

Bogotá D.C., December 1, 2023

312-23

Mr:

International Federation of Accountants -IFAC
The International Auditing and Assurance Standards Board (IAASB)
529 Fifth Avenue
New York, NY 10017 USA


Ref. Comment letters: Exposure Draft of proposed International Standard on Sustainability Assurance Engagements (ISSA) 5000

Dear Sirs:

The INCP (Colombia's National Institute of Public Accountants) would like to express its gratitude for this opportunity to make and submit some comments on the proposed International Standard on Sustainability Assurance Engagements (ISSA) 5000. Included below are our responses to the questions asked in the exposure draft. Thank you for your consideration thereof.

Should you require further information on these answers, please do not hesitate to contact us.

Best regards,


Ms. Zandra Puentes Farquino
Executive director
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ANNEX

COMMENTS

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) | Instituto Nacional de Contadores Públicos de Colombia |
| Name(s) of person(s) responsible for this submission (or leave blank if the same as above) | Zandra Puentes Tarquino, directora ejecutiva del INCP |
| Name(s) of contact(s) for this submission (or leave blank if the same as above) | |
| E-mail address(es) of contact(s) | zandra.puentes@incp.org.co |
| 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. | South America |
| | 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). | |

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 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 consider that other standards currently applied to cover engagements that would be under the scope of ED-5000 should be amended, for example, ISAE 3000 or ISAE 3402, in order to make it clearer when to use one or the other. Likewise, we suggest clarifying whether this ISSA 5000 can be applied by a firm that is also —at the same time— the auditor of an entity’s financial statements.

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: [Agree, with comments below](#)

Detailed comments (if any):

The qualitative characteristics of consistency, coherence, appropriate scope, scalability, timeliness, relevance, completeness, comprehensiveness, clarity, implementability and enforceability of the Public Interest Framework for the development of international auditing standards are appropriate. However, we believe that guidelines should be implemented so that professionals can appropriately apply this standard.

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):

In this regard, we consider that making amendments to ISAE 3410 is important in order to clarify when this standard is not applicable and when ISSA 5000 should be applied. We also think that potential inclusion of ISAE 3410 into ISSA 5000 should be evaluated, taking into account that its application is intended for sustainability issues and related aspects.

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):

Taking into account that it is an assurance service where the professional is required to be independent and to identify any threat that may arise for providing the service, we consider it important to apply the IESBA Code, as well as the guidelines of the firm's Quality Management System. However, we suggest further clarifying the concept of “at least as demanding” so that firms can be sure of properly applying it.

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):

The materiality definition should be included in the definitions, since only execution materiality is described. This definition must be broader since a sustainability assurance engagement requires—in many cases—a more qualitative evaluation rather than a quantitative one. Therefore, this must be related to the type of

industry or relevant indicators for the entity that are in line with its nature, taking into account the opinions of internal and external stakeholders.

Additionally, consistency with the Reference Framework for Assurance Engagements must keep being strengthened, so that the definitions are complementary. For instance, the characteristics that the evaluation criterion must have in order to issue a report under the International Standards on Auditing

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: Yes (with no further comments)

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: No, with comments below

Detailed comments (if any):

We consider that the requirements for the auditor to issue a report with limited assurance and reasonable assurance should be further clarified, since there is the option to participate in a combination of a limited and reasonable assurance engagement, which could be confusing during performance for preparers, auditors and users of information. This is a key issue that requires wide dissemination so that everyone is clear about the differences.

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: No, with comments below

Detailed comments (if any):

We believe that the acceptance and continuity stage must be complemented with an evaluation of whether the reference framework meets the requirements of a sustainable criterion, and whether the entity understands the requirements to be met for the auditor to perform the engagement. This requires a minimum internal

control on the information to be audited in order to perform a preliminary risk assessment for the auditor. In addition, it will help define the scope (limited or reasonable assurance).

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: No response

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):

In relation to this, we consider that the criteria should be more consistent with IFRS S1.

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: No response

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: Disagree, with comments below

Detailed comments (if any):

As stated in answer to question 5, we consider that the materiality definition should be included, since only performance materiality is described. This definition must be broader since a sustainability assurance engagement requires—in many cases—a more qualitative evaluation rather than a quantitative one. Therefore, this must be related to the type of industry or relevant indicators for the entity that are in line with its nature, taking into account the opinions of internal and external

stakeholders.

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):

We believe that the standard should include—in the background—a clearer distinction between the scope for limited assurance and reasonable assurance engagements.

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 no further comments)

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: No response

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):

In this regard, we consider that the minimum requirements to perform a limited assurance engagement should be included, establishing what would be appropriate for the assumptions used by the entity and what the indicators would be to reasonably establish a deviation.

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: [No response](#)

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: [Disagree, with comments below](#)

Detailed comments (if any):

When reviewing the contents of the draft standard, it is not clear how it would be applied for consolidated information, since it is not defined how the information of the group should be broken down or whether it will/will not be uniformly applied for sustainability reports. We think that this requires an assessment of specific risks and additional requirements that must be understood by assurance practitioners.

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: [Disagree, with comments below](#)

Detailed comments (if any):

We consider that the standard should be broader regarding the matters that can be considered as fraud for users of information and the indicators that assurance practitioners must evaluate, in order to be clearer about the requirements and avoid disregarding this issue that is very sensitive for information users.

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 no further comments)

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):

We consider that the finding definitions should be more precise as well as their impact on the issuance of the sustainability report, to avoid misunderstandings with the users of such report.

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 no further comments)

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: Neither yes/no, but see comments below

Detailed comments (if any):

As stated in the answer to question 7, we consider that the requirements for the auditor to issue a report with limited assurance and reasonable assurance should be further clarified, since there is the option to participate in a combination of a limited and reasonable assurance engagement, which could be confusing during performance for preparers, auditors and users of information. This is a key issue that requires wide dissemination so that everyone is clear about the differences.

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 response](#)

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

Overall response: [No other matters to raise](#)

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](#)

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: [Disagree, with comments below](#)

Detailed comments (if any):

We consider that all the information should be clearly defined by the effective date so that practitioners can appropriately perform the engagement in accordance with the requirements of the standard, and that management and users of this type of reports have extensive knowledge on it.