

Sustainability Assurance – Respondents’ Detailed Comments to EM Question 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?

17.2 Agree with comments

1. Monitoring Group

Basel Committee on Banking Supervision (BCBS)

The Committee supports 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.

The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is “meaningful”. To be “meaningful”, the level of assurance obtained by the practitioner is likely to enhance the intended users’ confidence about the sustainability information to a degree that is clearly more than “inconsequential” (paragraph 17(d)(ii)). As mentioned in response to Q7, the definitions would be improved if the standard could define these terms or elaborate their meaning in the application guidance.

4. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority

Yes, we support the approach in ED-5000. The approach is aligned with the scope of work and conclusions made by the practitioner on each type of assurance engagement and ISAE 3000 (Revised).

The ED-5000 has, however, not covered the requirements that need to be followed when the risks of material misstatement over sustainability disclosures have been identified.

European Securities and Markets Authority (ESMA)

Additionally, in relation to the proposed approach to obtain an understanding of the entity’s system of internal control, ESMA considers that the standard strikes an appropriate balance by requiring practitioners to obtain an understanding of certain components for limited assurance and an understanding of all components for reasonable assurance. Nevertheless, for both types of assurance engagements, ED-5000 would benefit from including more detailed requirements from ISA 315 (Revised) “Identifying and Assessing Risks of Material Misstatement” with respect to obtaining an understanding of the entity’s system of internal control to promote consistency in practice with audit of financial reporting. Besides, ESMA also considers that the requirements, in a limited assurance engagement, to perform risk assessment procedures that are sufficient to identify disclosures where material misstatements are likely to arise, could be further strengthened.

Irish Auditing and Accounting Supervisory Authority (IAASA)

Paragraph 94L on limited assurance requires the practitioner to design further procedures. However, unlike reasonable assurance, it is not clear in ISSA 5000 that those procedures must be “performed”. For example, in paragraph 107L use of the word ‘if’ implies that the practitioner may not test the operating effectiveness of any controls. We suggest replacing ‘if’ with ‘for those controls where the practitioner ...’ to make this requirement clearer. Paragraph 130L and 13L contain similar language in respect of analytical procedures, while paragraph 123L implies that the further procedures in a limited assurance engagement need not include any substantive procedures.

The standard should require practitioners to perform a variety of further procedures and provide additional guidance on the level of work required. As currently worded, the practitioner could use one type of further procedure only and be in compliance with ISSA 5000, which is not an appropriate approach.

Additionally, it should be made clearer in paragraph 94L that material misstatements may include omissions.

5. National Auditing Standard Setters

American Institute of Certified Public Accountants (AICPA)

As discussed in our response to question 7, the term “risk procedures” has different definitions in the context of limited assurance and reasonable assurance. Although the definition draws a distinction between the two, using the term “risk procedures” in regard to both limited and reasonable assurance runs the risk that practitioners will fail to make a distinction between the two. As stated in our response to question 7 above, we suggest that when referring only to limited assurance engagements, the term “risk identification procedures” be used, and when referring only to reasonable assurance engagements, the term “risk assessment procedures” be used. In paragraphs applicable to both limited and reasonable assurance engagements, the term “risk identification or risk assessment procedures” should be used.

Auditing and Assurance Standards Board Canada (AASB)

We support the differentiation in approach in ED-5000 between the requirements for the practitioner to design and perform risk procedures in a limited assurance engagement versus a reasonable assurance engagement.

However, we noted some concerns with the risk procedures required in a reasonable assurance engagement.

Concern: Identifying and assessing risks of material misstatement

In a reasonable assurance engagement, the practitioner does not make separate inherent risk and control risk assessments when they identify and assess risks of material misstatement at the assertion level for the disclosures, as is done in ISA 315.

We understand that these separate inherent risk and control risk assessments were excluded from ED-5000 because many entities do not have well developed systems of internal control. However, we are concerned that:

As the entity’s sustainability reporting systems evolve, if practitioners anticipate testing controls, a separate control risk assessment will be necessary. We believe the absence of this concept in the overarching standard is a gap in future-proofing the standard.

Practitioners not familiar with the concepts and definitions from the ISAs may not understand that a control risk and inherent risk assessment are implicit when the practitioner identifies and assesses the risks of material misstatement at the assertion level for the disclosures in paragraph 110R.

Suggest:

Require separate assessments for control risk and inherent risk in a reasonable assurance engagement in paragraph 110R. This approach will also help distinguish limited assurance from reasonable assurance engagements.

Update the definition of risk of material misstatement to include control risk and inherent risk, as defined in ISA 200.13(n).

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

We agree with the suggested approach we recommend to further assess if the procedures are sufficiently clear to be actionable for practitioners.

Comite Brasileiro de Sustentabilidade (CBPS)

We consider that practitioners must follow what is already provided in the Assurance Framework with the appropriate differentiation on the procedures related to the “risks of material misstatement” depending if it is a limited assurance or a reasonable assurance engagement. However, paragraph 94L of the ED-5000 establishes that the “practitioner” must design and perform risk procedures, in limited assurance to “identify disclosures where material misstatements are likely to arise”. We suggest revisiting the use of the term “identify” which can generate a misunderstanding of the scope of this type of assurance. In fact, in relation to the “risks of material misstatement” the “practitioner” should “evaluate”, “design” and “perform procedures” to the extent of limited or reasonable assurance. Therefore, we suggest revising the text in 94L to effectively describe a limited assurance. The adjustment to the text will allow alignment with what is in EM paragraph 100, that interconnection between ISAE 3000 and ISAE 3410 with limited and reasonable assurance respectively.

Compagnie Nationale des Commissaires aux Comptes (CNCC) and Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC)

In ED ISSA-5000, « assessment » of the risk (as per 94R and A349R) is noticed as being required only for reasonable assurance (that may also bring difference in the work effort between Limited & Reasonable assurance in relation with Question 7). As it relates to paragraph A349, we suggest risk spectrum would be expected to be from low to high with an intermediary significant milestone (and not only from low to high as currently stated).

Hong Kong Institute of Certified Public Accountants

We support the said approach. However, as mentioned in our response to Question 3, we recommend that the IAASB explicitly clarify the reason for the difference in procedures under limited assurance engagements between ISAE 3410 and ED-5000 to avoid confusion among practitioners when performing the engagements.

Japanese Institute of Certified Public Accountants (JICPA)

We support the proposal in ED-5000 related to Risk Procedures for a limited assurance engagement with two comments below:

Although we believe it is important to involve key practitioner's external experts in the discussion required in paragraph 96, it is not always necessary in all circumstances. Therefore, we recommend adding "if necessary" to the first sentence in paragraph 96 of ED-5000 to read: "The engagement leader and other key members of the engagement team, and if necessary, any key practitioner's external experts, shall discuss the susceptibility of the disclosures to material misstatement, (...)."

We have a concern regarding inconsistent risk procedures for a limited assurance engagement relating to the GHG statement as we mentioned in our comment to Question 3. We believe the same procedures should be required regardless of the way a conclusion on the GHG statement is provided so that a smooth transition from the engagements under an extant ISAE 3410/ISAE 3000 (Revised) to ISSA 5000 is warranted.

