professional judgement when applying the conceptual framework (120.12 A1) including:
 - ‘automation bias’ – favouring outputs from automated systems even with contradictory human reasoning or information (120.12 A2).

Non-Assurance Services – Technology Related Changes

IESBA revisions to the [Non-Assurance Service Provisions of the Code](#), effective 15 December 2022:

- Explain ‘routine or mechanical’ accounting/bookkeeping services involve information, data or material on which the client has made necessary judgements or decisions (601.5 A1).
- Prohibit IT system services to PIE audit clients that might create a self-review threat (R606.6) including designing or implementing IT systems that (606.6 A1):
 - Form part of internal controls over financial reporting; or
 - Generate information for accounting records or financial statements.

IESBA's Proposed Technology-related Revisions

Exposure Draft approved at December 2021 Board Meeting:

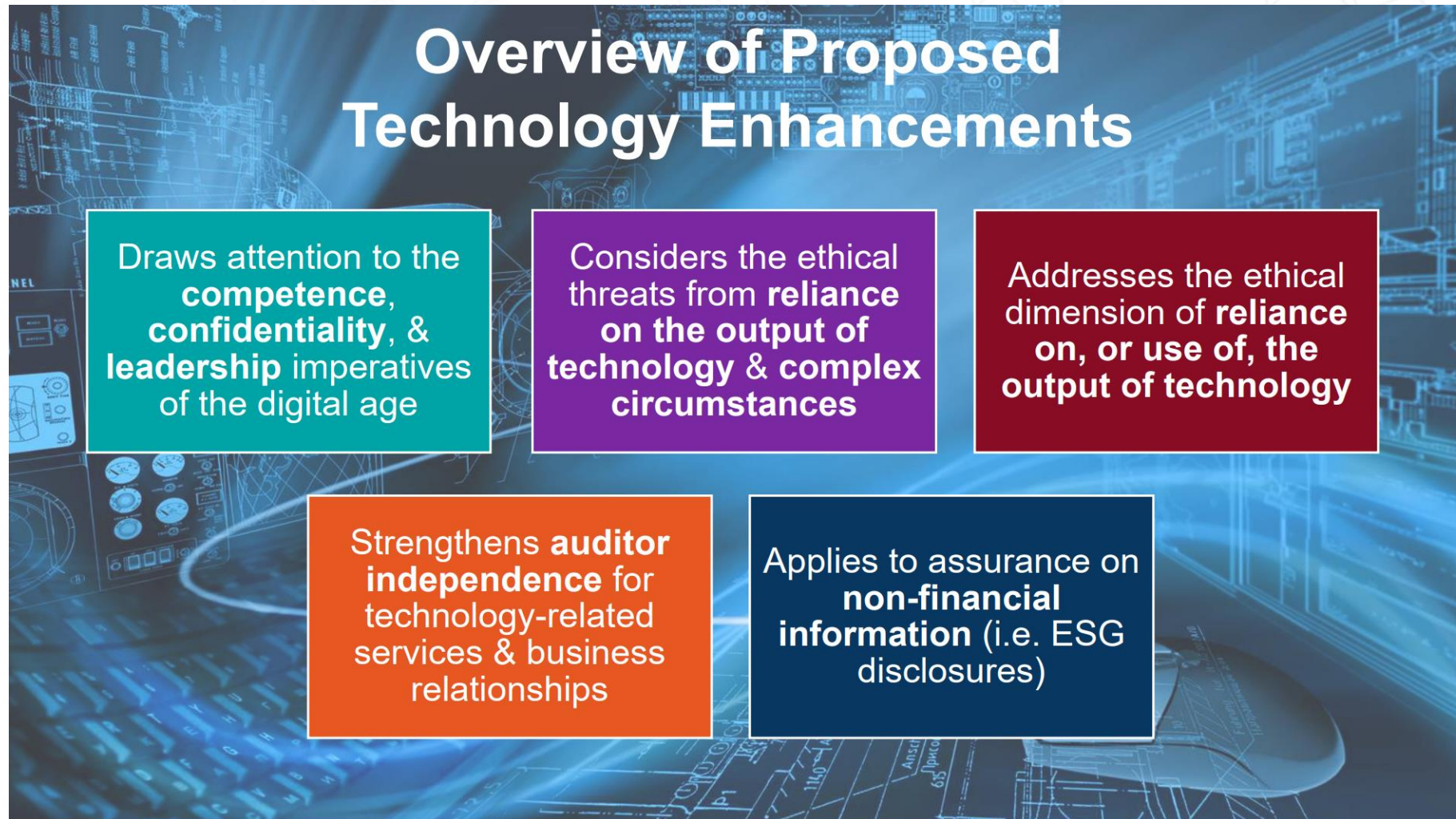
- To ensure the Code remains relevant and fit for purpose and guides accountants mindset and behaviour.
- Builds on the extant Code's strong overarching requirements and retains principles-based approach.
- Submissions due **20 June 2022**.

