paradigm shift.

Corporate Reporting 2025 – New Content Added for 2025 Workbook

Please note that some chapters do not have any new content for 2025 so the omission of certain chapters in our review below is not an error.

This document is not intended to cover all points in the relevant sections: instead, we just want to give you an overview of the main points.

If you have also purchased access to our Advanced Level subscription package, don't forget to make use of the online quick-fire questions on these 2025 syllabus updates which are provided as part of our Corporate Reporting course: the quick-fire questions will get you working with the following content in an active way, which is always the best way to learn!

Chapter 1 Introduction

1.1 The importance of integration

- Definition of professional judgement as the application of relevant training, knowledge and experience, within auditing, accounting and ethical standards, to make informed decisions for audit engagements

- Professional judgement includes the use of professional scepticism and critical thinking, requiring vigilance towards flawed arguments, contradictory information and bias

5.1 FRC Update

- The FRC structure comprises the following:

  (a) The Executive Committee managing routine operations such as resources, policies and programmes

  (b) Two governance committees:

    (1) Audit & Risk Committee handling financial, IT, legal and regulatory matters

    (2) People Committee addressing recruitment, remuneration and people-related issues

  (c) Conduct Committee overseeing enquiries, investigations and enforcement cases involving professional conduct

- Additional resources supporting the FRC include:

  - Advisory Groups made up of Senior Advisors and a Stakeholder Insight Group

  - Panels and committees aiding enforcement activity such as:

    - Tribunal Panel managing complaints

    - Appointment Committee selecting Tribunal Panel members

    - Enforcement Committee Panel addressing regulatory non-compliance

  - The model predicts defaults based on this information

5.1.1 Conduct Committee

- Conduct Committee ensures enquiries, investigations and enforcement are conducted fairly, in the public interest, promptly and per due process

- Committee responsibilities include:

  - Accountancy and Actuarial Schemes

  - Audit Enforcement Procedure

  - Auditor Regulatory Sanctions Procedure and Crown Dependencies Recognised Auditor Sanctions Procedure

  - Auditor General Disciplinary Rules

  - General disciplinary procedures

5.1.2 Current issues

- Following the 2024 UK general election and the King’s speech, the Audit Reform and Corporate Governance Bill was proposed, paving the way for ARGA implementation
- While changes are forthcoming, for exam purposes, the UK regulator remains the FRC
- Basic knowledge of ongoing regulatory developments, including ARGA, is expected

Chapter 2 Principles of corporate reporting

3.2.5 FRS 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland

- FRS 102 was revised in January 2022 with amendments addressing:
    - Multi-employer defined benefit plans (May 2019)
    - Interest rate benchmark reforms (December 2019 and December 2020)
    - COVID-19 related rent concessions (October 2020 and June 2021)
    - The UK's exit from the EU (December 2020)
    - Amendments to the Reduced Disclosure Framework and minor typographical or presentational corrections

3.3.2 Issues associated with SME audit exemptions

- SME audit exemptions in the UK have historically been granted to reduce the administrative burden
- Accountancy Europe's analysis (April 2021) showed a lack of consensus among European countries on SME audit exemptions, with differing thresholds and approaches
- Under EU law, medium-sized entities meeting two of three criteria (balance sheet total of €4 million, net turnover of €8 million, 50 employees) require audits, with thresholds adjustable by member states
- Between 2016 and 2021:
    - Five countries (e.g., Cyprus, Italy) lowered thresholds, requiring more audits
    - Four countries (e.g., Denmark, France) raised thresholds
    - No clear upward or downward trend detected in threshold settings
- Lowering thresholds is associated with reducing tax fraud, as evidenced by Denmark lowering thresholds for high-risk industries
- Audit is seen as a tool to enhance transparency and reduce tax evasion

6.2 Sustainability

- Environmental, social and governance (ESG) factors, including climate change, biodiversity loss, social inequality and ethical corporate governance, present significant risks and opportunities to businesses
- Climate change is currently the most prominent issue among environmental risks
- The credibility of reported ESG metrics and targets depends on reliable data, with accountants playing a vital role in providing assurance and ensuring data credibility

