

Joint submission by Chartered Accountants Australia and New Zealand and The Association of Chartered Certified Accountants

1 December 2023

To: Mr Thomas R. Seidenstein
The Chairman
International Auditing and Assurance Standards Board
529 5th Avenue 6th Floor
New York 10017
United States of America

Submission via IAASB website

Submission on IAASB's Exposure Draft Proposed International Standard on Sustainability 5000 General Requirements for Sustainability Assurance Engagements

This submission is made jointly by Chartered Accountants Australia and New Zealand (CA ANZ) and the Association of Chartered Certified Accountants (ACCA) under our strategic alliance.

ACCA and CA ANZ created a strategic alliance in June 2016, forming one of the largest accounting alliances in the world. It represents 870,000 current and next generation accounting professionals across 179 countries and provides a full range of accounting qualifications to students and business. Together, ACCA and CA ANZ represent the voice of members and students, sharing a commitment to uphold the highest ethical, professional and technical standards. More information about ACCA and CA ANZ is contained in Appendix B.

General comments

We commend the IAASB for accelerating the development of the Exposure Draft of ISSA 5000 (ED-5000) in response to the demand for high quality sustainability assurance. Globally consistent high-quality assurance over sustainability information will be important to the impact of sustainability reporting and the decisions made by users of that information.

We are also very supportive of the direction that the IAASB has taken in developing an overarching standard that can set the global baseline for sustainability assurance initially, recognising that expectations will evolve, and the standard will need to be refined over time. This could also include the potential to be supplemented by additional standard(s) under the 5000 series when needs are identified going forward, as recognised in the IAASB's Proposed Strategy and Work Plan for 2024-2027.

We also acknowledge the extensive outreach that the Task Force has done across a wide range of stakeholders that have interest in the sustainability assurance space during the development of ED-5000. Given that ED-5000 aims to be profession agnostic we also acknowledge the formation of the two reference groups, one for experts in sustainability assurance representing 'other professional assurance practitioners' and one for experts in sustainability assurance 'representing the accounting profession' which the IAASB consulted with throughout the development of the standard.

- We agree that there is a need for an overarching standard that sets the global baseline for sustainability assurance, and we commend the IAASB for accelerating the development of ED-5000 and its supporting Explanatory Memorandum (EM) which also aims to meet the EU timeframe in light of the Corporate Sustainability Reporting Directive. We are also supportive that the IAASB's approach recognises that expectations will evolve, and the standard may need to be refined over time as well as supplemented by additional standard(s) when needs are identified going forward. This is also recognised in the IAASB's Proposed Strategy and Work Plan for 2024-2027.
- While we find that ED-5000, as an overarching standard, can be applied to each of the items described in paragraph 14 of the EM, our outreach feedback suggests that there is a need for more specificity in addressing some of the challenging aspects of sustainability reporting such as value-chain information and forward-looking information. We therefore find that these are areas that the IAASB will require further work in the form of additional requirements/standards/guidance. We suggest that the IAASB prioritises these areas when considering its future work on Further Standards for Assurance on Sustainability Reporting in accordance with its Proposed Strategy and Work Plan 2024-2027.
- We encourage the board to continue its work on future priorities and workplan for developing additional ISSA standards and guidance and make these public as soon as possible. This will enable local regulators and standard setters to determine where they may need to fill gaps or develop additional local requirements. We also encourage the board to consider where it may be able to facilitate development of guidance in cooperation with national standard setters or professional bodies.
- We note that the language used in the standard is still largely rooted in terminology and concepts used in the ISAs. And while this is necessary as the standard is addressing the provision of external assurance on general purpose sustainability reporting, we acknowledge some practitioners may not be familiar with certain terminology and concepts used commonly in external assurance and audit engagements on general purpose corporate reporting. We believe that non-professional accountant practitioners (NPAPs) will need additional implementation guidance. We do acknowledge the effort placed by the IAASB to ensure that the standard is profession agnostic, for example via the formation of the two reference groups, one for experts in sustainability assurance representing 'other professional assurance practitioners' and one for experts in sustainability assurance 'representing the accounting profession' which the IAASB consulted with throughout the development of the standard. However, we disagree that the proposals as currently drafted enable the IAASB to fully hit the mark of developing a profession agnostic standard, a key public interest issue. See our responses to Q4 and Q27 for further detail.

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- The use of assurance terminology and concepts such as professional scepticism and independence, which are embedded in the IESBA Code of Ethics and the ISAs, also highlights the importance of there being rigour over the assessment of equivalent ethical, independence and quality management requirements to ensure that the provision of high-quality sustainability assurance is consistent globally. See our responses to Q2, Q4 and Q9 below for further detail.
- We also encourage the board to consider changing the name of the standard to General Principles - Sustainability Related Information Assurance. We have heard feedback from stakeholders expressing the concern that users will assume that the assurance practitioner is providing assurance over the sustainability of the entity as a whole, not just over the sustainability information being reported. Clarifying the name of the standard may assist in reducing potential misunderstanding from the outset.

