



National Association of State Boards of Accountancy

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International Ethics Standards Board for Accountants (IESBA)  
529 Fifth Avenue, 6<sup>th</sup> Floor  
New York, NY 10017

Via Website: [www.ethicsboard.org](http://www.ethicsboard.org)

**Re: *Proposed Technology-Related Revisions to the Code***

Dear IESBA Members and Staff:

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the IESBA Exposure Draft on *Proposed Technology-Related Revisions to the Code* (Exposure Draft). NASBA's mission is to enhance the effectiveness and advance the common interests of Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following comments on the Exposure Draft.

### **Responses on Request for Specific Comments**

#### *Technology-related Considerations When Applying the Conceptual Framework*

*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?*

NASBA supports the thought process to be undertaken when considering whether the use of technology by a public accountant (PA) might create a threat to compliance with the fundamental principles in proposed paragraphs 200.6 A2 and 300.6 A2. NASBA does not have other suggested considerations that should be included.

*Determining Whether the Reliance on, or Use of, the Output of Technology is Reasonable or Appropriate for the Intended Purpose*

*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?*

NASBA supports the proposed revisions, including the proposed factors to be considered in relation to determining whether to rely on, or use, the output of technology as proposed in the exposure draft.

Section 220.7 A2 details the factors to consider in determining whether reliance on the output of technology is reasonable. The fifth bullet states “whether new technology has been appropriately tested and evaluated for the purpose intended.” Section 320.10 A2 references the same in determining when a professional accountant intends to use the output of technology. We do not understand the significance of the reference to only “new” technology. This factor should be considered for all technology whether “new” or not. We recommend eliminating the word “new” in both places in the Exposure Draft.

*Consideration of “Complex Circumstances” When Applying the Conceptual Framework*

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

NASBA supports the proposed application material relating to complex circumstances in proposed paragraphs 120.13 A1 to A3.

*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?*

NASBA is not aware of any considerations, including jurisdiction-specific translation considerations, that may impact the proposed revisions.

*Professional Competence and Due Care*

*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?*

NASBA supports the proposed revisions to explain the skills that PAs need and to enhance transparency in the proposed paragraph 113.1 A1 and the proposed revisions to paragraph R113.3.

*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?*

NASBA believes that it would be helpful to users of the Code to have explicit references to the standards of professional competence embedded in the Code.

#### *Confidentiality and Confidential Information*

*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; and (b) the proposed Glossary definition of “confidential information?”*

(a) NASBA supports the description of the fundamental principle of confidentiality in paragraphs 114.1 A1 and 114.1 A3.

(b) NASBA supports the proposed Glossary definition of the term “confidential information.” The definition of “confidential information” is based on the concept of “public domain”, which is not currently defined. We recommend that “public domain” be defined in the Exposure Draft.

*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)?*

NASBA agrees 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 there are significant global differences in national laws and regulations regarding “confidential information.”

#### *Independence (Parts 4A and 4B)*

*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.*

NASBA supports the proposed revisions in paragraphs 400.16 A1, 601.5 A2 and A3 relating to “routine or mechanical” services so long as the PA does not assume management’s responsibility over such services.

*(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.*

NASBA supports the additional proposed examples to clarify the technology-related arrangements that constitute a close business relationship in paragraph 520.3 A2.

*(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).*

NASBA supports 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.

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)?*

NASBA agrees with the prohibition on services related 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.

*(b) The withdrawal of the presumption in extant subparagraph 606.4 A2(c)18 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?*

NASBA agrees with the withdrawal of the presumption in extant subparagraph 606.4 A2(c)18 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.

*(c) The other examples of IT systems services that might create a self-review threat in proposed paragraph 606.4 A3?*

NASBA supports the other examples of IT systems services that might create a self-review threat as defined in paragraph 606.4 A3.

*11. Do you support the proposed changes to Part 4B of the Code?*

NASBA supports the proposed changes to Part 4B of the Code. However, NASBA believes that frequent review and updating of the material may be necessary.

**Request for General Comments**

In addition to the request for specific comments above, the IESBA is also seeking comments on the matters set out below:

• *Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.*

NASBA has no comments with respect to SMEs and SMPs.

• *Regulators and Audit Oversight Bodies – The IESBA invites comments on the proposals from an audit inspection or enforcement perspective from members of the regulatory and audit oversight communities.*

NASBA supports several of the proposed changes to the Code; however, it encourages IESBA to continue to carefully weigh proposed principles-based revisions to the Code against the impact that such proposals may have on a regulatory body's ability to bring enforcement actions against an audit firm or individual practitioner due to a violation of the Code.

• *Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.*

NASBA has no comments with respect to the adoption of the Code in developing nations.

• *Translations – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comments on potential translation issues respondents may note in reviewing the proposals beyond question 4 in the request for specific comments above.*

NASBA has no comments on potential translation issues.

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We appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,

Handwritten signature of W. Michael Fritz in black ink.

W. Michael Fritz, CPA  
NASBA Chair

Handwritten signature of Ken L. Bishop in black ink.

Ken L. Bishop  
NASBA President and CEO