



IAASB

International Auditing  
and Assurance  
Standards Board®

IESBA

International  
Ethics Standards  
Board for Accountants®

# Audit and Ethics for Accountants

Stakeholder Advisory  
Council Meeting  
November 4-5, 2024  
New York, New York

IAASB

International Auditing  
and Assurance  
Standards Board®

IESBA

International  
Ethics Standards  
Board for Accountants®

# IESBA

Gabriela Figueiredo Dias, Chair

# April 2024 SAC Report Back

	<b>Sustainability</b>
	<b>Technology</b>
	<b>Firm Culture and Governance</b>
	<b>Extending the Impact of the IESBA Code</b>

<ul style="list-style-type: none"> <li>• Supportive of IESSA</li> <li>• Transitional arrangement and capacity building important</li> <li>• Scalability of standards</li> </ul>	<ul style="list-style-type: none"> <li>• Considered feedback in finalizing provisions; standards to be approved during Dec IESBA Board meeting</li> <li>• Launch of Adoption and Implementation Working Group</li> </ul>
<ul style="list-style-type: none"> <li>• Importance of coordinated efforts between IAASB and IESBA to ensure all stakeholders are adequately supported</li> </ul>	<ul style="list-style-type: none"> <li>• Continued coordination between IAASB and IESBA</li> </ul>
<ul style="list-style-type: none"> <li>• Breakout group discussions where SAC members provided feedback on various aspects</li> </ul>	<ul style="list-style-type: none"> <li>• Considered feedback in finalizing report and recommendation</li> <li>• Report to be approved during Dec IESBA Board meeting</li> </ul>
<ul style="list-style-type: none"> <li>• Supportive however noting importance of scoping</li> </ul>	<ul style="list-style-type: none"> <li>• Feedback will be considered when IESBA commences the work streams under this strategic focus</li> </ul>

# Recently Completed Projects



- Rollout of completed projects
  - Non-assurance Services
  - Fees
  - Definitions of listed entity and public interest entity
- Engagement Teams-Group Audits
- Technology
- Tax Planning



