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IESSA Implementation Monitoring Advisory Group (IIMAG) – Update

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Agenda Item 10-A



IESBA Meeting, NYC
December 9, 2026



Agenda

1. Update on IIMAG's work
   - Stock-take for 2026
2. Next Steps for 2027-2028
3. Implementation Issues for IESBA's Consideration

Activities Since June 2026

1 **IIMAG Input on IESBA Staff Q&As**

Input provided on the September 2026 IESBA Staff Q&As on IESSA

2 **One virtual IIMAG meeting**

Held on November 23

3 **Coordination on implementation issues**

With the ISSA 5000 Technical Implementation Contact Group and IAASB Staff on the implementation issues identified

In progress *Joint IAASB-IESBA Sustainability Q&As are under development*



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Stock-take

5 VIRTUAL MEETINGS IN 2025 AND 2026

IIMAG'S MANDATE

1. Identify and discuss implementation issues of global relevance that have arisen related to IESSA

2. Consider and discuss the need and the priority of any further implementation materials the IESBA should consider commissioning

✓ **No fatal-flaw issues have been raised in relation to implementation of IESSA**

THE IMPLEMENTATION ISSUES IDENTIFIED BY IIMAG WERE:

A

Addressed in Staff Q&As

See slide 5

B

Raised for IESBA's directional input

See slides 7–13

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Implementation Issues Addressed in Q&As

JUNE 2025

IESBA Staff Q&As

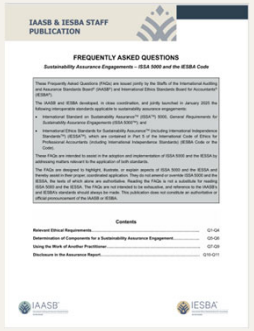
Ethics and independence issues related to IESSA



SEPTEMBER 2026

Joint IAASB-IESBA Staff Q&As

Common issues relevant to adoption of ISSA 5000 and IESSA



SEPTEMBER 2026

IESBA Staff Q&As

Independence issues related to first implementation of IESSA



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Next Step

BASED ON ITS TOR, IIMAG WAS FORMED WITH TERM UNTIL JUNE 2028

DECEMBER 2026

IESSA effective date

- More and more jurisdictions will apply ISSA 5000 and IESSA

2027 ONWARDS

Growing practice

- More information will be available on assurance practice
- Real-life cases instead of theoretical implementation questions

JUNE 2028

End of IIMAG term

- Based on its TOR, IIMAG's term runs until June 2028

→ **IIMAG will continue its work** and report back to IESBA, in close coordination with TICG and IAASB Staff, until 2028

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Matters related to application of provisions in IESSA

I Part 4B SAEs and partner rotation

II Information requested on external experts' objectivity

III Independence for restricted-use reports

For relevant provisions, refer to the slides in the appendix

I. Consideration of Part 4B SAE for Partner Rotation

CASE I · CONTEXT

1 Transitional Provision

In the context of leader rotation, transitional provisions to IESSA require the firm to take into account the time served by an individual on any type of sustainability assurance engagement (SAE) performed for the client before the effective date, including **SAEs that would not meet the scoping criteria of the IIS in Part 5.**

2 IESSA

In the context of leader rotation, the IESSA requires a firm to take into account the time served on SAEs within the scope of Part 4B once SAE becomes a Part 5 engagement. (Paragraph R5540.10a)

3 Part 4A (2026), Section 540

Given the equivalence between the IIS in Part 5 and Part 4A, the firm must also take into account the time an individual has served as a key sustainability assurance leader (KSAL) for the client *for the purposes of audit partner rotation*. (Paragraph R540.7.)

! **However,** the reference to KSAL in Part 4A only applies in the context of SAEs within the scope of the IIS in Part 5. (Paragraph 540.3 A1.)

