

FINANCIAL REPORTING COUNCIL

MONTHLY UPDATES (August & September 2024) – What's new from the International Federation of Accountants (IFAC)

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

August 2024

1. ACCOUNTING FOR A BETTER WORLD: TAKEAWAYS FROM THE LATEST PAIB ADVISORY GROUP MEETING
2. NEW GUIDANCE AVAILABLE FROM IAASB ON USING THE ISA FOR LCE
3. NEW IAASB HANDBOOK NOW AVAILABLE FOR DIGITAL ACCESS AND PRINT ORDERS
4. NOW AVAILABLE: IESBA HANDBOOK 2024 EDITION

September 2024

5. IESBA Q&A UPDATE: CLARIFYING PIE DEFINITION FOR GLOBAL COMPLIANCE
6. IAASB WILL ACCOUNT FOR IESBA STAFF'S UPDATED Q&AS ON LISTED AND PUBLIC INTEREST ENTITY DEFINITIONS
7. IAASB RELEASES 2022-2023 PUBLIC REPORT: BALANCING EFFECTIVENESS AND TIMELINESS IN AUDIT AND ASSURANCE STANDARD SETTING
8. BUILDING PROFESSIONAL ACCOUNTANCY CAPACITY CAN STRENGTHEN EMERGING ECONOMIES, SAY IFAC AND GLOBAL PARTNERS
9. IFAC, IFRS FOUNDATION, AND IOSCO TEAM UP AT CLIMATE WEEK NYC TO ADVANCE UPTAKE OF SUSTAINABILITY-RELATED STANDARDS
10. IAASB PUBLISHES NEW ISA FOR LCE ADOPTION GUIDE
11. IFAC RELEASES THIRD INSTALLMENT IN IMPLEMENTATION SUPPORT SERIES FOR SMALL FIRMS ON THE IAASB'S QUALITY MANAGEMENT STANDARDS

1. ACCOUNTING FOR A BETTER WORLD: TAKEAWAYS FROM THE LATEST PAIB ADVISORY GROUP MEETING

Professional accountants in business (PAIBs) occupy a pivotal position in driving sustainable business practices, fostering transparency, and contributing to the economic and social well-being of communities worldwide. Recognizing that in an increasingly interconnected and rapidly changing global economy, the role of accountants is evolving, the theme of our last PAIB Advisory Group meeting was *Accounting for a Better World*. The event was hosted by IFAC Member SAICA (South African Institute of Accountants) in Cape Town, South Africa.

PAIBs comprise a significant part of the profession working in commerce, industry, financial services, education, and the public and not-for-profit sectors, and the PAIB Advisory Group focuses on ensuring these accountants meet the future needs of business and the public sector by convening leaders, sharing their knowledge and insights, and identifying trends globally.

Informed by IFAC's PAIB Advisory Group's last meeting, our new article, [Accounting for a Better World](#), outlines multiple opportunities where professional accountants can have an impact, including:

- Enabling Africa's transformation
- Diversifying entry into the accountancy profession and strengthening the talent pipeline
- Ensuring sustainability and excellence as a CFO Driving integrated thinking through strong corporate governance
- Harnessing the transformative opportunities of AI
- Nature-related accounting and financial disclosure

Sanjay Rughani, PAIB Advisory Group Chair said: "To IFAC's members worldwide, I urge you to seize the momentum generated by our discussions and embark on a journey of continuous learning, innovation, and collaboration. Our discussions were not merely exchanges of ideas but rather catalysts for action, igniting a sense of purpose and urgency. Professional accountants, now more than ever, have the opportunity to contribute to creating a better world."

2. NEW GUIDANCE AVAILABLE FROM IAASB ON USING THE ISA FOR LCE

The International Auditing and Assurance Standards Board (IAASB) has on 27 August 2024 [issued new guidance](#) on the application of the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities, known as the ISA for LCE. The Authority Supplemental Guidance will help users in determining the appropriate situations to use the standard.

The guidance will be particularly beneficial for legislative and regulatory authorities implementing the standard, firms developing related policies or procedures, and auditors determining whether the standard is appropriate to use for a specific engagement.

Accessible on the IAASB website, this guide complements previously released resources, including videos, webinars, and the Auditor Reporting Supplemental Guidance. Later this year, the IAASB will also issue an adoption guide and a first-time implementation guide. Collectively, these materials provide a comprehensive toolkit for navigating adoption and implementation of the ISA for LCE.