6.4 Pointing forward to the future: approach to current issues

- Exam questions will be based on 2024 Required Standards, but familiarity with current issues is expected

- An overview of IASB Work Plan as of July 2024 includes:
    - Addendum to the Exposure Draft Third Edition of the IFRS for SMEs Accounting Standard (Feedback due September 2024)
    - Business Combinations – Disclosures, Goodwill and Impairment (Feedback due October 2024)
    - Classification of Cash Flows for Variation Margin Calls (Feedback Q4 2024)
    - Multiple other projects with expected milestones through 2025
    - Upcoming key project milestones:
        - Climate-related and Other Uncertainties Feedback (H1 2025)
        - Dynamic Risk Management Exposure Draft (H1 2025)
        - Updates to IFRS for SMEs and subsidiaries without public accountability disclosures (H1 2025)
        - Intangible Assets Review (Research due October 2024)
        - Other projects targeting completion by 2025-2026 such as rate-regulated activities and financial instruments with equity characteristics

Chapter 3 Ethics

1.4 Ethics and the individual

- The Public Interest Disclosure Act (PIDA) in the UK protects whistleblowers from detrimental treatment or victimisation by their employer when raising genuine concerns in the public interest
- Protected disclosures must involve one of the following:
  - A criminal offence
  - Breach of a legal obligation
  - Miscarriage of justice
  - Danger to individual health and safety
  - Environmental damage
  - A deliberate attempt to conceal any of the above
- The Act extends protection to individuals raising concerns about the administration of charities or charitable funds

2.2 FRC Revised Ethical Standard 2019

- The FRC published an updated Ethical Standard effective from 15 December 2024, although it will not be examinable in 2025

3.1 Fundamental principles

- The 2023 revision to the IESBA Code highlights the requirement for understanding technical, professional, business and technology-related developments

3.13 IESBA Technology Initiative – Final Report (November 2022)

- The IESBA Technology Working Group explored the impact of technology on accountants, resulting in revisions to the 2023 Code
- Ethical issues identified include:
  - Accountants must maintain competence in rapidly changing technological areas to act in the public interest
  - Younger accountants may find it easier to stay updated with technology, but lack of business experience in junior staff increases risks
  - Over-reliance on technology can lead to automation bias, potentially affecting objectivity and transparency in decision-making
  - Use of auditor-deployed technology may blur the lines between audit and non-audit activities, compromising independence
  - Retention of large client data or tools generating valuable client information could lead to self-review threats
- As technology evolves, the profession must stay vigilant to emerging risks

6.5 Economic Crime Plan

- The UK Government's second Economic Crime Plan (2023–2026) addresses challenges in combating economic crime, with key goals including:
    - Enabling legitimate economic growth
    - Reducing money laundering and recovering more criminal assets
    - Combating kleptocracy and sanctions evasion
    - Reducing fraud
- Definitions:
    - Economic crime involves unlawful profit or advantage through financial activity
    - Kleptocracy refers to political regimes characterised by the theft of national wealth for elite benefit
- Amendments to Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 include:
    - Expanded discrepancy reporting for ongoing business relationships
    - Early adoption of the Economic Crime (Transparency and Enforcement) Act to enhance foreign ownership transparency
    - Risk assessment requirements for suspected proliferation financing
    - Increased transparency and accessibility of suspicious activity reports (SARs)
    - Improved information sharing among UK bodies

Chapter 4 Corporate governance

1.1 Introduction

- Excessive director remuneration has been a long-standing corporate issue, often seen as disproportionate to company performance and employee remuneration
- Shareholder activism, such as the actions of PIRC, has aimed to challenge executive pay and align it with the economic and social landscape
- Example: In 2021, 70% of Morrisons shareholders voted against increasing executive remuneration following a decline in company profits

