

Sustainability Assurance – Respondents’ Detailed Comments to EM Question 15

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

15.2 Agree with comments

1. Monitoring Group

Basel Committee on Banking Supervision (BCBS)

The Committee agrees that the requirements relating to a practitioner’s external expert are clear and should be capable of consistent implementation (in paragraphs 42 and 49–50 of ED-5000 and related application guidance).

We particularly support the emphasis on the practitioner’s sole responsibility set out in paragraph A108, and the requirement to document that the use of a practitioner’s external expert is adequate for the practitioner’s purpose (paragraph 167(a)(i)). We suggest that a statement about sole responsibility is also included in the main body of the standard, perhaps in paragraph 163.

International Forum of Independent Audit Regulators (IFIAR)

A116 related to matters that “may” be included in the practitioner and practitioner’s expert agreement and matters that “may” be relevant when evaluating the work of a practitioner’s expert. There should be a requirement that there is an agreement with the auditor’s expert and this agreement is in writing like the requirements in International Standard on Auditing (ISA) 620, Using the Work of an Auditor’s Expert (ISA 620), paragraph 11.

A122 listing matters the engagement team “may” request another practitioner to communicate. There should be a related requirement that these communications be in writing.

Consistent application

We have included examples of application material, which should have related requirements. These are examples where the standard does not mandate any action, but only refers to the possibility of action to be considered. Thus, the consistency of application will depend on the choice made by the practitioner. The IAASB should re-evaluate the use of “may” in the ED-ISSA 5000 application material to ensure it is supported by the related requirements where appropriate.

4. Regulators and Audit Oversight Authorities

European Securities and Markets Authority (ESMA)

Consistency of sustainability information with financial information and communication between practitioners

Furthermore, as the field of sustainability reporting demands diverse expertise, it will become more common for multiple practitioners to collaborate on assurance engagements and leverage the contributions of other experts. When sustainability reports encompass information across the entire value chain and contain information originated from other entities, communication among the different sustainability assurance providers plays a significant role to ensure the uniformity and integrity of this information. ESMA

underscores the importance of an effective communication among the various sustainability assurance providers involved in the assurance engagement and suggests that ED-5000 would benefit from including clear communication requirements particularly, in relation to “incorporation of information by reference” to avoid overlap and ensure coordination of assessment of the information or the consolidation of information stemming from different entities.

Irish Auditing and Accounting Supervisory Authority (IAASA)

See response to question 18.

5. National Auditing Standard Setters

Comite Brasileiro de Sustentabilidade (CBPS)

Although the requirements for using the work of the practitioner's external expert or another practitioner are clear, it seems extremely challenging to apply those requirements in practice, for example, those presented in paragraphs A90 and A121 - A124.

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

We believe that ED-5000 contains clear requirements relating to using the work of a practitioner's external expert.

We encourage the IAASB to continue liaising with IESBA during the development of their project on “the use of experts”.

New Zealand Auditing and Assurance Standards Board

The NZAuASB supports the content in ED-5000 as we believe that experts and other practitioners will be used extensively, due to the complex and broad nature of sustainability information that may be reported. We stress the importance of the expert or other practitioner having sufficient understanding of the underlying subject matter (i.e., the condition of the relevant environmental, social, economic, or cultural context). This understanding and specific subject matter expertise should be evidenced by an assessment of competence in the field in which the expert or other practitioner is providing their input. We note that competency frameworks required by the ISO standards include topic or sector-based assessments of competency.

Files\7. Accounting Firms

Altat Noor Ali Chartered Accountants

15.1 Yes.

15.2 A practitioner's external expert is not part of the engagement team.

15.3 An internal expert is, by definition, a member of the engagement team, subject to the same direction, supervision and review requirements as other members of the engagement team.