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Illustrative Example to Case I

CALCULATION OF LEADER AND PARTNER ROTATION

Year	Firm role	Individual's role	Years of Involvement per Part 5	Years of Involvement per Part 4A
2024	"Part **4B"** SAE	EQR (KSAL)	Yr 1	
	Audit	-		
2025	"IIS in Part **5**" SAE	-		
	Audit	-		
2026	"IIS in Part **5**" SAE	-		
	Audit	KAP	Yr 2	Yr 1
2027	" IIS in Part **5"** SAE	-		
	Audit	KAP	Yr 3	Yr 2
2028	"IIS in Part **5"** SAE	KSAL	Yr 4	
	Audit	KAP		Yr 3

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I. Consideration of Part 4B SAE for Partner Rotation

CASE I · THE ISSUE

The time spent by an individual at a Part 4B SAE at the same client (including those performed before the effective date of the IESSA) is treated differently:

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Leader rotation

✓ **Counts**

Paragraph R5540.10a requires the firm to take this time into account.

PART 4A

Key audit partner rotation

✗ **Does not count**

In the absence of an equivalent provision, the firm is not required to take this time into account in the time-on period.

? **QUESTION FOR IESBA'S CONSIDERATION**

Is there a reason for this differentiation between the leader and partner rotation?

Should Part 4A also include a provision equivalent to paragraph R5540.10a in the IESSA or, alternatively, should the differentiation be explained?

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II. Differences Between the Scope of Information Requested on External Experts' Objectivity

CASE II · CONTEXT

PART 3 · SECTION 390 *Effective from December 2026*

When a PA uses the work of an external expert, Part 3 sets out objectivity considerations for audit, review and other assurance engagements outside the scope of the IIS in Part 5 (including sustainability assurance and other assurance engagements within the scope of Part 4B).

R390.12	Audit and review engagements for non-PIE clients, and all other assurance engagements outside the scope of the IIS in Part 5 (PIE or not)
R390.14	Audit and review engagements for PIE clients

IESSA · SECTION 5390

The IESSA also sets out objectivity considerations for SAEs. The extent of information required depends on whether the SAE, or other assurance engagements for the same sustainability assurance client, are performed for a client that is a non-PIE or a PIE.

R5390.12	Sustainability or Other Assurance Engagements for the Same Sustainability Assurance Client that is Not a PIE
R5390.14	Sustainability or Other Assurance Engagements for the Same Sustainability Assurance Client that is a PIE

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II. Differences Between the Scope of Information Requested on External Experts' Objectivity

CASE II · THE ISSUE

OTHER ASSURANCE ENGAGEMENTS FOR A CLIENT THAT IS A PIE

Audit client

Paragraph R390.12

R390.12 applies to "other assurance engagements" whether or not the client is a PIE

Sustainability assurance client

Paragraph R5390.14

More stringent information requirements apply to "other assurance engagements" where the client is a PIE

A deliberate choice by the Board

The difference between Sections 390 and 5390 was raised and discussed before the standard was approved. It was kept to maintain simplicity, given the already complex scoping of Part 5, including the ethics provisions on using the work of an external expert.

? QUESTION FOR IESBA'S CONSIDERATION

Whether it is proportionate that the IESSA sets out more stringent requirements regarding the external expert's objectivity when a firm performs other assurance engagements for a sustainability assurance client that is a PIE (paragraph R5390.14) than when it performs the same engagement for an audit client that is a PIE (paragraph R390.12).

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III. Independence Requirements Applicable to Reports that Include a Restriction on Use or Distribution

CASE III · HOW THE IESSA APPLIES TODAY

1 Sustainability Information

Sustainability information is reported in accordance with a general purpose framework

2 Assurance report

The report includes a restriction on use and distribution (i.e., it is not available to the public)

3 Relevant Independence Requirements

The engagement is outside the scope of the IIS in Part 5, so the independence requirements in Part 4B apply

4 Section 990

The practitioner may apply Section 990 in Part 4B, which permits modified independence requirements for such reports

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III. Independence Requirements Applicable to Reports that Include a Restriction on Use or Distribution

CASE III · THE ISSUE

AUDIT · PART 4A

✓ **Section 800**

A separate section that applies only to reports on special purpose financial statements that include a restriction on use and distribution.