3. NEW IAASB HANDBOOK NOW AVAILABLE FOR DIGITAL ACCESS AND PRINT ORDERS

The IAASB has released the [2023-2024 edition of the Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements](#), which includes International Standard on Auditing (ISA) 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*.

The *International Standard on Auditing for Audits of Financial Statements of Less Complex Entities*, known as the ISA for LCE, is also included although it has not yet become effective for jurisdictions that adopt the standard.

For the first time, the 2023-2024 Handbook comprises four volumes to improve user experience and accommodate new as well as revised standards.

- Volume 1 – International Auditing Practice Notes, International Standards on Auditing, and International Standards on Quality Management
- Volume 2 – The ISA for LCE
- Volume 3 – International Standards on Assurance Engagements, International Standards on Review Engagements, and International Standards on Related Services
- Volume 4 – A Framework for Audit Quality and the International Framework for Assurance Engagements

The 2023-2024 Handbook is available as a PDF download and print orders [via the IAASB website](#).

4. NOW AVAILABLE: IESBA HANDBOOK 2024 EDITION

The International Ethics Standards Board for Accountants (IESBA) has on 30 August 2024 released the [2024 Handbook of the International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#). This handbook replaces the 2023 edition and incorporates the following:

- The revisions relating to the definition of a public interest entity which, among other matters, specifies a broader list of mandatory public interest entity categories, including a new category “publicly traded entity” to replace the category of “listed entity.”
 - The revised public interest entity definition and related provisions will be effective for audits of financial statements for periods beginning on or after December 15, 2024.

- Changes to the definitions of “audit client” and “group audit client” in the Glossary arising from the approved revisions to the definitions of listed entity and public interest entity.
 - The revised definitions will be effective for audits of financial statements and group financial statements for periods beginning on or after December 15, 2024.
- Technology-related provisions of the Code.
 - The technology-related revisions to Parts 1 to 3 will be effective as of December 15, 2024.
 - The technology-related revisions to Part 4A will be effective for audits and reviews of financial statements for periods beginning on or after December 15, 2024.

The back of the 2024 Handbook contains the IESBA-approved revisions to the Code addressing [Tax Planning and Related Services](#), which will become effective after June 2025.

5. IESBA Q&A UPDATE: CLARIFYING PIE DEFINITION FOR GLOBAL COMPLIANCE

The Staff of the International Ethics Standards Board for Accountants (IESBA) has on 03 September 2024 released an update to its [Questions and Answers \(Q&As\) publication](#), originally published in March 2023, on the IESBA [revisions to the definitions of listed entity and public interest entity \(PIE\)](#) in the [IESBA Code of Ethics](#).

This update includes a new Q&A (16) to address the scenario where a jurisdiction has no PIE definition or excluded one or more of the mandatory categories in the IESBA PIE definition. In addition, Q&A 20 has been updated following the finalization of Track 1 of IAASB’s PIE project and the IAASB’s agreement to update ISA 700 (Revised) so that the auditor’s report can be used as a mechanism for firms to comply with the transparency requirement set out in the IESBA PIE revisions.

The IESBA and the IAASB coordinated closely throughout the development of the IESBA’s revised PIE definition and Track 1 of the IAASB’s PIE project. This high level of coordination has been ongoing as the IAASB works towards finalizing [Track 2 of its PIE project](#). Such coordination is critical to ensure the interoperability of both Boards’ standards.

The Q&A publication is designed to highlight, illustrate or explain aspects of the PIE revisions in the Code and is intended to complement the [Basis for Conclusions](#) for the final pronouncement. It aims to assist national standards setters, professional accountancy organizations, and firms in adopting and/or implementing the PIE revisions.

The PIE revisions are effective for audits of financial statements for periods beginning on or after December 15, 2024.

6. IAASB WILL ACCOUNT FOR IESBA STAFF'S UPDATED Q&AS ON LISTED AND PUBLIC INTEREST ENTITY DEFINITIONS

On 03 September 2024, the staff of the International Ethics Standards Board for Accountants (IESBA) released an [updated Questions & Answers \(Q&A\) publication](#). This updated IESBA staff Q&A publication introduces two revisions:

1. A new question and answer addressing the scenario where a jurisdiction either lacks a PIE definition or has excluded one or more of the mandatory categories in the IESBA PIE definition.
2. An amendment to align with the revisions to ISA 700 (Revised) arising from Track 1 of the IAASB's project to use the auditor's report to enhance transparency about the relevant ethical requirements for independence applied for certain entities, such as PIEs, when performing an audit of financial statements.

