Technology Project – Analysis of Respondents Views on Exposure Draft (ED), Summary of Significant ED Comments and Task Force Responses

This document is provided for information and contains two parts.

- Part 1 which is set out at pages 1 to 9 provides an overview of the ED comments analyzed by the substance of the response (for e.g., support, suggestions provided, clarifications requested, concerns/reservations expressed, or no support, etc.) and by stakeholder category; and
- Part 2 which is set out at pages 10 to 105 includes a summary of the significant comments by ED question number and the Task Force's preliminary responses. The material in Part 2 of this document provides the basis for the Task Force's preliminary thinking which is summarized in **Agenda Items 8 and 8-A**, and the suggested revisions to the proposed text in **Agenda Item 8-B.**
- The responses to Q11 have been provided to the Sustainability Working Group for their consideration.

Part 1 – Analysis of Respondents Views on ED

Question 1: Do you support the proposals which set out the thought process to be undertaken when considering whether the use of technology by a PA might create a threat to compliance with the fundamental principles in proposed paragraphs 200.6 A2 and 300.6 A2? Are there other considerations that should be included?

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	9	-	-	-	9
Independent NSS	2	-	-	-	2
Others	1	1	-	2	4
PAOs/NSS	20	4	1	2	27
Regulator	7	-	-	1	8
Total	**39**	**5**	**1**	**5**	**50**
	78%	*10%*	*2%*	*10%*	*100%*

Question 2: Do you support the proposed revisions, including the proposed factors to be considered, in relation to determining whether to rely on, or use, the output of technology in proposed paragraphs R220.7, 220.7 A2, R320.10 and 320.10 A2? Are there other factors that should be considered?

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	8	-	-	1	9
Independent NSS	2	-	-	-	2
Others	-	2	-	2	4
PAOs/NSS	22	-	1	4	27
Regulator	5	1	2	-	8
Total	**37**	**3**	**3**	**7**	**50**
	74%	*6%*	*6%*	*14%*	*100%*

Question 3: Do you support the proposed application material relating to complex circumstances in proposed paragraphs 120.13 A1 to A3?

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	1	2	5	1	9
Independent NSS	2	-	-	-	2
Others	-	1	1	2	4
PAOs/NSS	18	3	3	3	27
Regulator	8	-	-	-	8
Total	**29**	**6**	**9**	**6**	**50**
	58%	*12%*	*18%*	*12%*	*100%*

Question 4: Are you aware of any other considerations, including jurisdiction-specific translation considerations (see paragraph 25 of the explanatory memorandum), that may impact the proposed revisions?

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	6	-	1	2	9
Independent NSS	2	-	-	-	2
Others	1	-	-	3	4
PAOs/NSS	20	-	1	6	27
Regulator	4	-	-	4	8
Total	**33**	**-**	**2**	**15**	**50**
	66%	*0%*	*4%*	*30%*	*100%*

Question 5: Do you support the proposed revisions to explain the skills that PAs need in the digital age, and to enhance transparency in proposed paragraph 113.1 A1?

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	5	2	1	1	9
Independent NSS	2	-	-	-	2
Others	-	2	-	2	4
PAOs/NSS	19	1	3	4	27
Regulator	6	1	-	1	8
Total	**32**	**6**	**4**	**8**	**50**
	64%	*12%*	*8%*	*16%*	*100%*

Question 6: Do you agree with the IESBA not to include additional new application material (as illustrated in paragraph 29 of the explanatory memorandum) that would make an explicit reference to standards of professional competence such as the IESs (as implemented through the competency requirements in jurisdictions) in the Code?

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	8	-	-	1	9
Independent NSS	1	1	-	-	2
Others	1	-	-	3	4
PAOs/NSS	21	-	-	6	27
Regulator	3	-	1	4	8
Total	**34**	**1**	**1**	**14**	**50**
	68%	*2%*	*2%*	*28%*	*100%*

Question 7(a): Do you support the proposed revisions relating to the description of the fundamental principle of confidentiality in paragraphs 114.1 A1 and 114.1 A3?

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	8	-	-	1	9
Independent NSS	2	-	-	-	2
Others	1	-	-	3	4
PAOs/NSS	22	-	-	5	27
Regulator	8	-	-	-	8
Total	**41**	**-**	**-**	**9**	**50**
	82%	*0%*	*0%*	*18%*	*100%*

Question 7(b): Do you support the proposed Glossary definition of "confidential information?"

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	7	1	-	1	9
Independent NSS	2	-	-	-	2
Others	-	-	-	4	4
PAOs/NSS	19	2	-	6	27
Regulator	4	-	1	3	8
Total	**32**	**3**	**1**	**14**	**50**
	64%	*6%*	*2%*	*28%*	*100%*

Question 8: Do you agree that "privacy" should not be explicitly included as a requirement to be observed by PAs in the proposed definition of "confidential information" in the Glossary because it is addressed by national laws and regulations which PAs are required to comply with under paragraphs R100.7 to 100.7 A1 of the Code (see sub-paragraph 36(c) of the explanatory memorandum)?

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	8	-	-	1	9
Independent NSS	2	-	-	-	2
Others	1	-	-	3	4
PAOs/NSS	19	-	1	7	27
Regulator	3	-	1	4	8
Total	**33**	**-**	**2**	**15**	**50**
	66%	*0%*	*4%*	*30%*	*100%*

Question 9(a): Do you support the proposed revisions to the International Independence Standards, including the proposed revisions in paragraphs 400.16 A1, 601.5 A2 and A3 relating to "routine or mechanical" services.

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	8	1	-	-	9
Independent NSS	2	-	-	-	2
Others	-	-	-	4	4
PAOs/NSS	21	2	-	4	27
Regulator	5	2	-	1	8
Total	**36**	**5**	**-**	**9**	**50**
	72%	*10%*	*0%*	*18%*	*100%*

Question 9(b): Do you support the proposed revisions to the International Independence Standards, including the additional proposed examples to clarify the technology-related arrangements that constitute a close business relationship in paragraph 520.3 A2. See also paragraphs 40 to 42 of the explanatory memorandum.

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	9	-	-	-	9
Independent NSS	2	-	-	-	2
Others	-	1	-	3	4
PAOs/NSS	20	-	-	7	27
Regulator	7	-	-	1	8
Total	**38**	**1**	**-**	**11**	**50**
	76%	*2%*	*0%*	*22%*	*100%*

Question 9(c): Do you support the proposed revisions to the International Independence Standards, including the proposed revisions to remind PAs providing, selling, reselling or licensing technology to an audit client to apply the NAS provisions in Section 600, including its subsections (see proposed paragraphs 520.7 A1 and 600.6).

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	7	-	2	-	9
Independent NSS	2	-	-	-	2
Others	-	-	-	4	4
PAOs/NSS	19	1	2	5	27
Regulator	5	-	-	3	8
Total	**33**	**1**	**4**	**12**	**50**
	66%	*2%*	*8%*	*24%*	*100%*

Question 10(a): Do you support the proposed revisions to subsection 606, including the prohibition on services in relation to hosting (directly or indirectly) of an audit client's data, and the operation of an audit client's network security, business continuity and disaster recovery function because they result in the assumption of a management responsibility (see proposed paragraph 606.3 A1 and related paragraph 606.3 A2)?

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	6	1	2	-	9
Independent NSS	2	-	-	-	2
Others	2	-	-	2	4
PAOs/NSS	19	2	-	6	27
Regulator	5	-	-	3	8
Total	**34**	**3**	**2**	**11**	**50**
	68%	*6%*	*4%*	*22%*	*100%*

Question 10(b): Do you support the proposed revisions to subsection 606, including the withdrawal of the presumption in extant subparagraph 606.4 A2(c) and the addition of "Implementing accounting or financial information reporting software, whether or not it was developed by the firm or a network firm" as an example of an IT systems service that might create a self-review threat in proposed paragraph 606.4 A3?

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	6	-	2	1	9
Independent NSS	2	-	-	-	2
Others	-	-	-	4	4
PAOs/NSS	17	1	2	7	27
Regulator	5	-	-	3	8
Total	**30**	**1**	**4**	**15**	**50**
	60%	*2%*	*8%*	*30%*	*100%*

Question 10(c): Do you support the proposed revisions to subsection 606, including the other examples of IT systems services that might create a self-review threat in proposed paragraph 606.4 A3?

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	7	1	-	1	9
Independent NSS	2	-	-	-	2
Others	-	-	-	4	4
PAOs/NSS	19	1	-	7	27
Regulator	5	-	-	3	8
Total	**33**	**2**	**-**	**15**	**50**
	66%	*4%*	*0%*	*30%*	*100%*

Question 11: Do you support the proposed changes to Part 4B of the Code?

Stakeholder	Support/ Suggestions/ Clarifications	Reservations/ Concerns/ Do Not Object	Not Support	No Response	Total
Firms	7	2	-	-	9
Independent NSS	2	-	-	-	2
Others	1	-	-	3	4
PAOs/NSS	20	-	-	7	27
Regulator	5	-	-	3	8
Total	**35**	**2**	**-**	**13**	**50**
	70%	*4%*	*0%*	*26%*	*100%*

Part 2 – Summary of Significant ED Comments and Task Force Responses

#	Commentator	Comment	Preliminary Task Force Response
		Introductory Comments	
0.1	APESB	Held Roundtable to obtain stakeholder feedback	Noted
0.2	Assirevi	Technology developed by an employing organization and/or by the auditor to be used in the context of the audit activities should not be viewed as a matter that might create threats to compliance with the fundamental principles. It should also be noted that ISA 315R already extensively deals with the topic of risk assessment procedures to be performed by the auditor concerning IT applications and other aspects of the entity's IT environment. Consequently, it does not seem necessary to address in the Code of Ethics matters concerning the auditor's assessment of an audit client's technology in issuing an audit opinion; rather, the Code should focus on the non-audit services provided by the audit firm's network to the audit client in connection with the IT system of the latter.	Noted – IESBA's provisions are intended to complement the IAASB's performance and quality management standards. Coordination with IAASB and the approach taken in its standards will continue. Additionally – IESBA does of course need to consider any ethical implications, as have been highlighted by regulatory bodies such as IFIAR in relation to the use of technology by professional accountants (PAs).
0.3	BDO, CAANZ-ACCA-ACCA; CPAA, IRBA, IFIAR	Material not limited to technology – e.g. skills and complex circumstances.	Explain rationale for inclusion in BfC.
0.4	CNCC	(i) Drafting and philosophy of the proposals presented are increasingly conceptual and may create difficulties in their practical application.	Noted. These concerns go to IESBA's objectives and strategy.

#	Commentator	Comment	Preliminary Task Force Response
		(ii) There is a continuing apprehension on the part of small and medium-sized firms with respect to proposals to amend the International Code of Ethics. (iii) Task of implementing IESBA Ethical Standards and Guidelines is becoming increasingly difficult in light of the editorial form that is moving further and further away from that which constitutes our Code of Ethics, carried by Decree No. 2012-432 of March 30, 2012. (iv) The application of safeguards may pose practical difficulties in small and medium-sized firms, exacerbating the distortion with large firms.	
0.5	CPAA	Concerned at the challenges in implementing the Code: o Length of the Code o Increasing no. of requirements – which add complexity and confusion – inconsistent with principles-based approach o Requirements that conflict with conceptual framework *"This ED again highlights that the IESBA is potentially damaging the credibility and global adoption of the Code by undermining its foundations, by focussing extensively on auditor independence issues and by increasingly introducing a rules-based approach to its standard setting. CPA Australia is of the view that with the changed governance arrangements for IESBA currently being implemented, it is an appropriate time for there to be an open and transparent debate about the role and purpose of the IESBA and [the Code]."* o Concerned at revisions unrelated to technology – non-financial information, complex circumstances - and breadth of definition of IT systems services	Noted. These concerns go to IESBA's objectives and strategy. Evidence from the surveys was that a significant minority did not appear capable of applying the extant principles in a technology related environment, hence why revisions are deemed necessary. Also note support from regulatory bodies for IESBA to consider any ethical implications arising from the use of technology by PAs. Use of the term "technology" is to help maintain a principles-based approach and future proof the Code (to the extent possible) due to ongoing technological developments.

#	Commentator	Comment	Preliminary Task Force Response
0.6	CPAC	Note comments on consultation period and process: The customary 90-day comment period is highly challenging, especially in a multi-jurisdictional country such as Canada. IESBA's webinars are found to be extremely helpful, request that going forward the IESBA announce webinar dates in conjunction with the release of the relevant exposure draft.	Noted. These concerns go to IESBA's objectives and strategy.
0.7	Deloitte	(i) The use of technology by professional accountants should be encouraged for the many benefits it brings, including enhanced accuracy, speed and cost effectiveness. However, the ED appears to be based on an underlying premise that technology can only threaten compliance with the fundamental principles. We encourage the Board to consider a more balanced discussion about use of technology, and the ways in which it may also reduce threats to compliance with the fundamental principles, for example by delivering an audit or non-audit service consistently and without human bias, thereby enhancing objectivity and improving quality. (ii) The Board should define the many new terms it has introduced in Section 606 to ensure they are subject to consistent interpretation. For example, explaining the difference between customization and configuration would help clarify the impact each has on creating threats to independence is different. We would be supportive of an approach similar to that taken in the revised *Information Systems Services*	(i) The benefits referred to arise in relation to the conduct and outcome of an audit and, therefore, are primarily relevant to IAASB. Furthermore, arguably bias will always exist as technology is programmed by humans. The Code's provisions for a PA to be aware of and mitigate such biases are relevant. BfC to acknowledge that technology brings both benefits and opportunities. (ii) IESBA resolved not to define technology related terms to avoid any unintended limitations on the application of the provisions arising from such definitions. See explanatory memorandum of ED.

#	Commentator	Comment	Preliminary Task Force Response
		Interpretation of the AICPA Code (Section 1.295.145), which specifically defines certain terms that are essential for a consistent application of the updated interpretation.	
0.8	ICAEW	(i) The proposed revisions to the Code should go much further, and specifically address the challenges to the profession posed by automated decision making and the use of algorithms (with potential for inherent biases). (ii) The Code should emphasise the importance of Professional Accountants fully understanding (and being able to explain) the way decisions have been made. (iii) The Code should clearly state that responsibility for decisions and judgements (including those derived from material produced by artificial intelligence systems) ultimately rests with the PA.	(i) The IESBA resolved to address the breadth of technology available and the resulting volume of technology-specific issues that might be focussed on by emphasising, as a general proposition, the importance of understanding the technology being used and being able to assess the output from technology. To do otherwise would give rise to an unrealistic expectation that IESBA would be able to maintain specific application material for a significant number of different technologies and their applications. (ii) See revisions to 200.6 A2 & 300.6 A2, fourth sub-bullet, and its linkage to the related threat and reference to Section 230 *Sufficient Expertise*. (iii) Noted, the concept of a PA's accountability is already in the extant Code, and emphasized in the proposals in Sections 220 and 320.

#	Commentator	Comment	Preliminary Task Force Response
			BfC to include explicit statement on a PA's accountability.
0.9	IFAC SMP	The SMPAG is generally supportive of these technology-related enhancements to the Code. However, we have concerns relating to overall responsibility and who should be required to determine suitability of specific technologies that are selected. We also have some concerns on how this might apply to IT teams who work with PAs in business. We also have concerns about any unintentional documentation requirements that these changes might introduce, as well as how to evaluate vendors/providers versus assessing the technology itself and how this would be applied in practice.	Noted. That is a decision to be made by the employing organization or firm, in its oversight of technology selection and controls over technology use including IT teams. See 6th bullet of 220.8 A1 and 320.11 A1. See revision to 220.8 A1 and 320.11 A1 which emphasizes prior experience and general acceptance of the technology rather than the vendor/provider.
0.10	IFIAR	(i) IFIAR does not support the inclusion of the use of the material covering 'output of technology' within the sections designed to address the use of, or reliance upon, the work of others/experts. We do not believe that the areas are sufficiently similar conceptually and believe that the proposed revisions related to the use of the output of technology should be addressed within their own discrete section of the Code. (ii) We also do not support the emphasis on the use of the "Outputs of Technology" as the most effective deployment of technological resources occurs when the professional accountant is involved in each stage of a tool's usage, from scoping through to implementation.	(i) Noted and addressed in proposed revisions to ED text – see R220.8 & 310.11 and related application material. (ii) The TF view is that it is "output of technology" that is used by PAs – however, when assessing such output, the PA will also need to understand and assess the inputs, data, and decisions. See last bullet of 220.8 A1 & 310.11 A1.

