

FINANCIAL REPORTING COUNCIL

MONTHLY UPDATES (September 2023 to January 2024) – What’s new from the International Federation of Accountants (IFAC)

The main topics for discussion at the IFAC during the period from September to January 2024 were with respect to:

September 2023

1. IFAC SUPPORTS ISSB FOCUS ON IMPLEMENTATION OF IFRS S1 AND S2; SEES OPPORTUNITY FOR IASB AND ISSB TO DEVELOP GLOBAL BEST PRACTICES FOR “FRONT OF THE REPORT” SOLUTION CONNECTING FINANCIAL AND SUSTAINABILITY INFORMATION
2. TRUST, CORRUPTION AND SUSTAINABLE DEVELOPMENT ARE INTERCONNECTED ISSUES IN PUBLIC’S ATTITUDE TOWARDS TAX
3. NEW IFAC STUDY EXPANDS INSIGHTS INTO SUSTAINABILITY DISCLOSURE AND ASSURANCE BEYOND THE G20

October 2023

4. IAASB ENHANCES AUDITOR’S REPORT TRANSPARENCY ON INDEPENDENCE TO REFLECT REVISIONS IN THE IESBA CODE OF ETHICS
5. PUBLIC SECTOR NEEDS TO PREPARE FOR SUSTAINABILITY REPORTING AND ASSURANCE CHALLENGE
6. IESBA STAFF RELEASES Q&AS TO SUPPORT ADOPTION AND IMPLEMENTATION OF INTERNATIONAL INDEPENDENCE STANDARD ON GROUP AUDITS
7. NEW IAASB RESOURCES ALERT: EXPLORE ISSA 5000 FAQ ON MATERIALITY

November 2023

8. NEW IFAC & CA ANZ QUALITY MANAGEMENT TOOLKIT WILL HELP SMALL- AND MEDIUM-SIZED PRACTICES GLOBALLY
9. IFAC RELEASES SUSTAINABILITY CHECKLIST FOR SMALL BUSINESSES

December 2023

10. IFAC SUPPORTS NEW ISSB KNOWLEDGE HUB
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12. IAASB ISSUES GUIDANCE FOR ASSURANCE PRACTITIONERS WHEN CITING IFRS ACCOUNTING STANDARDS
13. PROFESSIONAL ACCOUNTANTS' SKILLSET ESSENTIAL TO ORGANIZATIONAL TRANSFORMATION
14. IFAC ANNOUNCES PLAN TO REVISE INTERNATIONAL EDUCATION STANDARDS FOR SUSTAINABILITY REPORTING AND ASSURANCE
15. IESBA ANNOUNCES SUCCESSFUL COMPLETION AND APPROVALS OF SUSTAINABILITY EXPOSURE DRAFT AND TAX PLANNING-RELATED ETHICS STANDARD

January 2024

16. IAASB OPENS PUBLIC CONSULTATION ON NARROW SCOPE AMENDMENTS TO MEET EXPECTATIONS FOR PUBLIC INTEREST AUDITS
17. IFAC PUBLISHES SUSTAINABILITY & EDUCATION LITERATURE REVIEW
18. IESBA LAUNCHES PUBLIC CONSULTATION ON NEW ETHICAL BENCHMARK FOR SUSTAINABILITY REPORTING AND ASSURANCE

1. IFAC SUPPORTS ISSB FOCUS ON IMPLEMENTATION OF IFRS S1 AND S2; SEES OPPORTUNITY FOR IASB AND ISSB TO DEVELOP GLOBAL BEST PRACTICES FOR “FRONT OF THE REPORT” SOLUTION CONNECTING FINANCIAL AND SUSTAINABILITY INFORMATION

As the global voice of the accountancy profession, IFAC has long supported [the establishment of the International Sustainability Standards Board \(ISSB\)](#) to develop a comprehensive global baseline of sustainability disclosures—which are now endorsed by IOSCO and are ready to be adopted and implemented around the world. High-quality implementation of IFRS S1 and IFRS S2 is critical to the ISSB’s mission.

We congratulate the ISSB for addressing “climate first” with IFRS S2 and also delivering IFRS S1 requirements for broader disclosure of investor-focused information about sustainability-related risks and opportunities. Next, companies need a global baseline for a holistic, narrative analysis of how reporting entities create, preserve, or erode value over time, including how sustainability disclosures are connected to financial position and performance.

IFAC CEO Kevin Dancey said, “[Our research clearly shows that companies are moving away from stand-alone sustainability reports](#)—at least in terms of timing and same location. Investors need a consistent, comprehensive view, and companies need a timely pragmatic solution to the connected reporting issue. The <IR> Framework that is commonly used to provide up front narrative information coupled with the IASB’s prior work on Management Commentary provide a constructive roadmap for the two boards to move with pace, just like they did with S1 and S2, to develop a new template for explaining how a company creates sustainable value.”

The ambition and momentum demonstrated by the ISSB since it was announced at COP 26 must continue, and we urge the Board to use the results of this agenda consultation to set out a clear timeline for addressing additional sustainability topics including biodiversity and human capital/rights issues.

