

RESPONSES TO THE 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)	The Independent Regulatory Board for Auditors (IRBA)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Imran Vanker Director: Standards
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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.	Africa and Middle East
	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.	Regulator or assurance oversight authority
	If "Other", please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	The IRBA is both the audit regulator and national audit and ethics standard setter in South Africa. Its statutory objectives include the protection of the public by regulating audits performed by registered auditors, as well as the promotion of investment and, ultimately, employment in the republic.

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):

The IRBA agrees that ED-5000, as an overarching standard, may be applied for each of the items described in paragraph 14 of the EM, to provide a global baseline for sustainability assurance engagements. However, we would like to highlight some improvements that the standard requires, and some conceptual issues that require clarification as described below.

All sustainability topics and aspects of topics

- a. The interaction between ED-5000 and the International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*, needs further explaining. Has the IAASB changed its fundamental understanding of a risk-based audit? For example, the execution of procedures under ISAE 3410 refers to risk assessment for limited and reasonable assurance engagements, whereas ED-5000 applies a risk assessment only for reasonable assurance engagements. Further, where GHG is included as another subject for assurance in a sustainability assurance engagement, is the intention of the IAASB to prescribe and refer to both ED-5000 and ISAE 3410 for the assurance provider to apply?
- b. Going forward, the role of ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, needs clarity regarding the subject matters to which it is expected to apply (and not apply), especially given the breadth of the definitions of “sustainability information” and “sustainability matters”. In South Africa, for example, ISAE 3000 is used in public sector engagements and that emphasises the need for clarity concerning the subject matters to which ISAE 3000 is intended to be applied, compared to those that fall under ED-5000.
- c. In respect of paragraph 9 of ED-5000 and the definition of an attestation engagement, it is not clear how this standard will apply to all sustainability topics and aspects of topics, if direct engagements are scoped out.

Use by all assurance practitioners

- a. It is not clear whether ED-5000 provides enough guidance to non-auditors, as auditors may draw on their knowledge of other IAASB auditing standards in areas where uncertainty may exist. For example, the use of a management's expert, using the work of internal audit, independence and ISQM 1 related requirements as per question 4 below, risk assessment, use of work of others and 'group scenarios' that may be common in a sustainability environment given value chain reporting.

Limited and reasonable assurance engagements

- a. The extent of work to be performed under limited sustainability assurance engagements, compared to reasonable sustainability assurance engagements, is still not clear. This is the situation despite the limited clarifications already provided in the proposed standard.
- b. Under ED-5000 (see paragraphs 102L and 102R), a limited assurance engagement only refers to certain elements of internal control being assessed, in contrast to all these elements being assessed under a reasonable assurance engagement. The reason for these differences is not clear, and it is also not clear if the IAASB is making a fundamental change in its approach to reasonable versus limited assurance. We, however, hold the view that it is necessary for the practitioner to understand the internal control activities, irrespective of the level of assurance, to inform the risk assessment and to determine the approach for the assurance engagement.
- c. In addition, it is not clear how a practitioner can arrive at "risks of material misstatement in disclosures that have been identified by the entity's risk assessment process", without performing a risk assessment in accordance with paragraph A366, as the application material to paragraph 115L of ED-5000 for a limited assurance engagement.

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 IRBA agrees 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. However, improvements are required, as outlined in our response to Question 1 above. It is evident that the public interest varies significantly across geographies, and that while some markets may have less demand for this standard now, the IAASB is applying resources to the needs of certain markets.

This establishes a precedent for the IAASB, as it considers proposals for projects in future, that may not emanate from the biggest financial markets in the USA or in Europe.

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: [No, with comments below](#)

Detailed comments (if any):

Refer to our response in paragraph (a) under the section on *All sustainability topics and aspects of topics* in Question 1.

Further, we suggest that paragraph 2 of ED-5000, currently under the Introduction section, be moved to the section titled “Scope of this ISSA” in the standard, because it explains when ISAE 3410 is applicable in relation to ED-5000.

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: [No, with comments below](#)

Detailed comments (if any):

It is in the public interest that the same level of requirements for quality management and ethics (including independence) should apply to all practitioners performing sustainability assurance engagements, regardless of the profession to which they belong, or their professional designation.