# Ongoing Projects

**2024**

## Sustainability and Use of External Experts

- Completion of projects

## Firm Culture and Governance

- Completion of Working Group report



**2025**

- Rollout of Standards/ A & I

- Commencement of standard-setting project and development of guidance material

# Ongoing Projects

**2024**

CIVs, Pension Funds and Investment Company Complexes

- Information gathering

Technology Working Group

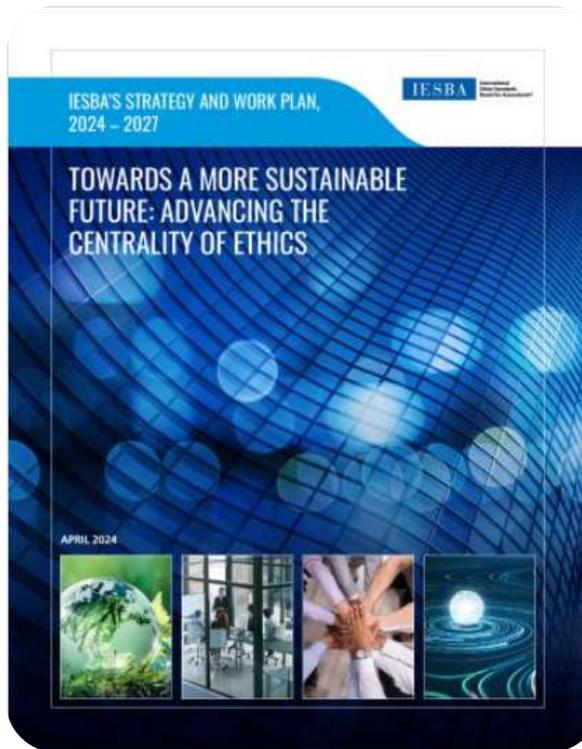
- Monitoring of technology development

**2025**

- Consultation Paper
- Recommendations to Board for further actions

- Continuing monitoring

# New Initiatives in SWP



Extending Impact of the Code	
<ul style="list-style-type: none"> <li>• Importance of ethics in promoting public trust and confidence in business and organizations</li> <li>• To cover non-professional accountants</li> <li>• Phased approach (2 work streams related to sustainability)</li> </ul>	
<p>Exploring extending the impact of the Code to all preparers of sustainability information</p>	<p>Development of profession-agnostic independence standards for sustainability assurance engagements not within the scope of Part 5</p>
<ul style="list-style-type: none"> <li>• In public interest that all preparers of financial and non-financial information abide by the same high standards of ethical conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Commitment to develop profession-agnostic standards for all sustainability assurance engagements</li> </ul>

# New Initiatives in SWP

IAASB

International Auditing  
and Assurance  
Standards Board®

IESBA

International  
Ethics Standards  
Board for Accountants®



## Role of CFOs and Other Senior PAIBs

- Role of the CFO and financial function rapidly changing and expanding beyond just managing the balance sheet
- Market demand for sustainability information requires CFOs to extend focus on non-financial information
- Understand ethical issues and challenges faced by CFOs, incl. equivalent public sector positions and other senior PAIBs
- Connectivity with Extending Impact of Code and Firm Culture and Governance

# New Initiatives in SWP

IAASB

International Auditing  
and Assurance  
Standards Board®

IESBA

International  
Ethics Standards  
Board for Accountants®



## Business Relationships

- Potential threats to independence arising from different business relationships with audit clients and their management
- Information gathering on developments in business arrangements between firms and their clients
- Consider whether existing Section 520 (*Business Relationships*) continue to remain relevant in addressing ethical implications from business relationships

# New Initiatives in SWP

IAASB

International Auditing  
and Assurance  
Standards Board®

IESBA

International  
Ethics Standards  
Board for Accountants®



## Audit Firm-Audit Client Relationships

- Whether it remains appropriate to use the term “audit client” in the Code
- Inherent self-review threat in the audit client payer model whereby the party responsible for the subject of an examination directly pays the examiner
- Whether Code continues to provide a framework that addresses potential ethical threats arising from client relationships
- Link with *Business Relationships* work stream

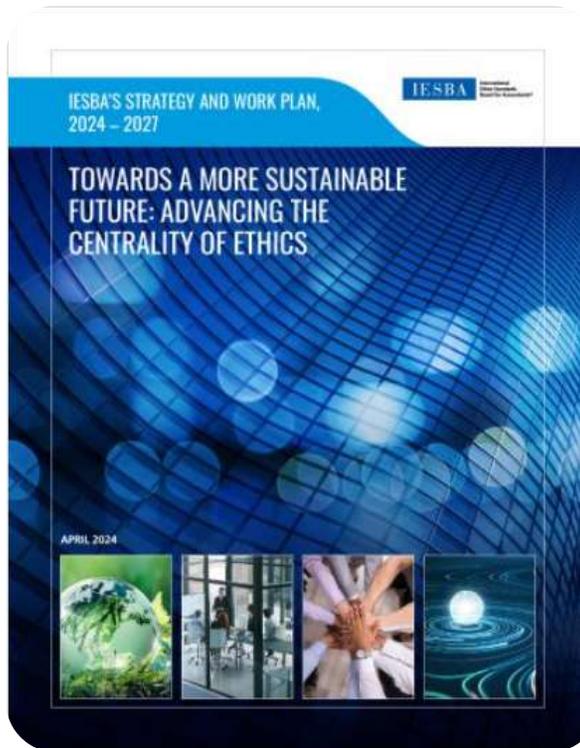
# New Initiatives in SWP

IAASB

International Auditing  
and Assurance  
Standards Board®

IESBA

International  
Ethics Standards  
Board for Accountants®



## Post-Implementation Reviews (PIRs)

- Assess status of adoption and implementation of standards and key issues related to understandability and application at the local level
- PIR of Non-Compliance with Laws and Regulation (NOCLAR) as a priority
- 4 others in the pipeline (Long Association Phase 2, Restructured Code, ET-GA, NAS and Fees, PIE Definition)

