



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

Response from the Public Accountants and Auditors Board (PAAB), Zimbabwe

10 May 2024

The Public Accountants and Auditors Board (PAAB), Zimbabwe, was established by section 4 of the Public Accountants and Auditors Act, 1995 (as amended) (the Act). Public accountants (public auditors) are defined in the Act as any person registered by the PAAB to provide public accountancy services (public audit services) to any person, including a public company or statutory body. PAAB is the National Standards Setter in Zimbabwe responsible for endorsing and adopting international accounting standards, international standards on auditing and international public sector accounting standards when they meet certain criteria for prescription by statutory regulation by PAAB in accordance with section 44(2)(a) of the Act. PAAB is responsible for defining and enforcing ethical practice and discipline among registered public accountants and public auditors and setting Ethics standards (section 5(1)(d) of the Act); and representing the views of the accountancy profession on national, regional, and international issues (section 5(1)(g) of the Act). PAAB also plays a role in accountancy-specific education (section 5(1)(h) of the Act).

Further information about PAAB can be obtained at www.paab.org.zw

Any questions arising from this submission should be directed to:

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The Chairman
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10 May 2024

PAAB ZIMBABWE COMMENT LETTER TO THE IESBA'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

Dear Chairman,

We are writing on behalf of the Public Accountants and Auditors Board Zimbabwe to comment on the IESBA's exposure draft on the Proposed International Ethics Standards For Sustainability Assurance (Including International Independence Standards) (IESSA) and other revisions to the code relating to sustainability assurance and reporting.

General Comment on the Consultation paper

The PAAB is in agreement with quite a number of proposals in the ED including the fact that the proposals in Chapter 1 of the ED are profession agnostic as the standards are capable of being understood and applied by all practitioners of sustainability assurance engagements, including those who are not PAs, and the proposed standards are also framework neutral.

The PAAB followed a due process in coming up with this comment letter. Under the due process the PAAB technical staff conducted research, consulted key stakeholders, and drafted this comment letter.

Response to Specific Matters for Comment

Detailed comments on the Specific Matters for Comment are provided in the attached Annex.

Fungai Charumbira
Acting Deputy Secretary, PAAB

Tanaka Zhangazha
Standards, PAAB

ANNEX 1

EXPSOURE 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

Specific Matter for Comment 1: Main Objective 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?
- (b) Profession-agnostic and framework-neutral?

A. Equivalent to the ethics and independence standards for audit engagements.

The PAAB agrees that the proposals in chapter 1 of the ED are equivalent to the ethics and independence standards for audit engagements in the extant Code.

B. Profession-agnostic and framework-neutral

The PAAB agrees that the proposals are profession agnostic as the standards are capable of being understood and applied by all practitioners of sustainability assurance engagements, including those who are not PAs, and the proposed standards are also framework neutral.

Specific Matter for Comment 2: Main Objective of the IESSA

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?

The PAAB is in agreement that the proposals are responsive to public interest as the proposed IESSA follows the same building blocks approach in the extant Code, the language and terminologies used in Chapter 1 are as much as possible identical to those used in the extant Code which will allow provide the public with ease of clarity, understandability, and usability. Similar terms and definitions creates uniformity and thus better understandability and clarity since there is very little by way of new knowledge and concepts to comprehend.

Specific Matter for Comment 3: Definition of Sustainability Information

Do you support the definition of “sustainability information” in Chapter 2 of the ED?

The PAAB supports the IESBA’s definition as it clear and sufficient and also for the fact that the definition incorporates ESG factors and scopes in the definition in the IAASB’s proposed ISSA 5000 standard making the necessary alignment between the two Boards’ proposed terms. We however recommend that the IESBA also consider the definition of sustainability information in IFRS S1 for more alignment and consistent application of the term. The coverage, extent and scope of the term “sustainability information” is clear in that it encompasses sustainability reporting and sustainability assurance.

Specific Matter for Comment 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?

The PAAB agrees to the IESBA’s proposal since we believe it is in the best interest of the public as the other services provided by a sustainability assurance practitioner are also important because other aspects of the conduct of a practitioner may impair the credibility of, and public trust in, the practitioner’s sustainability assurance work.

Specific Matter for Comment 5: Scope of Proposed IESSA in Part 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?

The PAAB supports the IESBA's proposed criteria for such engagements to be where the sustainability information is reported in accordance with a general-purpose framework; and is required to be provided in accordance with law or regulation; or is publicly disclosed to support decision-making by investors or other stakeholders. Application of the same independence requirements will maintain consistency and be in the public interest and create trust in the assurance process, whether financials or sustainability.

Specific Matter for Comment 7: NOCLAR

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?

Response 1:

The respondents supports the IESBA'S proposal for the auditor and the sustainability assurance practitioner to consider communicating NOCLAR to each other provided that this communication is done on confidential basis and all the relevant factors stated in 5360.18a A1 will be religiously considered before such communication takes place.

Response 2:

The other respondents believe that this is a truly delicate area particularly where there are 2 separate, non-associated firms or entities conducting either of the 2 engagements. It is a matter of judgement as to what needs to be shared and this will mean that each entity will have to understand the scope, extent and nature of the others work and then communicate. There is a real risk of sharing confidential information in either direction. It should be borne in mind that 2 separate reports will be prepared on a distinctly different basis and it may not be necessary to share information. The potential of the knowledge gap of what is and is not confidential information is

open to subjectivity/risk and we believe that this section be struck off. Each entity and assurance engagement has their scopes and limitations and these should be respected and followed. If anything, should there be different firms conducting the different audits, it is for the financial auditors to utilise the work of the sustainability assurance provider to determine how it will impact the audit opinion.

Specific Matter for Comment 8: NOCLAR

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)

The PAAB support the IESBA's proposal.

Specific Matter for Comment 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?

The PAAB supports the IESBA proposal to determine an entity as a PIE for the purposes of sustainability assurance engagements if it has been determined as such for the purposes of the audit of its financial statements, but we however disagree with (5400.13a) the part where if a firm performing the audit of an entity's financial statements might decide to voluntarily treat the entity as a PIE, this does not mean that another firm performing a sustainability assurance engagement for that entity is required to treat that entity as a PIE for the purposes of the sustainability assurance engagement as this might be a potential for confusion if an entity was determined to be a PIE for the purposes of the audit of its financial statements and not a PIE solely on the basis of its sustainability information. Therefore, we recommend that the firm performing the audit of an entity's financial statements and the one performing a sustainability assurance engagement for the

same entity reach a unanimous agreement whether to both voluntarily treat the entity as a PIE or not to avoid any confusion to the users of Financial Statements.

The definition/s of and which types of entities are PIEs is well documented and should be followed. Firms have to follow guidance otherwise there is a risk of arbitrary application and distortions.

Specific Matter for Comment 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?

The PAAB agrees with the independence provisions set out in section 5406. Independence requirements should be at least as strict as the extant code and be applied consistently and we believe this is the case and thus agree with the PAAB and the matters raised in the explanatory memorandum section 86-92.

Specific Matter for Comment 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)?

The PAAB supports the set requirements and application material. Independence requirements should be similarly and wholly applied in these instances particularly in relation to vis a vis financial statement audits and other engagements. This is set forth in 5600.9 and is a mandatory requirement.

Specific Matter for Comment 21: Sustainability Reporting

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?

The PAAB agrees that the proposals are responsive to the public interest.