ED-5000’s requirement in paragraph 29, to have a system of quality management that is “at least as demanding as” ISQM 1, may contribute to this objective. Presently, we are not aware of other quality management requirements that are “at least as demanding as” or “equivalent” to ISQM 1.

However, how does the IAASB therefore understand that this requirement can or will be met by other professions, and in the absence of regulatory oversight of such professions, and how will such a standard be enforced? Unless explicitly explained, this could be problematic and a rather simplistic approach by the IAASB to open the door to the use of this standard, without a proper safeguard that addresses the quality environment in which such engagements are conducted.

Regarding ethical requirements, the IRBA is of the view that with ED-5000 being profession agnostic, the standard is not sufficiently clear on the concept of “at least as demanding” as the International Ethics Standards Board for Accountants (IESBA) Code regarding relevant ethical requirements for assurance engagements.

- a. The IAASB is encouraged to explain further, over and above paragraph A56 of ED-5000, on what is required under ISQM 1, and provide the criteria for “at least as demanding”. This can be achieved through the IAASB issuing guidance that will supplement the finalised standard.
- b. It is unclear how this compliance (“at least as demanding”) will be regulated and inspected, to ensure conformance at a jurisdictional level, given that the standard applies to professional accountants and non-accountant assurance practitioners. The IAASB’s actions in this area in the rush to achieve a short-term objective must not undermine its long-term responsibility around sustainability of the audit profession through standard setting, and managing of the audit expectation gap.

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

Detailed comments (if any):

The current definitions pose challenges that could lead to inconsistent application and some challenges of interpretation now even before the standard is approved.

We support the need for consistency in the market on when the respective assurance standards are to be applied, depending on the subject matter, and that this selection should not be at the practitioner’s discretion.

As an example, it is not clear what “economic and cultural matters” means in the context of the sustainability matters definition. To this end, we suggest that the IAASB expands on the definition of sustainability matters by giving examples or providing different scenarios to enhance the understandability thereof. Further issues needing clarification: Do green bonds, sustainability or social bonds, International Council on Mining and Metals (ICMM) subject matters 1, 2, 3 and 5, and Codes of Good Practice for the Minerals fall within the sustainability matters?

In this regard, the IAASB may want to undertake further consultations with various bodies that issue preparer and/or assurance guidance on specific subject matters, to ensure that there is an alignment on the definition of sustainability matters.

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):

The IRBA encourages the IAASB to include more practical examples in the application material to ED-5000, to clarify the relationship between sustainability matters, sustainability information and disclosures. The examples should encapsulate various forms of “sustainability” engagements, such as green bonds, ICMM subject matters and Key Performance Indicators, among others.

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):

Overall, the IRBA agrees with the differentiation in approach and recognises that this is in line with the general expectation that the procedures the practitioner will perform in a limited assurance engagement will vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. We caution the IAASB that some of the lack of consistency and clarity in ED-5000 could undermine how limited and reasonable assurance is understood and applied in other IAASB standards.

While ED-5000 contains different requirements for performing limited assurance and reasonable assurance engagements (as explained in paragraph 47 of the Explanatory Memorandum (EM) Section 1-F), there is no high-level description of the work effort. As a result, there is no common understanding of the work effort to reach limited assurance among practitioners. Therefore, clarity on the work effort (and incremental procedures, as stated in paragraph 46 of the EM) should be much more clearly explained in the standard.

Further, risk assessment procedures should be a requirement for both limited and reasonable assurance engagements (refer to our response to Question 1 under *Limited and reasonable assurance engagements*). It then follows that the IAASB may want to consider whether paragraph 104R should also apply to limited assurance engagements.

Lastly, on internal control assessment (activities, monitoring), it should be a requirement that all elements be performed for both limited and reasonable assurance engagements.

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 \(with no further comments\)](#)

Detailed comments (if any):

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, with comments below](#)

Detailed comments (if any):

The importance of the materiality assessment of the preparer in sustainability information should be emphasised. Relevance and reliability (particularly the attribute of completeness) are essential for sustainability information that can assist decision-making by the intended users. As such, emphasis should be placed on the procedures the practitioner is required to perform on the process by which the preparer identifies the material information to be reported. To get a level of assurance that this process will not lead the preparer to disregard or omit (by error or fraud) material matters, clearer provisions are needed to define how the practitioner should examine the process for determining material matters. Though there are guidelines in various places in ED-5000 that deal with those as requirements, a more streamlined and targeted manner is needed to support understandability, for example, by grouping the provisions under a specific heading.