IFAC continues its call on the global accountancy profession to work with local regulators and stakeholders to support the adoption of ISSB standards, to help build capacity for their implementation alongside any local complementary reporting requirements, and to continue to contribute our expertise and feedback to the ISSB as its important standard setting work continues.

2. TRUST, CORRUPTION AND SUSTAINABLE DEVELOPMENT ARE INTERCONNECTED ISSUES IN PUBLIC’S ATTITUDE TOWARDS TAX

The Public Trust in Tax survey which questioned 7,700 members of the public across the globe shows that accountants have a major role to play in addressing corruption, which negatively impact on attitudes towards tax in economies across the globe.

Results show that 53.8% consider corruption a major factor, however most people believe the role of professional accountants contributes to improving tax systems by making them more efficient (59%), more effective (57%), and fairer (55%).

The findings follow ACCA (the Association of Chartered Certified Accountants), IFAC (the International Federation of Accountants), and CA ANZ (Chartered Accountants Australia and New Zealand) expanding their biennial G20 Public Trust in Tax survey – which this time omitted Russia and included

New Zealand – to address not only corruption but also the issues of sustainable development and corruption, and how these two interconnect with trust in the tax system. The results are clear.

Corruption has a significant impact on attitudes towards tax in economies across the globe, with over half of G20 respondents citing it as a major factor.

At the same time, 68% of respondents in G20 countries see at least some connection between tax and sustainable development, and 57% would be prepared to pay more tax to support it.

In this context, the continued high levels of trust in professional accountants are more important than ever. The results shows that they remain the single most trusted stakeholder in tax in every G20 country, as it has been the case in every biennial G20 Public Trust in Tax survey since the initiative began in 2017.

Kevin Dancey, CEO of IFAC, says: “The impact of corruption on trust in tax has been an emerging theme in our recent surveys, particularly in our 2022 [Global Perspectives](#) report, which focuses on jurisdictions outside of the G20. Now, for the first time, we have specific data on that point, and the results are illuminating. Taken together with the continued trust in professional accountants, and additional new data on views about sustainable development, insight into the important interconnections between these issues is starting to come into view.”

Helen Brand, chief executive of ACCA, says: ‘Throughout the course of these surveys, public unease about how tax moneys are spent has been a constant theme in respondents’ comments. Perceptions of corruption are a clear barrier to engagement with the tax system. Accountants have a central role to play in countering corruption, bringing transparency and accountability to the collection and spending of taxes across both public and private sectors.’

Ainslie van Onselen, CEO of Chartered Accountants Australia and New Zealand (CA ANZ), says: ‘As leaders in the global accountancy profession, we are proud to see the sustained high levels of trust in professional accountants, which is hard won, but easily lost. It is vital that we constantly work to maintain and earn trust through both our individual and collective actions. Now, more than ever, the relationship between taxpayers, businesses and governments must be strengthened to provide security and certainty for our broader societies and economies and we look forward to continuing to engage with key stakeholders to drive trust in tax and trust in our profession.’

The survey has revealed the attitudes and opinions of the general public towards their tax systems, and the actors involved in them. The key findings indicated that:

- Trust in key stakeholders has improved in most regions, but there are still significant variations;
- People see tax systems as a mechanism for positive change, but are concerned about corruption;
- People generally think that levels of taxes paid are reasonable.

3. NEW IFAC STUDY EXPANDS INSIGHTS INTO SUSTAINABILITY DISCLOSURE AND ASSURANCE BEYOND THE G20

Fresh research from the International Federation of Accountants (IFAC) expands its sustainability disclosure and assurance data to 20 additional jurisdictions beyond the G20 previously reported on.

The new report, [The State of Play: Beyond the G20](#), focuses on the Global South with data from three jurisdictions from Latin America, six in Africa and Middle East, and four in the Asia-Pacific region, as well as six smaller-sized economies within the European Economic Area and Switzerland.

IFAC CEO Kevin Dancey said, “When viewed in full, the State of Play series of reports now provide data on the current market practices of nearly 2,000 of the largest stock exchange-listed companies across forty-two jurisdictions over the period 2019 through 2021. This broader lens on disclosure and assurance makes it even more clear that we are still in the early stages of the journey to provide investors and other stakeholders with consistent, comparable, decision-useful, and assured sustainability information that is as reliable as financial information.”

While the data shows an upward trend in the incidence of assurance, the scope of assurance being obtained by companies is narrowing. Additionally, fragmentation in terms of which assurance standard is used is evident. The International Auditing and Assurance Standards Board’s recently proposed sustainability assurance standard—[International Standard on Sustainability Assurance 5000](#)—addresses both of these issues. The International Ethics Board for Accountants is also working to enhance independence and ethics requirements to support high-quality assurance.

As governments, regulators and policy makers around the world are turning their attention to new sustainability requirements, IFAC is conducting this and other research to help raise awareness about the need for high-quality sustainability information and foster evidence-based policy and regulatory decisions, both of which are aligned with its commitment to the adoption of ISSB standards and the ISSB’s Partnership Framework.