Our responses to the specific questions for comment raised in the ED follow in Appendix A. Should you have any queries about the matters in this submission, or wish to discuss them in further detail, please contact Melanie Scott, Senior Policy Advocate at CA ANZ via email; melanie.scott@charteredaccountantsanz.com and Antonis Diolas, Head of Audit and Assurance at ACCA via email: antonis.diolas@accaglobal.com.

Yours sincerely

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RESPONSE TEMPLATE FOR EXPOSURE DRAFT OF PROPOSED ISSA 5000, *GENERAL REQUIREMENTS FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS*

Guide for Respondents

Comments are requested by **December 1, 2023**. *Note that requests for extensions of time cannot be accommodated due to the accelerated timeline for finalization of this proposed standard.*

This template is for providing comments on the Exposure Draft of proposed International Standard on Sustainability Assurance Engagements™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* (ED-5000), in response to the questions set out in the Explanatory Memorandum to ED-5000. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
 - Respond directly to the questions.
 - Provide the rationale for your answers. If you disagree with the proposals in ED-5000, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
 - Identify the specific aspects of ED-5000 that your response relates to, for example, by reference to sections, headings or specific paragraphs in ED-5000.
 - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the “**Submit Comment**” button on the [ED-5000 webpage](#) to upload the completed template.

Responses to IAASB’s Request for Comments in the Explanatory Memorandum for ED-5000, General Requirements for Sustainability Assurance Engagements

PART A: Respondent Details and Demographic information

Your organization’s name (or your name if you are making a submission in your personal capacity)	ACCA and Chartered Accountants Australia & New Zealand
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Antonis Diolas and Amir Ghandar
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Antonis Diolas and Melanie Scott
E-mail address(es) of contact(s)	Antonis.Diolas@accaglobal.com melanie.scott@charteredaccountantsanz.com
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on ED-5000). Select the most appropriate option.	Global
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.	Member body and other professional organization
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	See Appendix B

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to ED-5000).

Information, if any, not already included in responding to the questions in Parts B and C:

PART B: Responses to Questions in the Explanatory Memorandum for ED-5000

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Overall Questions

1. Do you agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 to which your detailed comments, if any, relate (use a heading for each relevant item).

(See Explanatory Memorandum Section 1-A, paragraph 14)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We agree that there is a need for an overarching standard that sets the global baseline for sustainability assurance, and we commend the IAASB for accelerating the development of ED-ISSA 5000 and its supporting EM which also aims to meet the EU timeframe in light of the Corporate Sustainability Reporting Directive. We are also supportive that the IAASB's approach in developing ED-5000 recognises that expectations will evolve, and the standard may need to be refined over time as well as supplemented by additional standard(s) when needs are identified going forward as we noted in our general comments.

While we find that ED-5000, as an overarching standard, can be applied to each of the items described in paragraph 14 of this EM, our outreach feedback suggests that there is a need for more specificity in addressing some of the challenging aspects of sustainability reporting such as value-chain information and forward-looking information. We therefore find that these are areas that the IAASB will require further work in the form of additional requirements/standards/guidance. We suggest that the IAASB prioritises these areas when considering its future work on Further Standards for Assurance on Sustainability Reporting in accordance with its Proposed Strategy and Work Plan 2024-2027.

We encourage the board to continue its work on future priorities and workplan for developing additional ISSA standards and guidance and make these public as soon as possible. This will enable local regulators and standard setters to determine where they may need to fill gaps or develop additional local requirements. We also encourage the board to consider where it may be able to facilitate development of guidance in cooperation with national standard setters or professional bodies.

We note that the language used in the standard is still largely rooted in terminology and concepts used in the ISAs. And while this is necessary as the standard is addressing the provision of external assurance on general purpose sustainability reporting, we acknowledge some practitioners may not be familiar with certain terminology and concepts used commonly in external assurance and audit engagements on general purpose corporate reporting. This terminology and relevant concepts are necessary as the standard is addressing the provision of external assurance on general purpose sustainability reporting, we believe that NPAPs will need additional implementation guidance. See our responses to Q4 and Q27 below for further detail.

The use of assurance terminology and concepts such as professional skepticism and independence which are embedded in the IESBA Code of Ethics and the ISAs, also highlights the importance of there being rigor over the assessment of equivalent ethical, independence and quality management requirements to ensure

that the provision of high-quality sustainability assurance is consistent globally. See our responses to Q2, Q4 and Q9 below for further detail.

We also encourage the board to consider changing the name of the standard to General Principles - Sustainability Related Information Assurance. We have heard feedback from stakeholders expressing the concern that users will assume that the assurance practitioner is providing assurance over the sustainability of the entity as a whole, not just over the sustainability information being reported. Clarifying the name of the standard may assist in reducing potential misunderstanding from the outset.