In ED-5000, it is clear that the process the client undertakes needs to be considered in the practitioner's determination of the assurance approach. However, caution should be exercised in the amount of emphasis that is placed on the client's materiality process, so as not to confuse the "materiality" set by the assurance practitioner for evaluating the misstatements identified with the process undertaken by the client. Rather, the standard should clearly distinguish management's materiality process from that of the practitioner.

In this regard, we further suggest that ED-5000 reconsider the reference to "double materiality", as the IAASB's standards are framework neutral, and the usage of such a term suggests an endorsement of the double materiality concept.

Application material in ED-5000 covers both the entity's processes for determining materiality and the way in which the assurance practitioner considers and determines materiality for the purposes of the assurance engagement. As stated above, it would be helpful if this application was clearly separated by adding a header such as "Entity's Materiality Process".

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):

The IRBA issued the South African Assurance Engagements Practice Statement 1, [*Sustainability Assurance Engagements: Rational Purpose, Appropriateness of Underlying Subject Matter and Suitability of Criteria*](#), to assist practitioners that perform assurance engagements under ISAE 3000. In doing so, our IRBA authoritative publication recognised the importance of a rational purpose as a precondition for undertaking the assignment, and the significance of the audit risk that arises, if engagements are accepted and conducted, in circumstances where the assurance provided is likely to be misused and misunderstood. This is a significant regulatory risk, more so because the proposed standard is framed to be used by professionals other than auditors also.

We understand that the concept of “Rational Purpose” (paragraph 74 of ED-5000) as a precondition for an assurance engagement has been based mainly on ISAE 3000 (Revised). However, the concept lacks specificity on what the rational purpose of a sustainability engagement would be, and this could also be a source of confusion when the engagement is based on a legal requirement.

Our suggestion is to clarify that this determination is not required or is presumed met where the engagement is only based on a legal requirement for assurance on specific sustainability information.

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, with comments below](#)

Detailed comments (if any):

The IRBA suggests that the IAASB reconsider the reference to “double materiality” in ED-5000, as the IAASB’s standards are framework neutral, and the usage of such a term suggests an endorsement of the double materiality concept.

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):

One of the key topics to be addressed more comprehensively in ED-5000 is the application of materiality. It is unclear in paragraph 91, for example, what the distinction is between “determining” quantitative materiality and “considering” qualitative materiality. Further, the IAASB’s use of the word “consider” in paragraph 91(a) of ED-5000 creates the impression or possibility that this is not a requirement. Our view is that materiality is always “determined”, irrespective of a qualitative or quantitative subject matter, as this is needed for the conclusion/opinion to reference “in all material respects”. If the use of the word “consider” is intended to capture a scenario where a practitioner may conclude that it is impractical to determine a qualitative materiality, then this should be stated in the application material to the requirement in order to achieve a consistent application thereof in the marketplace.

Further, the requirement to set performance materiality in paragraph 92 should be clarified. In its current form, the paragraph could be interpreted as a requirement, but then references to “...applicable in the circumstances” and the application material in paragraph A284 use the term “may consider”. This could lead to an inconsistent understanding and application.

Due to the different metrics and targets used in sustainability reporting (e.g. greenhouse gas emission, gender equality, adequate wages, number of days lost to injuries, accidents, fatalities and units of area), we recommend more comprehensive guidance for practitioners on how to approach materiality for quantitative disclosures. Additional provisions that explain materiality in the context of narrative and qualitative information should also be included in the requirements of the standard or through guidance that supplements the standard.

Considering the different nature of sustainability matters, the IAASB may want to consider expanding guidance in ED-5000 on how to “accumulate” misstatements identified in quantitative and qualitative sustainability information beyond what is provided in the related application material to paragraph 137 (i.e. paragraphs A398-A403).