Additional Key Findings:

- 89% of companies reviewed reported some ESG information in 2021, with 48% of those companies receiving some level of assurance.
- Sustainability disclosure—in the G20 as well as beyond the G20—is still an “alphabet soup” of standards and frameworks. However this study found more connectivity between sustainability and financial information, with only 19% of companies relying on stand-alone sustainability reports, compared to 50% for the G20 (as reported in *The State of Play: Sustainability Disclosure & Assurance 2019-2021*, published in partnership with AICPA-CIMA).
- Assurance rates have risen from 37% to 48%, but engagements cover a narrowing set of topics.. Specifically, broader scope assurance has declined from 74% in 2019 to 64% of engagements in 2021.
- Most assurance engagements were conducted by audit firms—62% of assurance engagements in 2021.
- 81% of these assurance engagements applied the IAASB’s International Standard on Assurance Engagement 3000.

4. IAASB ENHANCES AUDITOR’S REPORT TRANSPARENCY ON INDEPENDENCE TO REFLECT REVISIONS IN THE IESBA CODE OF ETHICS

The International Auditing and Assurance Standards Board (IAASB) has on 02 October 2023 [released amendments](#) aimed at bolstering transparency and providing auditors with a clear mechanism to action changes to the International Ethics Standards Board for Accountants’ (IESBA) Code of Ethics for

Professional Accountants (including International Independence Standards). The IAASB amended International Standard on Auditing 700 (Revised), Forming an Opinion and Reporting on Financial Statements and ISA 260 (Revised), Communication with Those Charged with Governance.

The IESBA Code now requires firms to publicly disclose when a firm has applied the independence requirements for public interest entities in an audit of the financial statements of an entity. The IAASB's amendments provide a clear and practical framework for implementing this new requirement through appropriate communication in the auditor's report and with those charged with governance.

Throughout the development of these amendments, the IAASB maintained close collaboration and coordination with IESBA, striving to align key concepts in the IAASB's and IESBA's standards, to the greatest extent possible.

5. PUBLIC SECTOR NEEDS TO PREPARE FOR SUSTAINABILITY REPORTING AND ASSURANCE CHALLENGE

Across the globe momentum is building for sustainability reporting and assurance in the public sector. The IPSASB decided to move forward with the development of public sector specific sustainability reporting standards beginning with a Climate-Related Disclosures standard. Finance and audit professionals working in government, public sector bodies and supreme audit institutions – Auditors-General's offices, Courts of Accounts and similar (SAIs) – can demonstrate leadership on this agenda, driving action to progress transparent reporting and assurance of expenditure and actions to address sustainability challenges.

At the World Investment Forum in Abu Dhabi on 16th October three global bodies, ACCA, IFAC and IDI launched [a summary](#) of their forthcoming introduction to sustainability and assurance in the public sector.

Based on their ongoing work and recent global roundtables with public sector reporting and auditing experts, the report makes the case for a focus on the principle of sustainable development: "meeting the needs of the present without compromising the ability of future generations to meet their own need." It outlines what sustainability reporting and assurance mean for the public sector, why they are important, and key principles for governments, SAIs and other public sector bodies to consider in this journey.

Speaking at the ACCA/UN symposium on developing public sector sustainability reporting, Maggie McGhee, Executive director for Strategy and Governance at ACCA said, "A sustainable future for all is a primary concern across government activity. At the same time governments play a critical role in establishing good governance: the institutional, policy and regulatory frameworks in which society operates. So governments and other public sector bodies need to be able to measure and report on how their policies and expenditure are addressing sustainability challenges."

Laura Leka, Principal and public sector lead at IFAC said, "Policymakers and other stakeholders, including the public, need information to understand the sector's impact on sustainable development. It's important that sustainability reporting provides disclosures that are high-quality, decision-useful, and prepared in accordance with internationally recognized reporting and disclosure standards."

As sustainability reporting develops, independent external assurance will become increasingly necessary to build trust in the information being disclosed. Roundtable participants saw SAIs taking the lead, building on their experience auditing progress towards sustainable development.

Archana Shirsat, Deputy Director General at IDI, said, "SAIs have a central role to play in providing independent and objective oversight on sustainability information generated by the public sector. Determining appropriate forms of assurance or confidence, engaging with stakeholders and developing auditor competencies to audit sustainability information is important to build public trust."

6. IESBA STAFF RELEASES Q&AS TO SUPPORT ADOPTION AND IMPLEMENTATION OF INTERNATIONAL INDEPENDENCE STANDARD ON GROUP AUDITS

The Staff of the International Ethics Standards Board for Accountants (IESBA) has on 23 October 2023 released a [questions and answers \(Q&A\) publication on the pronouncement Revisions to the Code Relating to the Definition of Engagement Team and Group Audits](#). The revisions to the Code address holistically the various independence considerations in an audit of group financial statements. The revisions also deal with the independence and other implications of the changes to the definition of an engagement team in the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the Code) to align with changes to the definition of the same term in the International Auditing and Assurance Standards Board's (IAASB) International Standards on Auditing (ISAs) and International Standards on Quality Management (ISQMs).

