

**Meeting:** Stakeholder Advisory Council (SAC)

**Meeting Location:** New York

**Meeting Date:** May 5–6, 2024

## Agenda Item

# 3

### Value Proposition of the Standard Setting Boards and Impact of Recent Revisions and Enhancements to International Standards

#### Introduction

1. Over the past decade, the IAASB and IESBA (the Standard Setting Boards (SSBs)) have attempted to strengthen, modernize, and clarify the standards underpinning audit quality and ethical behavior. These changes have sought to address evolving stakeholder expectations, technological advances and public interest concerns.
2. This paper presents the value proposition of the SSBs' standards in promoting public trust and confidence in the global corporate reporting ecosystem. It also provides a high-level overview of the SSBs' standard-setting projects over the last decade.
3. SAC members are asked for their views on the four questions set out in the paper. In responding to these, the SSBs seek to achieve a sharp and compelling value proposition for their standards, and ideas as to how to improve the whole standard-setting process to ensure the standards continue to fully respond to the broad public interest needs.

#### Value Proposition – Supporting Global Trust and Economic Resilience

4. The SSBs' mission is to support the development of high-quality international standards in ethics, audit and assurance by:
  - Ensuring an independent, technically expert, rigorous, inclusive, and transparent standard-setting process for ethics, audit, and assurance;
  - Supporting the public interest throughout the entire standard-setting process in ethics, audit, and assurance; and
  - Conducting research to support developing, adopting, and implementing international standards and to help educate and inform stakeholders.
5. High-quality international standards are essential pillars of the global corporate reporting architecture. Their adoption and implementation improve the availability of high-quality financial and non-financial information for stakeholders, including investors, and the public, thereby supporting trust and confidence in corporate reporting and assurance and greater economic growth. In addition, global ethics and audit standards create a global benchmark that will enhance consistency and a level playing field in the provision of audit and assurance services across jurisdictions.

#### The SSBs' Value Proposition

The SSBs develop high-quality ethics, audit and assurance standards that are globally relevant, coherent, scalable, proportionate, operable and adaptable for the future. The SSBs' standards reinforce the consistent performance of quality engagements conducted by competent

professionals acting with integrity and independence. They support the efficient and sustainable allocation of capital and better decision-making, supporting long-term global prosperity at lower cost. These standards are developed through activities that are timely and responsive to the needs of the SSBs' stakeholders. They contribute to public trust in financial and non-financial information and is fundamental to the sustainability of organizations, financial markets and economies globally.

6. To achieve the value proposition, the SSBs are committed to:
  - Timely and meaningful dialogue with a broad range of stakeholders. The consultations and outreach activities the SSBs perform, support connectedness with our stakeholders, enhance our responsiveness and influence our standard-setting activities;
  - Focus on the collective impact of the activities of the SSBs in the external reporting ecosystem, at the global and jurisdictional levels, and value of actions that are informed by interaction, coordination and collaboration.
  - Select and prioritize standard-setting activities that can best contribute to meeting users' needs, while balancing timeliness, stability, quality and robustness.
  - Continue to review and improve our processes and ways of working to ensure they are rigorous and inclusive, yet agile, leveraging external resources where appropriate.
7. The direct beneficiaries of the international ethics, audit and assurance standards are companies, investors and other capital providers, governments, regulators, stock exchanges, and national standard setters.
  - Companies benefit from assurance that enhances the confidence of capital providers in the information they use when making capital allocation decisions which directly affect companies' ability to raise capital and reduces the cost of such capital-raising.
  - Investors and other capital providers rely on high-quality corporate reporting, that is subject to high-quality assurance, to enhance their confidence that the information they use to make capital allocation decisions is materially correct and complete. High quality international ethics, audit and assurance standards, therefore, directly affect an investor's ability to make more informed capital allocation decisions and supports more efficient capital markets and capital flows at a lower cost of capital.
  - Governments, regulators, stock exchanges, and jurisdictional standard setters directly benefit from widely accepted high-quality global ethics, audit and assurance standards, as development costs of a high-quality standard-setting system is limited to one global organization and regulators' monitoring activities can be consistently performed.
8. Beyond reinforcing trust, international standards have tangible economic benefits. A recent 2025 study by the University of Toronto<sup>1</sup> Rotman School of Management found that countries adopting the ISAs experience improved financial reporting outcomes, including higher earnings quality, more accurate analyst forecasts, and reduced cost of capital. Other studies on accounting ethics have