SUSTAINABILITY · IESSA

? **No dedicated section**

Restricted-use reports on information under a general purpose framework fall to Part 4B (Section 990).

Why it has been raised

Given the equivalence between Part 4A and the IESSA, questions have been raised about whether the IESSA should also include a dedicated section for such reports.

? **QUESTION FOR IESBA'S CONSIDERATION**

Should the IESSA also include a separate, dedicated section for reports for restricted use or distribution on sustainability information reported in accordance with a general-purpose framework?

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Appendix

Relevant Provisions from IESSA and Part 4A of the Code to Case I-II-III

Relevant Provisions to Case I

IESSA

R5540.10a If a firm has previously performed sustainability assurance engagements for a sustainability assurance client that is a public interest entity and these engagements were not within the scope of the International Independence Standards in this Part, the firm shall take into account the length of time an individual has served the sustainability assurance client as a key sustainability assurance leader or key audit partner before the firm begins to undertake sustainability assurance engagements within the scope of the International Independence Standards in this Part in determining the timing of the rotation. If the individual has served the sustainability assurance client as a key sustainability assurance leader or key audit partner for a period of five cumulative years or less when the firm first undertakes a sustainability assurance engagement within the scope of the International Independence Standards in this Part, the number of years the individual may continue to serve the client in the capacity of a key sustainability assurance leader before rotating off the sustainability assurance engagement is seven years less the number of years already served. As an exception to paragraph R5540.7, if the individual has served the sustainability assurance client as a key sustainability assurance leader or key audit partner for a period of six or more cumulative years before the firm first undertakes a sustainability assurance engagement within the scope of the International Independence Standards in this Part, the individual may continue to serve in the capacity of a key sustainability assurance leader with the concurrence of those charged with governance for a maximum of two additional years before rotating off the sustainability assurance engagement.

Transitional Provision to IESSA

If a firm has not served as the auditor of the financial statements, the requirement in paragraph R5540.10a also applies where the firm will perform a sustainability assurance engagement on sustainability information for a period beginning prior to December 15, 2026.

Relevant Provisions to Case I

2026 VERSION OF PART 4A

PARAGRAPH 540.3 A1 IN PART 4A (2026 VERSION)

References in this section to key sustainability assurance leader, sustainability assurance team and sustainability assurance engagement are in the context of sustainability assurance engagements within the scope of the International Independence Standards in Part 5.

PARAGRAPH R540.7 IN PART 4A (2026 VERSION)

Subject to paragraphs R540.9 to R540.11, in respect of an audit of a public interest entity, an individual shall not act in any of the following roles, or a combination of such roles, for a period of more than seven cumulative years (the "time-on" period):

(a) The engagement partner;

(b) The individual appointed as responsible for performing the engagement quality review;

(c) Any other key audit partner role; or

(d) A key sustainability assurance leader. After the time-on period, the individual shall serve a "cooling-off" period in accordance with the provisions in paragraphs R540.13 to R540.21.

Relevant Provisions to Case II

SECTION 390 IN PART 3

Audit and Review Engagements for Clients that are Not Public Interest Entities and All Other Assurance Engagements Outside the Scope of Part 5

R390.12 The professional accountant shall request the external expert to provide in writing:

(A) To the best of their knowledge and belief;

(B) In relation to the entity at which the external expert is performing the work; and

(C) From the beginning of the period covered by the audit, review or other assurance report until the completion of the external expert's work, information about:

(a) Any direct financial interest or material indirect financial interest in the entity held by the external expert, their immediate family, or the external expert's employing organization;

(b) Any actual or potential conflict of interest the external expert, their immediate family or the external expert's employing organization might have in relation to the work the external expert is performing at the entity; and

(c) Any previous or current engagements between the external expert or their employing organization and the entity.