The Q&A publication is designed to highlight, illustrate, or explain aspects of the revisions in the Code and is intended to complement the [Basis for Conclusions](#) for the final pronouncement. It will assist firms, national standards setters, and professional accountancy organizations in adopting and/or implementing the revisions. The Q&As will also assist regulators and audit oversight bodies, the corporate governance community, investors, preparers, educational bodies or institutions, and other stakeholders in understanding the revisions to the Code.

The development of the Q&As has been informed by the IESBA's extensive discussions and consultations with a wide range of stakeholders and the IESBA's own deliberations during the development and finalization of the pronouncement.

The pronouncement is coming into effect for audits of financial statements and group financial statements for periods beginning on or after December 15, 2023, with early adoption permitted.

7. NEW IAASB RESOURCES ALERT: EXPLORE ISSA 5000 FAQ ON MATERIALITY

As part of its intensive outreach campaign across the globe, the IAASB has on 25 October 2023 heard requests from a range of stakeholders to provide additional information on materiality matters to better help them navigate the recently proposed [International Standard on Sustainability Assurance \(ISSA\) 5000, General Requirements for Sustainability Assurance Engagements](#). Accordingly, a comprehensive set of Frequently Asked Questions (FAQs), [The Application of Materiality by the Entity and the Assurance Practitioner](#), has been developed.

The FAQ compilation addresses a variety of questions, including how the concept of materiality applies to sustainability reporting and assurance; the definition of double materiality; and how an assurance

practitioner considers an organization’s “materiality process” during a sustainability assurance engagement, among other questions and answers.

To promote broad and diverse participation in the ongoing public consultation, the IAASB has developed a Stakeholder Survey, which may be especially useful for stakeholders wishing to share less technical or overall feedback, and a [Response Template](#).

For further details and updates, please visit the IAASB website: iaasb.org/ISSA5000.

8. NEW IFAC & CA ANZ QUALITY MANAGEMENT TOOLKIT WILL HELP SMALL- AND MEDIUM-SIZED PRACTICES GLOBALLY

The International Federation of Accountants (IFAC) and Chartered Accountants Australia and New Zealand (CA ANZ) has on 06 November 2023 released a quality management toolkit today to help small- and medium-sized practices (SMPs) implement the International Auditing and Assurance Standards Board’s (IAASB) suite of quality management standards.

The [Quality Management Toolkit for Small- and Medium-Sized Firms and its companion Illustrative Risk Matrix](#) include a suite of illustrative documents, policies, checklists, sample letters and forms to help SMPs establish their quality objectives, identify and assess quality risks, and design and implement responses to address their identified quality risks. The toolkit is designed to require each SMP to adapt the content to its nature, circumstances, and engagements, a crucial element given each firm goes through its own unique process developing its quality management system.

Kevin Dancey, IFAC CEO, said: “Many SMPs face resource constraints that affect implementing the IAASB’s quality management standards, given the new standards require a more proactive and tailored approach to managing quality across firms of all sizes. By partnering with CA ANZ to adapt its excellent original materials for an international audience, we are providing SMPs, and the professional accountancy organizations that support them, with a clear roadmap to understanding and applying the standards to drive overall quality.”

Ainslie van Onselen, CA ANZ CEO and Chair-Elect of Chartered Accountants Worldwide, said: “High-quality audits are crucially important for enterprises of all sizes in markets around the world. Based on our experience using a similar approach in Australia and New Zealand, this toolkit will help SMPs implement the quality management standards and ensure that a commitment to quality is at the center of a firm’s strategy, operation, and service delivery for audits and other engagements. We are pleased to partner with IFAC to deliver these materials to the global accountancy profession. Our Australian and New Zealand version was well received and we hope this global version will be valuable to SMPs around the world.”

Individual practitioners can tailor and reproduce the quality management toolkit for non-commercial use without permission from IFAC. Otherwise, permission is required to reproduce, store, or transmit, or to make similar uses of the toolkit.

9. IFAC RELEASES SUSTAINABILITY CHECKLIST FOR SMALL BUSINESSES

The International Federation of Accountants (IFAC) has on 14 November 2023 released a [Small Business Sustainability Checklist](#) (the Checklist) today to help small- and medium-sized enterprises (SMEs) maximize the benefits of incorporating sustainability into their strategy and business operations.

The Checklist is a diagnostic tool designed to be tailored by each business according to its own unique circumstances, including its industry sector, lifecycle, and products and services provided. It lists a comprehensive range of initiatives and actions to be considered in terms of environmental, social, and governance (ESG) factors. Not all actions in the Checklist will be relevant to every SME, but the Checklist aims to help all organizations to take small steps on what could be a long but highly fulfilling journey.

