

Exposure Draft

Proposed Changes to EP 100 Code of Professional Conduct and Ethics

Comments are requested by 20 November 2023.

Once issued, the proposed changes are effective as of 15 December 2024.

REQUEST FOR COMMENTS

This Exposure Draft of ISCA was approved for publication in October 2023. This Exposure Draft may be modified in light of comments received before being issued in its final form. Comments should be submitted so as to be received by 20 November 2023, preferably by e-mail. All comments will be considered a matter of public record. Email responses should be sent to professionalstandards@isca.org.sg.

PROPOSED CHANGES TO EP 100
CODE OF PROFESSIONAL CONDUCT AND ETHICS
TABLE OF CONTENTS

	Page
EXPLANATORY MEMORANDUM	4
PROPOSED CHANGES TO EP 100	6
110 The Fundamental Principles	6
113 – Professional Competence and Due Care.....	6
114 – Confidentiality	7
120 The Conceptual Framework	10
200 Applying the Conceptual Framework – Professional Accountants in Business	12
220 Preparation and Presentation of Information.....	14
260 Responding to Non-compliance with Laws and Regulations.....	16
300 Applying the Conceptual Framework – Professional Accountants in Public Practice	17
320 Professional Appointments	19
360 Responding to Non-compliance with Laws and Regulations.....	21
400 Applying the Conceptual Framework to Independence for Audit and Review Engagements	23
520 Business Relationships.....	24
600 Provision of Non-Assurance Services to an Audit Client	25
601 – Accounting and Bookkeeping Services	27
606 – Information Technology Systems Services	28
900 Applying the Conceptual Framework to Independence for Assurance Engagements Other than Audit and Review Engagements.....	31
920 Business Relationships.....	33
950 Provision of Non-assurance Services to Assurance Clients.....	34
GLOSSARY, INCLUDING LISTS OF ABBREVIATIONS	36

EXPLANATORY MEMORANDUM

Introduction

1. All members of the Institute of Singapore Chartered Accountants (ISCA) must adhere to the EP 100 *Code of Professional Conduct and Ethics* (the Code or EP 100). EP 100 is modelled after the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA) of the International Federation of Accountants (IFAC).
2. EP 100 also encompasses the SG provisions included in the *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* issued by the Accounting and Corporate Regulatory Authority (ACRA). SG provisions are local adaptations to serve the public interest in Singapore and to conform to Singapore's regulatory environment and statutory requirements.
3. This memorandum provides background to ISCA's Exposure Draft (ED), and an explanation of the proposed changes to EP 100.

Background

4. EP 100, revised on 30 August 2023 and expected to be effective 15 December 2023, is based on the *Handbook of the International Code of Ethics for Professional Accountants, 2022 Edition* and *Final Pronouncement: Revisions to the Code Relating to the Definition of Engagement Team and Group Audits* of the IESBA, published by the IFAC in September 2022 and February 2023 respectively.
5. In April 2023, IFAC published the final pronouncement, *Technology-related Revisions to the Code* (Technology FP). If adopted, the Code would contain revised Sections 120, 200, 220, 260, 300, 320, 360, 400, 520, 600, 900, 920 and 950, revised Subsections 113, 114, 601 and 606, and a new term "confidential information" in the Glossary.

Consultation

6. This consultation seeks feedback on the proposed changes to EP 100 in this ED to adopt the Technology FP in entirety. No changes to SG provisions are necessary for purposes of local adaptation as EP 100.
7. The key elements of the proposed changes to EP 100 are highlighted in the section that follows below.

Key Elements of the Proposed Changes to EP 100

8. Key revisions to EP 100 to adopt the Technology FP are as follows:
 - Provide guidance fit for the digital age in relation to the fundamental principles of professional competence and due care, and confidentiality, as well as in dealing with complex circumstances. (Subsections 113 and 114, Section 120)
 - Enhance the Code's robustness in guiding the mindset and behaviour of professional accountants when they use technology. (Sections 200, 220, 300 and 320)
 - Strengthen the independence standards by addressing the circumstances in which firms and network firms may or may not provide a technology-related non-assurance service to an audit or assurance client. (Sections 520, 900 and 920, Subsections 601 and 606)

Effective Date

9. The proposed changes to Sections 120, 200, 220, 260, 300, 320 and 360 and Subsections 113 and 114 of EP 100 in this ED will be effective as of 15 December 2024.
10. The proposed changes to Sections 400, 520 and 600 and Subsections 601 and 606 of EP 100 in this ED relating to independence for audit and review engagements will be effective for audits and reviews of financial statements for periods beginning on or after 15 December 2024.
11. The proposed changes to Sections 900, 920 and 950 of EP 100 in this ED relating to independence for assurance engagements with respect to subject matter covering periods will be effective for periods beginning on or after 15 December 2024; otherwise, it will be effective as of 15 December 2024.
12. Early adoption is permitted.

Useful Resource

13. The Staff of IESBA has issued Basis for Conclusions which relate to but does not form part of the Technology FP. This Basis for Conclusions explain how the IESBA has addressed the significant matters raised on exposure.
14. The Basis for Conclusions relating to the Technology FP issued in April 2023 may be downloaded from the IESBA website using this [link](#).

PROPOSED CHANGES TO EP 100

MARK-UP FROM EXTANT VERSION

SECTION 110

THE FUNDAMENTAL PRINCIPLES

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SUBSECTION 113 – PROFESSIONAL COMPETENCE AND DUE CARE

R113.1 A professional accountant shall comply with the principle of professional competence and due care, which requires an accountant to:

- (a) Attain and maintain professional knowledge and skills at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation; and
- (b) Act diligently and in accordance with applicable technical and professional standards.

