

FINANCIAL REPORTING COUNCIL

MONTHLY UPDATES (June & July 2025) – What's new from the International Federation of Accountants (IFAC)

The main topics for discussion at the IFAC during the period from June 2025 to July 2025 were with respect to:

June 2025

- 1. IAASB AND IESBA STAFF PROVIDE ANSWERS TO KEY QUESTIONS ON IMPLEMENTING ISSA 5000 AND IESSA**
- 2. NEW REPORT EMPOWERS CARIBBEAN ACCOUNTANTS TO DRIVE CLIMATE ACTION**
- 3. THE ADVISORY GAME-CHANGER: IFAC LAUNCHES TRAILBLAZING TOOL FOR SMALL BUSINESSES**
- 4. IAASB RELEASES NEW FAQ FOR THE ISA FOR LCE**
- 5. IESBA UPDATES WORK PLAN TO SUPPORT ETHICAL LEADERSHIP IN TIMES OF UNCERTAINTY**

July 2025

- 6. INSIGHTS AND ACTION FOR THE FUTURE OF BUSINESS RESILIENCE FROM THE IFAC PAIB ADVISORY GROUP**
- 7. IAASB REVISES FRAUD STANDARD TO ENHANCE PUBLIC TRUST**
- 8. IESBA AND IAASB ESTABLISH EXPERT GROUPS TO SUPPORT GLOBAL IMPLEMENTATION OF SUSTAINABILITY STANDARDS**
- 9. IAASB HIGHLIGHTS HOW REVISED STANDARDS REINFORCE PROFESSIONAL SKEPTICISM**

1. IAASB AND IESBA STAFF PROVIDE ANSWERS TO KEY QUESTIONS ON IMPLEMENTING ISSA 5000 AND IESSA

The Staffs of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) has on 11 June 2025 released two new publications to support implementation of the IAASB's and IESBA's global sustainability-related standards: the International Standard on Sustainability Assurance (ISSA) 5000 and the International Ethics Standards for Sustainability Assurance (IESSA).

Developed in close coordination and launched in January 2025, ISSA 5000 and IESSA provide a coordinated global assurance and ethics framework for sustainability assurance engagements. The new publications aim to highlight the interoperability of the two Boards' standards and to assist practitioners in the consistent application of the standards.

Frequently Asked Questions (FAQs) on Sustainability Assurance Engagements

These FAQs issued jointly by IAASB and IESBA Staff address practical questions about applying ISSA 5000 and IESSA together. They address the following areas:

- Identifying relevant ethical requirements
- Determining group and value chain components
- Using the work of another practitioner
- Addressing IESSA disclosure requirements in the assurance report

IESBA Staff Q&As on IESSA

The IESBA Staff Questions and Answers publication focuses on ethics and independence considerations for practitioners performing sustainability assurance engagements.

Topics covered include:

- The scope of the ethics and independence standards in IESSA
- Independence considerations for group sustainability assurance engagements, including value chain components
- Independence considerations applicable to using the work of another practitioner
- Providing non-assurance services to a sustainability assurance client
- Effective date of the IESSA

Note:

The joint IAASB and IESBA Staff FAQs are available on both the IAASB and IESBA websites; the IESBA Staff Q&A publication is available on the IESBA website.

2. NEW REPORT EMPOWERS CARIBBEAN ACCOUNTANTS TO DRIVE CLIMATE ACTION

In partnership with the Institute of Chartered Accountants of the Caribbean (ICAC), IFAC has released a timely report emphasizing the critical role of the accountancy profession in accelerating climate resilience and energy transformation across the Caribbean.

Launched on 17 June 2025 at ICAC's 42nd Annual Caribbean Conference of Accountants, [*Navigating the Energy Transition in the Caribbean: The Accountancy Profession Enabling Climate Resilience*](#) outlines how professional accountants can help address the urgent climate challenges facing the region by advancing decarbonization efforts and enabling access to climate-aligned investment.

"The accountancy profession plays an essential role in the Caribbean with climate transition. The profession brings its expertise and skills with governance, strategic planning, and risk assessments to allow better decisions to be made," said IFAC Chief Executive Officer Lee White.

"As part of the change at IFAC and how it operates, I am very focused on alignment of activities by IFAC and regional bodies of our global profession, and I am pleased to partner with ICAC on this report."