As outlined in previous IFAC thought leadership, including [Sustainability Information for Small Businesses: The Opportunity for Practitioners](#), small and medium-sized practices (SMPs) are ideally placed to help SMEs on this journey because of their deep business knowledge and expertise. As trusted advisers, they can recognize the risks and opportunities and advise SMEs on how best to act on them.

Monica Foerster, IFAC SMP Advisory Group Chair, said: “SMEs are critical to the global economy through their vital contributions to GDP and employment levels. Thus, they need to be an active part of the conversation on sustainability issues. Moreover, the expectations for SMEs to report on sustainability information, often due to requests from supply chain partners or finance providers, are likely to grow, resulting in new challenges to these businesses. SMPs are ideally placed to help SMEs tackle sustainability-related risks and to help unlock opportunities, enhance resilience, and illuminate the path to becoming future fit.”

The Checklist was developed under the umbrella of IFAC’s work on [Practice Transformation](#), which highlights the need for SMPs to adapt to remain relevant and serve a rapidly changing world. SMPs are also strongly encouraged to use the Checklist to begin their own journey and consider their strategy, policies, and procedures on sustainability. This is also critical to both attracting and retaining the next generation of talent.

The Small Business Sustainability Checklist has been launched together with an expanded range of external resources to help practitioners upskill and build knowledge in this emerging area. IFAC has prepared a dedicated web page that provides material on sustainability reporting, advisory, assurance, and education and training. Professional Accountancy Organizations are encouraged to share the Checklist with their members and highlight the range of additional resources available.

10. IFAC SUPPORTS NEW ISSB KNOWLEDGE HUB

As the global voice of the accountancy profession, IFAC has long supported the establishment of the International Sustainability Standards Board (ISSB) to develop a comprehensive global baseline of sustainability disclosures—now endorsed by IOSCO and ready to be adopted and implemented around the world. To demonstrate our commitment to seeing this initiative succeed, IFAC signed on as an

inaugural member of The ISSB Partnership Framework for Capacity Building, launched one year ago at COP27 in Sharm El-Sheikh, to support preparers, investors and other capital market stakeholders to use IFRS Sustainability Disclosure Standards.

One year later, the IFRS Foundation’s new Knowledge Hub is being launched to help fill the “knowledge gaps” which must be addressed in the short-, medium- and long-term to achieve the goal of a harmonized system for high-quality sustainability-related financial information, a global baseline established via the ISSB Standards.

Education materials, like the forthcoming IFRS Foundation e-learning curriculum and the content IFAC and others contribute to the IFRS Foundations new Knowledge Hub, will assist professional accountants, and others, in applying IFRS S1 and IFRS S2 and can provide a starting point for IFAC Member Bodies who plan to promote sustainability competency and learning amongst their professional membership.

IFAC’s policy, advocacy, and thought leadership work—including benchmarking of sustainability-related financial disclosures and assurance practice, advocacy for adoption of IFRS S1 and IFRS S2 using a Building Blocks approach, and guidance for professional accountants working inside of companies—all contribute towards building capacity within the accountancy profession and we urge our Member Bodies around the world to join in this effort.

IFAC CEO Kevin Dancey said, “Professional accounting organizations (PAOs) and the largest global accountancy networks (i.e., the Forum of Firms) must be leaders in capacity building and education. Professional accountants—who are subject to the IESBA Code of Ethics—have a critical role to play in transforming high-quality standards into high-quality information, and then providing assurance on that information in accordance with standards developed by the International Auditing and Assurance Standards Board.”

The role of the accountancy profession will come into sharper focus as sustainability-related reporting and its assurance transitions from voluntary practice to mandatory requirements around the world. IFAC’s new publication on integrated internal control, *Building Trust in Sustainability Reporting: The Urgent Need for Internal Control*, demonstrates the critical role and expertise of professional accountants related to data, systems, processes, and internal controls—all necessary for companies to deliver high-quality, decision-useful information for investors, capital markets, and all stakeholders.

11. NEW STANDARD FOR AUDITS OF LESS COMPLEX ENTITIES ISSUED BY IAASB

The International Auditing and Assurance Standards Board (IAASB) has on 06 December 2023 published the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities, known as the ISA for LCE. The ISA for LCE is a standalone global auditing standard designed specifically for smaller and less complex businesses and organizations. Built on the foundation of the International Standards on Auditing (ISAs), audits performed using this standard provide the same level of assurance for eligible audits: reasonable assurance. The standard is effective for audits beginning on or after December 15, 2025 for jurisdictions that adopt or permit its use.

“The ISA for LCE underscores the IAASB’s commitment to ensuring the credibility and reliability of financial reporting for entities of all sizes. By leveraging the International Standards on Auditing as our starting point, we are cultivating an environment where audits are performed in a globally consistent and high-quality way for the smallest entities. The IAASB’s actions seek to inspire greater confidence and contribute to the overall stability and trustworthiness of information in the external reporting ecosystem. We have also heard that this standard should provide an impetus for the evolution of auditing in developing economies,” said IAASB Chair Tom Seidenstein. “We now turn to each jurisdiction and their oversight authorities and regulators to decide whether to adopt the standard. We encourage practitioners and others to reach out to the authorities in their jurisdictions to advocate for the ISA for LCE’s adoption.”