113.1 A1 Serving clients and employing organisations with professional competence ~~requires~~ involves the exercise of sound judgement in applying professional knowledge and skill ~~when undertaking professional activities~~.

113.1 A2 The knowledge and skills necessary for a professional activity vary depending on the nature of the activity being undertaken. For example, in addition to the application of any technical knowledge relevant to the professional activity, interpersonal, communication and organisational skills facilitate the professional accountant's interaction with entities and individuals with whom the accountant interacts.

113.1 ~~A2~~A3 Maintaining professional competence requires a professional accountant to have a continuing awareness and ~~an~~ understanding of ~~relevant~~ technical, professional, business and technology-related developments relevant to the professional activities undertaken by the accountant. Continuing professional development enables ~~an professional~~ accountant to develop and maintain the capabilities to perform competently within the professional environment.

113.1 ~~A3~~A4 Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.

R113.2 In complying with the principle of professional competence and due care, a professional accountant shall take reasonable steps to ensure that those working in a professional capacity under the accountant's authority have appropriate training and supervision.

R113.3 Where appropriate, a professional accountant shall make clients, the employing organisation, or other users of the accountant's professional ~~services or~~ activities, aware of the limitations inherent in the ~~services or~~ activities and explain the implications of those limitations.

SUBSECTION 114 – CONFIDENTIALITY

R114.1 A professional accountant shall comply with the principle of confidentiality, which requires an accountant to respect the confidentiality of information acquired ~~as a result~~in the course of professional and business relationships. An accountant shall:

- (a) Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or an immediate or a close family member;
- (b) Maintain confidentiality of information within the firm or employing organisation;
- (c) Maintain confidentiality of information disclosed by a prospective client or employing organisation; and
- ~~(d) Not disclose confidential information acquired as a result of professional and business relationships outside the firm or employing organisation without proper and specific authority, unless there is a legal or professional duty or right to disclose;~~
- ~~(e) Not use confidential information acquired as a result of professional and business relationships for the personal advantage of the accountant or for the advantage of a third party;~~
- ~~(f) Not use or disclose any confidential information, either acquired or received as a result of a professional or business relationship, after that relationship has ended; and~~
- (gd)** Take reasonable steps to ensure that personnel under the accountant's control, and individuals from whom advice and assistance are obtained, respect-comply with the accountant's duty of confidentiality.

114.1 A1 Maintaining the confidentiality of information acquired in the course of professional and business relationships involves the professional accountant taking appropriate action to protect the confidentiality of such information in the course of its collection, use, transfer, storage or retention, dissemination and lawful destruction.

R114.2 Subject to paragraph R114.3, a professional accountant shall not:

- ~~(da)~~ Disclose confidential information acquired as a result in the course of professional and business relationships outside the firm or employing organisation without proper and specific authority, unless there is a legal or professional duty or right to disclose;
- ~~(eb)~~ Use confidential information acquired as a result in the course of professional and business relationships for the personal advantage of the accountant, the firm, the employing organisation or for the advantage of a third party;
- ~~(fc)~~ Use or disclose any confidential information, either acquired or received as a result in the course of a professional or business relationship, after that relationship has ended; and
- (d) Use or disclose information in respect of which the duty of confidentiality applies notwithstanding that that information has become publicly available, whether properly or improperly.

R114.3 As an exception to paragraph R114.2, a professional accountant may disclose or use confidential information where:

- (a) There is a legal or professional duty or right to do so; or

(b) This is authorised by the client or any person with the authority to permit disclosure or use of the confidential information and this is not prohibited by law or regulation.

114.4.3 A1 Confidentiality serves the public interest because it facilitates the free flow of information from the professional accountant's client or employing organisation to the accountant in the knowledge that the information will not be disclosed to a third party. Nevertheless, the following are circumstances where professional accountants ~~are or~~ might be required or have the duty or right to disclose confidential information ~~or when such disclosure might be appropriate~~:

(a) Disclosure is required by law or regulation, for example:

- (i) Production of documents or other provision of evidence in the course of legal proceedings; or
- (ii) Disclosure to the appropriate public authorities of infringements of the law that come to light; and

~~(b) Disclosure is permitted by law and is authorised by the client or the employing organisation; and~~

~~(eb)~~ There is a professional duty or right to disclose or use, when not prohibited by law or regulation:

- (i) To comply with the quality review of a professional body;
- (ii) To respond to an inquiry or investigation by a professional or regulatory body;
- (iii) To protect the professional interests of a professional accountant in legal proceedings; or
- (iv) To comply with technical and professional standards, including ethics requirements.

114.4.3 A2 In deciding whether to disclose or use confidential information, factors to consider, depending on the circumstances, include:

- Whether the interests of any parties, including third parties whose interests might be affected, could be harmed if the client or employing organisation ~~consents to authorises~~ the disclosure or use of information by the professional accountant.
- Whether all the relevant information is known and substantiated, to the extent practicable. Factors affecting the decision to disclose or use, the information, include:
 - Unsubstantiated facts.
 - Incomplete information.
 - Unsubstantiated conclusions.
- The proposed ~~type means~~ of ~~communication~~ communicating, the information and to whom it is addressed.
- Whether the parties to whom the communication information is to be provided or access is to be granted ~~addressed~~ are appropriate recipients.
- Any applicable law or regulation (including those governing privacy) in a jurisdiction where disclosure might take place and, if different, the jurisdiction where the confidential information originates.