#	Commentator	Comment	Preliminary Task Force Response
		(iii) Many of the suggested revisions, such as those relating to complexity and interpersonal skills, do not only relate to technology. IFIAR supports these additions but believes that the rationale for them should be more thoroughly reflected in the Basis of Conclusions and we suggest IESBA considers aligning the projects scope and title with the substance of the revisions, which are wider than just technology. IESBA should carefully consider the approach to creating an equivalence between the use of technology and the use of, or reliance upon, the work of others/experts. Though some of the same concepts will apply in both scenarios, there are also fundamental conceptual differences which could be better addressed by considering the use of technology as a discrete section within the Code.	(iii) BfC to explain rationale. Noted, see response to (i).
0.11	IOSCO	(i) The ability of the Board to be able to issue practical application guidance based upon the existing provisions of the Code and upon the identification of key emerging issues will be critical in response to stakeholder needs and the rapid advancements in this space. For example, there may be more challenges in evaluating a threat to independence created when a firm or network firm provides a technology-related non-assurance service prior to being engaged to serve as the auditor of the financial statements on which the firm will express an opinion. Should areas in the Code that address these circumstances be emphasized, elevated to requirements (if not currently included therein) or supplemented with additional guidance? (ii) During the course of developing application guidance, it is important that the Board recognizes that technology utilized by professional accountants ranges in complexity, and could include, for example, spreadsheet valuation models with lower complexity levels or	(i) Noted – IESBA is committed to providing NAM to support the Code. (ii) Noted – differing levels of complexity is an aspect of a firm's consideration of the issues arising from the use of

#	Commentator	Comment	Preliminary Task Force Response
		technologies with higher complexity levels such as those that utilize machine learning or artificial intelligence. To ensure that all forms of technology are considered, the Board should continue to develop appropriate guidance that can be applied to an expanding list of technology issues and matters.	technology – and will depend on the particular circumstances (including the level of technical expertise available in each instance).
		(iii) IESBA should collaborate with the IAASB is on the consistency of terminology related to technology and the need for consistency for users of the Code and the International Standards on Auditing (ISAs). For example, IAASB utilizes the term "automated tools and techniques" frequently in the ISA 500, *Audit Evidence* project. However, the same term is not referenced in Part 3 of the Code applicable to Professional Accountants in Public Practice (PAPPs) as part of the proposed revisions.	(iii) Noted. Use of IAASB terminology to be considered where appropriate.
		(iv) PAIBs would, in practice, rely upon their employing organization to satisfy certain requirements of the Code as it pertains to the use of technology. This, in our view, would be similar to how PAPPs adhere to the quality control systems in place at their respective firms. However, the definition of a PAIB does not include their employing organizations - which would contemplate the entity-wide control systems that may be in place to accomplish ethical requirements around technology. This observation applies to the ability of an individual PAIB to comply with the requirements in Subsection 114 – where the responsibility for complying with the principle of confidentiality may be shared across employees (including other PAIBs) in an employing organization.	(iv) Noted. 6th bullet of 220.8 A1 brings into consideration the employing organisation's overall approach to technology issues and the resources available. See also extant para. 200.7 A3 "The PA's evaluation of the level of a threat might be impacted by the work environment within EO and its operating environment. For e.g. … Systems of corporate oversight or other oversight structures and strong internal controls…." and extant para.

#	Commentator	Comment	Preliminary Task Force Response
		Consideration should be given to how the internal control environment of the employing organization of a PAIB can be referenced in the Code to address these observations. (v) Use of the term 'accountant', as opposed to 'professional accountant'	200.5 A3 "The more senior the position of a PA, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the EO…" (v) The Code follows a drafting convention under which, once the term 'professional accountant' is used in a paragraph, all subsequent references in that paragraph are to an 'accountant.'
0.12	MNP	(i) To enable IESBA to continue to keep abreast of changes in consideration of whether future iterations and adaptation of the Code are required, it may be appropriate to retain a technology-related research project on the IESBA's work plan. (ii) Canada has a significant number of less sophisticated small and mid-sized public companies, private companies, public sector entities and not-for-profit organizations who place increased reliance on their professional service providers to act as a trusted advisor in both the provision of assurance and non-assurance services. While it may be feasible for larger entities to engage a separate professional service provider for non-assurance services, it could be inefficient and costly for many small and mid-sized entities to do the same. Therefore the same broad approach to the provision of NAS should **not** be taken for all audit/review clients as for those which meet the definition of a PIE	(i) Noted. (ii) Noted. These concerns go to IESBA's objectives and strategy.

#	Commentator	Comment	Preliminary Task Force Response
0.13	NBA	As a member of Accountancy Europe (AE), we would like to make some additional comments to the comments AE already provided to you. (i) Next to artificial intelligence (AI), machine learning should also be taken into account, as these models, and thus any decisions made taking them into account, are based on (embedded) lines/rules in a software program. In the call of May 13, 2022 with AE and IESBA, we understood that these models are not to be taken as a black box by the Professional Accountant (PA). Therefore, more clarification/guidance is needed regarding the required knowledge for PA's regarding the models. (ii) In the guidance no attention is given to reperformance. This considers two aspects: reperformance on the input/output of the transaction(s) itself and then work performed by the auditor. Due to technology data and decision models being amended over time (specifically when AI of machine learning are involved). The client as well as the PA need to prove to a third party how they arrived at the outcome / conclusion.	(i) Noted – the objective is to develop provisions that are of general application – and avoid technology specific provisions. The TF believes that the proposed provisions are appropriate for technology based on machine learning, as noted in the explanatory memorandum. (ii) Noted – reperformance may be a safeguard/step to be taken to ensure technology is appropriate. This step could be factored in the employing organization's internal controls to ensure the use of technology is appropriate (6th bullet of 220.8 A1 and 320.11 A1). also note the revision of 4th bullet to emphasize that the technology is "appropriately" tested for the purpose intended.
0.14	PwC	(i) The framework is not sufficiently specific about the range of tools that may be used by a PA and the different threats to which they may give rise.	(i) Noted – Given the fast developing range of tools available, it will be for firms to consider of the issues arising from the use of technology – which

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		For example, a PA may use a technology tool such as Microsoft Excel to summarize, filter and assess a population for purposes of selecting items for further evaluation which would present little threat to compliance with the fundamental principles. In contrast, if the PA uses an AI-based anomaly detection tool to identify potential fraudulent or erroneous management accounting on a real-time basis, this would present a far greater risk to compliance with the fundamental principles. If use of technology is to be added to the requirements and guidance, we believe the range of technologies that may be utilized should be described and illustrative examples provided reflecting the spectrum of threats to compliance with the fundamental principles. (ii) We are uncertain about the intent of "Whether the technology incorporates expertise or judgments of the accountant or the employing organization" (200.6 A2) and "Whether the technology incorporates expertise or judgments of the firm" (300.6 A2). We believe that developing technology will typically incorporate the expertise or judgments of the firm or supporting third party developer.	may depend on the particular circumstances (including the level of technical expertise available in each instance). (ii) Noted – see revisions to 200.6 A2 & 300.6 A2.
0.15	SCAAK	SCAAK is concerned that SMPs, as with all such public consultations, may be least likely to respond to these proposals for various reasons ranging from lack of awareness as well as time and resources. Therefore, SCAAK encourages targeted outreach to the SMP community perhaps via a focus group of SMPs, such as the IFAC SMP Advisory Group, or a short survey.	Noted
0.16	UKFRC	(i) Further work is required in order to ensure this material is practical and consistent with how complexity is addressed in other professional standards, such as the International Standards on Auditing (ISAs).	(i) and (ii) Noted, see revisions to 120.5 A6 and A7.

#	Commentator	Comment	Preliminary Task Force Response
		(ii) We believe that IESBA should align with the IAASB's approach to and description of complexity in revised ISA 315. (iii) The FRC does not agree that the use of the output of technology is conceptually close enough to the use of the work of an other/expert for the proposed additions to be included within the same section of the Code. (iv) We do not support the emphasis on the term "Output of Technology", as the professional accountant rarely relies solely upon the output of a technological tool; instead, they are invariably involved at each stage in the scoping, implementation, and refining of a tool's operation.	(iii) Noted and taken into account in proposed revisions to ED text – see R220.8 & 310.11 and related application material. (iv) Noted and taken into account in proposed revisions to ED text – e.g., the last bullets in 220.8 A1 & 310.11 A1.
1. Do you support the proposals which set out the thought process to be undertaken when considering whether the use of technology by a PA might create a threat to compliance with the fundamental principles in proposed paragraphs 200.6 A2 and 300.6 A2? Are there other considerations that should be included?			
1.0	AAT, AICPA, AIA, BAOA, BDO, BICA, CAANZ-ACCA-ACCA, CEAOB, CPAA, CPAC, Deloitte, EY, FACPCE, GTIL, HKICPA, IBRACON, ICAEW, ICAI, ICAS, ICPAU, IFIAR, IRBA, JICPA, KICPA, KPMG, MIA,	Yes	N/A

#	Commentator	Comment	Preliminary Task Force Response
	MNP, NASBA, NZAASB, RSM, SCAAK, TFAC, UKFRC		
1.1	AICPA, BDO, CPAC, IRBA	Link bullets in 200.6 A2 & 300.6 A2 to threats to fundamental principles and how they should be addressed	Addressed - see revisions to 200.6 A2 & 300.6 A2.
1.2	APESB, ASSIREVI, DTTL, GTIL, PwC, MB	Provide clarity on wording – *"whether the technology incorporates expertise or judgments of the accountant or the employing firm/organisation"* (a) One view was that this means that the technology is undertaking work requiring expertise or judgement in lieu of the accountant (i.e., without the technology, the accountant would be using that expertise or judgement), and it is, therefore, part of the professional activity provided and the responsibility of the accountant. (b) Another view was that the accountant had used their expertise, judgements or decisions on how the technology operates, such as setting assumptions or parameters.	A number of commentators raised this issue. See revisions to 200.6 A2 & 300.6 A2 to reflect the intention summarised in (b).
1.3	BAOA	Highlighted benefits of external assurance of technology – certifications etc.	See new AM 200.7 A4 and 300.7 A6 which provides for the existence of such certifications etc as relevant to the evaluation of threats when using technology.
1.4	CEAOB/IAASA	Factors relevant to identification of threats when relying on output from technology apply also to source and appropriateness of inputs to that technology	See revisions to 200.6 A2 & 300.6 A2 (new 1st sub-bullet).

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1.5	CNCC	"*whether the technology is based on expertise or judgments of the firm or a network firm"* is too wide and needs clarification. Are we talking about a technological tool that has been configured upstream by the professional, in agreement with the client? How extensive could this configuration be allowed to be ?	See #1.2 above
1.6	CPAA	(i) Should more emphasis be given to inputs and associated processes? (ii) Should the role of the PA be to assess the risks and governance processes associated with the use of technology – as opposed to understanding the technology itself? (iii) Should the maturity of the technology be a factor to be considered? Links with whether technology is established/effective and reputation of developer	(i) See revisions to 200.6 A2 & 300.6 A2 (new 1st sub-bullet). (ii) No – a PA must be able to understand the output from the technology and the relevance of that to the professional activity being undertaken. The risks and governance processes in place (i.e., conditions, policies and procedures are relevant in evaluating the level of the threat. (iii) See revisions to 220.8 A1 & 320.11 A1 (5th bullet) to refer to prior experience and general acceptance of the technology (i.e., which is impacted by its maturity).
1.7	CPAC	(i) 200.6 A2 – Suggestions a. Define *"use of technology"*	(i) 200.6 A2 a. IESBA resolved not to define 'technology' to avoid any unintended limitations on the

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		b. Explain how one determines whether technology is appropriate – e.g. has it been tested/certified ? c. Include example of what is meant by *"incorporate expertise or judgments of accountant or employing organisation"* (i) 300.6 A2 – 4th and 5th bullets do not refer to individual PAs knowledge – intentional ??	application of the provisions arising from such a definition. b. See revisions to 220.8 A1 & 320.11 A1. c. See revisions to 200.6 A2 & 300.6 A2 (last two sub-bullets). (ii) See revisions to 300.6 A2 (last two sub-bullets).
	Deloitte	(i) Technology is a driver for improving audit quality (ii) Focus should be on improper use of or over-reliance on technology (iii) Would be helpful to include examples of how technology creates threats to fundamental principles (iv) Detailed points: a. Refer to improper use of technology creating threats b. Clarify interpretation of last two bullet points in 200.6 A2/300.6 A2	(i) Accepted – a matter for IAASB. (ii)-(iv) Accepted, see revisions to 200.6 A2 & 300.6 A2 (3rd and 4th sub-bullets), examples now linked to the threats, and last two sub-bullets revised for clarify.
1.9	EY	Consider inclusion of 'sophistication' as a factor	The use of the term technology is intentionally broad to cover a broad range of technologies including those more sophisticated. 5th sub-bullet of 220.8 A1 and 320.11 A1 refers to prior experience and general acceptance of the technology

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			which is impacted by the technology sophistication (i.e., excel vs AI).
1.10	GTIL	(i) Guidance in 300.6 A2 would be better placed in Subsection 606 (ii) Clarification is needed as to what is meant by *"whether the technology incorporates expertise or judgments of the firm"*	(i) No change, it is applicable to all PAPPs when using technology. (ii) See revisions to 200.6 A2 & 300.6 A2.
1.11	HKICPA	(i) Concern at whether PAPPs and PAIBs would have knowledge to assess the factors given the range of new technologies and speed of development. This may also be affected by seniority of individuals involved (ii) Suggest further application material and/or NAM required (iii) Suggest need to document thought process and resultant judgment	(i) Noted – hence the need to promote the importance of understanding technologies when using them through the Code. (ii) IESBA is committed to providing additional material as necessary. The TF considered whether such expectations should be included but is of the view that it is not necessary. The TF view is that such expectations are akin to how PAs currently exercise professional judgement in determining the appropriate documentation in relation to compliance with the fundamental principles. Furthermore, documentation is not limited to the use of technology, and the IESBA had determined in its 2019-2023

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			Strategy Work Plan that a potential project related to reconsidering the documentation provisions in the Code was not a high priority at the time.
1.12	ICAEW	(i) Application material should include specific issues in relation to AI systems. Such material should direct Professional Accountants to their responsibility to be informed about the training of such systems and any potential biases built into the AI system as a result of that process. There should be an obligation on Professional Accountants to understand the data sets that have been employed, and the formulas which underpin the creation of any algorithms used. Application material should remind Professional Accountants to remain aware that AI systems may take account of both correlation and causation when producing analysis or recommendations. Such correlation may be based on inferences about individuals with protected characteristics which are not permitted under national equalities legislation. ICAEW would emphasise that the issue of potential bias by AI systems is particularly important to understand; it is difficult to prove a negative-that a system is 'free from bias'. Just as individuals need to be aware of how their own sub conscious biases might influence the way in which they make decisions, AI systems and those who use them, must be aware of these potential biases too.	(i) The IESBA resolved to address the breadth of technology available and the resulting volume of technology-specific issues that might be focussed on by emphasising, as a general proposition, the importance of understanding the technology being used and being able to assess the output from technology. To do otherwise would give rise to an unrealistic expectation that IESBA would be able to maintain specific application material for a significant number of different technologies and their applications. In this regard, the TF also notes the Technology Working Group's Phase 2 Fact Finding Report highlights considerations for PAs in relation to the use or development of AI systems, including the importance of understanding bias. Other non-authoritative guidance to draw out

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		(ii) Recommend inclusion of a new kind of 'familiarity 'threat. This threat arises not from familiarity with the client, but from familiarity with the software employed, combined with automation bias. Where a Professional Accountant uses the same technology repeatedly, there is a risk of expecting a particular outcome and seeing that as 'normal'. This is so even when a 'normal' output would be abnormal in a particular context. (iii) To address this concern, ICAEW recommends that IESBA extend the second bullet point in paragraphs 200.6A(2) and 300.6A(2) as follows: '*Whether the technology is appropriate for the purpose for which it is being used, and the accountant has adapted the approach to the technology to reflect the specific circumstances of use, to avoid mistakes arising from overfamiliarity with technology'*.	the issues specific with AI can be considered as appropriate. (ii) In the TF's view, this is covered by automation bias (iii) Noted – see (ii) above
1.13	ICAS	(i) Suggest adding additional language to 200.5 A3 *"and demonstrate ethical behavior in dealings with business organizations and individuals with which the accountant or the employing organization has a professional or business relationship."* (ii) Should similar provisions should be included in Section 300 for PAPP?	(i) Accepted – in order to align with 120.14 A3 (ii) Accepted, see 300.5 A2.
1.14	ICPAU	The accountant's competence to understand, use and explain the output from the technology should be given more prominence since adoption of technology in accounting work requires the competencies of the accountant to evolve with the technology so adopted.	See revisions to 200.6 A2 & 300.6 A2

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1.15	IDW	200.6 A2 & 300.6 A2 – Suggest additional factor – whether the technology has been modified in an inappropriate way (e.g. due to fraud or error) and therefore produces false output	No change – addressed through the PAs knowledge and understanding of the technology and the requirement that the technology be fit for purpose.
1.16	IFAC SMP	The SMP questioned whether these proposed paragraphs would apply to IT teams who work with PAs in business and, if so, whether those working in business would be able to implement these changes in practice. For example, for PAs in industry, how would they document that the proposed items in 200.6 A2 are being done as this does not seem practical when PAs may not hold leadership roles in their organization. It also raises the question of how could anyone prove that a PA created a threat to compliance if they leave the organization and there was a future breach that arose after they were gone? There may also be times when there are conflicts in documenting personal ethical duties and violating confidential information clauses of employment agreements. In addition, expectations for sole practitioners and small practices might be challenging when it comes to documentation requirements due to their more limited resources.	No change – these are practical issues to be addressed and resolved, in practice – not through the Code. See also #0.11.
1.17	IFIAR	300.6 A2 (i) it is potentially confusing that the factors included in this paragraph are separate from the threats described in 300.6.A1. It would be clearer if the technology specific factors were integrated into the existing material rather than being included under their own heading.	(i) No change, but for clarity a new sub-heading created to emphasize that these factors are specific to technology.