Released alongside the ISA for LCE are a Basis for Conclusions, which details feedback from the public consultation period, a high-level fact sheet, and a frequently asked questions document. Additional materials to help jurisdictions navigate adoption will be issued in 2024, including supplementary guidance, a fact sheet on adoption, and a first-time implementation guide. All materials can be accessed on the IAASB website: iaasb.org/ISAFORLCE

12. IAASB ISSUES GUIDANCE FOR ASSURANCE PRACTITIONERS WHEN CITING IFRS ACCOUNTING STANDARDS

The International Auditing and Assurance Standards Board (IAASB) [has issued guidance](#) to help stakeholders understand how to reference IFRS Accounting Standards to follow recent updates to the [IFRS Foundation® Trade Mark Guidelines](#). The updated IFRS Foundation guidelines require, amongst other things, that International Accounting Standards Board standards, including the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs), be referred to as “IFRS Accounting Standards”.

The IAASB’s new guidance clarifies how auditors or practitioners should refer to the IFRS Accounting Standards in their reports. The alert also describes changes that the IAASB intends to make to future editions of the IAASB handbook to address existing references to the IASs and IFRSs.

13. PROFESSIONAL ACCOUNTANTS’ SKILLSET ESSENTIAL TO ORGANIZATIONAL TRANSFORMATION

As businesses grapple with uncertainties and navigate the complexities of digital transformations, sustainability and climate transitions, organizational leaders equipped with the unique skill set of professional accountants in business (PAIBs) are essential. PAIBs’ roles more commonly extend beyond traditional financial responsibilities, positioning them as key leaders shaping the trajectory of organizational success.

Informed by IFAC’s PAIB Advisory Group’s last meeting, [a new article from IFAC](#) details three paths through which professional accountants have led organizational transformation that can be a guide for PAIBs and businesses globally.

“The accountancy profession is evolving to meet the demands of a changing business environment,” said Sanjay Rughani, IFAC PAIB Advisory Group Chair. “By driving decision-useful sustainability information, harnessing disruptive technologies like AI and IA and nurturing a new generation of accountants who can confidently step into leadership roles, professional accountants can seize the uncertainty of the current environment to elevate the profession and society at large.”

14. IFAC ANNOUNCES PLAN TO REVISE INTERNATIONAL EDUCATION STANDARDS FOR SUSTAINABILITY REPORTING AND ASSURANCE

The International Federation of Accountants (IFAC) has on 11 December 2023 announced plans to revise the International Education Standards (IES) to bring greater focus to sustainability reporting and assurance competence and recognize the evolving role of professional accountants in this important area. IFAC anticipates launching a public consultation on proposed revisions to the standards in March 2024, marking a significant milestone for the global accountancy profession's journey to advance sustainability disclosure standards that respond to the needs of investors and other stakeholders.

Extensive stakeholder outreach and research made it clear that while professional accountants' skills and training are transferable to sustainability reporting and assurance, there's a need for a focus on sustainability in the IES. The planned revisions will address this, including revised and new learning outcomes needed for professional development programs to best prepare future and current professional accountants for the increasing demands for sustainability reporting and assurance.

As IFAC commits to revising the IESs, in partnership with the IFAC International Panel on Accountancy Education, it encourages professional accountants to seize the opportunity to enhance their sustainability knowledge and expertise. IFAC CEO Kevin Dancey said, "As sustainability reporting and assurance become mainstream, professional accountants have a unique opportunity to lead and bring value. Professional accountants should begin their journey now to develop or enhance sustainability reporting and assurance abilities. It is imperative that we all commit to personal professional development, ensuring that we are ready to meet the moment with the competence and due care that define our profession."

Professional accountancy organizations have crucial roles to play helping their members as they transition to increasing market demand for sustainability reporting and assurance. Collective action is needed at the global, regional and local levels to accelerate the pace at which existing knowledge is expanded upon. IFAC encourages its member organizations to enhance current learning requirements with respect to sustainability and to recognize those courses offered by others—including the IFRS Foundation's anticipated eLearning course, which may prove useful to PAOs to offer their members as it is designed to respond to market demand to begin implementing the inaugural IFRS Sustainability Disclosure Standards, IFRS S1 and S2.

15. IESBA ANNOUNCES SUCCESSFUL COMPLETION AND APPROVALS OF SUSTAINABILITY EXPOSURE DRAFT AND TAX PLANNING-RELATED ETHICS STANDARD

At its December Board meeting, the International Ethics Standards Board for Accountants ("IESBA") successfully completed and approved an Exposure Draft on Ethics and Independence Standards for Sustainability Reporting and Assurance and the final Ethics Standard for Tax Planning and Related Services. Other major achievements of the IESBA December Board meeting include the approval of an Exposure Draft on the Use of Experts and of the IESBA's Strategy and Work Plan for 2024-2027.

