

IAASB

IESBA[®]

Agenda Item J-1

IAASB–IESBA Joint Board Meeting

IAASB-IESBA Strategic Coordination

Gabriela Figueiredo Dias, IESBA Chair

Tom Seidenstein, IAASB Chair

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September 21, 2023

Continued robust and transparent coordination

is paramount to the continued relevance and global impact of the IAASB and IESBA standards that together play a vital role in the external reporting ecosystem



Critical Success Factors for IAASB and IESBA



Emphasis on meeting key public interest objectives through:

- Effective and agile project delivery
- Continued robust and transparent IAASB-IESBA coordination
- Projects, Processes, and Outreach
- Development of Board and Staff resources, including in support of transition to staff-led model
- Constructive dialogue with PIOB/MG to support reform efforts
- Continued strong IFAC A&I and service level support

Coordination Successes So Far

IAASB

IESBA

| | |
|---|---|
| QM Projects (ISQM 1, ISQM 2 & ISA 220(Revised)) | QM-related Conforming Amendments & Objectivity of an EQR & Other Appropriate Reviewers projects |
| Group Audits project | Engagement Team-Group Audits Independence project |
| Listed Entity & PIE Project | Definitions of Listed Entity & PIE Project |
| | Role & Mindset project |
| Audits of LCE | |

Ongoing Coordination

Sustainability, Use of Experts, Fraud, Going Concern, Audit Evidence & Technology.

Remain alert to new, emerging or unanticipated developments in the environment



SWP 2024-2027

Discussion Topics



Setting aside the SSBs' current focus on Sustainability, are there pervasive or significant issues or drivers that are relevant to both Boards achieving their proposed goal/vision for the next strategy period?

What are the opportunities for coordination and linkages in the selected potential projects / work streams listed in Slide 12 (except for Sustainability)?

Strategy and Work Plan: Timeline

Publication Survey
to inform IAASB's
Work Plan 2022-
2023

May 2021

Consultation Closed
for IAASB's SWP
2024-2027

April 2023

Board discussion
on significant
comments received

September 2023

Approval of IAASB's
SWP 2024-2027

December 2023

April 2022

Publication Survey
to inform IESBA's
SWP 2024-2027

July 2023

Consultation Closed
for IESBA's SWP
2024-2027

September 2023

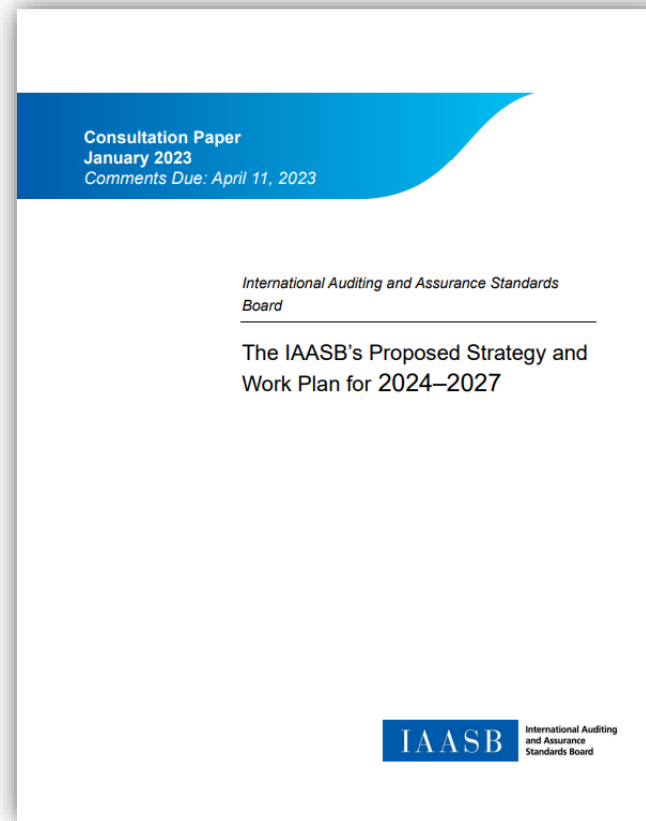
Board discussion on
significant
comments received

December 2023

Approval of IESBA's
SWP 2024-2027

IAASB and IESBA SWP Consultation Papers

What we
heard...