Recognising that the proposed standard is new, and there is limited precedent and experience in the market-place, it may be helpful if ED-5000 offers practitioners guidance on benchmarks and percentages that can be applied to determine materiality, performance materiality or the misstatements threshold. Guidance may also be required in circumstances where law or regulation is silent on acceptable thresholds. Practitioners may also benefit from ED-5000 giving examples of benchmarks or percentages that may be applied to evaluate misstatements in relation to the impact on the practitioner’s assurance report.

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: [Disagree, with comments below](#)

Detailed comments (if any):

It is unclear why the requirements in paragraphs 102L and 102R are different for limited assurance engagements, specifically in respect of the entity's monitoring system or control activities. Consistent requirements between limited and reasonable assurance engagements will drive greater consistency and help with the assurance journey that leads from limited assurance to reasonable assurance engagements.

It is our submission that all aspects of internal control should be understood, irrespective of the level of assurance provided. An understanding of the control activities is critical to comprehending the risk areas and determining the appropriate assurance approach.

According to paragraph 102L, the practitioner is required to obtain an understanding of the control environment. Then, it should follow that the requirements in paragraph 103R apply to limited assurance engagements as well.

We also recommend that a practitioner providing limited assurance should design and implement an overall response, if the conditions in paragraph 116R(a)(i) are met.

Further, it is unclear what the distinction is in the requirement between para 102L(b), which refers to "the results of the entity's risk assessment process", and para 102R(b) that only mentions "the entity's risk assessment process". We recommend that the difference be explained more clearly.

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 IRBA agrees that the ED is clear on who forms part of the engagement team. The definition in paragraph 17(p) clarifies this and expressly excludes a practitioner's external expert from the engagement team. Paragraph 41 also aids with this distinction.

However, considering the requirement in paragraph 17(p) in isolation, it is not clear that “another practitioner” does not form part of the engagement team. We acknowledge that para 17(p) refers to paragraph A22, where the explanation on who is referred to as “another practitioner” is contained. To this end, we recommend that the last part of paragraph 17(p) be updated to incorporate “...excluding a practitioner’s expert *and/or another practitioner*”.

Further, the IAASB may also want to consider stating in the engagement team definition that the entity’s internal auditors are not part of this team, where they provide any assurance relating to an engagement (i.e. direct assistance). ED-5000 currently includes using the internal audit function, but the guidance is limited with no distinction between the use of this function and that of internal auditors to provide direct assistance. If direct assistance is not contemplated at this time, this should be explicitly stated.

Lastly, one needs to take into account whether there is sufficient knowledge and experience for non-accountants on how to deal with another practitioner in a group situation. Practitioners with an audit background may refer to their knowledge, experience and the International Standard on Auditing (ISA) 600 (Revised), *Special Considerations – Audit of Group Financial Statements (including the work of component auditors)* on this, for context and insights where there is uncertainty.

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 \(with no further comments\)](#)

Detailed comments (if any):

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):

The IAASB acknowledges the importance of estimates and forward-looking information in its EM. While we appreciate the topic being addressed further in a separate topic-specific ISSA in the future, we are of the view that ED-5000 should provide detailed requirements now for the practitioner. The current requirements (paragraphs 134L and 134R) and the related application material (A390 to A392) need clarification and expansion. The standard warrants a stronger emphasis on the nature of estimates and forward-looking information in the context of sustainability reporting and assurance on sustainability information, to achieve a common understanding by all practitioners. This includes deliberations by the IAASB as to whether sustainability information is likely to be more susceptible to uncertainty than financial information; and if so, to include specific requirements that address the issue.

Further, we suggest that it is necessary that judgements and assumptions be assessed for reasonableness and appropriateness, irrespective of the level of assurance being expressed by the assurance practitioner.

Finally, while ED-5000 discusses potential management bias in relation to estimates and forward-looking information in the “Evaluating the Evidence Obtained” section, this is not mentioned in the “Estimates and Forward-Looking Information” part of the requirements. The IRBA recommends that the IAASB integrates further requirements to encourage the practitioner’s attention to and professional scepticism on this potential bias when assessing the estimates and 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: [No, with comments below](#)

Detailed comments (if any):

Assurance engagements and the expression of a conclusion/opinion are based on the identification of risks, designing procedures to address those risks and obtaining the necessary evidence for such conclusion/opinion to be given by an assurance practitioner. It follows that irrespective of the level of assurance, risks should be identified and considered. But it is not clear what is meant by “identify disclosures where material misstatements are likely to arise” or how a practitioner would practically go about doing this.

