

AGENDA PAPER

Item Number: 9
Date of Meeting: 24 August 2023
Subject: Proposed revisions to APES 110 for Technology

Action required **For discussion** **For noting** **For information**

Purpose

To:

- (a) Provide an update on the joint APESB-IESBA collaboration to release guidance on auditor independence and technology; and
- (b) seek the Board's approval, subject to the Board's feedback and review comments, to issue the Exposure Draft *Proposed Technology-related Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code).

Background

In March 2020, the International Ethics Standards Board for Accountants (IESBA) commenced a Technology project to review the Technology-related revisions in the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code) to ensure the International Code remained relevant and fit for purpose in response to the transformative effects of major trends and developments in technology on the work of the global accountancy profession.

The IESBA established a Technology Working Group (TWG) in March 2021 to focus on fact-finding and the development of technology-related non-authoritative material (NAM).

At the November 2021 Board Meeting (Agenda Item 10), APESB presented a draft joint APESB-IESBA publication on auditor independence and Technology.

In February 2022, the IESBA issued an Exposure Draft [Proposed Technology-related Revisions to the Code](#). The IESBA received fifty submissions from a wide range of stakeholders, including two Monitoring Group members, six regulators and audit oversight bodies, twenty-seven professional accountancy organisations, two national standard setters and other professional bodies and firms.

On 9 May 2022, APESB held a roundtable on the proposed Technology-related revisions to the International Code. The roundtable was attended by standard setters, regulators, professional accounting bodies and accounting firms, and the discussion was used to inform APESB's submission on the IESBA's Exposure Draft.

APESB's [submission](#) outlined its support for the IESBA's amendments to ensure the Code remains relevant and fit for purpose in response to the transformative effects of technology on the work of professional accountants. APESB encouraged the IESBA to provide additional guidance concerning the level of technological competence required by accountants and how technology creates complex circumstances.

In April 2023, the IESBA issued the final pronouncement [Technology-related Revisions to the Code](#). The pronouncement will be effective for audits and reviews of financial statements for periods beginning on or after 15 December 2023, with early adoption permitted. On May 2023, the IESBA released [corrections](#) to the numbering of paragraphs in the Technology final pronouncement to ensure alignment with the numbers used in their pronouncements on the definitions of Listed Entity and Public Interest Entity, and the definition of Engagement Team and Group Audits.

Matters for Consideration

Joint APESB-IESBA Non-Authoritative Material

During 2021, APESB Technical Staff collaborated with the IESBA Technology Working Group and IESBA Technical Staff to develop a draft non-authoritative publication to provide guidance on Auditor Independence and Technology.

On 13 July 2023, the APESB and the IESBA jointly released the practical guidance Applying the Code's Conceptual Framework to Independence: Practical Guidance for Auditors in Technology-related Scenarios (set out at Agenda Item 9(a)).

The publication aims to assist professional accountants in navigating the ethical challenges and opportunities created by technological advancements. It includes a description of important technology-related provisions in the International Code. It sets out the following three practical examples to demonstrate how to apply the independence requirements in the Code:

- Providing IT System Services to an Audit Client;
- Licensing of IT Software to assist with the application of an accounting standard' and
- Automated processes and "routine or Mechanical".

Proposed Exposure Draft

To maintain alignment with the International Code, Technical Staff propose to issue for exposure Technology-related revisions to the Code.

The proposed key amendments in the Exposure Draft are summarised below:

- Incorporating technology-related considerations into the fundamental principles of Professional Competence and Due Care and Confidentiality;
- New application material within Section 120 *The Conceptual Framework* on identifying and managing complex circumstances.

- New requirements for professional accountants to exercise professional judgment when considering the use of the output of technology (proposed paragraphs R220.8 and R320.11)
- New examples in Section 200 and Section 300 to assist in identifying and evaluating threats to the fundamental principles when professional accountants use technology;
- New guidance on factors and other considerations to consider when assessing the appropriateness of using the output of technology (proposed paragraphs 220.8 A1, 220.12 A4, 320.11 A1 and 320.12 A1).
- Provision of an extensive description of IT systems services, including design, development, implementation, operation, maintenance, monitoring, updating, upgrading, storing and managing of data (proposed paragraph 606.2 A1);
- Clarifying the prohibition and application material on assuming management responsibility when providing an IT systems service for an audit client (proposed paragraphs R606.3, 400.21 A1 900.13 A4, 900.13 A5 and 900.14 A1);
- new examples for IT systems services that might create a self-review threat (proposed paragraph 606.4 A3).
- New examples of close business relationships arising from licensing arrangements of products and solutions (proposed paragraphs 520.3 A3 and 920.3 A3);
- Clarification that the NAS provisions in Section 600 apply when firms or network firms provide, sell, resell or license technology to audit clients (proposed paragraphs 600.6 and 520.7 A1);
- Additional guidance included assisting in identifying and evaluating threats created by providing NAS to an audit client (proposed paragraph 600.10 A2);
- Clarifications to application material on manual or automated accounting and bookkeeping services (proposed paragraphs 601.5 A2 and 601.5 A3); and
- Consequential amendments to internal paragraph references.

The proposed exposure draft for Technology-related revisions to APES 110 is presented as clean and marked-up versions at Agenda Items 9(a) and (b), respectively. Technical Staff recommend the Exposure Draft is released for a public comment period of 45 days.

Staff Recommendation

That the Board:

- (a) note the released joint APESB-IESBA NAM on Auditor Independence and Technology; and
- (b) approve, subject to the Board's feedback and review comments, the release of the proposed Exposure Draft *Proposed Technology-related Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)*.

Materials presented

Agenda Item 9(a) Joint APESB-IESBA NAM on Auditor Independence and Technology
Agenda Item 9(b) Draft ED Revisions to APES 110 on Technology (clean)
Agenda Item 9(c) Draft ED Revisions to APES 110 on Technology (marked-up)

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