Climate Challenges Demand Professional Action

The Caribbean is on the front lines of climate change. Increasingly frequent extreme weather events and rising sea levels pose significant threats to long-term economic growth, infrastructure, and prosperity. Additionally, Caribbean nations rank among the world's most energy-insecure, with many heavily dependent on imported fossil fuels.

Transitioning to a low-carbon, climate-resilient future will require an estimated \$5–7 billion in upfront investment. Without adequate support and investment, the region risks being locked into high energy costs and missing out on the long-term benefits of clean energy and resilient infrastructure.

A Roadmap for Collective Impact

The report serves as both a call to action and a practical roadmap for the profession, offering case studies and recommendations for embedding climate considerations into business, accounting, and reporting practices. It encourages collaboration among accountants, governments, financial institutions, and development partners to align regional priorities with global climate goals.

"By strengthening, connecting and uniting the accountancy profession in the Caribbean, we enable our 12 member organizations and affiliates across the region to promote regional integration, knowledge sharing and peer learning to strengthen progress on the climate transition," said ICAC Chief Executive Officer David Simpson. "This report highlights the key areas in which the accountancy profession and professional accountants in the region can influence transformation to achieve a climate and energy transition for the Caribbean."

3. THE ADVISORY GAME-CHANGER: IFAC LAUNCHES TRAILBLAZING TOOL FOR SMALL BUSINESSES

The International Federation of Accountants (IFAC), in collaboration with the Edinburgh Group (EG), has on 18 June 2025 [launched](#) a pioneering online tool designed to help small- and medium-sized enterprises (SMEs) maximize the benefits of incorporating sustainability into their strategy and business operations.

Developed specifically for IFAC and EG members to provide to their own members, *The Small Business Sustainability Checklist* is an interactive tool that provides practical steps to future-proof businesses and boost sustainability practices. It is designed to be tailored by each business according to its industry sector, lifecycle, and products and services.

The innovative resource uses a simple self-assessment approach to score users' sustainability initiatives across environmental factors, social responsibility, and governance. It helps users identify risks and opportunities, which can inform a roadmap for improvement.

Lee White, IFAC Chief Executive Officer, said, "This checklist is a practical tool to help small businesses benchmark and track their sustainability efforts, providing the resources and guidance to help them take the first step or make progress from what they're currently doing."

In an environment of shifting sustainability regulations worldwide, the straightforward approach of *The Small Business Sustainability Checklist* arrives at a critical time for small and medium-sized practices looking to support their clients to tackle sustainability-related risks and unlock opportunities.

"This is all about building sustainable futures for both accounting practices and their clients, to face the global standards of today and tomorrow," White said.

CA Rajendra Kumar P., Chair of the Edinburgh Group, noted: "As a coalition of sixteen accountancy bodies from across the world that is focused on supporting small- and medium-sized practices and entities, the Edinburgh Group expects this new tool will be hugely beneficial to those who use it."

Peer-led content to deliver real-world examples

With interactive videos featuring real-world experiences from industry peers, the tool offers users firsthand insights into how fellow professionals are tackling sustainability challenges. By sharing practical strategies and best practices, these industry voices provide valuable context, helping accountants translate sustainability concepts into actionable steps for their own firms and for their clients.

"IFAC's new tool is more than just a guide to reporting, it's a resource that fosters best-in-class sustainability practices and helps firms develop advisory services," said industry leader Sarah Lawrance. "As accountants and small businesses, we have a responsibility to consider our

impact on the future, and this tool helps us all take meaningful action, no matter where we are on our journey.”

“This checklist sparks essential conversations between accountants and their clients,” Sarah added. “It empowers accountants to position themselves as sustainability leaders within their firms while also guiding their clients toward their own sustainability goals.”

4. IAASB RELEASES NEW FAQ FOR THE ISA FOR LCE

The International Auditing and Assurance Standards Board (IAASB) has on 30 June 2025 published a new [Frequently Asked Questions document](#) for the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE), its standard tailored for financial audits of smaller and less complex entities. This new FAQ addresses common questions received during webinars and outreach following the standard’s publication in December 2023, offering timely and practical clarifications. It also replaces a previously issued FAQ.