114.3 A3 The circumstances in which a firm or employing organisation seeks authorisation to use or disclose confidential information, include where the information is to be used for training purposes, in the development of products or technology, in

research or as source material for industry or other benchmarking data or studies. Such authorisation might be general in its application (for example, in relation to use of the information for internal training purposes or quality enhancement initiatives). When obtaining the authorisation of the individual or entity that provided such information for use in specific circumstances, relevant considerations to be communicated (preferably in writing) might include:

- The nature of the information to be used or disclosed.
- The purpose for which the information is to be used or disclosed (for example, technology development, research or benchmarking data or studies).
- The individual or entity who will undertake the activity for which the information is to be used or disclosed.
- Whether the identity of the individual or entity that provided such information or any individuals or entities to which such information relates will be identifiable from the output of the activity for which the information is to be used or disclosed.

R114.24 A professional accountant shall continue to comply with the principle of confidentiality even after the end of the relationship between the accountant and a client or employing organisation. When changing employment or acquiring a new client, the accountant is entitled to use prior experience but shall not use or disclose any confidential information acquired or received as a result in the course of a professional or business relationship.

SECTION 120

THE CONCEPTUAL FRAMEWORK

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Requirements and Application Material

General

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- R120.5** When applying the conceptual framework, the professional accountant shall:
- (a) Have an inquiring mind;
 - (b) Exercise professional judgement; and
 - (c) Use the reasonable and informed third party test described in paragraph 120.5 ~~A6A9~~.

...

Exercising Professional Judgement

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120.5 A6 The circumstances in which professional accountants carry out professional activities and the factors involved vary considerably in their range and complexity. The professional judgement exercised by accountants might need to take into account the complexity arising from the compounding effect of the interaction between, and changes in, elements of the facts and circumstances that are uncertain and variables and assumptions that are interconnected or interdependent.

120.5 A7 Managing complexity involves:

- Making the firm or employing organisation and, if appropriate, relevant stakeholders aware of the inherent uncertainties or difficulties arising from the facts and circumstances. (Ref: Para. R113.3)
- Being alert to any developments or changes in the facts and circumstances and assessing whether they might impact any judgements the accountant has made. (Ref: Para. R120.5 to 120.5 A3, and R120.9 to 120.9 A2)

120.5 A8 Managing complexity might also involve:

- Analysing and investigating as relevant, any uncertain elements, the variables and assumptions and how they are connected or interdependent.
- Using technology to analyse relevant data to inform the professional accountant's judgement.
- Consulting with others, including experts, to ensure appropriate challenge and additional input as part of the evaluation process.

Reasonable and Informed Third Party

120.5 ~~A6A9~~ The reasonable and informed third party test is a consideration by the professional accountant about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time the conclusions are made. The reasonable and informed third party does not need to be an accountant, but would possess the relevant knowledge and experience to

understand and evaluate the appropriateness of the accountant's conclusions in an impartial manner.

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Other Considerations when Applying the Conceptual Framework

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Organisational Culture

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120.13 A3 Professional accountants are expected to:

(a) Encourage and promote an ethics-based culture in their organisation, taking into account their position and seniority; and

(b) Exhibit ethical behavior in dealings with individuals with whom, and entities with which, the accountants, the firm or the employing organisation has a professional or business relationship.

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[Other paragraphs of extant Section 120 remain unchanged.]

SECTION 200

APPLYING THE CONCEPTUAL FRAMEWORK – PROFESSIONAL ACCOUNTANTS IN BUSINESS

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Requirements and Application Material

General

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200.5 A3 The more senior the position of a professional accountant, 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 employing organisation. To the extent that they are able to do so, taking into account their position and seniority in the organisation, accountants are expected to encourage and promote an ethics-based culture in the organisation and exhibit ethical behavior in dealings with individuals with whom, and entities with which, the accountant or the employing organisation has a professional or business relationship in accordance with paragraph 120.13 A3. Examples of actions that might be taken include the introduction, implementation and oversight of:

- Ethics education and training programs.
- Management processes and performance evaluation and reward criteria that promote an ethical culture.
- Ethics and whistle-blowing policies.
- Policies and procedures designed to prevent non-compliance with laws and regulations.

Identifying Threats

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Identifying Threats Associated with the Use of Technology

200.6 A2 The following are examples of facts and circumstances relating to the use of technology that might create threats for a professional accountant when undertaking a professional activity:

- Self-interest Threats
 - The data available might not be sufficient for the effective use of the technology.
 - The technology might not be appropriate for the purpose for which it is to be used.
 - The accountant might not have sufficient information and expertise, or access to an expert with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.

(Ref: Para. 230.2).

- Self-review Threats
 - The technology was designed or developed using the knowledge, expertise or judgement of the accountant or employing organisation.

Evaluating Threats

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200.7 A4 The professional accountant's evaluation of the level of a threat associated with

the use of technology might also be impacted by the work environment within the employing organisation and its operating environment. For example:

- Level of corporate oversight and internal controls over the technology.
- Assessments of the quality and functionality of technology that are undertaken by a third-party.
- Training that is provided regularly to all relevant employees so they obtain and maintain the professional competence to sufficiently understand, use and explain the technology and its appropriateness for the purpose intended.

200.7 A4A5 Professional accountants might consider obtaining legal advice where they believe that unethical behaviour or actions by others have occurred, or will continue to occur, within the employing organisation.

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[Other paragraphs of extant Section 200 remain unchanged.]