Malaysian Institute of Accountants - Auditing and Assurance Standards Board (MIA)

In practice, ED-5000 should provide more practical examples on how the risk assessment is performed in a limited assurance engagement without identifying such risk at the assertions level. In the absence of that, there could be diversity of practice by practitioners on how such risk assessment is carried out.

The identification of "characteristics of events or conditions that could give rise to material misstatements of disclosures" when applied to sustainability matters may be significantly more challenging than in an audit of financial statements given the breadth and scope of sustainability matters. The engagement team's understanding of the reporting boundary and legal/regulatory framework are also likely to be complex and challenging.

Please see our comments on Question 7.

7. Accounting Firms

Altaf Noor Ali Chartered Accountants

17.1 Yes.

17.2 Risk assessment is not required for the limited assurance engagement by ED and ISAE 3000 (Revised).

17.3 Risk of material misstatement is required for the material misstatement at the GHG statement level by ISAE 3410.

17.4 The difference in approach in ISAE 3410 and ED may create misunderstanding. Resolution recommended.

Ernst & Young Global Limited

Yes, we 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 because we agree in a limited assurance engagement it is not necessary to identify and assess risks of material misstatement. However, we do have concerns with how engagement risk and risk of material misstatement is described in ED-5000 for reasonable assurance engagements. We do not believe these descriptions are consistent with the auditing standards (refer to ISA 200 paragraphs 13(c), 13(n) and A16).

We acknowledge that paragraph A20 of ED-5000 describes engagement risk as comprised of inherent risk, control risk, and detection risk, with which we agree. However, we believe ED-5000 also needs to make it clear that the risk of material misstatement is also comprised of inherent risk and control risk. We suggest the follow addition to ED-5000:

Engagement Risk and Risk of Material Misstatement (Ref: Para. 17(l) and 17(pp))

A20A. Risk of material misstatement consists of inherent risk and control risk at the assertion level. For the purposes of the ISSAs, a risk of material misstatement exists when there is a reasonable possibility of:

A misstatement occurring (i.e., its likelihood); and

(b) Being material if it were to occur (i.e., its magnitude)

ETY sas

We recommend more examples being provided to adequately distinguish the risk procedures. 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.

KPMG International

We support the approach taken in ED-5000 in setting out a differentiated approach for the design and performance of risk procedures for reasonable and limited assurance engagements. We believe that each approach is appropriate to the two different types of assurance engagement, and commensurate with the understanding that the practitioner is required to obtain, for each type of assurance engagement, about the entity and its environment.

Relevant considerations as to whether disclosures are appropriately aggregated/disaggregated

We note that the identification of material misstatements may involve consideration as to whether the “disclosures” are sufficiently and appropriately aggregated/disaggregated, or otherwise grouped, in order to provide meaningful information to intended users, and so as not to obscure or omit information that may affect their decision-making. We recommend that the proposed standard include guidance in respect of such considerations, which may or may not be explicitly addressed by the criteria, and which are likely to require significant exercise of professional judgement and professional skepticism. We also recommend that such guidance be clearly linked to that addressing materiality considerations.

Requirement to identify pervasive risks

We highlight that the emphasis in the proposed standard is on identification of risks of material misstatement in respect of instances of individual material misstatements, and the standard does not require the practitioner to identify risks that may relate to the “sustainability information” more pervasively, e.g., potential “greenwashing”, or management override of controls, which may be potential concerns across the sustainability information as a whole, and which would require an overall response. Whilst paragraphs 116L and 116R require the practitioner to design and implement overall responses in certain circumstances, e.g., when there are concerns with the control environment, fraud or suspected fraud, or (risks of) material misstatement pervasively, we consider there should be an explicit requirement to identify such risks/areas of risk, considering the practitioner’s knowledge of the entity and its environment and the engagement circumstances. We also recommend that the application material clearly highlight that a limited assurance engagement may not be appropriate in such circumstances. Please refer to our responses to Questions 21 and 23 for further details.

Mazars

See our comments in other questions with regard to understanding of Internal Control, the transition from limited to reasonable assurance, first year engagements and hybrid engagements.

We note that ED-5000 suggests that teams may wish to use assertions in Limited Assurance engagements to assist with risk procedures. We also note that ISAE 3410 requires the use of assertions for limited assurance GHG engagements. In practice, it is likely that most assurance practitioners would at least consider assertions when identifying risks and developing procedures and the IAASB may wish to consider requiring the use of assertions, consistent with ISAE 3410.

There are references in the application material for limited assurance engagements to situations where risks may be “more likely to arise”. Given there is no full risk assessment or spectrum of risk, these references to “more likely to arise” seem at odds with the risk procedures required.

MHA

In principle, we support the IAASB's approach to risk procedures on a limited assurance engagement but would highlight that we expect many assurance engagements to be a ‘hybrid’ engagements, with reasonable assurance provided on particular sustainability disclosures and limited assurance on other specified sustainability information. The ED as currently drafted does not make it clear how such hybrid engagements should approach risk procedures, and we encourage the IAASB to address this situation in its application guidance.

Further application guidance would be useful for first time engagements or where an engagement transitions from limited to reasonable assurance.

Paragraph 94L of the ED requires practitioners to identify where material misstatements “are likely to arise” as a basis for designing further procedures. We believe this approach is both less robust than the assertion-based approach of paragraph 94R and less demanding than the limited assurance engagements we currently undertake under ISAE 3000 and ISAE 3410; it may also not be as well understood by non-accountant assurance practitioners. Risks of material misstatement should always be identified and assessed on both limited assurance and reasonable assurance engagements.

We are further confused by the suggestion in paragraph A354L that the practitioner of a limited assurance engagement may find it useful to adopt an assertion-based approach, even though paragraph 94L does not require this.

We strongly urge the IAASB to address these inconsistencies to ensure consistent quality of sustainability assurance engagements, regardless of the profession of the assurance practitioner.

8. Assurance Practitioner or Firm - Other Profession

TIC Council

ED-5000 only refers to risk, does not refer to opportunities or impact. ESRS approach requires review of these three elements.

10. Member Bodies and Other Professional Organizations

Chamber of Financial Auditors of Romania (CAFR)

We generally support the approach outlined in ED-5000 concerning risk procedures in limited assurance engagements. The differentiation between limited and reasonable assurance engagements in terms of risk assessment aligns with established standards like ISAE 3000 (Revised). It's recognized that ISAE 3410 necessitates risk identification and assessment at the GHG statement level, which differs from the approach in limited assurance.

ED-5000's emphasis on risk procedures sufficient to identify potential material misstatements in disclosures is appropriate for sustainability assurance engagements. Considering the broad spectrum of sustainability disclosures, focusing on likely areas of material misstatement allows for a targeted approach to further procedures.

We appreciate the approach of IAASB to streamline the work involved in limited assurance engagements by adopting a less demanding stance on risk procedures. However, we raise a concern regarding the potentially excessive workload that might persist despite this approach. Therefore, we encourage the IAASB to explore potential modifications to further refine this approach in order to mitigate the perceived workload issues.

In the risk assessment section for both limited and reasonable assurance, it would be beneficial to have greater focus on how to deal with management bias and estimation uncertainty. It would also be useful to have some specific sustainability related examples within the application guidance.

