Meeting: IESBA
Meeting Location: Hybrid
Meeting Date: June 6-8, 2022

Technology Fact Finding and Thought Leadership

I. Objective
1. To receive an update on the Working Group’s activities, including:
   - Overview of its fact-finding observations to date.
   - Update on its development of technology-related thought leadership and other materials.

II. Recap of Working Group’s Remit
2. Established March 2021, the Working Group is intended to:
   - Develop, or facilitate the development of, technology-related thought leadership and other materials that would benefit PAs and the wider stakeholder community through (i) raising their awareness of the ethical implications of technology-related developments for PAs and/or (ii) supporting PAs in consistently applying the Code in addressing related ethical dilemmas or conflicts, including with respect to independence; and
   - Identify and assess the potential impact of technology on the behavior of PAs and the relevance and applicability of the Code.

III. Activities since Last IESBA Meeting
3. Since the March 2022 meeting, IESBA representatives (Chair, TWG Chair and Staff) met with representatives of the Institute of Electrical and Electronics Engineers (IEEE) to exchange views about the opportunities and challenges facing the engineering and accountancy professions, in particular those brought on by innovations in technology and increased demand for sustainability information. In particular, the discussions included a consideration of how the two organizations might

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1 The Working Group comprises:
- Brian Friedrich, Chair, IESBA Member
- Vania Borgerth, IESBA Member
- Christelle Martin, IESBA Member
- David Clark, IESBA Technical Advisor
- Sundeep Takwani, Working Group Member
Liaison with the IAASB’s technology work is provided by Correspondent Member Johanna Field, and additional support for the Working Group is provided by Laura Friedrich, IESBA Technical Advisor.

2 The fact-finding focus areas include those covered in Phase I (i.e., artificial intelligence (AI), big data, and data analytics), as well as other technology-related topics such as blockchain, cybersecurity, and internet of things (IoT).
collaborate (including with IFAC) to jointly raise awareness of ethics. During the June meeting, the Working Group will brief the IESBA on the key outcomes of that meeting.

4. Since the March 2022 meeting, the Working Group has focused its efforts on analyzing and synthesizing the notes from its various outreach meetings and desktop research in preparation of its final report. Accordingly, the Working Group is in the process of winding down its outreach activities. During Q2 2022, the Working Group met with:

- Deloitte – Beena Ammanath, Executive Director, Global Deloitte AI Institute and Author of Trustworthy AI: A Business Guide for Navigating Trust and Ethics in AI.
- Ernst & Young (EY) – Alan Young, EY Global Assurance Leader; EY Helix and Global Emerging Technology Standards Leader.
- Approximately 15 representatives of the IFAC’s International Panel on Accountancy Education (IPAE).

A summary of the key themes from stakeholder meeting discussions held in Q2 2022 is provided at paragraph 9 of this paper.

5. The Working Group held an in-person meeting (in April) and a video conference (in May) to prepare the materials for this meeting. In addition, the TWG benefited from the input of the TEG which held its first meeting in April 2022.

IV. Matters for IESBA Information

A. Fact Finding Observations

Fact Finding Updates Prior to Issuance of Technology Exposure Draft

6. Following the establishment of the Working Group in March 2021, the Board has received quarterly updates and external presentations/education sessions. For example, in June and September 2021, external presenters briefed the IESBA on the topics of blockchain and cybersecurity. Coinciding with the approval of the Technology Exposure Draft in December 2021, the IESBA noted the key themes arising from the Working Group’s fact finding work.

Recap of March 2022 Discussion

7. The IESBA received an update from its Technology Working Group on the Working Group’s Q1 2022 activities related to fact finding and the development of technology-related thought leadership and other ethics and independence resources. The IESBA noted the establishment of a Technology Experts Group (TEG) consisting of eight members with practical experience using or implementing transformational technology and chaired by the TWG Chair. The TEG acts as a sounding board and provides input to the Working Group, and receives technical staff support from the Australian Accounting Professional & Ethical Standards Board (APESB), a member of the IESBA-National Standard Setters liaison group.

8. An IESBA member questioned whether the Working Group considered the intersection of technology

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3 To allow for a frank dialogue, outreach participants were informed that none of their comments would be specifically attributed to them or their organizations, but rather would be aggregated with the sum of the Working Group’s outreach and evaluation thereof.

4 In particular, the Working Group Chair highlighted the key themes arising from the fact finding as of December 2021 (see December 2021 IESBA Meeting Agenda Paper 4).
with sustainability. In this regard, the Working Group Chair pointed out that although the Working Group’s Terms of Reference do not expressly include sustainability as a focus area, this intersection has been broadly raised during stakeholder outreach discussions.

Q2 2022 Key Themes from Stakeholder Discussions

9. The Working Group notes the following as key themes arising from its discussions with stakeholders during its Q2 2022 outreach meetings.