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		(ii) We would also support the inclusion of additional examples and factors, such as the need for a professional accountant to consider whether they may need to engage an expert to facilitate the effective deployment of technology.	(ii) See revision to 200.6 A2 & 300.6 A2 (4th sub-bullet).
1.18	IRBA	*(i) The proposed revisions give the impression that a PA is expected to have extensive IT expertise. Suggest that it be considered sufficient if the PA has access to the suitable IT expertise (regardless of whether this be in-house or outsourced).* *(ii) 300.8 A2 – additional safeguards might include:* • *Where technology was designed or developed by the firm, proposed safeguards to reduce the threats could be an independent governance or accreditation process, to assess the quality and functionality of any tools the firm developed.* • *Formalised training programmes to ensure that the PA has the professional competence to sufficiently understand, use and explain the output from the technology (without necessarily being the subject matter expert on the IT system concerned).*	(i) See revision to 200.6 A2 & 300.6 A2 (4th sub-bullet). *(ii)* Accepted, the TF believes that the suggestions provided are more relevant to the evaluation of the level of threats in accordance with the Code's conceptual framework (i.e., existence of policies, conditions and procedures), rather than being a safeguard to address a threat (i.e., actions). See 200.7 A4 and 300.7 A6.
1.19	KPMG	200.6 A2 & 300.6 A2 (i) The linkage to compliance with the fundamental principles and how threats might be created by the use of technology should be more fully articulated in the opening sentences of 200.6 A2 and 300.6 A2. (ii) Suggest adding "sufficient" before "information" in the first bullet point under 200.6 A2 and 300.6 A2.	(i) See revisions to 200.6 A2 & 300.6 A2. (ii) No change – introduces subjectivity.

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1.20	MNP	Suggest adding an additional factor – *"whether the PA has access to an appropriately qualified external and/or internal expert(s) to assist them in understanding the technology as an enhancement to the existing consideration of whether the PA has the professional competence to understand, use and explain the output from the technology."*	See revision to 200.6 A2 & 300.6 A2.
1.21	Pitcher Partners	Is each professional accountant within a firm or network required to be able to place some form of reliance on a firm or network assessment / explanation of the technology? It would seem somewhat impracticable if each professional accountant needs to individually have all the answers to the points raised in 200.6 A2 and 300.6 A2.	The revisions to 200.6 A2 & 300.6 A2 make it clear that a PA may seek assistance from an expert.
1.22	PwC	(i) The framework proposed is not sufficiently specific about the range of tools that may be used by a PA and the different threats to which they may give rise. For example, a PA may use a technology tool such as Microsoft Excel to summarize, filter and assess a population for purposes of selecting items for further evaluation which would present little threat to compliance with the fundamental principles. In contrast, if the PA uses an AI-based anomaly detection tool to identify potential fraudulent or erroneous management accounting on a real-time basis, this would present a far greater risk to compliance with the fundamental principles. If use of technology is to be added to the requirements and guidance, the range of technologies that may be utilized should be described and illustrative examples provided reflecting the spectrum of threats to compliance with the fundamental principles.	(i) The revisions to 200.6 A2 & 300.6 A2 allow for different levels complexity and highlight that the PA needs to have the knowledge and understanding appropriate both for the technology and its use. The TF's objective is to keep the guidance principles based. To be more specific risks the Code becoming too prescriptive. In addition, there are numerous examples of quite serious errors being made via use of excel.

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		(ii) Separately, the intent of "Whether the technology incorporates expertise or judgments of the accountant or the employing organization" (200.6 A2) and "Whether the technology incorporates expertise or judgments of the firm" (300.6 A2) is unclear. We believe that developing technology will typically incorporate the expertise or judgments of the firm or supporting third party developer. (iii) The discussion in the proposed bullets combines, rather than address separately, scenarios where the professional accountant licenses technology to use and where the professional accountant develops and uses technology. This differentiation is important in identifying and assessing the threats to compliance with the fundamental principles.	(ii) See revisions to 200.6 A2 & 300.A2 (iii) Noted. See revisions to 200.6 A2 & 300.A2 (5th and 6th sub-bullet)
1.23	RSM	Suggest inclusion of a sub-heading before 200.6 A2 and 300.6 A2 – *"Identifying threats associated with the use of technology"*	Accepted
1.24	SAICA	**No. -** 200.6 A2 & 300.6 A2 o critical of profession in use of technology and contains insufficient information and guidance for PAs o bullets do not identify the threat created	Noted. o These provisions are not intended to be critical of the profession – but to help PAs identify the circumstances when threats to compliance with the fundamental principles might be created o Noted – see revisions to 200.6 A2 and 300.6 A2
1.25	SCAAK	Are PAIBs able to implement proposals?	The TF is not aware of any reason why PIABs should not be able to implement

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			the proposed provisions. See also #0.11 above.
1.26	UKFRC	Suggest following revisions/additional factors • *Whether the accountant has the professional competence to understand, use and explain the output from the technology, and if not, if they are able to engage an expert to facilitate the effective deployment of technological resources in the engagement.* • *Whether the client has sufficiently high-quality data for the effective deployment of the technology being considered.*	Accepted – see revisions to 200.6 A2 & 300.6 A2.
2. Do you support the proposed revisions, including the proposed factors to be considered, in relation to determining whether to rely on, or use, the output of technology in proposed paragraphs R220.7, 220.7 A2, R320.10 and 320.10 A2? Are there other factors that should be considered?			
2.0	AICPA, AIA, BAOA, BDO, BICA, CAANZ-ACCA, CPAA, CPAC, Deloitte, EY, FACPCE, GTIL, HKICPA, IBRACON, ICAEW, ICAI, ICPAU, ISCA, JICPA, KICPA, KPMG, NASBA, NZAASB, PwC,	Yes	N/A

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	RSM, SCAAK, TFAC		
2.1	AICPA	(i) Paragraphs should be positioned under their own headings in Sections 220 and 320 (ii) Guidance on application of factors requested	(i) See revisions to R220.8 to 220.8 A2. (ii) To be addressed in BfC or NAM.
2.2	AIA	Suggest additional statement highlighting the impact of the mindset/focus of the preparer of the technology and the purpose for which it was designed on the reliability of particular technology – to highlight any bias or inappropriate application	No change – addressed through existing factors and provisions relating to bias.
2.3	APESB, BDO	APESB - Additional application material (or NAM) is needed on the level of technical expertise required. Does PA need to understand how the technology derived its output? See EM 36(a) BDO - (i) expand 320.10 A2 to clarify that either the PA has the ability to understand or has access to knowledge, skills and experience required to obtain an understanding. (ii) 220.7 A3 – provide that when the PA does not have the required expertise to determine whether reliance can be placed, they have access to the knowledge, skills and experience needed to assist to PA in making such a determination.	These points have been addressed through the revisions to 200.6 A2 & 300.6 A2 and 220.8 A1 & 320.11 A1.
2.4	BDO	Not convinced that the reputation of the developer is a reliable measure of the quality of the technology – suggest expand to factor to show how reputation might be assessed	Noted – see revisions to 220.8 A1 & 320.11 A1; reputation has been replaced

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			by prior experience with the technology and general acceptance.
2.5	CEAOB/IAASA	(i) The phrase 'ability to understand the output from the technology for the context in which it is to be used' in paragraph 320.10 A2 should cover the professional accountant's ability to assess the reasonableness of the output. (ii) The factors to be considered when a professional accountant intends to use the output of technology in paragraph 320.10 A2 should include appropriate user management, for example authorisations in the system and super users.	(i)-(ii) Accepted – see revisions to 220.8 A1 & 320.11 A1 (3rd and 7th sub-bullets).
2.6	CPAA	Suggest amending to read *"Another consideration is whether the accountant is in a position within the employing organisation ~~impacts the accountant's ability~~ to obtain information in relation to factors required to determine whether reliance on the work of others or on the output of technology is reasonable."*	Noted – see revision to 220.8 A2.
2.7	CPAC	Suggestions: *(i)* Define *"technology"* and *"IT services"* (ii) Provide examples of *"ability to understand"* [c.f. with *"professional competence to understand"*] and *"oversight of … the technology"* (iii) 220.7 A2	(i) IESBA resolved not to define 'technology' to avoid any unintended limitations on the application of the provisions arising from such a definition. (ii) No change.

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		a. Provide examples and steps to be taken by a PA to apply the criteria (e.g. level of enquiry and judgement to be undertaken) b. Add additional bullet re consultation with others able to input c. Explain how technology is *"established"* (iv) Consider differences in introductory wording – *"reliance"* as opposed to *"use"* (v) 220.7 A3 – explain reason for reference to *"professional accountant's position"*	(iii) a. – no change, this is a matter of exercising the professional judgment and having an inquiring mind required by the Code and to use the reasonable and informed third party test to assess if the PAs conclusions are likely to be reached by another party. b. see revisions to 200.6 A2 & 300.6 A2 and 220.8 A1 & 320.11 A1. c. removed the bullet, see instead 5th bullet. (iv) Introductory wording to 220.8 A2 & 320.11 A1 conformed. The TF has adopted the word 'use' for consistency - which is also aligned with the with IAASB's terminology. (v) See revision to 220.8 A2.
2.8	Deloitte	(i) Separate technology provisions from using work of an expert – e.g. renumber as R320.11/320.11 A1 – to achieve greater prominence (ii) Explain why factors are important/relevant (iii) Consider differences in introductory wording between 220.7 A2 – *"reliance"* – and 320.10 A2 - *"use"*	(i) Accepted - see R220.8 & R320.11 and related application material. (ii) To be addressed in BfC or NAM. (iii) Introductory wording to 220.8 A2 & 320.11 A1 conformed. See #2.7.

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		(iv) Objective of penultimate bullet point – where firm has oversight of technology (v) 220.7 A2 – Code should address the fact that the role of a person would impact their determination of the appropriateness of using technology – junior person may not be in a position to question whether the technology has been appropriately tested – but should understand the output	(iv) No change, refers to consideration of internal controls and other oversight and governance structures in place over the use of technology. (v) See revision to 220.8 A2.
2.9	EY	5th bullet point of both proposed paragraphs 220.7 A2 and 320.10 A2 relates to whether the new technology has been appropriately tested and evaluated for the purpose intended. However, it is not clear whether this is suggesting the PA, or the PA's employing organization, should perform the testing and evaluation. Adding a similar statement as the one included in extant paragraphs 220.7 A1 and 320.10 A1 that "*Such/that information might be gained from prior association with, or from consulting others about*. . ." would be both appropriate and helpful.	No change. 220.8 A1 & 320.11 A1 are examples of steps that might be taken. See revisions to 5th bullet.
2.10	GTIL	The ISAs use the phrase "using the work….", as opposed to the "extent of reliance on". To achieve consistent use of terminology in the auditing and independence standards, the language in paragraphs 220.7 A2, 320.10 A2 and in other paragraphs of the proposals that use the terminology "relies" or "reliance on" should be changed.	See revisions to 220.8 A1 & 320.11 A1. See #2.7.

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2.11	HKICPA	(i) Consider differentiating between PAs generally and those with specific technology responsibility (ii) Refine example based on reputation (iii) Consider inclusion of factors relating to data security	(i) Addressed by expressly providing for ability to consult – see 200.6 A2 & 300.6 A2. (ii) See revisions to 220.8 A1 & 320.11 A1. (iii) See new 7th bullet in 220.8 A1 and 320.11 A1.
2.12	ICAEW	(i) Revisions should state explicitly that ultimate responsibility for judgements and decision making (including those derived from material produced by artificial intelligence systems) remains clearly with the PA. (ii) Decisions must be explainable. As such, PAs have a professional duty to understand the data behind the decision; the rationale for the decision; and the important steps in the process which resulted in the decision. It should be possible to trace a decision back to the data which underpinned it, and to understand the implications of any in-built shortcomings or 'bias' in the data which has been fed into the decision-making process. (iii) 220.7 A2 should refer to potential conflicts of interest in relation to experts as it is frequently the case that experts available to accountants will have commercial interests in specific technologies.	(i)-(ii) The TF considers this to be clear from the repeated emphasis on the PA's role and the need to be able to understand and explain the output of the technology. Note also explicit consideration of the appropriateness of the inputs to the technology, including data and any related decisions, and decisions made by individuals in the course of using the technology (last bullet 220.8 A1 and 320.11 A1). (iii) No change, this is the case with any expert. The TF considers the current provisions in the Code in relation to conflicts of interest to be sufficient.

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2.13	ICAS	Appreciate that PAs cannot just blindly rely on the output from technology. PAs need to give consideration to the reasonableness of the output from technology – as they do for the work of an expert. (i) 220.7 A2 & 320.10 A2 - Include (or expand upon) EM 36(a) in the Code (ii) Last bullets of 220.7 A2 & 320.10 A2 – suggest amend to include EM 19 *"The appropriateness of the inputs to the technology, including data and any related decisions, such as decisions made by individuals relating to the operation of the technology."* (iii) Suggest reference to "individuals" should remain in paragraph R220.7 (a) as this would ensure consistency both with paragraph 220.7 A1 and also paragraph R112.1 as follows: *"R220.7 A professional accountant who intends to rely on:* *(a) The work of other individuals, either internal or external to the employing organization, or other organizations, or* (iv) Within Section 220, it may be helpful to refer to the "Bias" paragraphs at paragraphs 120.12 A1 to 120.12 A3, e.g. automation bias. (v) 220.7 A3 - suggest that the PA be referred to Section 230 "Acting with Sufficient Expertise" and Section 270 "Pressure to breach the Fundamental Principles"	(i) See revisions to 220.8 A1 & 320.11 A1 (3rd bullet). (ii) Accepted – see 220.8 A1 & 320.11 A1. (iii) No change. (iv) No change. The Code uses a building block approach - meaning that it is implicit that PAs already have to apply Part 1 of the Code. (v) See revision to 200.6 A1 & 300.6 A1 (4th sub-bullet refers to S230). Note that extant

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			para 230.5 A1 then refers to S270.
2.14	IDW	220.7 A2 & 320.10 A2 – Instead of listing specific factors to consider in determining whether reliance is reasonable, suggest refer to the General IT Controls. This would cover the various factors listed in 220.7 A2 without specifying them and, thus, without the risk of omitting singular factors.	No change. TF considered the benefits of brevity, but on balance views the specific factors to be helpful for PAs when making such determination.
2.15	IFAC SMP	(i) 220.7 A2 - the emphasis should be about assessing the vendors and having them provide sufficient information for PAs to have oversight of the tools/products that they may be offering rather than putting all of the responsibility on the PA. Perhaps practical examples or additional implementation guidance could be developed to further explain what an accountant would do in order to consider the list of factors noted in 220.7 A2. (ii) R320.10 - the requirement to determine whether a particular technology is appropriate for the intended purpose can have practical implications that the Board should further consider. For example, new product offerings might be challenging for PAs to evaluate whether they are appropriate for the intended purpose, especially for SMPs. Additional guidance and examples might help differentiate between evaluating use of an expert versus evaluating output of the technology that the expert is providing.	Because the Code has no standing in relation to the vendors of technology, the Code emphasises the need for the PA to obtain sufficient information to be satisfied as to the adequacy of the technology. To be noted in BfC.

