

AGENDA PAPER

Item Number: 4
Date of Meeting: 17 November 2023
Subject: Proposed revisions to APES 110 for Technology

Action required For discussion For noting For information

Purpose

To:

- provide the Board with details of submissions received on Exposure Draft ED 05/23 Amending Standard *Technology-related Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (ED 05/23); and
- seek the Board's approval, subject to the Board's review comments and editorials, to issue the Amending Standard *Technology-related Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) and the related Basis for Conclusions.

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.

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 Technology Exposure Draft. APESB supported the amendments and 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.

To maintain alignment with the International Code, the Board approved the release of the Exposure Draft at the August 2023 Board Meeting ([Agenda Item 9](#)). The ED 05/23 [Proposed Technology-related Revisions to APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\)](#) was released on 1 September 2023, with a comment period that closed on 21 October 2023.

Matters for Consideration

APESB received four submissions on [ED 05/23](#) from three professional accounting bodies and a large accounting firm, who generally supported the proposed revisions in the Amending Standard. Respondents' comments are tabulated in the General Comments and Specific Comments tables at Agenda Item 4 (a) and 4 (b), respectively.

Key issues raised and Technical Staff responses are summarised below.

- Revisions are not Technology-specific and generic

Some respondents commented that some amendments proposed in [ED 05/23](#) may not be seen as Technology-related revisions to the Code.

- One respondent thought that a number of proposed amendments represent further covert changes to the fundamental principles of the Code (GC9).
- The other respondent suggested highlighting the proposed general changes in the Basis for Conclusions so that users are made aware that the proposed changes are not exclusively related to technology (SC1).

Technical Staff disagree with the respondent's comment noted above that a number of proposed amendments represent further covert changes to the fundamental principles as it has followed a global public due process by IESBA over multiple years and the Australian due process by APESB in 2023.

Revisions made by the IESBA primarily drive the changes to the Australian Code. They are necessary for Australia to keep pace with global changes to the Code to facilitate Australian entities operating across multiple jurisdictions and to facilitate global commerce.

The IESBA's Technology Working Group (TWG) commenced its information-gathering activities in January 2019, and the IESBA's Technology project was informed by extensive fact-finding and stakeholder outreach, which included [Phase 1 TWG Report 2019 - 2021](#) and [Final Phase 2 TWG Report 2021 - 2022](#).

In February 2022, the IESBA issued an Exposure Draft [Proposed Technology-related Revisions to the Code](#) in accordance with its global public due process and received fifty submissions from 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.

Australian stakeholders should be aware that IESBA has taken inputs and considerations from a wide range of stakeholder groups and geographical regions over the last four years.

The independent Public Interest Oversight Board (PIOB), which oversees IESBA's standard-setting activities, has certified that IESBA has complied with its global public due process in finalising the Technology Standard.

With respect to the respondent's comment that the revisions were not Technology-specific, the IESBA specifically addressed this matter during their project. Refer to paragraph 22 of [IESBA's Basis of Conclusion for Technology revisions](#) for its detailed consideration on this matter. The IESBA reaffirmed that the revisions are intended to apply to all circumstances, including those related to technology. The revisions will prompt and guide professional accountants to think through the level and type of professional skills and knowledge necessary to comply with paragraph R113.1 and perform a competent professional service. The IESBA believed this guidance is particularly relevant to technology as the professional accountant's role is constantly evolving due to emerging technology applications in the workplace.

Further, in paragraphs 46 and 53 of [IESBA's Basis of Conclusion for Technology revisions](#), the IESBA was of the view that complex circumstances have always existed and not a new phenomenon specific to technology. Professional accountants are now facing a complex circumstance where rapid digitalization has increased the interconnectedness of social, economic, legal, and geopolitical systems.

In this regard, the IESBA reaffirmed its position not to restrict the guidance to specific technology examples, given that the application material is applicable to all circumstances.

- Definition of "Confidential Information" and the proposed subparagraph R114.2(d)

A concern was raised that the new definition of "Confidential Information" is unclear and may be confusing for Members to apply to the proposed subparagraph R114.2(d) (SC3-SC7).

The IESBA's rationale to retain subparagraph R114.2(d) is detailed in paragraph 38 of [IESBA's Basis of Conclusion for Technology revisions](#), as summarised below:

- The fact that the subparagraph R114.2(d) refers to "information" and not "Confidential Information" is to recognise that professional accountants must still comply with the duty of confidentiality even if the information becomes publicly available and no longer meet the definition of "Confidential Information" in the Glossary.
- This approach is intended to avoid professional accountants from inadvertently disclosing more information that is publicly available and any unwarranted determination of whether the disclosure was made properly or improperly.

Technical Staff agree with the IESBA's position that the definition of "Confidential Information" remains clear and relevant, requiring Members to keep the information confidential to prevent disclosure of additional information than is publicly available. As such, Technical Staff do not recommend changing the definition and proposed subparagraph R114.2(d).