IESBA's Technology Working Group is undertaking other fact finding and guidance development.



Key Proposed Revisions in the Technology ED

Overview of Proposals – IESBA Extract



Fundamental Principles

Professional Competence and Due Care

- Professional competence also requires the application of interpersonal, communication and organisational skills (113.1 A1).
- When making users aware of limitations in services/activities – provide sufficient information to understand the implications of those limitations (R113.3).

Confidentiality

- Maintaining confidentiality of information – secure over the data governance lifecycle collection, use, transfer, storage, dissemination and lawful destruction (new 114.1 A1).
- Proposed broad definition of ‘confidential information’:

Any information, data or other material in whatever form or medium (including written, electronic, visual or oral) that is not in the public domain.

Conceptual Framework

Complex Circumstances (new 120.13 A1-A3)

- Increase challenges in applying the conceptual framework.
- Involve elements that are uncertain, multiple variables and assumptions, which are interconnected or interdependent – might also be rapidly changing.
- Managing evolving interaction helps to mitigate these challenges including:
 - Consulting with others to ensure appropriate challenge/evaluation.
 - Using technology to analyse relevant data.
 - Making stakeholders aware of inherent uncertainties/difficulties.
 - Monitoring any developments or changes.

Ethical Leadership (amendment to 120.14 A3 under 'Organisational Culture')

- Accountants to demonstrate ethical behaviour in professional/business relationships

Relying on Technology Outputs – Applying the CF

Considerations relevant when identifying threats to the fundamental principles when relying on technology outputs (MIB 200.6 A2 & MIPP 300.6 A2) include whether:

- Information on how technology functions is available.
- Technology appropriate for the purpose.
- Accountant has professional competence to understand, use and explain outputs.
- Technology incorporates accountant's expertise or judgement.
- Technology designed or developed by accountant – self-interest/self-review threat.

Relying on Technology Outputs

Subsections on 'Relying on the Work of Others' expanded to include technology outputs:

- Section 220 *Preparation and Presentation of Information*
 - Member in Business intends to rely on technology output (whether developed internally or by third party) must exercise professional judgement to determine steps to meet responsibilities in R220.4 (R220.7).
- Section 320 *Professional Appointments*
 - Member in Public Practice intends to use the work of an expert or technology outputs must determine whether it is appropriate for the intended purpose (R320.10).

Is Reliance on Technology Reasonable or Appropriate

Factors to consider on whether reliance on technology outputs is reasonable (MIB 220.7 A2) or appropriate (MIPP 320.10 A2):

- Nature of activity performed by technology.
- Expected use or reliance on outputs.
- Accountant's ability to understand outputs.
- Whether technology is established and effective.
- Whether new technology has been appropriately tested and evaluated.
- Reputation of technology developer (if acquired or developed externally).
- Oversight of design, development, implementation, operation, maintenance, monitoring or updating.
- Appropriateness of inputs – data and related decisions.

Whether MIB's position/role impacts access to the above information (new 220.7 A3).