Public Interest Responsiveness

2. Do you agree that the proposals in ED-5000 are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal? If not, why not?

(See Explanatory Memorandum Sections 1-B, and Appendix)

Overall response: [Neither agree/disagree, but see comments below](#)

Detailed comments (if any):

While we agree that in substance most proposals in ED-5000 are responsive to the public interest subject to the specific points raised in our responses to the other questions of ED-5000, we acknowledge some practitioners, particularly NPAPs, may not be familiar with certain terminology and concepts used commonly in external assurance and audit engagements on general purpose corporate reporting. As noted in our general comments, we do acknowledge the effort placed by the IAASB to ensure that the standard is profession agnostic, for example via the formation of the two reference groups, one for experts in sustainability assurance representing 'other professional assurance practitioners' and one for experts in sustainability assurance 'representing the accounting profession' which the IAASB consulted with throughout the development of the standard. However, we disagree that the proposals as currently drafted enable the IAASB to fully hit the mark of developing a profession agnostic standard, a key public interest issue. We understand that this terminology and relevant concepts are necessary as the standard is addressing the provision of external assurance on general purpose sustainability reporting. Hence, we find that NPAPs will either need additional implementation guidance or the current proposals will need to be simplified to enable their understanding. CA ANZ has developed a [Sustainability Assurance Playbook](#) for SMP auditors and there may be other guidance from NSS and professional bodies which could be useful to the board in developing such guidance. Furthermore, as noted in our response to Q7, we suggest that supporting guidance is developed that can guide NPAPs through in differentiating the work effort between limited and reasonable assurance in a clear and simplistic way to enable their understanding given that this is a challenging area even for those who are familiar with the IAASB standards. This is an important public interest issue that the board will need to address in the final standard.

The reporting of sustainability information will be vital for entities and economies to achieve the climate and other sustainability metrics and goals that are increasingly being established. In order for users of sustainability information to be able to make decisions based on that information, they need to be able to rely on it. Reliance will require consistent, high-quality assurance over the information. For that reason, we believe that one of the key public interest aspects will be the determination of how ethics, independence and quality management requirements are assessed to be "at least as demanding" as those established by the IESBA and IAASB and how compliance with those standards will be monitored and enforced. While

some aspects of this may need to be handled at a jurisdictional level, particularly in relation to monitoring and enforcement, we believe the board must facilitate a coordinated approach to the independent assessment of other standards. Practitioners should not be able to self-assess this matter, in the interests of protecting assurance quality and the public interest. We commend the IAASB for acknowledging that national standard setters and regulators share the responsibility for determining what may be considered “at least as demanding” in A3 of the ED-5000. See our response to Q4 below for further detail.

Specific Questions

Applicability of ED-5000 and the Relationship with ISAE 3410

3. Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?

(See Explanatory Memorandum Section 1-C)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

The scope and applicability of ED-5000, including when ISAE 3410 *Assurance on Greenhouse Gas Statements* should be applied rather than ED-5000, is clear.

However, we note that issues may potentially arise in practice where the same information is subject to assurance under both standards. For example, where GHG emissions are separately assured under local statutory reporting requirements and then those same emission figures are also reported in a broader sustainability report. There are differences in the work effort required in ISAE 3410 and proposed ISSA 5000, particularly in relation to limited assurance. We believe therefore that the requirements need to make it clear whether the assurance practitioner needs to perform additional work over the GHG emissions, to provide assurance on the sustainability report under ISSA 5000 (in addition to that already performed under ISAE 3410).

Relevant Ethical Requirements and Quality Management Standards

4. Is ED-5000 sufficiently clear about the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management? If not, what suggestions do you have for additional application material to make it clearer?

(See Explanatory Memorandum Section 1-D)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

Whilst we acknowledge that the application material identifies the key ethical principles in the IESBA Code and the objectives of ISQM 1, we believe that “at least as demanding” remains subjective. As stated in our response to Q2, we believe that, in order to protect the public interest and ensure that consistent, high quality sustainability assurance is provided under ISSA 5000, the assessment of existing ethical, independence and quality management standards used by NPAPs needs to be addressed by national regulators. Ideally, existing international codes of ethics and standards would be assessed at the international level so there is consistency in which existing standards and requirements can be “at least as

demanding”. Similarly local codes and standards should be assessed by relevant local regulators and/or standard setters as they will also have to determine appropriate monitoring and enforcement processes. We do not believe that practitioners should be able to self-assess whether the standards they are using are “at least as demanding” as this will lead to inconsistency in practice and inconsistency in assurance quality. We commend the IAASB for acknowledging that national standard setters and regulators share the responsibility for determining what may be considered “at least as demanding” in A3 of the ED-5000. We urge the IAASB to consider supplementing ISSA 5000 with guidance for national standard setters and regulators on how to address this in their jurisdictions, particularly when it comes to other frameworks for example, ISO practitioners or frameworks applicable for engineers and other experts likely to be involved in sustainability assurance engagements. We also commend the IESBA for its progress in developing profession-agnostic ethics and independence standards for sustainability assurance to be included in a new proposed Part 5 of the Code and we look forward to the imminent publication of the Exposure Draft.

