

# IESBA Meeting Highlights and Decisions

September 2024

This summary of decisions of the International Ethics Standards Board for Accountants (IESBA) has been prepared for information purposes only. Except for documents approved for public exposure and issuance of final pronouncements, decisions reported on technical matters are tentative, reflect only the current status of discussions on projects, and may change after further deliberation by the IESBA.

The IESBA met in New York, USA on September 16-20, 2024. The video recording of the meeting is available on the IESBA [YouTube](#) channel.

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## Sustainability

### *Common Issues*

The IESBA considered a report-back on recent engagement with stakeholders, and received an overview of the feedback from respondents on the following general topics related to the Exposure Draft [Proposed International Ethics Standards for Sustainability Assurance \(including International Independence Standards\) \(IESSA\) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting](#) (Sustainability ED):

- Whether the IESSA is equivalent to the ethics (including independence) standards for audit engagements in the extant Code, and is profession-agnostic and framework-neutral;
- The responsiveness of the IESSA to the public interest, considering the Public Interest Framework's qualitative characteristics; and
- Whether the effective date of the IESSA should be aligned with the effective date of the International Auditing and Assurance Standards Board's (IAASB) ISSA 5000.<sup>1</sup>

### *Coordination with the IAASB*

The IESBA considered and provisionally settled various matters of coordination between the IESBA's and IAASB's respective sustainability projects, including common definitions, group sustainability assurance engagements, the determination of components (including group components and value chain components), and using the work of another practitioner. The IESBA's deliberations on those matters were informed by the Task Force's proposals on those matters, the IAASB Task Force's related proposals, and the outcomes of a joint IAASB-IESBA Coordination Team meeting during the meeting week. The coordinated positions on the various matters subsequently received the concurrence of the two Boards during a joint IESBA-IAASB sustainability plenary session.

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<sup>1</sup> International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

### *IESSA and Sustainability Reporting*

The IESBA considered a full analysis of the significant matters raised by respondents to the ED and a first-read draft post-ED of the proposed IESSA and sustainability reporting-related revisions to the extant Code. The IESBA deliberated a number of issues and provided feedback on the proposals by the Task Force's Work Stream 1 (independence) and Work Stream 2 (ethics), including:

- Ethics provisions in the IESSA, including the approach to communication of non-compliance with laws and regulations (NOCLAR) or suspected NOCLAR between the sustainability assurance practitioner and the entity's auditor.
- Independence provisions in the IESSA, including the scope of the International Independence Standards (IIS) for sustainability assurance engagements, determination of public interest entities (PIEs), non-assurance services, and matters relating to the proportion of fees and long association when a firm performs both the audit and the sustainability assurance engagement; and
- Revisions to sustainability reporting-related examples in Parts 1 to 3 of the extant Code for professional accountants.
- Transitional provisions.

The IESBA will consider a second-read draft of the proposed IESSA and sustainability reporting-related revisions to the extant Code with a view to approving the final standards at its December 2024 meeting.

### **Use of Experts**

The IESBA considered a full analysis of the significant comments received from respondents to the ED, [\*Using the Work of an External Expert\*](#), and reviewed a first-read draft of the provisions incorporating the Task Force's proposed revisions to respond to the feedback from respondents.

The IESBA was supportive of the direction of the proposed revisions, including those relating to the definition of expertise and the interoperability of the requirements to evaluate and conclude on the external expert's competence, capabilities and objectivity (CCO) with the IAASB's standards.

Among other matters, the IESBA further considered the proposed revisions to address whether a subcontractor with expertise is considered an external expert in a non-assurance service, the re-assessment of an external expert's CCO if facts and circumstances change, the potential threats created by the timing of the CCO evaluation, and the potential additional threats created when using the work of multiple experts.

The IESBA will review a revised draft of the proposed standards at its December 2024 meeting with a view to final approval.

### **Collective Investment Vehicles (CIVs), Pension Funds and Investment Company Complexes (ICCs)**

The IESBA considered an update from the Project Team on its activities with respect to CIVs, pension funds and ICCs since the June 2024 Board meeting. The IESBA also considered a presentation on the practical application of the extant Code to audits of CIVs.

The IESBA deliberated the potential gaps in the Code regarding audits of CIVs and the way forward, which includes developing a consultation paper to seek further views and insights from stakeholders regarding

the application of the Code in addressing independence with respect to third parties not covered by the Code's definition of related party.

The IESBA will consider the draft consultation paper at its March 2025 meeting.

### **Firm Culture & Governance**

The IESBA considered an update from the Firm Culture and Governance Working Group (FCGWG) on its outreach activities in Q3 2024. The IESBA also considered the FCGWG's preliminary report. The IESBA generally supported the FCGWG's preliminary views and recommendations, namely that the IESBA undertake a standard-setting project to develop provisions on how firms can establish and maintain a firm-wide ethical culture, addressing the importance of ethical leadership and governance, with key elements such as the provision of independent input, continuous education and training, and transparency about a firm's ethical performance; and the development of non-authoritative material that highlights the key characteristics of an ethical firm, the importance of ethical culture, and the role of key stakeholders in helping to promote ethical behavior within firms.

The FCGWG will present its final report and recommendations for the IESBA's consideration at the December 2024 IESBA meeting.

### **Next Meetings**

The next IESBA meetings are scheduled for:

- November 8, 2024 in virtual format; and
- December 2- 6, 2024, to be held in person in New York, USA