Summary of Respondents' Comments: IAASB

- General support for the proposed Strategy and Work Plan
- “Goal” was refined based on respondents feedback
- Strategic Drivers and Objectives supported – some suggestions to enhance
- Stable platform for standards over time
- Balance Between Audits and Reviews, and Sustainability and Other Assurance Engagements
- IAASB and IESBA to adopt a systematic approach to their coordination efforts

- Focus on the impact of technology – a more strategic, broadly considered approach
- Candidate topics for possible future ISA and ISRE projects supported, except joint audits
- Post Implementation Reviews: ISA 540 (R) and ISA 315 (R 2019)
- Strong support for a bespoke suite of Standards on Sustainability Assurance
- Need for sufficient time to implement ISSA 5000 before a project(s) for further standards
- Other: Support for updating EER guidance; XBRL ranked as low priority

Summary of Respondents' Comments: IESBA

General support for the proposed strategy and work plan

Strong support for Sustainability project as a top priority

Suggestion that all preparers of sustainability information should adhere to high standards of ethical behavior

MG members asked IESBA to intensify efforts on enhancing quality and clarity of the Code with others highlighting importance of evidence based approach

IESBA urged to consider the issue of firm culture and governance in light of persistence of ethical failures in firms

Recognition of the continual impact of technology

Use of PIRs seen as an important tool to assess need for further enhancements and other forms of modifications

Recognition of importance of stakeholder engagement and coordination with other standard setters



Summary of Key Comments on Coordination

IAASB

| |
|--|
| IAASB and IESBA should adopt a systematic approach to their coordination efforts |
| Aligning projects and relating timetables, and effective dates for related projects (if possible) |
| Including, in the Strategy and Work Plan, more specifics around the planned topics for coordination with the IESBA |
| Aligning definitions as closely as possible |
| Leveraging joint outreach activities |
| Opportunities for joint or complementary actions through standard-setting work |

IESBA

| |
|---|
| Collaborate to address topics of mutual interest, such as the use of consistent terms and definitions |
| Alignment of timetables and effective dates |
| Including questions that are relevant to both Boards to obtain views without using additional consultation papers |
| Staggering Board meetings and comment periods |
| Having joint or shared outreach events |
| Broaden coordination efforts to other international standard setters |

Since 2018, coordination between the two Boards has been operating under an established framework that sets out the general principles, criteria for coordination and other key considerations. Since then, the two Boards have continued to identify new means to ensure matters of mutual interests are addressed more efficiently such as the use of correspondent members in working groups and task forces and the inclusion of relevant questions in the other Board's exposure drafts and outreach events.

Axis of Coordination on Ongoing Projects and Selected Potential Projects / Work Streams

IAASB

Ongoing Projects / Work streams

IESBA

- Sustainability Assurance
- Audit Evidence (ISA 500)
- Going Concern (ISA 570)
- Listed Entity and PIE (Track 2)
- Fraud (ISA 240)

- Sustainability
- Use of Experts
- CIVs/ Pension Funds and Investment Companies

IAASB

Selected Potential Projects / Work Streams

IESBA

- Technology and Other Modernizations in Revising ISA 330 and Targeted Standards in the ISA 500-series
- Materiality (ISA 320)
- Review of Interim Financial Information

- Firm Culture and Governance
- Role of CFOs and Other Senior PAIBs
- Business Relationships
- Audit Firm – Audit Client Relationship