Definitions of Sustainability Information and Sustainability Matters

5. Do you support the definitions of sustainability information and sustainability matters in ED-5000? If not, what suggestions do you have to make the definitions clearer?

(See Explanatory Memorandum Section 1-E, paras. 27-32)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

We broadly support the definitions of sustainability information and sustainability matters in ED-5000, However, we note that ‘sustainability information’ is a very broad term which is commonly used outside the IAASB standards to describe all sustainability information relevant to an entity, that could be outside the scope of the assurance engagement and therefore cause confusion. We understand that the board moved from the term ‘subject matter information’ found in ISAE 3000 (Revised) however, we suggest that it may be simpler to keep that terminology to avoid causing confusion, or alternatively, coming up with another term that will not be confused with the broader accepted meaning of ‘sustainability information’. This is also very important for NPAPs who may not be familiar with ISAE 3000 (Revised) given that ED-5000 is profession agnostic.

6. Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?

(See Explanatory Memorandum Section 1-E, paras. 35-36)

Overall response: [Neither yes/no, but see comments below](#)

Detailed comments (if any):

Please see comments in response to Q5 above.

Differentiation of Limited Assurance and Reasonable Assurance

7. Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 45-48)

Overall response: [Neither yes/no, but see comments below](#)

Detailed comments (if any):

The feedback we received in our outreach is that there are concerns that the difference between limited and reasonable assurance is not clear in ED-5000. There is an uplift in the work described for limited assurance, particularly in relation to risk assessment and internal controls.

According to the feedback received in relation to limited assurance, practitioners are struggling with what is meant by “meaningful level of assurance” in relation to sustainability assurance engagements. There is a wide range of intended users in this type of engagement and therefore what is meaningful for one group of users could vary significantly to what it means for another group of users. We therefore suggest that the standard provides more clarity regarding the meaningful level of assurance.

As a result of the above, practitioners during our outreach also noted that they are struggling with understanding the work effort needed particularly when it comes to limited assurance, with some suggesting that guidance on a minimum set of procedures that will need to be conducted under a limited assurance engagement would be helpful. For example, similar to ISRE 2400 which starts with inquiry and analytical procedures. Furthermore, our stakeholders noted that the standard should provide more guidance when it comes to first-year engagements under limited assurance and more specifically, in which instances any requirements under reasonable assurance, such as those relating to understanding the entity, may need to be applied given that it is a first-year engagement. This could be in the form of examples in the application material.

When it comes to the profession agnostic nature of the standard, we suggest that supporting guidance is developed that can guide NPAPs in differentiating the work effort between limited and reasonable assurance in a clear and simple way to enable their understanding given that this is a challenging area even for those who are familiar with the IAASB standards.

We also encourage the board to explore options to present the information in the standard for limited versus reasonable assurance in other ways. For example, an electronic version of the standard that enables the user to show only limited or reasonable assurance requirements may be useful. In Australia, the Australian Auditing and Assurance Board (AUASB) has introduced an electronic standards portal that makes the standards more user friendly by providing links, pop up guidance and easier navigation and we encourage the board to explore options for presenting its suite of standards in this manner.

Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement

8. Is ED-5000 sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement? If not, how could the requirements be made clearer?

(See Explanatory Memorandum Section 1-F, para. 51)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

While the subjects which the practitioner has to consider as part of preliminary knowledge and preconditions for acceptance are reasonable, overall, we have heard concerns about the work effort required in relation to preconditions. There need to be clear examples and guidance, given that sustainability reports may include sustainability information over a wide range of matters with separate criteria etc. We also heard concerns that ED-5000 requires the assurance practitioner to take on responsibilities that rest with those charged with governance and management. The EM states that the extent of the preliminary work is limited to that sufficient for acceptance or continuance of the engagement. This is less clear in ED-5000.

In addition, we believe that the practitioner should be satisfied that management has taken responsibility for matters that are their responsibility as part of the preconditions for acceptance.

ISA 210 *Agreeing The Terms of Audit Engagements* requires that as preconditions to the audit, the auditor must be satisfied that the reporting framework is acceptable and that the auditor obtains management's agreement and acknowledgement of their responsibilities in relation to preparation of the financial statements in accordance with the applicable framework, appropriate internal controls to enable the preparation of the financial statements free from material misstatement whether due to fraud or error, and providing access to persons and information needed by the auditor (ISA 210.6(b)). In ISA 210.10 it then requires that management's acknowledgement be documented.