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2.16	IFIAR	320.10 A2 – contains material that is a reasonable starting point as an outline of factors to be considered by a professional accountant when determining whether reliance on the output of technology is reasonable. (i) However, we believe the challenges professional accountants face could be better addressed if the material was presented in a section separate from Using the Work of an Expert given the unique challenges that the use of technology brings to the professional accountant. (ii) When making use of or relying on the work of an expert, a professional accountant is relying on an individual or organization's intrinsic expertise in relation to a specific subject matter, their experience, skills, qualifications, and judgements to assist in their work, drawing conclusions based on reports or other works prepared by the expert. In order to best make use of technological tools the professional accountant needs to understand the data being used, the complexity of the relationships present and enough of the working of the tools to ensure that the professional accountant is meeting their professional competence and due care obligations. This is likely to be a more involved process than is usually the case when making use of the work of an expert, with the professional accountant being actively involved in the iterative use of the tool. (iii) The emphasis on the use of the output of the technology, rather than on the whole process for making use of a technological resource, is not the most effective approach to ensuring the appropriate use of technological resources. For example, it would be beneficial to include material on (i) when the professional accountant may need to consider consulting an expert in the technology being deployed and (ii) how the professional accountant	(i)-(ii) See revisions to separate reliance on technology from reliance on the work of others - R220.8 & R310.11 et seq. (iii) See revisions to 200.6 A2 & 300.6 A2, which add the consideration of consulting with an expert and whether the data is sufficient for deployment of technology in sub-bullets 1 and 4. Whether the technology has been effectively implemented is part of assessing the firm

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		should determine whether or not the firm has effectively implemented any third-party solutions into their own methodologies.	or employing organization's oversight of the use of technology (see last three bullets of 220.8 A1 and 320.11 A1), and whether the technology is appropriate for the use intended (3rd sub-bullet in 200.6 A2 and 300.6 A2).
2.17	IOSCO	320.10 A2 – consider revising the penultimate bullet to include specific reference to user access of the system (e.g., oversight and authorization of the roles that users are assigned) given the importance to the overall governance of the technology.	Accepted, see addition of penultimate bullet in 220.8 A1 and 320.11 A1.
2.18	IRBA	320.10 A2 (i) Add as an additional factor - "Training that the PA may have in the use of the technology." (ii) Revise 5th bullet to refer to updates and upgrades (iii) Disagrees with reference to 'reputation of the developer of the technology'. Recommends deletion and focus on developer's competence and capabilities	(i) See new 200.4 A4 and 300.7 A6. (ii) Accepted – see revisions to 220.8 A1 & 320.11 A1. (iii) See revisions to 220.8 A1 & 320.11 A1. Removed reference to reputation. Focused on the prior experience with the technology and general acceptance.
2.19	ISCA	As a PAIB's position within the employing organisation impacts his/her ability to obtain information, clarity is required on how junior level PAIBs (as opposed to senior level PAIBs) would apply factors listed in proposed paragraph 220.7 A2.	Noted – see revision to 220.8 A2.

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2.20	KPMG	220.7 A3 - suggest rewording the paragraph to be more specific and adding examples which will aid in understanding and accurate translation.	Noted – see revision to 220.8 A2.
2.21	MIA	Believes clarity is required (i) on what is included by "technology" (ii) level of documentation required (iii) the extent to which 4th and 5th bullets are to be tested (iv) extent of evaluation of reputation of developer	(i) IESBA resolved not to define 'technology' to avoid any unintended limitations on the application of the provisions arising from such a definition. (ii) See #1.11. The TF believes that the Code's current provisions are sufficient. (iii) No change, this a matter of professional judgment. (iv) See revision to 5th bullet in 220.8 A1 & 320.11 A1.
2.22	NASBA	220.7 A2 & 320.10 A2 – recommend deletion of *'new'* in 5th bullet	Accepted
2.23	NZAASB	In relation to the factors to be considered, (i) The need for an accountant to understand what technology is doing. Support the view that it is not realistic to expect that a professional accountant to understand all specific details of how the technology functions. It would be helpful to explain that the proposed factors should be considered as a mitigation of the lack of understanding technical details	(i) Noted – see revisions to 200.6 A2 & 300.6 A2.

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		what is "inside" of the technology and providing alternative ways to ensure the technology can be relied upon. This could be achieved by adding overarching wording before the bullet points in 220.7 A2 and 320.10 A2 along the following lines: *"It might be impractical for professional accountants to understand the technical details of how the technology functions. Professional accountants might consider all other available and understandable information for the purpose of relying on the output of the technology".* (ii) Technology is tested and evaluated on a continuing basis to ensure it is fit for purpose. Circumstances in which professional accountants operate are changing, therefore the technology should be tested and evaluated on regular basis if it is to be fit for purpose. Suggest building on the 5th bullet in 220.7 A2 and 320.10 A2 by adding the following additional bullet point: *"whether the technology that has been relied on, is regularly evaluated to be fit for purpose".* (iii) Role of the employing organisation or the firm Professional accountants engaged by an employing organisation or a firm usually rely on a dedicated team of technology specialists (employed by a firm or outsourced) who are responsible for maintaining the technology within the firm, understanding how the technology functions and that it is fit for purpose. Professional accountants in public practice rely on their firm's system of quality management that includes obtaining, developing, implementing and use of appropriate technology resources. It could be clarified in the Code that the factors to consider	(ii) The TF view is that the fourth bullet of 220.8 A1 & 320.11 A1 covers this point. "Appropriately tested" includes consideration of the timing and extent of testing. (iii) The TF considers this to be addressed by the penultimate bullet in 220.8 A1 & 320.11 A1.

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		when relying on output of technology might be performed at a firm level instead of by professional accountants themselves.	
2.24	Pitcher Partners	NAM would be beneficial to provide more practical guidance on the expectations and documentation necessary to fulfill the responsibilities of R220.4 given the "professional judgement" required which is always in hindsight different to that which is applied in advance of an issue occurring. Practical examples could address common technology such as excel, access, and commercially available systems on which reports are run.	Noted – IESBA is committed to providing NAM to support the Code.
2.25	PwC	(i) 220.7 A2 & 320.10 A2 How the professional accountant should assess "The professional accountant's ability to understand the output from the technology for the context in which it is to be used." is unclear. Further guidance required to explain whether this refers to the availability of training/user guides, ease of use, basic understanding of the technology, or whether this perhaps refers to the professional accountant having prerequisite knowledge to properly assess the tool output (e.g., industry knowledge or adequate experience to develop an independent expectation of a reasonable or unreasonable tool output). If the intent is to refer to the knowledge and experience of the professional accountant, the bullet in 220.6.A2 is more helpful: "Whether the accountant has the professional competence to understand, use and explain the output from the technology." (ii) 220.7 A2 & 320.10 A2 Recommend deletion of *"is established and"*	(i) See revisions to 220.8 A1 & 320.11 A1 (3rd bullet). (ii) Accepted, see deletion of ED 4th bullet.

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		(iii) 220.7 A2 Is the 7th bullet intended to relate to technology acquired/developed by an external vendor? If so, it should be combined with the 6th bullet If the bullet is to address technology developed internally as well as externally, the following wording would provide some flexibility for different scenarios: "The employing organization's *extent of knowledge and* oversight of the design, development, implementation, operation, maintenance, monitoring or updating of the technology." (iv) 220.7 A3 Is this intended to say that the ability of the individual to rely on the technology is related to their ability to have visibility into the factors included within 220.7 A2? If so, this should be drafted to be clear.	(iii) No change, the oversight would cover controls and procedures over assessing whether a firm's knowledge is sufficient. (iv) Noted, see revisions to 220.8 A2
2.26	RSM	R220.7 - Amend to read *"…(a) The work of other individuals, whether internal or external to the employing organization, or other organizations".* 220.7 A2 & 320.10 A2 – add additional bullet - *"The effectiveness of the organization's general and application controls related to the technology."*	R220.7 - No change. 220.8 A1 & 320.11 A1 – The TF considers this to be covered by the penultimate bullet .
2.27	SAICA	**No -** Imposes factors which PAs may not have the skills or competencies to consider and/or are of a specialised nature. Would require PAs to upskill or engage an expert resulting in increased audit or professional costs	Noted, see revision to include access to an expert as a factor, recognizing that not all PAs will be not experts in technology.
2.28	SCAAK	Given the limited technical resources and know how available to SMPs the proposed revised wording of R320.10, which requires PAs to determine whether	Noted.

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		a particular technology is appropriate for the intended purpose, will prove especially challenging.	
2.29	UKFRC	(i) The FRC does not agree that the aspects of a professional accountant's work are sufficiently similar for the proposed material to be included within the same sections of the Code as those relating to the use of, or reliance on, the work of others/an expert. When making use of or relying on the work of others/an expert, a professional accountant is relying on an individual or organization's intrinsic expertise in relation to a specific subject matter, their experience, skills, qualifications, and judgements to assist in their work, drawing conclusions based on reports or other works prepared by the expert. Additionally, many of the experts professional accountants make use of are themselves governed by professional standards, whereas technology is not. Technology, and the outputs from it, are tools which are used by a professional accountant. Technological resources do not make judgements or rely on skills or experience and have no intrinsic expertise. The quality of the output is highly dependent on both quality of the input data and the skills and experience of the individual deploying the tool. Experts will undertake a process as agreed with the professional accountant and will provide a conclusion or recommendation at the end of that process, such as when a professional accountant engages an actuary to comment on the reasonableness of judgements made in a pension valuation. Technological resources also carry out a process, such as analyzing data to identifying high risk transactions, but the tool generally does not form and present conclusions. It is the professional	(i) See revisions to separate reliance on technology from reliance on the work of others - R220.8 & R320.11 et seq.

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		accountant who must interpret the results of a tool in order to understand the implications for the engagement. The emphasis on the use of the output of the technology, rather than on the whole process for making use of a technological resource is not the most effective approach to ensuring appropriate use of technology resources. (ii) We do not support the emphasis on the term "Output of Technology" as the professional accountant would rarely be relying solely on the output of a technological tool. Instead, they will be involved at each stage in the scoping and implementation of a tool, as well as interpreting its outputs. (iii) The challenges PAs face could be better addressed if the material was presented in a discrete section and revised to ensure it reflects the unique challenges that the use of technology brings to the professional accountant. (iv) 220.7.A2 The IESBA should include material on the factors that a professional accountant considers when they are unable to understand the outputs themselves, but maybe be able to make use of an expert <u>in</u> the technological resource being deployed, for example when making use of a data scientist, either from a firm's in-house team or externally engaged, when deploying data analytics software. This use of experts in the technological resource being deployed is already commonplace, and material on this would facilitate consistent application of the fundamental principles of the Code. (v) Review introductory words to 220.7 A2 and 320.10 A2	(ii) The TF considers that this is reflected in the factors to be considered. (iii) See (i) above. (iv) See revisions to 200.6 A1 & 300.6 A1. (v) Now conformed.
3. Do you support the proposed application material relating to complex circumstances in proposed paragraphs 120.13 A1 to A3?			

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3.0	AAT, AIA, BAOA, BICA, CAANZ-ACCA, CPAC, FACPCE, HKICPA, IBRACON, ICPAU, IFIAR, IRBA, JICPA, KICPA, MIA, NASBA, NZAASB, RSM, SAICA, SCAAK, TFAC, UKFRC	Yes	Note – Objections/ reservations raised by, inter alia, AICPA, BDO, Deloitte, EY, GTIL, IDW, ISCA, KPMG, and PwC. The TF also noted the difference in understanding of 'complex': on spectrum of difficulty vs a distinct concept. In this regard, the TF's objective is the ease of understanding of the AM to the average PA. Given the qualified support for the provisions relating to complex circumstances, the TF considered that there is benefit in application material to follow 120.5 A5 to address the implications of complex circumstances, which focus on risk, and so align with the IAASB approach to promote consistent application – see #3.30 . By adopting such an approach, the TF aims to avoid: o The criticism that this issue is merely an extension of complicated circumstances – already addressed under the Conceptual Framework. o Issues of terminology.

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			o The criticism that the current provisions are general and vague. Finally, the TF considered whether it appropriate to build in some of the thinking in EM 23 but noted that it is too detailed for a principles based Code, and more appropriate for non-authoritative guidance, such as the thought leadership already issued.
3.1	AAT	Make it clear that 120.13 A2 is not a complete list	See revisions to 120.5 A6 to A7.
3.2	AIA	Concerned that terminology may not be appreciated – important that the Code distinguishes between 'complicated' and 'complex'	Noted
3.3	AICPA	**No -** Guidance is unclear and will result in inconsistent application	Noted, see #3.0, and revised in 120.5 A6 to A7.
3.4	APESB	(i) Request for practical examples of how technology creates complex circumstances based on examples in EM 23 (ii) Suggest additional factor – documentation of uncertain elements, multiple variables and assumptions and how they are connected or interdependent	(i) See #3.0. (ii) See #1.11. Additional factor w.r.t. the analysis of such element, variables and assumptions added to 120.5 A7. (iii) IESBA is committed to providing NAM as appropriate. See thought

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		(iii) Suggest IESBA develop additional guidance or NAM to explain how technology creates complex circumstances and implications when performing professional activities	leadership already issued in relation to this issue.
3.5	BDO	(i) Proposed paragraphs do not add value. a. Provisions state the obvious and are not useful. b. Terminology requires definition (ii) Suggests IESBA develops definition of 'complex circumstances' supported by NAM that shows link between technology and complex circumstances and what is expected of PAs	Noted, see #3.0.
3.6	CAANZ-ACCA	Suggests revising 120.13 A3 to read: *"Using technology and other tools to analyze relevant data to better inform the accountant's judgment"*	No change – would lead to further questions – "what tools."
3.7	CEAOB	The language on both what complex circumstances entail and on potential responses is very vague. We suggest being more specific on what complex circumstances entail and on what the professional accountant is expected to do as a response to mitigate the challenges that may arise from complex circumstances.	Noted, see #3.0.
3.8	CPAA	(i) Concerned that IESBA is saying that technology gives rise to complexity. Important to recognise positive effects of technology on work of PAs (ii) 120.13 A2 a. Consider replacing "facts and circumstances" with "activities and information"	(i) Noted. Positive effects on technology to be recognised in BfC. (ii) 120.13 A2

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		b. Can a fact be uncertain ? *c.* Unclear what the "interaction" relates to – the facts and circumstances or the uncertain elements and different variables and assumptions ?	a. 'Facts and circumstances' is the terminology used throughout the Code. b. Yes – it may be susceptible to change. c. Interaction relates to both (a) and (b).
3.9	Deloitte	(i) Questions whether 'complex circumstances' should be included in the Code – better addressed by material outside the Code with examples and case studies (ii) Suggestions: a. 120.13 A3 – change *"monitoring' **to** "being alert to"* b. Delete 120.14 A3 (b) c. 120.13 A2 – change *"and'* to *'or'*	(i) Noted. (ii) Suggestions a. Accepted. b. No change. c. No change, see #3.0 and revisions to 120.5 A6 to A7.
3.10	EY	**No.** The proposed application material relating to complex circumstances is not necessary - the Code's conceptual framework sufficiently addresses both complicated and complex matters, specific through compliance with the fundamental principle of professional competence and due care. Complying with the fundamental principle of professional competence and due care does not require a distinction between complicated and complex matters, since in the case of both the PA is required to attain and maintain the professional knowledge and skills that are necessary to provide competent professional service.	Noted, see #3.0 and revisions to 120.5 A6 to A7.

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3.11	GTIL	**No.** The considerations discussed in 120.13 A1 to A3 related to complex circumstances have been evident in the extant conceptual framework, and we do not see any added benefits with the addition of these paragraphs. As advancements in technology continue to develop, auditors and professional accountants will need to apply the considerations and criteria in the extant conceptual framework and use their professional judgment in the evaluation of the services to determine if they create any threats to independence.	Noted, see #3.0 and revisions to 120.5 A6 to A7. This issue is more about competence than independence.
3.12	HKICPA	Concerned that definition of complex circumstances in 120.13 A2 appears to be too limiting. For example, other considerations might include the no. of personnel or jurisdictions involved	No change - The examples given would be included as "multiple variables."
3.13	IAASA	Concerned that language describing complex circumstances and how they should be addressed is vague – more detail required	Noted, see #3.0 and revisions to 120.5 A6 to A7.
3.14	ICAEW	(i) Not convinced that it is necessary or particularly helpful to create a distinction between 'complex' and 'non-complex' circumstances. (ii) Such a distinction is by its very nature, relative and subjective; individuals may have different views about whether a situation is complex or not. (iii) ICAEW considers therefore that it might be more helpful to frame the issue in terms of risk, rather than complexity. (iv) As such, the underlying message could be simplified; 'assess the potential risk profile of the work to be undertaken; know your capabilities; and do not take on work that you do not understand.'	(i)-(v) Noted, see #3.0 and revisions to 120.5 A6 to A7.

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		(v) This ties in with the need for Professional Accountants to able to understand - and be able to explain - the data behind automated decision making.	
3.15	ICAI	Uncertainty can arise on account of regulatory expectation gap, that is primarily related to interpretation of a particular term.	Noted.
3.16	ICAS	(i) Concerned that PAs reading the proposed new paragraphs for inclusion in the Code "cold", i.e. without knowledge of this background paper or IESBA's technology project, will not understand that there is nuance in the terminology, and that there is significance in IESBA's use of the term 'complex' in the Code as opposed to 'complicated', because these terms can be used interchangeably in practice. The distinction between these two terms is important and the Code needs to properly reflect this. (ii) Suggest including examples so that users can get a better understanding of the types of situations envisioned by these paragraphs – e.g.: "For example, complex circumstances could be brought on by, amongst other factors, the impact of new technologies, or rapidly changes laws and regulations with differing public interest angles. Tax planning for a multinational corporation or successfully merging the cultures of two organizations is complex."	(i)-(ii) Noted, see #3.0 and revisions to 120.5 A6 to A7. TF also considered the merits of including examples – but given the very varied nature of the examples that could be given, ranging from climate change, the war in Ukraine, legislative change, globalisation etc., the TF believes this is better elaborated in non-authoritative guidance. See thought leadership already issued.
3.17	IDW	**No.** (i) Propose deletion of paragraphs relating to complex circumstances. (ii) 120.12 A3 – If paragraphs retained, such clarification of *"monitoring"* and whether additional documentation would be required	(i) Noted. (ii) See revisions to 120.13 A3.