Common Focus on Sustainability

Sustainability Standards Infrastructure

Sustainability Reporting and Assurance

Standardized approach for **reporting** information



Reliable, comparable and decision useful information

Reporting Standards

Standardized approach for providing independent **assurance**



Credible and trustworthy information

Assurance Standards



Ethical mindset and behaviors to guide judgments and drive actions



Trustworthy information that is factual and not misleading



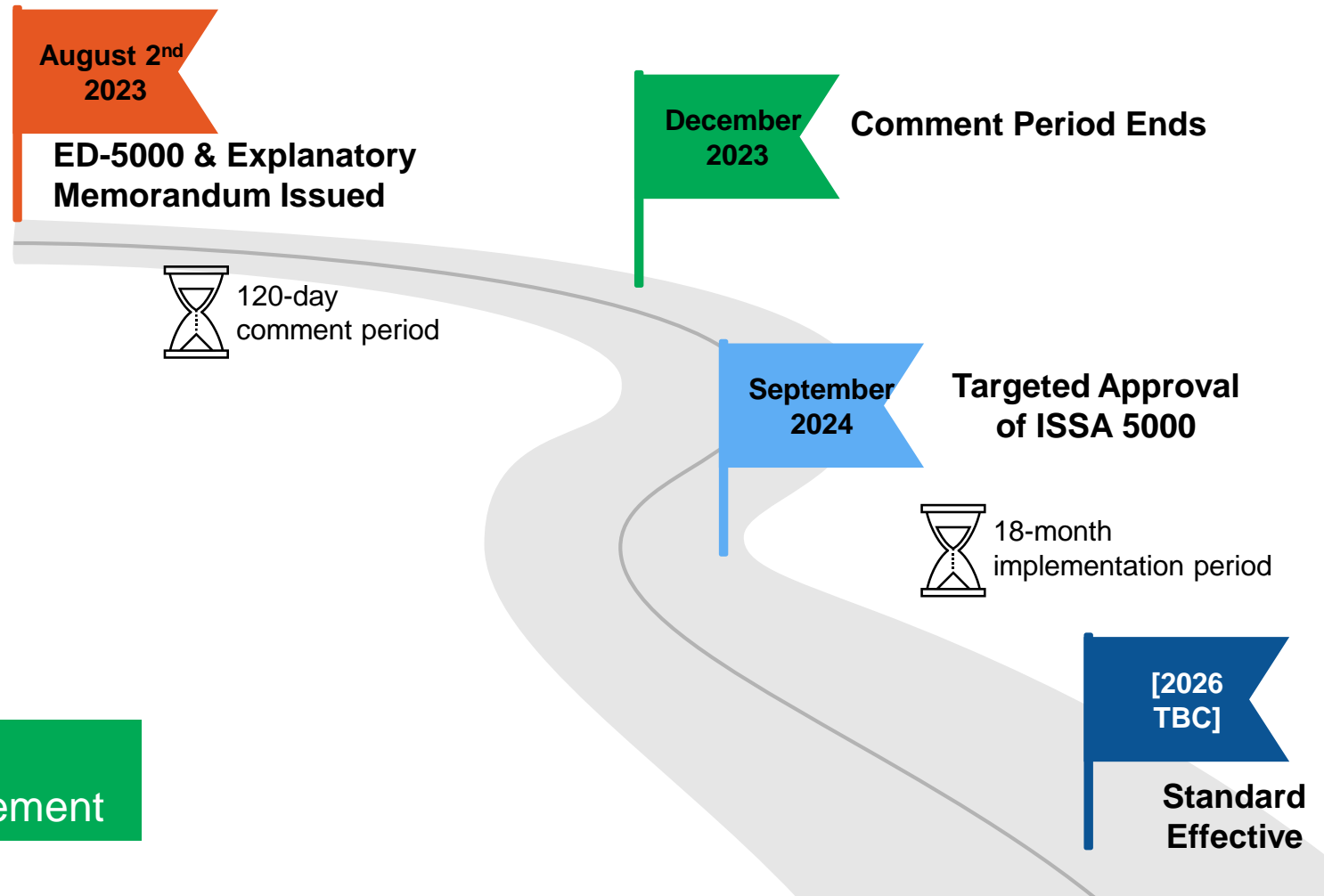
IESBA – Ethics and Independence Standards

Sustainability Assurance: IAASB

ISSA 5000:

- Global baseline - Overarching Standard
- All Sustainability Topics
- Reporting Framework Neutral
- Profession Agnostic
- Limited and Reasonable Assurance