- The exception set out in the proposed paragraph R114.3

Three respondents are concerned about the interaction between the proposed paragraphs R114.2(d) and R114.3, which may create confusion for Members to apply the Code correctly and consistently (SC3-SC7).

The respondents commented that the proposed paragraph R114.3 only refers to “Confidential Information”. It is unclear to users whether the exception in paragraph R114.3 only applies to the proposed subparagraphs R114.2(a)-(c) and not R114.2(d).

Technical Staff are of the view that the proposed paragraph R114.3 aims to capture all of R114.2. Even in the circumstance of proposed subparagraph R114.2(d) that the information becomes publicly available, Members must continue to keep the information confidential unless they have a legal or professional duty to do so or have been authorised to use or disclose information.

To address the concerns raised by respondents, Technical Staff recommend removing the capitalisation of the defined term “Confidential Information” in the proposed paragraph R114.3, so that it can apply in a generic sense. Technical Staff believe this proposal will make it clear to Members that the exception in the proposed paragraph R114.3 will apply to all of subparagraphs R114.2, including subparagraph R114.2(d).

The suggested amendment is set out below:

R114.3 As an exception to paragraph R114.2, a Member may disclose or use Confidential Information where:

(a) There is a legal or professional duty or right to do so; or

(b) This is authorised by the client or any person with the authority to permit disclosure or use of the ~~Confidential Information~~ confidential information and this is not prohibited by law or regulation.

- The Code’s pace of change

Some respondents also expressed concerns about the pace, complexity, and scope of changes to the Code in response to revisions by the IESBA (GC8, GC9).

APESB acknowledged the concerns raised by stakeholders at the May 2023 Board Meeting. Accordingly, we raised this matter in July 2023 [submission](#) to the IESBA’s Strategy and Work Plan 2024-27 (SWP). In the submission, we encourage the IESBA to:

- consider a pre-determined pathway of releasing amending standards to allow more time for stakeholders to adopt and implement the new standards; and
- develop application materials and resources to assist jurisdictions in implementing the Code at a faster pace.

The IESBA also provided its comment in paragraph 122 of [IESBA’s Basis of Conclusion for Technology revisions](#) that the Code’s pace of change, length, and increasing requirements is not a new concern. The IESBA noted that the Board carefully balances the need to be responsive to developments or matters of significant public interest as part of formulating its SWP against the need to allow jurisdiction and stakeholders sufficient time for adoption and implementation activities.

- Challenges for Small and Medium Practitioners

APESB note the difficulty of the public practitioners, particularly the Small and Medium Practitioners (SMPs) with limited resources and capacity, to cope and adapt to the changes to the Code within a short time frame (GC8, GC10).

To support SMPs in keeping up with these changes, the Board launched [2021-2025 Focus Areas](#) pages on the APESB website on 13 October 2023. The accounting bodies are encouraged to promote and educate their members about these new pages.

The focus area, [Small and Medium Practices](#), is specifically tailored for the SMPs and brings together information and resources for SMPs on developments in professional and ethical standards that are relevant to them.

- Non-authoritative material

One respondent encouraged the IESBA to utilise non-authoritative material to address identified issues (GC8).

The IESBA has developed a series of non-authoritative material for technology in December 2022, which included [Cloud Computing](#), [Artificial Intelligence](#), [Blockchain](#), [Focus on Data Governance](#), [Robotics Process Automation](#), and [Other Technologies](#).

On 13 July 2023, the APESB and the IESBA also jointly released the practical guidance [Applying the Code's Conceptual Framework to Independence: Practical Guidance for Auditors in Technology-related Scenarios](#).

Technical Staff also note that IESBA has consistently published Q&A updates in conjunction with revisions made to the IESBA Code. In APESB's [submission](#) to the IESBA's SWP, we continue to encourage the IESBA to develop application materials and resources to support the implementation of the Code at a faster pace.

Proposed Amending Standard and Basis for Conclusions

As limited changes are being proposed to the Technology-related Revisions Amending Standard, Technical Staff have not replicated the full version of the Standard in this agenda paper. It is the same as the proposed revisions set out in the [Exposure Draft](#), apart from the proposed amendment to paragraph R114.3 being suggested by Technical Staff as set out above.

Technical Staff seek the Board's approval to issue the Amending Standard as proposed in subject to the editorials noted above and the related Basis for Conclusions set out at Agenda Item 4 (c). The proposed effective date is 1 January 2025, with early adoption permitted.

Staff Recommendation

The Board:

- note the submissions received on ED 05/23; and
- approve, subject to the Board's review comments and editorials, the issue of the Amending Standard *Technology-related Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* and the related Basis for Conclusions.

Materials presented.

Agenda Item 4 (a)	General Comments Table ED 05/23
Agenda Item 4 (b)	Specific Comments Table ED 05/23
Agenda Item 4 (c)	Draft Basis for Conclusions for Technology-related Revisions

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