3.1 Overview

- January 2024 Code revisions aim to balance UK competitiveness with positive outcomes for companies, investors, and the public
- Key changes include:
  - Focus on board decisions and outcomes within the context of strategies and objectives (Principle C)
  - Boards must assess and monitor the embedding of desired company culture (Provision 2)
  - Diversity, inclusion, and equal opportunity promoted in appointments and succession plans (Principle J, Provision 23)
  - Renaming of board evaluation to board performance review (Provision 23)
  - Boards required to establish and maintain effective risk management and internal control frameworks (Principle O)
  - Provisions 25 and 26 tied to new Audit Committees and the External Audit: Minimum Standard guidance
  - More detailed disclosures on risk and internal controls, effective 2026 (Provision 29)
  - Revised provisions for malus and clawback in remuneration policies (Provisions 37-40)
- Malus: Ability to reduce or withhold unpaid, contingent remuneration
- Clawback: Recovery of already paid remuneration due to specific reasons
- Example: In 2023, BP reclaimed £30 million from former CEO Bernard Looney following serious misconduct

3.1.1 Audit Committees and the External Audit: Minimum Standard

- May 2023 FRC guidance for companies aligning with the UK Corporate Governance Code highlights Audit Committee responsibilities:
  - Ensuring access to a competitive audit market and enabling effective audits
  - Managing auditor independence, non-audit services, and challenges by the auditor
  - Leading the tendering process for appointments, prioritising diversity beyond the “Big Four”

    - Evaluating audit effectiveness, scope, quality, and outcomes
    - Reporting on significant issues, disagreements and auditor independence

3.1.2 Compliance

- As of July 2024, Code applicability has been revised to cover companies listed in the commercial companies and closed-ended investment funds categories
- FRC encourages companies to move beyond minimal compliance, providing transparent and informative governance reporting that fosters investment and trust
- Effective governance is demonstrated through practices, behaviours, and cultures rather than box-ticking policies

3.2 Principles of good corporate governance

- Board reporting must detail how decisions and outcomes support strategy and objectives, including reasons for Code non-compliance
- Key disclosure themes include:
    - Risks, sustainability, and governance frameworks (Provision 1)
    - Embedded company culture and workforce management strategies (Provision 2)
    - Significant shareholder disagreements (Provision 4)
    - Engagement with key stakeholders (Provision 5)
    - Non-executive director independence and board member responsibilities (Provisions 10 and 14)
    - Transparency in recruitment, board evaluations, and diversity initiatives (Provisions 20-23)

3.3 Disclosure requirements of the Code

- Boards must disclose information about:
    - Risk management systems, internal controls, and principal risks (Provisions 28-29)
    - Viability assessments and future prospect evaluations (Provisions 30-31)
    - Remuneration policies with links to long-term objectives (Provisions 35-41)
    - Use of malus and clawback mechanisms, including rationale and past application (Provision 38)

3.4 Additional requirements of the Code

- Provisions address:
    - Independent and diverse board composition, including senior independent director and non-executive roles (Provisions 9-13, 17-18)
    - Annual re-election of all directors (Provision 18)
    - Robust audit committee structures with financial expertise and independence (Provisions 24-25)

- Transparent executive remuneration schemes with long vesting periods and capped notice periods (Provisions 32-36, 40)

7.1.5 Disclosure of compliance with the Risk Guidance

- FRC observations on risk management disclosures include:
    - Strong use of actions rather than procedures to provide meaningful insights
    - Concise reporting of fewer principal risks (12 or fewer preferred)
    - Highlighting emerging risks, such as market shocks or adoption of new technologies
    - The Weir Group case illustrates detailed reporting on risk management and internal control assessments
- Reporting outcomes varied, with some companies disclosing effectiveness, addressing material weaknesses, or failing to report review results
- Good disclosures should include review outcomes, identified weaknesses, and board action plans