This release represents the final planned component of the IAASB’s implementation support package for the ISA for LCE, complementing the previously released adoption guide, fact sheet, first-time implementation guide, and other supplemental materials. Together, these resources provide a comprehensive suite of tools to support effective implementation.

The IAASB remains committed to supporting the adoption and implementation of the ISA for LCE through continued outreach and engagement with stakeholders, as well as with global and jurisdictional regulators.

While the FAQ does not amend or override the authoritative text of the ISA for LCE, it serves as a helpful tool to support consistent understanding and application of the standard.

Please explore the guide and additional resources at: www.iaasb.org/ISAforLCE.

5. IESBA UPDATES WORK PLAN TO SUPPORT ETHICAL LEADERSHIP IN TIMES OF UNCERTAINTY

At its June Board meeting, the International Ethics Standards Board for Accountants (IESBA) approved updates to its 2025-2026 Work Plan to better support ethical behavior and independent judgment in an increasingly volatile and uncertain environment.

Amid rapid shifts in financial markets, stakeholder expectations, and the regulatory landscape, the IESBA reaffirmed its commitment to strengthening the ethical foundations of accounting, business and finance.

“The current challenges require us to focus on what matters most: stronger ethical cultures, better support for global adoption of our standards, and a smarter, more responsive approach to our work,” said Gabriela Figueiredo Dias, IESBA Chair. “We’ve developed strong standards —

now it's time to focus on supporting their use in day-to-day decisions. The IESBA remains committed to helping professional accountants apply ethics in real-world contexts and to strengthening public trust where it's needed most."

The revised work plan reflects three key decisions:

I. A Resequenced Approach to the Firm Culture and Governance Project

Building on extensive stakeholder feedback and market analysis, IESBA remains firmly committed to taking decisive steps to address the cultural and governance dimensions at accounting firms that have implications for ethical behavior. Following up on the January 2025 landmark IESBA Firm Culture and Governance (FCG) [Working Group Report](#), over the next 6 months the IESBA will develop a series of IESBA viewpoints on the eight elements of an FCG framework highlighted in the Working Group report, including ethical leadership, accountability, and incentives and rewards. At the same time, the IESBA will develop a plan for practical guidance and other initiatives in 2026 to help firms foster ethical culture and embed values that support long-term trust.

By mid-2026, informed by its further engagement with stakeholders on the viewpoints, the IESBA will consider the approach to the development of the FCG framework to guide firms' cultural alignment and related governance practices, including consideration of the benefit of including the framework in the IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

This resequenced approach reflects the IESBA's leadership role in responding to ethical gaps in practice and strengthening public trust and confidence in the accountancy profession, while recognizing that the current volatile and uncertain context calls for increased support to market participants. This recognition is also reflected in the IESBA's strategic decision to slow down the issuance of new standards, especially in light of the adoption and implementation efforts required for the significant ethics and independence standards recently issued, including on sustainability reporting and assurance, tax planning and related services, group audits, definition of a public interest entity, and technological transformations in the accounting, assurance and finance functions.

II. The Introduction of the SMART Strategic Framework

To enhance the clarity, impact, and coherence of its activities, the IESBA approved the SMART framework — a new stakeholder-centric strategic lens to guide its work, driving effective consistency and strategic alignment. SMART stands for:

- **Simplification** of processes and outputs;
- **Mobilization** of stakeholders to act with impact and purpose;
- **Adoption** support of the IESBA Code across jurisdictions;
- **Responsiveness** to stakeholders in the face of emerging risks and expectations; and
- **Targeted Action** by tailoring efforts and engagement to different stakeholders.

This framework translates the IESBA’s vision into an operational roadmap that will shape planning, communications, and coordination across projects.

