



## PIOB's Public Interest Issues - IAASB projects

(document updated as of June 2025)

The PIOB's Public Interest Issues presented in this document are based on the status of the IAASB's projects after the IAASB March 2025 meeting and the PIOB meeting in April 2025. For each selected project, brief background information and project status are provided, followed by the identified Public Interest Issues. The Public Interest Issues may contain questions or concerns relating to the responsiveness of specific initiatives and projects to the public interest. We encourage the IAASB to consider these questions and concerns during the due process of developing the relevant standards.

For further information and details about the IAASB projects, please refer to the website: <http://www.iaasb.org/consultations-projects>.

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### **Use of main acronyms and abbreviations**

Code	The IESBA's Code of Ethics
ED	Exposure Draft
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
ISA	International Auditing Standards
ISAE	International Standard on Assurance Engagements
ISSA	International Standard on Sustainability Assurance
ISQM	International Standard on Quality Management
ISSA	International Standard on Sustainability Assurance
PIOB	Public Interest Oversight Board

## **1. ASSURANCE ON SUSTAINABILITY REPORTING (ISSA 5000)**

### **Background**

Following the PIOB certification of the IESBA and IAASB sustainability standards, completed in January 2025, market participants and policymakers around the world now have a robust global baseline to instill confidence in sustainability reporting. Sustainability reporting has wide relevance for users both within and outside of capital markets and it requires additional information sources and the exercise of key judgments beyond financial reporting. There are also heightened risks, such as greenwashing, where organizations might seek to misrepresent their performance. Avoiding such risks, which could undermine public trust and capital flows into sustainable development, is clearly in the public interest.

The IAASB sustainability assurance standard, ISSA 5000, has been developed in an accelerated timeline, to meet, to the greatest extent possible, the expectations of users placing reliance on reported information. The next step is a successful implementation of ISSA 5000, which will not only require further work of the IAASB,

but also significant input from assurance practitioners, regulators, preparers and those charged with governance<sup>1</sup>.

As sustainability reporting and assurance are at the start of a long journey and the new IAASB standard is central to this journey, it will necessarily need to evolve in line with public interest needs. The PIOB is encouraging all stakeholders to share feedback from implementation, draw key lessons from experience, to enable timely refinements to the standard.

### **Status**

The IAASB approved ISSA 5000 in September 2024, and the PIOB certified in November 2024 that it followed due process and is responsive to the public interest. The Public Interest Issues below reflect the key matters noted in the “Background” section above and highlight those areas that require further refinement in the context of necessary evolution of the standard.

#### **1.1. Supporting implementation through monitoring and rapid response**

As sustainability assurance is a relatively new field and ISSA 5000 is an overarching standard, it should be foreseen that questions will arise, and necessary clarifications will be needed across jurisdictions as sustainability assurance practitioners start implementing the standard.

The PIOB encouraged the IAASB to create an effective monitoring and rapid response mechanism(s) to monitor and identify implementation challenges and to respond to them appropriately. In this context, the PIOB welcomes the establishment by the IAASB of the “Sustainability Assurance Implementation Group” (SAIG) and the “ISSA 5000 Technical Implementation Group” (TICG) to provide insights, feedback or advice on identified areas relating to the implementation of ISSA 5000. Engaging all relevant stakeholders as an integral part of the monitoring and rapid response mechanism(s), will help ensure the successful adoption and implementation of ISSA 5000 through wide collaboration within the sustainability ecosystem, which is undergoing constant evolution in various jurisdictions.

The PIOB also emphasized the need for coordination with the IESBA and welcomes the appointments of an IESBA observer on the TICG and an IAASB observer on the corresponding working group of the IESBA, as a first step in this regard.

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<sup>1</sup> The PIOB notes that, in the context of implementation of the global standards on sustainability assurance, there are public interest matters beyond the remit of the IAASB. The implementation will require a robust level of public interest oversight, where regulators and those charged with governance have a role to ensure that preparers of the sustainability information as well as assurance providers have the appropriate skills and experience and comply with ethical reporting and assurance standards.

## **1.2. ISSA on Group sustainability assurance**

We assume that ISSA 5000 will be most likely at first applied on assurance engagements of sustainability reporting by large corporations, which mostly have group structures and require input of diverse professionals. The PIOB welcomed the initiative of the IAASB to address our earlier concerns in respect of group structures, by including overriding principles as an interim measure within ISSA 5000 to group sustainability assurance. The PIOB recommends the IAASB, as part of its future work on sustainability, address in further detail matters specifically related to group assurance engagements, potentially in a dedicated ISSA similar to ISA 600 (Revised), or in a future development of ISSA 5000. This could include matters such as materiality, supervision of the work of component practitioners, value chain components and communication among members of the engagement team, among others.