Commitment to Trustworthy Sustainability Reporting and Assurance

The IESBA voted and approved the proposed new *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* ("IESSA"), and proposed revisions to

the *International Code of Ethics for Professional Accountants* (“the Code”) on sustainability reporting. The Exposure Draft will contain proposed independence standards for use by all sustainability assurance practitioners regardless of whether they are professional accountants, and specific ethics provisions relevant to sustainability reporting and assurance. This milestone completes more than 18 months of intensive fact-finding, outreach, and drafting efforts by the IESBA Board and staff.

The result is a set of draft standards that will establish the essential third pillar of ethics, including independence, standards to support public and corporate trust in sustainability-related information, alongside sustainability reporting and assurance standards. The IESBA intends to release the Exposure Draft in late January 2024.

Using the Work of External Experts

The IESBA approved proposed ethics provisions addressing the use of external experts by organizations as well as in the context of audit and assurance engagements, including sustainability assurance engagements. Professional accountants and sustainability assurance practitioners will be guided by an ethical framework to evaluate the competence, capabilities, and objectivity of external experts. These provisions will thereby help meet public expectations concerning ethical behavior when using external experts, especially in an audit or assurance context.

Strengthening Ethical Behavior in Tax Planning

The IESBA also approved final revisions to the Code to address tax planning and related services. These revisions respond to heightened public concerns about ethical behavior in tax planning in light of high-profile revelations about tax avoidance schemes in several jurisdictions in recent years. The final provisions establish an ethical framework in the public interest to guide professional accountants in making judgments and decisions when providing tax planning or related services. Pending certification by the Public Interest Oversight Board (“PIOB”), the final pronouncement is expected to be issued by mid-April 2024.

Strategy and Work Plan 2024-2027

The IESBA voted to approve its Strategy and Work Plan (“SWP”) for 2024-2027. Among other matters, the IESBA will tackle two new ambitious strategic areas of focus: accountancy firm culture and governance, and extending the impact of the Code beyond the accountancy profession, where it believes it can significantly expand reach and business impact.

Throughout 2023, the IESBA has responded vigorously to the challenges of ethics in the accountancy profession and beyond. The IESBA’s 2024 agenda will focus on final approvals of the sustainability-related standards, as well as on new workstreams addressing accountancy firm culture and governance, and independence considerations regarding the audits of collective investment vehicles, pension fund arrangements, and investment company complexes.

“The global shift of governments, companies, and investors towards a more sustainable future will not happen with good intentions and soft targets,” said IESBA Chair Gabriela Figueiredo Dias. *“This movement will require hard ethics to realize sustainability goals and mitigate the risks of wrongdoing. The IESBA’s new and proposed revisions to the Code and the Board’s strategy will help ensure that professional accountants and other sustainability assurance practitioners adopt the necessary ethical*

approaches to foster transparency, relevance, and public trust within the reporting sphere while supporting global sustainability efforts.”

16. IAASB OPENS PUBLIC CONSULTATION ON NARROW SCOPE AMENDMENTS TO MEET EXPECTATIONS FOR PUBLIC INTEREST AUDITS

The International Auditing and Assurance Standards Board (IAASB) has on 08 January 2024 launched a [consultation process on proposed narrow scope amendments](#) to achieve greater convergence with the International Ethics Standards Board for Accountants’ (IESBA) *International Code of Ethics for Professional Accountants (Including Independence Standards)*. These proposed revisions have two key objectives. First, they would align definitions and requirements in IAASB standards with new definitions for publicly traded and public interest entities in the IESBA Code. Second, the amendments would extend the applicability of existing differential requirements for listed entities to meet heightened stakeholder expectations regarding audits of public interest entities (PIE).

Key proposed revisions include extending the scope of the entities included under the International Standards on Quality Management and the International Standards on Auditing such that they will be subject to:

- Engagement quality reviews;
- Providing transparency in the auditor’s report on specific aspects of the audit, including auditor independence, communicating key audit matters, and the engagement partner’s name; and
- Communicating with those charged with governance to help them fulfill their responsibility overseeing the financial reporting process, (e.g., communicating about quality management and auditor independence).

How to Comment

The IAASB invited all stakeholders to provide feedback on the Exposure Draft using the [digital Response Template](#), which is available on the IAASB website. Feedback is requested by **April 8, 2024**.

17. IFAC PUBLISHES SUSTAINABILITY & EDUCATION LITERATURE REVIEW

The International Federation of Accountants (IFAC) has on 10 January 2024 released a literature review, [Educating Accountants for a Sustainable Future: A Literature Review of Competencies, Educational Strategies, and Challenges for Sustainability Reporting and Assurance](#). The review highlights key themes in current sustainability-related education, learning and development to provide insights on how the global accountancy profession can meet stakeholder demands for relevant and reliable sustainability reporting.