IAASB

International Auditing  
and Assurance  
Standards Board®

IESBA

International  
Ethics Standards  
Board for Accountants®

# IAASB

Tom Seidenstein, Chair

# The IAASB Strategy

## GOAL

*To serve the public interest by developing the globally accepted and leading audit, review and other assurance standards enabling the consistent performance of quality engagements that enhance trust in external reporting and evolve in a timely manner to meet changing public interest demands*

Support the Consistent Performance of Quality Audit Engagements by Enhancing Our Auditing Standards in Areas Where There Is the Greatest Public Interest Need

Strengthen Coordination with IESBA and Other Leading Standard Setters and Regulators to Leverage Better Collective Actions in the Public Interest



Establish Globally Accepted Standard(s) for Assurance on Sustainability Reporting

Create more Agile, Innovative Ways of Working in Line with the Monitoring Group's Reform Vision

# The IAASB at an Inflection Point

Addressing Significant Public Interest Issues

New Focus Ahead

## Audit and Assurance

- The ISA for LCE
- Fraud
- Going Concern
- PIE-Track 2
- Technology and other key matters
  - Audit Evidence and Risk Response
  - Quality Management
  - Modernization of ISA 500 series
- Review of Interim Financial Information
- Maintenance of the ISA for LCE

## Sustainability Assurance

- ISSA 5000, *Sustainability Assurance Engagements*
- Supporting the adoption and implementation of ISSA 5000
- Possible new sustainability assurance standards, if appropriate

# April 2024 SAC Report Back

 <p><b>Sustainability</b></p>	<ul style="list-style-type: none"> <li>• Supported the development of ISSA 5000</li> <li>• Suggested enhancements in key areas of ISSA 5000</li> <li>• Encouraged to continue coordination with others</li> </ul>	<ul style="list-style-type: none"> <li>• Considered feedback in finalizing ISSA 5000 approved in September</li> <li>• On-going coordination with IESBA and other standard setters</li> </ul>
 <p><b>Going Concern</b></p>	<ul style="list-style-type: none"> <li>• Mixed views received from SAC members on key matters in ED-570</li> </ul>	<ul style="list-style-type: none"> <li>• Considered feedback in finalizing revisions to ED-570</li> </ul>
 <p><b>Technology</b></p>	<ul style="list-style-type: none"> <li>• Supported the IAASB’s position to take a more proactive stand on technology to meet public expectations and improve audit quality.</li> </ul>	<ul style="list-style-type: none"> <li>• Considered feedback in developing of the IAASB Technology Position which was cleared in September 2024</li> </ul>
 <p><b>The ISA for LCE</b></p>	<ul style="list-style-type: none"> <li>• Provided insights on challenges and barriers to adoption of the ISA for LCE</li> <li>• Encouraged the IAASB to clarify the maintenance plan for the ISA for LCE</li> </ul>	<ul style="list-style-type: none"> <li>• Considered feedback when developing implementation material</li> <li>• Considered feedback in developing the maintenance plan for the ISA for LCE</li> </ul>

# Going Concern: Project Objectives



Promote **consistent practice and behavior** and facilitate effective responses to identified risks of material misstatement related to going concern



**Strengthen the auditor's evaluation** of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate **exercise of professional skepticism**



**Enhance transparency** with respect to the auditor's responsibilities and work related to going concern where appropriate, including **strengthening communications and reporting requirements**

Expected Approval in December 2024

# Going Concern: Response to Comments on ED-570

## Timeline Over which the Going Concern Assessment is Made

- Retained the required extension given the broad recognition of the public interest benefit when going concern assessments include more relevant and current information

## Explicit Statements About Going Concern in the Auditor's Report

- Retained and provided context about the explicit statements to support users understanding that they are not
  - An opinion on a discrete matter in the audit
  - A guarantee on the future viability of the entity