The IAASB and IESBA have worked closely together throughout their respective Listed Entity and Public Interest Entity (PIE) projects. [Track 1](#) of the IAASB's project was completed in June 2023 and [Track 2](#) is ongoing. Among other project objectives, Track 2 aims to achieve convergence to the greatest extent possible between the boards' PIE definitions and key concepts.

Considering the importance of the interoperability of IAASB and IESBA standards, the IAASB PIE project team has incorporated the clarified IESBA position reflected in 1 above into its deliberations. The IAASB will consider different options for Track 2 at the September 2024 IAASB meeting.

The IAASB's narrow scope revisions to ISA 700 (Revised) and 260 (Revised) arising from Track 1 of its project will become effective for audits of financial statements for periods beginning on or after December 15, 2024, coinciding with the effective date of the [PIE definition changes](#) in the IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

7. IAASB RELEASES 2022-2023 PUBLIC REPORT: BALANCING EFFECTIVENESS AND TIMELINESS IN AUDIT AND ASSURANCE STANDARD SETTING

The International Auditing and Assurance Standards Board (IAASB) has shared its 2022-2023 Public Report, [Balancing Effectiveness and Timeliness in Audit and Assurance Standard Setting](#). This report offers a comprehensive overview of the IAASB's progress in addressing key public interest issues and reiterates its strategic direction to continue bolstering confidence in audits and assurance engagements.

"This report reflects the IAASB's strategic objectives over the past four years, focusing on tackling the most pressing public interest issues, improving the timeliness of standard setting, and strengthening connections with stakeholders," said IAASB Chair Tom Seidenstein. "We are privileged to serve our mandate to enhance trust in external reporting and the effective

functioning of the global economy. The IAASB will continue its work with determination and a sense of humility.”

Key Highlights

- **Global Adoption of IAASB Standards:** Approximately 130 jurisdictions worldwide have adopted or committed to adopting the International Standards on Auditing (ISAs). This widespread adoption underscores the authority, credibility, and global recognition of these standards as high-quality and reliable.
- **Project Timelines and Milestones:** The report provides detailed timelines and key milestones for the development, approval, and implementation support for various standards. It illustrates the IAASB's commitment to delivering timely and relevant standards that meet the needs of the global audit and assurance community.
- **Transition to the Next Strategic Phase:** The IAASB has developed a new strategy for the next four years. The strategy emphasizes key areas such as fraud, going concern, and emerging topics like the use of technology in audits. The strategy also includes completing the in-progress International Standard on Sustainability Assurance (ISSA 5000) and supporting its implementation. ISSA 5000 is expected to play a central role in the global reporting ecosystem, with a number of jurisdictions already signaling their intent to adopt the standard.
- **Advancements in Organizational Structure:** In 2023, the International Foundation for Ethics and Audit (IFEA) was established to house the IAASB and the International Ethics Standards Board for Accountants as part of the Monitoring Group recommendations on strengthening the international audit and ethics standard-setting system. This new structure supports enhanced coordination between the two boards and strengthened independence.
- **Outreach and Collaboration:** The IAASB demonstrated its commitment to rigorous international outreach by conducting more than 500 outreach activities globally in 2022-2023 with global, regional, and jurisdictional regulators, oversight bodies, and practitioners, among others.

The IAASB remains committed to its mission to enhance trust in external reporting and ensure the effective functioning of the global economy. The coming years will see the IAASB continue to build on its successes, addressing the evolving needs of the global audit and assurance community.

8. BUILDING PROFESSIONAL ACCOUNTANCY CAPACITY CAN STRENGTHEN EMERGING ECONOMIES, SAY IFAC AND GLOBAL PARTNERS

Emerging economies, including the Global South, present enormous opportunities for economic growth, and their development is important in both local and global contexts. For these economies to grow and achieve prosperity, the active contribution of professional accountants is essential.

On 16 September 2024, IFAC commenced MOSAIC meetings in Bucharest beginning with the MOSAIC Steering Committee meeting to discuss plans for developing the capacity of the accounting profession in emerging economies. IFAC has again strategically aligned MOSAIC meetings with the INTOSAI Capacity Building Committee and Donor Coordination Committee meetings, all of which are hosted by the Supreme Audit Institution of Romania this year. These events mark the first MOSAIC meetings for new IFAC Chief Executive Officer, Lee White.

Over the next days, the MOSAIC Steering Committee meeting will bring together the signatories to MOSAIC (the [Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration](#)) Development partners who will join IFAC and SAI representatives for the MOSAIC Forum. Mr. White will join a dynamic synergy session between the MOSAIC signatories and the INTOSAI community.

