

Agenda Item 19(b) – Summary of the IESBA TWG Draft Phase 2 Report Recommendations

The [TWG Draft Phase 2 Report](#) will be considered at the September 2022 IESBA meeting, and the report is expected to be finalised and published in Q4 2022. The Draft Report indicates that although the technological landscape is dynamic, the key themes remain consistent from the Phase 1 report (Feb 2020) and that generally, the IESBA Code remains relevant and fit for purpose. This is, even more the case once the IESBA Technology-related revisions to the Code are finalised.

The following summarises the key recommendations in the Draft Report:

- **Data Used for AI training** – revise Subsection 114 to clarify whether client/customer data can be used for internal purposes, such as training AI models.
- **Transparency and Explainable AI** – develop further guidance on the importance of transparency and explainability either in the Code or in NAM for PAs when using or relying on transformative technologies.
- **Data Governance, including Custody of Client Data** – revise the IESBA Code to address the implications of having custody of or holding client data, including considering the threats created when dealing with jurisdictional data privacy laws and ethical challenges of data governance and management (including cybersecurity).
- **Ethical Leadership and Decision-making** – develop NAM to emphasise the actions accountants might take when complying with the IESBA Code in technology-related scenarios.
- **Communication with Those Charged with Governance** –strengthen the concepts of transparency and accountability in Parts 2 and 3 of the IESBA Code.
- **Reliance on, or Use of, Experts** – develop NAM and/or revise the IESBA Code paragraphs 220.7 A1 and 320.10 A1 about the extent the expert behaves in alignment with the IESBA Code and the factors to consider in such an assessment.
- **Threshold for “Sufficient” Competence** – engage with other bodies to arrange educational activities to raise awareness of “sufficient” competence in the context of the IESBA Code and the International Education Standards (IESs).
- **Pressure on Professional Accountants** – revise the IESBA Code (e.g., Section 270) to include examples of pressures, such as time/resource constraints, competence gaps, the complexity of technology, laws/regulations, the pace of change and uncertainty, and consider revising the description of the Intimidation threat.
- **Business Relationships** – revise Section 520 *Business Relationships* of the IESBA Code more comprehensively in light of the increase in strategic and commercial relationships between firms/technology companies/clients.
- **Broader Implications on IESBA’s Work** – continue to advocate the importance and relevance of the IESBA Code and develop and/or contribute to NAM.