Chartered Accountants Australia and New Zealand (CA ANZ) and the Association of Chartered Certified Accountants (ACCA)

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.

Chartered Accountants Ireland

The approach to risk assessment for limited assurance and reasonable assurance is unclear. There needs to be a clear distinction in relation to the level of work effort required. There is currently a lack of clarity which may lead to significant practical difficulties for practitioners. For example, paragraph A354L states that practitioners are not required to identify and assess risks of material misstatements at an assertion level but may find it useful to do so. We believe that this is unhelpful and will lead to inconsistency in the performance of limited assurance engagements which is not in the public interest. Furthermore, many practitioners from an accounting/auditing background may default to this approach of identifying risks of material misstatements but not all will. When such risks are addressed voluntarily, whether a further assurance response is required under the draft standard is unclear.

Colegio de Contadores Públicos de Costa Rica

The proposal to differentiate procedures when there is limited assurance and reasonable assurance (higher level of assurance) is very beneficial for the auditor.

Consejo General de Economistas de España

We support this approach. Limited assurance should be the entry or starting point for most companies on their sustainability assurance journey. For many it will be an interim level of assurance, pending stepping up to reasonable assurance. Hence, it is vital the work effort be significantly less than for reasonable assurance.

CPA Ireland

Similarly, to above estimates and forward-looking information, greater clarity would be welcomed in the area of risk procedures, specifically relating to paragraphs 94L and 94R. Limited assurance requires the designing and performing of risk procedures to identify disclosures where material misstatements, whether due to fraud or error, are likely to arise and then provide a basis for designing further procedures to focus on those disclosures.

Similarly, for reasonable assurance, the practitioner is required to design and perform risk procedures sufficient to identify and assess risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures and design and perform further procedures. 94L places the focus on addressing where a material misstatement in relation to a disclosure may arise and in contrast 94R focuses on the risk of material misstatement at the assertion level for the disclosures. These are not sufficiently distinct and there is a greater emphasis placed on finding material misstatements whether due to fraud or error for limited assurance which is contradictory to the level of assurance to be provided.

European Federation of Accountants and Auditors for SMEs (EFEAA)

We support in principle this approach.

We believe it vital that there be a clear distinction between the work effort for limited assurance and reasonable assurance and that the former be significantly less burdensome than the latter. In the short to medium term regulation, such as the CSRD in the EU, will tend to require limited assurance. Limited assurance will be the entry or starting point for most companies on their sustainability assurance journey. It will be an interim level of assurance, pending stepping up to reasonable assurance, for many companies. Hence, it is vital the work effort be significantly less than for reasonable assurance. While we welcome the attempt to limit the work effort for limited assurance by way of having a less onerous approach to risk procedures, we wonder whether the work effort might still be too high and, accordingly, urge the IAASB to consider how the approach could be modified.

Institute of Chartered Accountants in England and Wales (ICAEW)

We suggest either the provision of additional application material, or a separate initial engagements standard, discussing first time engagements and also addressing how practitioners may be able to leverage previous work in risk procedures when transitioning to reasonable assurance in the future.

We note that ED 5000 does not address work on risk procedures when providing a mix of limited and reasonable assurance. There is a need for guidance on what should be done in this situation when performing a hybrid engagement with a single report.

The scope of work expected to be performed by the assurance practitioner to achieve the objective of identifying material misstatements in a limited assurance engagement is unclear. We note that ED 5000 suggests that engagement teams may wish to use assertions in limited assurance engagements, and that paragraph 94L does not refer to 'assertions', whereas paragraph 94R does make such a reference. Our view is that this establishes clear 'blue water' on the depth of risk assessment which affects the work effort in a limited assurance engagement compared to a situation where it was assertion based. We would welcome clarification as to whether this is the intent of the IAASB. If it is, then we question why A354L introduces the possibility of assertion-based limited assurance engagements. We are concerned that this confusion could give rise to threats to consistency of application.

We believe that there is some confusion regarding the reference in ED 5000 to situations where risks "are more likely to arise" which we are concerned may not stand up without a full risk assessment and 'spectrum of risk' consideration.

We believe that risks of material misstatement should always be identified and assessed, including as part of limited assurance engagement. We would however welcome more specific guidance on what assurance work needs to be performed in limited assurance engagements once a situation where a misstatement is likely to arise is detected in identified areas.

Institute of Chartered Accountants of Ghana

Many firms generally follow a consistent approach to both limited and reasonable assurance engagements when it comes to identification and assessment of risk of material misstatement. Hence it is likely the approach seen in practice may go beyond what is specified in ED-5000.

Institute of Chartered Accountants of Scotland (ICAS)

Whilst we are supportive of the proposed approach, additional specificity is needed on the risk procedures expected to be performed for a limited assurance engagement in order to mitigate the risk of inconsistency in practice.

Institute of Chartered Accountants of the Maldives

For a limited assurance engagement, the practitioner is required to design and perform risk procedures sufficient to identify disclosures where material misstatements are likely to arise and thereby provide a basis for designing further procedures to focus on those disclosures. This requirement is consistent with ISAE 3000 (Revised), which does not necessitate a risk assessment for limited assurance engagements.

Furthermore, given the potential for wide range of sustainability disclosures, limited assurance practitioners would find it more effective to concentrate on disclosures with higher inherent risks at the disclosure level rather than conducting a broad assessment. Quantification of risk of material misstatement requires time and in-depth understanding and evaluation of the control procedures and environment. Hence, this targeted focus on understanding riskier disclosures at disclosure level as opposed to the assessment level, establishes a suitable criterion for limited assurance engagements.

Instituto Mexicano de Contadores Publicos (IMCP)

We fully support the requirements applicable to this item. We can differentiate the work effort in this regard when compared to reasonable assurance. Use of assertions may not be a common approach taken by practitioners when executing a limited assurance engagement; therefore, we do not see the need to impose a more onerous requirement. However, we still consider that the proposed standard provides the flexibility to

do it should the practitioner decide that this is the necessary approach based on the facts and circumstances of the topics or aspect of the topics.

International Federation of Accountants (IFAC)

We note the approach in this area appears to be based upon ISAE 3000, which was developed in a more financial reporting related environment and makes a distinction between limited and reasonable assurance engagements. Procedures for identifying risks of material issues need to be sufficiently robust to ensure practitioner focus is appropriately applied to the correct areas. Within assurance provided for historical financial information, relationships exist between numbers appearing in various areas and issues can be identified from the absence of expected relationships. Such relationships are absent in numerous matters within sustainability reporting, so an approach based upon principles relevant within financial reporting may not be entirely suitable. This raises the question as to whether it is more appropriate to look to the requirements of ISAE 3410 in this area, which require risk assessment and identification for both limited and reasonable assurance engagements. The requirements in ED-5000 may, in this way, create some inconsistency with ISAE 3410, so there is an argument that a more robust approach to risk assessment for limited assurance engagements should be made within ISSA 5000.

More generally in this area—in the risk assessment section for both limited and reasonable assurance—it would be beneficial to have greater focus on how to deal with management bias and estimation uncertainty. It would also be useful to have some specific sustainability related examples within the application guidance.