Independence Standards

Prohibition on Assuming Management Responsibilities:

- Applies when using technology (new 400.16 A1).

Business Relationships - ‘Providing, Selling, Reselling or Licensing Technology’:

- If the firm does any of these to an audit client then Section 600 applies (520.7 A1).

Section 600 Provision of Non-Assurance Services to an Audit Client

- Applies where technology is used to provide NAS or the firm provides, sells, resells or licenses technology to an audit client (new 600.6).
- Client’s dependency on NAS, including frequency provided, added as a factor relevant in identifying and evaluating threats created by NAS (600.9 A2).

Independence Standards – Business Relationships

Clarifies Technology-related Business Relationships that are close (520.03 A2):

- Firm sells, resells, distributes or markets client's products or services or client sells, resells, distributes or markets the firm's products or services.
- Firm develops products/solutions jointly with the client and one or both parties sell or license to third parties.

Independence Standards – Accounting/Bookkeeping

Accounting and Bookkeeping Services (Subsection 601)

- Can be manual or automated – factors to consider whether automated services are ‘routine or mechanical’ include (new 601.5 A2):
 - how the technology functions; and
 - whether the technology is based on the firm’s expertise or judgement.
- Examples of ‘routine or mechanical’ services can be manual or automated (601.5 A3).

Independence Standards – IT Services

Subsection 606 Information Technology System Services

- Description of IT Systems Services broadened to include (new 606.2 A1):
 - Designing or developing hardware or software.
 - Implementing IT systems (installation, configuration, interfacing or customisation).
 - Operating, maintaining, monitoring, or updating.
 - Collecting or storing data or managing (directly or indirectly) hosting data.
- Requirement on matters to be satisfied of avoid assuming management responsibility amended (R606.3).

Independence Standards – IT Services Cont.

Subsection 606 Information Technology System Services

- Specific examples included of IT system services that result in the assumption of management responsibility (new 606.3 A1):
 - Hosting (directly or indirectly) audit client's data.
 - Operating an audit client's network security, business continuity or disaster recovery.
- Collection, receipt and retention of data to enable a permissible service does not assume management responsibility (new 606.3 A2).
- Presumption that certain services not usually create a threat, including implementing 'off the shelf' accounting software, has been removed (606.4 A2 deleted).

Independence Standards – IT Services Cont.

Subsection 606 Information Technology System Services

- Examples added of IT systems services that might create a self-review threat when part of or affect accounting records or financial internal controls (new 606.4 A3);
 - Designing, developing, implementing, operating, maintaining, monitoring or updating IT systems.
 - Supporting IT systems including network and software applications.
 - Implementing accounting or financial reporting software whether or not developed by the firm.

Above are prohibited for PIE audit clients as might create a self-review threat (R606.6).

Part 4B and ESG Disclosures

Part 4B – Independence for Assurance Engagements Other than Audit and Review Engagements

- Section 900 applies to assurance on non-financial information, for example, environmental, social and governance disclosures (900.1).
- Other amendments to maintain alignment to and replicate changes to Part 4A:
 - Activities resulting in assumption of management responsibility (900.13 A4-A5)
 - Prohibition on management responsibility applies (900.14 A1)
 - Technology-related arrangements that are close business relationships (920.3 A2)
 - If provide, sell, resell or license technology Section 950 applies (920.6 A1 & 950.5)
 - NAS provisions apply when technology used and dependency (950.5 & 950.7 A2)
 - Certain IT Systems Services might create a self-review threat (950.10 A1)

Roundtable Discussions Technology



Group 1 – FPs and the CF

Question 1 – Professional Competence & Due Care

- Do you consider that the proposed revisions to paragraph 113.1 A1 adequately capture the skills needed by accountants in the digital age?
- Should this include additional skills?
- Should reference to IFAC's International Education Standards be included in the IESBA Code (e.g. para 113.1 AX considered see para 29 of the EM)?

Standards of professional competence, such as those in the International Education Standards, are implemented through the professional competency requirements of individual jurisdictions.