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3.18	IFAC SMP	(i) Is the additional material in 120.13 A1 to A3 necessary as this information would unlikely to change how PAs navigate the threats and safeguards approach. (ii) This additional material may introduce additional documentation requirements. (iii) Concerned at the definition of complex circumstances as it relies heavily on judgment. The Board should consider providing additional examples or further refine the definition. (iv) Is 120.13 A3 a conditional requirement – as opposed to application guidance.	(i)-(iv) Noted, see #3.0 and revisions to 120.5 A6 to A7. Documentation provisions of extant Code applies.
3.19	IFIAR	120.13 A3 bullet "use technology to analyse relevant data to better inform the accountants judgement" - suggest revising to make clear that whilst technology can be used to better inform judgment, for example in risk assessment procedures, automation bias will still be a relevant factor to be considered.	No change, automation bias is contained in extant Code as other considerations when applying the conceptual framework. It is relevant for a PA to be aware of and mitigate in all circumstances.
3.20	IOSCO	120.13 A2 (i) Consider revising 120.13 A2 as follows as there may be complex circumstances only arising from the considerations in either 120.13 A2 (a) or 120.13 A2 (b) (a) Elements that are uncertain; and*/or* (ii) Consider, as part of this application guidance, clarifying that circumstances may not rise to the level of "complex" even if they involve both elements that are uncertain, and multiple variables and assumptions. For example, a circumstance may involve uncertainties	(i) No change, see #3.0 and revisions to 120.5 A6 to A7. (ii) The TF recognizes the difficulty involved in characterising complex circumstances as something different to complicated

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		and multiple variables and assumptions that are not deemed to be significant to the overall circumstance itself that the professional accountant is carrying out.	circumstances. See also #3.0 and revisions to 120.5 A6 to A7.
3.21	IRBA	*(i)* 120.13 A1 – add as a preamble– *"Professional Accountants today find themselves working in a complex operational, legal and regulatory environment, brought on by, amongst other factors, the impact of new technologies"* (ii) Suggest a reference be added to complex circumstances in 300.6 A2	(i) No change. The nature of the examples that give rise to complex circumstances is very varied – ranging from climate change, the war in Ukraine, legislative change, globalisation, etc. etc. – and not just limited to technology. (ii) No change, complexity is addressed upfront in Section 120 and as part of the building block approach, PAs need to apply Section 120 in addition to Part 3.
3.22	ISCA	**No.** Question the value of the proposed application material as Part 1 of the Code already requires the application of the fundamental principles and the conceptual framework to a wide range of facts and circumstances (including complex circumstances) that PAIBs and PAPPs might encounter. Therefore suggest that IESBA exclude the proposed application material relating to complex circumstances as such considerations of relevant facts and circumstances which might be rapidly changing, interconnected or interdependent, and managing the evolving interaction of such facts and circumstances, would already be expected of PAIBs and PAPPs in complying with the letter and spirit of the Code.	Noted, see #3.0 and revisions to 120.5 A6 to A7.

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3.23	JICPA	120.13 A3 – suggest as an additional factor - *Hiring an accountant who has a broad range of relevant skills, knowledge and experience in both accounting and the technology*.	No change – this factor is too focussed on technology and complexity is broader than that. However, note revisions to Section 113.
3.24	KPMG	**No** The material is not sufficiently clear or helpful for practical application. As the concept of complexity is not new to professional accountants, we would instead suggest the Board work to incorporate the notion of complexity as a factor to consider when evaluating threats to compliance with the fundamental principles. As we commented in the 2020 technology survey, we believe that the impact on the evaluation of a threat should not be limited to circumstances or situations that are complex, but rather on a continuum of difficulty. For example, even though a situation may be complicated instead of complex, that complicated situation likely would result in a threat that is more substantial than a simple situation if all other facts and circumstances were similar.	Noted, see #3.0 and revisions to 120.5 A6 to A7.
3.25	NZAASB	As the guidance is general in nature, there is a need for additional guidance and examples in NAM	Noted - IESBA is committed to providing NAM as appropriate. See thought leadership already issued in relation to this.
3.26	Pitcher Partners	**No.** Material is unclear on how to address complex areas – guidance is required to ensure execution matches expectations	Noted, see #3.0 and revisions to 120.5 A6 to A7.

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3.27	PwC	**No.** (i) 120.13 A2 is difficult to understand and we are not sure what the reader will take from it. While we understand and appreciate the intent to better differentiate application of the Conceptual Framework in complex circumstances, we are not convinced that such complexity is sufficiently independent of the other characteristics already included in the Framework. We suggest that the Board instead consider embedding some or all of the recommended actions for managing the evolving interaction of facts and circumstances (120.13 A3) into recommended actions for managing other circumstances already included in the application guidance to the Framework. (ii) 120.13 A3 - it is not clear what is meant by "appropriate challenge" by consultees. If the intent is to indicate that those consulted may challenge the professional accountant's conclusions, this is clarified.	(i) Noted, see #3.0 and revisions to 120.5 A6 to A7. (ii) "Appropriate challenge" is a concept already in the extant Code, see 120.12 A3
3.28	RSM	Suggest addition of an example of how technology could help analysis of relevant data - *"for example, to test the sensitivity of the variables and assumption inherent in the estimation process"* - to the end of that bullet.	See additional first bullet in 120.5 A6.
3.29	SAICA	Guidance and examples are required to assist PAs	Noted - IESBA is committed to providing NAM as appropriate. See thought leadership already issued in relation to this.
3.30	UKFRC	(i) Explain rationale for inclusion in BfC	(i) Noted and to include explanation in BfC.

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		(ii) Should be linked to Professional Competence and Due Care (iii) IAASB's revision of ISA 315 includes “complexity” as one of the "inherent risk factors" relating to the preparation of information require by the applicable financial reporting framework. It would be helpful if there was an explanation as to why the proposed Code revisions do not describe it in the same way Consider aligning approach to that in ISA 315	(ii) See 120.5 A6 and A7. Better linked to the importance of understanding the facts and circumstances when exercising professional judgment. (iii) Noted – See #3.0. The TF has considered this, see revised 120.5 A6 and A7.
4. Are you aware of any other considerations, including jurisdiction-specific translation considerations (see paragraph 25 of the explanatory memorandum), that may impact the proposed revisions?			
4.0	AAT, AIA, AICPA, APESB, BAOA, BDO, BICA, CAANZ-ACCA, CPAA, CPAC; Deloitte, FACPCE, GTIL, HKICPA, IBRACON, ICAEW, ICAI, ICPAU, IRBA, JICPA, KICPA, MIA, NASBA, NZAASB, PP,	No	N/A

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	PwC, RS, SAICA, SCAAK, TFAC, UKFRC		
4.01	BDO, CAANZ-ACCA, ICAS, IFAC SMP	Care with terminology – "complex" is relevant to circumstances that are both closely linked **and** complicated	Noted, see #3.0 and revised 120.5 A6 and A7.
4.1	EY	Consider inclusion of a statement in 120.13 A2 that matters that do not involve all of the listed facts and circumstance, and therefore do not rise to the level of being complex, can generally be addressed by applying other relevant requirements and application material of Section 120.	No change – such a comment would highlight the relationship between complicated and complex and the graduated nature of the distinction between the two – and, therefore, call into question, the treatment of complex circumstances as a distinct and different situation.
4.2	ICAS	Disagree with IESBA that there is no downside to the inclusion of these paragraphs as IESBA's intention is that these paragraphs would highlight to users that the approach to dealing with a 'complex' versus a 'complicated' issue is different and, as currently drafted, we do not believe this is clear. We are supportive of content being included in the Code on "complexity" but additional clarity is required to better communicate to users IESBA's intentions in this regard.	Noted, see #3.0 and revised 120.5 A6 and A7.
4.3	KMPG	Feedback from Europe and Asia suggest there would be translation difficulties	Noted, see #3.0 and revised 120.5 A6 and A7.
120.14 A3(b)			

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4.4	CEAOB/IAASA	Extend to state that PAs are expected to demonstrate ethical behaviour in dealings with all parties with which they have a professional or business relationship – i.e. including government agencies.	See revision to 120.14 A3.
5. Do you support the proposed revisions to explain the skills that PAs need in the digital age, and to enhance transparency in proposed paragraph 113.1 A1 and the proposed revisions to paragraph R113.3, respectively?			
	AAT, AIA, BAOA, BDO, BICA, CAANZ-ACCA, CEAOB, CPAC, EY, FACPCE, GTIL, HKICPA, IBRACON, ICAS, ICPAU, IFIAR, JICPA, KICPA, MIA, NASBA, NZAASB, PP, RSM, SAICA, SCAAK, TFAC,	Yes	The TF noted that the ED responses are at best luke-warm, with negative comments including whether the 'soft skills' are relevant in a Code of Ethics as opposed to being important in the context of the realities of practice and the potentially discriminatory effect such inclusion. See new 113.1 A2 to address such concerns and reflect scalability in the level of soft skills needed to perform an activity competently.
5.1	AAT	R113.3 - Is there a need to tell clients the matters that are out of scope ?	No change. The communication is pertaining to limitations inherent in the PA's activities used by the client or employing organization or other users.
5.2	AICPA	Application material should not include requirements. Suggests revision to read as follows:	No change, reverted to extant.

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		*"Serving clients and employing organisations with professional competence ~~requires:~~ **involves** (a) the exercise of sound judgment in applying professional knowledge and skills.~~; (b) the application of interpersonal, communication and organisational skills~~"*	
5.3	APESB	(i) The proposed revisions to paragraph 113.1 A1 to include "soft" skills do not sufficiently address the issue. More clarity is required on what is considered 'the bar' of professional competency and due care in relation to technology. While not all accountants need to be technology experts, there is a lack of clarity on whether accountants can "delegate" to others within a firm/organisation with the required expertise. (ii) Support R113.3	(i) Extant Section 230 *Acting with Sufficient Expertise* is applicable. In addition, see revised 4th bullet of 200.6 A2 and 300.6 A2. (ii) Noted
5.4	BDO	(i) Concerned that proposed revisions only refer to three of the IES skills – suggests reference to three broad categories in IES (ii) Suggest clarification that the competencies highlighted are needed to interpretate and apply results of tasks completed using technology	(i) Noted. These are examples of professional skills, see new 113.1 A2. (ii) Such clarification would limit the applicability of professional skills to technology. See new 113.1 A2 for consideration of technology specific knowledge.
5.5	CAANZ-ACCA	Consider skills required for digital age – e.g. innovative thought leadership, adaptability, initiative, responsiveness, change management, managing technological disruption, evolving work practices	TF considered the inclusion of such skills in the Code but noted that it was too detailed for a principles-based Code. Such skills would be better elaborated on in non-authoritative guidance as

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			appropriate. See thought leadership already issued on this.
5.6	CEAOB	113.1 A2 seems to suggest that a high level understanding of technology-related developments by the professional accountant would be sufficient. We suggest clarifying that the required level of skills in technology-related developments is highly dependent on the types of services the professional accountant is providing.	Noted, see new 113.1 A2.
5.7	CPAA	**No** 113.1 A1 (b) is unnecessary as already covered by IES 3. If retained, make clear that skills referred to are part of those already referred to	Noted, see new 113.1 A2.
5.8	CPAC	Suggest (i) 113.1 A1 - refer to information and communication technology soft skills to align better with IES (ii) R113.3 – add guidance/examples to explain meaning of *"sufficient information"*	(i) See new 113.1 A2 last sentence. (ii) See revision to R113.3.
5.9	Deloitte	113. 1 A1 should recognise that different roles might require different/varying levels of interpersonal skills	Accepted – see new 113.1 A2.
5.10	HKICPA	Reconsider drafting given that the extent and nature of the soft skills required would vary according to role and capacity of PA	Accepted – see new 113.1 A2.
5.11	IAASA	Suggest that the required level of skills in technology-related developments is related to/dependent on the types of services provided by the professional accountant.	Accepted – see new 113.1 A2.

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5.12	ICAEW	ICAEW has reservations about importing an ethical requirement on individuals to have 'good communication skills' into the Code. This may inadvertently create barriers to entry for individuals into the profession and may adversely impact the range of skill sets available to audit teams. Professional Accountants should have the communication skills that are appropriate to the tasks that they are actually performing, and that there should be effective two-way communication between the team (as a whole) and the client.	Noted, see #5.0 and new 113.1 A2.
5.13	ICAI	(i) "The application of interpersonal, communication and organizational skills" should be more explained so as to make it clear as to how it is likely to change the current practice. (ii) Making stakeholders "aware of the limitations inherent in the services or activities" may not serve as a safeguard.	(i) See new 113.1 A2. (ii) It is a safeguard because transparency to stakeholders means they are aware and can make informed decisions, and such transparency is in the public interest.
Noted	IDW	**No** (i) 113.1 A1 - skills are not required in order to behave ethically – so of general interest and propose deletion (ii) R113.3 – Questions whether auditor is able to provide sufficient information and who is in a position to judge. Suggests amending to read *"explain the implications of those limitations."*	(i) Noted. (ii) Accepted – see revision to R113.3.
5.15	IFAC SMP	(i) Propose removing sub-para (b) as it may discriminate against some individuals (ii) R113.3 does not add any value and should be deleted	(i) Noted, see #5.0 and new 113.1 A2. (ii) No change.

#	Commentator	Comment	Preliminary Task Force Response
5.16	IFIAR	113.1 A1 - suggest developing additional guidance and examples on the meaning and practical application of the proposed additions to paragraph 113.1 A1 that relate to "interpersonal, communication and organisation skills" – to help achieve consistent application in practice.	No change, the TF considers that such examples can be better elaborated in non-authoritative guidance as appropriate. See thought leadership already issued on this.
5.17	IOSCO	113.1 A2 - the language may be interpreted to suggest that only a 'high-level' understanding of relevant technical, professional, business, and technology-related developments is needed in order to maintain professional competence. If this is not the intent of the Board, it would be useful for this paragraph to clarify that the level of understanding required of the professional accountant should be commensurate with the nature of their roles and responsibilities.	See revision to 113.1 A3.
5.18	IRBA	(i) Without further context in the Code, the phrase "interpersonal, communication and organisational skills" is likely to be interpreted in various ways by different PAs, leading to an inconsistent application in practice. (ii) One plausible interpretation of requiring interpersonal and communication skills is that a PA needs to have an extrovert personality type. Suggest TF WG prepares NAM highlighting the considerations and examples relevant to technology	Noted, see #5.0 and new 113.1 A2 and thought leadership already issued on this.
5.19	KICPA	The Code should explain the relevance of the skills to the skills that PAs need in the digital age.	Noted, see #5.0 and new 113.1 A2.

#	Commentator	Comment	Preliminary Task Force Response
5.20	KPMG	113.1 A1 – recommend removing bullet (b) to paragraph 113.1 A1, given 1) the generic wording, which we do not view as adding value to the Code, and 2) the lack of an apparent linkage or relevance to the technology project.	Noted, see #5.0 and new 113.1 A2.
5.21	Pitcher Partners	Need clarity on whether every individual needs all the skills – or whether it is sufficient to have such skills across the practice	Noted, see #5.0 and new 113.1 A2.
5.22	PwC	(i) While the language is not objectionable in principle we do not fully understand the relevance of the proposed wording in (b) "*The application of interpersonal, communication and organizational skills"* to a Code of Ethics. (ii) Further, although the text refers to "application" of these important skills, some readers might infer that the lack of such skills impairs their ability to act as professional accountants.	Noted, see #5.0 and new 113.1 A2.
5.23	RSM	113.1 A1(b) – recommend amend to *"(b) The application of soft skills (for example, interpersonal, communication and organizational skills)."*	Noted, see #5.0 and new 113.1 A2.
5.24	UKFRC	The drafting could be less generic.	Noted, see #5.0 and new 113.1 A2.
6. Do you agree with the IESBA not to include additional new application material (as illustrated in paragraph 29 of the explanatory memorandum) that would make an explicit reference to standards of professional competence such as the IESs (as implemented through the competency requirements in jurisdictions) in the Code?			
	AAT, AIA, AICPA, BAOA, BDO, BICA, CAANZ-ACCA, CPAA, CPAC, Deloitte,	Yes	Given the clear support for the position in the ED – no change.