## **1.3. Communication between different assurance providers**

Based on the inter-connectivity between sustainability and financial reporting, the PIOB underlines the importance of broader two-way communication between various assurance providers, to ensure adequate and timely follow-up of identified issues in both the financial statements audit and the sustainability assurance engagements. While communication may be more straightforward where the financial statements auditor is from the same firm, or a member of the same network, as the sustainability assurance provider, the communication is necessary in all cases, including where different individuals and firms are involved.

The PIOB noted that, due to time constraints and recognizing the overall benefits of finalizing the new standard before the end of 2024, ISSA 5000 only contains requirements for one-way communication, without consequential amendments to relevant ISAs. The PIOB encourages the IAASB to address the need for two-way communication in future sustainability-related work on the ISAs, including the issues of confidentiality and timing of sustainability and financial reporting.

## **1.4. Key audit matters in sustainability assurance reports**

One of public interest considerations during the development of ISSA 5000 was whether to include a requirement for Key Audit Matters (KAMs) in the sustainability assurance report. The PIOB notes that the IAASB concluded not to include such a requirement, even in the instance of public interest entities (PIEs), with reasoning in

this regard explained in terms of the balance between costs and benefits. We acknowledge and support the IAASB's commitment to consider addressing the use of KAMs in the future development of the sustainability assurance standards.

## **2. FRAUD (ISA 240)**

### **Background**

A holistic enhancement of the role that auditors play in the identification and reporting of fraud in financial statements audits and narrowing the related expectation gap is needed and overdue. Therefore, the PIOB has supported the project to enhance ISA 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements" as a high priority.

### **Status**

The Exposure Draft ED-240 was approved at the December 2023 Board meeting and subsequently issued with a deadline for comments by 5 June 2024. The IAASB unanimously approved the final pronouncement of ISA 240 (Revised) in March 2025. In July 2025, the PIOB will assess whether the approved standard followed due process and is responsive to the public interest, as part of the certification process.

The following Public Interest Issues were put forward for the IAASB's consideration prior to the final approval of the standard.

### **2.1. Strengthening requirements in respect of fraud**

The PIOB has welcomed the IAASB's intention to strengthen, and not just clarify, the auditor's responsibilities within ISA 240. Inherent audit limitations should not be perceived as diminishing an auditor's responsibilities to identify material misstatements due to fraud. The standard should clearly enhance and articulate the auditor's work effort in respect of fraud to sufficiently address the risk of misstatements and to bring this risk to an acceptably low level.

The PIOB has encouraged the IAASB, in pursuing the project objective, to explore how the auditor should consider aspects such as external sources of information, culture, tone at the top, the role of the group auditor in respect of the risk of material misstatement at a component level, and the use of IT tools, and consider how these could impact the detection of fraud.

The PIOB has also welcomed the requirements in the risk assessment process: "suspected" and identified fraud; consideration of significant deficiencies in internal controls, which may help preventing or detecting fraud, professional skepticism and professional judgment required throughout the audit; additional procedures which the auditor may be required to perform; and new requirements on the communication

with those charged with governance and on documentation. All these provisions should strengthen the auditor's responsibility in the fraud area and help address the expectation gap.

## **2.2. Transparency requirements and impact of fraud on auditor's report**

Auditors have an important role to play in providing early warning relating to fraud through two-way and ongoing communication with those charged with governance and with external authorities and, where appropriate, in the auditor's report. The set of requirements about what the auditor needs to disclose can be expected to drive changes in auditor behavior, and in turn contribute to enhanced transparency in management's and those charged with governance's reporting on fraud, thus helping to further address the expectation gap.

We acknowledge the outreach conducted by the IAASB to specific groups of stakeholders which gathered input in respect of various options for enhancing transparency in the auditor's report. The PIOB believes that the inclusion of a separate section in the auditor's report describing the identified and assessed fraud risks, the auditor's response and the relevant findings/observations, would strengthen transparency and is in the public interest. In this respect, the PIOB encouraged the IAASB to explore this approach to achieve consistent presentation of fraud-related matters in all auditor's reports, i.e. both those which do, and which do not, contain the KAM sections. According to the revised ISA 240, the PIOB acknowledges the IAASB decision to retain the approach in the ED-240, where fraud related information would be included under the "Key Audit Matters" (KAM) section, as a filtering mechanism for auditors to determine what and when to communicate about fraud in a manner that is entity specific. The PIOB is of the view that such approach risks reducing the emphasis given to fraud and notes that it would be required only when the auditor's report contains the KAM section, i.e. for listed entities or publicly traded entities (once the PIE Track 2 project is approved and becomes effective).