• An emphasis on emerging technologies and technology-related issues associated with robotic process automation (RPA), artificial intelligence (AI), blockchain and cybersecurity issues, including data privacy. It is observed that although some innovative technologies (such as blockchain and AI) hold a lot of promise, i.e., ever since they were considered “emerging” in a business sense about five years ago, the uptake by organizations is slower than expected at the outset as some organizations are finding them challenging to effectively implement.

• Explaining whether a technology is reliable or the degree of comfort around whether the technology is fit-for-purpose includes a documentation of the design process around the development and implementation of the technology and the various factors considered.

• Stakeholders continue to reinforce the importance of professional accountants (PAs) attaining and maintaining professional competence and due care that involves an understanding of technology-related developments, becoming more comfortable working in multidisciplinary teams, and asking the “right” questions. In addition, a view was expressed that PAs should be involved in setting ransomware polices given that this has become an inherent entity risk in today’s digital age.

• It was pointed out that AI should be viewed as a tool that humans can utilize, and in this regard, the importance of accountability should be emphasized. For example, there was a view that trustworthy AI is possible only when human actors within an organization are assigned clear ownership and responsibility for various AI-related risks. Furthermore, explainability of AI is enhanced through assessing the reasonableness of the system’s outputs and asking the right questions to understand how the AI system works.

• Comments around the use of anonymized customer or client data to train AI systems for internal use. It was noted that there are benefits with respect to improving the quality of the system’s outputs, but also potential risks with respect to cybersecurity and confidentiality.

Analysis of Key Themes Based on All Outreach Completed to Date

10. The Working Group has progressed its analysis on the key themes relating to matters that might have implications for Part 1 to 3 of the Code. The Working Group’s analysis involved a review and careful consideration of the feedback from its outreach meetings, outcome of a meeting with its TEG, including to discuss specific technology-related use-case scenarios.

11. The Working Group’s analysis involved a preliminary assessment of matters that:

• Might be relevant to the revision of the Code (i.e., extant Code and proposed revisions in the

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To access the extant Code (i.e., the 2021 IESBA Handbook) and to obtain final pronouncements issued since April 2021, visit the IESBA’s website at: [www.ethicsboard.org/standards-pronouncements](http://www.ethicsboard.org/standards-pronouncements).
Technology Exposure Draft (ED)). The considerations derived to date have been directly shared with the Technology Task Force, who will, as relevant and appropriate, consider them as input in conjunction with its consideration of the ED comment letters received in due course.

- Might warrant further specification or explanation in non-authoritative material developed by IESBA or others, including IFAC or professional accountancy organizations.
- Are noteworthy for IESBA’s consideration, in progressing other projects and initiatives, and in developing its strategy and work plan for 2024-2027.

12. During the June 2022 meeting, the Working Group Chair will provide an update on the key observations based on its analysis of its fact finding to-date, including the views of TEG members.

B. Update on Thought Leadership and Other Materials, including Collaboration

13. As previously communicated and in accordance with its Terms of Reference, the Working Group continues to actively contribute to and facilitate the development of thought leadership and other resource materials with IFAC and other professional accountancy organizations and independent NSS. Appendix 1 provides an overview of such materials, which are at varied stages of development, including the completion/planned release timing for each publication.

C. Coordination with IAASB and Technology Task Force

14. Regular coordination with the IAASB occurs through the IAASB correspondent member’s regular participation in the Working Group meetings, as well as staff liaison meetings as necessary.

15. The Working Group continued liaising with the Technology Task Force and held a joint meeting in advance of finalizing its meeting materials. Additional meetings are planned for Q3 2022.

V. Next Steps

16. The Working Group plans to meet in-person immediately after the June 2022 IESBA meeting to finalize its analysis and progress the development of its final report. In this regard, the Working Group is also planning to obtain input on its draft report from the TEG.

17. The Working Group plans to present its final report to the IESBA in September 2022.

VI. Action Requested

18. The IESBA is asked to note and react to the various matters for information and the Working Group’s presentation.
Highlights and Overview of Technology Thought Leadership and Other Materials

Highlights

A. The Working Group continues to actively facilitate the development of thought leadership and other materials with IFAC and others. This includes:

1. An Exploratory Paper and follow-up four-part CPA Canada, Institute of Chartered Accountants of Scotland (ICAS), International Federation of Accountants (IFAC) and IESBA co-branded thought leadership series entitled *Ethical Leadership in an Era of Complexity and Digital Change*. The publications were authored by Brian Friedrich, CPA Canada Member, IESBA Member and Chair of the IESBA Technology Working Group; and Laura Friedrich, CPA Canada Member and IESBA Technical Advisor. The publications reflect the contributions from the IESBA’s Technology Working Group and some members of IESBA Technology Task Force. As they were not discussed with or approved by the IESBA, the views expressed in the various publications are those of the authors and contributors and do not necessarily reflect the IESBA’s views.

* Appendix

- **Paper 1**, *Complexity and the Professional Accountant: Practical Guidance for Ethical Decision-Making* was released in August 2021. This paper:
  - Highlights the increased complexity in today’s world, exacerbated by technology.
  - Distinguishes complicated from complex circumstances.
  - Explains why it is important for PAs to recognize complexity.
  - Outlines practical guidance for PAs to manage complexity.

