

## Sustainability Assurance – Respondents’ Detailed Comments to EM Question 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?

### 7.2 Agree with comments

#### 1. Monitoring Group

##### Basel Committee on Banking Supervision (BCBS)

Yes, we believe ED-5000 generally provides an appropriate basis for performing both limited assurance and reasonable assurance engagements and agree with the IAASB’s approach of producing a single standard that covers both limited and reasonable assurance engagements.

The Committee recognises that the definitions and underlying concepts of limited and reasonable assurance draw from existing IAASB audit and assurance standards and are used in common practice by audit practitioners. With the appreciation that non-audit practitioners of sustainability assurance may come from a wide range of professional backgrounds, the Committee believes there is an opportunity to clarify the requirements on the difference between limited versus reasonable assurance.

Key terms used such as “limited”, “meaningful” and “more than inconsequential” used in paragraph 17(d)(ii) of ED-5000 under “definitions”, may not be clearly or consistently understood by all types of assurance providers and would benefit if the standard could define these terms or elaborate their meaning in the application guidance. This is particularly important as limited assurance is defined relative to reasonable assurance.

In addition, below are two clarifications that we recommend are provided in the standard:

Add a sentence to paragraph 17(d)(ii) stating that in a limited assurance engagement, the practitioner provides a summary of work performed, as required by paragraph 170(i), to enable users to understand the assurance obtained. This would clarify that the assurance provided by a limited assurance engagement can vary.

Add a preceding paragraph indicating the overall objective of risk procedures for limited assurance and the objective of risk procedures for reasonable assurance would enhance an assurance provider’s understanding of the differences between the two sets of procedures laid out in each of the tables (eg paragraphs 94L/R, 102L/R and 107L/R).

##### International Association of Insurance Supervisors (IAIS)

Yes. The IAIS believes that ISSA-5000 provides an appropriate basis for performing both limited assurance and reasonable assurance engagements. We also agree with the IAASB’s approach to produce a single standard that covers both limited and reasonable assurance engagements.

## International Forum of Independent Audit Regulators (IFIAR)

### Clarity and Understandability

Paragraph 94L on limited assurance requires the practitioner to design further procedures. However, unlike reasonable assurance ED-ISSA 5000 is not explicit that those procedures must be “performed”.

## International Organization of Securities Commissions (IOSCO)

### 2. Continue to differentiate the work effort between limited and reasonable assurance

Generally, we consider that the Proposed ISSA 5000 provides an appropriate basis for performing both limited assurance and reasonable assurance engagements. We support the IAASB's approach of addressing both limited and reasonable assurance in a single overarching standard. The columnar approach provides appropriate differentiation of the work effort between limited and reasonable assurance for relevant elements of an assurance engagement.

As with other aspects of the standard, additional guidance on certain elements may be useful as practice evolves and in response to questions that arise during implementation of the standards.

## 2. Preparer and Users of sustainability information

### Ceres, Inc.

The proposed standard's treatment of a limited assurance engagement (also referred to as a review in the United States) and a reasonable assurance engagement (also referred to as an examination in the United States) largely seems appropriate to us. This portion of the ED is highly significant since almost all sustainability assurance engagements to this date have been limited rather than reasonable and this will continue to be the case for some period of time under the mandatory climate risk and sustainability disclosure standards that are going into effect throughout the world, which initially require limited assurance engagements before transitioning to reasonable assurance.

In submissions to the U.S. Securities and Exchange Commission, Ceres has urged the adoption of mandatory disclosure standards that require reasonable assurance rather than limited assurance. A reasonable assurance engagement may typically cost more, take longer, and require more resources from the company, but it is also more likely to discover errors in disclosures, which is why Ceres has urged that regulators push forward in requiring it.

In this regard, our impression is that the average user of sustainability assurance reports does not, and will not, appreciate the differences, which are considerable, between limited and reasonable assurance. We note that the example of a limited assurance report included in Appendix 2 of the ED titles the report a “limited assurance report” and, in paragraph 5, explains that a limited assurance engagement is less extensive than is a reasonable assurance engagement. To us, there is much more that could and should be done to make the reader aware of the differences. For example, paragraph 5 could be set in italics or a bold font. Or, perhaps a warning of some kind could be included, such as, under the title of the report, a statement that “The user of this report should understand that in a limited assurance engagement the practitioner collects less evidence than in a reasonable assurance engagement.” Such measures would not only make the user more informed of the nature of the sustainability report but might also prompt the issuer to reconsider whether limited assurance is sufficient to meet the expectations of investors and others.

Also, standard-setters – responding to the entreaties of issuers – are permitting a “phase-in” of reasonable assurance because it seems that the quality and availability of some sustainability information may be inadequate for a reasonable assurance engagement. Query whether that approach gibes with ED paragraph A164, which states, “if a sustainability matter is not appropriate for a reasonable assurance engagement, it is also not appropriate for a limited assurance engagement, and vice versa.”

In any event, it would be helpful for the IAASB to use its influence among regulators to urge a rapid phase-in of a reasonable assurance requirement.

#### **French Insurance Federation (France Assureurs)**

The differences between limited and reasonable assurance requirements are clear in the standard.

However, Insurance Europe regrets that it doesn't sufficiently take into account that sustainability reporting is an immature and fast evolving field.

With regards to the verifiability of the sustainability-related information. It may be difficult to cope with significant data uncertainties as methodologies are still under development. A structural difficulty is also related to the time horizons to consider on ESG issues: very long term. Those are key especially on environmental matters linked to significant uncertainties and approximations on quantitative aspects. Thus, the verifiability of sustainability information is mainly linked to its related subject.

Sustainability reporting is still being developed, and it is expected that methodologies are going to evolve. Assurance procedures on those changes need to recognize this fast-paced environment.

Auditors should thus acknowledge that it will take several years before an equivalent level of maturity is reached on sustainability reporting compared to financial reporting.

Therefore, we suggest a more proportionate approach for the diligence in the context of limited reviews.

#### **Link Asset Management Limited**

To consider if the limited assurance requirements are still too high, particularly in the area of internal controls, considering the broad scope of sustainability information and that many companies are just at the beginning of the journey of collecting and disclosing such information. If the requirements for even limited assurance are too onerous, this will likely result in lesser adoption of companies severely limiting scope of assurance.

#### **The Investment Association**

The proposed ISSA 5000 is a principles-based, overarching standard suitable for both limited and reasonable assurance engagements on sustainability information reported across any sustainability topic. When assurance practitioners review sustainability information, they aim to make sure that the information is accurate and trustworthy. They do this by obtaining either reasonable assurance or limited assurance. The assurance practitioner designs and performs procedures to obtain evidence about whether the sustainability information is free from material misstatement. Misstatements may be qualitative or quantitative and include omitted information or information that obscures or is misleading. The IA welcomes the approach the IAASB has taken in defining and differentiating the practitioner's work effort for limited and reasonable assurance which translated in different level of confidence users can get from an assured sustainability report. Reasonable assurance provides a higher level of confidence than limited assurance, as it involves more extensive and rigorous procedures to collect and evaluate evidence, recognising the need and demand for different levels of assurance in certain jurisdictions.

#### 4. Regulators and Audit Oversight Authorities

##### Accounting and Auditing Board of Ethiopia

The difference between limited and reasonable assurance engagements is not clear. What drives to conduct limited assurance engagements or reasonable assurance engagements? What kind of evidence the practitioner will gather when he decides to perform limited assurance engagements or reasonable assurance engagements? The scope of work to be performed is not clear. Therefore, additional guidance be included by the Board.

##### Accounting and Corporate Regulatory Authority

We appreciate the inclusion of tables with labels of “L” and “R” to highlight distinctions in work effort between limited and reasonable assurance.

While the distinction is helpful, we propose to provide examples or illustrations to enhance understanding. For example, we are unclear on the distinction between para 131L “...differ significantly from the expected result...” and para 131R “differ significantly from expected quantities or ratios”. Providing examples or illustrations will ensure a more precise interpretation and application of the distinctions.

##### European Securities and Markets Authority (ESMA)

Differentiation between limited and reasonable assurance (Q7, Q13, Q17, Q23)

ESMA supports the IAASB’s approach of encompassing both limited and reasonable assurance by addressing and differentiating the work effort to be performed for each type of assurance and for relevant elements of the assurance engagement. Nonetheless, it is crucial to establish a clear delineation between limited and reasonable assurance for investor protection. This differentiation will enable an understanding of the specific tasks performed and assurance provided in each type of engagement. To bridge potential gaps in users’ expectation, ESMA considers that further prominence should be given and description provided to explain that the scope and nature of the work performed under a limited assurance engagement is considerably less than for reasonable assurance engagements. ESMA suggest that ED-5000 could provide additional clarifications in various sections including, the introduction, the definitions, the Basis for Conclusion in the assurance report and offer illustrative examples and guidance in the application material.

##### Irish Auditing and Accounting Supervisory Authority (IAASA)

The standard provides very wide latitude to practitioners in limited assurance engagements. ISSA 5000 should provide further guidance on the minimum work effort required to ensure consistency in approach as far as possible and high quality assurance engagements as well as enforceability for regulators.

In addition, the standard should make it clear that although certain requirements apply only to reasonable assurance engagements this does not prevent a practitioner from applying them in a limited assurance engagement where considered appropriate. It should be further be clarified that, in such cases, the relevant application material is also relevant for example design and evaluation of controls in paragraph A223, the use of substantive testing alone in paragraph A225 and obtaining evidence about the effectiveness of an entity’s controls in paragraph A228.

It is also unclear why the guidance in paragraph A21R regarding the level of assurance provided is limited to reasonable assurance engagements as the same factors are also relevant to limited assurance engagements.

In addition, care needs to be taken to ensure the work effort required in a limited assurance engagement is at an appropriate level throughout ISSA 5000, including:

The example provided in paragraph A361(a) should be amended to omit the phrase 'if any' in front of tests of controls and obtaining evidence from external sources as this may give the impression that inquiries of management and analytical procedures alone are sufficient for a limited assurance engagement.

Paragraph A377L states that the further procedures in a limited assurance engagement 'may' include substantive procedures. It is unlikely that that it would be appropriate to have none.

### **Securities and Exchange Commission Philippines**

We understand that both limited and reasonable assurance engagements are aimed to enhance the credibility of the sustainability information and increase the confidence of intended users. However, it is important to clearly differentiate the level of confidence being achieved in both engagements. In this, regulators play an important role in creating awareness to avoid any expectation gap that might arise in this area.

IFRS S1 and S2 require a connection between the sustainability-related financial information in the sustainability reports and the financial statements. It is important to note that financial information requires a high level of assurance (reasonable assurance). If ISSA 5000 permits limited assurance, it creates a gap between sustainability reporting and financial reporting, as the former may have a lower level of assurance compared to the latter.

In our view, if the sustainability framework adopts IFRS S1 and S2 requirements, it should receive the same high level of assurance (reasonable assurance) as financial reporting, while limited assurance should only apply to aspects not covered by IFRS S1 and S2.

Further, since global trends show that we are heading towards reasonable assurance, we suggest that crafting more specific guidance on sustainability information audits (e.g. from planning to conclusion/reporting) similar to financial statements audits, to be included in one of IAASB's future projects.

## **5. National Auditing Standard Setters**

### **Auditing and Assurance Standards Board Canada (AASB)**

We support addressing both limited and reasonable assurance in one general overarching standard. We also believe the requirements in ED-5000 provide an appropriate basis for performing both limited and reasonable assurance engagements. However, we received questions about the work effort differentiation between limited and reasonable assurance that we believe could be addressed through guidance.

Concern: Differentiation between Limited Assurance and Reasonable Assurance

During our outreach, practitioners found it hard to understand the differences in work effort between limited and reasonable assurance engagements. Feedback included:

Questions around how the responses to risks and the documentation differ between a limited and reasonable assurance engagement.

Concerns that practitioners may find it challenging to select the appropriate further procedures to perform in a limited assurance engagement. Furthermore, some requests for additional guidance on the minimum expectation for further procedures ('baseline further procedures') in a limited assurance engagement.

The standard explains in A358 that 'determining the further procedures to be performed on a particular engagement is a matter of professional judgment.' In contrast, review engagements (limited assurance over financial statements) apply inquiry and analysis procedures at a minimum (see ISRE.2400.7).

Without clarity on what baseline further procedures are in a limited assurance engagement, some expressed concerns there will be divergence in the performance of these engagements.

Overall, we believe the requirements in the standard are sufficient for the practitioner to consider the engagement circumstances and "determine the further procedures to be performed on a particular engagement as a matter of professional judgment." However, given concerns that were raised, we believe some revisions to the application material and additional guidance are necessary to provide more clarity on the differences between limited and reasonable assurance.

Suggest:

Clarify there are no minimum types of further procedures in a limited assurance engagement over sustainability information. This clarification could be added to paragraphs A361 or A362L.

Develop non-authoritative guidance for ISSA 5000 that (see our suggestion in question 23):

Distinguishes how the procedures differ between limited and reasonable assurance.

Consider repurposing Appendix 3 of the EER guidance, as guidance to ISSA 5000. This was a helpful resource that gave examples of limited and reasonable assurance procedures throughout the engagement.

Include content from application material A482 to A468L of ED-5000, with examples of the 'Summary of work performed' in different assurance reports.

Describes the difference between limited assurance in a review engagement (ISRE) vs. limited assurance in the context of the ISAEs and ISSAs. Consider specifically explaining:

The differences in the definitions of limited assurance in ISRE 2400 and ISSA 5000, and

The less prescriptive approach on the types of further procedures performed in ISSA 5000.

### **Austrian Chamber of Tax Advisors and Public Accountants (KSW)**

We concur with the comments of Accountancy Europe. For the convenience of the reader, we have included the comments of Accountancy Europe in our letter as follows:

The concepts of limited assurance and reasonable assurance create challenges in terms of understanding the difference between these two by users and designing the most appropriate procedures by the practitioner. The standard provides useful guidance on this distinction and we commend that effort.

However, the procedures suggested for limited assurance should be further reviewed to assess whether they sufficiently distinguish from reasonable assurance. Such an assessment is needed particularly with regards to the ED proposals on control testing, forward-looking information, subsequent events and evidence. In principle, ISSA 5000 should set the minimum requirements expected of the practitioner in a limited assurance engagement to promote consistent engagement-level quality.

In addition, conditions for applying reasonable assurance procedures in a limited assurance engagement should be further clarified. We acknowledge that the engagement circumstances and application of professional judgment will be the driver for the practitioner when deciding to perform further procedures in a limited assurance engagement. However, current requirements and application material in the ED are



mainly based on ISAs which are meant to address audits of financial statements (i.e., reasonable assurance) and thus may lead to misinterpretations.

Finally, the terms and concepts below warrant further explanation as they are fundamental to understanding the differences between limited and reasonable assurance engagements:

meaningful level of assurance

implied work effort and documentation associated with the verbs 'consider', 'evaluate' and 'determine' (i.e., work effort spectrum)

spectrum of risk

#### **Comite Brasileiro de Sustentabilidade (CBPS)**

The ED-5000 provides an appropriate basis for performing limited assurance and reasonable assurance engagements, as well as appropriately addresses and differentiates the efforts of each type of engagement for the relevant elements. We understand that the main concern regarding the differentiation between limited and reasonable assurance relates to the so called 'expectation gap'. We suggest developing supporting material and/or illustrative guidance, in particular for hybrid work, where both types of assurance will be included in the same report

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

We believe that ED-5000 provides a useful distinction between limited and reasonable assurance in terms of procedures and work effort for relevant elements of the assurance engagement.