## **2.3. Auditor's role with respect to the authenticity of documentation**

The PIOB acknowledges the IAASB decision to consider this issue as part of the Audit Evidence and Risk Response project as it has a broader impact beyond the scope of the Fraud project and consequently this Public Interest issue is now presented under Section 3 (PII 3.5).

## **2.4. Impact of ISA 240 on other standards**

The PIOB has called for the Fraud project to focus not only on ISA 240, but also on identifying revisions to strengthen requirements in other standards. Specifically, it is

important to consider revisions which have the potential to drive significant changes in the attitude and behavior of auditors throughout the audit process, including testing internal controls and through the exercise of professional skepticism and professional judgment. In this respect, the PIOB notes the provisions that add a fraud lens in proposed ISA 240 in applying certain requirements of ISA 220 (Revised), ISA 315 (Revised) and ISA 330.

While transparency on fraud is an important consideration for the auditor's report, the PIOB has noted that other projects, including Going Concern, also have implications for the auditor's report. The PIOB has therefore welcomed the coordination among the different IAASB task forces considering issues involving enhanced transparency.

## **2.5. Coordination with the IESBA in respect of fraud**

The PIOB notes the importance of the IAASB coordinating with the IESBA (for potential changes needed in the Code of Ethics), and with the other stakeholders involved in the corporate reporting ecosystem. However, changes elsewhere in the ecosystem do not diminish the need to strengthen the auditor's responsibilities in relation to fraud.

## **3. AUDIT EVIDENCE AND RISK RESPONSE (ISA 330, ISA 500 AND ISA 520)**

### **Background**

The IAASB undertook a public consultation in 2022 on ED-500 "Audit Evidence" but subsequently decided to pause the project with a re-scoping in mind, including a focus on Technology and Internal Controls. As a result, during 2024 the IAASB carried out further work to identify, understand and scope a new project: *"Standards that address Audit Evidence and the Auditor's Responses to Assessed Risks of Material Misstatement"* (the "Audit Evidence and Risk Response" project). This project assumes concurrent revisions of ISA 330 (*The Auditor's Responses to Assessed Risks*), ISA 500 (*Audit Evidence*), and ISA 520 (*Analytical Procedures*).

### **Status**

The IAASB approved the project proposal for Audit Evidence and Risk Response in December 2024 and the project team has been working on identified issues. In line with the update prioritizations within the Strategy and Work Plan 2024-2027, the project is expected to be finalized in 2027.



### **3.1. Scoping and objectives of the project**

The PIOB continues to regard the overarching topics of audit evidence, risk response, technology and internal controls, which are fundamental to audit methodology, as highly relevant to the public interest through higher quality work from auditors. The PIOB welcomes that the project proposal sets out the specific objectives for this project as they relate to the Public Interest Framework. This will help to ensure that the entire project stays focused, and that its public interest objectives are achieved in a timely way.

### **3.2. Audit evidence aspects of the project**

The PIOB welcomes the fact that the project proposal considers several important topics to strengthen the ISA requirements around audit evidence:

- the auditors' role in respect of evaluating the relevance and reliability of information which is used as audit evidence, including clarification of the principles behind the use of analytical procedures and identification of possible fraudulent information or unreliable sources of information;
- encouraging auditors, where appropriate, to seek external sources of specific information, which could contradict or corroborate audit evidence obtained from the client;
- strengthening of professional skepticism in evaluating whether there is sufficient appropriate audit evidence obtained to support the opinion and regarding the reliability of information which will be used as audit evidence, including cases when there is inconsistency in audit evidence;
- clarifying how the various stand-back requirements across the ISAs work together.

The PIOB emphasizes the importance of considering the balance between Application Material and Requirements relating to persuasiveness of audit evidence in the revised standard. It is crucial to justify decisions made for the standard by PIF qualitative characteristics, with a focus on its clarity and enforceability; all in view of driving improved auditors' behavior and increased audit quality.

### **3.3. Internal control aspects of the project**

The PIOB welcomes the IAASB's intention to address through this project instances of inconsistent requirements of ISAs in respect of internal controls to enhance audit quality:

- make clear in which circumstances an auditor is required to test internal controls, thereby overcoming the limitations of substantive testing;



- clarify how to address situations where there is a lack of internal controls or inconsistent operations of controls, including deficiencies in pervasive internal controls, such as IT general controls or segregation of duties, within an entity;
- enhance the exercise of professional skepticism in designing and performing tests of controls, strengthen or clarify relevant requirements and application material.