Fundamental Premises:
Ethical Requirements and Quality Management



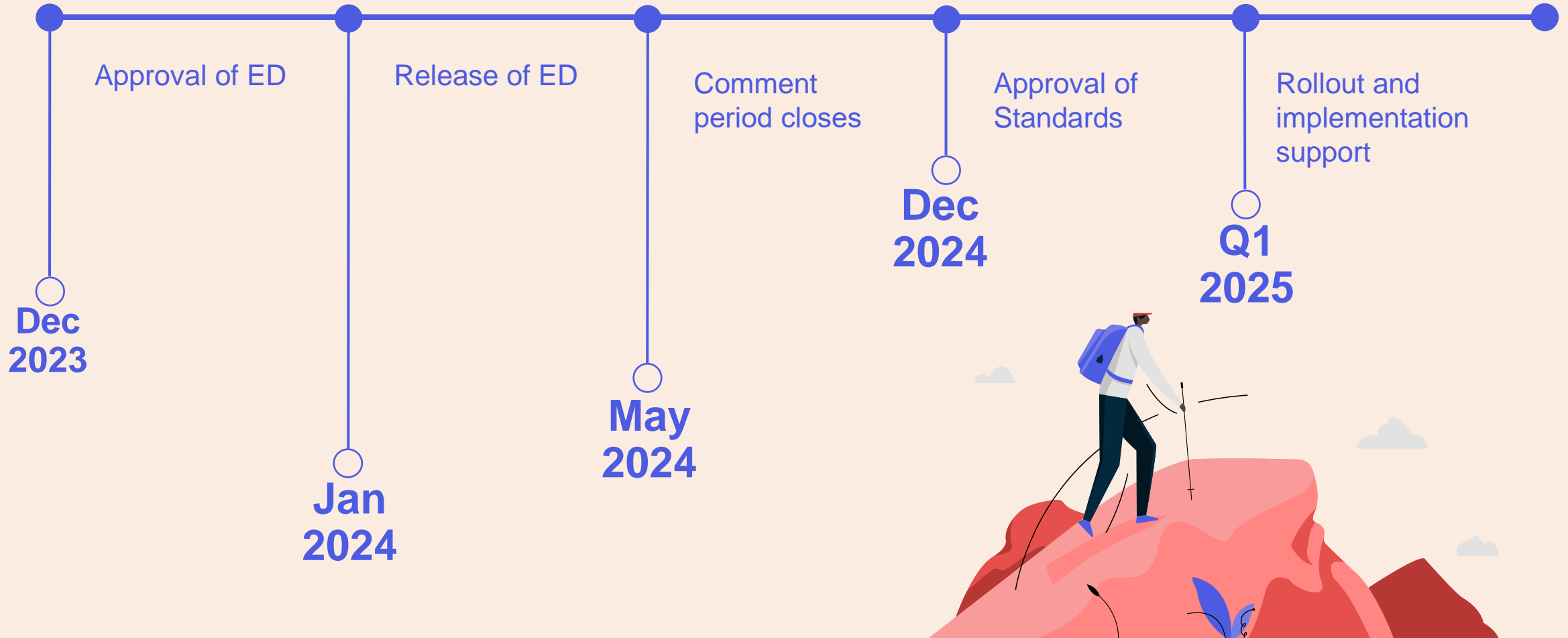
IESBA - SUSTAINABILITY REPORTING AND ASSURANCE

Professional agnostic
standards for
sustainability assurance
equivalent to audits

A new Part 5 applicable
to all sustainability
assurance practitioners

Ethics standards for
sustainability reporting
for PAs only

Framework neutral



Discussion Topic



What are other opportunities or challenges for coordination on the current IAASB and IESBA Sustainability projects that are due to be finalized in 2024? Are there other lessons learned from our coordination experience on those projects to date?

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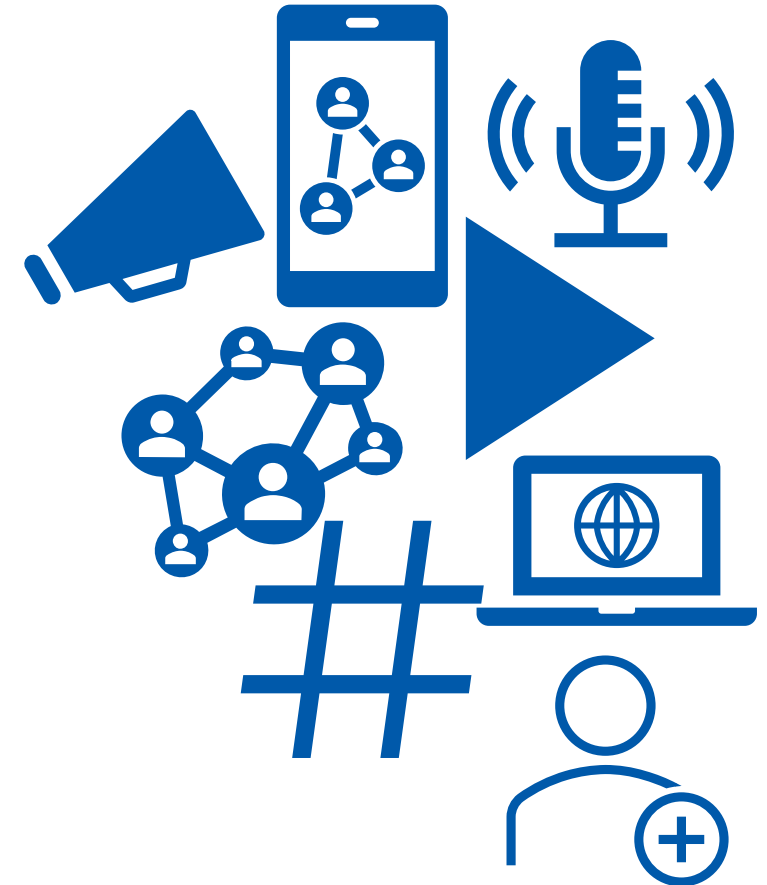
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Appendix



