

Agenda Item 6(a) – Summary of proposed Technology-related Revisions to the IESBA Code

The main changes in the [Proposed Technology-related Revisions to the Code](#) released on **18 February 2022** are summarised below (including proposed paragraph references).

Part 1: Complying with the Code, Fundamental Principles and Conceptual Framework

- Further technology-related considerations for professional competence and due care, including highlighting the importance of interpersonal, communication and organisational skills (113.1 A1) and requiring that sufficient information to understand the implications of limitations in a service is provided to the client or employing organisation (R113.3).
- Further technology-related considerations in relation to confidentiality, such as securing information throughout the data governance cycle (114.1 A1), a proposed definition of 'Confidential Information' and refinements to modernise language (114.1 A3).
- Additional considerations when applying the conceptual framework:
 - Discussion of complex circumstances and why relevant to the conceptual framework, description of facts and circumstances involved when complex circumstances arise, and assistance in managing or mitigating impact (120.13 A1 to A3).
 - Demonstrating ethical behaviour in dealings with business organisations and individuals (120.14 A3).

Parts 2 and 3 – Professional Accountants in Business and Professional Accountants in Public Practice

- Application material to assist in identifying threats when using the output from technology (200.6 A2 and 300.6 A2), including whether:
 - information about how the technology functions is available;
 - the technology is appropriate for the purpose for which it is to be used;
 - the accountant has professional competence to understand, use and explain the output from the technology;
 - the technology incorporates expertise or judgments of the accountant or employing organisation; and
 - the technology was designed or developed by the accountant or employing organisation and might create a self-interest or self-review threat.
- Guidance when relying on, or using, the output of technology including a range of factors and other considerations (R220.7, 220.7 A2, 220.7 A3, R320.10, and 320.10 A2) including:
 - the accountant's ability to understand the output from the technology for the context in which it is to be used;
 - whether the technology is established and effective for the purpose intended;
 - whether new technology has been appropriately tested and evaluated for the purpose intended; and
 - the appropriateness of the inputs to the technology.
 - whether reliance on the work of others or on the output of technology is reasonable.

Parts 4A Independence for Audit and Review Engagements

- Improved clarity that when technology is used, the prohibition on assuming management responsibility applies (400.16 A).
- The nature of technology-related arrangements that create a close business relationship, including where (520.3 A2):
 - The firm sells, resells, distributes or markets a client's products or services, or the client sells, resells, distributes or markets the firm's products or services.
 - The firm develops jointly with a client products or solutions that one or both parties sell or license to third parties.
- Clarify that the NAS provisions apply where technology is used to provide the NAS or the firm/network firm provides, sells, resells or licenses technology to an audit client (600.6 and 520.7 A1).
- The client's dependency on the services, including its frequency, is relevant to identifying and evaluating threats from providing NAS (600.9 A2).
- Acknowledge that accounting and bookkeeping services can be either manual or automated. When determining if 'routine or mechanical' firms should consider how the technology functions and whether it is based on the firm's expertise or judgements (601.5 A2 and 601.5 A3).
- Provide a description of IT systems services that is broad in scope and goes beyond design and implementation (606.2 A1) and examples of IT systems that:
 - Result in the assumption of management responsibility (for example, services relating to hosting an audit client's data) (606.3 A1 to 606.3 A2).
 - Might create a self-review threat (for example, implementing accounting or financial information reporting software) (606.4 A3) which is prohibited if provided to a PIE audit client.
- Withdrawal of the presumption (extant para. 606.4 A2) that providing certain IT system services (for example, off-the-shelf software) does not usually create a threat if management responsibility is not assumed.

Parts 4B Independence for Assurance Engagements other than Audit and Review Engagements

- Clarifying that Part 4B applies to assurance engagements on an entity's non-financial information, for example, environmental, social and governance (ESG) disclosures (900.1).
- Amendments to preserve alignment between Parts 4A and 4B (900.14 A1, 920.3 A2, 920.6 A1, 950.5 and 950.7 A2 third bullet).
- Examples of a technology-related NAS that might create a self-review threat or involve the assumption of management responsibility in an assurance engagement (950.10 A1 and 900.13 A4 and A5).