15.4 If the practitioner expects to be able to be sufficiently and appropriately involved in the work of the external expert, paragraph 49 of ED-5000 specifies the other requirements and conditions that must be met to be able to use the work of that external expert

Baker Tilly International

51(d) requires the practitioner to determine whether the work of another practitioner is adequate, and 53(d) whether communication is adequate. There should be guidance on the meaning of “adequate”.

BDO International Limited

We consider the requirements and application guidance in ED-5000 clear when using the work of a practitioner's external expert and another practitioner. We recommend including more guidance or additional requirements about the form of communication between the practitioner and the external expert or the practitioner and another practitioner, for example adding a requirement that communication should be in writing. We also suggest adding guidance in the following areas:

How a practitioner would evidence appropriate involvement in the work performed by the external expert or another practitioner

How to evaluate the external expert's or another practitioner's compliance with relevant independence and ethical requirements.

Deloitte LLP

We recommend further application material, including examples, be provided related to using the work of other practitioners, including:

How the practitioner may fulfill the requirement in paragraph 51d to determine whether another practitioner's work is adequate for the assurance practitioner's purposes, particularly when that practitioner is performing work related to the entity's value chain (i.e., on sustainability information that is “further away” from the entity subject to the assurance engagement).

Considerations for when the assurance practitioner may or should use the work of another practitioner or expert vs. performing the work themselves.

Outcomes if the assurance practitioner determines after the engagement has been accepted that the assurance practitioner will not be able to be sufficiently involved in the work of another practitioner (or cannot determine that their work is adequate), nor will the assurance practitioner be able to gather information or evidence on their own.

Given the complexity of the sustainability information subject to assurance and its origin, particularly related to information coming from the value chain, we believe the circumstances above may occur frequently and while “practice” will evolve over time as engagements scale and mature, application material on evaluating the direction, supervision, review model in such circumstances would be helpful.

Ernst & Young Global Limited

Refer to our response to Q14 regarding the use of the work of another practitioner.

We believe that ED-5000 contains clear requirements relating to using the work of a practitioner's external expert. We encourage the IAASB to continue liaising with IESBA during the development of their project on “the use of experts”.

KPMG International

In general, we believe the requirements in respect of a practitioner's external expert are clear and capable of consistent implementation and are aligned with the equivalent requirements in both ISAE 3000 (Revised) and ISA 620. However, we have certain concerns relating to using the work of another practitioner, as we

describe below, together with suggestions to enhance clarity and consistent application of ED-5000. We also set out a recommendation to clarify the appropriate use of internal audit.

Requirement to determine whether there is a need to use the work of a practitioner's external expert

We recommend that the section beginning at paragraph 41, addressing engagement resources, include an explicit requirement for the practitioner to determine whether there is a need to use the work of a practitioner's expert (whether internal or external) in order to obtain sufficient appropriate evidence, prior to paragraph 42, which addresses requirements when the practitioner intends to do this.

Consider prohibiting making reference to the work of a practitioner's expert in the practitioner's report unless required by law or regulation

We note that ISA 620 clearly prohibits reference to the work of an auditor's expert in the auditor's report, unless required by law or regulation, in which case the report is required to indicate that this does not reduce the auditor's responsibility for the opinion. ED-5000 paragraph 172 appears more permissive, noting that if such reference is made, the wording of the report shall not imply that the practitioner's responsibility is reduced. We recommend that the IAASB consider including an explicit prohibition on making such reference to an expert, unless such reference is required by law or regulation.

Consider developing a separate ISSA in future

We also highlight that certain matters, which are requirements in ISA 620, are included within the application material to ED-5000. We recognise that, as a foundational standard, the IAASB aims to avoid an unwieldy volume of requirements within ED-5000 itself. However, we suggest that the IAASB consider the development of a separate ISSA addressing using the work of experts with these "matters to consider" elevated to requirements, supported by related application material to provide greater context and guidance, in the medium term.