III. Slowing the Pace of Standard-Setting: A Reinforced Focus on Stakeholder Engagement and on Adoption and Implementation

Recognizing that to be relevant and impactful, robust standards require real-world application to drive change, the IESBA is stepping up its support for jurisdictions and professionals adopting and implementing the Code. Therefore, the IESBA is slowing the pace of new standards to allow consolidation of recently issued standards, with no new significant standards to be issued before 2027. The updated plan places increased emphasis on:

- Tailored stakeholder outreach and engagement
- Dedicated mechanisms to address challenges in the implementation of the Code
- Post-implementation reviews of significant recent standards
- Development of non-authoritative and other supporting materials and initiatives to aid implementation and application of standards issued over the last few years
- Coordination with IFAC and other global bodies as well as jurisdictional standard setters to address adoption barriers and increase support for the adoption and implementation of the IESBA Code

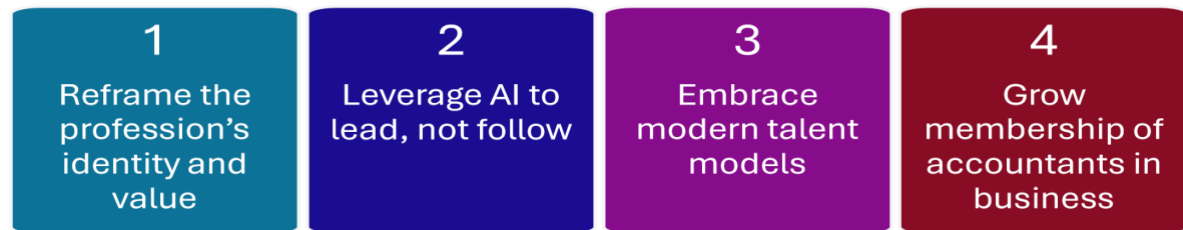
6. INSIGHTS AND ACTION FOR THE FUTURE OF BUSINESS RESILIENCE FROM THE IFAC PAIB ADVISORY GROUP

In the face of global economic volatility, technological disruption, and climate and sustainability pressures, [professional accountants in business \(PAIBs\) are playing critical strategic roles](#) in building trust, enabling resilient organizations, and delivering long-term value creation.

At the PAIB Advisory Group meeting hosted by the Japanese Institute of Certified Public Accountants (JICPA) in Tokyo, a diverse group of PAIBs was convened for a strategic discussion on how PAIBs are shaping the future of business and the public sector. With deep expertise, on-the-ground experience in leading organizations, and global reach across more than 20+jurisdictions, the global advisory group provides a unique and practical lens into how organizations navigate complexity, and the evolving priorities for our profession.

The new article from PAIB Advisory Group Chair Sanjay Rughani incorporates multiple insights and resources from the meeting into four actions that can redefine our profession’s role at the forefront of transformation:

- Reframe the profession’s identity and value;
- Leverage AI to lead, not follow;
- Embrace modern talent models; and
- Grow PAIB membership.



Relevant to the members' efforts in shaping the profession's future, the article highlights how professional accountants are not only supporting business performance but actively shaping it, guiding strategic shifts through integrated thinking and sustainability leadership, integrating AI into finance and business processes to boost productivity and embedding risk culture to better navigate uncertainty. These insights are grounded in real-world examples, including transformations underway at Fujitsu, the UK Civil Service, and evolving roles for PAIBs across IPO markets in Japan, India, and the US.

7. IAASB REVISES FRAUD STANDARD TO ENHANCE PUBLIC TRUST

The International Auditing and Assurance Standards Board (IAASB) has on 08 July 2025 revised [International Standard on Auditing \(ISA\) 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*](#). The updated standard responds to global scrutiny and stakeholder concern regarding the auditor's role in detecting fraud. The revised standard clarifies the auditor's responsibilities, emphasizes a fraud lens in the auditor's risk identification and assessment and the appropriate responses to assessed risks, and provides greater transparency in the auditor's reports of publicly traded entities.

In developing the revised standard, the IAASB undertook an extensive global consultation with regulators, users of financial statements, standard setters, and auditors across firm sizes and geographies. The revised standard's structure incorporates scalability and proportionality to support consistent and effective application across a range of audit engagements.

"These revisions directly address core public interest concerns regarding fraud," said IAASB Chair Tom Seidenstein. "By clarifying responsibilities, strengthening how auditors assess and respond to fraud risks, and enhancing transparency in reporting, the revised standard better supports high audit quality and delivers more decision-useful information to users of financial statements."

"Stakeholders made it clear: achieving consistency was necessary, but not sufficient," said Julie Corden, former IAASB member and Chair of the IAASB Fraud Task Force. "This standard represents a practical and meaningful shift in how auditors assess and respond to fraud risks."

