

IESBA Technology Working Group — Approved Terms of Reference

A. Background

1. Digital technologies are transforming the work place, businesses, economies and societies at a rapid rate. They are impacting the accountancy profession in terms of the types of professional activities undertaken, as well as the tools and approaches used by professional accountants (PAs) when performing their work.
2. As highlighted in the IESBA's *2019-2023 Strategy and Work Plan (SWP)* approved by the Board during its December 2018 meeting, there is a pressing need within the global accountancy profession to better understand and address the implications of technology trends and developments on the role and responsibilities of both professional accountants in business and in public practice. In recognition that such developments were already a major topic of discussions among its stakeholders, and in anticipation of ongoing interest in the topic, the IESBA established the Technology Working Group (Working Group) in January 2018.

B. Objectives

3. Consistent with the SWP strategic theme “Advancing the Code’s Relevance and Impact”, the objectives of the Working Group are to:
 - (a) Identify potential ethical implications of technology developments on the robustness and relevance of the fundamental principles and independence standards, including both challenges to compliance with requirements under the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code) as well as ways in which technologies could be used to support and enhance compliance. The WG will assess these implications in the context of both professional accountants in business (PAIBs) and professional accountants in public practice (PAPPs).
 - (b) Develop proposed responses to address the ethical implications identified in (a). Possible responses might include revisions or amendments to the Code; publishing non-authoritative material such as thought leadership articles, staff publications or Frequently Asked Questions; showcasing best practices; convening or co-sponsoring discussion forums (e.g., Webinars, Roundtables); or any combination of these approaches.
 - (c) Identify specific outreach and partnership opportunities to share knowledge and to promote the Code as an effective tool for PAs to refer to in addressing ethics issues related to the use and effects of technology on their professional activities. Initiating such relationships, in particular with organizations in business and industry, provides a foundation for maintaining open channels for dialogue with stakeholders on the impacts of technological change on an ongoing basis.

C. Focus

Ethical Considerations

4. While a baseline understanding of certain technologies and their impact on the professional activities of accountants is required for this project, the Working Group’s focus is on the **ethical behavior** of

PAs involved with the development, use or other application of technologies in undertaking professional activities.

5. As noted in paragraph 3(a), the scope of this initiative includes both PAIBs and PAPPs. The Working Group believes a specific consideration in this initiative should be how technologies impact PAIBs given the importance of their role in finance functions, business, government organizations and economic communities at large.
6. Based on materials reviewed by the Working Group to date, it is noted that the concept of “digital ethics” includes considerations such as societal impacts related to fairness, inclusiveness, accessibility, transparency and accountability as to whether there is a proper “moral purpose” for a technology application. Whilst the Working Group recognizes the importance of these considerations in a broad sense, the specific focus of this initiative centers on PAs’ ethical behaviors and compliance with the fundamental principles when their professional activities are impacted by technologies they use or encounter.

Technologies Considered in Setting Project Scope

7. The breadth and pace of change across the technology landscape will continue, resulting in an ongoing flow of new technologies or new applications of existing technologies that might fall in the scope of this project. Given the need for IESBA to be responsive to stakeholders’ expectations that IESBA take action sooner than later to identify and address key ethical implications related to technology, the Working Group will align its initial efforts to several of the technologies listed below that have been prioritized by the International Federation of Accountants (IFAC):¹

Artificial Intelligence and Robotic Process Automation

Blockchain, Cryptocurrencies and Initial Coin Offerings

Cyber-crime and Cyber-security

Data Analytics and Big Data

D. Approach

8. The Working Group will take a phased approach to achieve the objectives set out in Section B.

Phase 1

9. During Phase 1, the Working Group will conduct its assessment of threats to compliance with the fundamental principles and independence and other ethical implications in the context of Data Analytics and Big Data (“Data”) and Artificial Intelligence and Robotics Process Automation (“AI”). The Working Group concluded that the technological impacts of Data and AI are currently the most pervasive and affect the broadest population of all PAs. These areas also appear to have a more direct impact on a greater number of the fundamental principles. The Working Group formed this view based on comments provided on the SWP and during IESBA Board discussions, as well from a preliminary assessment during its Working Group sessions of the threats to compliance with the fundamental principles and independence related to the four categories of technologies noted in paragraph 7.