Relevant Provisions to Case II

SECTION 390 IN PART 3

Audit and Review Engagements for Clients that are Public Interest Entities

R390.14 The professional accountant shall request the external expert to provide in writing:

(A) To the best of their knowledge and belief;

(B) In relation to the entity at which the external expert is performing the work; and

(C) From the beginning of the period covered by the audit or review report until the completion of the external expert's work, information about:

(a) Any direct financial interest or material indirect financial interest in the entity held by the external expert, their immediate family, or the external expert's employing organization;

(b) Any loan, or guarantee of a loan, made to the entity by the external expert, their immediate family, or the external expert's employing organization, other than where the loan or guarantee is immaterial to the external expert, their immediate family or the external expert's employing organization, as applicable, and the entity;

(c) Any loan, or guarantee of a loan, accepted by the external expert, their immediate family, or the external expert's employing organization from the entity if it is a bank or similar institution, other than where the loan or guarantee is made under normal lending procedures, terms and conditions;

(d) Any loan, or guarantee of a loan, accepted by the external expert, their immediate family, or the external expert's employing organization from the entity if it is not a bank or similar institution, other than where the loan or guarantee is immaterial to the external expert, their immediate family or the external expert's employing organization, as applicable, and the entity;

(e) Any close business relationship between the external expert, their immediate family, or the external expert's employing organization and the entity or its management, other than where the financial interest, if any, is immaterial and the business relationship is insignificant to the external expert, their immediate family or the external expert's employing organization, as applicable, and the entity or its management; (….)

Relevant Provisions to Case II

SECTION 390 IN PART 3

Continued….

(f) Any previous or current engagements between the external expert or their employing organization and the entity;

(g) Any fee or contingent fee or dependency on fees or other types of remuneration due to or recently received by the external expert or their employing organization from the entity;

(h) Any gifts or other benefits accepted by the external expert, their immediate family or the external expert's employing organization from the entity other than those that are trivial and inconsequential;

(i) Any actual or potential litigation between the external expert or their employing organization and the entity;

(j) Any position currently or previously held by the external expert as a director, officer or employee of the entity;

(k) Any position currently or previously held by the external expert's immediate family or by management of the external expert's employing organization as a director or officer of the entity, or an employee in a position to exert significant influence over the preparation of the entity's financial or non-financial information on which the professional accountant will express an opinion or conclusion, or the records underlying such information;

(l) Any previous public statements by the external expert or their employing organization which advocated for the entity;

(m) The nature and extent of any interests and relationships between the controlling owners, if any, of the external expert's employing organization and the entity; and

(n) Any actual or potential conflict of interest the external expert, their immediate family or the external expert's employing organization might have in relation to the work the external expert is performing at the entity; and

with respect to the length of the relationship of the external expert and their employing organization with the entity:

(o) How long the association has been.

Relevant Provisions to Case II

SECTION 5390 IN IESSA

Sustainability or Other Assurance Engagements for the Same Sustainability Assurance Client that is Not a Public Interest Entity

R5390.12 The sustainability assurance practitioner shall request the external expert to provide in writing:

(A) To the best of their knowledge and belief;

(B) In relation to the entity at which the external expert is performing the work; and

(C) From the beginning of the period covered by the assurance report until the completion of the external expert's work, information about:

(a) Any direct financial interest or material indirect financial interest in the entity held by the external expert, their immediate family, or the external expert's employing organization;

(b) Any actual or potential conflict of interest the external expert, their immediate family or the external expert's employing organization might have in relation to the work the external expert is performing at the entity; and

(c) Any previous or current engagements between the external expert or their employing organization and the entity.