#	Commentator	Comment	Preliminary Task Force Response
	EY, FACPCE, GTIL, HKICPA, IBRACON, ICAEW, ICAS, ICPAU, IFAC SMP, IRBA, JICPA, KICPA, KPMG, MIA, NZAASB, PP, PwC, RSM, SAICA, SCAAK, TFAC, UKFRC		
6.1	APESB	Would be content for draft paragraph in EM to be included in Code	No change. See #6.0.
6.2	NASBA	It would be helpful to users of the Code to have explicit references to the standards of professional competence embedded in the Code.	No change. See #6.0.
7. Do you support **(a) the proposed revisions relating to the description of the fundamental principle of confidentiality in paragraphs 114.1 A1 and 114.1 A3;**			
	AAT, AIA, AICPA, APSESB, BAOA, BDO, BICA, CAANZ-ACCA, CPAA, CPAC, Deloitte, EY, GTIL, HKICPA, IBRACON, ICAS,	Yes	N/A

#	Commentator	Comment	Preliminary Task Force Response
	ICPAU. IFIAR, IRBA, JICPA, KICPA, KPMG, MIA, NASBA, NZAASB, PP, PwC, RSM, SAICA, SCAAK, TFAC, UKFRC		
7.1	AICPA, Deloitte; ICAEW, ICAI	Need to conform R114.1 (*'as a result of'*) and 114.1 A1 (*in the course of*)	Accepted, see revision to R114.1.
7.2	AIA	114.1 A1 – some organisations may have centralised arrangements for destruction of documents – so individual PAs may not be able to control such destruction.	Noted – if such arrangements exist, the PA would be taking 'appropriate action' by complying with such arrangements.
7.3	CPAC	(i) Suggested revisions: a. R114.1 (b) – Add wording to address fact that there may need to be restrictions on the sharing of information b. R114.1 (g) - Add *"comply with and"* before "*respect the accountant's duty of responsibility'* (ii) Include express statement that 114.1 A3 does not prevent disclosure under 114.1 A2 (iii) Include *"retention"* after *"storage"*	(i) Suggested revisions. a. No change. b. Accepted - see revision to R114.1. (ii) No change. This is already clear from the extant text. (iii) Accepted. see revision to 114.1 A1.
7.4	BDO, CEAOB, IAASA	Provide minimum acceptable action to secure confidential information to ensure consistency of application	No change – neither practical or appropriate. Application of "appropriate"

#	Commentator	Comment	Preliminary Task Force Response
			entails professional judgment and will differ based on facts and circumstances.
7.5	ICAEW	(i) In relation to paragraph 112.1.A2, it would be helpful to include examples of when it could be appropriate for PAs to seek consent to share confidential (anonymised)information for the purposes of developing new technology, where appropriate safeguards are in place. (ii) Address need for assurance from third party software providers (inc. cloud-based services). There should be an explicit requirement for PAs to confirm that third-party technology providers are not utilising data disclosed confidentially for purposes not agreed by their clients.	(i) TF considers such scenarios to be an extension of 114.1 A2(b), and has developed a new provision - 114.1 A4 – to provide factors to disclose when seeking consent in such scenarios. (ii) No change – this should be addressed between the client and the technology provider.
7.6	ICAS	Concerned that a PA's position within an organisation may impact his/her ability to take appropriate action to secure information – as contemplated in 114.1 A1	Noted – if such arrangements exist, the PA would be taking 'appropriate action' by complying with such arrangements.
7.7	ICPAU	Recommend inclusion of whether there is a legal requirement to disclose confidential information as an additional factor for consideration when deciding whether to disclose confidential information in 114.1 A3.	No change – legal requirement to disclose is addressed in 114.1 A2.
7.8	IDW	(i) 114.1 A1 - Recommends inclusion of examples of kinds of action that would be appropriate (ii) 120.14 A3 (b) – Does 'demonstrate' imply additional documentation? Or does it mean that the behaviour is obvious.	(i) No change – actions to be taken would be dictated by circumstances. (ii) See revision to 120.14 A3(b).

#	Commentator	Comment	Preliminary Task Force Response
7.9	IFAC SMP	114.1 A1 – the provision focuses on "maintaining" confidentiality – should it not focus on steps the accountant should consider in order to protect client confidentiality throughout their professional and business relationship?	See revision to 114.1 A1.
7.10	IOSCO	114.1 A1 - the term "secure" can be broadly interpreted. Suggest that the Board consider clarifying the expectations of a professional accountant when maintaining the confidentiality of information.	See revision to 114.1 A1.
7.11	IRBA	Add application material to address the application of the Code where information is unlawfully disclosed	See new 114.1(h).
7.12	PwC	(i) There should be some 'scalability' in the definition (ii) 114.1 A1 – scalability is required – suggest *"secure as appropriate"*	(i) No change. (ii) No change – already addressed through reference to 'appropriate action.'
7. Do you support … **(b) the proposed Glossary definition of "confidential information?"**			
	AAT, AIA, AICPA, APESB, BAOA, BDO, BICA, CAANZ-ACCA, CPAA, Deloitte, EY, GTIL, HKICPA, IBRACON, ICAEW, ICAI,	Yes	N/A

#	Commentator	Comment	Preliminary Task Force Response
	ICAS, ICPAU, IFIAR, IRBA, JICPA, KICPA, KMPG, MIA, NASBA, NZAASB, PP, RSM, SAICA, SCAAK, TFAC,		
7.13	CAANZ-ACCA	Suggested revision – "Any information, data, or other material in whatever form or medium (including written, electronic, visual or oral) that is not *legitimately* in the public domain:	Addressed through revision to R114.2.
7.14	CPAC, HKIPCA, ICAEW, IRBA, NASBA	*(i)* Define/redraft *"public domain"* (ii) Ensure that confidentiality is not lost following improper disclosure	(i) See revision to definition in Glossary. (ii) See revision to R114.2.
7.15	ICPAU	To ensure that the term 'confidential information' is limited to professional information and does not include any other information e.g., personal information that may be acquired from say long association with a client, suggest following amendment "any information, data or other material in whatever form or medium (including written, electronic, visual or oral) *acquired in the course of professional and business relationships* that is not in the public domain."	No change – this concept is addressed in R114.1 (and should not be addressed in a definition).

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7.16	IFIAR	Suggest need to discuss definition with IAASB – to ensure that the need for any conforming changes to ISQM 1 is considered	Noted – in hand, part of coordination process.
7.17	UKFRC	(i) The Glossary definition of "confidential information" should be consistent with established definitions and take account of both privacy and intent and include material on factors professional accountants should consider when undertaking cross-border engagements. (ii) "public domain" should be explained	(i) No change. (ii) See revision to definition in Glossary.
8. Do you agree that "privacy" should not be explicitly included as a requirement to be observed by PAs in the proposed definition of "confidential information" in the Glossary because it is addressed by national laws and regulations which PAs are required to comply with under paragraphs R100.7 to 100.7 A1 of the Code (see sub-paragraph 36(c) of the explanatory memorandum)?			
	AAT, AIA, AICPA, APESB, BDO, BICA, CAANZ-ACCA, CPAA, CPAC, Deloitte, EY, GTIL, HKICPA, IBRACON, ICAEW, ICAI, ICPAU, IFAC SMP, IFIAR, IRBA, JICPA, KICPA, KPMG, MIA, NASBA, NZAASB, PP,	Yes	N/A

#	Commentator	Comment	Preliminary Task Force Response
	PwC, RSM, SAICA, SCAAK, TFAC		
8.1	AAT	Refer to need to consider privacy – but emphasise role of law and regulation	See additional bullet added to 114.1 A3.
8.2	IFIAR	Would support additional material on the factors that professional accountants should consider when undertaking cross-border engagements and how they might respond to potential conflicts between local laws and regulations.	Outside project scope.
8.3	UKFRC	**No** Privacy should be included in the Glossary definition of "confidential information". Privacy and the original data owners intentions are important concepts for a professional accountant to consider when potentially making use of confidential information. A PA would have to carefully consider if, and how, it would be possible to make use of such "leaked information" in a way with does not conflict with the fundamental principles. Whilst many jurisdictions have robust laws and regulations in respect of privacy, others do not. Even amongst those with established regulation, definitions and the extent of protections will vary considerably. By excluding "privacy" from the definition, this potentially creates equivalency and consistency problems, particularly when professional accountants are undertaking cross-border engagements.	A right of privacy is a different concept to confidentiality of information. The obligation to observe confidentiality in relation to leaked information is now addressed in R114.1(h). The need to consider privacy laws is now include in the factors to be considered when disclosing information – see 114.1 A3.
9. Do you support the proposed revisions to the International Independence Standards, including: … **(a) The proposed revisions in paragraphs 400.16 A1, 601.5 A2 and A3 relating to "routine or mechanical" services.**			

#	Commentator	Comment	Preliminary Task Force Response
	AAT, AIA, APESB, BAOA, BDO, BICA, CAANZ-ACCA, CPAA, CPAC, EY, FACPCE, GTIL, HKICPA, IBRACON, ICAEW, ICAI, ICAS, ICPAU, IFIAR, IRBA, JICPA, KICPA, KPMG, MIA, NASBA, NZAASB, PP, PwC, SAICA, SCAAK, TFAC, UKFRC	Support	N/A
9.1	AICPA	Requests clarification of scope of 400.16 A1 and relevance of technology to 601.5 A2 & A3 Suggests following revision: Accounting and bookkeeping services can either be manual or automated. In determining whether an automated service is routine or mechanical, ~~factors to be considered include how the technology functions and~~ *a firm may consider* whether the technology is based on expertise or judgments of the firm or a network firm.	400.16 A1 applies to all technology used, including those which provide an automated service as noted in 601.5 A2. See also the revisions to 400.16 A1 and 601.5 A2.

#	Commentator	Comment	Preliminary Task Force Response
9.2	APESB	Include reference 400.16 A1 in 601.5 A3 to emphasise that when technology is used in accounting and bookkeeping services provided to an audit client, management responsibility requirements apply regardless of the nature or extent of technology used.	The cross-reference to R400.16 is considered sufficient.
9.3	BDO	(i) *"How technology functions"* should not be a factor (ii) Suggests deletion of 601.5 A2 and suggests revising a. 601.5 A1 – to read *"Accounting and bookkeeping services, whether manual or automated, that are routine or mechanical: … "* b. 602.3 A1 – to read *"Such services, whether manual or automated, require little to no professional judgment and are clerical in nature"*	(i) See revisions to 601.5 A2. (ii) No change. The purpose of 601.5 A2 is to provide explicit guidance as to how a PA might determine if an automated service is routine or manual.
9.4	CAANZ-ACCA	601.5 A3 - suggest adding cross-reference to 400.16 A1	The cross-reference to R400.16 is considered sufficient.
9.5	CEAOB	(i) 601.5 A2 is not helpful as some systems may be complex but also simple – Excel (ii) Helpful to retain examples of prohibited IT systems for PIE audit clients (606.6 A1)	(i) Noted. Professional judgment should be exercised in applying the provision across a range of technologies. See #1.22. (ii) See examples of prohibited IT systems services in 606.3 A1 and 606.4 A3.

#	Commentator	Comment	Preliminary Task Force Response
9.6	CPAA	To what extent and at what level are PAs expected to understand how a particular technology functions?	Reference to how the technology functions has been deleted from revised 601.5 A2.
9.7	CPAC	(i) 601.5 A2 and A3 can better complement each other if 601.5 A3 expressly states that evaluation should have regard to considerations in 601.5 A2 – e.g. management responsibility (ii) also cross-refer to paras in subsection 606	(i) No change - 601.5 A3 provides examples of services that are regarded as routine or mechanical having regard to the criteria in 601.5 A2. (ii) N/A.
9.8	Deloitte	400.16 A1 (i) Unnecessary and might imply there are occasions when the prohibition on assuming management responsibility does not apply (ii) *"when technology is used in performing a professional activity"* is too broad and unclear – could apply to use of email !	400.16 A1 (i) No change – this is to emphasize that the management responsibility provisions apply no matter the extent of use of technology. This is to address a view that emerged from the NAS project that automated services might not assume management responsibility. (ii) No change – the use of email could not constitute an assumption of management responsibility unless the nature of the communication demonstrated an assumption of management responsibility – in which case it would be the latter that would

#	Commentator	Comment	Preliminary Task Force Response
			involve non-compliance with R400.15 and R400.16.
		601.5 A2 and A3 (i) Key issue is to consider the underlying nature of the service to be provided – whether provided manually or through technology	601.5 A2 and A3 (i) See revisions to 601.5 A2.
9.9	EY	400.16 A1 (i) It would appear that in proposed paragraph 400.16 A1 the Board is trying to address those situations in which the technology is performing an activity or function and takes the place of a PA in providing the professional service activity to the audit client. In order to make this distinction clear, we propose the following edits to proposed paragraph 400.16 A1: *400.16 A1 When activities or functionality that comprise the professional service are performed by technology for an audit client, the requirements in paragraphs R400.15 and R400.16 apply regardless of the nature or extent of such use of the technology.* 601.5 A2 (ii) 601.5 A2 appears to suggest that technology developed by a firm or network firm would not be considered as routine or mechanical because the firm had applied its expertise and judgement in the development of the technology. The more relevant consideration is whether the technology provides as part of an automated service the expertise or judgements of the firm or network firm. If the technology provides the expertise or judgement of the firm or network firm, it would not meet the	(i) See revisions to 400.16 A1 by adding "of the technology" at the end of the paragraph. No change otherwise. The paragraph applies when technology is used, whether to supplement a PA's activities or in place of a PA. (ii) See revisions to 601.5 A2.

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		criteria of routine or mechanical as set out in paragraph 601.5 A1. We therefore propose the following edit to proposed paragraph 601.5 A2: *601.5 A2 Accounting and bookkeeping services can be either manual or automated. In determining whether an automated service is routine or mechanical, factors to be considered include how the technology functions and whether the technology provides an automated service that includes the expertise or judgements of the firm or a network firm.*	
9.10	GTIL	Seeks clarification of "whether the technology is based on expertise or judgments of the firm or network firm" to assist firms in their analysis and application of the proposed standards.	See revisions to 601.5 A2.
9.11	HKICPA	Further factors might include whether types of information, data or material referred to in 601.5 A1 (a) are automatically generated or input manually	Noted - See revisions to 601.5 A2.
9.12	IBRACON	Avoid use of 'regardless' because because there are circumstances that the professional activity just uses technology for specific purpose or for minimum process in that activity where having knowledge or not about that technology would not impact the oversighting.	Noted – No change. The purpose is to make it clear that the wherever technology is used, the possibility of an assumption of management responsibility might arise.
9.13	ICAS	Suggest spelling the threat identified in EM 45 by adding an additional sentence to paragraph 601.5 A2: 601.5 A2 Accounting and bookkeeping services can either be manual or automated. In determining whether an automated service is routine or mechanical, factors to be considered include how the technology functions and whether the technology is based on expertise or judgments of the firm or a	No change – addressed in the last paragraph of 601.5 A3.

#	Commentator	Comment	Preliminary Task Force Response
		network firm. Automated services that appear to be "routine or mechanical" could, in substance, result in an assumption of a management responsibility.	
9.14	IDW	601.7 A2 - Is 'expertise' used in the sense of the auditor having put professional expertise into the development of the (software of the) technology or in the sense of having skill in using the specific technology.	See revisions to 601.5 A2. It is the output of the technology (i.e., automation) that incorporates the skill or expertise of a firm or network firm.
9.15	IFIAR	400.16 A1 (i) Could be developed to make clear that this requirement applies regardless of the level of professional judgment required in providing the service, and that this should be linked more strongly to the material on "routine or mechanical". (ii) Could be further enhanced to include a discussion of the professional accountant's need to consider if the proposed provision of a service is in relation to a financial or a non-financial system as this factor may influence the significance of the threat to independence.	(i) See revision to 400.16 A1. BfC to include elaboration. (ii) No change. The purpose is to highlight wherever technology is used, the possibility of an assumption of management responsibility might arise.
9.16	IRBA	R601.5 – consider removal of 'mechanical' as 'routine' is all-encapsulating and avoids ambiguity.	TF considered this proposal and concluded that since the outcome of the provisions is not changing, there is no need to change the terminology, especially as the effective date of the revised NAS provisions (including those

#	Commentator	Comment	Preliminary Task Force Response
			that revised the routine or mechanical provisions) is in December 2022.
9.17	MNP	Advances in technologies that support accounting and bookkeeping services, such as the ongoing and expanding usage of cloud-based solutions, there is increased complexity in understanding whether an automated solution is considered "routine or mechanical". A challenge when using third-party cloud service providers is the PA's ability to fully understand, or access, the source code to assess the complexity of the functionality and the automated processing that may be taking place within the solution. This lack of transparency to the end user makes it difficult for PAs to assess whether the technology is, or is not, routine or mechanical. However, standard functions provided by a third-party service provider may pose little or no threat to PA independence. Therefore, additional guidance and application materials to assist PAs in performing this assessment should be considered.	Noted. If cloud solutions provided by third party providers are being used, the key issue for the firm is the nature and extent of its involvement in utilising the technology. Agree that AM or NAM would be useful.
9.18	PwC	(i) It would be helpful to clarify under what circumstances a control embedded in a technology developed or hosted by an audit firm would constitute a management responsibility. Technology solutions often include controls like the monitoring of deadlines set by the user or a block of a process if a specific requirement is met. In our view, controls do not create a threat to independence resulting in a management responsibility provided that: a. the control is routine and mechanical in nature,	(i) The issue raised is addressed by R400.16 which reflects the considerations in b. and c. of the comment. Notwithstanding that a control may be routine or mechanical, it might still result in the assumption of management responsibility if the

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		b. the audit client decides on whether the control is fit for the client's purpose, and c. the audit client decides on the action to be taken if such control takes effect. In order to avoid any misunderstanding, we believe that such a control embedded in a technology does not constitute a management responsibility. The Code could, however, be read today such that such a control might be a management responsibility due to the fact that the examples in 400.15 A3 include 'Take responsibility… for designing, implementing, monitoring or maintaining internal control'. However, we acknowledge that such a service might still create a self-review threat if the control relates to accounting records or information relevant for financial statement purposes. We recommend that this be clarified. (ii) 601.5 A2 In relation to the second sentence, consideration should be given to the substance of the service and what it does and "whether the technology delivers an outcome or deliverable that is in substance the same as the exercise of the firm's expertise or judgement".	conditions or R400.15 and R400.16 are not satisfied. (ii) See revisions to 601.5 A2.
9.19	RSM	601.5 A2 – revise as follows - *"…factors to be considered include what the technology does, how the technology functions, the output of the technology, and whether…"*	See revisions to 601.5 A2.
9.20	UKFRC	Consider including examples to support *"how the technology functions"*	See revisions to 601.5 A2.