ED-5000.70(a) requires the assurance practitioner to evaluate the role and responsibility of management, those charged with governance and the engaging party, including having a reasonable basis for the sustainability information. It then sets out additional requirements to evaluate whether the sustainability matters are appropriate and that the criteria are suitable in paragraphs 71 and 72.

ISAE 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* uses a similar approach to ED-5000 except the language used in ISAE 3000.24 is "In order to establish whether the preconditions for an assurance engagement are present, the assurance practitioner shall, on the basis of a preliminary knowledge of the engagement circumstances and discussion with the appropriate party(ies), determine whether" which provides more clarity over the expected work effort. We encourage the board to consider whether ED-5000 can be clarified to make it easier to understand what the expected work effort is, particularly in light of the fact that the practitioner could expend a lot of effort in identifying the preconditions only to have them not be met and be unable to proceed with an engagement.

Given the emerging nature of the reporting frameworks that preparers may be using and the potentially broad range of sustainability information, we think it would be appropriate if the preconditions also included the requirement that the assurance practitioner obtains management's acknowledgement of their responsibilities as currently set out in paragraph 78 at this stage as well as having them documented in the terms of engagement once the engagement proceeds.

9. Does ED-5000 appropriately address the practitioner’s consideration of the entity’s “materiality process” to identify topics and aspects of topics to be reported? If not, what approach do you suggest and why?

(See Explanatory Memorandum Section 1-F, paras. 52-55)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

The application material refers to the entity’s process to identify and select topics and aspects of topics to be reported may be established by management or applied pursuant to the requirements of a sustainability reporting in a number of different ways. While we acknowledge that different reporting frameworks use different terminology for this process, it would be simpler for the standard to simply define the term once and use that term consistently. Guidance may be provided on common terminology for this process in established reporting frameworks. On review of the recently published Materiality FAQs, we commend the IAASB for developing a much-needed clarification on the application of materiality and the associated materiality process for the entity in sustainability assurance engagements. We agree the 'bi-furcated' approach is appropriate because it is impracticable for practitioners to determine materiality for qualitative disclosures given the nature of those disclosures, and impracticable to determine a single materiality for the sustainability information as a whole due to a mix of qualitative and quantitative disclosures about a number of different topics and aspects of topics. Specifically in relation to the materiality process, we suggest that further practical examples be provided to assist practitioners in applying these materiality principles consistently across different sectors and entities.

Suitability and Availability of Criteria

10. Does ED-5000 appropriately address the practitioner’s evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 56-58)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

This is an area that can be challenging for practitioners when the entity is using criteria outside of common reporting frameworks and is an area where further guidance is likely to be required.

11. Does ED-5000 appropriately address the notion of “double materiality” in a framework-neutral way, including how this differs from the practitioner’s consideration or determination of materiality? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 59-60 and 68)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

We support the need to explain the concept of double materiality for the assurance practitioner to consider. According to ACCA's thought leadership report titled [Sustainability Assurance – rising to the challenge](#) sustainability assurance practitioners commended the IAASB for considering double materiality as part of its priority areas in developing ED-5000 with some of them noting that while it might not be a concept that is required by all sustainability reporting frameworks, it is still very important for the mindset of the sustainability assurance practitioner when conducting sustainability assurance engagements.

The consideration of materiality in sustainability assurance is complex due the multiple meanings that the term may be taken to mean. The assurance practitioner must consider a wide spectrum of users, the entity's 'materiality process', the concept of 'double materiality' and then also determine materiality in relation to both the quantitative and qualitative sustainability information being reported. We believe that materiality is an area where there will be a need for additional guidance, examples and perhaps an additional standard in the future to assist practitioners. Education will also be needed for preparers and other users about how materiality is addressed by the assurance practitioner. We note the clarity in the FAQs in that the reporting framework may require the entity to apply the concept of "double materiality," which recognises that stakeholders may be focused on financial materiality or impact materiality or both when identifying the sustainability matters to be disclosed. This could be a starting point for the development of additional guidance.

Materiality

12. Do you agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 65-74)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures.

As we stated in our response to Q11, the consideration of materiality in sustainability assurance is complex due to the multiple meanings that the term may be taken to mean. We believe that materiality is an area where there will be a need for additional guidance, examples and perhaps an additional standard to assist practitioners particularly when it comes to qualitative disclosures. Education will also be needed for preparers and other users about how materiality is addressed by the assurance practitioner.

We encourage the board to determine its future priorities and workplan for developing additional ISSA standards and guidance and make these public as soon as possible. This will assist local regulators and national standard setters to determine where they may need to fill gaps or develop additional requirements. We also encourage the board to consider where it may be able to facilitate development of guidance in cooperation with national standard setters or professional bodies. Materiality should be a prioritised topic.

Understanding the Entity's System of Internal Control

13. Do you agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements? If not, what suggestions do you have for making the differentiation clearer and why?