Chapter 5 The statutory audit: planning and risk assessment

3.3 Importance of management challenge

- In June 2022, the FRC published its Professional Challenge Framework to enhance professional scepticism and management challenge
- Enforcement examples of inadequate professional scepticism include:
  - KPMG fined £21 million for failing to challenge Carillion's management judgements during 2014–2016 audits, leading to liquidation in 2018
  - PwC fined £2 million for failing to assess significant risks and challenge management's accounting of property transactions during Eddie Stobart Logistics plc's 2018 audit
  - EY fined £2.2 million in 2021 for insufficient evaluation of management's assumptions during Stagecoach Group plc's audit
  - Deloitte fined £1.45 million in 2022 for insufficient professional scepticism when auditing Mitie Group plc's goodwill impairment
- The Professional Challenge Framework consists of:
  - Mindset: Emphasising the public interest, quality, and awareness of biases
  - Professional Judgement Trigger and Process: Remaining alert to instances requiring judgement and documenting appropriately
  - Consultation: Collaborative communication with key stakeholders
  - Environmental Factors: Addressing external conditions affecting professional judgement
- In November 2022, the FRC published "What makes a good... Environment for Auditor Scepticism and Challenge" which highlights an auditor's mindset, behaviours, and the need for a supportive learning environment, culture, operating model, and ecosystem

6.1.6 The auditor's consideration of IT within internal controls

- ISA (UK) 315 (Revised) describes IT audit considerations in the following categories:
  - Extent of automation and use of data: Automation levels, data input methods, and IT infrastructure integration
  - IT applications and infrastructure: Complexity, third-party systems, and emerging technologies
  - IT processes: Access rights management, vulnerability to cyber threats, and change management processes
  - IT environment: Includes applications, databases, operating systems, and networks, alongside controls for user authentication, change management, and backup systems

8.2.4 Auditor's report

- Materiality thresholds influence the nature, timing, and extent of audit procedures

- KPMG's approach for Barclays plc involved applying 3.9% of profit before tax to determine materiality (£275 million in 2021)
- Deloitte's audit of Tesco plc set materiality at £100 million for group financial statements (4.64% of adjusted profit before tax) and £75 million for parent company statements based on net assets
- EY's audit of J Sainsbury plc determined materiality at £6.2 million (1.5% of gross margin), with performance materiality set at 75% of planning materiality (£4.7 million)

11.1 The use of information technology

- Widespread IT use in accounting reduces errors but increases risks such as cyber threats and data bias
- Rapid technological developments, like cloud computing, bring efficiency but amplify risks related to remote data storage and cybersecurity
- Organisations must adapt internal controls to mitigate risks, including emerging threats like deepfakes

12.5 Current developments

12.5.1 IAASB and technology

- IAASB guidance on automated tools and techniques (ATTs) includes:
  - Audit documentation and addressing data analytics risks
  - Managing overreliance on technology and ensuring reliable source data
  - Using ATTs for both risk assessments and substantive procedures
  - Investigating ATT exceptions and applying performance materiality

12.5.2 FRC and technology

- Thematic reviews highlighted widespread ATT use in audits, particularly for journals and revenue audits
- Emerging technologies like machine learning are being developed for enhanced testing
- While technology improves audit efficiency and quality, professional judgement and experienced auditors remain critical

12.5.3 Robotic process automation (RPA)

- Examples include RFID chips for inventory counting and monitoring, illustrating potential for efficiency gains
- Risks include over-reliance on technology and the need to retrain finance teams in data analysis

12.5.4 Artificial intelligence (AI)

- AI leverages machine learning for improved decision-making beyond pre-determined rules
- Generative AI creates new content (e.g., ChatGPT) and supports user-centric applications like customer service chatbots

13 Task Force on Climate-related Financial Disclosures (TCFD)

- The 2023 UK Green Finance Strategy indicated £23 billion in low-carbon investments, with sustainability disclosures playing a key role
- SDR framework and IFRS S1/S2 to be integrated into UK standards by 2025, emphasising transition plans and targets
- EU's European Sustainability Reporting Standards (ESRS) provides mandatory disclosures for certain areas, with optional materiality assessments for others, effective from 2025
- CSRD and SFDR frameworks aim to align sustainability reporting with financial decision-making, supporting net-zero objectives