#	Commentator	Comment	Preliminary Task Force Response
9. Do you support the proposed revisions to the International Independence Standards, including: … **(b) The additional proposed examples to clarify the technology-related arrangements that constitute a close business relationship in paragraph 520.3 A2. See also paragraphs 40 to 42 of the explanatory memorandum.**			
	AAT, AIA, AICPA, APESB,BAOA, BDO, BICA, CAANZ-ACCA, CEAOB, CPAA, CPAC, Deloitte, EY, FACPCE, GTIL, HKICPA, IBRACON, ICAEW, ICAI, ICAS, ICPAU, IFIAR, IRBA, JICPA, KICPA, KPMG, MIA, NASBA, NZAASB, PP, PwC, RSM, SAICA, SCAAK, TFAC, UKFRC	Support	N/A
9.21	AIA	Examples would be helpful	Noted – see #9.23.
9.22	BDO	(i) Explain that where agreement is solely between third-party provider and audit client does not create a business relationship	(i) No change – unnecessary.

#	Commentator	Comment	Preliminary Task Force Response
		(ii) Suggests IESBA adds a definition of 'business relationship' to the Glossary/Code	(ii) No change – outside the scope of the project.
9.23	CAANZ-ACCA	Does not support inclusion of detailed examples (c.f. EM 40-42)	See #9.21. On balance, the TF considered that detailed examples would be better positioned in non-authoritative guidance where the specific facts and circumstances could be elaborated on, as opposed to in a principles-based Code.
9.24	CEAOB	Examples could include "products or solutions" related to technology which one or both parties use for their internal purposes.	See new 520.3 A3.
9.25	GTIL	Given the various scenarios that could constitute a close business relationship, IESBA should provide additional scenario-based examples or a practice aid to help professional accountants better understand the impact they have on independence.	No change, see #9.23. Supportive NAM to be considered.
9.26	HKICPA	Would be useful to develop a general principle to assess/identify a "close business relationship" as the examples cannot cover all scenarios	Noted – this is outside the scope of this project. A holistic review of the section on Business Relationships is a consideration in the development of the future strategy and work plan.
9.27	ICAS	The EM 40 states that it believes that the second bullet of paragraph 520.3 A2 covers a situation where firms are licensing software: (a) to their audit clients, who are in turn directly utilizing the technology in the delivery of services to their own customers/clients; or (b) from an audit client and directly using the technology in the delivery of services to their clients.	See new 520.3 A3.

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		We do not believe this to be clearly the case and the use of an additional example would be a helpful signpost for users of the Code.	
9.28	MNP	A key differentiator of technology companies is that many software companies only sell their products through resellers as they have chosen not to build a sales team as part of their business model. This type of business model should not automatically trigger the resignation of a firm as auditor of that software company due to the close business relationship independence rules. While including examples of close business relationships may detract from the principles-based nature of the Code, in this area, providing additional application material would be helpful in better understanding the nature of close business relationships related to technology that may be of most concern to the IESBA and the interrelatedness with the guidance in 520.6 A1 and A2 with respect to buying goods or services from an audit/review client.	Noted, see #9.23.
9.29	PwC	520.3 A2 There should not be a close business relationship if the contribution of the audit client is limited, it is not transparent to the customers of the "codeveloper", and the audit client is not involved in the distribution of the technology nor does it benefit commercially from it. Therefore, suggest the paragraph be amended as follows: *'Arrangements under which the firm or a network firm develops jointly with the client, products or solutions which one or both parties sell or licence to third parties for the benefit of both.'*	No change – a close business relationship may still be formed even if one party does not benefit from sales etc to third parties – the benefit may arise from the establishment of or, imprimatur arising from, the relationship.
9. Do you support the proposed revisions to the International Independence Standards, including: …			

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(c) The proposed revisions to remind PAs providing, selling, reselling or licensing technology to an audit client to apply the NAS provisions in Section 600, including its subsections (see proposed paragraphs 520.7 A1 and 600.6).			
	AAT, AIA, APESB, BAOA, BDO, BICA, CAANZ-ACCA, CPAC, FACPCE, GTIL, HKICPA, IBRACON, ICAEW, ICAI, ICAS, ICPAU, IFIAR, IRBA, JICPA, KICPA, MNP, NASBA, NZAASB, PP, PwC, RSM, SAICA, SCAAK, TFAC, UKFRC	Support	N/A
9.30	AICPA	**No**	Noted – The TF is of the view that this signpost is necessary based on the results of the survey titled The Impact of Technology on Auditor Independence which indicated that 24% of respondents did not think that NAS provisions are relevant when a firm sells or licenses technology that performs a NAS.

#	Commentator	Comment	Preliminary Task Force Response
9.31	AICPA	(i) 520.7 A1 - Disagrees with combining of business relationships with NAS (ii) 600.6 – Address inconsistency with EM	(i) No change – this signpost is required to respond to failure evidenced by survey response. As explained in the EM, whether it is a NAS depends on the facts and circumstances. (ii) See revision to 600.6.
9.32	BDO	(i) Add definition of reselling (see EM 39) (ii) Re reselling consider a. relevance of commission/compensation. b. SRT where firm is not a party to transaction between third party technology provider and audit client	(i) No change – self-explanatory. BfC to include elaboration. (ii) No change a. Relevant to whether there is a close business relationship, not for the purposes of 520.7 A1 or 600.6 which are signposts (see #9.30). b. Whether SRT arises depends on advice given and role of firm in promoting the technology, i.e., whether the firm needs to re-evaluate a judgment it previously made.
9.33	CAANZ-ACCA	How does 600.6 (a) re technology apply when considering NAS provisions	A firm needs to consider whether the technology being used creates a threat – e.g. a SRT if the firm or network firm's expertise was used to develop the technology.

#	Commentator	Comment	Preliminary Task Force Response
9.34	CEAOB	600.6 (b) should be expanded to include ongoing maintenance and support of IT systems	No change – addressed in Subsection 606 – see 606.2 A1/606.4 A3.
9.35	CPAA	Questions the need for 600.6	No change, see #9.30.
9.36	Deloitte	(i) Concerned that the interaction between the non-assurance service and business relationship provisions in the Code, which cover very different relationships, will become unclear. (ii) Disagrees with the notion that the resale of third-party technology is equivalent to a non-assurance service that requires assessment under Section 600 (iii) Supports the premise that a user of the Code should be reminded that Section 600 applies with respect to technology *developed by a firm or network firm*.	(i) Noted – no change, see #9.30. To include in BfC. (ii) A SRT might arise depending on the advice given and role of firm in promoting the technology, see #9.32. (iii) Agreed.
9.37	EY	Support in principle – but provisions are too broadly formulated Relevant factors include ▪ whether the technology is owned by the firm or by a third party; ▪ whether or not the firm is a party to the end user license agreement, warranty and liability provisions, etc., that are specific to the technology; ▪ whether or not the distribution of the technology is an integral component of a professional service being provided by the firm; ▪ whether or not the firm has other obligations related to the technology, for example maintenance, hosting, etc. We believe guidance on considering such factors could be provided outside of the Code, for example in non-authoritative materials. But we propose the	The substance of the suggestion has been incorporated in revisions to 600.6. The TF considered the necessity of incorporating the direct reference to "which constitutes a NAS" in 520.7 A1 but believes it might confuse users by conflating the two issues. See #9.41. Rather, 520.7 A1 is a signpost for users to consider the requirements of Section 600. See #9.30.

#	Commentator	Comment	Preliminary Task Force Response
		following edits to proposed paragraphs 520.7 A1 and 6006.6 which we believe will enhance their clarity: 520.7 A1 If a firm or network firm provides, sells, resells or licenses technology *that performs activities or functionality that comprise a non-assurance service* to an audit client, the requirements and application material in Section 600 apply. 600.6 The requirements and application material in this section also apply in those circumstances where: (a) A firm or a network firm uses technology to provide a non-assurance service to an audit client; or (b) A firm or network firm provides, sells, resells, or licenses technology *that performs activities or functionality that comprise a non-assurance service* to an audit client.	
9.38	GTIL	(i) This guidance is better placed in the introduction to section 600. (ii) The provisions need to clearly delineate guidance for technology business relationships that do not involve the performance of non-assurance services, such as when a firm resells a third-party system to an audit client and there are no other obligations of the professional accountant. These types of arrangements are becoming increasingly prevalent, however the proposed provisions do not address them. (iii) Additional guidance to explain the independence requirements for these types of business relationships with audit clients should be provided	(i) No change – see #9.30. (ii) The delineation arises from a firm's assessment of whether a SRT might be created under Section 600. A SRT might arise depending on the advice given and role of firm in promoting the technology, i.e., whether the firm needs to re-evaluate a judgment it previously made. (iii) Noted – to be addressed in BfC.
9.39	IDW	Suggest inclusion of a definition of 'Technology" in the Code	IESBA resolved not to define 'technology' to avoid any unintended limitations on the

#	Commentator	Comment	Preliminary Task Force Response
			application of the provisions arising from such a definition.
9.40	ICSA	Suggest that IESBA remove 520.7 A1 as extant paragraph R520.4 already prohibits a firm, a network firm or an audit team member from having any "close" business relationship with an audit client, including technology-related arrangements. Also, it duplicates proposed paragraph 600.6(b).	No change – objective is to draw attention to the need to consider implications of transactions/professional activities in context of both 'close' business relationships and NAS. See #9.30.
9.41	KPMG	(i) 520.7 A1 - do not agree that the addition of the NAS reference to section 600 requirements is necessary or appropriate in section 520. (ii) 520.7 A1 is redundant with 600.6 and including the reference in section 520 may give the impression that the selling or reselling of technology alone creates a business relationship that needs to be evaluated under the requirements of section 520 and we do not believe this to be the case. (iii) In addition, given the independence considerations for a business relationship are not the same as those for the provision of a non-assurance service, the inter-relationship between the two created by the inclusion of the NAS reference may confuse the user of the Code.	No change – required to respond to failure evidenced by survey response, see #9.30.
9.42	MIA	Need clarity as to the nature and extent of technology covered by R600.6	No change – the term "technology" covers all technologies regardless of nature of extent of use.
9.43	SCAAK	Suggest moving 600.6 to follow 600.1	No change.
9.44	UKFRC	Include additional clarity on "indirect" provision of services. We have encountered a number of scenarios where professional accountant firms have	See revised 520.7 A1(b) and 600.6(b)(ii).

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		developed software for non-audit clients, who subsequently use this software to provide a service to the firm's audit clients. In these scenarios identifying the subsequent threats to independence and objectivity is complicated and involves considering a number of factors. This could be addressed with the addition of an example which covers the factors a professional accountant should consider in this situation.	
10. Do you support the proposed revisions to subsection 606, including: … **(a) The prohibition on services in relation to hosting (directly or indirectly) of an audit client's data, and the operation of an audit client's network security, business continuity and disaster recovery function because they result in the assumption of a management responsibility (see proposed paragraph 606.3 A1 and related paragraph 606.3 A2)?**			
	AICPA, AIA, APESB, BAOA, BICA, CAANZ-ACCA, CPAC, FACPCE, GTIL, HKICPA, IBRACON, ICAI, ICAS, ICPAU, IFIAR, IRBA, JICPA, KICPA, KPMG, MIA, NASBA, NZAASB, PP, PwC, RSM, SAICA, SCAAK, TFAC, UKFRC	Yes	N/A

#	Commentator	Comment	Preliminary Task Force Response
10.1	AIA	Need to clarify what client systems are to be covered	The Code provides the framework for the audit firm to determine whether IT systems services provided by the firm have the potential to affect the firm's independence.
10.2	AICPA	(i) 606.2 A2 – Code should make it clear that a tool that performs discrete calculations which the client evaluates and accepts responsibility for the input and assumptions and has sufficient information to understand the calculation and results does **not** constitute an IT system (ii) 606.2 A1/606.3 A1 – include as application material the information in the EM	(i) No change - 606.2 A1 & A2 describe potential IT systems services and what they may comprise. If the tool had been developed by the firm, there are circumstances where a SRT might be created. (ii) No change.
10.3	Assirevi, CPAC	Clarification of *"directly or indirectly"* required, use examples in EM 52	See revisions to 606.2 A1 & 603.3 A1. Explanation to be included in BfC.
10.4	BDO	(i) Disagree with outright prohibition of hosting of audit client's data (ii) Suggests that definitions are required for "hosting", "data" (to address electronic/non-electronic, financial/non-financial data)	(i) Noted, see revisions to 603.3 A1. (ii) IESBA resolved not to define terms in Section 606 to avoid any unintended limitations on the application of the provisions to developing technology and services arising from such a definition. The purpose of 606.2 A1 is to provide readers with the substance of what Section 606 covers. 606.2 A2

#	Commentator	Comment	Preliminary Task Force Response
		(iii) Recommends a principles-based approach – requiring consideration of types of data being hosted, the method of hosting, the purpose of the hosting and whether management responsibility being assumed	acknowledges that IT systems might involve non-financial matters. (iii) See revised 606.3 A1 which provides an example of what hosting which assumes a management responsibility includes.
10.5	CAANZ-ACCA	606.3 A1 does not recognise/address data being stored in cloud-based applications Would be helpful to define 'hosting'; what constitutes 'data provided by an audit client' and differentiate different types of audit client data provided (differentiate between data which results in assumption of management responsibility and data necessary for permitted service)	No change – see #10.4.
10.6	CPAA	Concerned that blanket prohibition may have significant ramifications for SMEs and SMPs – e.g. in case of natural disaster etc. – and ignores potential safeguards	Noted, on balance the TF believes that it is in the public interest to explicitly spell out the assumption of management responsibility when hosting.
10.7	Deloitte	**No** (i) Does not support blanket prohibition on 'hosting'. a. *"services in relation to hosting'* is unclear and could have very wide interpretation b. 606.4 A2 – (a) and (b) should not be deleted	(i) Noted a. See revised 606.3 A1. b. 604.4 A2 was deleted in its entirety because (a) and (b) because such IT systems services would not create a SRT.

#	Commentator	Comment	Preliminary Task Force Response
		c. Review deletion of 606.6 A1 d. 606.4 A3 – consider defining terms used to ensure consistent application (ii) Other matters: a. 600.9 A2 – does not support the redrafted third bullet – dependency on the service b. 606.2 A1 – concerned at the long-list of terms and absence of any definitions c. 606.3 – concerned at addition of many new terms	c. No change – not thought to add value as it repeated what the definition of a SRT is. d. IESBA resolved not to define terms to avoid any unintended limitations on the application of the provisions to developing technology and services arising from such definitions. (ii) Noted a. No change, also considering the balance of ED responses. b. See #10.4. c. See #10.4.
10.8	EY	Yes – but do not consider that provision of services "in relation to" hosting results in the assumption of a management responsibility, because this would suggest that providing advisory services related to hosting (for example, vendor selection services for a hosting platform, providing benchmarks on capacity requirements, etc.) would be prohibited. In order to clarify the prohibition, we propose the following edits to proposed paragraph 606.3 A1 using the terminology from paragraph 606.2 A1: 606.3 A1 - Examples of IT systems services that result in the assumption of a management responsibility include where a firm or network firm:	See revision to 606.3 A1.

#	Commentator	Comment	Preliminary Task Force Response
		• *Stores data or manages (directly or indirectly) the hosting of data on behalf of the audit client.* • Operates an audit client's network security,	
10.9	GTIL	Concerned that the proposed revisions may be too broad and fail to recognize that nearly all information is now hosted in the cloud, and it is important to distinguish the nature of the data and the hosting service provided. For example, is the intent to include portals to transfer client data to support deliverables as required under professional standards where the client is responsible for downloading any deliverables or other records upon completion of the service?	See revision to 606.3 A1. The intent is not to include portals to transfer client data to support permissible services. See 606.3 A2.
10.10	HKICPA	Suggest positioning 606.3 A2 before 606.3 A1	No change.
10.11	ICAEW	The issue of whether hosting client data automatically leads to the assumption of 'management responsibility' is complex and more detailed application material is required to clarify the scope of the proposed prohibitions.	See revision to 606.3 A1.
10.12	ICAI	The first bullet of 606.3 A1, which refers to 'services in relation to' hosting, is not clear.	See revision to 606.3 A1.
10.13	ICAS	There is a need to clarify exactly what client systems are meant to be covered by paragraphs 606.3 A1 and 606.3 A2 in order that the user will be able to understand what is expected of them. Suggest the following amendments to the Code to clarify IESBA's intentions: "606.3 A1 *In accordance with paragraph R400.15,* examples of IT systems services that result in the assumption of a management responsibility include where a firm or a network firm:	No change – 606.3 A1 follows from R606.3 which already includes the reference to paragraph R400.15. The concept of directly or indirectly to be included in BfC. See also revisions to 606.3 A1.