(See Explanatory Memorandum Section 1-F, paras. 75-81)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

Subject to our response to Q7 where we raised our concerns when it comes to the work effort, yes, we broadly agree with the differential approach in ED-5000 for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements. We do note that certain procedures under reasonable assurance could also be relevant for limited assurance engagements too based on the assurance practitioner's judgment, however the standard could be more explicit in emphasising this.

Using the Work of Practitioner's Experts or Other Practitioners

14. When the practitioner decides that it is necessary to use the work of a firm other than the practitioner's firm, is ED-5000 clear about when such firm(s) and the individuals from that firm(s) are members of the engagement team, or are "another practitioner" and not members of the engagement team? If not, what suggestions do you have for making this clearer?

(See Explanatory Memorandum Section 1-G, paras. 82-87)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

The table in Figure 2 on page 23 of the EM is very helpful to understand when such firm(s) and individuals from that firm(s) are members of the engagement team or not, and hence we suggest that the IAASB incorporates this table under the application material or the appendices of the standard.

We believe there may be difficulties in practice in relation to 'other practitioners' and when they are considered to be part of the engagement team. If an 'other practitioner' is considered to be part of the engagement team, then they have to comply with the practitioner firm's independence, ethics and quality management policies. This may be a disincentive for other practitioners to work in this fashion with the assurance practitioner. More guidance is needed on the implications of being considered a member of the engagement team for the other practitioner (this may also be a useful topic to consider for first-time adoption/implementation guidance) and the responsibilities of the assurance practitioner where another practitioner is not considered part of the engagement team.

There is a need to clarify how the work of experts can be referenced by the assurance practitioner. ISA 620 *Using the Work of an Auditor's Expert* prohibits any reference to using the work of an expert in the auditor's report. ED-5000 does not have such a prohibition and the application material suggests the assurance practitioner could refer to the work of an expert in their assurance report where they issue a qualified opinion/conclusion.

Furthermore, as ACCA's report [Sustainability Assurance – rising to the challenge](#) finds, in sustainability assurance engagements there is an unprecedented dependence on the work of experts which raises questions regarding their ethical behaviour and independence. We commend the IESBA for its project on the 'Use of Experts' and suggest that the IAASB continues to work closely with IESBA on this area.

15. Are the requirements in ED-5000 for using the work of a practitioner's external expert or another practitioner clear and capable of consistent implementation? If not, how could the requirements be made clearer?

(See *Explanatory Memorandum Section 1-G, paras. 88-93*)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

While the requirements are clear, there is a need for guidance on what a reasonable work effort is for the engagement partner, who may be a generalist in sustainability assurance, to assess the capabilities and work of the expert. Given the broad range of potential topics of sustainability matters and sustainability information and the need to potentially involve multiple experts in highly technical topics in some engagements, there needs to be guidance to provide practitioners and regulators with a clear understanding of what is reasonable.

As stated in our response to Q14, there is a need to clarify how the work of experts can be referenced by the assurance practitioner. ISA 620 *Using the Work of an Auditor's Expert* prohibits any reference to using the work of an expert in the auditor's report. ED-5000 does not have such a prohibition and the application material suggests the assurance practitioner could refer to the work of an expert in their assurance report where they issue a qualified opinion/conclusion.

Estimates and Forward-Looking Information

16. Do you agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information? If not, what do you propose and why?

(See *Explanatory Memorandum Section 1-G, paras. 94-97*)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

Our stakeholders expressed views that ED-5000 is incomplete when it comes to dealing with assurance of forward-looking information. There is a need for more clarity around the nature of assurance that is appropriate to provide, the scope of the work given the differences between the kinds of forward-looking information that may be reported in a sustainability report (which may involve timeframes much longer than would be considered in a financial statement audit and may also involve hypothetical scenarios and/or assumptions). The board should prioritize this topic for further standards/guidance or additional requirements in ISSA 5000. ISAE 3400 *The Examination of Prospective Financial Information* provides some clear demarcation on the scope of work and nature of conclusions that can be expressed on prospective information (limited assurance only and reports that include appropriate disclaimers).

Given the nature of sustainability information there may also be a need for more guidance on the point at which an estimate becomes forward-looking information.

Risk Procedures for a Limited Assurance Engagement

17. Do you support the approach in ED-5000 to require the practitioner to design and perform risk procedures in a limited assurance engagement sufficient to identify disclosures where material misstatements are likely to arise, rather than to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement? If not, what approach would you suggest and why?

(See *Explanatory Memorandum Section 1-G, paras. 98-101*)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

We have heard concerns from practitioners that the difference in what they are expected to do, and the work effort involved, in a limited assurance engagement compared to a reasonable assurance engagement is not clear. There are differences in approach in ED-5000, ISAE 3000, ISAE 3410 and ISRE 2400. If there is intended to be an uplift in what is appropriate for a limited assurance engagement due to the changes to ISA 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement*, then once the position in ED-5000 is clarified, the board needs to consider the need for conforming amendments to the other related standards for consistency.