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<sup>1</sup> Rotman School of Management, University of Toronto (2025). International Standards and Financial Reporting Quality: Empirical Evidence from Emerging Economies

shown similarly positive impacts: research from Rwanda,<sup>2</sup> Mauritius,<sup>3</sup> and Iran<sup>4</sup> has found that adherence to ethical principles—aligned with those in the IESBA Code—significantly improves financial reporting quality. These studies collectively underscore the role that strong ethical, audit and assurance standards play not only in shaping behavior, but also in enhancing transparency, improving investor confidence, and supporting market integrity.

1. *What is your view of the SSBs' value proposition?*
2. *How can the SSBs improve stakeholders' awareness and understanding of their standards' value proposition, including their impact on businesses and economies more broadly?*

### Then vs. Now – A Decade of Transformation

9. Over the past decade, the SSBs have substantially strengthened their respective standards. The paragraphs below set out the most significant changes for the IAASB and IESBA.

#### IAASB

10. In seeking continually to improve its standards, the IAASB reviewed the drafting conventions used in its International Standards in 2003. The objective of the review was to identify ways to improve the clarity, and thereby the consistent application, of International Standards issued by the IAASB. The project resulted from the review (also known as the Clarity project) established conventions to be used by the IAASB in drafting future International Standards on Auditing (ISAs) and applying those conventions to all of the ISAs, either as part of the substantive revision of an ISA or limited redrafting to reflect only the conventions and matters of clarity generally. The IAASB completed its Clarity project at the end of 2008.
11. After the Clarity project, the IAASB tackled the most pressing public interest issues affecting confidence in audits. The IAASB completed the following significant standard setting projects over the last decade:
  - [Auditor reporting standards](#).<sup>5</sup> The IAASB issued new and revised auditor reporting standards with the goal to increase confidence in the audit and the financial statements through increased transparency and enhanced informational value of the auditor's report. The auditor reporting standards also benefit:
    - Enhanced communications between investors and the auditor, as well as the auditor and

<sup>2</sup> Uwimana, A. & Nkundabanyanga, S. K. (2022). *Effect of Accounting Ethics on Quality of Financial Reporting in Commercial Banks in Rwanda*, International Journal of Innovative Science and Research Technology, 7(11), 2199–2205.

<sup>3</sup> Gunnoo, H., Pudaruth, S., & Permalloo, J. (2025). *Exploring the Impact of Ethical Practices on Financial Reporting Quality in Mauritius*, The Eurasia Proceedings of Educational & Social Sciences, Vol. 37.

<sup>4</sup> Mahdavi-khou, M., & Khotanlou, H. (2011). *The Impact of Professional Ethics on Financial Reporting Quality: Evidence from the Tehran Stock Exchange*, Interdisciplinary Journal of Contemporary Research in Business, 3(3), 607–617.

<sup>5</sup> The new and revised auditor reporting standard include revisions to ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, new ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, ISA 570 (Revised), *Going Concern* and ISA 260 (Revised), *Communication with Those Charged with Governance*.