However, we believe that further clarification is needed for paragraph 134L(a)(i) which states that the practitioner shall evaluate whether management has appropriately applied the requirements of the applicable criteria relevant to estimates or forward-looking information. We note that paragraph 134R does not explicitly include this wording around the practitioner's evaluation of management's application of the requirements of the applicable criteria, although this evaluation is also applicable to reasonable assurance engagements.

ED-5000 should further clarify the differences, if they exist at all, between performing limited and reasonable assurance engagements over an entity's materiality assessment process carried out on sustainability matters.

#### **Hong Kong Institute of Certified Public Accountants**

The differentiation of work effort under limited assurance and reasonable assurance engagements is clearly set out in ED-5000. However, we are aware of the practical challenges practitioners may face when conducting reasonable assurance engagements on sustainability information. The concern arises from the market practice of outsourcing sustainability-related matters by entities to service organizations and there may not be sufficiently robust control procedures at the service provider level.

This practice is common in many jurisdictions, and as such, it may be appropriate for entities using service providers to request the latter to provide an assurance report under ISAE 3402, Assurance Reports on Controls at a Service Organization, as part of the sustainability assurance engagement, with the objective of ensuring sufficient appropriate evidence can be obtained on the internal controls environment within which the sustainability disclosures were prepared, especially when stakeholders want to obtain reasonable assurance.

In light of the above and given that ED-5000 is an overarching standard (i.e. it should contain all relevant principles), we suggest that the IAASB consider incorporating relevant ISAE 3402 requirements into ED-5000 and provide relevant guidelines for a reasonable assurance engagement, for example, incorporating the procedures set out in the sections of “Obtaining Evidence Regarding Design of Controls” and “Obtaining Evidence Regarding Operating Effectiveness of Controls” in ISAE 3402.

In addition to the illustrative procedures provided in Appendix 3 of the IAASB's Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting Assurance Engagements (“EER”) and the application materials in ED-5000, we recognize the need for more non-authoritative materials such as case studies to illustrate the work and the extent of different procedures that must be carried out for a limited assurance engagement versus that of a reasonable assurance engagement. Such material aids practitioners in better comprehending the specific expectations of their work and facilitating consistent application of ED-5000 which will in turn contribute to a higher quality of assurance practices.

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

ED-5000 clearly distinguish between limited assurance and reasonable assurance, particularly in relation to the practitioner's work effort.

However, we would like to draw attention and seek clarification on the following matters:

The concept of meaningful level of assurance in a limited assurance engagement in ED-5000 may not sufficiently be clarified. ED-5000.A193L states that 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. In the event that the assurance report's intended users are of different types consequent to the report being disclosed publicly alongside the reporting entity's annual/sustainability report, determining a meaningful level of assurance in such a situation will be challenging and will result in diversity in the extent of work undertaken by the practitioners to support a limited assurance conclusion. ED-5000 should provide more examples of meaningful levels of assurance.

In regard to ED-5000.133L, we are of the view that practical challenges may arise in the event that a practitioner needs to apply judgment about the nature, timing and extent of additional procedures in a limited assurance engagement that are needed to obtain evidence to either conclude that a material misstatement is not likely or determine that a material misstatement exists. Depending on the circumstances, the nature and extent of evidence that may be required for the practitioner to conclude on the matter may be the same as for a reasonable assurance engagement.

Furthermore, we believe that the IAASB could enhance the clarity of the standard by providing an overall summary of the various distinctions between limited and reasonable assurance engagements in a separate appendix within the ED-5000. This would facilitate reference and ease application for practitioners.

#### **Public Accountants and Auditors Board Zimbabwe (PAAB)**

The PAAB believes that there is an endeavor to 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.



## 7. Accounting Firms

### BDO International Limited

Overall, we agree that the ED-5000 provides an appropriate basis for performing both limited assurance and reasonable assurance engagements. Similar to ISAE 3000 and ISAE 3410, signposting where there are different requirements and related application guidance for limited versus reasonable assurance engagements is helpful to practitioners performing these engagements.

To provide additional clarification, we suggest that more scenario-based guidance or other explanatory material, in addition to that already in the standard, is provided to clearly differentiate the type and extent of evidence, as well as the level of documentation expected, for limited versus reasonable assurance engagements. An illustrative example comparing the nature and extent of work, persuasiveness of evidence to obtain and the level of documentation, for limited and reasonable assurance engagements relating to the same disclosure (e.g., salary gap between men and women) would help practitioners understand these differences.

### Ernst & Young Global Limited

Need for user education and implementation guidance related to limited assurance

We believe that ED-5000 provides a useful distinction between limited and reasonable assurance in terms of procedures and work effort between limited and reasonable assurance for relevant elements of the assurance engagement.

However, we believe there is a need for user education regarding what limited assurance means. We believe there are various interpretations of the level of assurance achieved in a limited assurance engagement due to differences in the extent of work performed by practitioners because of varying interpretations of the standards and how firms have established methodologies based on such interpretations; varying professional experience of practitioners; a lack of understanding of the “range” of limited assurance in IAASB standards, which is explained in the IAASB International Framework for Assurance Engagements paragraphs 15 and 16; and differences in the definition of limited assurance that may exist between the IAASB standards and some jurisdictional standards.

As a result, we see a public interest need to educate users to minimize expectation gaps. We encourage the IAASB to collaborate with other bodies and monitoring group members (e.g., IOSCO) to support users' understanding of these assurance engagements and how to interpret assurance reports.

In addition, we suggest that the IAASB consider developing implementation guidance to illustrate typical procedures for limited assurance sustainability engagements performed under ED-5000 that would provide a minimum baseline of what would be considered a meaningful level of assurance for a limited assurance sustainability engagement. This could be done by building on Appendix 3 of the EER guidance, Limited and Reasonable Assurance – EER Illustrative Table.

Additional comment

We believe that further clarification is needed for paragraph 134L(a)(i) which states that the practitioner shall evaluate whether management has appropriately applied the requirements of the applicable criteria relevant to estimates or forward-looking information. We note that paragraph 134R does not explicitly include this wording around the practitioner's evaluation of management's application of the requirements of the applicable criteria, although this evaluation is also applicable to reasonable assurance engagements. We

therefore suggest the following revision to paragraph 134R of ED-5000 to clarify that the procedures being described relate to the evaluation of management's application of the requirements of the applicable criteria:

134R. In responding to an assessed risk of material misstatement relating to disclosures involving estimates or forward-looking information, the practitioner shall undertake one or more of the following: (Ref: Para. A390-A392)

Test how management developed the estimate or forward-looking information and the related disclosure(s), and the information on which the estimate or forward-looking information is based. In doing so, the practitioner shall evaluate whether, in the context of the applicable criteria:,,,

#### ETY sas

In general, we agree with the differentiation in approach and recognize 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 will welcome guidance spotting that differentiation for practical use purposes by SMPs.

#### European Contact Group (ECG)

ED-5000 should further clarify the differences between performing limited and reasonable assurance engagements considering an entity's materiality assessment process carried out on sustainability matters, both regarding when the practitioner evaluates the materiality assessment process as a whole in a sustainability assurance engagement and when the practitioner has to additionally address the materiality assessment process in the sustainability assurance report (see also comments under Q9 and Q11).

#### KPMG International

Overall, we believe that the proposed standard provides an appropriate basis for performing reasonable and limited assurance engagements. We are supportive of the approach taken by the IAASB to set out a differentiated work effort for performing relevant elements of reasonable and limited assurance engagements, which we consider to be proportional to each type of engagement, subject to certain concerns and recommendations in respect of specific aspects of the differentiated work effort. (Please also refer to our responses to Question 16, in respect of procedures related to estimates and forward-looking information when performing a limited assurance engagement, and Question 17, in respect of risk assessment procedures for a limited assurance engagement.) We recognise that the concept of limited assurance itself is often understood by contrasting limited assurance to reasonable assurance, and we believe the differentiated requirements will also be helpful to practitioners to better understand "limited assurance" and to design and perform procedures accordingly. Furthermore, we note that the differentiated approach helps to emphasise the incremental procedures and work effort that would be required for a reasonable assurance engagement, which we consider will both assist practitioners when transitioning from limited to reasonable assurance engagements over time, and also support the development of educational materials to help users understand the difference between reasonable and limited assurance, as we describe further below at Development of educational materials to explain the key differences.

Further guidance regarding the difference between the concepts of reasonable assurance and limited assurance

We highlight that the concept of "limited assurance" remains challenging to understand and operationalize consistently. In particular, we believe there is a lack of clarity regarding the need to design and perform procedures to obtain sufficient appropriate evidence to provide assurance that would be meaningful to

intended users, considering their information needs. Accordingly, we recommend that the IAASB provide further guidance with respect to limited assurance on the following areas, in particular, within ED-5000:

That the practitioner's use of judgement in designing and performing further procedures to provide a meaningful level of assurance may lead to significant differences, in terms of the procedures applied, in practice. As a result, the summary of the work performed within the assurance report is critical to the intended users' understanding of the procedures and therefore the basis for the practitioner's conclusions, to support the intended users in their decision-making; and

The need for the practitioner to obtain an understanding of the intended users and their information needs in sufficient detail to enable them to determine what a meaningful level of assurance would constitute within the "range" for limited assurance, and factors to consider in making this determination.

Development of educational materials to explain the key differences between limited and reasonable assurance

We consider that the concept of "limited assurance" and how this relates to/is different from reasonable assurance is not necessarily clearly understood in the marketplace, and the expectation gap in this area may be even more significant in respect of sustainability assurance engagements given the broader user group. Accordingly, we recommend that the IAASB consider the development of educational materials in this area to help explain the key differences between reasonable and limited assurance, particularly in respect of the following:

The design and performance of risk procedures and the degree of understanding of the entity and its environment the practitioner is required to obtain;

Risk identification and assessment (e.g., the identified disclosures where material misstatement are likely to arise on a limited assurance engagement may be fewer than the disclosures for which assessed risks of material misstatement at the assertion level have been identified on a reasonable assurance engagement);

That the procedures to respond to such risks are expected to be less in extent, and may differ in terms of nature and timing, and the degree of confidence that the practitioner needs to be able to form the assurance conclusion is lower.

We believe this would be helpful to all stakeholders within the sustainability reporting ecosystem.

#### MHA

At a high level, we agree that the proposed standard differentiates the two types of engagement, consistent with ISAE 3000 and ISAE 3410, but the over-emphasis on conceptual differences in ED-5000, without additional practical guidance, may prove challenging to implement.

As the IAASB is aware, the introduction of ESRS reporting under the Corporate Sustainability Reporting Directive (CSRD) in the European Union will substantially increase the quantity and scope of sustainability assurance engagements. We encourage the IAASB to recognise that the first year of an assurance engagement, particularly a limited assurance engagement, on sustainability information that has not previously been assured, can increase the risk that the assurance practitioner may not identify all risks of material misstatement. We are therefore concerned that paragraphs 114L and 126L of ED-5000 do not explicitly require substantive procedures to be performed on limited assurance engagements.

We recommend the IAASB drafts supplementary guidance, relevant to sustainability information, on analytical procedures performed in paragraphs 130L to 131R. These paragraphs do not clearly explain the

different expectations of a limited assurance versus a reasonable assurance engagement. We are available to meet with the IAASB to discuss this area further.

Paragraph 74(a) refers to a “meaningful level of assurance” on limited assurance engagements, supplemented by further explanation in paragraphs A193L to A195L. We are concerned however that these paragraphs are too conceptual in nature and do not provide sufficient practical guidance. We recommend that these paragraphs are enhanced by providing specific examples of where “the intended users’ confidence about the sustainability information [is enhanced] to a degree that is clearly more than inconsequential”, beyond that already provided in paragraph A195L. The word “meaningful” is itself open to interpretation and each assurance practitioner, whether or not they are a professional accountant, could define the term differently.

#### **MNP LLP**

While we believe ED-5000 provides an appropriate basis for performing both limited and reasonable assurance engagements, we are aware of concerns related to the minimum expectation of what should be performed in a limited assurance engagement. Providing a baseline of what needs to be performed to obtain limited assurance will promote consistency in application for practitioners.

When performing an audit in accordance with the ISAs, the practitioner is required to assess the risk of material misstatement, which is defined as a combination of inherent and control risk. This concept of control risk is excluded from ED-5000. If the practitioner plans to test controls, assessing control risk is necessary. We therefore suggest that when a practitioner identifies and assesses the risk of material misstatement at the assertion level, consistent with ISA 315, the practitioner should make a separate control risk assessment, as they would for inherent risk (which is described in paragraphs A349R-A350R). This change would help further distinguish limited assurance from reasonable assurance engagements.

#### **RSM International**

Whilst we believe ED-5000 provides a reasonable basis for performing both limited assurance and reasonable assurance engagements, we note that the requirements for limited assurance engagements included in ED-5000 are different and more expansive than the requirements for limited assurance engagements in ISAE 3000 and ISAE 3410. We are concerned that practitioners performing attest engagements under multiple sets of standards may need further guidance to appropriately apply the differences. We are also concerned that users of the reports may not fully understand the difference between what procedures are performed and, thus, what assurance is provided between limited and reasonable assurance engagements. We encourage the IAASB to perform outreach to users and continue post-implementation review on the performance and user understanding of limited assurance engagements.

### **9. Public Sector Organizations**

#### **Office of the Auditor General (New Zealand)**

Overall audit concepts

We agree that there should be no difference between a limited assurance or reasonable assurance engagement when considering the following aspects of an assurance engagement:

Preconditions for an assurance engagement (If the criteria are not suitable for a reasonable assurance engagement, they will also not be suitable for a limited assurance engagement).

Competence and capabilities of the engagement partner and team.

Professional judgement and professional scepticism.

Materiality (What matters to, or would change the decisions of, intended users are the same for a limited or reasonable assurance engagement).

Accumulation and consideration of misstatements.

Finalising the engagement and forming the assurance conclusion/opinion.

Risk assessment procedures

We agree with the information in paragraphs 102 to 108. However, this section (as it relates to a limited assurance engagement) could be simplified and clarified by starting with a conditional requirement, for example, "If the auditor chooses to follow a combined audit approach, the auditor shall obtain an understanding of the entity's system of internal control, otherwise the auditor shall make enquiries of appropriate parties and, when appropriate, others within the entity to obtain an understanding of the control environment; the results of the entity's risk assessment process; and the information system and communication".

If the auditor then chooses to follow a combined audit approach, all the related 'R' paragraphs will be applicable. If the auditor follows a substantive approach, the proposed conditional requirement clarifies that the extent of understanding is limited to enquiries.