Clarify the term "Using the work of another practitioner" and include a requirement to consider the need to use the work of another practitioner

We welcome the inclusion of material addressing when a practitioner intends to use the work of another practitioner that is not a member of the engagement team, as we believe this scenario is likely to occur relatively frequently in respect of sustainability assurance engagements. However, we do not consider ED-5000 to be clear as to the meaning of "use" in respect of the work of another practitioner, and we recommend that this be clarified, as it has important implications for the approach to the assurance engagement. We believe that the term "use" may be analogised to a group auditor using the work of a component auditor when performing an audit of group financial statements in accordance with ISA 600 (Revised), where they would need to evaluate the component auditor and their work to establish whether they can use it. However, on a sustainability assurance engagement, this may not be necessary, or even practicable, e.g. when a practitioner intends to "use" the publicly available assurance report of another practitioner on information from within an entity's value chain as part of their procedures to evaluate the relevance and reliability of that information.

Accordingly, we recommend that the IAASB clarify ED-5000 as follows:

Clarify that "use" of the work of another practitioner is intended to mean when the work of another practitioner relates to information that forms a significant part of the sustainability information that is subject to assurance, and the practitioner intends to obtain access to the work of the other practitioner and "use" this in order to obtain sufficient appropriate evidence. In these circumstances, the practitioner would need to:

consider whether the other practitioner has complied with relevant ethical requirements, including in respect of independence;

assess the competences and capabilities of the other practitioner; and

be able to access their workpapers;

Explicitly acknowledge that “using” the work of another practitioner may not always be necessary to obtain sufficient appropriate evidence over information from the entity’s value chain that is included in the sustainability information;

Include a requirement for the practitioner to consider whether they need to use the work of another practitioner to obtain sufficient appropriate evidence, with application material providing factors to consider, such as the significance of the information subject to the work of the other practitioner, and the requirements of the applicable criteria in respect of such information;

Address the approach the practitioner would be required to take to obtain sufficient appropriate evidence over such information when the practitioner determines that they do not need to use the work of another practitioner to do so. Please see our response to Question 18 for further discussion.

We highlight that communicating with, and obtaining access to the work papers of, other practitioners may be more challenging for sustainability assurance engagements, and therefore we recommend that the IAASB work with other stakeholders to educate those within the sustainability reporting ecosystem about these challenges and how these may be overcome. Such education may address mechanisms to effect cooperation between sustainability assurance professionals across a wider value chain.

In relation to challenges in using the work of another practitioner, we also highlight that another practitioner may perform procedures/ have performed procedures for a different purpose, and as a result use/have used a different assurance standard to ISSA 5000, different criteria to those of the entity subject to assurance (which may constitute “special purpose” criteria), and different levels of materiality, and that the information may have been prepared in respect of a different, but overlapping, time period. This is most likely to be the case when the engagement is performed over information from the entity’s value chain and/or in circumstances where the entity has relatively limited ability to exert influence over management at such other entities. In such circumstances, the practitioner would need to consider whether the work of the other practitioner constitutes sufficient appropriate evidence, or whether the practitioner would need to perform or request the other practitioner to perform (if that is possible) additional procedures. Depending on the significance of the information subject to assurance by the other practitioner to the sustainability information as a whole, and whether sufficient appropriate evidence can be obtained by the performance of additional procedures, the practitioner would need to determine whether or not there is a scope limitation. We suggest that the IAASB consider developing the material at paragraphs A120-A121 to address these matters, and also include examples of more common reporting scenarios that are expected to arise.

Clarify the practitioner’s responsibilities when using the work of the internal audit function

We highlight that ED-5000 does not sufficiently address matters such as whether the internal audit function can provide direct assistance to the practitioner and, in particular, does not embed the core principle that the practitioner is required to make all significant judgements in the engagement and must not make undue use of the work of the internal audit function. We refer the IAASB to ISA 610.18 and 19 in this regard, and recommend that these core concepts are explicitly stated within ED-5000 itself.

MHA

As noted in our response to question 14 above, we are concerned at the feasibility of the approach outlined in ED-5000, particularly where the subject matter for the external expert or other practitioner is in an emerging, or unregulated, area of expertise. We believe this can only reasonably be achieved if the IAASB issues detailed application guidance.