- **Paper 2**, *Technology is a Double-Edged Sword*, was released in December 2021. This paper:
  - Highlights the opportunities and challenges to the accountancy profession as a result of technology and incorporates two blockchain and AI systems examples to illustrate this.
  - Emphasizes the importance of data quality.
  - Explains why ethical leadership is important in developing, implementing, and using technology.
  - Outlines practical guidance for PAs as a way forward.

- **Paper 3**, *Managing Bias and Mis/Disinformation* was released in February 2022. This paper:
  - Highlights the impact of bias and mis- and disinformation.
  - Explains why and how bias threatens a PA’s obligation to comply with the fundamental principle of objectivity.
  - Emphasizes the guidance on bias and an inquiring mind within the Code.
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- Outlines a layered approach for PAs to consider their professional obligations for objectivity, professional competence and due care and their public interest responsibilities in the face of bias and mis- and disinformation.

- Paper 4, **Mindset and Enabling Skills** was released in April 2022. This paper:
  - Highlights the roles and skills of the future PA reflecting the growing trend towards reliance on data and human-machine collaboration.
  - Highlights what such a shifting landscape means for the accounting profession.
  - Explains how and why mindset and enabling skills are important in this regard.
  - Outlines practical guidance for PAs as a way forward.

2. The Working Group is currently providing input to inform the development of an APESB staff-prepared publication* that will provide scenario-specific guidance to assist firms in applying the existing International Independence Standards (including the revised non-assurance services (NAS) and fee-related provisions that will become effective in December 2022). In particular, the scenarios will cover situations where an audit client asks a firm to:
  - Implement an entire software suite.
  - Implement software developed by the firm.
  - Provide a NAS that might appear to be “routine or mechanical.”
  - Provide a NAS as a result of insights, matters or information gained from the use of technology in an audit engagement.

3. The Working Group and the Technology Task Force have provided input on an IFAC and IESBA-staff led initiative to develop technology-focused publications of the Exploring the IESBA Code series to highlight the relevance of the Code in technology-related circumstances. The first new instalment titled Exploring the IESBA Code, A Focus on Technology - Artificial Intelligence was released in March 2022. Additional topics to be covered include Blockchain, Cybersecurity, and Cloud Computing/Usage, to highlight relevant extant and new Code provisions as they become finalized.

4. The Working Group and Technology Task Force have provided input to representatives and staff of the Japanese Institute of CPAs (JICPA)* to assist in developing non-authoritative guidance for PAs in business and in public practice to help navigate practical issues in ethical leadership. The document covers seven technology-related scenarios on topics such as:
  - Applying the conceptual framework to new technology implementation situations.
  - Expectations for PAIBs and PAPPs when facing threats to compliance with the fundamental principles brought on by technology developments.

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* The forthcoming APESB and JICPA publications will benefit from the input of the IESBA Staff, IESBA Technology Working Group and Task Force, and other representatives of the IESBA. The document will not be discussed with or approved by the IESBA. Accordingly, the views therein expressed will be those of the authors and contributors and will not necessarily reflect the IESBA’s views.
The scenarios in the paper build on the series of four thought-leadership pieces referred to under item 1, above.

Overview and Status

B. The table below provides an overview, including the anticipated completion/release date of the various thought leadership and other materials.

<table>
<thead>
<tr>
<th>Topic/ Title of Thought leadership and Other Materials</th>
<th>Developed by/ In Collaboration with</th>
<th>Status as of Feb 2022</th>
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<tr>
<td>Complexity and the Professional Accountant</td>
<td>CPA Canada, ICAS, IFAC</td>
<td>Released in Aug 2021</td>
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<tr>
<td>Technology is a Double-Edged Sword</td>
<td>CPA Canada, ICAS, IFAC</td>
<td>Released in Dec 2021</td>
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<tr>
<td>Managing Bias and Mis/Disinformation</td>
<td>CPA Canada, ICAS, IFAC</td>
<td>Released in Feb 2022</td>
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<tr>
<td>Mindset and Enabling Skills</td>
<td>CPA Canada, ICAS, IFAC</td>
<td>Released in Apr 2022</td>
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<td>Technology-related considerations for Auditor Independence</td>
<td>APESB</td>
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<td></td>
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<td>To be released by September 2022</td>
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<tr>
<td>Applying the Code’s Conceptual Framework to technology-related scenarios</td>
<td>JICPA</td>
<td>In progress</td>
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<td></td>
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<td>To be released by September 2022</td>
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<td>Exploring the IESBA Code: Four technology-related instalments</td>
<td>IFAC staff</td>
<td>Installment 1 released in March 2022</td>
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<td></td>
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<td>High-level awareness-raising publication to be released by September 2022</td>
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<td></td>
<td></td>
<td>Installments 2-4: In progress (to be released subsequent to finalization of new tech-related provisions)</td>
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