¹ This list is as of the time of this Terms of Reference.

10. The Working Group is of the view that the information gathering activities during Phase 1 will take some time to complete due to a number of factors, most significantly a lack of existing research or other published material that focuses on ethical behaviors in the context of technology, and more specifically, ethical behaviors expected of PAs. As a result, the Working Group will need to approach and engage with various stakeholders to collect input and establish relationships that can provide a foundation for ongoing IESBA/stakeholder dialogue, knowledge sharing and analysis of the information and perspectives obtained.
11. It is anticipated that Phase 1 will be completed by December 2019.
12. Key activities during Phase 1 are described in paragraphs 13-20.

Information Gathering

13. Engage a broad range of stakeholders both formally and informally to hear views, share knowledge, identify best practices and promote IESBA's commitment to maintaining the relevancy of the Code in a time of rapid technological change.
 - Stakeholders may include IFAC member bodies and IFAC committees, regulators, national standard setters, firms and PAPPs, CFOs and other PAIBs, academia, other professional accounting organizations, ethics organizations, and importantly, businesses and technology industry organizations.
 - Engagement could take various forms: attending conferences, webinars or other meetings; hosting or co-hosting focus groups, expert panels, roundtables and/or webinars; moderating a session on ethics at a technology themed conference organized by an IFAC member body or other organization; participating in an ethics centered forum where technology is a topic of interest/focus.
14. Identify opportunities to partner with other professional organizations or stakeholders for purposes of developing a joint paper or other channel to communicate mutual commitment and collaborative response to the challenges and opportunities Data and AI present in serving the public interest
15. Continue to review existing published reports, articles and other publications on Data and AI.

Communications and Coordination

16. Liaise with other IESBA Task Forces or Working Group such as the Non-assurance Services and Role and Mindset Task Forces and provide feedback and support to these projects as appropriate and to ensure there is no duplication of effort.
17. Coordinate with IAASB and IAESB (and International Accounting Education Transitional Advisory Group) to ensure that the material developed by IESBA are consistent with other standards and are supported by these Boards.
18. Update stakeholders through a variety of channels such as the IESBA website, eNews and social media. The Working Group expects to be in a position to produce non-authoritative material during Phase 1 to further inform stakeholders of its views.

Report and Recommendations

19. Provide quarterly updates at IESBA meetings, including presenting for discussion ethical matters identified to date and potential responses for IESBA members' consideration. The WG will also share

educational material and other information it believes will help inform the Board's understanding and thinking on the ethical implications of technology developments.

20. At the December 2019 meeting, present its Phase 1 final report, including the Working Group's findings and recommended way forward, for IESBA's deliberations. This report will also set out deliverables for Phase 2.

Phase 2

21. The Working Group envisions that its work during Phase 1 will inform the proposed scope and approach to any of its "post Phase 1" undertakings. Furthermore, the Working Group believes it is important to remain open minded and flexible in terms of what the scope of the next phase of work will be given the inherent dynamic nature of technological change and related impacts on the accountancy profession.
22. Nonetheless, the Working Group acknowledges the need to leverage the lessons learnt from its Phase 1 approach to accelerate the generation of meaningful outputs from the Working Group's activities upon completion of Phase 1.
23. With this in mind, the Working Group will:
 - Proceed with fact finding on other technologies (preliminary proposal is to take up Blockchain and Cyber)
 - Undertake other activities as agreed by IESBA upon consideration of the Working Group's Phase 1 report

E. Deliverables

24. Under Phase 1 (January to December 2019), the Working Group will:
 - During each quarter of 2019, present to IESBA a progress report which may include issues identified and preliminary findings for IESBA's discussion.
 - At the December 2019 meeting, present to IESBA a report that includes the Working Group's findings and its recommended way forward for Phase 2 of the initiative.
 - As appropriate, develop and recommend to IESBA non-authoritative material for release during 2019 (e.g. periodic articles/communiques to stakeholders and a thought-piece on how to apply the conceptual framework to resolve ethical issues relating to technology).
25. Deliverables and the terms for Phase 2 will be determined by the progress of Phase 1 and IESBA's approval of the recommended way forward as stated the Phase 1 Final Report.

F. Composition

26. The Working Group is chaired by an IESBA member, with four other members.