SECTION 220

PREPARATION AND PRESENTATION OF INFORMATION

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Requirements and Application Material

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Relying onUsing the Work of Others

R220.7 A professional accountant who intends to ~~rely on~~use the work of other ~~individuals, either whether~~ internal or external to the employing organisation, or ~~other~~ organisations, shall exercise professional judgement to determine ~~what the~~ appropriate steps to take, if any, in order to fulfill the responsibilities set out in paragraph R220.4.

220.7 A1 Factors to consider when a professional accountant intends to use ~~in determining whether reliance on~~ on the work of others ~~is reasonable~~ include:

- The reputation and expertise of, and resources available to, the other individual or organisation.
- Whether the other individual is subject to applicable professional and ethics standards.

Such information might be gained from prior association with, or from consulting others about, the other individual or organisation.

Using the Output of Technology

R220.8 A professional accountant who intends to use the output of technology, whether that technology was developed internally or provided by third parties, shall exercise professional judgment to determine the appropriate steps to take, if any, in order to fulfill the responsibilities set out in paragraph R220.4.

220.8 A1 Factors to consider when a professional accountant intends to use the output of technology include:

- The nature of the activity to be performed by the technology.
- The expected use of, or extent of reliance on, the output of the technology.
- Whether the accountant has the ability, or has access to an expert with the ability, to understand, use and explain the technology and its appropriateness for the purpose intended.
- Whether the technology used has been appropriately tested and evaluated for the purpose intended.
- Prior experience with the technology and whether its use for specific purposes is generally accepted.
- The employing organisation's oversight of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the technology.
- The controls relating to the use of the technology, including procedures for authorising user access to the technology and overseeing such use.
- 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.

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Other Considerations

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220.12 A4 When a professional accountant is considering using the work of others or the output of technology, a consideration is whether the accountant is in a position within the employing organisation to obtain information in relation to the factors necessary to determine whether such use is appropriate.

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[Other paragraphs of extant Section 220 remain unchanged.]

SECTION 260

RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

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Requirements and Application Material

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Responsibilities of Senior Professional Accountants in Business

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Determining Whether Further Action Is Needed

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Determining Whether to Disclose the Matter to an Appropriate Authority

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R260.21 If the senior professional accountant determines that disclosure of the matter to an appropriate authority is an appropriate course of action in the circumstances, that disclosure is permitted pursuant to paragraph R114.1(d)3 of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions.

Imminent Breach

R260.22 In exceptional circumstances, the senior professional accountant might become aware of actual or intended conduct that the accountant has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having first considered whether it would be appropriate to discuss the matter with management or those charged with governance of the employing organisation, the accountant shall exercise professional judgement and determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach. If disclosure is made, that disclosure is permitted pursuant to paragraph R114.1(d)3 of the Code.

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Responsibilities of Professional Accountants Other than Senior Professional Accountants

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R260.26 In exceptional circumstances, the professional accountant may determine that disclosure of the matter to an appropriate authority is an appropriate course of action. If the accountant does so pursuant to paragraphs 260.20 A2 and A3, that disclosure is permitted pursuant to paragraph R114.1(d)3 of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions.

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[Other paragraphs of extant Section 260 remain unchanged.]

SECTION 300

APPLYING THE CONCEPTUAL FRAMEWORK – PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

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Requirements and Application Material

General

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300.5 A2 The more senior the position of a professional accountant, 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 firm. To the extent that they are able to do so, taking into account their position and seniority in the firm, accountants are expected to encourage and promote an ethics-based culture in the firm and exhibit ethical behavior in dealings with individuals with whom, and entities with which, the accountant or the firm has a professional or business relationship in accordance with paragraph 120.13 A3. Examples of actions that might be taken include the introduction, implementation and oversight of:

- Ethics education and training programs.
- Firm processes and performance evaluation and reward criteria that promote an ethical culture.
- Ethics and whistle-blowing policies.
- Policies and procedures designed to prevent non-compliance with laws and regulations.

Identifying Threats

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Identifying Threats Associated with the Use of Technology

300.6 A2 The following are examples of facts and circumstances relating to the use of technology that might create threats for a professional accountant when undertaking a professional activity:

- Self-interest Threats
 - The data available might not be sufficient for the effective use of the technology.
 - The technology might not be appropriate for the purpose for which it is to be used.
 - The accountant might not have sufficient information and expertise, or access to an expert with sufficient understanding, to use and explain the technology and its appropriateness for the purpose intended.
- (Ref: Para. 230.2).
- Self-review Threats
 - The technology was designed or developed using the knowledge, expertise or judgement of the accountant or the firm.

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Evaluating Threats

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The Firm and its Operating Environment

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300.7 A6 The professional accountant's evaluation of the level of a threat associated with the use of technology might also be impacted by the work environment within the accountant's firm and its operating environment. For example:

- Level of corporate oversight and internal controls over the technology.
- Assessments of the quality and functionality of technology that are undertaken by a third-party.
- Training that is provided regularly to all relevant employees so they obtain and maintain the professional competence to sufficiently understand, use and explain the technology and its appropriateness for the purpose intended.

Consideration of New Information or Changes in Facts and Circumstances

300.7 ~~A6~~A7 New information or changes in facts and circumstances might:

- (a) Impact the level of a threat; or
- (b) Affect the professional accountant's conclusions about whether safeguards applied continue to address identified threats as intended.

In these situations, actions that were already implemented as safeguards might no longer be effective in addressing threats. Accordingly, the application of the conceptual framework requires that the professional accountant re-evaluate and address the threats accordingly. (Ref: Paras. R120.9 and R120.10).