New York State Society of Certified Public Accountants (NYSSCPA)

Response: Yes, there is clear differentiation between limited and reasonable assurance engagements. However, the users of such financial statements must be the end-consideration of which the disclosures remain the backbone of the report being presented, and thus, not free from the considerations which are being outlined. The risk assessment should be different without consideration removed for the user of the disclosures at hand.

Nordic Federation of Public Accountants (NRF)

We agree with the overall approach in ED-5000. However, there is a need to give more guidance and clarify the meaning of the different levels of work effort and the distinction between limited and reasonable assurance. There is guidance provided in the ED, however it is challenging to understand without previous knowledge and experience with the IAASB standards.

An example of where the ED is found unclear is A354 L that states that risk assessment is not required to be performed on an assertion level but states that it might be useful. Including such ambiguity in the standard may blur the lines of what is expected in a limited assurance engagement, and it may also drive the expectation from regulators and inspectors on what should be done.

Since risk assessment procedures are critical for the engagement paragraph 94L regarding risk procedures should be further clarified to support the practitioner when scaling the engagement and performing and designing procedures to address the identified risks.

See also our response to Q7.

Ordre National des Experts Comptables et des Comptables Agréés du Burkina Faso (ONECCA-BF)

It is recommended that more clarity or examples be provided to adequately distinguish the risk procedures. 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.

Pan African Federation of Accountants

It is recommended that more clarity or examples be provided to adequately distinguish the risk procedures. 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.

South African Institute of Chartered Accountants (SAICA)

As the requirements currently stand, SAICA recommends that more clarity or examples be provided to distinguish the risk procedures adequately. It is unclear what is meant by “identify disclosures where material misstatements are likely to arise” or how a practitioner would practically go about doing this.

However, more fundamentally, the SAICA is of the view that risks should be identified and considered regardless of the level of assurance being provided.

Virginia Society of CPAs

ISAE 3000

11. Academics

Deakin University

We 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.

We note that this approach will have special importance in relation to the description of the business model and of the reporting process as sustainability information. Refer our answer to Question 7 and the example we suggest therein. The evidence required to evaluate the design and operation of the business model will be significantly different between a limited and reasonable assurance engagement.

In a reasonable assurance engagement the assurance practitioner will need to observe and evaluate the operation of the board of directors' governance process and the CEO's strategic management process.

Monash University

Yes, we agree with risk assessment procedures to be designed and performed in a limited assurance engagement. Risk procedures should also be in place if the engagement outcome is 'no assurance' which would be the decision between the audit firm and the client.

12. Individuals and Others

International Accreditation Forum (IAF)

ED-5000 only refers to risk, does not refer to opportunities or impact. In Europe ESRS approach requires review of these three elements: impacts, risks and opportunities.

We Mean Business Coalition

See also reply to question 9.

17.3 Neither agree or disagree

5. National Auditing Standard Setters

Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)

We do support the approach in the draft not to require the practitioner to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement. However, we believe that it may be preferable from an engagement quality point of view to require the practitioner to identify and assess the risks of material misstatement as set forth for limited assurance engagements on GHG statements in ISAE 3410.

ISAE 3410 (paragraph 33L) for assurance on Green House Gas (GHG) Statements requires risk identification and assessment (though not at assertion level) for limited assurance engagements at the GHG statement level and for material types of emissions and disclosures. In ISAE 3410 the IAASB chose to go beyond the minimum requirements in ISAE 3000 (Revised) in relation to risk consideration for limited assurance because, unlike historical financial statements, in which there are financial and other relationships between the areas in those financial statements and the financial statements articulate with one another, the quantitative components of GHG statements aggregated to total GHG emissions are largely independent of one another. This situation is even more pronounced for sustainability reports that contain disclosures about various topics and aspects of topics, where for example, disclosures about governance in relation to GHG gas emissions are largely independent of disclosures about KPIs in relation to labor practices.

Consequently, we believe that an identification and assessment of the risks of material misstatement at the disclosure level equivalent to the requirement in ISAE 3410 (i.e., by requiring risk identification and assessment for “disclosures” in place of “material types of emissions and disclosures”) may need consideration. We note that part of the basis for such an assessment – that is, obtaining an understanding of the entity’s control environment, risk assessment process, and information system and communication – is already required in the draft.

New Zealand Auditing and Assurance Standards Board

Refer to our response to question 7 regarding our concerns at the lack of understanding of the difference between reasonable and limited assurance.

7. Accounting Firms

Nexia International

At this time, we do not agree with the proposed requirement for the practitioner to design and perform risk procedures in a limited assurance engagement as described in Question 17.

Performance

An experienced practitioner may note the nuances of A354L, where the ED notes “the practitioner is not required to identify and assess risks of material misstatement at the assertion level for each disclosure. However, the practitioner may find it useful to use assertions to identify disclosures where material misstatements are likely to arise,” however, without substantial further guidance, noticeable diversity in practice between jurisdictions, and within jurisdictions, will likely develop without more guidance.

We suggest instead an approach similar to AT-C 210, Review Engagements, which focuses more on the substance of what is to be done and does not explicitly align with the “risk assessment” terminology used in reasonable assurance (audit/examination) engagements. Select extracts are below and, when combined with additional subject-matter specific guidance, may be clearer for practitioners:

Procedures to Be Performed to Obtain Limited Assurance

.17 To obtain limited assurance, the practitioner should obtain sufficient appropriate review evidence to reduce attestation risk to a level that is acceptable in the circumstances of the engagement as a basis for expressing a conclusion about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria, or the assertion, in order for it to be fairly stated.

.18 Based on the practitioner’s understanding obtained pursuant to paragraph .13, the practitioner should design and perform procedures to obtain limited assurance to support the practitioner’s conclusion. In doing so, the practitioner should identify and place increased focus on those areas in which the practitioner believes there are increased risks that the subject matter may be materially misstated. Inquiry procedures alone are not sufficient to obtain limited assurance. (Ref: par. .A25–.A30)

Reporting

For users, the proposed slight nuance in explanations as to what is a “reasonable assurance” engagement and what is in a “limited assurance” engagement will not be transparent to users. Illustration 3 lists out the objectives of a combined reasonable assurance and limited assurance engagement and we believe certain users will struggle with the nuance:

Practitioner’s Responsibilities

As part of both limited and reasonable assurance engagements in accordance with ISSA 5000, we exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

(a) For a reasonable assurance engagement:

Perform risk procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatement, whether due to fraud or error, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

Design and perform procedures responsive to the assessed risks of material misstatement of the disclosures in the Information RA. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) For a limited assurance engagement:

Perform risk procedures, including obtaining an understanding of internal control relevant to the engagement, to identify disclosures where material misstatements are likely to arise, whether due to fraud or error, but not for the purpose of providing a conclusion on the effectiveness of the entity’s internal control.

Design and perform procedures responsive to disclosures in the Information LA where material misstatements are likely to arise. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Such a slight nuance in wording between “responsive to the assessed risks of material misstatement of the disclosure” and “responsible to disclosures...where material misstatements are likely to arise” will likely cause market confusion and not be in the public interest.