**International Ethics
Standards Board for
Accountants**



**International Auditing
and Assurance
Standards Board**

Strategic Goal/ Vision

IAASB – Strategic Goal

To serve the public interest by:

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

IESBA – Strategic Vision

To achieve global recognition and acceptance of its ethics (including independence) standards as being a cornerstone to ethical behavior in business and organizations, and to public trust in financial and non-financial information that is fundamental to the proper functioning and sustainability of organizations, financial markets and economies worldwide.

Strategic Drivers

| IAASB | | IESBA |
|---|---|--|
| Increased and More Diverse Demand for Our Standards | Impact of technology | Rapidly Growing Market Demand for Sustainability |
| | Sustainability reporting and other evolving areas for assurance engagements | Heightened Stakeholder Expectations for Greater Timeliness |
| | Diverse demands across the spectrum of stakeholders reflecting the breath of the global economy | The Expanding Roles of Professional Accountants in Business |
| | Heightened supervisory scrutiny | Ongoing Impact of Technological Transformations |
| | Supporting the implementation of our standards | Heightened Stakeholder Expectations for Greater Timeliness |
| Confronting 'headwinds' to global adoption of standards | Value of cooperation across independent standards-setting bodies | Trust Crisis and Other Repercussions from Recurring High-profile Corporate Failures |
| | Evolving expectations around sustainability assurance- | The Imperatives of Quality and Global Acceptance of the IESBA's Standards |
| | Impact of and reasons for jurisdictions developing their own standards | Global Operability of the IESBA's Standards |
| | Increasingly complex to manage global engagement with new stakeholders | Further Increasing Global Adoption of the Code and Supporting Its Effective Implementation |
| Changing Demands to Our Ways of Working | Implement the Monitoring Group reforms | |
| | Attract top talent at the Board and Staff levels | |
| | Increasingly tight timelines to meet heightened expectations | |
| | Ability to leverage technology | |

Strategic Objectives/ Themes

| IAASB – Strategic Objectives | IESBA – Strategic Themes |
|---|--|
| Support the consistent performance of quality audit engagements by enhancing our auditing standards in areas where there is the greatest public interest demand | Strengthening the Code or responding in other ways in areas beyond sustainability reporting and assurance |
| Establish globally accepted standard(s) for assurance on sustainability reporting | Enhancing trust in sustainability reporting and assurance |
| Strengthen coordination with IESBA and other leading standard setters and regulators to leverage better collective actions in the public interest | Further enhancing the diversity of stakeholder perspectives and the global operability and acceptance of the IESBA's standards |
| Create more agile, innovative ways of working in line with the Monitoring Group's reform vision | Widening the influence of the IESBA's standards through a continued focus on adoption and implementation |

Possible Future Projects / Work Streams

| IAASB (as presented to the Board in September 2023) | IESBA (include pre-commitments) |
|---|---|
| Audits and Reviews | Firm Culture and Governance |
| Options considered with respect to the current Audit Evidence project and revising ISA 330 (Responses to Assessed Risks) and targeted standards in the ISA 500-series (520, 530, 505, 501), with a strong overall focus on the impact of technology | Role of CFO's and Other Senior PAIBs |
| Materiality (Revision of ISA 320) | Business Relationships |
| Review of Interim Financial Information (Revision of ISRE 2410) | Audit Firm – Audit Client Relationship |
| Using the Work of an Auditor's Expert (Revision of ISA 620) | Definitions and Descriptions of Terms |
| Auditor Responsibilities Relating to Other Information (Revision of ISA 720) | Custody of Data and Data Governance |
| Sustainability and Other Assurance Engagements | Communications with Those Charged With Governance |
| Actions to complement the adoption and implementation of ISSA 5000, including updating the EER Guidance | CIVs/Pension Funds and Investment Company Complexes |
| Further standards in the ISSA-series [placeholder] | PIR – Non-compliance with laws and regulations |
| Post-Implementation Reviews | PIR – Long Association |
| ISA 540 (Revised) – Accounting Estimates | PIR – Restructured Code |
| ISA 315 (Revised 2019) – Risk Identification and Assessment | PIR – NAS and Fees |
| | PIR – Definition of Public Interest Entity |