MOSAIC serves as a cornerstone for a unified global approach to enhance the capacity of professional accountancy organizations (PAOs) and elevate the quality of financial management systems in emerging economies. The agreement and the collaborative efforts it fosters, aim to empower PAOs in partner countries to improve the standards of accountancy and financial management, ultimately amplifying the effectiveness of donor assistance. Acknowledging the complexities of PAO development, MOSAIC is designed to strengthen cooperation and collaboration between IFAC, international donors, and the global development community.

The discussions were focused on the future of the MOSAIC MoU, exploring strategies to magnify its impact developing the accountancy profession in emerging economies in the years ahead. This comes at a crucial moment, with the rapid evolution of sustainability reporting and assurance in the private sector, and in the context of the continued work of the International Public Sector Accounting Standards Board (IPSASB) to develop sustainability reporting standards for the public sector, where SAIs are key stakeholders.

Lee White, Chief Executive Officer, IFAC said: “Strengthening capacity among PAOs and throughout the accountancy profession is one of the most effective ways to support sustainable economic and social growth and development, and we outlined a number of areas where accountants can have an impact in our recent publication [The Accountancy Profession Enabling Africa's Transformation](#). It is inspiring to see so many development partners prioritizing capacity building in the accountancy profession. We look forward to working together with the MOSAIC signatories and INTOSAI Community to strengthen our collective impact and drive meaningful change.”

Arturo Herrera Gutierrez, World Bank Global Director for Governance said: “Proper accounting is critical for the development of the private sector and enabling access to credit markets, and enhancing citizens’ trust in governments’ effective use of public resources. The World Bank has a long history of engagement on this foundational agenda. We are committed to supporting emerging issues including sustainability reporting and proper recording of contingent liabilities in the public sector in collaboration with the International Federation of Accountants (IFAC) and its International Public Sector Accounting Standards Board. We look forward to continuing to work closely with IFAC, MOSAIC, and the INTOSAI communities to strengthen and improve collaboration.”

Tsakani Maluleke, INTOSAI CBC Chair said: “Professional accountancy organizations and supreme audit institutions should have a shared commitment to excellence in public sector financial management and realize the value of working together to achieve an improved public sector. Sharing insights on how accountability ecosystems across the globe can be strengthened through enabling mechanisms such as improved standard-setting, ongoing auditor professionalization and investment in strong institutional capacity will be critical. Of course, this will require SAs and PAOs to strategically partner to work to the benefit of citizens in the countries where they operate and, in doing so, play an essential role in achieving the vision of the UN Sustainable Development Goals – to leave no one behind.”

9. IFAC, IFRS FOUNDATION, AND IOSCO TEAM UP AT CLIMATE WEEK NYC TO ADVANCE UPTAKE OF SUSTAINABILITY-RELATED STANDARDS

Top leaders in global sustainability standard setting, regulation, and accounting joined an afternoon of programming jointly hosted by the International Federation of Accountants (IFAC), the IFRS Foundation, and the International Organization of Securities Commissions (IOSCO) on September 23 as part of Climate Week NYC. The over-subscribed invitation only event, *Accelerating Climate and Sustainability-Related Disclosures: A Global Perspective*, had as its objective to advance global adoption and implementation of the ISSB Standards and build an understanding of sustainability assurance in its early days.

Lee White, Chief Executive Officer, IFAC said: “A united effort is essential to support the transformation taking place in businesses to address climate and other sustainability risks and opportunities and to meet the needs of investors and other stakeholders worldwide. Collaboration and alignment among regulators, standard setters, businesses, and the accountancy community is critical to accelerate the uptake of climate-related disclosure and assurance.

“Following the progress made at IOSCO’s Annual Meeting in Athens in May, IFAC is delighted to once again connect with the IFRS Foundation and IOSCO here in New York to help strengthen our global ecosystem of consistent and comparable sustainability-related information. It is important to congratulate and recognize the work of the International Auditing and Assurance Standards Board in very recently finalizing its new International Standard for Sustainability Assurance (ISSA) 5000, which will be a critical element of this global ecosystem.”

ISSB Chair, Emmanuel Faber said: “The implementation of ISSB Standards globally will lead to better informed and more resilient capital markets. Assurance of the information will be a critical factor in building confidence in sustainability-related disclosures to inform investment decisions. We are impressed by the jurisdictional momentum around the globe for the adoption or use of our Standards, and enabling companies to provide high-quality disclosures will take time and support. We are grateful to both IFAC and IOSCO for their partnership in working to build capacity within jurisdictions and across markets.”