those charged with governance

- Increased attention by management and those charged with governance to the disclosures in the financial statements to which reference is made in the auditor's report
- Renewed focus of the auditor on matters to be communicated in the auditor's report, which could indirectly result in an increase in professional skepticism
- Strengthened audit quality through robust revisions of foundational and core standards,<sup>6</sup> including the auditing standards relating to:
  - [Identify and assess risks of material misstatement](#).<sup>7</sup> The IAASB's standard on identifying and assessing risks of material misstatement was revised to promote a more consistent and robust risk assessment by the auditor that will drive an appropriate and effective response to those risks. The revision supports auditors and recognizes the evolving environment in which businesses operate, including in relation to technology.
  - [Auditing accounting estimates](#).<sup>8</sup> The IAASB's standard on auditing accounting estimates was revised to provide auditors with a more robust approach to identifying, assessing and responding to risks of material misstatement for accounting estimates and related disclosures. The revision was responding to the increasingly complex business environment and changes in accounting practices.
  - [Group audits](#).<sup>9</sup> The IAASB's standard on group audits was revised to clarify the interaction of the standard to the other revised standards and to strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.
- [Quality management standards](#).<sup>10</sup> The IAASB strengthened and modernized its approach to quality management through revisions of its quality management standards. With these standards the IAASB addressed an evolving and increasingly complex audit ecosystem, including growing stakeholder expectations and a need for quality management systems that are proactive and adaptable. The quality management standards direct audit firms to improve the robustness of their monitoring and remediation, embed quality into their corporate culture and the "tone at the top", and improve the robustness of engagement quality reviews.
- [Standard for audits less complex entities](#) (ISA for LCE). The ISA for LCE is a standalone global auditing standard designed specifically for smaller and less complex businesses. The standard

<sup>6</sup> The IAASB has prioritized revisions to the core and foundational standards following the findings identified during the [ISA Implementation Monitoring Project](#), along with input from regulators and audit oversight bodies. The findings indicated that improvement to aspects of some of the ISAs is necessary to achieve greater consistency and effectiveness in their application.

<sup>7</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

<sup>8</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

<sup>9</sup> ISA 600 (Revised), *Special Considerations – Audits of Group Financial statements (Including the Work of Component Auditors)*

<sup>10</sup> The revisions of the quality management standards included revisions to International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Review of Financial Statements, or Other Assurance or Related Services Engagements*, ISQM 2, *Engagement Quality Reviews* and ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

is built on the foundation of the ISAs and audits performed using this standard provide the same level of assurance for eligible audits: reasonable assurance. The standard was developed in response to stakeholder needs and will help auditors of less complex entities deliver consistent and effective high-quality audits.

- [Sustainability standard](#). The IAASB developed a new global sustainability assurance standard designed to strengthen the global sustainability disclosure system. The standard provides a unified global approach to address the growing demand for trustworthy sustainability information to support stakeholder decisions. The standard provides a principles-based framework for conducting assurance engagements on sustainability disclosures and is designed to enhance reliability and transparency of sustainability reports, is scalable and adaptable to regional regulatory requirements and support diverse practitioners.
- Clarified the auditor's responsibilities in relation to going concern and fraud in an audit of financial statements and strengthened the related standards to support consistent practice and behavior by auditors. The revisions were responding to recent corporate failures and stakeholders demands for enhanced transparency by entities and auditors.
  - [Going concern](#).<sup>11</sup> The IAASB's standard on going concern significantly enhanced the auditor's work in evaluating management's assessment of an entity's ability to continue as a going concern. The revised standard will also increase consistency in auditing practices and strengthen transparency through communications and auditor reporting on matters related to going concern in a consistent manner.
  - [Fraud](#).<sup>12</sup> The IAASB's standard on fraud established more robust requirements to identify risks of material misstatement due to fraud and clarified the work effort if fraud or suspected fraud is identified. The revised standard will also enhance transparency on fraud-related procedures where appropriate, including strengthening communications and reporting requirements.

12. See the full list of projects completed by the IAASB in the last decade in Appendix A.

#### IESBA

13. Over the past decade, the IESBA has significantly strengthened its Code to address key emerging ethical challenges and public expectations. These enhancements reflect changing business practices, expanding roles of professional accountants, evolving public and regulatory expectations on matters such as non-compliance with laws and regulations<sup>TM</sup>, auditor independence, technology innovations, tax planning as well as the rapidly evolving sustainability landscape.
14. The key enhancements to the Code include:
- Modernizing the Code by completely rewriting it to improve the Code's usability, clarity, and understandability. The [restructured Code](#), issued in 2018, emphasized compliance with the fundamental principles and, where applicable, being independent, as the overarching principles of the Code. The restructured Code also, among other matters, increased clarity of

<sup>11</sup> ISA 570 (Revised 2024), *Going Concern*

<sup>12</sup> ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

language to improve readability and understandability as well as clearly distinguishing requirements from application material.

