



Basis for Conclusions: Technology-related revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

Prepared by the Technical Staff of the Accounting Professional & Ethical Standards Board

BASIS FOR CONCLUSIONS:

Technology-related revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards)

This basis for conclusions has been prepared by Technical Staff of Accounting Professional & Ethical Standards Board Limited ("APESB"). It has been reviewed and approved by the Board of Directors of APESB and is provided for the benefit of stakeholders to gain an understanding of the background to the Technology-related revisions to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code).

The basis for conclusions **does not** form part of APES 110 and is not a substitute for reading the Code.

Background

The International Ethics Standards Board for Accountants (IESBA) issues the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code), upon which APESB bases its Code.

The revisions to the existing Code have been driven from the following sources:

1. IESBA's technology-related revisions to the International Code; and
2. Amendment to address the concern raised by stakeholders to clarify the exception to the principle of confidentiality.

In September 2023, APESB issued Exposure Draft (ED) 05/23 [Proposed Technology-related Revisions to APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\)](#) (ED 05/23).

APESB received four submissions in response to ED 05/23 from professional accounting bodies and a large accounting firm. The submissions generally supported the technology-related revisions in the exposure draft, apart from respondents' concerns with provisions relating to the principle of confidentiality when information becomes publicly available.

The details of significant changes made, the key issues raised by respondents and stakeholders during the technology-related revision to the Code and how APESB addressed them are set out below.

(a) IESBA's technology-related revisions to the International Code

In March 2020, the IESBA commenced a Technology project to review the technology-related revisions in the International Code. The project aimed 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.

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The IESBA's Technology Working Group (TWG) commenced its information-gathering activities in January 2019, and the 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](#).

The final pronouncement, [Technology-related Revisions to the Code](#), was released by the IESBA in April 2023 and is effective for audits and reviews of financial statements for periods beginning on or after 15 December 2023, with early adoption permitted.

In 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.

The significant changes to the extant Code included:

- 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 how to identify complex circumstances and manage such complexities.
- New requirements for professional accountants to exercise professional judgement when considering the use of the output of Technology (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 (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 (paragraph 606.2 A1);
- Clarifying the prohibition and application material on assuming management responsibility when providing an IT systems service for an audit client (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 (paragraph 606.4 A3).
- New examples of close business relationships arising from licensing arrangements of products and solutions (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 (paragraphs 600.6 and 520.7 A1);

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- Additional guidance included to assist in identifying and evaluating threats created by providing non-assurance services to an audit client (paragraph 600.10 A2);
- Clarifications to application material on manual or automated accounting and bookkeeping services (paragraphs 601.5 A2 and 601.5 A3) and
- Consequential amendments to internal paragraph references.

In conjunction with the release of the IESBA's amending standard on the technology-related revisions to the International Code, the IESBA also released a [Basis for Conclusions Document](#).

The IESBA's Basis for Conclusions paragraphs 22, 46 and 53 specifically explains that while some of these changes were identified during the Technology project, they can equally apply in circumstances that are not related to Technology.

APESB adopted the changes to the International Code into APES 110 with no substantive changes made as a result of the exposure draft due process except for a minor editorial to the provision relating to the exception to confidentiality discussed below.

(b) Amendment to address concerns raised by some stakeholders to clarify the exception to the principle of confidentiality

A concern was raised regarding the exception to the principle of confidentiality set out in proposed paragraph R114.3. Some stakeholders were not certain whether R114.3 provides an exception to proposed subparagraph R114.2(d). They considered that the interaction between subparagraphs R114.2(d) and R114.3 is unclear and may create uncertainty for Members to apply the Code.

The proposed paragraph R114.3 provides an exception to paragraph R114.2 by detailing the specific conditions under which it is possible to use or disclose such information unless they have a legal or professional duty to do or have been authorised to use or disclose such information.

As the proposed paragraph R114.3 refers to "Confidential Information," some respondents noted that, therefore, it is unclear whether the exception only applies to the proposed subparagraphs R114.2(a)-(c), which uses the defined term confidential information and not the "information" requirement set out in R114.2(d).

Some stakeholders were also concerned as to whether information that has become publicly available (proposed subparagraph R114.2(d)) still meets the definition of "Confidential Information" in the Glossary.

In considering the retention of the extant wording, APESB noted that:

- IESBA's rationale (as explained in its Basis for Conclusions) subparagraph R114.2(d), which refers to "information" and not "Confidential Information," is to recognise that Members continue to comply with the duty of confidentiality even if the information becomes publicly available and no longer meet the definition of "Confidential Information" as defined in the Glossary.

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- APESB agrees with the IESBA's approach to retaining the subparagraph R114.2(d) as it is intended to prevent Members from inadvertently disclosing more information than is publicly available and any unwarranted determination of whether disclosure was made properly or improperly.
- 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 shall 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.

However, APESB determined to amend paragraph R114.3 to remove the capitalisation of "Confidential Information" as a defined term in the paragraph so that it can apply in a generic sense as an undefined term.

This amendment will enhance the clarity of this provision and 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).