Jean-Paul Servais, Chair of IOSCO, said: “Promoting high-quality sustainability-related reporting is one of the key priorities for IOSCO to protect investors against greenwashing. Global progress towards the introduction of sustainability disclosure requirements has been swift since IOSCO announced its endorsement of the first ISSB Standards in July 2023. IOSCO is committed to

collaborate with the ISSB and other global stakeholders to deliver a comprehensive capacity building program to support the wider use of sustainability disclosures.

"To underpin the trustworthiness and thus usefulness of the disclosures, IOSCO also encourages the global development of assurance standards by IAASB and IESBA and welcomes IFAC's work to help all users and practitioners better understand and prepare for what high-quality sustainability assurance will look like.

"This conference demonstrates the joint efforts of IOSCO, IFAC, and the IFRS Foundation to contribute to decision-useful sustainability information in the interest of investors."

So far this year, IFAC has convened sustainability reporting and assurance stakeholders in Singapore, Bogota, and New York, and will be in Dubai in October to continue the discussion.

In June of this year, IFAC released *Sustainability Assurance: What to Expect* in order to help investors and other market participants appreciate how sustainability assurance will evolve in comparison to statutory financial audits.

In recognition of the importance of the Global South to the sustainable transformation, IFAC is also releasing *Beyond the G20: The State of Play in Sustainability Disclosure and Assurance*, which examines both reporting and assurance practice in twenty smaller and emerging jurisdictions.

A compilation of a recording of the event will be made available in due course. For more information and to be notified of the release of the recording, please reach out to climateweek@ifac.org.

10. IAASB PUBLISHES NEW ISA FOR LCE ADOPTION GUIDE

The International Auditing and Assurance Standards Board (IAASB) has released a comprehensive [adoption guide designed to help jurisdictions adopt the ISA for LCE](#), an alternative to the full suite of International Standards on Auditing. The guide provides valuable insights into the adoption process, highlighting common steps and successful approaches, while also addressing potential challenges. The guide also outlines steps for legislative, regulatory, or relevant local bodies with standard-setting authority to allow practitioners to use the ISA for LCE.

Accessible on the IAASB website, the adoption guide complements previously released resources, including videos, webinars and guidance. These materials will be supplemented by a first-time implementation guide later this year. Together, these resources offer a robust toolkit for navigating and implementing the ISA for LCE.

The new guidance does not amend or override the ISA for LCE, the text of which alone is authoritative. Reading the guidance is not a substitute for reading the ISA for LCE. For more information and to access the new guidance, visit: www.iaasb.org/ISAforLCE

11. IFAC RELEASES THIRD INSTALLMENT IN IMPLEMENTATION SUPPORT SERIES FOR SMALL FIRMS ON THE IAASB'S QUALITY MANAGEMENT STANDARDS

On 30 September 2024, the International Federation of Accountants (IFAC) released the third and final installment in its three-part publication series to help small- and medium-sized practices (SMPs) implement the International Auditing and Assurance Standards Board's (IAASB) suite of quality management standards. [Installment Three](#): Monitoring and Remediation provides tips and guidance for the practical implementation of the monitoring and remediation of a firm's system of quality management.

Installment Three addresses:

- The factors driving the nature, timing and extent of the monitoring activities.
- The scope and outcome of monitoring activities to establish a feedback loop for continuous improvement.
- Establishing a framework for evaluating findings, identifying deficiencies, and evaluating the severity and pervasiveness of deficiencies, which includes investigating root causes.
- Responding to identified deficiencies and communication about monitoring and remediation.
- The ongoing evaluation of the system of quality management.

Installment Three includes multiple documentation aids covering annual monitoring and evaluation of the system of quality management, cyclical inspection of completed audits and other engagements and a monitoring and remediation report to assist practitioners. It also continues the case study introduced in the previous installments.

[Installment One](#) of the series addressed the mindset change the new standards require and the shift in focus from quality control to quality management. [Installment Two](#) covered development of an implementation plan for quality management.

This series joins IFAC's collection of available resources that support quality management implementation, including webinars, articles and videos, as well as the IAASB first-time implementation guides, all of which are available at ifac.org/qualitymanagement.

This publication series and other resources like it underscore IFAC's commitment to supporting SMPs and empowering them to provide the best possible service to their clients. IFAC acknowledges and appreciates feedback from IFAC's Small and Medium Practices Advisory Group and Forum of Firms representatives in the development of the series.

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

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