We recommend the “reasonable assurance”-style wording be removed and wording that is noticeably different inserted to further call attention to users that this is not a reasonable assurance engagement. We believe wording similar to the illustrative report in the AICPA’s Guide: “Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information and Climate-Related Financial Disclosures) (Updated as of December 1, 2022)” is more appropriate and reduces the chance for confusion.

Our review was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to [identify the subject matter, for example, the sustainability report] in order for it to be [presented] in accordance with (or based on) the criteria. The procedures performed in a review vary in nature and timing from and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether [identify the subject matter, for example, the sustainability report] is [presented] in accordance with (or based on) the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

10. Member Bodies and Other Professional Organizations

Center for Audit Quality

We are concerned about the impact on the public interest arising from the lack of consistent understanding and interpretation of the risk assessment requirements (as written) for limited assurance without a prescribed framework for identifying disclosures where material misstatements are likely to arise. The application material (A354L) acknowledges that the practitioner may find it useful to use assertions to identify disclosures where material misstatements are likely to arise. However, since it is only mentioned there, this could result in a lot of inconsistency, further exacerbating "implementability" concerns raised in Question 2. In addition to any further clarifications the IAASB is able to make to this area prior to release of ED-5000, it will be important for the IAASB to monitor for consistency in application of the standard and to consider whether there is a need to develop guidance in the future.

We reiterate our responses to Questions 7 and 23 and the need to create user understanding of the differences between limited and reasonable assurance engagements.

12. Individuals and Others

World Wide Fund for Nature

This approach seems relevant for separate sustainability disclosures, but may be more difficult to apply depending on the interpretation of certain frameworks requiring assurance. To be sure, if all sustainability information is integrated within a broader management report (such as with CSRD/ESRS), it needs to be made clear whether this assessment is made at the level of the overall disclosure, or at the level of specific disclosure requirements.

Moreover, it should be made clear that both individual disclosure elements and the overall disclosure need to be evaluated from a “risk of material misstatement” perspective. Indeed, one specific disclosure point may carry certain misstatement risk, but the accumulation of misstatements, or the instrumentalization of quantitative or qualitative information to inform a broader sustainability narrative also leaves space for material misstatement.

It should therefore be clarified :

The level(s) at which this approach applies;

The interactions that exist between both levels of application.

Moreover, it should be made clear that even limited assurance on sustainability information should take into account all material topics for the entity in order to assess the high-level risk of material misstatement in disclosures.

Finally, precise guidance should be provided to help practitioners determine when they should delve deeper into a topic (for example due to important stakeholder expectations, immaturity of the entity on a given topic, or new character of a given topic).

17.4 Disagree with comments

4. Regulators and Audit Oversight Authorities

Financial Reporting Council – UK (FRC)

We have identified several concerns with this section:

The term “likely” in paragraph 94L of ED-5000 is ambiguous. It may be understood as “more likely than not”, which may result in a work effort that may be far too low in many cases. If it is meant to imply only that the assurance practitioner must take a judgement as to the relative likelihood that a disclosure contains a material misstatement, and prioritise their work on riskier areas, then this merits clarification.

A key differentiation between limited and reasonable assurance is the attention to “at the assertion level” for the latter – we have no concern with this in itself, but believe it could be more clearly signposted, either in the requirement or application material.

We believe the use of “focus on those disclosures” in 94L is not precise enough. Indeed, the equivalent requirement, 48L, in ISAE 3000 is stronger, as it specifies that the objective is to “obtain limited assurance to support the practitioner’s conclusion”.

Independent Regulatory Board for Auditors (IRBA)

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

5. National Auditing Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

The AUASB understands that a risk-based approach for both reasonable and limited assurance is currently occurring in practice. A single risk-based approach across limited and reasonable assurance will assist in consistency in application and overall improved quality of engagements. Additionally, the risk procedures for both limited and reasonable assurance and the scope of work expected to be performed are unclear.

The AUASB considers that a risk-based approach is required for limited assurance (the same as for reasonable assurance) and that additional guidance is required on the nature, timing and extent of procedures required to be performed.

Royal Dutch Institute of Chartered Accountants

While the NBA is supportive of a distinction in the risk approach between limited and reasonable assurance, we do not support the proposed risk focus for limited assurance towards the areas where 'misstatements are likely'. As noted in our response to Question 1, we propose that the threshold should be for the practitioner in a limited assurance engagement to focus on the areas with elevated risk of material misstatement. We acknowledge that 'areas where material misstatements are likely to arise' is the definition stemming from ISAE3000, however, we observe that this definition gives rise to a lot of misunderstanding and uncertainty also by users of assurance re-ports. Given that we are now developing a specific standard for assurance on sustain-ability reporting, we are of the view that there is a very high public interest in a clearer definition of the risks that practitioners are expected to focus on.

In addition, we suggest that the notion of paragraph 115R(c) that the practitioner shall obtain more persuasive evidence the higher the assessed risk also should be applicable for limited assurance engagements, acknowledging that the level of persuasiveness of evidence still may differ between the two levels of assurance.

Finally, we suggest that the standard should provide more detail on the 'spectrum of risk', which is briefly mentioned in paragraph 123R. The sole notion about the spectrum of risk in the requirements relates to the need to test the controls in the current period. This requirement cannot work without requirements and guidance for practitioners on how to plot the risks on the spectrum and how position of a risk on the spectrum affects the further procedures to perform..

7. Accounting Firms

Baker Tilly International

LA requirements relating to risk should be substantively reduced.

Under LA the ED ISSA 5000 does not require the practitioner to identify risks at the assertion level nor assess risks. This appears to be a false reduction in required work effort because you cannot properly design work procedures to address risk (an ED requirement) without first understanding those two elements of the entity's ESG environment.

BDO International Limited

The objective of identifying potential material misstatements in sustainability information is the same for both limited and reasonable assurance engagements. Therefore, we believe that risks of material misstatement should always be identified and assessed. For example, this would be consistent with the wording in paragraph 25L in ISAE 3410 which refers to 'the basis for identifying and assessing the risks of material misstatement'. Not assessing the risk of material misstatement – irrespective of the level of assurance (limited or reasonable engagements) might result in a liability risk for the practitioner and a risk for the entity. In addition, the difference in the requirements for risk procedures in a limited versus a reasonable assurance engagement is not clear (paragraphs 94L and 94R). Risk procedures described in A288 include inquiries, observation and analytical procedures which seem to be the same for both limited and reasonable assurance engagements. We suggest providing additional guidance on the difference using an illustrative example to clearly indicate the differences.

We also believe that more specific guidance is required on what assurance work needs to be performed in limited assurance engagements once a likely misstatement is detected in identified areas. Further, we suggest adding guidance on the difference in the extent of work performed by a practitioner relating to an identified area where a material misstatement is likely to arise for a limited assurance engagement and the work performed to address an assessed risk of material misstatement.

Deloitte LLP

We believe the scope of work expected to be performed by the assurance practitioner to achieve the objective of identifying material misstatements in an entity's sustainability information and disclosures in a limited assurance engagement remains unclear.