MNP LLP

We agree that the requirements in ED-5000 for using the work of a practitioner's external expert or another practitioner are generally clear and capable of consistent implementation.

When using the work of another practitioner, paragraph 52 requires the practitioner to communicate with the other practitioner about the findings from the other practitioner's work to the extent necessary in the circumstances. Paragraph A122 includes relevant matters that an engagement team may request another practitioner to communicate. When using the work of multiple "other practitioners" the communication requirement may become onerous. When the work of another practitioner has already been assured, we believe application guidance should be developed to provide examples of when a practitioner would not need to make these communications.

PKF International Limited

We consider that the requirements in this regard are not clear enough. For example, para 42 requires the engagement leader to determine whether the practitioner will be able to be sufficiently and appropriately involved in the work of the practitioner's expert. However, the standard provides little guidance on how to make the determination nor does it clearly specify the implications if the engagement leader determines that the practitioner will be unable to be sufficiently and appropriately involved in the work of a practitioner's external expert or another practitioner.

8. Assurance Practitioner or Firm - Other Profession

Academy for Practical Training on Sustainability Assurance (APTISA)

As the range of expertise is so fundamental to sustainability report assurance, I strongly urge the IAASB to consider a separate standard for this matter under 5000

9. Public Sector Organizations

Office of the Auditor General (New Zealand)

Most of the information has been deduced from ISA 600 which is appropriate as described in the scope and introduction of that standard. The practitioner's nature and extent of procedures before "using the work" of another practitioner should be further clarified, particularly where that work has already been completed.

Most of the information required from paragraph A121 can be obtained from reading the assurance report. This information on its own should not be regarded as adequate evidence.

Paragraph A122 seems to suggest that discussions and obtaining lists of misstatements could be adequate evidence, because paragraphs 54 and A124 do not seem to require access to the other practitioner's working papers in all instances.

The ethical requirements to follow before obtaining the work of another practitioner should be included in ED-5000 for it to be a stand alone document. The practitioner would, for example, first have to obtain permission from the entity to communicate with the other practitioner and obtain permission for the other practitioner to share the findings related to the entity with the practitioner.

Practitioners with an audit and assurance background would be familiar with the process to follow, but it should not be assumed that non-accountant assurance practitioners will be aware of these requirements even if the ISSA requires such practitioners to follow ethical requirements that are at least as demanding as the IESBA code.

It should also be clarified that the other practitioner is under no obligation to cooperate with the practitioner, which may complicate the ability to use their work and require the practitioner to perform their own procedures to obtain the required evidence.

Practical matters should also be described, such as compensation for the other practitioner's time and work, and the use of 'hold harmless' letters before information is shared.

10. Member Bodies and Other Professional Organizations

Chamber of Financial Auditors of Romania (CAFR)

Enhancing the standard with clearer directives on incorporating information obtained from other assurance providers within the value chain would be immensely beneficial. This clarification is essential to address concerns regarding the expectation that the sustainability assurance provider should cover the entire entity's value chain which is an impractical task.

Despite the comprehensive guidelines, we suggest potential improvements such as providing additional illustrative examples or case studies to further clarify scenarios where practitioners may or may not be rely on the work of external experts or other practitioners.

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

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

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

Consejo General de Economistas de España

We believe that using the work of a practitioner's external expert or another practitioner is similar to using the work of experts in ISA 620, Using the Work of an Auditor's Expert, and so should be treated in a similar way.

CPA Ireland

CPA Ireland considers that it may be useful to have the “use of practitioner’s experts or other practitioners” disclosed clearly within the Terms of the Assurance Engagement, per Para 78 of ED – Proposed ISSA 5000.

European Federation of Accountants and Auditors for SMEs (EFEAA)

Please see our response to Q14 above.