Relevant Provisions to Case II

SECTION 5390 IN IESSA

Sustainability or Other Assurance Engagements for the Same Sustainability Assurance Client that is a Public Interest Entity

R5390.14 The sustainability assurance practitioner shall request the external expert to provide in writing:

(A) To the best of their knowledge and belief;

(B) In relation to the entity at which the external expert is performing the work; and

(C) From the beginning of period covered by the assurance report until the completion of the external expert's work, information about:

(a) Any direct financial interest or material indirect financial interest in the entity held by the external expert, their immediate family, or the external expert's employing organization;

(b) Any loan, or guarantee of a loan, made to the entity by the external expert, their immediate family, or the external expert's employing organization, other than where the loan or guarantee is immaterial to the external expert, their immediate family or the external expert's employing organization, as applicable, and the entity;

(c) Any loan, or guarantee of a loan, accepted by the external expert, their immediate family, or the external expert's employing organization from the entity if it is a bank or similar institution, other than where the loan or guarantee is made under normal lending procedures, terms and conditions;

(d) Any loan, or guarantee of a loan, accepted by the external expert, their immediate family, or the external expert's employing organization from the entity if it is not a bank or similar institution, other than where the loan or guarantee is immaterial to the external expert, their immediate family or the external expert's employing organization, as applicable, and the entity;

(e) Any close business relationship between the external expert, their immediate family, or the external expert's employing organization and the entity or its management, other than where the financial interest, if any, is immaterial and the business relationship is insignificant to the external expert, their immediate family or the external expert's employing organization, as applicable, and the entity or its management; (.....)

Relevant Provisions to Case II

SECTION 5390 IN IESSA

Continued….

(f) Any previous or current engagements between the external expert or their employing organization and the entity;

(g) Any fee or contingent fee or dependency on fees or other types of remuneration due to or recently received by the external expert or their employing organization from the entity;

(h) Any gifts or other benefits accepted by the external expert, their immediate family or the external expert's employing organization from the entity other than those that are trivial and inconsequential;

(i) Any actual or potential litigation between the external expert or their employing organization and the entity;

(j) Any position currently or previously held by the external expert as a director, officer or employee of the entity;

(k) Any position currently or previously held by the external expert's immediate family or by management of the external expert's employing organization as a director or officer of the entity, or an employee in a position to exert significant influence over the preparation of the entity's financial or non-financial information on which the sustainability assurance practitioner will express an opinion or conclusion, or the records underlying such information;

(l) Any previous public statements by the external expert or their employing organization which advocated for the entity;

(m) The nature and extent of any interests and relationships between the controlling owners, if any, of the external expert's employing organization and the entity;

(n) Any actual or potential conflict of interest the external expert, their immediate family or the external expert's employing organization might have in relation to the work the external expert is performing at the entity; and

with respect to the length of the relationship of the external expert and their employing organization with the entity:

(o) How long the association has been.

Relevant Provisions to Case III

2026 VERSION OF PART 4A

PARAGRAPH 5400.3B IN IESSA

The International Independence Standards in this Part only apply to a sustainability assurance engagement where the sustainability information on which the sustainability assurance practitioner expresses an opinion:

(a) Is reported in accordance with a general purpose framework; and

(b) Is

(i) Required to be provided in accordance with law or regulation; or

(ii) Publicly disclosed to support decision-making by investors or other users.

PARAGRAPH 900.1 IN PART 4B (2026 VERSION)

This Part applies to assurance engagements other than audit engagements, and review engagements, and sustainability assurance engagements within the scope of the International Independence Standards in Part 5. Examples of such engagements include:

- (…)
- A sustainability assurance engagement that is not within the scope of the International Independence Standards in Part 5, for example:
  - A sustainability assurance engagement where the sustainability information on which the sustainability assurance practitioner expresses an opinion is reported in accordance with a framework designed to meet the information needs of specified users.
  - A sustainability assurance engagement where the sustainability information on which the sustainability assurance practitioner expresses an opinion is reported in accordance with entity-developed criteria.
  - A sustainability assurance engagement for which the sustainability assurance report is a restricted use and distribution report.