Key Enhancements in ISA 240 (Revised)

The standard incorporates the following elements:

- **Clearer Auditor Responsibilities** – Strengthens and clarifies what auditors are expected to do when addressing risks relating to fraud.

- Reinforced Professional Skepticism – Introduces new requirements to elevate the consistency and effective practice of professional skepticism across all stages of the audit.
- Sharper Fraud Risk Assessment – Requires a focused “fraud lens” when identifying and addressing risks, with stronger links to related standards.
- More Effective Fraud Responses – Establishes a new section with clearer, enhanced requirements to guide how auditors respond to identified or suspected fraud.
- Improved Transparency and Communication – Emphasizes timely communication with management and those charged with governance, with clearer disclosures in the auditor’s report.

The revisions also align with ISA 570 (Revised 2024), *Going Concern*, recognizing that fraud and financial distress are often interrelated risks that must be addressed together to bolster corporate transparency and resilience.

Effective Date and Resources

ISA 240 (Revised) becomes effective for audits of financial statements for periods beginning on or after December 15, 2026. To support implementation, the IAASB has published a fact sheet and Basis for Conclusions, which is available on its website. A video series will follow in the coming weeks.

The IAASB encourages jurisdictions to consider early adoption of ISA 240 (Revised), ISA 570 (Revised 2024), and the forthcoming narrow-scope amendments for publicly traded entities as a cohesive package. Together, these standards provide a stronger, more coordinated response to the risks of fraud and financial distress.

8. IESBA AND IAASB ESTABLISH EXPERT GROUPS TO SUPPORT GLOBAL IMPLEMENTATION OF SUSTAINABILITY STANDARDS

- *The IESBA and IAASB have established technical expert groups to support effective global implementation of the two boards’ sustainability standards.*
- *Group members bring deep expertise and hands-on experience with the application of the IESSA and ISSA 5000 standards.*
- *The groups will provide timely, practice-informed feedback and help develop implementation resources that the IESBA and IAASB might commission to support consistent global application.*

The International Ethics Standards Board for Accountants (IESBA) and the International Auditing and Assurance Standards Board (IAASB) has on 10 July 2025 announced the recent formation of two expert implementation groups that will play important roles in supporting the effective implementation and application of the Boards’ recently released global sustainability standards:

- The IESBA’s **IESSA Implementation Monitoring Advisory Group (IIMAG)** will support the implementation of the *International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA)* and revisions to the IESBA code for sustainability reporting.

- The IAASB's **ISSA 5000 Technical Implementation Contact Group (TICG)** will support implementation of the *International Standard on Sustainability Assurance (ISSA 5000)*.

Each group comprises a diverse and globally representative set of professionals with a high level of familiarity with the standards and direct involvement in implementation-related activities. The IIMAG and TICG will provide regular feedback to the Boards to ensure that emerging issues relating to the implementation of the standards are identified and addressed timely, and that implementation support resources remain relevant and practical.

The work of these groups will support and contribute to IESBA and IAASB efforts to support stakeholders' adoption and implementation of IESSA and ISSA 5000, thereby helping build trust in sustainability information and advancing high-quality assurance practices worldwide.

For more information, please visit:

- [IESBA's IESSA Implementation Resources](#)
- [IAASB's ISSA 5000 Technical Implementation Contact Group details](#)
- [IAASB's ISSA 5000 Implementation Resources](#)

9. IAASB HIGHLIGHTS HOW REVISED STANDARDS REINFORCE PROFESSIONAL SKEPTICISM

The International Auditing and Assurance Standards Board (IAASB) has on 21 July 2025 released a new non-authoritative publication—[How the IAASB's Revised Going Concern and Fraud Standards Reinforce Professional Skepticism](#)—to assist stakeholders in understanding how the revisions to ISA 570 (Revised 2024) and ISA 240 (Revised) strengthen the consistent application of professional skepticism throughout the audit.

This publication, developed with input from the IAASB's Professional Skepticism Consultation Group, highlights key enhancements to both standards reflecting the IAASB's efforts to reinforce professional skepticism by addressing, among other matters, how auditors are expected to maintain a questioning mindset, consider contradictory evidence, and appropriately challenge management assumptions.

The [revised standards](#) are effective for audits of financial statements for periods beginning on or after December 15, 2026.

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

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