We believe that using the work of a practitioner’s external expert or another practitioner is parallel to using the work of experts in ISA 620, Using the Work of an Auditor’s Expert, and so should be treated in a similar fashion.

We believe it would be useful if the standard provides more clarity on how information from work performed by other assurance providers in the value chain can be used in the engagement. This would help address the concern around an expectation that the sustainability assurance provider must provide assurance over the whole value chain of the entity, which may be impractical or impossible. As entities within the value chain may have also obtained assurance over their sustainability disclosures, there could be certain work that can be relied upon, if there was some clarity on the approach.

Institut Akuntan Publik Indonesia

When the engagement team cannot be sufficiently involved in the work of a different practitioner the nature, timing and extent of procedures undertaken to evaluate the work of “another practitioner” is likely to be an area of potential inconsistency.

Institute of Chartered Accountants of Ghana

proposed standard specifies that when practitioners can sufficiently rely on and oversee the work of another practitioner, those individuals are to be considered as part of the engagement team. However, in situations where the engagement team cannot be sufficiently involved in the work of the other practitioner (i.e., “another practitioner”), the nature, timing, and extent of the procedures to be performed by the engagement team to evaluate the work of the other practitioner may be an area of potential source of inconsistency. This could also be an area for close regulatory scrutiny.

Further, more guidance and a granular approach to training is needed especially as other practitioners who have not been subjected to the rigour of the accounting profession and International financial reporting and assurance standards.

Institute of Chartered Accountants of the Maldives

Though it is clear on circumstances to use of practitioner’s expert and this can be consistently applied, it has to be kept in mind that there is an element of human judgement involved in use of external experts.

Institute of Singapore Chartered Accountants (ISCA)

We expect the scenario of using the work of another practitioner who is not a member of the engagement team to occur more frequently in sustainability assurance engagements, in particular, for consolidated sustainability information. Such information can be from the legal group or from the entity’s wider value chain. The preparation and presentation of such information may not be within the entity’s internal control. For such cases, there can be varying degrees of ability or limitation in accessing the work of these other practitioners. We recommend that the standard considers providing further guidance on how practitioners can overcome access challenges, impact when other practitioner uses different assurance or validation standards, or when the information subject to the assurance by other practitioners are for other purposes

e.g. reporting to authority as well as the reporting implications such as arising from any inherent limitations relating to reliability of certain information. Overall, where practitioners can only rely on publicly available information for e.g. published validation report, they are likely to have limited insights into the quality of the assurance engagement by the other practitioner. An increased use of limitation of scope qualifications may not be useful to users.

Requiring compliance with the IESBA Code and ISQM 1 (see Question 4), would facilitate consistent application of ethical and quality management requirements when practitioners from other jurisdictions are involved.

Instituto de Censores Jurados de Cuentas de España (ICJCE)

It is not clear how would an external expert report to the engagement team and standard framework to be followed in order for the practitioner to rely on external expert work.

ISSA 5000 should clarify whether the independence model for 'another practitioner' when their work is used for the entities over the supply chain should be the same as for the group audit (the group auditor and the component auditor should be independent in respect of all the components included in the group). ISSA 5000.51 (c) should be more precise about what assurance standards are considered appropriate.

Instituto Mexicano de Contadores Publicos (IMCP)

We agree that for using the work of practitioner's external expert, the proposed standard includes requirements and application material that should not be confusing or that would lead to an inconsistent implementation considering that the assurance practitioner is knowledgeable in the application of ISAs or ISAE 3000. However, for the use of another practitioner's work, execution may not be easy to apply as the concept is relatively new and may not be understood in a consistent manner. There may be a need that first year implementation material deal in more detail with this situation and have more practical examples.