International Auditing and Assurance Standards Board (IAASB)

- ISSA 5000 was drafted as a global standard for sustainability assurance engagements
- The UK is expected to adopt ISSA 5000, while the EU may develop an alternative standard
- Current sustainability assurance utilises ISAE (UK) 3000

Chapter 6 The statutory audit: audit evidence

4.1.2 Observation

- Observation is not typically used as a standalone audit procedure, as additional evidence is needed to support assertions like rights and obligations, completeness, existence, accuracy, valuation, and allocation
- An auditor might observe a process, such as a bank reconciliation, but supporting evidence (e.g., bank statements, payment records, and confirmation letters) is required for comprehensive assurance
- Observation is frequently utilised in inventory management processes to verify inventory existence, valuation (e.g., identifying old or slow-moving inventory), and completeness in an organisation's records
- Observing inventory systems provides evidence related to audit assertions, ensuring proper inventory management controls are implemented

5.1 Use of analytical procedures

- Advances in AI-supported technology enable data analytics to process significantly larger datasets, facilitating more sophisticated audit testing
- The accuracy of analytical procedures depends on the proper and skilful application of technology to ensure the results align with the balances being tested

Chapter 7 The statutory audit: evaluating and testing internal controls

5.4 The use of ATTs

- AI-powered tools, such as DataSnipper and MindBridge, provide auditors with smart analytical technology, enabling more efficient testing of larger populations with increased speed and improved quality

5.5 Virtual arrangements and cloud computing

- Cloud-based solutions have made auditing more accessible by offering flexible and affordable options suitable for nearly any firm
- AI allows auditors to focus less on detailed analytical tasks, such as journals testing, by using technology to identify risks based on sophisticated parameters
- Skilled auditors are still required to verify blockchain technology, including auditing underlying code, despite its public record nature
- Data analytics and visualisation techniques enhance the analysis of larger and more complex datasets, driving the evolution of auditors' skillsets

6.2 Nature and consequences of cyber threats

- In 2023, online services provider Comcast experienced a data breach affecting almost 36 million Xfinity customers due to a vulnerability in Citrix's cloud computing software

6.2.1 GDPR

- The ICO reported 80 enforcement actions in the 12 months leading up to the time of writing, including 33 reprimands and 22 monetary penalties
- Fines under GDPR may vary but are intended to deter non-compliance and protect affected individuals
- Significant cases include the Ministry of Defence being fined £350,000 in February 2024 for exposing 265 email addresses due to improper use of the 'To' field instead of 'BCC'
- The Police Service of Northern Ireland (PSNI) was fined £750,000 in May 2024 for accidentally publishing personal data for 9,483 staff in a spreadsheet shared following a freedom of information request
- Increased reliance on data and technology for routine tasks heightens the risk and impact of non-compliance

Chapter 8 The statutory audit: finalisation, review and reporting

1.2.1 Quality management

- The FRC's Plan and Budget 2024–25 emphasises the importance of a risk-focused, proportionate, and timely enforcement regime to maintain trust in audit, corporate reporting, and governance
- Enforcement ensures accountability for poor-quality audit, reporting, and behaviours, driving improvement through setting non-financial sanctions
- Root cause analysis from enforcement actions supports quality improvement plans and informs policy and supervisory work

3.3 ISA (UK) 570, Going Concern

- An April 2023 exposure draft of a proposed ISA 570 revision aims to address key issues in assessing going concern:
    - Providing certainty in an increasingly uncertain world as part of auditors' public interest role
    - Achieving global consistency while reinforcing professional scepticism and transparency
    - Incorporating other sources of information, extending the assessment period, and leveraging technology
    - Strengthening testing of management's going concern assessments
    - Enhancing communication between auditors and those charged with governance to improve transparency
- Monitoring developments in revisions to ISA 570 is important to remain prepared for eventual changes