It is unclear in paragraph 107L why or how the auditor would plan to obtain evidence from testing the operating effectiveness of controls. This is because the requirements for a limited assurance engagement in paragraphs 102 to 106 have not required the auditor to obtain an understanding further than making enquiries, and control activities have been excluded from this understanding. For the auditor to make this decision the extent of understanding would have had to include the identification of controls that mitigate specific risks and evaluating the appropriateness of the design and implementation of those controls (i.e., it would not otherwise make sense for the auditor to choose to test controls because it would result in inefficiencies).

Substantive procedures

The appropriateness of the following sentence in paragraph A377L should be considered "...Because the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, these substantive procedures will vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement". Would the nature and timing of procedures not mostly be the same for a sustainability assurance engagement regardless of whether reasonable or limited assurance is provided? It would be more appropriate to use 'may' instead of 'will' in an application material paragraph, and the sentence should rather focus on the extent of work being less.

Paragraph A377L also refers the auditor back to the definition of 'limited assurance engagement', which in this instance does not provide further guidance on performing substantive procedures and should therefore be deleted.

Paragraph 129 should be clarified. In a limited assurance engagement the auditor is unlikely to test controls – paragraph (a) is therefore unlikely to be applicable, making it inappropriate for paragraph (b) to start with "If the practitioner determines that it is sufficient...". When a substantive approach is followed it will have to be 'sufficient'. If the wording is retained, it should be considered whether 'appropriate' should be used

instead of 'sufficient'. If it is something that the practitioner has to test with controls due to the electronic nature and high volume of transactions, but cannot, there has to be an opinion impact.

#### Office of the Auditor General of Alberta

In several areas the distinction between limited and reasonable assurance will likely drive no meaningful difference in work because sustainability matters are often intrinsically connected (e.g. decreasing emissions increases energy usage), and arise from products and operations and locations of an entity, many elements of understanding the entity's sustainability impacts and internal control will need to be the same across limited and reasonable assurance engagements. Yet with differential requirements practitioners may need to "fit in" the work performed on topics or aspects of topics into limited and reasonable assurance. In our view, engagement acceptance and risk assessment phases should be more similar in ISSA 5000 for reasonable and limited assurance. This means that many of the differences throughout the standard would disappear. The only differentiation remaining should be in the substantive work carried out i.e. the procedures performed to collect evidence, with limited assurance consisting primarily of inquiry, discussion and analysis. We also note that the differentiation of limited and reasonable assurance requirements makes the standard itself unnecessarily complex and difficult to maintain, and may lead to drafting errors. For example, it appears paragraph 126L contains no "shall" requirement and is not prepared using CUSP drafting principles.

### 10. Member Bodies and Other Professional Organizations

#### Accountancy Europe

The concepts of limited assurance and reasonable assurance create challenges in terms of understanding the difference between these two by users and designing the most appropriate procedures by the practitioner. The standard provides useful guidance on this distinction and we commend that effort.

However, the procedures suggested for limited assurance should be further reviewed to assess whether they sufficiently distinguish from reasonable assurance. Such an assessment is needed particularly with regards to the ED proposals on control testing, forward-looking information, subsequent events and evidence. In principle, ISSA 5000 should set the minimum requirements expected of the practitioner in a limited assurance engagement to promote consistent engagement-level quality.

In addition, conditions for applying reasonable assurance procedures in a limited assurance engagement should be further clarified. We acknowledge that the engagement circumstances and application of professional judgment will be the driver for the practitioner when deciding to perform further procedures in a limited assurance engagement. However, current requirements and application material in the ED are mainly based on ISAs which are meant to address audits of financial statements (i.e., reasonable assurance) and thus may lead to misinterpretations.

Finally, the terms and concepts below warrant further explanation as they are fundamental to understanding the differences between limited and reasonable assurance engagements:

meaningful level of assurance

implied work effort and documentation associated with the verbs 'consider', 'evaluate' and 'determine' (i.e., work effort spectrum)

spectrum of risk



### ASSIREVI – Association of the Italian audit firms

We feel that ED-5000 provides an appropriate basis to support practitioners in the performance of limited assurance and reasonable assurance engagements and that the structure of the standard facilitates an understanding of the procedures to be performed in a differential manner in each case.

However, we believe that the descriptions of the procedures differentiating a limited assurance engagement from a reasonable assurance engagement in ED-5000 should be more precise. Specifically, ED-5000.21 states that “The practitioner shall comply with each requirement of this ISSA and any other relevant ISSAs unless, in the circumstances of the assurance engagement, the requirement is not relevant because it is conditional and the condition does not exist. Requirements that apply to only limited assurance or reasonable assurance engagements have the letter “L” (limited assurance) or “R” (reasonable assurance), respectively, after the paragraph number. When a requirement applies to both limited and reasonable engagements, but in a differential manner, such requirements have been presented in a columnar format with the “L” (limited assurance) and “R” (reasonable assurance) designations. (Ref: Para. A41-A41)”.

However, ED-5000.A41 establishes that “Although some procedures are required only for reasonable assurance engagements, they may nonetheless be appropriate in some limited assurance engagements”. ED-5000 should clarify, including by examples, the following aspects: i) how these two paragraphs can effectively work together and ii) that integration of the procedures mentioned in paragraph A41 does not affect the overall extent of the procedures performed and, therefore, even though the procedures required for a limited assurance engagement are integrated with the procedures necessary for a reasonable assurance engagement, these integrations are not sufficient to express a reasonable assurance opinion.

ISSA 5000 should provide greater clarity when differentiating between the procedures to be adopted for a limited assurance or reasonable assurance engagement. Moreover, signposting should also be adopted for the following aspects:

using the work of another practitioner: paragraph 54 does not differentiate between the responsibilities of the practitioner for reviewing the additional documentation of the work of another practitioner in the case of either a limited assurance or reasonable assurance engagement. ED-5000 should provide examples to clarify which procedures should be performed for these different engagements;

communication with management, those charged with governance and others: paragraph A137 should specify that responsibility for and the content of communication depend on the scope of the work performed (limited assurance vs reasonable assurance), especially as regards communication covering the system of internal control.

### Center for Audit Quality

Need for user education on limited assurance

The understanding and interpretation of the level of assurance achieved in limited assurance engagements varies among users of assurance reports. Reasons for the variability could include:

a lack of understanding of the “range” of limited assurance that the IAASB standards allow; and  
differences that exist between the IAASB standards and jurisdictional standards.

As a result, there is a public interest need to educate users about limited assurance to minimize expectation gaps, especially since sustainability reporting user groups may be more diverse than financial statement users and less knowledgeable about traditional financial reporting and related audit reports. Recognizing the IAASB’s capacity and resource challenges, and its mandate, we encourage the IAASB to collaborate with

other bodies (e.g., IFASS, professional accountancy organizations (PAOs), and monitoring group members (e.g., IOSCO)) to support users' understanding of these assurance engagements and how to interpret assurance reports. The CAQ is willing to support the IAASB with this in the US.

(See Question 17 for assurance practitioner considerations associated with risk assessment.)

#### **Chamber of Financial Auditors of Romania (CAFR)**

We agree with the IAASB's decision to encompass both limited and reasonable assurance within a single overarching standard. Recognizing the relative nature of limited assurance in contrast to reasonable assurance could aid in a better understanding of the differential work effort within the context of reasonable assurance. The emphasis placed on clearly distinguishing between the work efforts required for limited and reasonable assurance engagements is extremely important, especially when considering a potential shift from limited to reasonable assurance, mandated by law or regulation in the future.

The "signposting" approach used in ED-5000 to differentiate between requirements specific to limited and reasonable assurance engagements and the use of a column format and labeling with "L" or "R" after paragraph numbers could aid practitioners in easily identifying relevant material for each type of engagement. However, further guidance on what elementary procedures are required for limited assurance and how these would differ from those required for reasonable assurance would be considered helpful.

#### **Chartered Professional Accountants of Canada (CPAC)**

We believe that more specificity is needed in the standard on the nature and extent of work to be performed for each assurance level, as well as practical guidance and examples.

This topic was consistently raised in our outreach activities. We heard from assurance providers that there is a lot of room for judgement and the nature and extent of work that needs to be performed for limited and reasonable assurance engagements in practice is not clear. We encourage the IAASB to consider repurposing Appendix 3 of the Extended External Reporting (EER) Assurance Non-authoritative Guidance, as guidance to ISSA 5000. This was a helpful resource that gave examples of limited and reasonable assurance procedures throughout the engagement.

Education for users of sustainability assurance reports on the distinctions between limited and reasonable assurance would also be helpful. For example, CPA Canada issued the following guide to help CPAs educate their clients in understanding reports on financial statements and the different levels of service a CPA can provide (i.e., audit, review or compilation): Understanding reports on financial statements: Audit, review and compilations | CPA Canada. It would be helpful for similar materials to be developed in the context of sustainability assurance engagements.

#### **Consejo General de Economistas de España**

We agree with the IAASB that addressing limited and reasonable assurance in a single overarching standard is appropriate for the reasons given. The standard provides 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.

The proposed structure of the standard - with the side-by-side presentation – usefully stresses the differential work effort between limited and reasonable assurance for relevant elements of the assurance engagement. While the structure is sound, we believe that there is insufficient differentiation between limited and reasonable assurance.

We understand that the CSRD states that the EC shall be empowered to adopt limited assurance standards before 1 October 2026 and shall adopt assurance standards for reasonable assurance, following an assessment to determine if it is feasible for the auditors and for the undertakings, by 1 October 2028. The EC should then specify when reasonable assurance would be required. In the case of non-listed SMEs that voluntarily publish sustainability reports we believe that limited assurance will be sufficient for such reports.

#### CPA Ireland

CPA Ireland considers that it is appropriate to include the basis for performing both limited assurance and reasonable assurance engagements in the one standard, that is ISSA 5000. CPA Ireland is in agreement with the rationale for same as set out in the Explanatory Memorandum Section 1-F, paras. 45-48. However, to provide greater clarity in the standard requirements, CPA Ireland has the following comments;

##### Risk Procedures

Greater clarity is required 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 considered contradictory to the level of assurance to be provided.

##### Control Activities

Similarly, at 107L, it details for limited assurance, if the practitioner plans to obtain evidence by testing the operating effectiveness of controls, the practitioner shall obtain an understanding of the controls the practitioner plans to test versus 107R, reasonable assurance, which details the practitioner's understanding of control activities in accordance with paragraph 102R shall include identifying controls for which the practitioner plans to obtain evidence by testing their operating effectiveness. The requirement for both is the same but the different wording in use may lead to ambiguity.

#### European Federation of Accountants and Auditors for SMEs (EFEAA)

We agree with the IAASB that addressing limited and reasonable assurance in a single overarching standard is appropriate for the reasons given. The standard provides 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.

The proposed structure of the standard - with the side-by-side presentation – usefully stresses the differential work effort between limited and reasonable assurance for relevant elements of the assurance engagement.

While the structure is sound, we believe that there is insufficient differentiation between limited and reasonable assurance. For example, the standard makes no distinction for the analysis of the entity's

materiality process. We welcome further clarity on what elementary procedures are required for limited assurance and how these would differ from those required for reasonable assurance.

The CSRD empowers the EC to adopt limited assurance standards before 1 October 2026 and shall adopt assurance standards for reasonable assurance, following an assessment to determine if it is feasible for the auditors and for the undertakings, by 1 October 2028. The EC should then specify when reasonable assurance will be required. In the case of non-listed SMEs that voluntarily publish sustainability reports we believe that limited assurance will be sufficient for such reports.

#### **European Federation of Financial Analysts Societies (EFFAS)**

EEFAS supports the approach presented in the ED. EFFAS also understands some reluctance from preparers to use reasonable assurance. However, we consider that the standard should maintain the appropriate basis for performing both limited and reasonable assurance as presented in the ED.

#### **Institut Akuntan Publik Indonesia**

The distinction between the requirements and application material that apply for limited and reasonable assurance engagements is clear.

#### **Institute of Chartered Accountants of Ghana**

Yes, however the devil is in the detail in regards to the term “sustainability information” referring to information subject to the assurance engagement. Continuing guidance will be needed to assist practitioners to determine the difference between sustainability information subject to the assurance engagement and other information not subject to the assurance engagement that is included in a document or documents containing the sustainability information (Explanatory Memorandum Section 1-F, paras. 45-48 paragraph 17(ee) of ED-5000.)

#### **Institute of Chartered Accountants of Sri Lanka**

We believe that further clarification is needed for paragraph 134L(a)(i) which states that the practitioner shall evaluate whether management has appropriately applied the requirements of the applicable criteria relevant to estimates or forward-looking information.

#### **Institute of Chartered Accountants of the Maldives**

Yes, in almost in all the phases and sub-phases ED -5000 provide an appropriate basis for performing both limited assurance and reasonable assurance.

#### **Institute of Internal Auditors**

The IIA agrees on the importance of clearly distinguishing between a limited assurance and a reasonable assurance engagement. The IIA suggests including the term “scope” in the differentiation of limited assurance engagements on Page 8(d)(ii) and clarifying what is meant in the first sentence by dividing it into two separate sentences.

#### **Institute of Singapore Chartered Accountants (ISCA)**

Given the nascent state of sustainability assurance at this moment, it would be helpful to include illustrative examples on the extent of work required under both types of assurance engagements (for e.g. comparison of procedures between limited and reasonable assurance) to provide clarity and promote consistency in practice. Extended discussions on use of specialists, testing of estimates, group reporting and use of IT can be incorporated to aid the understanding of users.

#### **Instituto de Auditoria Independente do Brasil - Ibracon**

As ISAE 3000, the level of documentation expected, for limited versus reasonable assurance work is still an issue. We believe this would only be clarified with illustrative examples.

#### **Instituto Mexicano de Contadores Publicos (IMCP)**

We support the differentiation in the requirements between reasonable and limited assurance as presented in the proposed ISSA 5000. We also appreciate the presentation in boxes and the inclusion of “L” and “R” to identify from a practical point of view what is applicable in the circumstances. In addition, we still have seen different approaches in practice to gather sufficient appropriate evidence depending on the level of assurance, especially for the limited one which takes a lot of judgment from the practitioners to conclude that they have the necessary evidence to support the conclusion. We consider that this fact would not change from the application of the proposed ISSA 5000.

#### **International Federation of Accountants (IFAC)**

IFAC strongly supports ISSA 5000 covering both limited and reasonable assurance, and the column approach and flagging of paragraphs with ‘L or ‘R’ to clarify applicability is welcomed. However, further clarity on what base procedures are required for limited assurance and how this would differ from those required for reasonable assurance would be appreciated and would enhance understanding on the part of investors and other stakeholders who are the intended beneficiaries of assurance. The absence of clarity in this area may leave inconsistency in practice between providers who could be carrying out different levels of work in relation to the same level of assurance reporting without any significant differentiation in risk factors. We recognize it would not be appropriate for ISSA 5000 to contain a methodology for assurance under each approach, but some further clarity within this baseline standard would be useful.

#### **Malta Institute of Accountants (MIA)**

Once again, we reiterate the issue of who will be performing the sustainability audit engagement, and thus making use of the proposed ISSA 5000.

Questions arise as to whether this would translate the same across different professions being targeted by this standard and whether engagements would be performed based on the same procedures and concepts, among others.