International Federation of Accountants (IFAC)

It would be beneficial for ISSA 5000 to provide more clarity on how information from work carried out by other assurance providers in the value chain can be used in the engagement. This would help overcome potential practitioner concerns about an expectation that the sustainability assurance provider for an entity must provide assurance over the whole value chain, which may be impractical or impossible. As entities within the value chain may have also been required to gain assurance over their sustainability disclosures, there could be certain work that can be relied upon, if there was some clarity on the approach. Similar considerations would exist where there is use of service providers, so some clarity on what conditions would be needed to rely on information from work carried out by another party would be beneficial (e.g., is a SOC report or equivalent needed for reliance on controls assurance).

Generally, there could also be better emphasis that the same level of diligence is needed whether an expert is part of the engagement team or not. Paragraph 49 indicates the considerations that need to be made for an external expert. Many of these, especially around competence, capabilities and objectivity, would also apply to other practitioners and the engagement team itself. It would be useful to clarify such considerations are relevant for all.

Malaysian Institute of Certified Public Accountants

There are situations where the engagement team cannot be sufficiently involved in the work of a different practitioner. The nature, timing and extent of procedures undertaken to evaluate the work of "another

practitioner” may potentially give rise to inconsistency of evaluation. Hence, this may be an area where application guidance is required.

Nordic Federation of Public Accountants (NRF)

ED-5000 includes requirements for using the work of a practitioner's external expert or other/another practitioner. However, further application materials would be encouraged to guide the practitioners related to:

How the practitioner may fulfil the requirement (51d) to determine whether another practitioner's work is adequate for the (assurance) practitioner's purposes. Among others, relevant to the other practitioner's work related to the value chain.

Considerations for when the practitioner may use the work of another practitioner or expert or when it is relevant to perform the work themselves.

How the practitioner will be sufficiently involved in the work performed and evaluate the work performed by another practitioner or expert if the practitioner is unable to access the work performed, make inquiries or review the work.

Saudi Organization for Chartered and Professional Accountants (SOCPA)

SOCPA suggests that the requirements can be made clearer by providing more specific guidance on what constitutes "sufficient and appropriate involvement." For example, the guidance could include examples of the types of activities that a practitioner should perform in order to be adequately involved in the work of the external expert or other practitioner. Also, ED-5000 could provide more specific guidance on how to evaluate the competence and objectivity of the external expert / other practitioner. For example, the guidance could include a list of factors to consider when making this evaluation.

15.3 Neither agree or disagree

3. Those Charged with Governance

International Corporate Governance Network (ICGN)

We recommend that the requirements in ED-5000 for using the work of a practitioner's external experts be clarified further. We believe the assurance provider should retain full responsibility over the assurance engagement and cannot delegate their duties. The practitioner should also verify the independence of experts they use, as well as their competence, ethics, and professional reputation. The practitioner should be responsible for assessing the work and conclusions carried out by the external expert. We acknowledge that sustainability covers a broad range of issues, and that the assurance provider may benefit from specific topical or local external expertise to carry out the engagement. Nonetheless, companies should ensure that they appoint an assurance provider that has core competences for assurance on sustainability reporting and the assurance provider should only accept an engagement if they have the required knowledge.

In cases where companies select two or more firms to assure different parts of their sustainability reporting, the same rules that apply to joint audit should prevail, to produce a common joint assurance report, rather than several separate assurance statements.

7. Accounting Firms

Crowe Global

The requirements in ED-5000 for using the work of a practitioner's external expert or another practitioner clear and capable of consistent implementation. The standard appropriately recognises the importance that experts will play in sustainability assurance engagements. Because of this implementation guidance is needed, and, in due course a specific standard.

RSM International

We have several concerns regarding the requirements for using the work of another practitioner (as described in paragraph A22):

Clarification is needed when using the work of another practitioner as evidence for information from the value chain outside of the reporting boundary versus when using the work of another practitioner performed on an entity within the reporting boundary (generally as a part of a group or consolidation). We recommend addressing these two categories in separate sections as different requirements may apply to each category. Also see our response to question #18.

As explained in our response to question #18, we recommend addressing different reporting frameworks used by the other entities where sustainability information used was assured by another practitioner.

As explained in our response to question #18, we recommend addressing when entities within the reporting boundary where sustainability information used was assured by another practitioner use different policies and methodologies to calculate estimates for similar data (i.e., for information prepared on a different basis).

As explained in our response to question #18, we recommend addressing circumstances when different assurance standards are used between the practitioner and another practitioner, including any differences in approach when an entity with sustainability information assured by another practitioner is consolidated and included in the reporting boundary or when an entity with sustainability assured by another practitioner is used as evidence for part of the value chain outside of the reporting boundary.

It would be helpful to clarify that the practitioner's responsibilities include evaluating whether the entities in the value chain from which information was included was appropriate in accordance with the relevant sustainability reporting framework. This would help in clarifying the sufficiency of evidence needed from 'another practitioners' who performed work on entities within the value chain outside of the reporting boundary.

As explained in our response to question #18, consider allowing the practitioner to make reference to another practitioner in the practitioner's report.

9. Public Sector Organizations

Office of the Auditor General of Canada

Please see our response to question 14.

10. Member Bodies and Other Professional Organizations

ASEAN Federation of Accountants

We believe that the requirements are clear and conceptually reasonable. However, there are significant practical barriers to a practitioner's ability to comply with the requirements as follows:

- 1) When assurance work has been performed at an entity significantly down the value chain, it is unrealistic to expect the assurance practitioner from that value chain entity to be able to interact with multiple assurance practitioners further up the value chain.
- 2) It is unclear how the assurance practitioner can reasonably evaluate the independence of another practitioner significantly down the value chain, other than relying on a statement in any assurance report issued by that downstream practitioner.
- 3) When the downstream assurance practitioner is also from a non-professional accounting firm, the challenge of evaluating whether that practitioner has complied with requirements that are at least as demanding as the IESBA Code also apply.
- 4) Obtaining sufficient information to determine the nature, scope and objectives of that practitioner's work and evaluating its adequacy will be similarly challenging.
- 5) Similar challenges to those for evaluating relevant ethical requirements apply in respect of evaluating whether non-accounting sustainability practitioners has complied with quality management principles.

Therefore, in the absence of the evolution of a service auditor's report model up and down sustainability value chains, those assurance practitioners further up the value chain are likely to face an inability to obtain sufficient appropriate evidence (scope limitation).

Further guidance is needed to address these concerns.

Chartered Professional Accountants of Canada (CPAC)

The assurance practitioner will likely receive information from the entity's value chain that has been prepared outside of the entity and potentially assured by another practitioner. It would be beneficial for ISSA 5000 to provide more clarity on how information from work carried out by other assurance providers in the value chain can be used in the engagement. There are similar concerns where entities outsource to a third-party certain data collection and other activities relevant to the preparation of sustainability information (i.e., service organization).

CPA Australia

We note that the ED-5000 requirements for using the work of the practitioner's external expert are adapted from ISA 620's requirements for an auditor's expert, and the requirements for using the work for another practitioner are also loosely adapted from ISA 600's requirement for the component auditor. As outlined in our response to question 14 above, the concept of using the work of the practitioner's external expert and another practitioner is not consistent with ISAs as they are defined slightly differently in ED-5000 compared to the definitions in the ISAs'.

Therefore, we are of the view that it might be premature to comment on the application of the ED-5000 requirements in practice at this stage.

Paragraph 49(a) (External Expert) discusses fundamental ethical principle of Objectivity but not Independence whilst paragraphs 51(a) (Another Practitioner) discusses the fundamental ethical principle of

Independence but not Objectivity. We are unclear as to the rationale for the difference in requirements for an External Expert compared to Another Practitioner in this regard. In our view, both fundamental ethical principles should apply equally to both the External Expert and Another Practitioner.

Institute of Chartered Accountants of Scotland (ICAS)

We believe that further specificity is needed regarding the practitioner's responsibilities when using the work of a practitioner's external expert or another practitioner.