- Significantly enhancing the Code's International Independence Standards (IIS), particularly with respect to the audits of public interest entities (PIEs), with [three inter-connected projects](#). These projects, among other matters, clarified the circumstances in which non-assurance services may be provided to an audit or assurance client; addressed concerns over fee dependencies and expanded the list of PIE categories in the Code. The IESBA also more recently strengthened the IIS by addressing holistically the various independence considerations in an audit of group financial statements.
- Developing a first-of-its-kind framework to guide auditors and other PAs in deciding how best to act in the public interest when they become aware of non-compliance or suspected non-compliance with laws and regulations ([NOCLAR](#)<sup>®</sup>). The NOCLAR standard reinforces professional accountants' (PAs') public interest role and contributes to the global fight against NOCLAR such as financial fraud, money laundering, corruption. The IESBA also developed a new principles-based framework and a global ethical benchmark applicable to [tax planning services and activities](#) in response rising public scrutiny of tax avoidance schemes which can harm companies' credibility and reputation, raise questions about the profession's role in such schemes, increase the risk of litigation, and ultimately harm the public interest.
- Responding to the increased reliance on technology and external experts. The IESBA developed [technology-related revisions](#) that ensure the Code's continued relevance in light of rapid technological advancements and accelerating digitalization. These new provisions guide the ethical mindset and behavior of PAs when using any technology, provide enhanced guidance in relation to the Code's fundamental principles relevant for the digital age, and strengthen the IIS by addressing the circumstances in which a technology-related non-assurance service may be provided to an audit or assurance client. The IESBA also recently issued a new standard that establishes a principles-based framework to guide the assessment of the competence, capabilities and objectivity of an [external expert](#) when using the work of such expert, recognizing an increased need for, and use of, external experts on dynamic, emerging, niche or complex subject matters, including technology, sustainability and tax planning.
- Responding to the sharp increase in demand for, and the use of, sustainability information, and the need for such information to be trustworthy and capable of being subject to assurance. The IESBA did so by, among other matters, establishing a global baseline for the ethical conduct and independence of practitioners performing sustainability assurance engagements. The new [IESSA](#)<sup>13</sup> is framework-neutral, applicable to all sustainability assurance practitioners and, for assurance engagements on sustainability information prepared in accordance with a general purpose framework and which is either required by law or regulation or is publicly disclosed, is equivalent to the same robust standards for audits of financial statements.

15. See the full list of projects completed by the IESBA in the last decade in Appendix B.

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<sup>13</sup> International Ethics Standards for Sustainability Assurance (*including International Independence Standards*)

## The Impact of Our Standards

16. The SSBs not only set standards but also actively monitor and evaluate whether those standards are achieving the desired outcomes. General indicators and ways in which to gauge whether the Code's and ISAs' real-world impact and drive continuous improvement include:

### *Post-Implementation Reviews (PIRs)*

17. PIRs are conducted by the SSBs to evaluate whether newly introduced or revised standards achieve their intended outcomes. This process typically involves gathering feedback from a diverse group of stakeholders, including auditors, assurance practitioners, regulators, and users of financial or non-financial information. Such feedback includes any implementation issues or challenges encountered by users of the standards. Both SSBs have a number of PIRs that are due to commence over the next 2-3 years. For example, IESBA will conduct a PIR for its NOCLAR standard and its revisions to the definitions of listed entities and PIEs whereas the IAASB will conduct a PIR for its standards on auditing accounting estimates and identifying and assessing risks of material misstatement.

### *Inspections Findings*

18. Regulators, including the International Forum of Independent Audit Regulators (IFIAR),<sup>14</sup> regularly publish audit inspection finding reports. Insights from audit inspection findings provide valuable data to identify areas where further guidance or refinement may be necessary. The reports may also provide insights into whether new or revised standards have an effect on the findings reported in that area.

### *Global Adoption Surveys*

19. Global adoption surveys performed by the International Federation of Accountants (IFAC)<sup>15</sup> help monitor the extent of global adoption of the standards, indicating their acceptance and practical utility.