With that in mind, we recommend that more clarity or examples be provided to adequately distinguish the risk procedures required for limited assurance, if the IAASB maintains its current approach of distinguishing the risk assessments performed for reasonable assurance engagements as compared to limited assurance engagements.

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):

There is limited guidance on the consolidated sustainability information presented by an entity, especially where the group is diverse and has exposure to various geographical locations and industries. What would be considered material at group level? As a result, we suggest that more guidance be provided on the materiality process performed by management at group level and the determination of materiality by the practitioner, including benchmarks and thresholds. For example, for a holding company with operations in different regions, how would a practitioner consider the overall impact on the audit report, where misstatements identified in one region are offset by “good results” in another on similar or different disclosures?

We also encourage the IAASB to develop further guidance, especially for non-accountants, as auditors may use their knowledge of ISA 600 in performing assurance engagements on the sustainability information of groups, or when an entity presents “consolidated” sustainability information. Aspects such as scoping, setting materiality at a component level, expectations in terms of sign-offs, differences in using another auditor from a member firm compared to a firm that is not a member firm may need more considerations and guidance in ED-5000.

To this end, ED-5000 does not sufficiently address issues about group/consolidated reporting and assurance. For example, the “Using the Work of Another Practitioner” section should include more specific requirements, to address situations where sustainability information is gathered and consolidated from various external entities, including data derived from the entity’s value chain.

The requirements in paragraphs 51, 52 and 54 of ED-5000 are not sufficiently robust. The practitioner should not only communicate with the “other practitioner” engaged regarding the findings from their work, but also about the extent of work performed. In reference to paragraph 51(a), the IAASB may want to consider including a requirement in ED-5000 for the practitioner to obtain a confirmation from the other practitioner confirming their independence.

With our above comments in mind, the IAASB may thus want to consider guidance in the short-term and a separate standard on aggregated sustainability information in the long term.

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):

It would be helpful for ED-5000 to include more specific guidance and examples on how to assess risks relating to fraud and management bias, and then respond to these risks by including considerations of some of the unique factors that sustainability reporting/information introduces. We also encourage the IAASB to deliberate on whether a “stand back” requirement could be appropriate for the assurance practitioner to consider evidence of fraud and/or management bias on a holistic basis.

We also suggest that the IAASB looks at including further guidance in ED-5000 that utilises the fraud triangle to assist practitioners, especially non-accountants, with the consideration and execution procedures related to the topic of fraud. In addition, greenwashing can be both intentional and unintentional. The IAASB may have to consider defining greenwashing and including examples of what this entails, in addition to how a practitioner can identify this during the performance of a sustainability assurance engagement.

The material that is already included in ED-5000 is helpful, and examples of this are application material A296, A131 and A406. We are also supportive of the numerous references to fraud throughout the requirements and the application material of the ED. However, we would encourage the IAASB to consider including one section that can also be cross-referenced to all fraud-related provisions in the standard, as fraud currently appears in various sections. While we acknowledge that fraud is considered throughout the engagement (and the proposed standard), we recommend that an additional section and related application guidance on fraud be included, to give the topic prominence.

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 \(with no further comments\)](#)

Detailed comments (if any):

None.

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):

While it is very early to be certain, the requirements in ED-5000 will encourage assurance reporting that will begin to meet the information needs of users. It is possible that ED-5000 will evolve, as reporting changes and assurance experience is gained. However, we highlight the following issues for consideration:

- a. The terms opinion and conclusion should be used explicitly either for reasonable assurance or limited assurance in all instances. Some paragraphs and examples in ED-5000 (for instance, paragraphs A509 and A513R) refer to the “Basis for conclusion/modified conclusion” paragraphs in the context of both reasonable and limited assurance, although this should be the “Basis for opinion/modified opinion” for reasonable assurance. This distinction is important and not always correctly applied throughout, more so considering that non-auditors may be using the standard.
- b. Consider having an additional reporting example in the annexure, with a scenario where a combined reasonable and limited assurance engagement was performed and both had modifications. This scenario is not unlikely. This will be to indicate how the basis for modified opinion and the basis for modified conclusion paragraphs may be reported under the same heading, while ensuring that each is distinguishable or read in relation to and within the context of the related opinion/conclusion.
- c. The application material paragraph A484L states the following: “...It also may be appropriate to include a description of procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement”, for a limited assurance engagement. We submit that in some circumstances this may be impractical and not appropriate, as such procedures may be boilerplate and not engagement-specific, meaning they may have no value for the intended users of the assurance report.
- d. Further, A486L states that: “This may be accomplished by including in the assurance report an indication of the differences between limited assurance and reasonable assurance to aid user understanding, especially when both reasonable and limited assurance are in the same assurance report”. In our view, the wording in the example templates should suffice and no further adjustment should be required, as the engagement-specific nature of the procedures may not allow a practitioner to communicate all the differences between reasonable and limited assurance in the report.

- e. The requirement in paragraph 171 of ED-5000 to include the name of the engagement leader in the assurance report needs to allow for exemptions where this is prohibited by laws or regulations. In South Africa, for example, the Public Audit Act (PAA) governs the functions of the Auditor-General (AG) and the public sector audits. If the AG cannot sign the auditor's reports issued in terms of the PAA, these are then signed on the AG's behalf and not in the name of the engagement leader/manager.

In order to provide additional transparency about the assurance process, as well as promote and enhance assurance engagement quality, the IRBA recommends that the IAASB should consider the following disclosures in the practitioner's assurance report¹:

- a. Where applicable, the final materiality amount determined by the practitioner for each key performance indicator. The practitioner shall also disclose an explanation of significant judgements made in determining this materiality.
- b. In a group engagement, the entities included in the scope of the engagement and any significant judgements applied in this determination.

Finally, the IAASB may want to consider whether it would be in the public interest for the assurance report to state, in addition to providing information regarding the applicable quality management and ethical standards, whether the practitioner is subject to oversight by an independent regulatory body and, if so, to identify that regulatory body.

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 \(with no further comments\)](#)

Detailed comments (if any):

None.

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: [Yes \(with no further comments\)](#)

Detailed comments (if any):

None.

¹ [BN 475 of 2023.pdf \(irba.co.za\)](#)

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 no further comments)

Detailed comments (if any):

None.

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):

Although the definition of what constitutes limited assurance, as per paragraph 17(d)(ii), is longstanding, it is possible that it may be a new concept for some sustainability assurance practitioners. There is therefore a risk of inconsistent interpretation across practitioners. If limited assurance is intended to be primarily performing inquiry and analytical procedures, it may be worthwhile for the IAASB to clearly state this in the definition.

The current definition for substantive procedures in paragraph 17(ss) of ED-5000 appears to incorrectly suggest that all types of analytical procedures are “substantive”. Based on the definition of analytical procedures in paragraph 17(a), this does not include substantive analytical procedures. If analytical procedures are expected to form part of substantive procedures for reasonable assurance engagements, the analytical procedure requirements in ED-5000 need to be expanded and be made consistent with ISA 520, *Analytical Procedures*.

In respect of the definition of risk of material misstatement in paragraph 17(pp), we understand that inherent and control risks were not included in ED-5000, due to the expectation that many entities may not have well-developed controls related to sustainability reporting, meaning the concept of these risks may be premature. However, this is inconsistent with the inclusion of control risk in A20(a)(ii) and tests of controls as part of the definition of further procedures. Including these concepts now would pave the way from limited to reasonable assurance engagements going forward. It would encourage preparers to consider the quality of their internal controls and assist to get to reasonable assurance more quickly through the knowledge accumulated over time.

We suggest that the IAASB elevates paragraph A60, which explains that the engagement leader remains responsible for compliance with the standards, to the requirements section of ED-5000. That would be consistent with ISA 220, *Quality Control for an Audit of Financial Statements*.

ED-5000, in paragraph 32(a), notes that engagement leaders shall have “competence and capabilities in assurance skills and techniques developed through extensive training and practical application”. While we agree that the practitioner should be competent, we would recommend that competency requirements rather be linked to jurisdictional regulatory requirements, if any. Also, the meaning of “extensive” could be subject to various interpretations and should thus be avoided.