We note that per paragraph 100 of the Explanatory Memorandum:

"The IAASB concluded that the approach in ED-5000 should be consistent with ISAE 3000 (Revised), which does not require a risk assessment for limited assurance engagements. It was noted that ISAE 3410 requires the identification and assessment of risks of material misstatement at the GHG statement level and for material types of emissions and disclosures. However, the

IAASB was of the view that the approach in ISAE 3000 (Revised) provides an appropriate framework for the practitioner's consideration of disclosures where material misstatements are likely to arise for a sustainability assurance engagement due to the wide range of sustainability disclosures."

Without additional application material or a more detailed, scalable framework, there is likely to be a high degree of inconsistency in the nature, timing and extent of risks identified and related procedures performed in response to those risks. While recognizing the principles-based nature of the standards, in the absence of more scalable guidance or framework for identifying risks, it may be difficult to mitigate wide diversity in the nature, timing and extent of work performed around risks on similar entities applying the same sustainability frameworks. This differential in work performed would not be transparent to a user of the sustainability reporting, an outcome which we do not believe is in the public interest.

In finalizing the standard, we suggest that the IAASB consider the reasoning as stated in the Basis of Conclusion for ISAE 3410, which we believe may also be applicable to the wider range of sustainability information under ED-5000, specifically:

17. "The approach adopted in ED-3410 requires the practitioner to select procedures appropriate to the circumstances of the engagement based on an assessment of risks of material

misstatement. The IAASB was of the view that, in order to obtain a meaningful level of assurance, an explicit risk assessment was necessary and that mandating certain types of procedures (such as inquiry and analytical procedures) as the primary means of obtaining evidence was not appropriate. The IAASB was aware that this approach was different to that for limited assurance engagements on historical financial information.”

20. “.... The IAASB was also persuaded by several factors, including the following:

“The nature of GHG information, which is quite different from historical financial information. For example, GHG information is not capable of being subject to the rigor of a double entry bookkeeping system, and is susceptible to different risks than historical financial information...”

As currently drafted, for additional clarity, we suggest the following changes to ED-5000:

It may be helpful to restructure the materiality and risk assessment paragraph flow to separate scoping and materiality determinations as follows:

Separate the first part of paragraph 94L and place it before paragraphs 91-93:

9X. The practitioner shall design and perform risk assessment procedures

sufficient to identify disclosures where material misstatements, whether due to fraud or error, are likely to arise.

After paragraph 93 include revised paragraph 94L:

94L. The practitioner shall design further procedures to focus on the disclosures identified in paragraph 9X. (Ref: Para. A286-A291)

Paragraph A354L indicates that the practitioner may, but is not required to, identify and assess risks of material misstatement at the assertion level in a limited assurance engagement. We therefore believe it would be appropriate and helpful to reference paragraph A354L in paragraph 9X (if suggestion above is adopted. If not then the reference would remain 94L). Further we suggest additional application material with examples of circumstances in which an assurance practitioner may make such a judgment (i.e., to perform an assertion-level risk assessment in a limited assurance engagement). We also suggest the following change to:

A354L. In a limited assurance engagement, the practitioner is not required to identify and assess risks of material misstatement at the assertion level for each disclosure. However, the practitioner may find it useful to use assertions to identify disclosures where material misstatements are likely to arise.

As engagement teams may determine assertion-level risk assessment is appropriate for a limited assurance engagement (as referenced in paragraph A354L) we would suggest the “R” be deleted from paragraph A353R such that it is applicable for both limited and reasonable assurance when the engagement team has made that determination.

We believe it may be helpful to develop application material that includes example procedures the assurance practitioner may perform to assess the possibility that the misstatements detailed in paragraph A355 could occur and be material to the entity.

Separately, in terms of the practitioner’s responsibility to identify and assess risks of material

misstatement in a reasonable assurance engagement, the language in paragraph A349R refers to a risk spectrum of low to high but does not make mention of “significant risk”. We would encourage the IAASB to

include language similar to ISA 315R to include the concept of significant risk when assessing the likelihood and magnitude of potential misstatement so that there is consistency across reasonable assurance engagements within the IAASB's standards

Grant Thornton International

We do not believe it is appropriate for practitioners to design risk assessment procedures without an in-depth understanding of the entity and its environment and the entity's "materiality process." We believe the work effort required to obtain this understanding in a limited assurance engagement is likely to be the same as that required for a reasonable assurance engagement and thus the requirement in ED-5000 to design and perform risk procedures to identify disclosures where material misstatements are likely to arise, creates uncertainty about the level of work required to design those procedures. We believe this uncertainty will result in professional accountant practitioners relying on their experience in applying the ISAs, ISAEs, and ISREs to design risk procedures and that non-accountants will struggle to develop appropriate risk procedures, leading to inconsistent application.

We believe further clarification is needed to ensure consistent application of ED-5000 as it relates to risk procedures. We propose the IAASB add illustrative risk procedures that the practitioner is expected to perform (leveraging the prescriptive procedures provided in ISRE 2400 and ISRE 2410) to the application material instead of relying on the practitioner to design the risk procedures.

We also believe further guidance is needed in ED-5000 related to how practitioners are expected to assess risks related information about upstream and downstream activities. For example, we question whether it is appropriate for the practitioner to have separate risk assessments for different upstream and downstream activities or whether an aggregated assessment is expected. We propose the IAASB address these questions in ED-5000 and also add a practical example.

HLB International

The proposed standard ISSA 5000 has a limited and in our view insufficient distinction between the required work effort of limited assurance and reasonable assurance. One way to make a clearer distinction would be to reduce the requirement relating to risk required for a limited assurance engagement.

PKF International Limited

General concerns on the absence of risk assessment requirements for limited assurance

We are not convinced that ED-5000 takes an appropriate approach to this aspect of differentiating the requirements on risk assessment between limited assurance versus reasonable assurance.

Under a limited assurance approach, without a process to assess risks of material misstatement, the practitioner is less likely to form a reasonable basis on which to design further procedures. In turn, this may negatively impact on the quality and effectiveness of the procedures planned. Consequently, in our view it is an essential and inextricable part of an assurance engagement that an assessment of a risk assessment process is undertaken. Further, the risk assessment process should consider relevant assertions as well as inherent risks.

In practice, and assuming no revisions to ED-5000, we consider it will be more likely that a practitioner with expertise in audits performed in accordance with International Standards on Auditing (ISAs) will, to some degree, compensate for this issue by applying ISA315R's concepts and requirements on assessment of risks of material misstatement. However, the bigger risk is that ED-5000 is agnostic to the profession of the practitioner, increasing the possibility that a sustainability assurance practitioner with little or no expertise in

ISA audits will not be in the position to apply the concepts and requirements in ISA315R to the process of assessing risks of material misstatement on a limited assurance engagement. The overall result may be that limited assurance engagements performed under ED-5000 are not performed to a consistently high level of quality, with the success factor in this regard relying on whether the practitioner is able to apply the relevant concepts in ISA315R to compensate for the lack of relevant requirements on risk assessment.

To address this concern, our overriding preference is that ED-5000 is revised to include requirements that a risk assessment is performed under a limited assurance engagement.

Differentiation between limited and reasonable assurance on requirements for risk assessment

Notwithstanding our comments above, we are in agreement that ED-5000 should provide for a differentiation between limited and reasonable assurance in terms of the nature and extent of the procedures on risk assessment required under limited and reasonable assurance respectively.