6.2.2 Disclosure

- Key Audit Matters (KAMs) address risks of material misstatement that most influenced the audit strategy, resource allocation, and direction of the team's efforts
- Limited circumstances may exist where KAMs cannot or should not be disclosed, though in the UK, such exceptions do not apply to audits of public interest entities, as public interest benefits outweigh adverse consequences

6.3.3 Emphasis of matter and other matters

- Significant subsequent events occurring between the financial statement date and the auditor's report date may require emphasis of matter paragraphs
- Early application of a new accounting standard with a pervasive effect on financial statements (before its effective date) may also necessitate an emphasis of matter paragraph

Chapter 9 Reporting financial performance

1.6 IFRS 18, Presentation and Disclosure in Financial Statements

- IFRS 18, issued by the IASB in April 2024 with an effective date of 1 January 2027 (early adoption permitted), replaces IAS 1 without major changes
- The detailed content of IFRS 18 is not part of the Corporate Reporting syllabus in 2025, but awareness of key changes is required

1.6.1 Objective

- The objective of IFRS 18 is to provide investors with better, more comparable, consistent, and transparent information for decision-making
- IFRS 18 affects the presentation of the Statement of Profit or Loss and disclosure of income and expenses, but does not change how they are recognised and measured

1.6.2 Statement of Profit or Loss

- Income and expenses must be classified into operating, investing, or financing categories in the Statement of Profit or Loss, with new subtotals for operating profit and profit before financing and income tax
- The operating category includes income and expenses from the entity's main business activities, with expenses presented by function or by nature (or a combination) and further disclosed in the notes if presented by function
- The investing category includes income and expenses from assets generating returns separately from the main business activities and includes items such as rental income or dividends on investments
- The financing category includes income and expenses on liabilities arising from financing activities and their remeasurement, such as interest expenses, lease liabilities, or pension liabilities

1.6.3 Management-defined performance measures (MPMs)

- Entities presenting alternative or non-GAAP measures (e.g., adjusted profit or adjusted EBITDA) in public communications must reconcile these measures with IFRS 18 subtotals in the notes
- MPMs are defined as subtotals of income and expenses, not listed by IFRS 18 or other IFRS standards, used to communicate management's view of performance

1.6.4 Grouping of information

- Primary financial statements provide structured summaries of a company's recognised assets, liabilities, equity, income, expenses, and cash flows, allowing investors to make comparisons and request further details if needed
- Notes to financial statements supplement the primary statements by providing material information to help investors understand line items or transactions and events
- IFRS 18 provides guidance on grouping transactions and events into line items and disclosures in the notes to achieve the objective of financial statements

Chapter 10 Reporting revenue

2.11 Contract modifications

- Contract modifications occur when parties agree changes in the scope or price of the contract, and they are accounted for once both parties approve the modifications
- Modifications can be treated as a separate contract, termination of the existing contract and creation of a new contract, or as part of the existing contract
- The accounting treatment depends on whether the modification adds distinct goods or services and whether the price change reflects standalone selling prices of those additions
- If the modification creates a new distinct obligation and reflects standalone selling price, it is treated as a separate contract
- If the modification does not create a distinct obligation, it may be treated as termination and re-creation of a contract unless remaining obligations cannot be separated from those already satisfied, in which case it forms part of the existing contract
- For modifications as part of the existing contract, total revenue and progress measures are adjusted
- For modifications treated as a termination and new contract, the consideration allocated includes unrecognised revenue and additional promised consideration

2.12.3 Long term contracts and stage payments

- Long term contracts span multiple years and require estimating lifetime costs, revenues, and profits or losses for each accounting period
- Stage payments agreed during the contract are initially recognised as contract liabilities, not as revenue, as the entity retains obligations
- Revenue is recognised as control passes to the customer, with a proportionate share of contract cost assets amortised to profit or loss