300.7 ~~A7~~A8 Examples of new information or changes in facts and circumstances that might impact the level of a threat include:

- When the scope of a professional service is expanded.
- When the client becomes a listed entity or acquires another business unit.
- When the firm merges with another firm.
- When the professional accountant is jointly engaged by two clients and a dispute emerges between the two clients.
- When there is a change in the professional accountant's personal or immediate family relationships.

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[Other paragraphs of extant Section 300 remain unchanged.]

SECTION 320

PROFESSIONAL APPOINTMENTS

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Requirements and Application Material

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Using the Work of an Expert

R320.10 When a professional accountant intends to use the work of an expert in the course of undertaking a professional activity, the accountant shall determine whether the use is appropriate for the intended purpose ~~warranted~~.

320.10 A1 Factors to consider when a professional accountant intends to use the work of an expert include:

- ~~The reputation and expertise of the expert, and~~ the resources available to the expert.
- ~~Whether~~ the expert is subject to applicable professional and ethics standards ~~applicable to the expert~~.

~~This~~ Such information might be gained from prior association with, or from consulting others about, the expert ~~or from consulting others~~.

Using the Output of Technology

R320.11 When a professional accountant intends to use the output of technology in the course of undertaking a professional activity, the accountant shall determine whether the use is appropriate for the intended purpose.

320.11 A1 Factors to consider when a professional accountant intends to use the output of technology include:

- The nature of the activity to be performed by the technology.
- The expected use of, or extent of reliance on, the output of the technology.
- Whether the accountant has the ability, or access to an expert with the ability, to understand, use and explain the technology and its appropriateness for the purpose intended.
- Whether the technology used has been appropriately tested and evaluated for the purpose intended.
- Prior experience with the technology and whether its use for specific purposes is generally accepted.
- The firm's oversight of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the technology.
- The controls relating to the use of the technology, including procedures for authorising user access to the technology and overseeing such use.
- 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.

Other Considerations

320.12 A1 When a professional accountant is considering using the work of experts or the output of technology, a consideration is whether the accountant is in a position within the firm to obtain information in relation to the factors necessary to determine whether such use is appropriate.

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[Other paragraphs of extant Section 320 remain unchanged.]

SECTION 360

RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

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Requirements and Application Material

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Audits of Financial Statements

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Determining Whether Further Action Is Needed

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Determining Whether to Disclose the Matter to an Appropriate Authority

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R360.26 If the professional accountant determines that disclosure of the non-compliance or suspected non-compliance to an appropriate authority is an appropriate course of action in the circumstances, that disclosure is permitted pursuant to paragraph R114.4(d)3 of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions. The accountant shall also consider whether it is appropriate to inform the client of the accountant's intentions before disclosing the matter.

Imminent Breach

R360.27 In exceptional circumstances, the professional accountant might become aware of actual or intended conduct that the accountant has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having first considered whether it would be appropriate to discuss the matter with management or those charged with governance of the entity, the accountant shall exercise professional judgement and determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach. If disclosure is made, that disclosure is permitted pursuant to paragraph R114.4(d)3 of the Code.

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Professional Services Other than Audits of Financial Statements

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Considering Whether Further Action Is Needed

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R360.37 If the professional accountant determines that disclosure of the non-compliance or suspected non-compliance to an appropriate authority is an appropriate course of action in the circumstances, that disclosure is permitted pursuant to paragraph R114.4(d)3 of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions. The accountant shall also consider whether it is appropriate to inform the client of the accountant's intentions before disclosing the matter.

Imminent Breach

R360.38 In exceptional circumstances, the professional accountant might become aware of actual or intended conduct that the accountant has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial

harm to investors, creditors, employees or the general public. Having first considered whether it would be appropriate to discuss the matter with management or those charged with governance of the entity, the accountant shall exercise professional judgement and determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach of law or regulation. If disclosure is made, that disclosure is permitted pursuant to paragraph R114.1~~(a)~~3 of the Code.

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[Other paragraphs of extant Section 360 remain unchanged.]

SECTION 400

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

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Requirements and Application Material

General

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Prohibition on Assuming Management Responsibilities

R400.18 A firm or a network firm shall not assume a management responsibility for an audit client.

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R400.19 When performing a professional activity for an audit client, the firm shall be satisfied that client management makes all judgements and decisions that are the proper responsibility of management. This includes ensuring that the client's management:

(a) Designates an individual who possesses suitable skill, knowledge and experience to be responsible at all times for the client's decisions and to oversee the activities. Such an individual, preferably within senior management, would understand:

(i) The objectives, nature and results of the activities; and

(ii) The respective client and firm or network firm responsibilities.

However, the individual is not required to possess the expertise to perform or re-perform the activities.

(b) Provides oversight of the activities and evaluates the adequacy of the results of the activities performed for the client's purpose.

(c) Accepts responsibility for the actions, if any, to be taken arising from the results of the activities.

400.19 A1 When technology is used in performing a professional activity for an audit client, the requirements in paragraphs R400.18 and R400.19 apply regardless of the nature or extent of such use of the technology.

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[Other paragraphs of extant Section 400 remain unchanged.]

SECTION 520

BUSINESS RELATIONSHIPS

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Requirements and Application Material

General

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520.3 A2 Examples of a close business relationship arising from a commercial relationship or common financial interest include:

- Having a financial interest in a joint venture with either the client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client.
- Arrangements to combine one or more services or products of the firm or a network firm with one or more services or products of the client and to market the package with reference to both parties.
- ~~Distribution or marketing arrangements~~ Arrangements under which the firm or a network firm sells, resells, distributes or markets the client's products or services, or the client sells, resells, distributes or markets the firm or a network firm's products or services.
- Arrangements under which the firm or a network firm develops jointly with the client, products or solutions which one or both parties sell or license to third parties.