### *Stakeholder Engagement*

20. Regular engagements with stakeholders, including Jurisdictional Standard Setters and periodically with the Forum of Firms and IFAC's Small and Medium Practices Advisory Group, provide us with information about implementation issues concerning our standards and highlight jurisdiction-specific challenges and opportunities. Indirectly, this information provides insights into whether our new or revised standards have the desired effect. The SSBs also consult their stakeholders during consultations on their respective strategy and work plan. When providing basis for their recommendations for revisions and identifying priorities, stakeholders also include observations on whether the standards are continuing to have an impact.

3. *How can we further gauge whether the SSBs' standards are achieving their objectives and producing the desired impact?*
4. *In considering upcoming post-implementation reviews, can you advise on specific approaches to gain relevant input? Are there practices that you have seen by other standard-setters or*

<sup>14</sup> Refer to IFIAR's [Annual Inspect Findings Survey](#)

<sup>15</sup> Refer to IFAC's [International Standards: 2024 Global Adoption Snapshot](#)

*regulators that would be useful to consider?*

**Material Presented**

*For Discussion*

Agenda Item 3-A      Presentation: Value Proposition of the Standard Setting Boards and Impact of Recent Revisions and Enhancements to International Standards



## Appendix A

### IAASB Completed Projects

Name	Effective Date
<a href="#">Sustainability Assurance</a>	2026-12-15
<a href="#">Going Concern</a>	2026-12-15
<a href="#">Audits of Less Complex Entities</a>	2025-12-15
<a href="#">Listed Entity and Public Interest Entity (Track 1)</a>	2024-12-15
<a href="#">Group Audits - ISA 600</a>	2023-12-15
<a href="#">Quality Management at Firm Level - ISQM 1</a>	2022-12-15
<a href="#">Quality Management at Engagement Level - ISA 220</a>	2022-12-15
<a href="#">Engagement Quality Reviews - ISQM 2</a>	2022-12-15
<a href="#">Agreed-Upon Procedures - ISRS 4400</a>	2022-01-01
<a href="#">ISA 315 (Revised 2019)</a>	2021-12-15
<a href="#">Extended External Reporting (EER) Assurance</a>	2021-04-01
<a href="#">Accounting Estimates - ISA 540</a>	2019-12-15
<a href="#">NOCLAR</a>	2017-12-15
<a href="#">Amendments to ISA 810</a>	2016-12-15
<a href="#">Disclosures</a>	2016-12-15
<a href="#">Amendments to ISA 800 and 805</a>	2016-12-15
<a href="#">The Auditor's Responsibilities Relating to Other Information</a>	2016-12-15
<a href="#">Auditor Reporting</a>	2016-12-15
<a href="#">Assurance Engagements Other than Audits or Reviews of Historical Financial Information</a>	2015-12-15

## Appendix B

### IESBA Completed Projects

Name	Effective Date
<a href="#">Tax Planning and Related Services</a>	2025-06-30
<a href="#">Definitions of Listed Entity and Public Interest Entity</a>	2024-12-15
<a href="#">Technology</a>	2024-12-15
<a href="#">Engagement Team - Group Audits Independence</a>	2023-12-15
<a href="#">Quality Management-Related Conforming Amendments to the Code</a>	2022-12-15
<a href="#">Engagement Quality Reviewer</a>	2022-12-15
<a href="#">Fees</a>	2022-12-15
<a href="#">Role and Mindset Expected of Professional Accountants</a>	2021-12-31
<a href="#">Alignment of Part 4B with ISAE 3000 (Revised)</a>	2021-06-15
<a href="#">Structure of the Code</a>	2019-06-15
<a href="#">Non-assurance services</a>	2019-06-01
<a href="#">Inducements</a>	2018-12-15
<a href="#">Professional Skepticism: Short-term project</a>	2017-12-15
<a href="#">Safeguards and their Applicability Pertaining to Non-Assurance Services (NAS)</a>	2017-12-15
<a href="#">Responding to Non-Compliance with Laws and Regulations</a>	2017-07-15
<a href="#">Long Association of Senior Personnel (Including Partner Rotation) with an Audit Client</a>	2017-04-01
<a href="#">Review of Part C of the Code</a>	2017-01-01