Group 1 – FP and the CF

Question 2 – Confidentiality

- Do you agree with proposed para 114.1 A1 on securing information throughout the data governance cycle?
- Do you agree with the proposed definition ‘confidential information’?
- Do you agree ‘privacy’ should not be explicitly included in the definition of ‘confidential information’ as it is addressed by national laws and regulations?

Question 3 – Conceptual Framework

- Do you support the proposed material on ‘complex circumstances’ (120.13 A1-A3)?
- Would another mitigating action be to document the multiple variables and assumptions and how they are interconnected or interdependent?
- Is it clear what level of professional competence is required relating to technology?

Group 2 – Reliance on Technology

Question 4 – Do you support the considerations for identifying threats to fundamental principles when relying on technology outputs (200.6 A2 & 300.6 A2)?

- Are there other considerations that are missing?
- Is the meaning of '*whether the technology incorporates expertise or judgements of the accountant/employing organisation/firm*' clear?

Question 5 – Do you agree with the factors to consider whether reliance on technology outputs is reasonable or appropriate (220.7 A2 & 320.10 A2)?

- Are there other factors that should be included?
- What does it mean to 'understand the output'? What level of competence is required – i.e. would the accountant need to understand how the output was derived?

Group 2 – Business Relationships

Question 6 – Do you agree with the changes to examples of close business relationships (520.3 A2):

- To add ‘sells’ and ‘resells’.
- New example where the firm and the client develop jointly products or solutions that one party sells or licenses.
- Should other examples be included (paras 40-42 of the Explanatory Memorandum)?
 - Firms licensing software to audit clients who then use it in delivery of services to their clients.
 - Firms licensing software from an audit client and directly using it in the delivery of services to the Firms’ clients.
 - Are the above already covered by the second dot point of 520.3 A2?

Group 3 – IT Systems Services

Question 7 – IT Systems Services

- Do you support the broad description of such services (para 606.2 A1)? Intent is to capture all possible IT systems services that could be provided to an audit client.
- Do you agree that the following services assume management responsibility:
 - Hosting (directly or indirectly) an audit client's data.
 - Operating an audit client's network security, business continuity or disaster recovery.
- Do you agree with the examples of services that might create a self-review threat in paragraph 606.4 A3 (and therefore prohibited for PIE audit clients)?
- Should the exemption for implementing 'off the shelf' accounting software be removed as proposed (606.4 A2 and now included in list of SRTs in 606.4 A3)?

Group 3 – Routine or Mechanical & Part 4B

Question 8 – Are the factors to consider whether automated services are ‘routine or mechanical’ clear (para 601.5 A2):

- how the technology functions.
- whether the technology is based on expertise or judgments of the firm.

Question 9 – Do you agree with, or have any concerns about, the proposed revisions to Part 4B?

Roundtable Feedback Technology



Closing remarks

Nancy Milne OAM
Chairman



Important dates – Engagement Team & Group Audits ED

Consultation process	Date
Online roundtable	9 May 2022
Local stakeholders' submissions to APESB	13 May 2022
Submissions due to the IESBA on the Engagement Team/Group Audits ED	31 May 2022

Important dates – Technology ED

Consultation process	Date
Online roundtable	9 May 2022
Local stakeholders' submissions to APESB	20 May 2022
Submissions due to the IESBA on the Engagement Team/Group Audits ED	20 June 2022

Further Information

For more information:

www.apesb.org.au

For timely updates, follow the APESB page:

[LinkedIn](#)

To download APESB's mobile app:



Purpose & Disclaimers

This set of PowerPoint slides has been developed by APESB Technical Staff and the IESBA Technical Staff on the exposure drafts relating to Technology and the definition of Engagement Team and Group Audits for the *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

These slides provide only an *overview* of the proposals in the exposure draft and do not purport to present all the detailed changes. The slides should be read in conjunction with the exposure draft. These slides do not form part of the Code, the text of which is authoritative.

APESB does not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.