Recent years have seen a significant shift in demand for relevant sustainability-related disclosure, reporting, and assurance and the accountancy profession is working to prepare current and future professionals to meet these stakeholder demands. The literature review identifies the new and existing competencies required of professional accountants to provide these services; educational strategies to develop them; and the challenges the accountancy education community will face. The literature

review also informed [IFAC’s decision to make sustainability-related revisions to the International Education Standards](#) and will contribute to the forthcoming proposed revisions, expected in Q2 2024.

18. IESBA LAUNCHES PUBLIC CONSULTATION ON NEW ETHICAL BENCHMARK FOR SUSTAINABILITY REPORTING AND ASSURANCE

Two new exposure drafts set forth the first comprehensive suite of global standards on ethical considerations in sustainability reporting and assurance

Proposed standards aim to foster greater trust in all publicly communicated sustainability information through the application of a consistent ethical approach

The IESBA welcomes comments from the entire sustainability community – professional accountants, all other sustainability practitioners, regulators, and investors

The International Ethics Standards Board for Accountants (“IESBA”) today announced the launch of two Exposure Drafts (EDs):

- [International Ethics Standards for Sustainability Assurance ED](#), which includes revisions to the existing Code related to sustainability reporting;
- [Using the Work of an External Expert ED](#)

The Exposure Draft on *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* (IESSA) and ethics standards for sustainability reporting proposes a clear framework of expected behaviors and ethics provisions for use by all sustainability assurance practitioners regardless of their professional backgrounds, as well as professional accountants involved in sustainability reporting. The goal of these standards is to mitigate greenwashing and elevate the quality of sustainability information, thereby fostering greater public and institutional trust in sustainability reporting and assurance.

The Exposure Draft on *Using the Work of an External Expert* proposes an ethical framework to guide professional accountants or sustainability assurance practitioners, as applicable, in evaluating whether an external expert has the necessary competence, capabilities and objectivity in order to use that expert’s work for the intended purposes. The proposals also include provisions to aid in applying the Code’s conceptual framework when using the work of an external expert.

These proposed ethics (including independence) standards are especially relevant in a context where sustainability information is increasingly important for capital markets, consumers, corporations and their employees, governments and society at large, and when new providers outside of the accounting profession play a prominent role in sustainability assurance.

To coincide with the launch of the public consultation, the International Accreditation Forum (IAF) has announced its intention to stipulate to national accreditation bodies around the world that the IESBA’s proposed IEISSA are to be used when accrediting and authorizing conformity assessment bodies to carry out assurance work on corporate sustainability disclosures¹.

The creation of an effective sustainability standards infrastructure requires not only high-quality sustainability reporting and assurance standards, but also a global baseline of ethics (including independence) standards to ensure the integrity and objectivity of sustainability information. The IESBA's proposed standards are aimed at completing and supporting the effectiveness of that infrastructure. The development of both EDs was closely coordinated with the International Auditing and Assurance Standards Board (IAASB).

Gabriela Figueiredo Dias, Chair of the IESBA, commented, "Ethics is about acceptable behaviors and right decisions to avoid bias in sustainability information and foster trust. From investors looking for transparent and credible information, to consumers wanting to ensure the reliability of companies' narratives about the sustainable credentials of their products and practices, and companies wanting to be trusted, all users of sustainability disclosures have a vested interest in ensuring ethical choices by the preparers and assurers of such information. These proposed standards will serve as a cornerstone of ethical behavior with far-reaching benefits."

Jean-Paul Servais, Chair of the Board of the International Organization of Securities Commissions (IOSCO), said, "I am delighted to welcome today's publication and call on issuers, investors and assurance providers to participate in the IESBA's consultation. Sustainability disclosures are undeniably high on the agenda of investors globally. Trust in such disclosures will be enhanced when they receive external assurance based upon globally accepted standards regarding ethical behavior and independence, that have been developed in the public interest. IOSCO will continue to play a key role in promoting global consistency in the assurance of sustainability-related disclosures by issuers and support its members and other stakeholders to enhance trust in corporate sustainability-related reporting."

Alan Johnson, Chair of the IESBA and IAASB Stakeholder Advisory Council (SAC), independent corporate director, and Chair of the Good Governance Academy, stated: "IESBA's Exposure Draft reflects the increasing demand for greater ethics and independence in corporate sustainability reporting. As the inaugural Chair of the Stakeholder Advisory Council, I view the proposed standards as critical to enhancing the integrity and credibility of sustainability information. These standards are a significant step towards ensuring that sustainability disclosures are ethically grounded and universally trusted while also enabling businesses around the world to provide full transparency of progress towards achieving sustainability goals and objectives."

The development of the standards was preceded by extensive outreach, including four global roundtables which took place in March and April 2023 in Paris, Singapore, Sydney and New York. The roundtables involved over 140 senior-level representatives from stakeholders from very different jurisdictions and backgrounds, with a significant participation of non-professional accountants.

How to Comment

The IESBA invites all stakeholders to provide their feedback on the EDs by visiting the [IESBA's website](#). Comments on the Using the Work of an External Expert ED are requested by **April 30, 2024**, and on the Sustainability ED by **May 10, 2024**.

For further information: <http://www.ifac.org>

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