

Agenda Item 1-A: Sustainability Assurance

IAASB Mid-Quarter Board Call
July 24, 2024



IAASB-IESBA coordination on a defined, manageable list of topics

Benefitting from staff analysis, feedback from the IAASB and IESBA Exposure Drafts and other consultations, and the Public Interest Issues, the Boards are working on the following issues:

- Select definitions and terms
- Premises of quality management and relevant ethical requirements
- Group assurance engagements, including group and value chain components
- Using the work of another practitioner
- Using the work of a practitioner's expert
- Communication with the auditor
- Select matters on transparency in the assurance report
- Effective date of standards

OBJECTIVE: Alignment to the appropriate extent of all the above

Coordination Status for Identified Topics

Topic	IESBA Position	IAASB Position
Definitions of Sustainability Information and Sustainability Matters	<i>Agreed in principle</i> <ul style="list-style-type: none"> Common core definitions, using the same wording Add essential or application material to provide specific context for the purposes of each Board's standards 	
Definition of Relevant Ethical Requirements (RER) in ISSA 5000	Does not need a definition, but ISSA 5000 definition should recognize that RER ordinarily comprise the provisions of the IESBA Code (same construct as in other standards)	<i>Action to resolve, agreed by Board</i> Add back previously deleted wording that refers to the IESBA Code, subject to edits to align with other references in ISSA 5000
Premises of quality management (QM) and RER	<i>Fully aligned</i> <ul style="list-style-type: none"> ISSA 5000 premised on application of ISQM 1 and the IESBA Code or requirements that are “at least as demanding” IESBA refers to “applicable assurance standards” and ISQM 1 as an example in the case of ISSA 5000 IAASB’s original three-tier approach revised – removed possibility of a firm determination of “at least as demanding” 	

Coordination Status for Identified Topics (cont.)

Topic	IESBA Position	IAASB Position
Group assurance engagements, including group and value chain components	<i>Fully aligned on principles; final wording pending</i> <ul style="list-style-type: none"> • Use same underlying concepts: reporting boundary, group, group sustainability information, group sustainability assurance engagement, and components • Adopted and use “group components” and “value chain components” • IESBA has additional definitions to fit their needs, e.g., group sustainability assurance client and group sustainability assurance firm 	
Using the work of another practitioner	<i>Fully aligned on principles; final wording pending</i> <ul style="list-style-type: none"> • A component practitioner is part of the engagement team • Another practitioner (AP) is not part of the engagement team • IESBA and IAASB’s approach regarding definitions aligned, not precluding additional definitions to fit each Board’s needs, e.g., component firm 	
[*** IIS – International Independence Standards]	<i>In process</i> IIS ^{***} only apply to assurance work and sustainability assurance engagements. No independence requirements for another practitioner doing non-assurance work	<i>In process</i> Uses “work” to accommodate variety of work on different topics done by “another practitioners” that could be used for the assurance practitioner’s purposes
	To agree on distinction between “assurance work” and “non-assurance work”	

Coordination Status for Identified Topics (cont.)

Topic	IESBA Position	IAASB Position
<p>Using the work of another practitioner (cont.): IOSCO C1 issue – work of another practitioner relating to a group component</p> <p>[*** ET – Engagement Team]</p>	<p>Not an issue for IESBA – will follow IAASB’s approach regarding another practitioner</p>	<p><i>Addressing, IOSCO engagement</i></p> <ul style="list-style-type: none"> • Presumption of involvement in work for a group component; is a component practitioner (part of ET^{***}) • “Another practitioner” (not part of ET^{***}) that did work for a group component is a reality. Clarify when acceptable and what is required
<p>Using the work of a practitioner’s expert</p> <p>[IESBA project addresses Parts 3 and 5 of the Code – here only considered for sustainability assurance engagements]</p>	<p><i>Agreed in principle; final wording pending</i></p> <ul style="list-style-type: none"> • ISSA 5000 to provide a “bridge” to RER that specify requirements and guidance for competence, capabilities and objectivity (CCO) of <u>external experts</u> • Including, if <u>external expert</u> does not have the necessary CCO = unable to use • There will be some duplication in considerations in ISSA 5000, which also applies to <u>internal experts</u>, and which is RER-neutral 	
	<p><i>In process</i></p> <p>“Expertise” – Knowledge and skills in a particular field</p>	<p><i>In process</i></p> <p>“Expertise” – Skills, knowledge and <u>experience</u> in a particular field</p>

Coordination Status for Identified Topics (cont.)

Topic	IESBA Position	IAASB Position
Communication with the auditor of the financial statements	<i>No issue – final check needed</i> To update communication relating to NOCLAR – will now be consistent with extant Code	<i>No issue – final check needed</i> <ul style="list-style-type: none"> To check that communication requirements relating to NOCLAR is aligned with Code Two other matters specific to IAASB
Transparency in Assurance Report – when practitioner applied independence requirements for PIE	<i>Fully aligned</i> <ul style="list-style-type: none"> IESSA (Part 5) mirrors requirement in extant Code to publicly disclose when practitioner applied independence requirements for PIE ISSA 5000 mirrors ISA 700 (Revised) as updated through PIE Track 1 project 	
Transparency in Assurance Report – disclosure of fee related information	<i>Fully aligned</i> <ul style="list-style-type: none"> IESSA (Part 5) mirrors fees disclosure requirements in extant Code, including that assurance report is one of the options for such disclosure Nothing needed in ISSA 5000; IESBA FAQ to clarify if assurance report is used, disclosure can be done in the “Other reporting responsibilities” section 	
Effective date of standards	<i>In process</i> Committed to align	



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