#### **New York State Society of Certified Public Accountants (NYSSCPA)**

Response: Yes. ED-5000 clearly differentiates the work effort between limited and reasonable assurance in three ways. First, it clearly defines what is necessary in a reasonable assurance engagement, and then it describes limited assurance relative to reasonable assurance. It describes limited assurance as a reduced work effort relative to a reasonable assurance engagement. Secondly, it describes the additional procedures necessary so to shift from a limited to a reasonable assurance engagement. It shows this very clearly in a columnar format. The third way is that ED-5000 has “signposting” in which the letter “L” is used for limited assurance and “R” is used for reasonable assurance, and they follow each paragraph respectively (EM par. 47).

#### **Nordic Federation of Public Accountants (NRF)**

It is essential ED-5000 addresses both limited and reasonable assurance engagements in a manner that clearly distinguishes the difference in work effort. If the ED-5000 doesn't provide clarity, consistency will not be achieved. Further, ED-5000 will determine stakeholders' understanding of and expectations of the

assurance engagement. Being unclear risks blurring the line between a limited and reasonable assurance engagement.

We welcome the structure of ED-5000; presenting requirements in a limited versus reasonable assurance engagement side by side illustrates the differences in approach. It is essential that ED-5000 strikes a good balance between being clear on the difference between limited and reasonable assurance engagements while remaining a principle-based standard allowing the practitioner to apply professional judgement. IAASB might consider elaborating the following:

#### Risk procedures

Risk procedures as defined in paragraph 17 (qq) are described in consistence with ISAE 3000 and other IAASB assurance standards, such as ISA 315 (Revised) and ISRE 2410. Professional accountants are familiar with these definitions and concepts, but other independent assurance service providers might need more guidance in the application material. In particular, ED-5000 could add guidance to elaborate on the difference between “likely to arise” and “risk of material misstatement” clarifying that the practitioner is performing risk procedures at a more granular level in a reasonable assurance engagement while at a higher level in a limited assurance engagement.

#### Work effort

The work effort in a limited assurance engagement will vary depending on the practitioner's level of understanding of the entity including the internal control. Sustainability reporting is an evolving area whereas first-time reporting and first-time assurance engagements will be common in years to come. Entity's reporting, processes and controls will develop, whereas the practitioner will need to obtain renewed understanding thus limiting the possibility to rely mainly on the understanding obtained from previous years. This differs from a limited assurance engagement on historical financial information according to ISRE 2410 where the practitioner has performed an audit on financial statements and where the underlying financial reporting framework may allow reliefs in itself. IAASB should consider clarifying that the need for obtaining more understanding and performing further procedures in the first years and when the reporting is evolving and maturing.

#### Understanding the control environment and performing test of controls

One major difference between a limited and a reasonable assurance engagement in ED-5000 is the lack of requirement of testing internal controls in a limited assurance engagement, although the ED suggests that the practitioner can choose to do so according to paragraph 107L and A315L. Less understanding of the entity's control environment is required in an L-engagement according to paragraph 102L/R whereas it may be challenging to evaluate if it is appropriate to perform test of controls. More concrete and straight forward language or more illustrative examples are needed in this aspect such as: What is the difference in paragraph 109 L/R in understanding (L) vs evaluating (R) the control environment, and what is the difference between the practitioner considering vs determining whether one or more control deficiencies have been identified?

#### Information intended to be used as evidence

ED-5000 does not differentiate the work effort required in testing the completeness and reliability of information intended to be used as evidence in a limited versus a reasonable assurance engagement. For example, if the practitioner in a limited assurance engagement is not required to perform tests of general IT-controls or to perform tests on information produced by the entity to the same extent as in a reasonable assurance engagement, this should be clarified in the standard.



#### Service organizations

ED-5000 doesn't cover requirements on the practitioner when the reporting entity uses service organizations in the reporting process. IAASB should consider incorporating relevant parts of ISA 402 in ISSA 5000 and clarifying any differences when using them in a limited and reasonable assurance engagement.

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

We agree with the differentiation in approach and recognize 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.

Stakeholders have questioned whether sufficient guidance has been provided for Limited Assurance engagements in comparison with the guidance provided for Reasonable Assurance engagements and some of our constituents will welcome a guidance spotting the differentiation for practical use purposes by SMPs.

#### **Pan African Federation of Accountants**

In general, we agree with the differentiation in approach and recognize 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.

Nonetheless, stakeholders have questioned whether sufficient guidance has been provided for Limited Assurance engagements in comparison with the guidance provided for Reasonable Assurance engagements.

Furthermore, we believe that risk assessment 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 is therefore recommended that the IAASB consider whether paragraph 104R should also apply to limited assurance engagements.

#### **Saudi Organization for Chartered and Professional Accountants (SOCPA)**

Taking into account our comment on the first question, SOCPA agrees that ED-5000 provides an appropriate basis for performing both limited assurance and reasonable assurance engagements. However, there are few areas where ED-5000 could be improved by providing additional guidance. For example, the standard could provide more specific guidance on how to assess the risk of material misstatement of sustainability information. Since assessment of the risk of material misstatement is a judgmental process which the assurance practitioner should go through to determine the appropriate level of work effort required to assess the risk of material misstatement for a particular engagement, providing more specific guidance on how to assess the risk of material misstatement of sustainability information would be helpful. Additionally, we believe that building the related requirements of limited and reasonable assurance on the fundamentals of the international assurance framework could help enhancing the clarity of ED-5000; including limiting the repeated basic explanatory remarks to such assurance concepts.

#### **South African Institute of Chartered Accountants (SAICA)**

In general, we agree with the differentiation in approach and recognise 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.

SAICA however questions whether sufficient guidance is given for limited assurance engagements compared to the guidance provided for reasonable assurance engagements.

For example, the ED elaborates on the Control environment (para 103R) and the Entity's Risk assessment (paragraph 104R) in the requirement paragraphs, but these are specifically marked "R". Can these principles be used for Limited Assurance as well? We recognise guidance provided in the A-paragraphs, but the guidance in the A-paragraphs for both 102L and 102R is the same [102L Ref: Paragraphs A312-A317 and 102R Ref: Paragraphs A312-A314, A316-A317; 102L(a) Ref: Paragraphs A318L, A320-A321 and 102R(a) Ref: Paragraphs A319R-A321]. Can practitioners doing Limited Assurance engagements use 103R and 104R as guidance?

See also our response to Question 1 on the risk-based approach followed in ISAE 3410.

## **Files\11. Academics**

### **Monash University**

We believe that in some instances the assurer may not be able to provide reasonable assurance. Hence, it would be good to offer the option of "limited assurance" that may apply to certain matters related to the financials.

## **7.3 Neither agree or disagree**

### **2. Preparer and Users of sustainability information**

#### **Keidanren (Japan Business Federation)**

With regard to limited assurance and reasonable assurance, given that the approaches are largely based on those used for auditing of financial statements, we are concerned about whether the various procedures listed in ED-5000 would work as effectively in practice during sustainability assurance engagements as they do when auditing financial statements. In particular, if one compares sustainability information with financial information, the range of information handled and departments involved is broader for sustainability information, and assurance engagement providers are not limited to auditing firms. It will be crucial for the IAASB to conduct an information campaign relating to the key ISSA 5000 concepts of limited assurance and reasonable assurance, not least to ensure that the system is designed in such a way that it will also be acceptable to stakeholders who remain unfamiliar with auditing of financial statements. First of all, we would like the IAASB to address limited assurance to start off with, aiming to design a system that is practicable and does not impose an excessive burden on entities in practice.

### **4. Regulators and Audit Oversight Authorities**

#### **Botswana Accountancy Oversight Authority**

The ED has provided an appropriate basis for performing both limited and reasonable assurance engagements. It has also used a columnar format to appropriately address and differentiate the work effort between the two assurance engagements, which is easy to follow.

#### **Financial Reporting Council – UK (FRC)**

Our comments here focus on the definition of limited assurance, but our answer to Q17 includes further rationale for why we believe the characterization of limited assurance requires enhancement.

The definition of a limited assurance engagement could be split into multiple sentences to improve readability. For example, as follows

An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for the practitioner's conclusion. The practitioner's conclusion is expressed in a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe the sustainability information is materially misstated. 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. 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.

## 6. Global Standard Setter

### Global Reporting Initiative (GRI)

Provide further clarity around limited and reasonable assurance

In the proposed Standard and explanatory memorandum, we note that limited and reasonable assurance are referred to in several provisions and explanatory notes. Presently the explanations surrounding how users can understand the different approaches are not accessible to non-specialists. GRI strongly recommends that the Standard contain an overview of the characteristics of the two approaches that will be accessible, and that can be easily communicated to non-specialists.

## 7. Accounting Firms

### Altaf Noor Ali Chartered Accountants

7.1 Yes and No. Yes when we are talking about the same client. Limited assurance will take less time than reasonable assurance. No because limited assurance of a client may take more effort than the reasonable assurance at another. Also depends on whether it's a new client or recurring client?

7.2 'It is clear that the incremental procedures would be required for a shift from limited to reasonable.'

7.3 Practitioner's work effort is supposed to be more in reasonable than limited.

7.4 We think that it all depends on the type of client and competence of practitioner than a generalized relationship, assuming the two.

7.5 It may be right for a practitioner to assume that on the same client, the work effort required in a limited assurance is relatively less than in case of a reasonable assurance. However when clients are compared, limited assurance of one client may require more work effort than reasonable assurance on another client.

## 10. Member Bodies and Other Professional Organizations

### ASEAN Federation of Accountants

ED-5000 provides clear distinguishment between limited assurance and reasonable assurance, particularly in relation to the practitioner's work effort. However, we are of the view that the Board may need to provide clarifications on the following:

- 1) The concept of meaningful level of assurance in a limited assurance engagement in ED-5000 may not be sufficiently clarified. In circumstances where the assurance report's intended users are different consequent to the report being disclosed publicly alongside the reporting entity's annual/sustainability report, determining a meaningful level of assurance will be challenging and will result in diversity in the extent of work undertaken by the practitioners to support a limited assurance conclusion.
- 2) Practical challenges may arise in the event that practitioners need to apply judgment about the nature, timing, and extent of additional procedures in a limited assurance engagement that are needed to obtain evidence to either conclude that a material misstatement is not likely or determine that a material misstatement exists. Depending on the circumstances, the nature and extent of evidence that may be required for the practitioner to conclude on the matter may be the same as that of a reasonable assurance engagement.

We also believe that the users of ED-5000 may benefit either from:

- 1) A summary of the various distinctions between limited and reasonable assurance engagements, presented as a separate appendix within the ED-5000 to facilitate easier reference; or
- 2) A potential layout changes of ED-5000 to cater for all limited assurance in one section and a separate section on reasonable assurance engagement.

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

Overall response: Neither yes/no, but see comments below Detailed comments (if any):

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

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

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

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

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

#### **Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC)**

The existing variability in "limited assurance" practices under ISAE 3000 is perceived as a potential issue, especially in the context of sustainability reporting. This inconsistency might lead to confusion among users who expect a uniform level of assurance. We recommend defining the work effort for "limited assurance" more precisely. The baseline should include "inquiry, analytical procedures, and limited inspection and recalculation," with an expansion to more comprehensive procedures if potential misstatements are identified. Such specificity would greatly enhance the consistency and clarity of limited assurance engagements. Probably it's crucial to establish what constitutes a "meaningful level of assurance" in the context of sustainability assurance.

#### **Institute of Chartered Accountants of Scotland (ICAS)**

Given that the standard is to be profession agnostic it is crucial that assurance practitioners are clearly able to understand the differentiation in work effort between limited assurance and reasonable assurance engagements. Clearly, some of these will have prior experience of applying ISAE 3000 in relation to assurance engagements on sustainability related-information but others will not. We therefore welcome that ED-5000 has sought to include guidance to help differentiate between these two different types of assurance engagement as this is a crucial area of the standard.

We are supportive of the input that the IAASB has already received from the CAG and other stakeholders indicating that clearly distinguishing the work effort is important to highlight the incremental procedures that would be required for a shift from a limited assurance engagement to a reasonable assurance engagement in the future (e.g., if mandated by law or regulation). We are supportive of the adoption of the approach that is consistent with that in ISAE 3000 (Revised) and ISAE 3410, i.e. requirements and application material in ED-5000 that apply to only limited assurance or reasonable assurance engagements have the letter "L" (limited assurance) or "R" (reasonable assurance), respectively, after the paragraph number. We are also supportive of the use of columnar format in ED-5000 to differentiate requirements that are specific to limited and reasonable assurance engagements, and agree that this helps to illustrate when there are corresponding requirements for both limited and reasonable assurance related to aspects of the engagement for which the work effort is different.

We do, however, believe that more practical guidance is required to better demonstrate the different levels of evidence required to be obtained and related documentation requirements for limited versus reasonable assurance engagements. In this regard, in our response to question 13 we have highlighted the need for further differentiation between the work effort required with regard to understanding the entity's system of internal control for limited assurance versus reasonable assurance.

## 11. Academics

### Deakin University

An example about evidence required to conclude on whether description of design and operation of a business model (including governance, strategic management, materiality determination, stakeholder management and reporting processes) in, alternatively, a limited or reasonable assurance engagement, would be helpful. The Deakin Integrated Reporting Centre offers to draft this example for the IAASB.

## 12. Individuals and Others

### Dr. Prachi Ugle Pimpalkhute

Should be fit for purpose

## 7.4 Disagree with comments

### 2. Preparer and Users of sustainability information

#### Philip Morris International INC.

We acknowledge and appreciate the appropriate basis and comparative display of requirements under limited and reasonable assurance engagements. However, given that sustainability is a new but rapidly developing area covering a very broad span of matters, there are no established approaches or global benchmarks in its application. Therefore, further clarification with illustrative application material for limited and reasonable assurance boundaries is needed, especially on the assurance requirements throughout the value chain, more specifically when the information data is sourced from third-party entities. The assurance procedures required on third-party data used in sustainability disclosures need to be clarified as this is one of the biggest challenges faced by preparers of sustainability report.

Regarding engagements combining limited and reasonable assurance, conveying a clear message on the level of assurance on each piece of information may be a challenge, especially where the engagement covers a wide span of sustainability information. Further guidance on distinguishing limited and reasonable assurance parts and communicating this to serve the needs of the audience ensuring clear understandability will be helpful.

In general, illustrative examples and practical guidance would help to bring clarity on the subject. Considering that newly introduced mandatory disclosure standards (e.g., CSRD/ESRS) require external assurance starting from limited assurance which will gradually increase to reasonable assurance, it is important to clarify the minimum requirements for limited assurance and additional requirements on the way to reasonable assurance. This will enable firms to appropriately prepare and plan for limited and reasonable assurance as per voluntary and/or regulatory requirements and manage their stakeholders in the value chain towards this target.



### 3. Those Charged with Governance

#### Eumedion

##### Limited versus Reasonable Assurance

Limited and reasonable assurance have been the key levels of assurance in engagements thus far. Sustainability reporting extends well beyond organizational boundaries, and there is typically no double-entry bookkeeping for its metrics. We caution against diluting the definition of 'reasonable assurance' as currently applied to financial statements by implicitly or explicitly introducing a diluted definition of 'reasonable assurance in the context of sustainability reporting', as this could add to confusion among stakeholders regarding what reasonable assurance encompasses.

While we don't have a specific solution at this point, we wonder if one or more additional levels of assurance are needed to better describe and designate for stakeholders what assurance, also in the context of sustainability, reporting entails.

### 4. Regulators and Audit Oversight Authorities

#### Canadian Public Accountability Board

##### Limited vs. reasonable assurance

The proposed approach taken by the IAASB to include both limited and reasonable assurance into a single standard will result in situations where practitioners and users do not sufficiently understand the differences between a limited assurance engagement and a reasonable assurance engagement. Currently, limited assurance is described as something less than reasonable assurance, which will likely lead to a wide range of interpretations and related work effort. While we acknowledge the definition of limited assurance is largely aligned with International Standards for Review Engagements (ISRE) 2400, the definition is supplemented by ISRE 2400, paragraphs 4, 5 and 6. Paragraph 5 makes it clear that limited assurance is intended to be primarily performing inquiry and analytical procedures, but there is no similar explanation included in Exposure Draft ISSA 5000.

The current definition of substantive procedures incorrectly suggests that all types of analytical procedures are substantive. If analytical procedures are expected to form part of substantive procedures for reasonable assurance engagements, the analytical procedure requirements and application guidance in ED ISSA 5000 need to be expanded to be consistent with ISA 520, Analytical Procedures.

We encourage the IAASB to split the proposed standard into two separate standards, one covering a renamed limited assurance and one covering reasonable assurance. This would result in a clearer explanation of the requirements under the two different approaches and would more clearly differentiate the procedures that were performed for investors and other stakeholders.

#### Independent Regulatory Board for Auditors (IRBA)

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.

## 5. National Auditing Standard Setters

### American Institute of Certified Public Accountants (AICPA)

#### Overall Response

ED-5000 does not appropriately differentiate between limited and reasonable assurance for relevant elements of the sustainability engagement. The words used to describe the work effort for limited assurance are too similar to the words used to describe the work effort for reasonable assurance.

Additionally, as discussed further in our responses to questions 13 and 17, the lack of consistency among the wording in ISAE 3000 (Revised), ISAE 3410 and ED-5000 contributes to the difficulty in determining the work effort that is expected in a limited assurance engagement.

#### Risk Procedures

The differentiation between the work effort for limited assurance and for reasonable assurance is obfuscated by using the term “risk procedures” to describe the work effort for both types of engagements while defining that term to have a different meaning for limited assurance engagements than it does for reasonable assurance engagements. To alleviate any potential confusion, 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 procedures” should be replaced with “risk identification or risk assessment procedures”. Paragraph 17(qq) would be replaced by definitions of “risk identification procedures” and “risk assessment procedures”.

#### Paragraph 116L

Paragraph 116L should be deleted in its entirety. If the practitioner has identified control deficiencies in the control environment that undermine the other components of the system of internal control (116La) or material misstatements that are likely to arise pervasively throughout the sustainability information (116Lc), then the practitioner has become aware of matters that cause the practitioner to believe that the sustainability information may be materially misstated. Paragraph 133L addresses this situation. Accordingly, paragraphs 116La and 116Lc are redundant. The specific circumstances mentioned in paragraph 116La and 116Lc may be brought into paragraph A386L. Further, it is not clear what the practitioner would do differently to apply the requirement in paragraph 116Lb than to apply the requirements

in paragraphs 117-118. Accordingly, paragraph 116Lb is redundant. Therefore, as stated above, paragraph 116L should be deleted.

#### Paragraph 132

Sampling is not required for a limited assurance engagement. In a limited assurance engagement, a practitioner may decide to select one or two items to support substantive analytical procedures or tests of details. Paragraph 132 has been interpreted as precluding a practitioner from doing so by requiring the practitioner to determine a sample size sufficient to reduce sampling risk to an acceptably low level, in accordance with paragraph 132b. To clarify that this is not the intent, we recommend making the following changes to paragraph A385:

A385. Sampling is not the same as selecting items as part of risk identification or assessment procedures or to evaluate the reliability of information. Sampling involves the following:

#### Paragraph A289

Paragraph A289 was sourced from paragraph A15 of ISA 315. Because this paragraph is from a reasonable assurance standard, we believe it should be referenced only to paragraph A94R and not be applicable to paragraph A94L.

#### Paragraph A389L

Paragraph A389L states that “Depending on the circumstances, the nature and extent of evidence that may be required for the practitioner to conclude on the matter may be the same as for a reasonable assurance engagement.” While not disagreeing with this concept, we believe that this sentence has the potential to further blur the lines between limited and reasonable assurance engagements. We also believe that this sentence is not necessary, because the last bullet in paragraph A388L states “Whether the practitioner judges it appropriate to perform procedures of similar nature or extent to that required in a reasonable assurance engagement.”

We recommend deleting the last sentence of paragraph A389L and moving the first sentence of that paragraph to be the first sentence in paragraph A388L.

#### Consideration of Timing of Audit Evidence Standard

The requirement in paragraph 84, and related application material, aligns with proposed ISA 500 (Revised), Audit Evidence. Proposed ISA 500 (Revised) is likely subject to change based on feedback received. Given the timing of the projects on ED-5000 and on audit evidence, it is unclear when the two proposed standards will be aligned. Comments from the exposure of proposed ISA 500 (Revised) on the material brought into proposed ISSA 5000 from ISA 500 (Revised) should be considered in finalizing proposed ISSA 5000, in consultation with the IAASB Audit Evidence Task Force. Alternatively, given the uncertainty regarding the timing of the audit evidence project, it may be necessary for the requirements in the final ISSA 5000 standard to be consistent with the articulation of these concepts in ISAE 3000 (Revised), with incremental guidance from extant ISA 500.

#### Resource for guidance on “meaningful assurance” and paragraph A195L

Appendix 3, “Limited and Reasonable Assurance”, of the EER guidance provides examples of the ways in which procedures performed to obtain reasonable and limited assurance may differ. While the factors in paragraph A195L are helpful in explaining what “meaningful assurance” means in terms of the extent of work and evidence needed, adding additional application material from this Appendix would be helpful.

### Australian Auditing and Assurance Standards Board (AUASB)

There is a need to further differentiate the requirements for limited assurance and reasonable assurance. While different words may be used, the differences may be too subtle, particularly for non-accountant and smaller practitioners. There could be confusion as to the nature, timing and extent of procedures expected to be applied to the sustainability information subject to assurance. This could create inconsistency in practice across assurance engagements.

This is especially the case for assurance practitioners performing a limited assurance engagement under ED-5000 who are not the auditor of the entity as they will not have the accumulated understanding of the entity and previous knowledge of risks to assist in "identifying disclosures where material misstatements are likely to arise". The AUASB suggests that the IAASB incorporates content from Appendix 3 of the Non-Authoritative EER Guidance that analyses and explains the differences between limited and reasonable assurance engagements as guidance material in ED-5000.

Australian outreach has indicated that users of assurance reports are not clear as to what limited assurance means, particularly given that limited assurance can range from 'more than inconsequential but less than reasonable assurance'. We encourage the IAASB to facilitate or develop application material or guidance in this area to increase user and practitioner understanding. Education material should cover the difference between limited and reasonable assurance, and the trust and confidence that intended users could place on each level of assurance.

It is also important to emphasise that limited assurance does not involve a higher tolerance for material misstatements and does not necessarily result in unmodified opinions where a reasonable assurance engagement would result in a modified opinion. Where there are issues with systems and processes or risks are identified, more work will be required in a limited assurance engagement which may lead to the identification of material misstatements and result in a modified opinion.

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

#### Overall Comments

This question is subject to considerable overlap with Questions 13 and 17 on the treatment of internal control and the risk procedures, respectively. For this reason, we will provide an overview of our views on the differentiation here and focus on detailed comments relating to evidence and responses to risk. Our detailed comments on the treatment of internal control and risk procedures will be addressed in Questions 13 and 17, respectively.

Overall, the key issue is what limited assurance engagements are for. As set forth in ISAE 3000 (Revised) and also taken up in ISSA 5000, to perform an assurance engagement the underlying subject matter (sustainability matters) needs to be appropriate, the applicable criteria need to be suitable, and as noted in paragraph A190L of the draft, given the potential for the practitioner to have to engage in a "deep dive" under paragraph 133L for limited assurance, the need for availability and accessibility to evidence is the same regardless of the level of assurance. This implies that the only difference between reasonable and limited assurance is the persuasiveness of the evidence obtained by the practitioner – that is the persuasiveness of the evidence obtained for limited assurance is less than that obtained for reasonable assurance. The acquisition of less persuasive evidence is closely connected to the quality and quantity of the evidence obtained – that is, for limited assurance, practitioners obtain evidence of substantially lesser quality and of substantially less quantity. The obtaining evidence of substantially lesser quality and quantity implies that the work effort for limited assurance ought to be substantially less than for reasonable

assurance. Hence, the only reasons for a practitioner to perform a limited rather than a reasonable assurance engagement relate to considerations of cost and time on the engagement compared to a reasonable assurance engagement when stakeholders or legislation or regulation are prepared to accept a lower level of assurance than reasonable assurance, but where that limited level of assurance is still meaningful.

On that basis, it is critical from a public interest point of view that limited assurance engagements involve substantially less work effort and hence less cost and time than reasonable assurance engagements. This is the primary reason as to why, for example, the CSRD in the EU requires limited assurance in the first instance, rather than reasonable assurance right away. Nevertheless, it should be recognized that when entities represent to practitioners that their sustainability information is free of material misstatement but through their responses to risks in the limited assurance engagement practitioners become aware of matters that cause the practitioners to believe that the sustainability information may be materially misstated, pursuant to paragraph 133L practitioners must do further work (the “deep dive”) until they are satisfied that it is not likely that the sustainability information is materially misstated or determine that the sustainability information is materially misstated, or determine that the practitioner is unable to obtain sufficient appropriate evidence to conclude either.

There is an important public interest distinction between the procedures that a practitioner performs prior needing to do a deep dive and those needed for the deep dive. The procedures done prior to the deep dive are those that cause a limited assurance engagement to involve substantially less work effort than a reasonable assurance engagement and their basis is set forth in the assurance standard. The procedures needed to do the “deep dive”, on the other hand, are driven solely by the situation at the individual entity and are therefore largely determined in response to problems at entity and its sustainability reporting. The costs of a “deep dive” are therefore entity-driven. It is therefore crucial that the responses to risk required in the standard and therefore performed by the practitioners for a limited assurance engagement prior to the deep dive are substantially less than those performed for a reasonable assurance engagement, since the deep dive procedures are not determined by the standard.

Overall, we have concluded that the current draft is too heavy on further procedures for limited assurance. A part of the problem relates to the “copy and paste” exercise in which large sections from certain ISAs for audits of financial statements (reasonable assurance engagements) were moved to the draft without change to the requirements also applicable to limited assurance.

#### Comments on Evidence

We note that significant parts of the exposure draft of ISA 500 – in particular from the application material – were inserted into the draft. In some cases, the question can be asked whether the material inserted from the exposure draft ISA 500 (a reasonable assurance engagement) applies equally to a limited assurance engagement. For example, we note that ISAE 3000 (Revised) paragraph 50 only requires a consideration of the relevance and reliability of information to be used as evidence, whereas paragraph 83 of the draft requires an evaluation. The same applies to paragraph 84 of the draft, which also requires an evaluation and obtaining evidence of the accuracy and completeness of the information, as well as with regards its precision and level of detail. The question arises whether this level of scrutiny is required for a limited assurance engagement. We also note that paragraph 84 in the draft contains the infinite loop for obtaining evidence that we criticize in the IDW comment letter to the IAASB on the exposure draft of ISA 500. Throughout the application material (e.g., A229, A230, A231, A232, A233, A234, A236, A246, A249, A254 and A256) the use of the word evaluate in connection with the relevance and reliability of evidence goes beyond what is required for a limited assurance engagement as contemplated in ISAE 3000 (Revised).

Paragraph A239 states that a practitioner is not required to perform an exhaustive search to identify all possible sources of information to be used as evidence. The sentence therefore implies that a search must be done, but we are not convinced that this is appropriate for limited assurance engagement to the same degree. Consideration should be given to revising this statement for limited assurance. There is a similar issue with paragraph A246, which states that in some circumstances the work effort to consider the reliability of information may not be extensive, which implies that in other circumstances it is, which also may not be appropriate for a limited assurance engagement. Overall, we have the impression that the draft draws too much from the exposure draft of ISA 500 – in particular for limited assurance engagements. This ISA is designed for reasonable assurance engagement rather than limited assurance engagements. It may therefore be appropriate for the IAASB to include extant material from ISAE 3000 (Revised) on evidence for limited assurance instead.

#### Comments on Responses to Risk

Overall, for tests of controls there needs to be some recognition that when tests of controls are performed for limited assurance to obtain evidence about their operating effectiveness, the extent of testing may be considerably less than for reasonable assurance because the same persuasiveness of evidence is not needed. In addition, paragraphs 121 and 122 (originally from ISA 330) with respect to the operating effectiveness of internal control during an interim period or using evidence from a previous engagement regarding the operating effectiveness of internal control, respectively, do not differentiate between limited and reasonable assurance: the question arises whether tests of control for limited assurance in these circumstances need the same level of intensity given that the sample sizes for limited assurance for tests of control ought to be less to begin with (for example, paragraph 122 requires inquiry combined with observation and inspection, when for limited assurance one of these may be enough). The same applies to paragraph 125, which requires the determination “sufficient appropriate evidence” about the operating effectiveness of control has been obtained, when in fact for limited assurance the evidence about operating effectiveness could be less. (As an aside, paragraph 126L seems superfluous because it does not represent a requirement.) The reference to the reliance on evidence about the operating effectiveness of the control in the second bullet of paragraph A372 and the reference to assertion level in the fourth bullet of that paragraph also apply only to reasonable assurance. We also ask ourselves whether the application material in A374 and A375 could be further differentiated between limited and reasonable assurance.

The same applies to substantive procedures performed at an interim date as set forth in paragraph 129, where the reasonable basis for extending conclusions for limited assurance ought to be less for limited assurance. Perhaps tests of control only or substantive procedures only would be enough for limited assurance. It was also unclear to us what the significance of the difference in wording in paragraphs 131L and 131R is between “from expected result” and “from expected quantities or ratios”. The last bullet point in paragraph A381 also refers to the combination of tests of controls and substantive procedures.

In any case, the requirement in paragraph 132 (b) to reduce sampling risk to an acceptably low level is only appropriate for reasonable and not limited assurance (for limited assurance it should be to an acceptable level).

It is also unclear to us why the work effort verb “evaluate” was used for limited assurance in paragraph 134L for estimates and forward-looking information, rather than “consider”, since the work effort on methods ought to be different. However, we note that no consideration of the assumptions appears to be required for limited assurance, which appears to us to have been forgotten.



With respect to subsequent events, we note that ISAE 3000 (Revised), paragraph 61 only requires subsequent events to be considered, whereas paragraph 146 requires the performance of procedures and the evaluation of the sufficiency and appropriateness of evidence for limited as well as reasonable assurance. Consideration could be given to differentiating more between limited and reasonable assurance in this case.

There are also cases in the application material in which responses to risks do not differentiate enough between limited and reasonable assurance. For example, in paragraph A361 (c) (ii) reference is made to the use of data that has not been subjected to separate procedures to test its reliability to the same extent as it would be for a reasonable assurance engagement. The fourth bullet of paragraph A370a also refers to risk assessment, which under the draft's paradigm (though not our suggestion regarding risk procedures), would only apply to reasonable assurance engagements.

#### Comments on Other Paragraphs

Paragraph A284 (a) refers to reducing aggregation risk to “an appropriately low level”, which is true for a reasonable assurance engagement, but not for a limited assurance engagement. Consequently, the following words need to be added thereafter: “... , for a reasonable assurance engagement and an appropriate level, for a limited assurance engagement”.

#### Japanese Institute of Certified Public Accountants (JICPA)

We do not agree with paragraph 106 of ED-5000 which requires the practitioner's “evaluation” of whether the entity's information system appropriately supports the preparation of the sustainability information in accordance with the applicable criteria for both limited and reasonable assurance engagements because we do not believe the requirement is necessary for limited assurance engagements.

We believe this requirement should be a requirement only for reasonable assurance engagement, which is consistent with the requirements for other components of internal control, such as control environment (paragraph 103R) and risk assessment (paragraph 104R).

#### New Zealand Auditing and Assurance Standards Board

The difference between limited and reasonable assurance is not well understood. The NZAuASB believes there is still confusion around the work effort required, in particular around risk assessment and internal controls for limited assurance. We recommend that the IAASB include additional guidance. We found Appendix 3 to the non-authoritative guidance on applying ISAE 3000 (Revised) to sustainability and other extended external reporting (EER) assurance engagements a helpful approach.

We understand that users may not appreciate the differing degree of assurance and how much reliance can be placed on a limited or reasonable assurance conclusion. We therefore have significant concerns that carrying forward the existing model will only increase the expectation gap risk over sustainability information as this will carry forward existing issues.

We have questions about whether reasonable assurance over some longer-term forward-looking information should be the goal. Our analysis of current practice confirms that assurance is mostly restricted to certain disclosures within a reporting framework and the assurance over these disclosures is limited assurance. We caution against setting the expectation that reasonable assurance is possible. Refer to our response in question 16 which notes that ISO 14064-3 (International Organization for Standardization (ISO) 14064-3: 2019 Greenhouse gases – Specification with guidance for the verification and validation of greenhouse gas statements) does not permit reasonable assurance to be provided over forecasted or validated emissions.

We encourage the IAASB to develop guidance to increase user and practitioner understanding about the spectrum of assurance that is likely to be needed over sustainability information. It could draw on, or reference, the IAASB EER Guidance on the spectrum of assurance and include some examples of assurance reporting approaches that provide more information to users, such as long-form reporting.

Please see our comments on the assurance reports in question 21 and 22 for further details.

### **Royal Dutch Institute of Chartered Accountants**

Our key concerns with the proposed distinction between limited and reasonable assurance and with the wide range of assurance that limited assurance under ED-5000 could deliver, have been addressed in our response to Question 1. While we don't want to repeat all comments already made, we reiterate the importance of consistency in the assurance being provided by an assurance report, and hence the need for a much clearer definition and set of expectations regarding what constitutes limited assurance on sustainability reporting. This is equally important because our discussions with practitioners show that the expectations set by ED-5000 are perceived as unclear and providing too little direction on what is expected from a practitioner.

With respect to the proposed procedures in order to be able to express a limited or a reasonable assurance opinion, we offer the following suggestions and observations:

- We would expect that substantive procedures, other than analytical procedures and reconciling the sustainability report to underlying information, would only be required for reasonable assurance engagements, in line with our earlier proposal to delineate between limited and reasonable procedures. We also observe that, while the definition of substantive procedures also addresses Tests of Detail, the standard does not elaborate on those, other than in application material paragraph A358 which is not linked to neither the definition nor the requirements on substantive procedures. We urge the Board to provide more direction on substantive procedures.
- We urge the Board to clarify that inquiry as the sole audit procedure would be insufficient, both in case of limited and of reasonable assurance.
- With respect to assurance on estimates, we wonder whether it is fitting for limited assurance that practitioners will develop an expectation themselves. If the Board retains the view that practitioners should be developing an expectation themselves, we ask the Board to clarify how practitioners can develop an expectation that is sufficiently precise for the purpose of limited assurance.

## **6. Global Standard Setter**

### **Social Value International**

In many jurisdictions the reliance on limited assurance of sustainability information as the norm for at least the foreseeable future it is imperative that the distinction between 'limited' and 'reasonable' is well understood so as to not contribute to a widening expectations gap of what falls within the responsibilities of the assurance provider. It is not clear from what is drafted that the key difference between the two levels of assurance is critically about work effort but the current wording in the proposed standard appears to suggest more fundamental differences. It is difficult to contemplate how users will be able to rely on a limited assurance opinion that does not anchor to basic assertions about the claims being made by the entity. It is important that framework agnostic does not become de facto license to deviate from the qualitative characteristics that should underpin all external reporting. That is, under the IAASB Assurance Framework,

relevance and reliability are fundamental to the credibility of reported information on which the practitioner forms a judgement over. For that reason, there is a clear nexus between what assertions the practitioner has tested and provide the basis for users to rely on their opinion.

## 7. Accounting Firms

### Baker Tilly International

ED ISSA 5000 requires minimal difference in assurance work effort between LA and RA meaning there would be minimal difference in administrative burden. This is not in line with market expectation or the expectation of lawmakers for example in the European Union. There is also a risk the user expectation gap may be increased as users may confuse the different levels of reliance they can place on LA and RA reports. Ways to explain the difference in work effort would be to substantively reduce LA requirements relating to risk, and to change the definition of LA from a continuum to a minimum level of required work (as ISSA 5000 does for RA).

Under LA the ED 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.

### Deloitte LLP

There is a need to further differentiate the requirements and application material for limited assurance and reasonable assurance engagements to support consistent performance and in recognition of the diverse experience of assurance practitioners performing sustainability assurance engagements. The need to distinguish the work effort associated with the two levels of assurance is also particularly important in circumstances where an assurance provider is performing a combination engagement involving both limited and reasonable assurance. We believe further specificity in the requirements and application material, especially for limited assurance engagements, will facilitate more consistent performance and reporting across engagements.

Refer to Questions 13 on internal control, Question 16 on estimates and Question 17 on risk procedures for detailed discussion of areas in ED-5000 requiring further differentiation between limited and reasonable assurance.

Additionally, we recognize the nascent environment of sustainability reporting in many jurisdictions and a need to transparently educate users of assurance reports and other stakeholders on the differences between limited and reasonable assurance engagements, including the nature, timing and extent of procedures performed and evidence obtained. We do not believe that the assurance reports issued by assurance practitioners in and of themselves will achieve the level of education needed. We encourage the IAASB to publish a suite of educational materials that could be used in the marketplace to achieve this aim. Additionally, as noted in our response to Question 2, we recommend ongoing outreach to

stakeholders to gather input and observations and evaluate the nature of further guidance that may be needed to educate users of sustainability assurance standards and reports.

### Grant Thornton International

We support addressing limited and reasonable assurance in a single overarching standard. The paragraph references and tables used in ED-5000 to indicate whether a requirement is applicable only to a limited assurance or reasonable assurance engagement are helpful. However, we believe the definitions of limited and reasonable assurance in ED-5000 may contribute to inconsistent work effort between limited and reasonable assurance engagements. For example:

In describing limited assurance, ED-5000 assumes that practitioners have a detailed working knowledge of the level of work required for a reasonable assurance engagement. This may lead to inconsistencies in application of ED-5000 between professional accountant and non-accountant practitioners.

Professional accountants will be able to use their background in performing assurance engagements under the ISAs, ISREs, and ISAEs to comply with the standards in ED-5000, but non-accountant practitioners may struggle to understand the differences between limited and reasonable assurance engagements.

In considering the requirements and related application material, we identified inconsistencies that could create confusion about how the work effort differs between limited and reasonable assurance. For example:

The requirements in ED-5000, paragraphs 94L and 94R do not indicate a difference in work effort. Further, the application material relevant to these requirements in paragraphs A286-A289 and A291 do not differentiate between procedures performed in limited and reasonable assurance engagements. Paragraph A290L is specific to limited assurance engagements but does not provide a meaningful difference in the level of work when compared to a reasonable assurance engagement. We recommend that the application material in A290L be revised to address both reasonable and limited assurance engagements and clearly indicate the level of work for reasonable assurance engagements that is incremental to limited assurance engagements. Refer to our response to Question 17 for additional recommendations.

Refer to Question 13 for our response to the level of work for limited and reasonable assurance related to internal controls.

The description of the level of meaningful assurance in ED-5000, paragraph A194L that is needed in a limited assurance engagement is a matter of judgment and “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 more than inconsequential to just below reasonable assurance.” This statement, included in application material only, contributes to confusion about the level of work performed as it is always on a scale based on the nature of the entity and complexity of the engagement. We note that the description in ED-5000, paragraph A194L is consistent with ISAE 3000 (Revised), paragraph A5, however, we are aware that there is also confusion among practitioners and users about the level of work required for limited and reasonable assurance under ISAE 3000 (Revised). We propose the IAASB clarify the level of work in ED-5000 and make conforming edits to ISAE 3000 (Revised).

Further, we identified guidance in ED-5000 related to limited assurance engagements which is not as robust as that in ISAE 3410. We believe this will lead to inconsistencies in the procedures performed to provide limited assurance on greenhouse gas information depending on which standard the assurance is being provided under (based on whether the practitioner concludes on a GHG statement). As noted in our response to Question 3, these differences do not serve the public interest. In the instances noted below, we recommend the IAASB revise ED-5000 to include the following incremental risk assessment requirements and related application material from ISAE 3410:

ISAE 3410, paragraph 23 (c), (d), and (e), updated to reflect ED-5000's focus on the entity's general sustainability disclosures

ISAE 3410, paragraph 24, which maps to ED-5000, paragraph A288 application material

ISAE 3410, paragraph 34, which lists the minimum required considerations when evaluating the risks of material misstatement, is not explicitly included in ED-5000

We do not agree with the IAASB's decision to wait until after ED-5000 is issued as a final standard to consider whether there are further opportunities for the identification of relevant material for limited and reasonable assurance throughout ED-5000. Differentiating the requirements and application material in ED-5000 that apply to only limited assurance or reasonable assurance should be completed prior to issuing ED-5000 as this is one of six priority areas for which the IAASB intended to provide more specificity in the requirements and application material.

#### 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.

#### Mazars

Overall there is a differentiation in work effort which is broadly in line with ISAE 3000 and ISAE 3410, however in some cases it is difficult to understand what the difference would be in practice and in some cases we do not believe the work required under limited assurance is sufficient and/or appropriate.

We note that limited assurance is intended to provide a "meaningful level of assurance". Greater clarity in the definition of meaningful, in the context of sustainability information, and how this is intended to work in practice would be helpful to both assurance practitioners and users of the information. We therefore urge the IAASB to provide a more precise definition of this term, perhaps using examples in application material.

We have a number of observations on the proposed differences in work effort as set out below:

Whilst we appreciate that ED-5000 is a principles-based standard, in general, further guidance and practical examples of the types of procedures which may be undertaken in a Limited vs. Reasonable assurance engagement would be helpful. In particular, it would be helpful to give examples of how the nature and extent of further procedures performed may differ between limited and reasonable assurance. Appendix 3 of the EER guidance, which sets out helpful guidance on the work effort for limited and reasonable assurance, would be a good starting point for further guidance in ED-5000, and may assist the IAASB in considering the appropriate work effort for limited assurance.

In some cases the wording of requirements may be different but in reality what is the difference between "consider" and "determine"? How would assurance practitioners demonstrate the difference between these two approaches? For example, regarding control deficiencies (ED-5000.110), under limited assurance practitioners are required to "consider" whether deficiencies are identified and under reasonable to "determine" whether they have been identified. It is hard to see what difference this would make in the way in which practitioners would deal with any deficiencies identified.

For Limited Assurance, when considering the entity's Risk Assessment process, we do not believe that it is appropriate for the assurance practitioner to merely take the results of the risk assessment process and rely upon them without understanding the process itself.

We are surprised that there is no requirement to obtain at least some substantive evidence in a limited assurance engagement and urge the IAASB to consider whether there should be a requirement to obtain such evidence. In doing so, the IAASB may wish to consider including “substantive analytical procedures”, following the principles and requirements of ISA 520, rather than merely “analytical procedures” to enable substantive evidence to be obtained.

With regard to analytical procedures:

in many instances, it will be very difficult for practitioners to develop an appropriate expectation for sustainability information. Further guidance and practical examples are required to support practitioners in developing expectations with sufficient precision.

for limited assurance, ED-5000.130L requires the practitioner to only develop an expectation, with no reference to the precision of that expectation and the possibility of identifying misstatements. We believe that, to be meaningful, the expectation should be sufficiently precise to be capable of identifying misstatements.

further, ED-5000.131L requires practitioners only to make inquiries of management when differences are identified and “consider” those responses but does not require corroboration of management explanations. Given the risks of management bias, greenwashing etc., we do not believe that it is appropriate to take management explanations at face value and practitioners should be required to corroborate explanations provided.

ED-5000.127R requires the practitioner to “perform substantive procedures for disclosures that, in the practitioner’s judgement, are important to the information needs of users”. However, the purpose of the entity’s materiality assessment process is to determine the required disclosures by identifying those matters which are important to the users – as such this requirement could be interpreted as requiring substantive procedures on all disclosures? We do not believe that there should be such a requirement as ED-5000.126 provides for the practitioner performing substantive procedures for risks at the upper end of the spectrum.

ED-5000.134L sets out the procedures required for limited assurance over estimates. We note that the practitioner is not required to evaluate the assumptions used by management in developing their estimate, while they are required to evaluate the reasonableness of assumptions used by an expert (ED-5000.A116). We do not believe that the requirements are sufficient given the importance of the assumptions used by management and, even for limited assurance, the practitioner should be required to evaluate the reasonableness of assumptions.

For both limited and reasonable assurance, ED-5000.135 requires the practitioner to agree or reconcile the sustainability information to underlying records, reflecting requirements in auditing standards. However, it is not clear how the practitioner will achieve this requirement for sustainability information, the underlying records for which will be far more diverse than for a financial statements audit. Further guidance and practical examples are required to support assurance practitioners in consistently achieving this requirement.

We anticipate that the IAASB will publish the final standard in e-format online. Assuming this is the case, we urge the IAASB to establish the standard in such a way that a practitioner may be able to specify whether they are performing a limited assurance or reasonable assurance engagement, and the e-tool will display only the relevant requirements rather than both sets of requirements.

Other challenges relating to the difference between limited and reasonable assurance include:

The illustrative reports for both limited and reasonable assurance are of a similar length and given the need to clearly set out the work undertaken in Limited Assurance engagements, it is possible that reports for Limited Assurance will be longer than those for reasonable, which is counter intuitive. As such, it is likely that users will not fully understand the difference between the levels of assurance and, in particular, the level of assurance obtained in a Limited Assurance engagement may be unclear/obscured in the length of the report.

If an assurance practitioner is undertaking a limited assurance engagement in the early years and then transitioning to reasonable assurance in the future, given the lack of requirements for substantive procedures and the other differences in work effort, it may be that the practitioner will not have sufficient prior knowledge to form the basis of a reasonable assurance engagement, leading to an increased likelihood of a clean limited assurance opinion being followed by a modified or qualified reasonable assurance report. It is likely that many jurisdictions will require limited assurance initially with a transition to reasonable assurance and, therefore, it would be helpful for the IAASB to set out guidance (perhaps as a separate publication) as to how assurance practitioners can effectively manage this transition.

#### **Nexia International**

We have concerns that the differences in both performance and reporting requirements are not sufficiently articulated. Please see our response to Question 17. Even if further clarified in the final standard itself, we believe outreach to users is likely necessary, particularly given the nascent nature of sustainability reporting overall and how subject matters and users' concerns/non-concerns will likely evolve in the next few years.

Overall though, we commend the IAASB for using the terms "reasonable assurance" and "limited assurance" as the use of both terms will help users, at least on a high level, understand one is less than the other.

#### **PKF International Limited**

##### **Limited vs reasonable assurance – further procedures**

Overall, ED-5000 does not contain sufficient guidance to clearly differentiate the respective levels of work effort required to perform a limited assurance engagement versus a reasonable assurance engagement.

For example, there is little practical difference between paras 114L and 114R (designing and performing further procedures) or in the related application guidance, to make it clear as to how the further procedures could be scaled for the respective levels of assurance. While relevant application guidance on this topic is presented in A361, the guidance is brief and does not cover a broad range of practical circumstances.

We recommend that the existing guidance in para A361 is expanded to provide further practical examples of how the respective levels of work can be scaled for either level of assurance and presented in a dedicated Appendix. Our preference is that such an Appendix should be published within the final standard as opposed to being introduced at a later date as supplementary non-authoritative guidance in a stand-alone document.

##### **Limited vs reasonable assurance – risk procedures**

In our view, there is insufficient, and also inappropriate, differentiation in ED-5000 regarding the respective requirements in limited and reasonable assurance on risk procedures. We consider that the overall impact of the different wording in the "L" paragraphs compared to the "R" paragraphs will be minimal in practice, resulting in a similar extent of the work effort under each level of assurance. Our response to Q17 includes further explanation on this observation.



#### Meaningful assurance – the range of acceptable effort under limited assurance

We encourage the IAASB to give further consideration to the clarity and guidance in ED-5000 on the acceptable range of effort required by the practitioner to achieve limited assurance. In this regard, in addition to differentiating the work effort between limited and reasonable assurance, ED-5000 also needs to provide sufficient clarity on what “meaningful assurance” means for the limited assurance approach across the acceptable range of effort from “more than inconsequential” to “just below reasonable assurance”. To achieve this, we recommend further guidance is provided in the standard on the relative work effort within limited assurance and should incorporate examples of the practitioner’s responses and approach ranging from the minimal effort required to achieve “more than inconsequential” through to the effort required to be “just below reasonable”. Such guidance on this matter could also be presented within an appendix to the final standard.

#### Acceptance and continuance procedures

Under the acceptance and continuance requirements in ED-5000, para 25 (c) (ii) requires the practitioner to confirm there is a common understanding between the practitioner and engaging party of the terms of the engagement. We recommend that the requirements in para 25 (c) (ii) should be expanded to explicitly require that the common understanding covers the level of assurance to be provided, i.e., limited, reasonable, or a combination of both.

We also acknowledge that para 25 (c) (ii) already includes an implicit requirement regarding a shared understanding on the level of assurance via its general reference to the terms of the engagement. In our view, there is unlikely to be a consistently high level of understanding among both practitioners and engaging parties of limited versus reasonable assurance in the context of a sustainability assurance engagement, particularly in the early periods following publication of the standard. Therefore, we consider that the general reference in para 25 (c) (ii) to the terms of engagement is insufficient to address the risk that the engaging parties don’t have a requisite understanding of the level of assurance to be provided.

To avoid misunderstandings at the acceptance stage of a sustainability engagement, we recommend para 25(c) (ii) in ED-5000 is revised to the effect that the common understanding required by para 25(c) (ii) is expanded to specifically include an understanding on limited versus reasonable assurance (or a combination of both). An explicit requirement on this point would be a practical safeguard to help with the process of ensuring:

there is a shared understanding between the practitioner and the engaging party on the level of assurance that will be provided by the engagement, and

the shared understanding has been informed through an appropriate appreciation by the practitioner and the engaging party on the difference and implications between limited and reasonable assurance.

#### **PricewaterhouseCoopers International Limited**

The distinction between the requirements and application material that apply for limited and reasonable assurance engagements within the standard is clear.

However, we believe there is a significant expectations gap amongst users of assurance reports as to what limited assurance means, as well as inconsistency in practice as to the nature, and primarily extent, of work performed by assurance practitioners when undertaking a limited assurance engagement. This is true both across professional accounting assurance practitioners as well as between professional and non-professional accounting assurance practitioners.

With respect to addressing the expectations gap, we encourage the IAASB to develop educational material for stakeholders that can accompany the release of the final standard, to seek to promote a wider understanding of the difference between a limited and reasonable assurance engagement. Such material could then be used as a basis for further outreach with investors, regulators, and other users of sustainability information to raise awareness.

With respect to addressing inconsistencies in practice regarding the nature and extent of work in limited assurance engagements, we agree with the concept that limited assurance exists along a spectrum and that it is therefore challenging to define a level of work effort, in explicit terms, necessary to conclude that sufficient evidence has been obtained to support the assurance conclusion, in particular recognising the broad range of sustainability matters that may be the subject of the engagement.

Paragraphs A193L-A194L refer to the concept of a meaningful level of assurance:

“In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, but are, nonetheless, 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.....What is meaningful in a particular engagement represents a judgment within a range from 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.”

These are highly conceptual matters and may not be readily understandable to non-professional accounting assurance practitioners that are not familiar with the IAASB’s existing standards. As noted, even across professional accounting assurance practitioners, we see quite diverging practices. To the extent practicable, providing additional guidance in the form of relevant factors for consideration, or examples, that may help inform a practitioner’s determination of what may constitute a meaningful level of assurance (on the spectrum of limited assurance), in the engagement circumstances, would be helpful.

Appendix 3 of the IAASB’s EER Guidance provides useful analysis and explanation of the differences between limited and reasonable assurance engagements, including seeking to illustrate the spectrum of limited assurance. Given this is a fundamental issue to achieving consistent understanding and application of the standard, we strongly encourage the IAASB to consider leveraging Appendix 3 by creating a similar appendix for inclusion in ED-5000, updated to reflect the revised requirements of ED-5000. If not included directly as an appendix, we would encourage an equivalent document to be developed as supporting explanatory material to be issued alongside the final standard. In undertaking this exercise, there may be opportunities to further enhance such material in the areas of controls testing and sampling, to address areas where there may be misconceptions or inconsistencies around expectations for the extent of work to be performed.

The potential scope of sustainability matters and sustainability disclosures included in an engagement can vary significantly. In addition to an engagement potentially comprising both limited and reasonable assurance elements, and multiple conclusions, when a limited assurance engagement includes multiple conclusions on different disclosures, the nature and extent of work performed to obtain a meaningful level of assurance may vary based on the underlying sustainability matter and nature of the disclosure. The need for the practitioner to carefully scope and plan the nature, timing, and extent of procedures to obtain a level of assurance that is meaningful in the context of the specific conclusion to be expressed should be emphasised, i.e., in a broad-scope engagement there may be one or more sustainability disclosures for

which it may be appropriate to perform procedures that are closer to a reasonable level of assurance. We recommend the Board includes additional guidance to address these considerations.

We also recommend that sufficient emphasis be given in the IAASB's published materials to the principle addressed in paragraph 133L that when the practitioner becomes aware of a matter(s) that causes the practitioner to believe the sustainability information may be materially misstated, the practitioner's further procedures to obtain evidence may need to extend to a level equivalent to reasonable assurance, to be able to conclude that the matter(s) is not likely to cause the sustainability information to be materially misstated or determine that the matter(s) causes the sustainability information to be materially misstated. Further application guidance would be useful to emphasise expectations here, as paragraph A388L is fairly conceptual. An example may be beneficial.

With respect to the factors described in paragraph A195L, the intent of the final bullet is unclear. Is this intended to be a warning to practitioners that the scope proposed for the engagement may not result in a meaningful level of assurance? We suggest clarifying this point and potentially addressing it as a separate paragraph.

## **8. Assurance Practitioner or Firm - Other Profession**

### **Academy for Practical Training on Sustainability Assurance (APTISA)**

I do not agree with the current proposed differentiation between limited and reasonable assurance activities in the ED. The proposed activities for limited assurance fall way below the expectations of users and such an engagement could be interpreted as having no reasonable or rational purpose. This will encourage the '3 days at head office' approach looking at consolidation rather than finding the errors and omissions in the source data. There is insufficient description of the activities under limited assurance to avoid this happening. I strongly believe that the only differentiation should be in the extent and depth of evidence-gathering procedures and that the activities in the planning and risk assessment phase should be the same for both levels. Suggesting that assertions should not be considered for limited assurance undermines the principles of a good assurance engagement.

I suggest the IAASB looks at its own guidance for the differences between limited and reasonable assurance (Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements, published in April 2021) and uses sections from that document (e.g. from Appendix 3) in the A paragraphs in ED-5000.

### **ERM Certification and Verification Services Limited**

The currently proposed activities required for a Limited Assurance in ED-5000 is well below the baseline of activities currently performed and expected in the market. As written Limited Assurance will have no 'rational purpose' as defined in Para 74. The ED-5000 has based the activities on an example of the most simple and non-complex engagement as described 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. Retaining the Limited Assurance effort as written undermines the value of assurance engagements, resulting in unsubstantiated confidence in a Limited Assurance Report 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 which are more similar to ISAE 3410. These are the practices currently used in the market and are expected by clients.

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 to align with current practice more closely, 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 addition 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 phrasing 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.

#### SGS

For Limited Assurance itself, the spectrum is very wide. It's observed in the market there are a lower end and a higher end of limited assurance, yet the intended users couldn't tell the difference. This poses a high risk for assurance credibility and confidence.

Thresholds of limited assurance and reasonable assurance engagement are still quite blurred and complex, which may cause huge variance in practice by different practitioners.

We recommend a more detailed guidance to be given for planning timing of assurance engagement regarding to limited and reasonable assurance.

#### TIC Council

While the splitting out of limited and reasonable assurance into tables in sections of the standard is helpful, there is not enough depth of information about the difference between these two levels, in particular with reference to substantial and analytical procedures (126L/ R substantive procedures and 100L/R Analytical procedures and 132 Sampling). In addition to risk and control evaluation, there is a huge difference between the amount of data that needs to be reviewed for reasonable assurance vs limited. If this difference in work effort is not effectively highlighted, then there is a risk that new assurance providers may

conduct reasonable assurance engagements using this standard without sufficient substantive and analytical data review.

In addition, there should be further focus in the standard on mixed engagements where some sustainability information is subject to reasonable assurance and other to limited assurance. There should be a logical and clear link between material areas to report for a company and where they are seeking reasonable assurance. Further consideration should be given to what sustainability information could be subject to reasonable assurance, for example to give reasonable assurance for scope 3 emissions would require much more reliance on data that is not within control of the entity, with more assumptions and may need a future set of procedures applied in order to reach a reasonable assurance conclusion.

The approach to undertaking both limited and reasonable assurance makes no reference to consideration of site visits and where these may be appropriate or required, in particular for reasonable assurance where these may be necessary to a selection of sites, depending on the entity and the sector in which they operate.

## 9. Public Sector Organizations

### Government Accountability Office - US

ISSA 5000 appears to provide an adaptable framework for conducting both reasonable and limited assurance engagements, as shown in exposure draft paragraph 94L to 178L of ED-5000. However, to help to ensure the effectiveness of ISSA 5000, it would be beneficial to provide more clarity or detailed guidance on the distinction between limited and reasonable assurance engagements for the practitioner, particularly in distinguishing between the nature and extent of procedures in limited versus reasonable assurance engagements.

For example, Paragraph 114L for limited assurance states, "The practitioner shall design and perform further procedures whose nature, timing and extent are focused on the disclosures where material misstatements, whether due to fraud or error, are likely to arise." This language is vague, particularly concerning what is meant by 'likely' material misstatements and how practitioners should identify these areas.

In comparison, Paragraph 114R for reasonable assurance states, "The practitioner shall design and perform further procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement, whether due to fraud or error, at the assertion level." The similarity in language to 114L creates ambiguity in distinguishing the procedural differences between limited and reasonable assurance engagements.

The lack of explicit guidance in differentiating the nature, timing, and extent of procedures in limited and reasonable engagements could lead to inconsistent application across various assurance projects. This inconsistency may result in variations in reporting quality and potentially create misconception among practitioners and, ultimately, intended user regarding the reliability of information. We believe this added clarity would contribute to more accurate understanding of the reliability of information of a limited assurance sustainability report. See our detailed response in question 21.

## 10. Member Bodies and Other Professional Organizations

### Belgian Institute of Registered Auditors

IAASB must assess the opportunity to have two separate sections for limited and reasonable assurance (with appropriate guidance), if not two separate standards.

Further guidance, educational materials is needed to further explain what is the difference between limited and reasonable assurance. How to traduce the theory from ISSA 5000 (on this difference) in the practice remains a challenge.

We would expect additional guidance to explain the minimal procedures for each type of assurance (with practice examples based on sustainable reports) and the scoping of the limited assurance, in view of the various profile of professionals and to enhance comparability.

It is important to indicate consistently that the assurance approach should be a risk based approach.

### Chartered Accountants Ireland

The draft standard clearly outlines the types of assurance conclusions covered within ED-5000. Paragraph 7 outlines that these are for reasonable assurance and limited assurance conclusions. The procedures outlined within the draft standard apply to both limited and reasonable assurance unless specifically indicated with an 'L' for limited assurance or 'R' for reasonable assurance. This is essential for users of the standard given the diverse nature of the practitioners who will be using the standard, and we welcome this drafting style.

However, the distinction in the level of work effort required between a limited assurance and a reasonable assurance engagement is not sufficiently clear and as such the ED does not provide an appropriate basis for performing limited assurance engagements.

Furthermore, with regard to risk assessment procedures for limited assurance we do not believe that it is sufficiently clear in relation to the extent of risk assessment procedures required. The draft standard highlights the importance of differentiating between the level of effort required to express a limited assurance opinion versus a reasonable assurance opinion, but we have concerns about some aspects in relation to the work effort required which we have set out in our response to questions 13, 16, 17 and 20.

Overall, there is a differentiation in work effort, and while it is somewhat in line with ISAE 3000 (Revised) and 3410, it is not sufficiently clear. The standard appears to set a higher level of work effort compared to the work effort required by ISAE 3000 (Revised) or ISAE 3410 for a limited assurance engagement and it is not clear when an appropriate level of work effort for limited assurance has been achieved. Furthermore, in places the differences between the procedures for limited and reasonable assurance appear artificial. Finally, the illustrative reports are of similar length and we are uncertain that users will understand the difference between Limited Assurance and Reasonable Assurance reports.

### CPA Australia

We recommend the IAASB reconsiders the balance of work effort required between limited and reasonable assurance and be very specific about the expectations and requirements relevant to each type of assurance engagement.

A limited assurance engagement is anything below a reasonable assurance engagement, which can be a very broad spectrum. Hence, the level of work effort for a limited assurance engagement will vary depending on several factors an assurance practitioner will have to take into consideration including client expectations,



statutory assurance requirements, the reporting framework and/or criteria, the level of sophistication of the client's reporting systems, controls and processes etc.

Both in our experience, and based on feedback we have received, intended users and those charged with governance generally do not understand the distinction between limited and reasonable assurance. The approach taken in ED-5000 raises some concerns around the work effort required for limited assurance engagements, which may not be much less than the work effort required for reasonable assurance engagements, at least in the initial years. There are cost implications and the management of client and market expectations associated with this as well. Therefore, we recommend the IAASB revisits the proposed requirements for limited assurance to make it more proportionate to the level of assurance expected from limited assurance engagements.

We have also heard that the extant ISAE 3000 standards are hard to apply in practice when it comes to limited assurance engagements, especially in relation to differentiating the work effort between a limited assurance engagement and a reasonable assurance engagement. Our stakeholders do not believe ED-5000 will improve the application, or provide clarity for application, between limited and reasonable assurance engagements, given the proposed ISSA 5000 relies heavily on the extant ISAE 3000 suite of standards.

Furthermore, the proposed ISSA 5000 is perceived as a step-up from the extant ISAE 3000 suite of standards and Extended External Reporting Guidance (EER Guidance), as it includes more advanced considerations around matters such as risk assessments and internal controls, derived from the ISA 315 Identifying and Assessing the Risks of Material Misstatement (Revised) (ISA 315). Based on our analysis and comparison of ED-5000 to the current standards on review/limited assurance engagement namely, ISRE 2400 Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity (ISRE 2400), ISAE 3000 and ISAE 3410, there is no expectation or requirements in these standards to test controls or undertake risk assessments for a review/limited assurance engagement. We set out some examples of the current requirements for review/limited assurance engagements below:

ISRE 2400 (paragraph A78) – only requires the assurance practitioners to obtain an understanding of the entity and its environment, including the “tone at the top” and the entity’s control environment through which the entity addresses risks relating to financial reporting and compliance with the entity’s financial reporting obligations.

ISAE 3000 (paragraph A3(a)) - the emphasis placed on the nature of various procedures as a source of evidence will likely differ, depending on the engagement circumstances. For example, the assurance practitioner may judge it to be appropriate in the circumstances of a particular limited assurance engagement to place relatively greater emphasis on enquiries of the entity’s personnel and analytical procedures, and relatively less emphasis, if any, on testing of controls and obtaining evidence from external sources than may be the case for a reasonable assurance engagement. This is further reinforced in paragraph A13 of ISAE 3000.

ISAE 3410 (paragraph A90 (a) and (c)) - similar to ISAE 3000, in a limited assurance engagement, the assurance practitioner may place relatively less emphasis, if any, on tests of controls. In addition, when undertaking analytical procedures in a limited assurance engagement the assurance practitioner may, for example: Use data that has not been subjected to separate procedures to test its reliability to the same extent as it would be for a reasonable assurance engagement.

ED-5000 also implies that, in a limited assurance engagement, when the assurance practitioner identifies disclosures where material misstatements are likely to arise, the practitioner should perform a ‘deep dive’ in

designing and performing further procedures that are equivalent to a reasonable assurance engagement, which may include substantive procedures typically seen in reasonable assurance engagements. Given the reporting of sustainability information is in its infancy as well as the complexity of the matters being reported on, our stakeholders are of the view that examples provided in paragraph A363L of ED-5000 of reasons for identifying disclosures where material misstatements are likely to arise will be prevalent at least for the next few reporting seasons. Consequently, stakeholders expect little distinction in work effort between limited and reasonable assurance until the market matures. At least in the initial years of implementation, we believe the requirements on this should be aligned to be the same as the current requirements in ISAE 3000.

Control activities (paragraph 107L) – we note the main difference between limited and reasonable assurance is the use of the word “if” at the beginning of the requirements for limited assurance. We suggest this be further clarified to emphasise that this is only a conditional requirement for limited assurance (see our below suggestions in this regard).

Furthermore, the distinction between the requirements in ED-5000 for limited and reasonable assurance engagements often comes down to changing 1 or 2 words (as noted in the previous paragraph). This further reinforces the perception that there is no significant difference in work effort between the supposedly very different levels of assurance for limited and reasonable assurance engagements. We are of the view that the EM provides better clarity in the difference of work effort requirements between limited and reasonable assurance engagements in comparison to the ED itself. We recommend the IAASB includes some of the material in the EM that better distinguishes the work effort between limited and reasonable assurance to the main standard. Two examples are provided below:

paragraph 79 of the EM states that, for limited assurance, practitioners need to obtain an understanding of certain components whereas for reasonable assurance, practitioners are required to obtain an understanding of all components. We suggest these terms are brought into paragraphs 102L and 102R of the standard.

paragraph 79 of the EM states that, for limited assurance, it is a conditional requirement to obtain an understanding of controls (and related IT general controls) only if the practitioner plans to obtain evidence by testing the operating effectiveness of controls. Although ED-5000 paragraph 107L is worded similarly to the EM, we believe that adding the phrase ‘conditional requirements’ to paragraph 107L in the ED would make the distinction between limited and reasonable assurance clearer.

Given the broad spectrum of limited assurance engagements, we recommend the IAASB to incorporate content from Appendix 3 to the EER Guidance that explains ways in which reasonable and limited assurance may differ, and how limited assurance towards the lower end of the range may differ from limited assurance towards the upper end of the range. This content could be included as an appendix to the ISSA 5000.

We believe the IAASB should refine the criteria for limited and reasonable assurance to ensure there is a clear distinction in the expectations and requirements on matters such as risk assessments and internal controls that have been drawn from ISA 315. Mindful that ISA 315 is developed and designed for reasonable assurance engagements, the IAASB should consider the appropriateness of including these more rigorous assurance procedures to limited assurance engagements. If the IAASB decides to pursue this approach, we recommend it provides the rationale for this approach in the Basis for Conclusions. Separately, the IAASB may also need to consider revising ISRE 2400, ISAE 3000, and ISAE 3410 to better align with ED-5000 to promote consistency among the IAASB suite of assurance standards for limited assurance engagements.

### 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 difference in administrative burden. A way to demonstrate a clear difference in work effort would be to reduce LA requirements relating to risk.

### Institute of Chartered Accountants in England and Wales (ICAEW)

We believe that ED 5000 leans too much towards the conceptual and needs to be balanced by more practical guidance. For example, application guidance or other explanatory material would be helpful to demonstrate the differences in documentation requirements and the extent of evidence that needs to be obtained for limited versus reasonable assurance. Overall, we remain concerned that absent additional practical application guidance, and ideally tools and other resources, there will be a not insignificant consistency risk across the market both in terms of approach (paragraph 94), and work effort and procedures.

The approach to risk assessment and work effort for limited assurance and reasonable assurance is not sufficiently differentiated, and there is a need for further clarity within both the requirements and application material. We believe that the work effort requirement as set out in ED 5000 may be too low relating to risk assessment, and specifically, there is no requirement for substantive procedures. This could create an expectation gap, and— we believe there should be some substantive procedures performed even for limited assurance engagements. At the least we believe that there should be a requirement to obtain an understanding of the entity's processes and controls. Furthermore, we believe that should be a requirement for at least some substantive procedures when responding to risks for limited assurance engagements.

We are concerned that there could be possible confusion about the type of assurance provided (and therefore, by implication, the work effort undertaken) as a result of the lack of distinction between the two types of assurance report. We recommend a clearer differentiation between the assurance reports, in addition to the work effort underpinning the reports.

We encourage the IAASB to consider providing additional practical guidance around the development of (sustainability relevant) expectations for analytical procedures. We believe that, as written, there is scope for confusion about work effort for each level of assurance when performing analytical procedures.

### Instituto de Censores Jurados de Cuentas de España (ICJCE)

While there are different requirements for performing limited assurance and reasonable assurance through the standard (as explained in paragraph 47 with the "R" or the "L") there is no description of the work effort. In this sense there is no common understanding of the work effort to reach limited assurance amongst all stakeholders and hence clarity on the work effort (and incremental procedures as stated in paragraph 46) should be contained in the standard.

There is a need to further differentiate the requirements for limited assurance and reasonable assurance in order to ensure consistent performance and avoiding the diverse experience of assurance practitioners performing sustainability assurance engagements.

### **Instituto Nacional de Contadores Públicos de Colombia (INCP)**

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

### **Pennsylvania Institute of Certified Public Accountants (PICPA)**

The committee appreciates the side-by-side comparison of the two different levels of service. As further discussed at Question # 13, the committee is concerned that the amount of proposed work effort for a limited assurance engagement with respect to internal controls is inconsistent with other limited assurance engagement requirements in IAASB standards.

## **11. Academics**

### **Accounting and Finance Association of Australia and New Zealand**

We disagree.

We consider that the difference is not clear. We found examples where the distinction between the two requirements was not meaningful, and we considered that in some cases the requirements for limited assurance seem to be higher than that which is usually applied to reviews of historical financial information. In addition, the research that is available suggest that limited assurance provides little value to users.

Unless the distinctions between limited and reasonable assurance are made clearer, users will continue being unable to appreciate the inherent differences and more importantly, the different levels of audit effort employed and quality of evidence collected to support that opinion (Hasan et al. 2003; Hoang and Trotman 2021; Huggins et al. 2011). The difficulties of users will therefore continue to be exacerbated if the distinctions between the two requirements are not meaningful enough.

Hodge et al. (2009) find that users place greater confidence in sustainability reports when the level of assurance provided is reasonable and when such assurance is provided by a top tier accountancy firm compared to a specialist consultant. No such difference is found when the level of assurance provided is limited for either of the two types of assurance practitioner groups. Schelluch and Gay (2006) find that, within the context of prospective financial information, an assurance report which is positively worded has a greater impact on users' perceptions of reliability than a lower-level assurance report that is negatively worded.

Hasan et al. (2003) also suggest that the actual wording of the opinion has implications for users' inference of an engagement's assurance level. In the context of environmental reporting, Hasan et al. (2003) find that report users generally perceived a limited level assurance report to provide lower assurance. Hoang and Trotman (2021) report that investors who receive a Corporate Social Responsibility (CSR) assurance report at a reasonable level derive higher fundamental value than the investors who receive information that is not assured or assured at a limited level. Investors who receive either a reasonable or limited assurance level report do perceive the information to be more reliable than the investors who receive information that is not assured.

In summary, given that the empirical literature is clear that limited assurance provides little value, if at all to the market, we would suggest that auditor's provide reasonable assurance which would therefore require

the auditors to design and perform risk procedures sufficient to identify and assess risks of material misstatement at the assertion level for the disclosures, and to design and perform further procedures as appropriate.

### University of Southampton

We have provided our comment in our responses to Question 1. Currently, proposed ISSA-5000 do not provide a clear definition of limited assurance and its clear distinction from reasonable assurance in terms of level of assurance engagement and materiality assessment.

## 12. Individuals and Others

### Capitals Coalition

In many jurisdictions the reliance on limited assurance of sustainability information as the norm for at least the foreseeable future it is imperative that the distinction between 'limited' and 'reasonable' is well understood so as to not contribute to a widening expectations gap of what falls within the responsibilities of the assurance provider. It is not clear from what is drafted that the key difference between the two levels of assurance is critically about work effort but the current wording in the proposed standard appears to suggest more fundamental differences. It is difficult to contemplate how users will be able to rely on a limited assurance opinion that does not anchor to basic assertions about the claims being made by the entity. It is important that framework agnostic does not become de facto license to deviate from the qualitative characteristics that should underpin all external reporting. That is, under the IAASB Assurance Framework, relevance and reliability are fundamental to the credibility of reported information on which the practitioner forms a judgement over. For that reason, there is a clear nexus between what assertions the practitioner has tested and provide the basis for users to rely on their opinion.

### International Accreditation Forum (IAF)

While the splitting out of limited and reasonable assurance into tables in sections of the standard is helpful, there is not enough depth of information about the difference between these two levels, in particular with reference to substantial and analytical procedures (126L/ R substantive procedures and 100L/R Analytical procedures and 132 Sampling).

In addition to risk and control evaluation, there is a huge difference between the amount of data that needs to be reviewed for reasonable assurance vs limited. If this difference in work effort is not effectively highlighted, then there is a risk that new assurance providers may conduct reasonable assurance engagements using this standard without sufficient substantive and analytical data review.

IAF recommends IAASB to better specify the difference between to the assurance process to achieve two different levels of assurance by addressing:

the nature and type of controls

criteria for defining sampling methods of controls

to be carried out for an assurance "limited" or "reasonable".

ED-5000 does not adequately address criteria to anchor the type and nature of control to the estimation of the amount of effort to be dedicated during the engagement.

This may result into:

threat to impartiality and independence due to subjectivity in conducting an engagement

difficulty for users to rely on the results of the engagement process

IAF recommends IAASB to specify criteria to determine the quantity of effort required for conducting an engagement activity by taking into consideration for example:

the number of material topics to be considered (in accordance with the results of the materiality assessment)

the boundary of the organization (one site or multiple sites)

the number of internal controls to be considered

The criteria should be segmented and defined for “limited” and “reasonable” assurance

In addition, there should be further focus in the standard on mixed engagements where some sustainability information is subject to reasonable assurance and other to limited assurance.

There should be a logical and clear link between material areas to report for a company and where they are seeking reasonable assurance.

Further consideration should be given to what sustainability information could be subject to reasonable assurance, for example to give reasonable assurance for scope 3 emissions would require much more reliance on data that is not within control of the entity, with more assumptions and may need a future set of procedures applied in order to reach a reasonable assurance conclusion.

The approach to undertaking both limited and reasonable assurance makes no reference to consideration of site visits and where these may be appropriate or required, in particular for reasonable assurance where these may be necessary to a selection of sites, depending on the entity and the sector in which they operate.

### Japan Accreditation Board (JAB)

ED5000 does not define the nature and type of controls to be carried out for an assurance “limited” or “reasonable”.

For example, this document address the example of Unmodified Combined Reasonable and Limited Assurance Report, however, it does not define how to provide the reasonable assurance for scope 1 and scope 2 of direct emission and indirect emission, and limited assurance for scope 3 of other emission in respect to climate change and GHG management, that both ISO 14065 and ISO14064-3 are provided.

ED5000 does not adequately address criteria to anchor the type and nature of control to the estimation of the amount of effort to be dedicated during the engagement.

This may result into:

threat to impartiality and independence due to subjectivity in conducting an engagement

difficulty for users to rely on the results of the engagement process

JAB recommends to define the common criterion for all assurance practitioners, accredited assurance bodies and for all intended users, as to avoid the different outcome over the assurance activities.