## Enhanced Communication in the Auditor's Report for Listed Entities

- Clarified the threshold that triggers reporting for “close call” situations – i.e., “significant management judgments”
- Recognized that a “close call” is by its nature a key audit matter
- Further consideration for extending the applicability to public interest entities

# Fraud: Project Objectives



Clarify the role and responsibilities of the auditor for fraud in an audit of financial statements



Promote consistent behavior and facilitate effective responses to identified risks of material misstatement (RoMMs) due to fraud



Reinforce the importance, throughout the audit, of the appropriate exercise of professional skepticism in fraud-related audit procedures



Enhance transparency on fraud-related procedures where appropriate, including strengthening communications with those charged with governance (TCWG) and the reporting requirements in ISA 240 and other relevant ISAs

Expected Approval in March 2025

# Fraud: Response to Comments on ED-240

## Auditor's Responsibility

- Description of auditor's responsibilities
- Third-party fraud
- Difficulty of determining whether misstatements in judgment areas are due to fraud or error
- No new inherent limitations

## Fraud and Suspected Fraud

- Integrated more scalability and proportionality in the fraud or suspected fraud requirements

## Risk Identification and Assessment

- Clarification on the linkage with ISA 315 (Revised 2019)
- Removal of duplication with foundational requirements
- Clarification on the fraud risk factors

## Transparency in the Auditor's Report

- Requirements related to KAMs related to fraud in ED-240
- Encourage the communication of KAMs related to Fraud in AM

# Listed Entity and PIE: Options to Move Forward

**Option 1**

**Option 2**

<b>Adoption of the definitions and key concepts in the IESBA PIE Revisions in the ISQMs and ISAs</b>		
• Objective and purpose for establishing differential requirements	✓	✓
• Framework to determine other entities with public interest characteristics	✓	✓
• Definition of PTE	✓	✓
• Definition of PIE	X	?
<b>Impact on the applicability of the differential requirements in the ISQMs and ISAs</b>	PTEs solely With a view to future extension with data	PIEs <i>when</i> jurisdictions have refined the categories, would introduce local distinctions in ISAs

# Listed Entity and PIE: Achieving Convergence in a Public Interest Context

IAASB

International Auditing  
and Assurance  
Standards Board®

IESBA

International  
Ethics Standards  
Board for Accountants®

**Option 1 was deemed the most consistent with the public interest, in the current environment**

Decision supported by the qualitative standard-setting characteristics:

- *Coherence* – IAASB and IESBA basis consistent, converges to the greatest extent possible
- *Timeliness* – limits the delay between the IESBA PIE Revisions and IAASB’s narrow scope amendments’ effective dates
- *Clarity, conciseness and overall understandability* – avoids introducing acceptable local differences in ISAs, based on the adoption of other standards
- *Implementability* and ability of being *consistently applied and globally operable* – reflects conditions prevalent in different jurisdictions

**The IAASB recognizes the value of extending differential requirements to PIEs, based upon a global baseline and will revisit the decision when more data is available.**

The background of the slide is a blurred photograph of several people's hands raised in the air, suggesting a meeting or a survey. The hands are in various positions, some with fingers spread, some with palms facing forward. The background is a light, neutral color, making the hands stand out.

**What is your view on the SSBs'  
strategic focus, prioritization and work  
plans going forward?**

# Follow Us

 [@IAASB\\_News](https://twitter.com/IAASB_News)

 [@IAASB](https://www.linkedin.com/company/iaasb)

 [@IAASB](https://www.youtube.com/IAASB)

 [@Ethics\\_Board](https://twitter.com/Ethics_Board)

 [@IESBA](https://www.linkedin.com/company/iesba)

 [@IESBA](https://www.youtube.com/IESBA)

Register & Subscribe for updates:  
[www.iaasb.org](http://www.iaasb.org) | [www.ethicsboard.org](http://www.ethicsboard.org)

IAASB

International Auditing  
and Assurance  
Standards Board®

IESBA

International  
Ethics Standards  
Board for Accountants®