Similar to our recommendations in Q13, we encourage the IAASB to consider if an alternative approach could be adopted to differentiate the required work effort for both levels of assurance in this part of ED-5000. This could primarily be achieved by refocussing the elements of differentiation on to the scale and extent of the practitioner's procedures. For example, in the final standard an assessment of risks of material misstatement could be made under both limited and reasonable assurance, with differentiation introduced instead by specifying how the nature of the risk procedures required under the limited assurance approach can be less extensive in design compared to the nature of the risk procedures required for a reasonable assurance engagement.

A further element of differentiation could be made with regard to those risks that are at the higher end of the spectrum of inherent risk. For example, further requirements on the approach to risks of material misstatement could be introduced specifically for a reasonable assurance engagement which require the practitioner to perform additional procedures in response to those risks of material misstatement that are assessed as being significant risks. Such additional requirements on significant risks might, for example, include procedures to obtain an understanding of the entity's internal controls over those significant risks and to evaluate the design of the applicable controls including general IT controls that address the IT risks arising from relevant IT applications pertaining to the significant risk areas.

PricewaterhouseCoopers International Limited

In our view, a single harmonised approach to the identification and assessment of risks of material misstatement at the assertion level would be a more optimal solution. We have formed this conclusion based on the following reasons:

Our understanding that this is already considered best practice among many accounting firms.

The existing concept for limited assurance of identifying "disclosures where material misstatements are likely to arise" may not result in consistent interpretation and work effort by different practitioners.

A unified approach would likely result in greater consistency in identifying the nature of risks (the relevant assertions) and may therefore lead to more consistent planned responses to such risks.

While we recognise that individual firms may choose to go beyond the baseline requirements of the standard and therefore adopt an approach to identification and assessment of risks that is consistent with the approach described in the standard for reasonable assurance engagements, we believe the likely benefits of a single approach, as described above, create a sufficiently compelling basis for alignment.

The identification of “characteristics of events or conditions that could give rise to material misstatements of disclosures” when applied to sustainability matters may be significantly more challenging than in an audit of financial statements given the breadth and scope of sustainability matters. The engagement team's understanding of the reporting boundary and legal/regulatory framework are also likely to be complex and challenging. This is an area where further implementation support material will likely be useful.

UHY International

We believe par. 94L and 94R may result in confusion in practice and the application guidance is not clear. Was the IAASB's intent to apply a different principle or standard (i.e., reduced level of risk procedures) for limited assurance engagements? We do not believe the level of risk procedures should vary based on whether the engagement is for limited or reasonable assurance, but rather based on the nature of the entity and complexity of the sustainability matters subject to disclosure (A287).

8. Assurance Practitioner or Firm - Other Profession

Academy for Practical Training on Sustainability Assurance (APTISA)

As already stated, I do not agree with the differentiation between the risk (and planning) procedures for limited and reasonable assurance. ISAE3000 is a generic standard and not specifically focused on sustainability information. If I consider the methodologies and current practice of assurance providers (both Big 4 accounting firms and certification bodies) the risk assessment for limited assurance was upgraded to be closer to reasonable assurance and not as in ISAE3000. In other words assertions were considered for material statements that were more likely to be misstated. I therefore believe that ISAE3410 provides a better benchmark for ED-5000 to follow.

ERM Certification and Verification Services Limited

ERM CVS strongly disagrees with this approach as it does not align with the current practice of Limited Assurance engagements.

This definition of 'risk procedures' as for Limited Assurance is insufficient and does not meet the needs of the intended users. Limited Assurance of all material types of disclosures should be assessed for risks of material misstatement at the assertion level. This is current practice in sustainability assurance and should not be reduced to 'the disclosures where material misstatements are likely to arise'. Entities must move towards reasonable assurance for regulatory purposes and reducing the expectations on Limited Assurance below what is provided as current practice across a wide range of sustainability information (beyond GHG emissions) is not in the best interest of the engaging entities or the users of the information.

To better align with current practice in Limited Assurance, please revise the risk procedures to be the same for both Limited and Reasonable Assurance. The suggested revision is bolded as follows:

17(qq) Risk procedures – The procedures designed and performed to identify and assess the risks of material misstatement, whether due to fraud or error, of the disclosures at the assertion level.

Furthermore, ERM CVS strongly disagrees with the following statements in relation to the table on 'Designing and Performing Risk Procedures', in that Limited Assurance requires the practitioner only to identify disclosures where material misstatements are likely to arise, and the practitioner is not required to assess this. Furthermore, this seems to only apply at the disclosure level and not the assertion level for the disclosures. Again, the design and performance requirements should be the same for Limited and

Reasonable Assurance. The suggested revision includes the removal of the (L and R) references and adopting 94R as the appropriate design and risk procedures for both levels of assurance, bolded as follows:

94. The practitioner shall design and perform risk procedures sufficient to: (Ref: Para. A286-A289, A291, A353R)

- (a) Identify and assess risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures; and
- (b) Design and perform further procedures.

As stated in our Response to Question 7, the currently proposed activities required for a Limited Assurance effort as written undermines the value of assurance engagements, resulting in unsubstantiated confidence in future Limited Assurance Reports by the user, resulting in fraud (i.e., greenwashing).

Current and pending legislation uses Limited Assurance as a step towards achieving Reasonable Assurance. The current version of the ED-5000 will not ready clients for Reasonable Assurance as an assurance 'phase in' as intended by legislation. If implemented as allowed under ED-5000, Assurance Reports for Limited Assurance will not allow for comparability across Limited Assurance engagements, except through the description of activities in the Assurance Report – which will not be well understood by users of the information. As written, this will be confusing to those who have undergone Limited Assurance historically (some for over 10 years) and for those looking to compare the meaning of Assurance Reports.

The ED-5000 should rely more on the guidance provided for the more moderately complex to complex Limited Assurance definitions, activities, practices, and examples which were developed over a period of years and adopted by current practitioners (both Audit and non-Audit): IAASB's Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements, published in April 2021 and on ISAE 3410. These are the practices currently used in the market and are expected by engaging entities. If we reference the most simple example for Limited Assurance and apply that approach (as a starting point) for complex engagements, this will confuse both those seeking assurance and those with experience reviewing Assurance Reports.

We recognize that the IAASB is interested in receiving global regulatory uptake of the new Standard; and that uptake may be more likely with reduced requirements; however, allowing the development of Limited Assurance Reports with a 'light touch' will mislead users and devalue the current value of Limited Assurance (already closer to Reasonable Assurance than what is proposed in the current draft). This should not be considered an acceptable compromise. It is critical that the integrity of Limited Assurance is held at the current market standard.

ERM CVS disagrees with the following part of the definition for 'Limited assurance engagement':

Definitions – 17(d)(ii) Limited assurance engagement – '... The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the practitioner's professional judgment, meaningful...'