As ISA 315 is intended for reasonable assurance engagements, we encourage the board to consider what is appropriate for risk assessment in relation to limited assurance engagements carefully.

Groups and “Consolidated” Sustainability Information

18. Recognizing that ED-5000 is an overarching standard, do you agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when “consolidated” sustainability information is presented by the entity? If not, what do you propose and why?

(See *Explanatory Memorandum Section 1-G, paras. 102-107*)

Overall response: [Neither agree/disagree, but see comments below](#)

Detailed comments (if any):

We believe that ED-5000 should address group sustainability assurance engagements by providing further guidance in the form of special considerations for group sustainability assurance engagements within the standard or through guidance initially and addressed in a separate standard in the near future. While financial statement auditors have experience in managing multiple entity and/or cross jurisdictional engagements, this is a complicated process to manage, to ensure that sufficient appropriate evidence is obtained, and that ethical, independence and quality management standards are also met. ISA 600 *Special Considerations—Audits of Group Financial Statements (Including The Work of Component Auditors)* is considered necessary to achieve this for financial statement audits and is applied together with the suite of ISAs. Given that ED-5000 is a standalone standard we believe that it should incorporate equivalent requirements for group sustainability assurance engagements, given the potentially more complex nature of the information being reported and number of parties involved.

Fraud

19. Do you agree that ED-5000 appropriately addresses the topic of fraud (including “greenwashing”) by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error? If not, what suggestions do you have for increasing the focus on fraud and why?

(See Explanatory Memorandum Section 1-G, paras. 108-110)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We agree that the ED-5000 appropriately addresses the topic of fraud by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error.

However, we are concerned that the ED-5000 does not currently refer to the primary responsibility that those charged with governance and management have for the prevention and detection of fraud found in ISA 240.4.

Additionally, our stakeholders noted that ED-5000 does not currently refer to presumed fraud risks which would be equivalent to management override of controls found in ISA 240. It should be recognised that certain manual adjustments are still possible to be made on the sustainability information subject to assurance. We therefore recommend that the standard requires certain minimum audit procedures to identify the manual adjustments and any potential override to the sustainability information during the reporting process. This could be for example, through audit procedures testing the appropriateness and authorisation of those manual adjustments.

Furthermore, we heard concerns during our outreach in relation to the potential complexity of considering fraud and misstatement for qualitative disclosures and where the line is between determining if there is unintentional bias or fraud and the potential work effort involved. This is an area where additional guidance is needed. There will also be local jurisdictional differences in how regulators interpret language as ‘greenwashing’ or not. The need for nuance and well executed professional skepticism in this area again underscores the importance of “at least as demanding” ethical standards being applied by practitioners.

Communication with Those Charged with Governance

20. Do you support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 111-112)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

Yes. We are broadly supportive of the requirements included in ED-5000. However, we believe that it should also address if there are any expected communications required between the sustainability assurance practitioner and the financial statement auditor, where these engagements are conducted by different people and/or firms, and whether there are differences where both practitioners are in the same firm or network firm versus separate unrelated firms.

Currently ED-5000 requires the practitioner to communicate with those charged with governance if they have concerns on reading 'other information'. To ensure consistency in practice, if the board considers that this is sufficient and there is no responsibility for the assurance practitioner to communicate with the financial statement auditor if they identify a matter that they think could impact the financial statements, or the board considers that the practitioner would not be able to do so due to confidentiality considerations, then this should be stated in the standard to clarify and a conforming amendment made to ISA 720 (Revised) *The Auditor's Responsibilities Relating to Other Information* as well. If the board considers that there is a responsibility to communicate, this should be addressed in ISSA 5000 and ISA 720.

Reporting Requirements and the Assurance Report

21. Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users? If not, please be specific about any matters that should not be required to be included in the assurance report, or any additional matters that should be included.

(See Explanatory Memorandum Section 1-G, paras. 116-120, 124-130)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

It would be useful for more examples to be provided. Examples of reports prepared in accordance with common reporting frameworks would be useful along with examples of inherent limitation statements, perhaps as a guidance document rather than in the standard itself.

As stated in our response to Q12, the assessment of misstatements to form the opinion or conclusion will be complicated and there may be a need for more guidance.

As noted in our response to Q19 above, we are concerned that ED-5000 does not currently refer to the primary responsibility that those charged with governance and management have for the prevention and detection of fraud found in ISA 240.4.

22. Do you agree with the approach in ED-5000 of not addressing the concept of "key audit matters" for a sustainability assurance engagement, and instead having the IAASB consider addressing this in a future ISSA? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 121-123)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We are supportive of not requiring key audit matters at this point in time given the fact that both the reporting and assurance frameworks are not yet mature. ED-5000 does not prevent a practitioner from including this information, should they choose to do so. However we urge the board to prioritise revisiting the need for key audit matters to be reported soon after the finalisation of ISSA 5000, following a PIR or further consultation which will allow more informed feedback to enable a better understanding of the users' information needs.

