



PIOB's Public Interest Issues - IAASB projects

(document updated as of July 2025)

The PIOB's Public Interest Issues presented in this document are based on the status of the IAASB's projects after the IAASB June 2025 meeting and the PIOB meeting in July 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>.

CONTENTS

1.	ASSURANCE ON SUSTAINABILITY REPORTING (ISSA 5000)	2
1.1.	Supporting implementation through monitoring and rapid response.....	3
1.2.	ISSA on Group sustainability assurance.....	3
1.3.	Communication between different assurance providers	4
1.4.	Key audit matters in sustainability assurance reports.....	4
2.	AUDIT EVIDENCE AND RISK RESPONSE (ISA 330, ISA 500 and ISA 520)	5
2.1.	Scoping and objectives of the project.....	5
2.2.	Audit evidence aspects of the project	5
2.3.	Internal control aspects of the project	6
2.4.	Importance of Using Technology	6
2.5.	Auditor's role with respect to the authenticity of documentation.....	7
3.	LISTED ENTITY AND PUBLIC INTEREST ENTITY	7
3.1.	Coordination with the IESBA to ensure alignment between the ISAs, ISQMs, and the Code.....	8
3.2.	Engagement with stakeholders.....	9
4.	TECHNOLOGY	10
4.1.	Scoping the theme of technology in auditing standards	10
5.	INTEROPERABILITY OF ETHICS AND AUDIT: IAASB AND IESBA COORDINATION	11



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, was 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 governance¹.

¹ 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.



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 the 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.

1.2. ISSA on Group sustainability assurance

We expect that ISSA 5000 will most likely at first be applied on assurance engagements of sustainability reporting by large corporations, which mostly have group structures and require input of a diverse range of professionals. The PIOB welcomed the initiative of the IAASB to address our earlier concerns in respect of group structures, by, as an interim measure, including overriding principles within ISSA 5000 for group sustainability assurance engagements. The PIOB recommends the IAASB, as part of its future work on sustainability, addresses in further detail



matters specifically related to group assurance engagements, potentially in a dedicated ISSA similar to ISA 600 (Revised) “*Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)*”, 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 by the sustainability assurance provider, 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 the 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 sustainability assurance standards.

2. 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 envisages 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 of priorities within the Strategy and Work Plan 2024-2027, the project is expected to be finalized in 2027.

2.1. 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 by achieving enhanced audit quality. The PIOB welcomes that the project proposal sets out the specific objectives for this project as they relate to the [Public Interest Framework](#) (PIF). This will help to ensure that the entire project stays focused, and that its public interest objectives are achieved in a timely way.

In undertaking its detail drafting work, the PIOB encourages the IAASB to specifically focus on clarity and conciseness as key PIF qualitative characteristics, especially from the perspective of smaller practitioners who may have limited technical resources when implementing standards into their audit methodologies.

2.2. 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 requirements in the standards and supporting Application Material relating to persuasiveness of audit evidence. The PIOB considers it crucial that amendments are made with reference to the PIF qualitative characteristics, in particular, clarity and enforceability, with a view to driving improved auditor behavior and increased audit quality.

2.3. 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 the public interest in achieving increased audit quality through clearer and enforceable requirements in the area of internal controls.

2.4. 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 4).

2.5. Auditor's role with respect to the authenticity of documentation

When revising 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 this 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 recent 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.

3. LISTED ENTITY AND PUBLIC INTEREST ENTITY

Background

The IAASB's aim is to address the impact on the ISQMs and the ISAs of revisions to the definitions of Listed Entity and Public Interest Entity (PIE) included 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 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) publication², 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 such cases, the jurisdictional requirements prevail under the Code. By contrast, the ISQMs and ISAs envisage that a firm or auditor complies with the mandatory categories of the PIE definition, subject to jurisdiction-specific refinements as contemplated in the Exposure Draft proposals. In instances of conflict with local law or regulation, the firm or auditor may not necessarily be in compliance with the ISQMs or ISAs.

In February 2025, the IAASB issued a post-exposure consultation with a deadline for comments by 27 March 2025.

In June 2025, the IAASB considered the comments received and unanimously approved the narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised).

In August 2025, the PIOB will assess whether the approved narrow scope amendments are responsive to the public interest and followed due process, as part of the certification process. During the development of the standard, the PIOB identified the following Public Interest Issues. In reaching its decision on whether to certify the standard, the PIOB will consider whether these issues have been adequately addressed.

3.1. 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 ISQMs and 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 of PIEs and replacing "listed entity" with the definition of

² 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>)



“publicly traded entity”. This was a good example of leveraging the work of the IESBA and moving in the direction of harmonization with the Code of Ethics.

The PIOB noted 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 not to adopt the PIE definition. The PIOB recommended and supported that, as part of the public consultation on its revised proposals, the IAASB clearly articulated why it is not feasible for it to adopt the PIE definition from the Code. It would be meaningful to understand the impact of this limited amendment compared with the PIE definition in the Code with regard to the relevant public interest concerns, and the potential tradeoffs between them, which resulted in the IAASB reaching its conclusion.

The PIOB further recommended the consideration by the IAASB of potential unintended consequences of adopting the narrower definition, and hence not extending differential requirements for listed entities in the ISQMs and the ISAs to the full suite of entities envisaged in the Code, especially in jurisdictions where such broader categories of entities are included.

3.2. 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 welcomed the IAASB’s decision to issue a public consultation with the final revised standard, which included explanations of the options considered and that gathered 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 noted the importance of the analysis of comments received regarding the post-exposure consultation and the IAASB deliberations on next steps to meet public interest demands. In reaching its verdict on whether to certify the standard, the PIOB will conclude on the responsiveness to the public interest of the outcome of the project and the IAASB’s decisions taken as a result of the stakeholder engagement,

4. 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. The first edition of the Catalog was published on the IAASB’s website in May 2025. It is intended that it will be considered and, if appropriate, updated on a semi-annual basis beginning at the September 2025 meeting.

At the June 2025 IAASB meeting, a new Technology Quality Management Workstream was introduced. The Workstream is designed to understand how firms are applying the principles of ISQM 1³ and ISA 220 (Revised)⁴ to emerging technologies at the firm and engagement level, respectively, and to assess what additional support may be needed from the IAASB.

The Public Interest Issues outlined below were expressed prior to the IAASB June 2025 meeting and will be subject to further discussion by the PIOB at its subsequent quarterly meeting and updated accordingly.

4.1. 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 welcomes the IAASB’s ongoing 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.

³ International Standard on Quality Management 1 (ISQM 1), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

⁴ ISA 220 (Revised), Quality Management for an Audit of Financial Statements

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, beginning 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.

5. 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)
- Definition of Public Interest Entity (see Section 3)



- Technology (see Sections 2.4 and 4 and IESBA Public Interest Issues)
- Firm Culture and Governance and ISQM1 (see IESBA Public Interest Issues).