2.12.4 Contracts with a customer that become onerous

- A contract is onerous when the unavoidable costs of fulfilling it exceed the economic benefits expected
- High inflation can make long-term contracts onerous if rising costs are not offset by price adjustments
- Losses are recognised if current year costs exceed revenue, applying IFRS 15 principles
- Future expected losses are recognised as provisions under IAS 37
- Related assets, such as machinery, may need impairment reviews under IAS 36

2.12.5 Estimation uncertainty

- Long term contracts are a significant source of estimation uncertainty, requiring judgements about future revenue, costs, and progress towards satisfying contractual obligations

- These contracts are often complex and require a detailed understanding of their commercial reality
- Accountants and auditors need to apply professional scepticism and challenge management to provide evidence supporting estimates and judgements

Chapter 12 Reporting of assets

2.5 Transfers following a change in use

- Evidence of change in use: Commencement of owner occupation or development with a view to owner occupation
  - Accounting treatment:
    - Transfer to owner-occupied property recognised under IAS 16
    - If IAS 40 fair value model was used, treat fair value as deemed cost
- Evidence of change in use: Commencement of development with a view to sale
  - Accounting treatment:
    - Transfer to inventories under IAS 2
    - If IAS 40 fair value model was used, treat fair value as deemed cost

1.7.2 Other guidance

- In addition to SIR 1000, the FRC has also issued the following SIRs (all from March 2020)
  - SIR 2000 Revised – Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information
  - SIR 3000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Profit Forecasts
  - SIR 4000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Pro forma Financial Information
  - SIR 5000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Financial Information Reconciliations under the Listing Rules
  - SIR 6000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Quantified Financial Benefit Statements
- The detail of ISAE 3420 and SIRs 1000-6000 is not examinable

Chapter 26 Environmental and social considerations

2.3 ICAEW and sustainability reporting

- A Professional Skills Focus point includes applying judgement to relate issues to any given business environment
- Applying judgement requires appraising sustainability, public interest and regulatory issues, particularly in the evolving area of sustainability reporting
- Staying up to date is critical due to the pace of change and remaining work in sustainability reporting

4.1 Social audits

- Sustainability reports vary in content and may include environmental, social, and governance matters
- No set sustainability assurance framework exists currently, but the IAASB project on 'Assurance on Sustainability Reporting' is working on this
- Several voluntary frameworks are available to auditors in the meantime
- Assurance for ESG reporting adds credibility to publicly available ESG information

5.1 ESG assurance

- The IAASB project on assurance for sustainability reporting (Proposed International Standard on Sustainability Assurance (ISSA) 5000) was issued in 2023
- The standard is expected to be finalised in late 2024

6.1 Rise of integrated reporting

- Deloitte research in 2016 found that 12 UK listed companies referred to Integrated Reporting in their annual reports, up from seven the previous year
- Four companies indicated alignment with the Principles of the Integrated Reporting Framework, up from two the previous year
- By 2020, the IIRC reported over 2,500 companies in more than 70 countries had embedded Integrated Reporting, with over 40 stock exchanges referencing it in their guidance

Glossary of terms

Clawback: The recovery of executive remuneration that has already been awarded or paid for a specific reason

Deepfake: The use of technology to create images or speech that appear to come from certain individuals but which are instead created by AI-based technology for various reasons

Economic crime: A broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others

Generative AI (Gen AI): AI that can create text, images, audio, video and other data in response to a prompt or other data. Examples include ChatGPT and Copilot. Gen AI applications such as Grammarly are also used to support people with certain conditions, such as dyslexia

Insurance risk: Risk, other than financial risk, transferred from the holder of a contract to the issuer

Kleptocracy: A highly corrupted political regime where power has been consolidated for the benefit of a small elite. It is characterised by widespread theft of national wealth and resources to subvert domestic political systems

Malus: The possibility that executive remuneration, which has not yet been paid or awarded and is contingent upon a given performance measure being achieved, can be reduced or withheld by the company for a specific reason

Professional judgement: The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement