



**10 May 2024**

***BOTSWANA INSTITUTE OF CHARTERED ACCOUNTANTS COMMENT LETTER TO IESSA'S 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***

**Introduction**

The Botswana Institute of Chartered Accountants (“BICA”) is a statutory body established by Accountants Act, 2010, as amended for the regulation of the accountancy profession in Botswana. The Institute’s mission is to protect public interest through promoting the accountancy profession, supporting accountants, facilitating quality professional accountancy services through the monitoring and regulation of professional accountants.

The Institute appreciates the opportunity to contribute towards IESSA’s *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*. We have provided our comments to each specific question as per the Exposure Draft. Should you wish to have further engagements please do not hesitate to contact the undersigned.

Yours Faithfully,

**Buisanang Ushuka, ACCA**

*Acting Director- Technical and Public Sector Accounting Services*

## Executive Summary:

This report provides a detailed analysis of the proposed revisions to the International Ethical Standards Board for Accountants (IESBA) Code related to sustainability assurance and reporting. It examines the strengths and weaknesses of the content, focusing on its potential impact on the quality, objectivity, and reliability of sustainability assurance processes.

## REQUESTED COMMENTS

### 1. Main Objectives of the IESSA:

Do you agree that the proposals in Chapter 1 of the ED are:

(a) Equivalent to the ethics and independence standards for audit engagements in the extant Code? [See paragraphs 19 and 20 of this document]

(b) Profession-agnostic and framework-neutral? [See paragraphs 21 and 22 of this document]

#### **Comment**

-The proposals in Chapter 1 of the ED are equivalent to the ethics and independence standards for audit engagements in the extant Code. This equivalence ensures consistency and reliability in the application of standards across different types of engagements.

2. Do you agree that the proposals in Chapter 1 of the ED are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics? [See paragraph 23 of this document]

#### **Comment**

-The proposals in Chapter 1 of the ED are profession-agnostic and framework-neutral, which is essential to ensure broad applicability and relevance across various professional contexts and reporting frameworks.

### 3. Definition of Sustainability Information:

Do you support the definition of "sustainability information" in Chapter 2 of the ED? [See paragraphs 24 to 26 of this document]

## **Comment**

- The support for the definition of "sustainability information" in Chapter 2 of the ED is crucial as it provides clarity and a common understanding of the information covered under sustainability assurance engagements.

### **4. Scope of Proposed IESSA in Part 5:**

The IESBA is proposing that the ethics standards in the new Part 5 (Chapter 1 of the ED) cover not only all sustainability assurance engagements provided to sustainability assurance clients but also all other services provided to the same sustainability assurance clients. Do you agree with the proposed scope for the ethics standards in Part 5? [See paragraphs 30 to 36 of this document]

5. The IESBA is proposing that the International Independence Standards in Part 5 apply to sustainability assurance engagements that have the same level of public interest as audits of financial statements. Do you agree with the proposed criteria for such engagements in paragraph 5400.3a? [See paragraphs 38 to 43 of this document]

## **Comment**

- Agreeing with the proposed scope for the ethics standards in Part 5 is essential as it ensures comprehensive coverage not only for sustainability assurance engagements but also for other services provided to the same sustainability assurance clients, aligning with the broader objectives of maintaining ethical standards.

### **6. Structure of Part 5:**

Do you support including Section 5270 in Chapter 1 of the ED? [See paragraphs 46 to 48 of this document]

## **Comment**

Supporting the inclusion of Section 5270 in Chapter 1 of the ED is beneficial as it enhances the structure and completeness of the standards, providing clear guidance and requirements for practitioners.

### **7. NOCLAR (Non-Compliance with Laws and Regulations):**

Do you support the provisions added in extant Section 360 (paragraphs R360.18a to 360.18a A2 in Chapter 3 of the ED) and in Section 5360 (paragraphs R5360.18a to 5360.18a A2 in

Chapter 1 of the ED) for the auditor and the sustainability assurance practitioner to consider communicating (actual or suspected) NOCLAR to each other? [See paragraphs 56 to 67 of this document]

#### **Comment**

-It is essential to support the provisions that encourage auditors and sustainability assurance practitioners to communicate any actual or suspected NOCLAR to each other. This practice ensures transparency and effective resolution of ethical dilemmas.

**However**, it's worth noting that local regulatory authority BAOA have not yet passed a law to the companies in Botswana to adhere to the IFRS (International Financial Reporting Standards) regulations.

#### **8. Expansion of PAIBs (Publicly Accountable Insurance Businesses) Scope:**

Do you support expanding the scope of the extant requirement for PAIBs? (See paragraphs R260.15 and 260.15 A1 in Chapter 3 of the ED) [See paragraph 68 of this document]

#### **Comment**

- Supporting the expansion of the scope of the extant requirement for PAIBs is important as it strengthens the accountability and responsibility of professional accountants in business, ensuring ethical behavior and compliance with standards.

These responses aim to provide insights into the importance and implications of the proposed standards and revisions in the document. Feel free to ask for further clarification or additional details on any specific question.

#### **9. Determination of PIEs:**

For sustainability assurance engagements addressed by Part 5, do you agree with the proposal to use the determination of a PIE for purposes of the audit of the entity's financial statements? [See paragraphs 80 to 85 of this document]

#### **Comment**

- Agreeing with the proposal to use the determination of a Public Interest Entity (PIE) for sustainability assurance engagements addressed by Part 5 for the audit of the entity's financial statements is crucial for maintaining consistency and aligning the application of standards across different types of engagements.

#### **10. Group Sustainability Assurance Engagements:**

-The IESBA is proposing that the International Independence Standards in Part 5 specifically address the independence considerations applicable to group sustainability assurance engagements. [See paragraphs 86 to 92 of this document]

(a) Do you support the IIS in Part 5 specifically addressing group sustainability assurance engagements? Considering how practice might develop with respect to group sustainability assurance engagements, what practical issues or challenges do you anticipate regarding the application of proposed Section 5405?

**Comment**

-Addressing group sustainability assurance engagements in the International Independence Standards (IIS) in Part 5 is essential. Anticipated practical issues or challenges regarding the application of proposed Section 5405 may include complexities in coordinating independence requirements across multiple entities within a group.

(b) If you support addressing group sustainability assurance engagements in the IIS in Part 5:

(i) Do you support that the independence provisions applicable to group sustainability assurance engagements be at the same level, and achieve the same objectives, as those applicable to a group audit engagement (see Section 5405)?

**Comment**

-Supporting that the independence provisions for group sustainability assurance engagements be at the same level and achieve the same objectives as those for a group audit engagement is necessary for ensuring the integrity and reliability of the assurance process.

(ii) Do you agree with the proposed requirements regarding communication between the group sustainability assurance firm and component sustainability assurance firms regarding the relevant ethics, including independence, provisions applicable to the group sustainability assurance engagement? [See paragraph 88 of this document]

**Comment**

-Agreeing with the proposed requirements regarding communication between the group sustainability assurance firm and component sustainability assurance firms is crucial for maintaining consistency and transparency in the assurance process.

(iii) Do you agree with the proposed defined terms in the context of group sustainability assurance engagements (for example, "group sustainability assurance engagement" and "component")?

**Comment**

-Supporting the proposed defined terms in the context of group sustainability assurance engagements, such as "group sustainability assurance engagement" and "component," is important for clarity and consistency in the application of standards.

**11. Using the Work of Another Practitioner:**

Section 5406 addresses the independence considerations applicable when the sustainability assurance practitioner plans to use the work of another practitioner who is not under the former's direction, supervision and review but who carries out assurance work at a

sustainability assurance client. Do you agree with the proposed independence provisions set out in Section 5406? [See paragraphs 93 to 101 of this document]

**Comment**

Agreeing with the proposed independence provisions set out in Section 5406 is essential for ensuring the integrity and objectivity of the assurance process when utilizing the work of another practitioner in sustainability assurance engagements.

**12. Assurance at, or With Respect to, a Value Chain Entity:**

Do you support the proposed definition of "value chain" in the context of sustainability assurance engagements? [See paragraphs 102 and 103 of this document]

**Comment**

Supporting the proposed definition of "value chain" in the context of sustainability assurance engagements is crucial for providing a clear understanding of the entities involved in the assurance process.

**13. Independence Considerations at a Value Chain Entity:**

Do you support the provisions in Section 5407 addressing the independence considerations when assurance work is performed at, or with respect to, a value chain entity? [See paragraphs 104 to 110 of this document]

**Comment**

- Supporting the provisions in Section 5407 that address independence considerations when assurance work is performed at, or with respect to, a value chain entity is important for maintaining ethical standards and ensuring the integrity of the assurance process.

**14. Threats to Independence with a Value Chain Entity:**

Where a firm uses the work of a sustainability assurance practitioner who performs the assurance work at a value chain entity but retains sole responsibility for the assurance report on the sustainability information of the sustainability assurance client: (a) Do you agree that certain interests, relationships or circumstances between the firm, a 39 network firm or a member of the sustainability assurance team and a value chain entity might create threats to the firm's independence? (b) If yes, do you support the approach and guidance proposed for identifying, evaluating, and addressing the threats that might be created by interests, relationships or circumstances with a value chain entity in Section 5700? What other guidance, if any, might Part 5 provide? [See paragraphs 111 to 114 of this document]

**Comment**

- Agreeing that certain interests, relationships, or circumstances between the firm, a network firm, or a member of the sustainability assurance team and a value chain entity might

create threats to the firm's independence is essential. Supporting the approach and guidance proposed for identifying, evaluating, and addressing these threats in Section 5700 is crucial for managing and mitigating potential risks effectively.

#### **15. Providing NAS to Sustainability Assurance Clients:**

The International Independence Standards in Part 5 set out requirements and application material addressing the provision of NAS by a sustainability assurance practitioner to a sustainability assurance client. Do you agree with the provisions in Section 5600 (for example, the "self-review threat prohibition," determination of materiality as a factor, and communication with TCWG)? [See paragraphs 115 and 116 of this document]

#### **Comment**

-Agreeing with the provisions in Section 5600, such as the "self-review threat prohibition," determination of materiality as a factor, and communication with Those Charged With Governance (TCWG), is crucial for maintaining independence and ensuring the quality of sustainability assurance services

#### **16. Specific Types of NAS:**

Subsections 5601 to 5610 address specific types of NAS. [See paragraphs 118 to 120 of this document] (a) Do you agree with the coverage of such services and the provisions in the Subsections? (b) Are there any other NAS that Part 5 should specifically address in the context of sustainability assurance engagements?

#### **Comment**

a) Agreeing with the coverage of services and provisions in Subsections 5601 to 5610 is important for addressing potential threats and maintaining ethical standards in sustainability assurance engagements.

b) Part 5 should consider addressing any other NAS that are relevant and could impact the independence and quality of sustainability assurance services.

#### **17. Independence Issues in Dual Audit and Sustainability Assurance Engagements:**

Independence Matters Arising When a Firm Performs Both Audit and Sustainability Assurance Engagements for the Same Client 17. Do you agree with, or have other views regarding, the proposed approach in Part 5 to address the independence issues that could arise when the sustainability assurance practitioner also audits the client's financial statements (with special regard to the proportion of fees for the audit and sustainability assurance engagements, and long association with the client)? [See paragraphs 123 to 131 of this document]

#### **Comment**

- Agreeing with the proposed approach in Part 5 to address independence issues that may arise when a sustainability assurance practitioner also audits the client's financial statements is essential. Special attention to the proportion of fees for audit and sustainability assurance

engagements, as well as a long association with the client, is crucial for maintaining objectivity and independence.

#### **18. Additional Guidance in Chapter 1:**

18. Do you believe that the additional guidance from a sustainability assurance perspective (including sustainability-specific examples of matters such as threats) in Chapter 1 of the ED is adequate and clear? If not, what suggestions for improvement do you have??

#### **Comment**

- Providing clear and adequate additional guidance from a sustainability assurance perspective in Chapter 1 of the Exposure Draft (ED) is essential. Any suggestions for improvement should focus on enhancing clarity and addressing specific threats or challenges unique to sustainability assurance engagements.

#### **19. Other Matters:**

Are there any other matters you would like to raise concerning the remaining proposals in Chapters 1 to 3 of the ED

#### **Comment**

- Any other proposals or concerns regarding the remaining chapters of the ED should be carefully considered to ensure comprehensive coverage and alignment with the objectives of the International Independence Standards.

#### **20. Scope of Sustainability Reporting Revisions:**

Do you have any views on how the IESBA could approach its new strategic work stream on expanding the scope of the Code to all preparers of sustainability information? [See paragraphs 133 to 135 of this document]

#### **Comment**

- Providing views on how the IESBA could expand the scope of the Code to all preparers of sustainability information is important for enhancing transparency and accountability in sustainability reporting.

21. Do you agree that the proposals in Chapter 4 of the ED are responsive to the public interest, considering the Public Interest Framework's qualitative characteristics? [See paragraph 138 of this document]

#### **Responsiveness to the Public Interest:**



## **Comment**

- Agreeing that the proposals in Chapter 4 of the ED are responsive to the public interest, considering the qualitative characteristics outlined in the Public Interest Framework, is crucial for promoting trust and confidence in sustainability reporting.

**22. Do you agree that the proposed revisions to Parts 1 to 3 of the extant Code in Chapter 4 of the ED are clear and adequate from a sustainability reporting perspective, including:**

(a) Proposed revisions to Section 220? [See paragraphs 139 to 141 of this document]

(b) Proposed examples on conduct to mislead in sustainability reporting, value chain and forward-looking information? [See paragraphs 143 to 153 of this document]

(c) Other proposed revisions? [See paragraph 155 of this document]

### **Proposed Revisions to the Extant Code:**

## **Comment**

- Agreeing that the proposed revisions to Parts 1 to 3 of the extant Code in Chapter 4 of the ED are clear and adequate from a sustainability reporting perspective, including proposed revisions to Section 220 and examples on conduct to mislead in sustainability reporting, value chain, and forward-looking information, is essential for enhancing the quality and reliability of sustainability reporting.

### **23. Other Matters in Chapter 4:**

Are there any other matters you would like to raise concerning the proposals in Chapter 4 of the ED?

## **Comment**

- Any additional matters or suggestions concerning the proposals in Chapter 4 of the ED should be addressed to ensure comprehensive coverage and alignment with sustainability reporting objectives.

### **24. Effective Date Alignment:**

Do you support the IESBA's proposal to align the effective date of the final provisions with the effective date of ISSA 5000 on the assumption that the IESBA will approve the final pronouncement by December 2024?

## **Comment**

- Supporting the proposal to align the effective date of the final provisions with ISSA 5000, assuming approval by December 2024, is important for ensuring a smooth transition and implementation of the new standards.

## **GENERAL COMMENTS:**

When considering the questions related to small- and medium-sized entities (SMEs) and small and medium practices (SMPs) in the context of the proposed revisions to the Code relating to sustainability assurance and reporting, several key points can directly affect them:

(1) (a) Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs) – The IESBA invites comments regarding any aspect of the proposals from SMEs and SMPs.

### **Small- and Medium-sized Entities (SMEs) and Small and Medium Practices (SMPs):**

- Tailoring the proposed revisions to accommodate the specific needs and limitations of SMEs and SMPs is crucial for effective implementation. Practical guidance and scalability are essential to ensure that these entities can adhere to sustainability assurance and reporting standards without undue burden. Soliciting feedback from SMEs and SMPs can provide valuable insights for refining the proposals to better support these entities. To address the specific needs of SMEs and SMPs, it's essential to tailor the proposed revisions, particularly in areas such as;

#### **a. NAS Provision to SMEs and SMPs**

#### **Comment**

- The coverage of specific types of non-assurance services (NAS) in Subsections 5601 to 5610 should consider the unique needs and capacities of SMEs and SMPs. It is essential to ensure that the provisions are practical and tailored to the resources and expertise available to these entities.

#### **b. Independence Issues for SMEs and SMPs:**

#### **Comment**

- Addressing independence issues that could arise when sustainability assurance practitioners also audit the financial statements of SMEs and SMPs is crucial. Special attention should be given to the proportion of fees for audit and sustainability assurance engagements, as well as the duration of the relationship, to maintain objectivity and independence.

#### **c. Additional Guidance for SMEs and SMPs:**

#### **Comment**

- Providing clear and practical guidance from a sustainability assurance perspective in Chapter 1 of the Exposure Draft is essential for SMEs and SMPs. The guidance should be easily understandable and applicable to entities with limited resources and expertise.

#### **d. Scope of Sustainability Reporting for SMEs and SMPs:**

##### **Comment**

- When expanding the scope of the Code to all preparers of sustainability information, the IESBA should consider the specific challenges faced by SMEs and SMPs in reporting sustainability information. The approach should be flexible and scalable to accommodate the diverse nature and size of these entities.

#### **e. Proposed Revisions for SMEs and SMPs:**

##### **Comment**

- Ensuring that the proposed revisions to Parts 1 to 3 of the Code in Chapter 4 of the ED are clear and adequate from a sustainability reporting perspective is crucial for SMEs and SMPs. The revisions should be practical and feasible for entities with limited resources and capabilities.

#### **f. Effective Date Alignment for SMEs and SMPs:**

##### **Comment**

- Supporting the proposal to align the effective date of the final provisions with ISSA 5000 can benefit SMEs and SMPs by providing a consistent timeline for implementation. This alignment can help these entities prepare and adapt to the new standards effectively.

Addressing these points with a focus on the specific needs and challenges faced by SMEs and SMPs can help tailor the policy to be more inclusive, practical, and supportive of these entities in their sustainability assurance and reporting efforts.

(b) Regulators and Oversight Bodies – The IESBA invites comments on the proposals from an enforcement perspective from members of the regulatory and oversight communities.

##### **Regulators and Oversight Bodies:**

- Collaboration with regulators and oversight bodies is essential to ensure alignment with regulatory requirements and enforceability of the proposed revisions. Insights from these stakeholders can inform adjustments to enhance the effectiveness of the standards and streamline compliance efforts. Engaging with regulators fosters a coordinated approach

to sustainability assurance and reporting, promoting consistency and reliability in regulatory frameworks.

(c) Sustainability Assurance Practitioners Other than Professional Accountants – The IESBA invites comments on the clarity, understandability and usability of the proposals from sustainability assurance practitioners outside of the accountancy profession who perform sustainability assurance engagements addressed by the International Independence Standards in the proposed Part 5 of the Code.

**Sustainability Assurance Practitioners Outside of the Accountancy Profession:**

- Gathering feedback from sustainability assurance practitioners beyond the accountancy profession enriches the development process by incorporating diverse perspectives. Assessing the clarity and usability of the proposals from varied professional backgrounds enhances their relevance and applicability across different sectors. Inclusivity in stakeholder engagement fosters broader acceptance and adoption of the standards, advancing the practice of sustainability assurance globally.

(d) Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the Code, the IESBA invites respondents from these nations to comment on the proposals, and in particular on any foreseeable difficulties in applying them in their environment.

**Developing Nations (Specifically in the Context of Botswana):**

- Recognizing the unique challenges faced by developing nations, such as Botswana, in adopting and implementing the proposed revisions is paramount. Feedback from stakeholders in these regions sheds light on potential obstacles and opportunities for tailored solutions. Addressing specific concerns ensures that the standards are accessible and effective in diverse socio-economic contexts, promoting equitable participation and progress in sustainability reporting practices.

(e) Translations – Recognizing that many respondents may intend to translate the final changes for adoption in their own environments, the IESBA welcomes comment on potential translation issues respondents may note in reviewing the proposals.

**Translations:**

Ensuring accurate and accessible translations of the final standards is essential for global adoption and understanding. Feedback on potential translation challenges helps identify areas for improvement to maintain clarity and integrity across languages. Investing in high-quality translations enhances the usability and effectiveness of the standards worldwide, facilitating consistent application and interpretation across linguistic boundaries.