23. For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?
(See Explanatory Memorandum Section 1-G, para. 131)

Overall response: [No, with comments below](#)

Detailed comments (if any):

The EM states that the purpose is to make it clear that the scope and nature of the work performed is “substantially lower”. However, the wording in the example assurance reports merely uses “less than”. This is not the same as “substantially lower” and is more subjective to the user’s interpretation of “less”. If “substantially lower” is what is intended, then that is the language that should be used.

Other Matters

24. Are there any public sector considerations that need to be addressed in ED-5000?
(See Explanatory Memorandum Section 1-I, para. 135)

Overall response: [No, with comments below](#)

Detailed comments (if any):

We did not hear specific feedback, but we believe that materiality may require additional considerations in the public sector.

25. Are there any other matters you would like to raise in relation to ED-5000?

Overall response: [Yes, as further explained below](#)

Detailed comments (if any):

We have concerns that the definition of assurance skills and techniques found in paragraph 17(e) is incomplete. While we understand that professional skepticism and judgement are appropriately addressed in Part 2, in our view, when referring to assurance skills and techniques, professional skepticism and professional judgement should also be explicitly stated here similar to planning, evidence gathering and evaluation all of which are also addressed later in ED-5000. The importance of professional skepticism and judgement were found to be of vital importance for sustainability assurance engagements during our outreach with assurance practitioners for ACCA's recently published report, [Sustainability Assurance - Rising to the Challenge](#).

The standard requires the engagement leader to have competence and capabilities in assurance skills and techniques in paragraph 32(a). Other than the definition of assurance skills and techniques in paragraph 17(e), the application material does not provide detailed guidance about how the competence and capabilities may be assessed and what they are, compared to the detail provided on sustainability competence. Engagement partners who are financial statement auditors will have audit competencies that meet the requirements of IES 8 Professional Competency for Engagement Partners Responsible For Audits Of Financial Statements. Similarly, there needs to be clarity around what assurance competence and

capabilities are required in order for practitioners to establish an appropriate system of quality management in relation to engagement leadership.

Our stakeholders have expressed concern over the balance of examples used in ED-5000. Currently the vast majority of examples provided deal with quantitative sustainability information not qualitative. Providing assurance over qualitative disclosures is challenging, and more examples need to be provided. Similarly, more is needed on forward-looking information and value-chain information.

The timelines for adoption of mandatory reporting and assurance may be challenging. It is possible that NPAPs may require transitional periods for first-time adoption. Our bigger concern is that there is likely to be an issue with entities not being able to initially meet the preconditions required for assurance engagements or not having fully fledged internal control systems in place. Education may be required for preparers and users to understand that initially, assurance practitioners may be issuing modified opinions. National standard setters and regulators will be able to consider these matters for their jurisdictions, but we encourage the board to consider the need for education and communications about these matters.

There is a need for considerable outreach and education to assist preparers, directors and other users to understand the nature of the assurance being provided. We encourage the board to collaborate with national standard setters, regulators, and professional bodies to undertake this education.

Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

26. Translations—Recognizing that many respondents may intend to translate the final ISSA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-5000.

Overall response: [No response](#)

Detailed comments (if any):

27. Effective Date—As explained in paragraph 138 of Section 1-I – Other Matters, the IAASB believes that an appropriate effective date for the standard would be for assurance engagements on sustainability information reported for periods beginning or as at a specific date approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISSA. If not, what do you propose and why?

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We support the effective date. It is possible that NPAPs may require transitional periods for first-time adoption.

Our bigger concern is that there is likely to be an issue with entities not being able to initially meet the preconditions required for assurance engagements or not having fully fledged internal control systems in place. Education may be required for preparers and users to understand that initially, assurance practitioners may be issuing modified opinions.

National standard setters and regulators will be able to consider these matters for their jurisdiction, but we encourage the board to consider the need for education and communication about these matters.

Submission on IAASB's ED Proposed ISSA 5000

Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 136,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.



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Submission on IAASB's ED Proposed ISSA 5000

About ACCA

ACCA is the Association of Chartered Certified Accountants. We're a thriving global community of 247,000 members and 526,000 future members based in 181 countries that upholds the highest professional and ethical values.

We believe that accountancy is a cornerstone profession of society that support both public and private sectors. That's why we're committed to the development of a strong global accountancy profession and the many benefits that this brings to society and individuals.

Since 1904 being a force for public good has been embedded in our purpose. And because we're a not-for-profit organisation, we build a sustainable global profession by re-investing our surplus to deliver member value and develop the profession for the next generation.

Through our world leading ACCA Qualification, we offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. And using our respected research, we lead the profession by answering today's questions preparing us for tomorrow.

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