

# Audit & Accounting Alert Newsletter

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## At-A-Glance

Responding to the issuance of the first sustainability accounting standards by the International Accounting Standards Board (IASB), the International Auditing and Assurance Standards Board (IAASB) in August proposed standards for providing assurance on the new pronouncements. A complete set of requirements, the Proposed International Standard on Sustainability Assurance 5000 (ISSA 5000) are highlighted in this issue of the Alert.

Also, our Worldwide Update covers news from organizations across the globe.



**Gerald Herter - Editor**

# Assurance Standards for Sustainability Reporting

International Board proposal addresses newly released reporting standards amid controversy



As anticipated in the March 2023 Audit & Accounting Alert, the first global sustainability disclosure standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, were finalized on June 23, 2023. Not wasting any time, the International Auditing and Assurance Standards Board (IAASB), on August 2, 2023, proposed a new standard for providing assurance on these latest reporting standards: *Proposed International Standard on Sustainability Assurance 5000 - General Requirements for Sustainability Assurance Engagements* and *Proposed Conforming and Consequential Amendments to Other IAASB Standards* (ISSA 5000). An explanatory memorandum accompanied the proposal.

A comprehensive stand-alone standard, ISSA 5000 applies to “all elements of a sustainability assurance engagement” as opposed to ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, which is generally used for other types.

Intending broader application than most accounting pronouncements, the IAASB website indicates that “the proposed standard is also profession agnostic, supporting its use by both professional accountant and non-accountant assurance practitioners.” The comment period for ISSA 5000 closes on December 1, 2023.

Following a controversial period of consultation, the IFRS Foundation responded to strong global support, initiating the process for establishing sustainability reporting standards in November 2021. Now that the first standards are in place, the International Organization of Securities Commissions (IOSCO) on July 25, 2023, added its endorsement stating: “After a detailed analysis, IOSCO has determined that the ISSB Standards are appropriate to serve as a global framework for capital markets to develop the use of sustainability-related financial information in both capital raising and trading and for the purpose of helping globally integrated financial markets accurately assess relevant sustainability risks and opportunities.”

Commenting on the release of the new standards, Erkki Liikanen, Chair of the IFRS Foundation Trustees remarked: “The road to raising sustainability disclosure to the same rigour of financial statements is not an easy one. But with the support of global bodies like the G20, G7, the Financial Stability Board and IOSCO, we are on the right path.”

Development of financial accounting standards has been a slow, deliberative process. The Financial Accounting Standards Board (FASB) was established roughly a half century ago to produce pronouncements for the United States. The International Accounting Standards Board (IASB) began work a quarter century ago to cover the rest of the world. Over time, the two sets of standards have been gradually moving toward convergence.

While consistent and widely accepted financial reporting standards have taken a long time to mature, sustainability standards portend to be even more challenging. The quantification of environmental, social and governmental issues brings with it a variety of perspectives that will need resolution before widespread agreement can be attained.

A consensus will need to be obtained first about the whether and how to approach ESG issues. For example, Milton Friedman in *Capitalism and Freedom* emphasizes the importance of maintaining free-market capitalism, with minimal government intervention, as fundamental to economic and political freedom. Others question the basic need and propriety of involving sustainability with financial reporting. A broad discussion of opposing views and alternative thoughts is considered necessary before moving ahead with implementing any further definitive requirements in this area.

An important step in the process will be an educational one. In this regard, the AICPA, in partnership with the Oxford University's Saïd Business School, recently developed a comprehensive executive management course, *ESG and Sustainable Financial Strategy Course*, designed to "provide professionals with the skills to lead their organization's response to sustainability issues and understand how to integrate these into decision making and resource allocation."

The International Sustainability Standards Board (ISSB) is an outgrowth of the Sustainability Accounting Standards Board (SASB), which had previously produced industry-specific standards for 77 industries.

Further details can be found at [ESG Backlash Presents Companies with Opportunity](#).

## Worldwide Update



Periodic roundup of recent and upcoming actions and activities by auditing and accounting organizations throughout the world.

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### International

**IASB – International Accounting Standards Board ([www.ifrs.org](http://www.ifrs.org))**

- *No new developments.*

**IFAC – International Federation of Accountants ([www.ifac.org](http://www.ifac.org))**

- **International Auditing and Assurance Standards Board (IAASB) - Exposure Draft - International Standard on Sustainability Assurance 5000 - General Requirements for Sustainability Assurance Engagements and Proposed Conforming and Consequential Amendments to Other IAASB Standards (ISSA 5000)**, issued August 2, 2023. See article in this issue for details. Comment period ends December 1, 2023.

**IFR4NPO - International Financial Reporting for Non-Profit Organisations ([www.ifr4npo.org](http://www.ifr4npo.org))**

- *No new developments.*

**IOSCO – International Organization of Securities Commissions ([www.iosco.org](http://www.iosco.org))**

- **Strengthening the International Audit and Ethics Standard-Setting System** - report published July 27, 2023, on “progress to Implement Recommendations to Strengthen the International Audit, Assurance, Ethics, and Independence Standard-Setting System.”

#### **ACCA – Association of Chartered Certified Accountants ([www.accaglobal.com](http://www.accaglobal.com))**

- **Integrative thinking: the guide to becoming a value-adding CFO** - report published July 25, 2023, “explains the CFO’s five must-have integrative-thinking capabilities, and details how they are required for impact in navigating complex multi-dimensional problems.”

#### **CIMA – Chartered Institute of Management Accountants ([www.cimaglobal.com](http://www.cimaglobal.com))**

- *No new developments.*

#### **World Economic Forum – ([www.weforum.org](http://www.weforum.org))**

- *No new developments.*
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## **Africa, Europe, India and the Middle East (AEIME)**

#### **FRC – Financial Reporting Council of the UK ([www.frc.org.uk](http://www.frc.org.uk))**

- **ESG Data Distribution and Consumption** - report issued July 20, 2023, “examining how investors obtain and use environmental, social and governance (ESG) data on companies, and highlights what actions companies can take to facilitate this.”

#### **ICAEW - Institute of Chartered Accountants in England and Wales (<https://www.icaew.com/>)**

- **Dispelling common myths about charities- guidance** issued July 14, 2023, “covers how charities are run, carry out their work, are funded and staffed, and whether they are liable for tax or their vulnerability to fraud, among other issues. By addressing these myths, the guide offers practical recommendations to help dispel them so public and donor confidence in the sector continues to build.”

#### **EC – European Commission (<https://ec.europa.eu/>)**

- *No new developments.*

#### **EFRAG – European Financial Reporting Advisory Group ([www.efrag.org](http://www.efrag.org))**

- *No new developments.*
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## **Americas, Asia, Australia and New Zealand (AAANZ)**

#### **AICPA – American Institute of Certified Public Accountants ([www.aicpa.org](http://www.aicpa.org))**

- **Accounting for Climate Resilience Report**, published July 24, 2023, “helps finance professionals lead climate resilience for their organisations, through scenario analysis and adaptation planning.”

#### **FASB – Financial Accounting Standards Board ([www.aicpa.org](http://www.aicpa.org))**

- **Exposure Draft - Financial Instruments— Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40), Disaggregation of Income Statement Expenses**, issued July 31, 2023, “to improve the disclosures about a public business entity’s expenses and address requests from investors for more detailed information about the types of expenses (including employee compensation, depreciation, and amortization) in commonly presented expense captions (such as cost of sales, SG&A, and research and development).” Comment period ends October 30, 2023.
- **ASU 2023-04—Liabilities (Topic 405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121**, issued August 3, 2023, to conform with the SEC document.
- **ASU 2023-03, Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation—Stock Compensation (Topic 718)**, issued July 14, 2023, “amends various SEC paragraphs pursuant to the issuance of SEC Staff Accounting Bulletin No. 120.”

**GASB – Governmental Accounting Standards Board ([www.gasb.org](http://www.gasb.org))**

- *No new developments*

**COSO - The Committee of Sponsoring Organizations of the Treadway Commission ([www.coso.org](http://www.coso.org))**

- *No new developments*

**PCAOB – Public Company Accounting Oversight Board ([www.pcaob.org](http://www.pcaob.org))**

- *No new developments*

**SASB – Sustainability Accounting Standards Board ([www.sasb.org](http://www.sasb.org))**

- *No new developments*

**SEC – Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov))**

- *No new developments*

## Additional A&A News

- [Cybersecurity for CPAs: Don't recycle passwords](#)
- [Auditors of Crypto Assets Struggle to Satisfy PCAOB](#)
- [Can ChatGPT Comply with Accounting Rules?](#)
- [Business groups oppose PCAOB's NOCLAR standard](#)
- [Accounting Tech Doesn't Have to Be Daunting](#)
- [Is outdated financial accounting software a growth stumbling block?](#)

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