In the context of the intended enhancements of the standards, the PIOB emphasizes the importance of public interest in achieving increased audit quality through clearer and enforceable requirements in the area of internal controls.

### **3.4. Importance of Using Technology**

The PIOB welcomes the IAASB's intention to address various aspects of technology in the standards relating to audit evidence and risk response through the project's focus on the following:

- Principle-based, scalable and proportional requirements and application material relating to the use of automated tools and techniques (ATT), including exploration of instances where the use of ATT may be appropriate or even required.
- Relevance and reliability of audit evidence when using ATT, including caution against the possible overreliance on information from certain sources. In this context, the PIOB encourages further outreach with regulators on the risks of improper overreliance on technology tools in audit or overreliance by auditors on IT General Controls of audited entities, according to their inspection findings.

The PIOB underlines that technology is not only relevant in respect of audit evidence and risk response but is a more pervasive theme throughout the whole suite of ISAs, and therefore important for the future evolution of audit (see section 5).

### **3.5. Auditor's role with respect to the authenticity of documentation**

During revision of ISA 240, "The auditor's responsibilities related to fraud in an audit of financial statements", the IAASB decided to delete the following sentence from the standard: *"Unless the auditor has reason to believe the contrary, the auditor may accept records and documents as genuine"*. It was however retained in ISA 200, "Overall objectives of the independent auditor and the conduct of an audit in accordance with ISAs", (application paragraph A24). The retention of the above-mentioned sentence raises concerns about the degree of professional skepticism required of auditors across the ISAs, including requirements on robustness of audit evidence. The PIOB notes that some major scandals over the last years involved auditor failures with respect to falsified documents, which generated an expectation that audits should include some procedures to consider this risk.

The PIOB welcomes the IAASB's intention to address this concern in relation to the Audit Evidence and Risk Response project, including the need for consequential amendments in ISA 200.

## **4. LISTED ENTITY AND PUBLIC INTEREST ENTITY**

### **Background**

The IAASB aim is to address the impact of revisions of Listed Entity and Public Interest Entity (PIE) which have been updated in the Code of Ethics. In the first phase of this project (Track 1, certified by the PIOB in 2023), transparency requirements regarding independence in the audit report (ISA 700) and in communication with those charged with governance (ISA 260) were addressed. The current phase (Track 2) is envisaged as a broader project addressing convergence of concepts between the Code, ISQMs and other ISAs, and whether differential requirements should be extended to PIEs.

### **Status**

The Exposure Draft with narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised) was approved at the December 2023 IAASB meeting and subsequently issued, with a deadline for comment by 8 April 2024. The IAASB has discussed proposed revisions to the Exposure Draft based on feedback received, as well as the impact of the IESBA's updated Staff Questions and Answers (Staff Q&A) publication<sup>2</sup>, which addresses 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.

In February 2025, the IAASB issued a post-exposure consultation with a deadline for comments by 27 March 2025. The IAASB will consider the comments received and next steps in June 2025.

### **4.1. Coordination with the IESBA to ensure alignment between the ISAs, ISQMs, and the Code**

The definition of PIE is crucial to determine the categories of entities that are subject to stricter requirements in the ISAs, ISQMs and the Code of Ethics.

The PIOB notes the coordination between the IESBA and the IAASB, which is of critical importance to ensure alignment of the ISAs with the Code of Ethics and the consistent application of the two sets of standards. The PIOB supported the IAASB's proposals in its exposure draft to include, in the ISQMs and ISAs, the relevant provisions in the Code of Ethics relating to PIEs, including the definition of three mandatory categories

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<sup>2</sup> IESBA Staff Q&A - Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code, updated September 3, 2024 (<https://www.ethicsboard.org/publications/iesba-staff-qa-revisions-definitions-listed-entity-and-public-interest-entity-code>)



of PIEs and replacing “listed entity”. with the definition of “publicly traded entity” in the Glossary. This is a good example of leveraging the work of the IESBA and moving in the direction of harmonization with the Code of Ethics.

The PIOB notes the IAASB’s subsequent decision, following feedback received and the impact of the IESBA’s updated Staff Q&A publication, to revise its proposals to only adopt the definition of “Publicly Traded Entity”, replacing current references to “Listed Entity”, and without adopting the PIE definition. The PIOB recommended and supported that as part of the public consultation the IAASB clearly articulates why it is not viable to adopt a conditional requirement with the four categories of PIEs in the ISAs and ISQMs, that fully aligns with the definition in the Code. It would be meaningful to understand the impact of this more limiting amendment versus the fully aligned PIE definition in the Code in so far as the various public interest criteria are concerned, and the potential tradeoffs between them, which resulted in the IAASB reaching its conclusion.

The PIOB further recommended that the IAASB considers potential unintended consequences of adopting this proposed narrower definition, and hence not extend differential requirements to the full suite of entities envisaged in the Code, especially in jurisdictions where such broader categories of entities are included.

#### **4.2. Engagement with stakeholders**

Given the information arising for IESBA’s updated Staff Q&A publication after the close of the comment period for the IAASB’s exposure draft and the significant revisions to its proposals, that reduce the scope of adoption of the PIE definitions and alignment with the Code, the PIOB recommended that the IAASB further consult with stakeholders, especially those that supported an adoption that aligned with IESBA’s definition, as it is crucial from the public interest perspectives of relevance, completeness, and global interoperability of the future standard. In this context, the PIOB welcomes the IAASB’s decision to issue a public consultation with the final revised standard, which includes explanations of the options considered and will gather input from stakeholders, also on potential unintended consequences and the path forward to achieve alignment with the IESBA Code as soon as possible. The PIOB looks forward to the analysis of comments received regarding the post-exposure consultation and the IAASB deliberations on next steps to meet public interest demands.

## **5. TECHNOLOGY**

### **Background**

Digitalization is profoundly impacting the role of auditors, transforming how they conduct their work, and the skills required to perform their role. The use of new or

emerging technologies by management in their financial and non-financial reporting processes, as well as by auditors in performing audit procedures, introduces new or evolving risks for credibility of financial and non-financial information. The IAASB is currently working on addressing such risks in its standard setting activities.

### **Status**

In September 2024 the IAASB issued a document “The IAASB’s Technology Position”, which is a framework aimed to guide the Board’s activities relating to the impact of technology on audit and assurance engagements. At the March 2025 IAASB meeting, the Board considered a gap analysis of technological aspects of the International Standards on Quality Management (ISQMs) and the International Standards on Auditing (ISAs) (presented as “Catalog of Issues and Possible Actions”) and provided feedback on how to further enhance the Catalog for clearance.

### **5.1. Scoping the theme of technology in auditing standards**

The PIOB supports the IAASB’s focus on the pervasive impact of technology in the development and revision of its standards, to ensure timely response and enhancing audit quality. The PIOB also welcomes the IAASB’s work on the gap analysis to identify specific opportunities to enhance the ISAs and ISQMs for technology related matters, and the finalization of the “Catalog of Issues and Possible Actions”, with a plan for regular update going forward.

The new and emerging technologies, such as advanced data analytics, artificial intelligence (AI), machine learning (ML) and block-chain, have not only brought new risks for auditors, but are reshaping the audit landscape, gradually transforming perspectives on how to undertake the audit and how to maintain the audit trail. Data analytics already enables auditors to identify trends, patterns, and anomalies that may not be apparent through traditional methods. To this end, the revisions of relevant standards ought not only to embrace the current practice, but to continue to stay relevant in the evolving technological audit environment.

The PIOB therefore encourages the IAASB to clearly articulate, with reference to the public interest, the challenges that the technological initiative is aiming to address, including the opportunities and risks arising from technology, in the context of the current audit model. At the same time, a common understanding is needed between auditors and users with respect to the scope of the audit and the level of assurance, to avoid a possible widening of the expectation gap.

Considering the overarching impact of technologies on auditors, the PIOB emphasizes the need for co-ordination with the IESBA, already at the scoping phase of relevant projects. For both the IAASB and the IESBA, it is important that the Boards benefit to the fullest extent possible from their existing technology expert groups, to

ensure an appropriate understanding of the strategic risks related to the theme of technology.

## **6. INTEROPERABILITY OF ETHICS AND AUDIT: IAASB AND IESBA COORDINATION**

The PIOB notes that ethics and audit are two sides of the same coin, both from practitioners' and users' perspectives, as standards need to be interoperable to properly serve the public interest.

The PIOB acknowledges that the IAASB and IESBA coordinate their efforts at different stages of the development cycle of standards to determine potential implications on their respective projects, in alignment with the Public Interest Framework. In some instances, however, due to the complexity and nature of the topic and the challenge of achieving coherence in the standards, projects would require further joint efforts e.g. through joint board sessions, joint project teams, and potentially also by recasting some projects as joint projects.

The PIOB therefore encourages the IAASB and IESBA to consider whether to deepen the cooperation and coordination in the following projects:

- Implementation of Sustainability standards (see Section 1.1 and IESBA Public Interest Issues)
- Technology (see Sections 3.4 and 5 and IESBA Public Interest Issues)
- Firm Culture and Governance and ISQM1 (see IESBA Public Interest Issues)
- Definition of Public Interest Entity (see Section 4)