#	Commentator	Comment	Preliminary Task Force Response
		• Provides services in relation to the hosting (*either* directly *by the firm or network firm* or indirectly *by a third party*) of an audit client's primary/active data systems. • Operates an audit client's network security, business continuity or disaster recovery function. 606.3 A2 The collection, receipt and retention of data provided by an audit client to enable the provision of a permissible service to that client, *such as data provided by the client to the firm for the purposes of the audit,* does not result in an assumption of management responsibility *as the client still maintains control over this data."*	See revisions to 606.3 A2.
10.14	IDW	(i) 606.2 A1 - which kind of data is meant in this bullet point. Would it be internal or external data, would the data be related to financial reporting? Rule 606.2 A2, for example, mentions "aggregate source data". Is this meant here? What does "managing the hosting of data" mean exactly? (ii) 606.3 A1 - Covering the indirect hosting of an audit client's data seems to be a very broad concept. Would, for example, simple pay roll accounting already be an indirect hosting of an audit client's data? The broad formulation poses the risk that a lot of services that are usually offered by the professional accountant without creating an issue for professional independence can no longer be provided.	(i) No change - 606.2 A1 & A2 describe potential IT systems services and what they may comprise. (ii) See revisions to 606.3 A1 and A2. To include explanation in BfC.
10.15	IFAC SMP	(i) Suggest elevate 606.3 A2 to be a requirement – as it sets the stage for, and should be positioned before 606.3 A1 (ii) 606.3 A2 - add 'transmission' to the list of permissible flows of data	(i) No change. (ii) Accepted - see revision to 606.3 A2.

#	Commentator	Comment	Preliminary Task Force Response
10.16	IFIAR	606.3 A1 – additional examples could be included	See revisions to 606.3 A1.
10.17	IOSCO	(i) 600.9 – suggest enhancing the application material to guide a PA to consider the factors together when identifying and evaluating different threats. (ii) R606.6 - paragraph can be strengthened to also include IT system services where a firm or network firm assumes a management responsibility (e.g., appropriate linkage to R606.3 and the related application material)	(i) Noted – no change because this provision follows the approach taken throughout the Code where one or more matters/factors may be considered – whether individually or in combination. (ii) No change – addressed in R400.15 and in R606.3.
10.18	IRBA	R606.3 (b) – suggest that *"individual"* be amended to *"individual or individuals"*	See revision to R606.3(b)
10.19	MNP	o 606.3 A1 (i) Hosting an audit/review client's data <u>indirectly</u> on a platform that is managed and operated by a third party would not result in the assumption of management responsibilities because the third party performing the hosting service would be responsible for managing the data stored on their platform. For example, where an audit/review client's data is hosted in the cloud by a company unrelated to the firm, the firm would not assume management responsibility solely because of its ability to access that data. (ii) Encourage IESBA to provide additional guidance as to examples of what would be considered "indirect" hosting of a client's data which would be prohibited. o 606.3 A2 - Application material required addressing the period during which it is permissible for a firm to retain an audit client's data	o 606.3 A1 (i)-(ii) See revision to 606.3 A1. BfC also to include explanation.

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		o The provision of IT services to a group of entities within an industry. (i) Where a firm is engaged to compile and manipulate industry/operational data from entities within the same industry to present key data metrics to allow those entities to benchmark their financial and/or operational results against their peers, it would not be appropriate to preclude audit/review clients from being able to benefit from this type of IT service solely on the basis that the firm is hosting their data. (ii) This type of IT service should not be considered an assumption of a management responsibility. o IT Network and Business Continuity Services (i) Recommend that the prohibitions for hosting data and IT Network and Business Continuity Services should only be for those entities which meet the definition of a public interest entity or when appropriate safeguards cannot be applied. (ii) Under R606.3 the provision of cyber security services would be prohibited for all audit/review clients. Under the Canadian independence rules, a firm is not prohibited from being engaged by those charged with governance of an audit/review client to assist them in fulfilling its responsibilities to conduct its own investigation of a potential accounting impropriety (e.g. fraud).	o 606.3 A2 - For such period as may be necessary to undertake the relevant service - To be addressed in BfC. o The provision of IT services to a group of entities - No change – this would depend upon the terms of the particular engagement and its permissibility under other laws and regulations. o IT Network and Business Continuity Services (i) No change, see #10.6. (ii) It depends on the facts and circumstances of the cybersecurity service being provided. The analogy suggested appears to be of an advice and recommendation nature, and accordingly whether such advice and recommendations

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		We believe that an analogy could be made with respect to assisting those charged with governance of an audit/review client in assessing the financial impact of a cyber security threat and/or breach. Therefore, we do not feel that all cyber security services should be explicitly prohibited for all audit/review clients so long as appropriate safeguards are in place (e.g. separate engagement teams, an appropriate and competent member of senior management at the client makes all management decisions, etc.).	might create a SRT or other threats will need to be assessed.
10.20	NZAASB	Code addresses the prohibition of NAS that involve assumption of management responsibility in two ways – a requirement paragraph with application material (see Subsections 605 and 606) or a requirement paragraph in a separate section within the Subsection (see Subsections 609 and 610) Should Subsection 606 have a separate section for the prohibitions on hosting services and the operation of an audit client's network security, business continuity and disaster recovery function?	No change – structure consistent with approach taken in subsections 605 and 609.
10.21	Pitcher Partners	Does a data centre or similar temporary arrangement constitute hosting?	It depends upon the service provided by the data centre. See revisions to 606.3 A1.
10.22	PwC	606.3 A1 – *"services in relation to hosting"* is unclear and too broad. Recommend that the Code state that "hosting of an audit client's data" is an example of management responsibility	See revisions to 606.3 A1.
10.23	RSM	(i) 606.3 A1 - recommend a. including examples (per EM) - *"… Provides services in relation to the hosting ~~(directly or indirectly)~~ of an audit client's data,*	(i) See revisions to 606.3 A1.

#	Commentator	Comment	Preliminary Task Force Response
		either directly (for example, on internal servers), or indirectly (for example on a third-party cloud provider's servers)." b. Adding an additional bullet - *"Ongoing operation, maintenance, monitoring, or updating of an audit client's IT system without the proper involvement of competent management".* (ii) 606.5 A1 – recommend additional safeguards, for example: *"Having an appropriate reviewer who was not involved in planning, performing or supervising the audit work performed with a specific focus on areas that present a self-review threat."*	(ii) No change – this was reviewed as part of the safeguards project.
10.24	SCAAK	Consider elevating 606.3 A2 to be a requirement	No change.
10. Do you support the proposed revisions to subsection 606, including: … **(b) The withdrawal of the presumption in extant subparagraph 606.4 A2(c) and the addition of "Implementing accounting or financial information reporting software, whether or not it was developed by the firm or a network firm" as an example of an IT systems service that might create a self-review threat in proposed paragraph 606.4 A3?**			
	AIA, APESB, BAOA, BICA, CAANZ-ACCA, CPAC, EY, FACPCE, HKICPA, ICAEW, ICAS, ICAPU, IFIAR, IRBA, JICPA, KICPA, KPMG, MIA, NASBA,	Yes	N/A

#	Commentator	Comment	Preliminary Task Force Response
	NZAASB, PP, PwC, RSM , SAICA, SCAAK, TFAC, UKFRC		
10.25	AICPA	(i) 606.4 A2 – recommends retention and inclusion of examples of implementation services relating to commercial off-the-shelf software that do not give rise to SRT (ii) 606.4 A3 – Suggests revising to *"Implementing accounting or financial information reporting software, whether or not it was developed by the firm or network firm, except as provided for in paragraph 606.4 A2"*	(i)-(ii) No change, see explanatory memorandum.
10.26	BDO	Recommends retention of presumption and elaboration to identify acceptable services in light of 606.4 A3	No change, see explanatory memorandum.
10.27	CNCC	606.4 A2 should be retained – i.e. with the presumption	No change, see explanatory memorandum.
10.28	CPAA	Disagrees with prohibition of provision of IT systems services based on possibility of a SRT	No change. The SRT prohibition is fundamental to the revised NAS provisions.
10.29	GTIL	**No. -** If a firm implements a third-party accounting or financial information reporting software and makes insignificant modifications, and the services do not involve designing, developing, significant customizations to the system, we wouldn't view the services as creating a self-review threat because the services would not be evaluated or relied on as part of the audit.	No change. That assessment may be made for non-PIEs. The provision of such services to PIEs is prohibited – and there is no public interest in permitting the provision of such services to PIEs.

#	Commentator	Comment	Preliminary Task Force Response
10.30	IBRACON	Believe that 606.4 A2 (c) should be retained	No change, see explanatory memorandum.
10.31	IFIAR	606.4 A3 (i) the example could be more specific and include the "running/storing" of client's programs and data as this would be clearer and easier to apply in practice. (ii) We would support additional material on management's responsibilities in relation to these services to aid in the practical application of these requirements.	(i) See revisions to 606.4 A3. (ii) Please refer to 400.16.
10.32	MNP	The presumption of implementing "off the shelf" ("OTS") software contained in extant paragraph 606.4 A2 should be retained. There are currently many software applications on the market, including both on-premise and cloud-based solutions (e.g. QuickBooks, Simply Accounting, Microsoft Suite, etc.), that do not require any significant customization. This will continue as new technologies are developed. Small to mid-sized entities are not implementing sophisticated or complex software that larger organizations are. Removal of this exception would put such entities at a disadvantage. Recommend further application material be developed in place of the removal of the exception. For example, the Code could provide examples of the difference between "configuration" (e.g. modifying the program's code) which may be inappropriately applied vs. "customization" (e.g. creating a report based on criteria established by the client where the reporting functionality already exists in the software) which may be appropriate when not significant.	The removal of the exception is not a prohibition of such services for SMEs which are non-PIEs – provided that they can apply safeguards to address such SRT. No change. Both configuration and customization are within the definition of 'implementation' of IT systems because the delineation between these actions is subjective and unclear.

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10.33	Pitcher Partners	Does this mean that such services are permissible or prohibited? Assisting a client install a commercial package, it's unclear how this is an independence threat or self-review threat, if the system requires "programming or configuration" perhaps depending on the particular configuration, but it's not clear whether this should be supported.	Such services create a SRT when they form part of or affect an audit client's accounting records or system of internal control over financial reporting – regardless of the level of programming or configuration. For PIEs, such services will be prohibited. For non-PIEs, see #10.32.
10. Do you support the proposed revisions to subsection 606, including: … **(c) The other examples of IT systems services that might create a self-review threat in proposed paragraph 606.4 A3?**			
	AICPA, AIA, APESB, BDO, BAOA, BICA, CPAA, CPAC, EY, FACPCE, GTIL, HKICPA, IBRACON,, ICAS, ICPAU, IFIAR, IRBA, JICPA, KICPA, KPMG, MIA, NASBA, NZAASB, PP, RSM, SAICA, SCAAK, TFAC, UKFRC	Yes	N/A
10.34	AIA	Support deletion of 'might'	Accepted – see revision to 606.4 A3.

#	Commentator	Comment	Preliminary Task Force Response
10.35	CAANZ-ACCA	Examples could interact with financial data that is not subject to audit – add further application material to demonstrate the extent of paragraph	Noted – the issue is whether there is financial data that might be subject to audit – as opposed to the extent of the data that will not be subject to audit.
10.36	BDO	(i) Add "selling…licensing technology" as an example of a IT systems service that might create a SRT (ii) Include a cybersecurity assurance services as services giving rise to a SRT	(i) TF does not view "selling.. licensing technology" as necessarily being a NAS – it depends on the facts and circumstances and substance of what the technology is performing. This is covered in 600.6. (ii) The TF considered cybersecurity services that creates a SRT, see 606.4 A3. The TF also observes that Audit Committee Chairs would be nervous having their auditor provide assurance on cyber due to the level of the threat.
10.37	EY	Terms do not need to be defined	Noted.
10.38	ICAS	606.4 A3 – delete "might' and add reference to PIE SRT prohibition	Accepted – see revision to 606.4 A3.
10.39	IRBA	(i) 606.3 A1 – suggest additional examples be added (ii) R606.6 and 606.4 A3 – proposed revisions do not deal with where a non-audit client becomes an audit client or where technology provided to a client gets so integrated that is not commercially possible/feasible for	(i) See revisions to 606.3 A1. (ii) These issues are addressed in R400.31 et seq.

#	Commentator	Comment	Preliminary Task Force Response
		the client to remove it. Suggest revisions include possible transition periods or safeguards to avoid loss of choice of auditors for clients in jurisdictions where mandatory audit firm rotation exists (as in South Africa).	
10.40	JICPA	Suggest adding 606.4 A4 and 606.4 A5:. *606.4 A4 When providing IT systems services to an audit client, self-interest, advocacy and intimidation threats to compliance with the independence requirements might be created in addition to a self-review threat.* *606.4 A5 If certain criteria are met, the provision of IT systems services to an audit client is deemed not to create a self-review threat or any other relevant threats. Such criteria might include:* ● *The service focuses on non-financial and non-ICFR (Internal Control over Financial Reporting) areas.* ● *The service does not provide functions to assist management in making judgments and decisions.* ● *The service provided is routine or mechanical.* ● *The service involves automated functions.* ● *The service is for the client's internal use only without any client-specific customization.* ● *The service is provided under normal commercial terms and conditions.* ● *The service provided is not material in monetary terms.* ● *The service is in the public interest.*	The TF has considered the proposed approach but is of the view that it is too prescriptive for a principles-based Code. In addition, the TF also notes the consideration of other threats is covered upfront in revised NAS paragraph 600.9 A2.

#	Commentator	Comment	Preliminary Task Force Response
		Note: JICPA letter sets out extensive rationale for these additional paragraphs – to achieve consistency in application and inter-relationship with SEC position – and suggested explanation for inclusion in BfC	
10.41	MNP	As such IT systems services may create a self-review threat, it will be imperative that Canadian standard setters appropriately refine the definition of a public interest entity to fit the Canadian landscape so that this prohibition does not negatively impair small and mid-sized entities' ability to access services with the application of appropriate safeguards.	Noted.
10.42	RSM	606.2 A1 – add *"Providing or licensing IT hardware or software"* – to align with 600.6.	No change. Providing or licensing IT hardware or software is a mode of delivery, rather than a NAS.
11. Do you support the proposed changes to Part 4B of the Code?[1]			
	AAT, AIA, AICPA, APESB, BAOA, BDO, BICA, CAANZ-ACCA, CPAC, EY, GTIL, HKICPA, IBRACON, ICAEW, ICAI, ICAS, ICPAU, IFAC SMP, IRBA, JICPA, KICPA,	Yes	N/A

[1] The responses to Q11 have been provided to the Sustainability Working Group for their consideration.

#	Commentator	Comment	Preliminary Task Force Response
	KPMG, NASBA, NZAASB, PP, PwC, RSM, SAICA, SCAAK, TFAC, UKFRC		
11.1	APESB	Holistic review required	Noted; comment is being considered by the Sustainability Working Group.
11.2	ISCA	Delete 920.6 A1 for same reason as in #9.40 above	No change.
11.3	NZAASB	950.10 A1 relates only to situation where the assurance engagement relates to IT systems or IT controls themselves. An example where assurance is provided over subject matter information that is generated by the IT system is also relevant. This situation might become common, for example when new IT systems are developed for ESG reporting purposes. For example, a SRT would be created if the calculation of the input to the non-financial information was performed based on an IT system designed by the firm. Suggest adding the following example be added to 950.10 A1: *"Designing, developing, implementing, operating, maintaining, monitoring, updating IT systems or IT controls when they form part of or affect an assurance client's records or system of internal control over non-financial reporting and subsequently undertaking an assurance engagement on a non-financial information."*	See revision to 950.10 A1.
11.4	PwC	Align 900.13 A4 to 606.3 A1 and the last bullet of 920.3 A2 to 520.3 A2.	Accepted - See revisions to 900.13 A4 & 920.3 A2.

#	Commentator	Comment	Preliminary Task Force Response
11.5	RSM	(i) 900.1 – delete the words “including greenhouse gas statements” as this is covered by adding “environmental, social and governance disclosures”. (ii) Align 900.13 A4 with revision to 606.3 A1	(i) No change; comment is being considered by the Sustainability Working Group. (ii) Accepted – see revision to 900.13 A4.
11.6	SCAAK	Suggest moving 950.5 to follow 950.1	No change.