Paragraph 94L on limited assurance requires the practitioner to design further procedures. However, unlike reasonable assurance (paragraph 94R(b)), ED-5000 does not explicitly state that those procedures must be “performed”. This requirement should be consistent between reasonable and limited assurance engagements.

The completeness and accuracy of data critically underpin assurance engagements; therefore, we recommend that the word “sufficiently” be deleted from paragraph A247.

The IAASB may want to consider including inquiries with external legal counsel (with consent from the entity) as an example in paragraph A310, while the last bullet point should include “...that may affect the sustainability information”.

Also, as a substantive procedure example in paragraph A359, consider tracking the background of suppliers, to ensure that the entity uses those that conform with sustainability standards.

The IAASB may want to consider expanding on what is meant by a “...well-controlled source” in A383.

The connection between, and the consistency of, financial and sustainability information is critical in giving a full picture of the entity to users of financial and sustainability reports. The IAASB notes in paragraph A437 that material inconsistencies between sustainability information and other information could be indicative of material misstatements. As a result, it concludes as follows: “This may undermine the credibility of the sustainability information and the assurance report thereon.” However, we note that ED-5000 is silent on the communication between the auditor of the financial statements and the assurance practitioner for sustainability information. Communication with the financial statement auditor is an important step in an assurance engagement and should be required in the standard, unless prohibited by law or regulation.

ED-5000 includes examples of application material with no related requirements in the standard. These are where the standard does not mandate or require any action, but only refers to the possibility of action to be considered. Thus, the consistency of application will depend on the choice made by the practitioner. The IAASB should re-evaluate the use of “may” in the ED-5000 application material, to ensure it is supported by the related requirements, where appropriate. For example:

- a. Paragraph A116 relates to matters that “may” be included in the practitioner and the practitioner’s expert agreement, as well as matters that “may” be relevant when evaluating the work of a practitioner’s expert. There should be a requirement for an agreement with the auditor’s expert and this should be in writing, similar to the requirements in ISA 620, *Using the Work of an Auditor’s Expert*, paragraph 11.
- b. A122 lists matters the engagement team “may” request another practitioner to communicate. There should be a related requirement that such communication be in writing.
- c. A137 specifies matters that “may” be communicated to management, those charged with governance or others. The matters listed should be moved to the requirements, with the exception of identified deficiencies in internal control, which could be limited to significant deficiencies.

The IAASB may want to consider the following further standards for assurance on sustainability reporting (new standards):

- a. Materiality in a sustainability assurance engagement, which is a key area, especially in light of multi-stakeholders, diverse subject matters, double materiality considerations and the qualitative nature of sustainability information and/or the forward-looking nature thereof.
- b. Considerations for the use of the work of experts, given this is often encountered on sustainability assurance engagements and across the entire engagement.
- c. Considerations for areas of difficult disclosure, e.g. estimates, judgements and/or forward-looking information (typically based on scenarios, among others, as opposed to historical information).
- d. Considerations or the approach when engaged to provide assurance over the entire sustainability report, comprising both specific metrics and narrative/graphical information (i.e. assurance of a whole report rather than the metrics only).
- e. Considerations with regard to internal controls and the impact this has on the assurance engagement and approach, especially between the different levels of assurance.
- f. Assurance over other focused types of sustainability information (specific topics), such as reporting on performance with respect to green bonds/green finance commitments.
- g. Considerations or the approach with regard to the connectivity of sustainability information to be assured in relation to the financial statements/other information on the assured information.
- h. Subject matter specific topics and related assurance considerations, e.g. assurance over the materiality process and scope 3 emissions.
- i. Group audits/consolidations and how to address this in sustainability assurance engagements.
- j. Considerations or the approach with regard to report materiality vs materiality for the purposes of evaluating identified misstatements.

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: [See comments on translation below](#)

Detailed comments (if any):

In South Africa, the IAASB standards are not translated.

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 ISA. If not, what do you propose and why?

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

Detailed comments (if any):

The IRBA agrees that given the need for a national due process, an effective date for assurance engagements on sustainability information reported for periods beginning on or as at a specific date, about 18 months after the approval of the final standard, will provide sufficient time to support the practical implementation of the ISSA.