As stated in the IAASB's Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements, published in April 2021, the nature of the procedures is NOT automatically different between a Limited and Reasonable assurance engagement. Limited Assurance tests for the same things, in the same way as Reasonable Assurance, but draws conclusions based on more limited sampling. The EER specifically notes that 'for a less complex, small

engagement, inquiries MAY be sufficient to identify where a material misstatement is likely to arise.' It appears that the ED-5000 has taken the phrase 'where material misstatement is likely to arise' and used that to define the approach to Limited Assurance, which was not the intention of the EER. To retain the current value of Limited Assurance and reduce the potential for a Limited Assurance Report to be called into question for greenwashing (fraud), please revise the Limited Assurance definition to be in closer alignment to the EER for moderately or more complex engagements, and more aligned with ISAE 3410.

In relation to 'Identifying Disclosures where Material Misstatements are Likely to Arise (Limited Assurance) or Identifying and Assessing the Risks of Material Misstatement (Reasonable Assurance)', the following is appropriate only for the least complex and small engagements (of which most multi-nationals are not) and should not be considered good practice for Limited Assurance as a whole. A354L indicates that testing at the assertion level may be apply for Limited Assurance, at the decision of the practitioner; however, because this is common practice, and a market expectation, please consider the following revision, as bolded, to more closely align with current practice, and market expectations and to protect the existing value of Limited Assurance:

Limited Assurance

110L. The practitioner shall identify disclosures where material misstatements are likely to arise which may be at the assertion level. (Ref: Para. A352L, A354L-A355)

Reasonable Assurance

110R. The practitioner shall identify and assess risks of material misstatement at the assertion level for the disclosures. (Ref: Para. A349R-A351R, A353R, A355)

In relation to 'Meaningful Level of Assurance in a Limited Assurance Engagement', The standard of care for this as currently written in ED-5000 is 'more than inconsequential' (i.e., just above nothing'); however, provided that the change in user expectations, the regulatory climate and market has changed sufficiently since even 2021, that this should no longer be considered the lowest acceptable level of Limited Assurance as it does not meet current user needs. The suggested revision is bolded as follows:

A194L. Across the range of all limited assurance engagements, what is meaningful assurance can vary from just above assurance that is likely to enhance the intended users' confidence about the sustainability information to a degree that is clearly substantially more than inconsequential to just below reasonable assurance. What is meaningful in a particular engagement represents a judgment within a range from substantially more than inconsequential but less than reasonable assurance that depends on the engagement circumstances, including the information needs of intended users as a group, the criteria, and the sustainability matters of the engagement.

In relation to 'Meaningful Level of Assurance in a Limited Assurance Engagement', the following phasing may lead a practitioner to believe that there are no 'generally accepted practices' in Limited Assurance; however, limited assurance of sustainability information has been on-going for over two decades. Please remove the bolded language:

A195L. Some of the factors that may be relevant in determining what constitutes meaningful assurance in a specific engagement include:

Generally accepted practice, if it exists, with respect to assurance engagements for sustainability information.

9. Public Sector Organizations

Government Accountability Office - US

We support the requirement for the practitioner to design and perform risk procedures to deliver meaningful information. However, we believe that risk assessment procedures should be performed at the same assertion level for both reasonable assurance and limited assurance engagements (i.e., paragraphs 94L and 94R in ED-5000 should be the same).

We believe using professional judgment is important to practitioners in determining the necessary level of understanding of the engagement subject matter and related circumstances. This includes considering whether the engagement team's collective experience, training, knowledge, skills, abilities, and overall understanding are sufficient to assess the risks that the subject matter of the engagement may contain a significant inaccuracy or could be misinterpreted (GAO-21-368G; Section 3.115).

Office of the Auditor General of Alberta

In our view this distinction is mainly theoretical, but serves no real difference in work effort or assurance quality. Understanding risks and the entity's external sustainability impacts via understanding the entity, its products and operations, applies to both limited and reasonable assurance. In an engagement where some topics or aspects of topics are subject to limited assurance and others reasonable assurance, a "one pass" engagement planning will be most effective and efficient. A "two pass" or "differential" engagement planning process with particular planning procedures for limited assurance and particular planning procedures for reasonable assurance is impractical, confusing, and unworkable.

10. Member Bodies and Other Professional Organizations

Accountancy Europe

The suggested approach to identify disclosures 'where material misstatements are likely to arise' will not be sufficiently clear to be actionable for assurance providers.

The practitioner should therefore identify the risk of material misstatement for disclosures in a limited assurance engagement, considering inherent risks related to the topics and aspects of topics, such as the disclosures for which: related performance or compensation incentives exist, or there is pressure on management to achieve an expected target or outcome, or a potential misstatement could affect compliance with law or regulation.

The practitioner may identify other topics and aspects of topics which have an elevated risk of material misstatement based on their understanding of the components of the entity's system of internal control, including the policies and procedures on how data and information are captured, recorded and presented.

This way, the practitioner will focus their effort on the disclosures with a higher risk and perform procedures, that are less in extent compared to a reasonable assurance engagement, on these disclosures. Accordingly, the practitioner should obtain more persuasive evidence the higher the practitioner's assessment of the risk of material misstatement.

Belgian Institute of Registered Auditors

We disagree with the proposed approach. Primarily we object to the focus on areas 'where misstatements are likely', simply because we would hope that misstatements are unlikely as the company should put effort

in the preparation of a proper sustainability report. We think that the ISAE3000 approach may work there, due to the wide variation in ISAE3000 engagements but that more consistency is required here.

Further we think that the spectrum of risk needs more explanation (it is briefly mentioned in 115R but not really explained).

Finally we think that the notion in 115R(c) that the higher the risk, the more persuasive evidence is required, should also apply to limited assurance, although the level of evidence needed indeed is different.

European Group of International Accounting Networks and Associations (EGIAN)

The EU's Corporate Sustainability Reporting Directive (CSRD) requires LA with possibility to move to RA at some point. LA is a transitional provision on the grounds that EU legislators are seeking to ease the administrative burden on preparers. ED ISSA 5000 has minimal differential in assurance work effort between LA and RA meaning there would be minimal differential in administrative burden. Ways to underline a clear difference in work effort would be to reduce LA requirements relating to risk.

Institute of Singapore Chartered Accountants (ISCA)

Given the relatively nascent state of sustainability reporting and the inherent risks associated with sustainability information due to its lack of standardised reporting and wide-ranging nature, risk assessment should be made mandatory for limited assurance engagements.

Instituto de Censores Jurados de Cuentas de España (ICJCE)

The scope of work expected to be performed in a limited assurance engagement remains unclear. Without additional application material or a framework, there is likely to be a high degree of inconsistency in the nature, timing and extent of procedures performed and wide diversity in the extent of work performed around risks on similar entities applying the same sustainability assurance standards.

Language in paragraph A349R refers to a risk spectrum of low to high but does not make mention of "significant risk". Suggestion to include language similar to ISA 315R to include the concept of significant risk when assessing the likelihood and magnitude of potential misstatement so that there is consistency across reasonable assurance engagements within the IAASB's standards.

11. Academics

Accounting and Finance Association of Australia and New Zealand

We do not support this approach and recommend that the same approach be adopted for both limited and reasonable assurance.

Risk assessment is relevant to the choice of limited or reasonable assurance (Fan et al. 2021) and have an impact of users decisions (Cheng et al. 2015). Users are unlikely to be aware of the differences in risk assessment if different sets of procedures for limited and reasonable assurance are included.