

Agenda Item 9(a) – Summary of proposed Technology-related revisions to the IESBA Code and the TWG Phase 2 Report Recommendations

The proposed final amending standard for Technology-related revisions to the IESBA Code includes the following key amendments to the IESBA Technology ED (see the [Draft Basis for Conclusions](#)):

1. Professional Skills (Section 113) – proposed subparagraph 113.1 A(b) was withdrawn and new paragraph 113.1 A2 added to recognise that the level and type of skills needed to perform competently varies depending on the activity and to emphasise that interpersonal, communication and organisational skills are only examples of relevant skills.
2. Confidentiality (Section 114) – extant paragraph R114.1 has been divided into two paragraphs. Revised paragraph R114.1 sets out the circumstances that professional accountants should respect confidentiality. New paragraph R114.2 sets out the circumstances that professional accountants cannot use or disclose confidential information, recognises that, at times, information cannot be disclosed within a firm or employing organisation and provides exceptions to the requirement. New paragraph 114.1 A3 provides guidance on when confidential information might be used for purposes such as AI training or collaborative research.
3. Complex Circumstances (Section 120) – guidance on complexity was relocated to paragraphs 120.5 A6 to A8 to incorporate it as part of exercising professional judgement when applying the conceptual framework. In addition, there have been drafting enhancements and a new factor on analysing and investigating uncertain elements.
4. Use of Technology (Sections 200, 220, 300 and 320) – new paragraphs 200.7 A4 and 300.7 A6 provide examples of where professional accountants' evaluation of the level of threat associated with using technology might be impacted by their work environment. The requirement and application material on "Using the Output of Technology" has been separated from "Using the Work of Others/an Expert" in Sections 220 and 320.
5. Close Business Relationships (Section 520) – the signpost in paragraph 520.7 A1 to section 600 remains but now emphasises that section 600 applies if relevant to the specific facts and circumstances and was expanded so professional accountants assess whether indirect services are provided. New application material in paragraph 520.3 A3 includes another example that might create a close business relationship relating to licencing products or solutions to or from a client.
6. Hosting (Subsection 606) – paragraph 606.3 A1 has been revised to change "services in relation to hosting" to "stores or manages," and examples have been added of when a specific method or purpose of hosting would involve assuming management responsibility. The term 'transmission' was added to paragraph 606.3 A2 to highlight that portals for transferring information during a permissible service are not prohibited.

The TWG [Final Phase 2 Report](#) highlights the following 10 key recommendations for IESBA's consideration:

a) Data Used for AI Training

- (i) Revise Subsection 114 *Confidentiality* of the IESBA Code to clarify whether firms/organisations may use client data for internal purposes, such as AI training, and the parameters of such use.

The Technology Taskforce has incorporated this recommendation into the proposed Technology amending standard.

- (ii) Develop NAM to emphasise the expectations for complying with the fundamental principle of integrity when using client or customer data for AI training.

b) Transparency and Explainable AI

- (i) Revise Sections 200/300 and 220/320 of the IESBA Code to emphasise the expectations of professional accountants.

The Technology Taskforce has incorporated this recommendation into the proposed Technology amending standard.

- (ii) Develop NAM on the importance of transparency and explainability specific to when professional accountants rely on or use transformative technologies.

c) Data Governance, including Custody of Data – Revise the IESBA Code to address the implications of professional accountants holding financial or non-financial data and develop NAM on professional accountants' strategic role in data governance.

d) Ethical Leadership and Decision-making – develop NAM to emphasise professional accountants' potential actions to exhibit and champion ethical leadership in technology-related situations.

e) Communication with Those Charged with Governance (TCWG) – Revise Parts 2 and 3 of the IESBA Code to encourage or require meaningful communication with TCWG about technology-related risks and exposures.

f) Reliance on, or Use of, Experts – revise paragraphs 220.7 A1 and 320.10 A1 of the IESBA Code or develop NAM to emphasise the importance of professional accountants assessing the extent to which an expert behaves in alignment with the IESBA Code.

g) Threshold for "Sufficient" Competence – encourage other bodies to arrange educational activities and/or develop NAM on the characteristics of sufficient competence.

h) Pressure of PAs:

- (i) Revise Section 270 *Pressure to Breach the Fundamental Principles* of the IESBA Code to provide illustrations of pressures on professional accountants and consider revising the description of intimidation threat to acknowledge that objectivity is not the only fundamental principle impacted by this threat.

- (ii) Encourage other bodies to develop NAM on how professional accountants can manage sustained pressure.

i) Business Relationships – revise Section 520 *Business Relationships* of the IESBA Code to address potential threats to the fundamental principles/independence due to new forms of relationships that are emerging.

j) Broader Implications on IESBA's Work – continue initiatives to advocate the importance and relevance of the IESBA Code and develop/facilitate NAM.