520.3 A3 An example that might create a close business relationship, depending on the facts and circumstances, is an arrangement under which the firm or a network firm licenses products or solutions to or from a client.

...

Buying Goods or Services

520.6 A1 The purchase of goods and services, including the licensing of technology from an audit client by a firm, a network firm, an audit team member, or any of that individual's immediate family does not usually create a threat to independence if the transaction is in the normal course of business and at arm's length. However, such transactions might be of such a nature and magnitude that they create a self-interest threat.

...

Providing, Selling, Reselling or Licensing Technology

520.7 A1 Where a firm or a network firm provides, sells, resells or licenses technology:

- (a) To an audit client; or
- (b) To an entity that provides services using such technology to audit clients of the firm or network firm,

depending on the facts and circumstances, the requirements and application material in Section 600 apply.

...

[Other paragraphs of extant Section 520 remain unchanged.]

SECTION 600

PROVISION OF NON-ASSURANCE SERVICES TO AN AUDIT CLIENT

Introduction

...

600.6 The requirements and application material in this section apply where a firm or a network firm:

- (a) Uses technology to provide a non-assurance service to an audit client; or
- (b) Provides, sells, resells or licenses technology resulting in the provision of a non-assurance service by the firm or a network firm:
 - (i) To an audit client; or
 - (ii) To an entity that provides services using such technology to audit clients of the firm or network firm.

...

Requirements and Application Material

General

...

Identifying and Evaluating Threats

All Audit Clients

...

600.9 A2 Factors that are relevant in identifying the different threats that might be created by providing a non-assurance service to an audit client, and evaluating the level of such threats include:

- The nature, scope, intended use and purpose of the service.
- The manner in which the service will be provided, such as the personnel to be involved and their location.
- The client's dependency on the service, including the frequency with which the service will be provided.
- The legal and regulatory environment in which the service is provided.
- Whether the client is a public interest entity.
- The level of expertise of the client's management and employees with respect to the type of service provided.
- The extent to which the client determines significant matters of judgement. (Ref: Para. R400.18 to R400.19).
- Whether the outcome of the service will affect the accounting records or matters reflected in the financial statements on which the firm will express an opinion, and, if so:
 - The extent to which the outcome of the service will have a material effect on the financial statements.
 - The degree of subjectivity involved in determining the appropriate amounts or treatment for those matters reflected in the financial statements.
- The nature and extent of the impact of the service, if any, on the systems that generate information that forms a significant part of the client's:

- Accounting records or financial statements on which the firm will express an opinion.
- Internal controls over financial reporting.
- The degree of reliance that will be placed on the outcome of the service as part of the audit.
- The fee relating to the provision of the non-assurance service.

...

[Other paragraphs of extant Section 600 remain unchanged.]

SUBSECTION 601 – ACCOUNTING AND BOOKKEEPING SERVICES

...

Requirements and Application Material

...

Potential Threats Arising from the Provision of Accounting and Bookkeeping Services

...

Audit Clients that are Not Public Interest Entities

...

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 the activities performed by, and the output of, the technology, and whether the technology provides an automated service that is based on or requires the expertise or judgment of the firm or network firm.

601.5 ~~A2~~A3 Examples of services, whether manual or automated, that might be regarded as routine or mechanical include:

- Preparing payroll calculations or reports based on client-originated data for approval and payment by the client.
- Recording recurring transactions for which amounts are easily determinable from source documents or originating data, such as a utility bill where the client has determined or approved the appropriate account classification.
- Calculating depreciation on fixed assets when the client determines the accounting policy and estimates of useful life and residual values.
- Posting transactions coded by the client to the general ledger.
- Posting client-approved entries to the trial balance.
- Preparing financial statements based on information in the client-approved trial balance and preparing related notes based on client-approved records.

The firm or a network firm may provide such services to audit clients that are not public interest entities provided that the firm or network firm complies with the requirements of paragraph R400.19 to ensure that it does not assume a management responsibility in connection with the service and with the requirement in paragraph R601.5 (b).

601.5 ~~A3~~A4 Examples of actions that might be safeguards to address a self-review threat created when providing accounting and bookkeeping services of a routine or mechanical nature to an audit client that is not a public interest entity include:

- Using professionals who are not audit team members to perform the service.
- Having an appropriate reviewer who was not involved in providing the service review the audit work or service performed.

...

[Other paragraphs of extant Subsection 601 remain unchanged.]

SUBSECTION 606 – INFORMATION TECHNOLOGY SYSTEMS SERVICES

...

Requirements and Application Material

Description of Service

606.2 A1 IT systems services comprise a broad range of services including:

- Designing or developing hardware or software IT systems.
- Implementing IT systems, including installation, configuration, interfacing, or customisation.
- Operating, maintaining, monitoring, updating or upgrading IT systems.
- Collecting or storing data or managing (directly or indirectly) the hosting of data.

606.2 ~~A1A2~~ ~~Services related to IT systems include the design or implementation of hardware or software systems.~~ The IT systems might:

- (a) Aggregate source data;
- (b) Form part of the internal control over financial reporting; or
- (c) Generate information that affects the accounting records or financial statements, including related disclosures.

However, the IT systems might also involve matters that are unrelated to the audit client's accounting records or the internal control over financial reporting or financial statements.

Risk of Assuming Management Responsibility When Providing an IT Systems Service

R606.3 Paragraph R400.18 precludes a firm or a network firm from assuming a management responsibility. When providing IT systems services to an audit client, the firm or network firm shall be satisfied that:

- (a) The client acknowledges its responsibility for establishing and monitoring a system of internal controls;
- ~~(b) The client assigns the responsibility to make all management decisions with respect to the design and implementation of the hardware or software system to a competent employee, preferably within senior management;~~
- ~~(cb)~~ The client, through a competent individual (or individuals), preferably within senior management, makes all management decisions that are the proper responsibility of management with respect to the design, development, and implementation, operation, maintenance, monitoring, updating or upgrading of the IT systems process;
- ~~(dc)~~ The client evaluates the adequacy and results of the design, development, and implementation, operation, maintenance, monitoring, updating or upgrading of the IT system; and
- ~~(ed)~~ The client is responsible for operating the IT system (hardware or software) and for the data it generates and uses or generates.

606.3 A1 Examples of IT systems services that result in the assumption of a management responsibility include where a firm or a network firm:

- Stores data or manages (directly or indirectly) the hosting of data on behalf of the audit client. Such services include:
 - Acting as the only access to a financial or non-financial information system of the audit client.

- Taking custody of or storing the audit client's data or records such that the audit client's data or records are otherwise incomplete.
- Providing electronic security or back-up services, such as business continuity or a disaster recovery function, for the audit client's data or records.
- Operates, maintains, or monitors the audit client's IT systems, network or website.

606.3 A2 The collection, receipt, transmission and retention of data provided by an audit client in the course of an audit or to enable the provision of a permissible service to that client does not result in an assumption of management responsibility.

Potential Threats Arising from the Provision of IT Systems Services

All Audit Clients

...

~~606.4 A2~~ Providing the following IT systems services to an audit client does not usually create a threat as long as individuals within the firm or network firm do not assume a management responsibility:

- ~~(a) Designing or implementing IT systems that are unrelated to internal control over financial reporting;~~
- ~~(b) Designing or implementing IT systems that do not generate information forming part of the accounting records or financial statements; and~~
- ~~(c) Implementing "off-the-shelf" accounting or financial information reporting software that was not developed by the firm or network firm, if the customisation required to meet the client's needs is not significant.~~

606.4 ~~A3~~A2 Factors that are relevant in identifying a self-review threat created by providing an IT systems service to an audit client, and evaluating the level of such a threat include:

- The nature of the service.
- The nature of the client's IT systems and the extent to which the IT systems service impacts or interacts with the client's accounting records, internal controls over financial reporting or financial statements.
- The degree of reliance that will be placed on the particular IT systems as part of the audit.

When a self-review threat for an audit client that is a public interest entity has been identified, paragraph R606.6 applies.

606.4 A3 Examples of IT systems services that create a self-review threat when they form part of or affect an audit client's accounting records or system of internal control over financial reporting include:

- Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems, including those related to cybersecurity.
- Supporting an audit client's IT systems, including network and software applications.
- Implementing accounting or financial information reporting software, whether or not it was developed by the firm or a network firm.

...

Audit Clients that are Public Interest Entities

...

~~606.6 A1—Examples of services that are prohibited because they give rise to a self-review threat include those involving designing or implementing IT systems that:~~

- ~~• Form part of the internal control over financial reporting; or~~
- ~~• Generate information for the client's accounting records or financial statements on which the firm will express an opinion.~~

...

[Other paragraphs of extant Subsection 606 remain unchanged.]

SECTION 900

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR ASSURANCE ENGAGEMENTS OTHER THAN AUDIT AND REVIEW ENGAGEMENTS

Introduction

General

900.1 This Part applies to assurance engagements other than audit engagements and review engagements. Examples of such engagements include:

- Assurance on an entity's key performance indicators.
- Assurance on an entity's compliance with law or regulation.
- Assurance on performance criteria, such as value for money, achieved by a public sector body.
- Assurance on the effectiveness of an entity's system of internal control.
- Assurance on an entity's non-financial information, for example, environmental, social and governance disclosures, including greenhouse gas statements.
- An audit of specific elements, accounts or items of a financial statement.

...

Requirements and Application Material

...

Prohibition on Assuming Management Responsibilities

...

900.13 A4 Examples of IT systems services that result in the assumption of a management responsibility in relation to the underlying subject matter and, in an attestation engagement, the subject matter information of an assurance engagement, include where a firm:

- Stores data or manages (directly or indirectly) the hosting of data related to the underlying subject matter or subject matter information. Such services include:
 - Acting as the only access to the data or records related to the underlying subject matter or subject matter information.
 - Taking custody of or storing the data or records related to the underlying subject matter or subject matter information such that the assurance client's data or records are otherwise incomplete.
 - Providing electronic security or back-up services, such as business continuity or a disaster recovery function, for the assurance client's data or records related to the underlying subject matter or subject matter information.
- Operates, maintains, or monitors an assurance client's IT systems, network or website related to the underlying subject matter or subject matter information.

900.13 A5 The collection, receipt, transmission and retention of data provided by an assurance client in the course of an assurance engagement or to enable the provision of a permissible non-assurance service to the assurance client does not

result in an assumption of management responsibility.

900.13 A4A6 Subject to compliance with paragraph R900.14, providing advice and recommendations to assist the management of an assurance client in discharging its responsibilities is not assuming a management responsibility.

...

900.14 A1 When technology is used in performing a professional activity for an assurance client, the requirements in paragraphs R900.13 and R900.14 apply regardless of the nature or extent of such use of the technology.

...

[Other paragraphs of extant Section 900 remain unchanged.]

SECTION 920

BUSINESS RELATIONSHIPS

...

Requirements and Application Material

General

...

920.3 A2 Examples of a close business relationship arising from a commercial relationship or common financial interest include:

- Having a financial interest in a joint venture with either the assurance client or a controlling owner, director or officer or other individual who performs senior managerial activities for that client.
- Arrangements to combine one or more services or products of the firm with one or more services or products of the client and to market the package with reference to both parties.
- ~~Distribution or marketing a~~ Arrangements under which the firm sells, resells, distributes or markets the client's products or services, or the client sells, resells, distributes or markets the firm's products or services.
- Arrangements under which a firm develops jointly with the client, products or solutions which one or both parties sell or license to third parties.

920.3 A3 An example that might create a close business relationship, depending on the facts and circumstances, is an arrangement under which the firm licenses products or solutions to or from the assurance client.

...

Buying Goods or Services

920.5 A1 The purchase of goods and services, including the licensing of technology from an assurance client by a firm, or an assurance team member, or any of that individual's immediate family does not usually create a threat to independence if the transaction is in the normal course of business and at arm's length. However, such transactions might be of such a nature and magnitude that they create a self-interest threat.

...

Providing, Selling, Reselling or Licensing Technology

920.6 A1 Where a firm provides, sells, resells or licenses technology:

- (a) To an assurance client; or
- (b) To an entity that provides services using such technology to assurance clients of the firm,

depending on the facts and circumstances, the requirements and application material in Section 950 apply.

...

[Other paragraphs of extant Section 920 remain unchanged.]

SECTION 950

PROVISION OF NON-ASSURANCE SERVICES TO ASSURANCE CLIENTS

Introduction

...

950.5 The requirements and application material in this section apply where a firm:

- (a) Uses technology to provide a non-assurance service to an assurance client; or
- (b) Provides, sells, resells or licenses technology resulting in the provision of a non-assurance service by the firm:
 - (i) To an assurance client; or
 - (ii) To an entity that provides services using such technology to assurance clients of the firm.

Requirements and Application Material

General

...

Identifying and Evaluating Threats

...

950.7 A2 Factors that are relevant in identifying and evaluating the different threats that might be created by providing a non-assurance service to an assurance client include:

- The nature, scope, intended use and purpose of the service.
- The manner in which the service will be provided, such as the personnel to be involved and their location.
- The client's dependency on the service, including the frequency with which the service will be provided.
- The legal and regulatory environment in which the service is provided.
- Whether the client is a public interest entity.
- The level of expertise of the client's management and employees with respect to the type of service provided.
- Whether the outcome of the service will affect the underlying subject matter and, in an attestation engagement, matters reflected in the subject matter information of the assurance engagement, and, if so:
 - The extent to which the outcome of the service will have a material effect on the underlying subject matter and, in an attestation engagement, the subject matter information of the assurance engagement.
 - The extent to which the assurance client determines significant matters of judgement (Ref: Para. R900.13 to R900.14).
- The degree of reliance that will be placed on the outcome of the service as part of the assurance engagement.
- The fee relating to the provision of the non-assurance service.

...

Self-Review Threats

950.10 A1 A self-review threat might be created if, in an attestation engagement, the firm is involved in the preparation of subject matter information which subsequently becomes the subject matter information of an assurance engagement. Examples of non-assurance services that might create such self-review threats when providing services related to the subject matter information of an assurance engagement include:

- (a) Developing and preparing prospective information and subsequently issuing an assurance report on this information.
- (b) Performing a valuation that is related to or forms part of the subject matter information of an assurance engagement.
- (c) Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems or IT controls and subsequently undertaking an assurance engagement on a statement or report prepared about the IT systems or IT controls.
- (d) Designing, developing, implementing, operating, maintaining, monitoring, updating or upgrading IT systems and subsequently issuing an assurance report on subject matter information, such as elements of non-financial information, that is prepared from information generated by such IT systems.

...

[Other paragraphs of extant Section 950 remain unchanged.]

GLOSSARY, INCLUDING LISTS OF ABBREVIATIONS

In the *Code of Professional Conduct and Ethics*, the singular shall be construed as including the plural as well as the reverse, and the terms below have the following meanings assigned to them.

In this Glossary, explanations of defined terms are shown in regular font; italics are used for explanations of described terms which have a specific meaning in certain parts of the Code or for additional explanations of defined terms. References are also provided to terms described in the Code.

<u>Confidential information</u>	<u>Any information, data or other material in whatever form or medium (including written, electronic, visual or oral) that is not publicly available.</u>
Fundamental principles	<p><i>This term is described in paragraph 110.1 A1. Each of the fundamental principles is, in turn, described in the following paragraphs:</i></p> <p><i>Integrity</i> R111.1 <i>Objectivity</i> R112.1 <i>Professional competence and due care</i> R113.1 <i>Confidentiality</i> R114.1 <u>to R114.3</u> <i>Professional behaviour</i> R115.1</p>
Reasonable and informed third party Reasonable and informed third party test	<p><i>The reasonable and informed third party test is a consideration by the professional accountant about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time that the conclusions are made. The reasonable and informed third party does not need to be an accountant, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the accountant's conclusions in an impartial manner.</i></p> <p><i>These terms are described in paragraph 120.5 A6A9.</i></p>

...

[Other defined/described terms and abbreviations used in the extant "Glossary, including Lists of Abbreviations" remain unchanged.]

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