By their very nature sustainability-related information covers a wide variety of subject matters, which is one of the inherent challenges. This in many cases will require a wide range of technical skills and competences within the engagement team, supplemented by experts as appropriate to appropriately perform an assurance engagement on the subject matter information. The use of a practitioner's external expert may therefore be crucial to the successful performance of such assurance engagements. We therefore believe that the standard needs to be comprehensive in relation to such circumstances which are likely to be pervasive. In this regard, in relation to situations where an assurer is using the services of a practitioner's external expert or another practitioner and cannot be sufficiently involved in their work we believe ED-5000 needs further application material.

11. Academics

Accounting and Finance Association of Australia and New Zealand

Research in this area suggests that this is a potential risk area.

Papers by Jennifer Joe and her team of researchers (e.g., Barr-Pulliam et al., 2020) suggests that there can be tensions between auditors and some kinds of specialists, which can lead to the specialists not trusting the auditors and responding in ways which threaten audit quality.

Empirical research finds that there is variation in the nature, timing, and extent of specialist use. For example, the valuation specialist provides advice to the auditors whereas the forensic specialists perform the audit tests (Asare and Wright 2018; Cannon and Bedard 2017). In addition, information system audit and forensic specialists often review the auditors' work, and thus are contributing beyond the audit planning and testing levels (Asare and Wright 2018; Jenkins et al. 2018). This suggests that, when using the work of a practitioner's external expert, the type of specialists employed also impacts outcomes.

Past studies suggests that auditors tend to have a high level of trust in an expert's work (Boritz et al. 2020). Trust in the expert impacts auditors' skepticism and the extent of the supervision of the expert's work, particularly when that expert/specialist is internal to the audit firm (Hux 2017). Research has therefore identified a high level of reliance by auditors on external experts, as well as a high level of trust in their work and in their firms' quality control systems that are assumed to indicate that the experts are competent and independent. Such findings suggest that external experts are an important resource to auditors.

15.4 Disagree with comments

2. Preparer and Users of sustainability information

Philip Morris International INC.

The sources of sustainability information can be diverse and extend outside of the entity's controllable area while sustainability matters can relate to special know-how areas where work of external experts or practitioners need to be utilized. More solid baseline and minimum requirements (including ethical requirements and quality standards with regard to ISQM1) for such work to be used in an assurance engagement would bring clarity and consistency on the implementation and eliminate the judgmental inconsistencies across engagements. This will also provide more clear guidance and direction to the entities who need to obtain assurance/certification/consultancy for different sustainability matters from different professionals.

4. Regulators and Audit Oversight Authorities

Financial Reporting Council – UK (FRC)

We have several comments around the use of the work of another practitioner.

We believe more explicit consideration should be given to group sustainability reporting and the implications for addressing information that comes from entities within the organizational boundary and entities in the value chain outside that but within the reporting boundary. A117 identifies that the extent of the practitioner's procedures to evaluate the work of another practitioner in accordance with paragraph 51 is influenced by, inter alia: "The ability of the practitioner to obtain access to another practitioner and their work, for example, when the work of another practitioner relates to information outside of the entity's organizational boundary, the further down the entity's value chain that information resides the less likely it is that the entity's management or the practitioner will be able to influence access to the work of another practitioner. Paragraph A125 explains circumstances in which a limitation on scope may arise in relation to using the work of another practitioner." We believe this should have greater attention generally in the standard including, in part, to manage expectations of users.

When the practitioner's 'client' is an entity producing group sustainability information and another practitioner has been used to perform assurance work on an entity within the organizational boundary it will be in the interests of the client to ensure the practitioner for the group sustainability information as whole is allowed access to the work of the other practitioner, unless not permitted by law. Further, in cases where access to the other practitioner's work cannot be facilitated it is more likely that the group practitioner will be able to perform alternative procedures in relation to relevant sustainability information. However, for entities in the value chain outside the organizational boundary we expect that in most cases the client will not be able to ensure access and, notwithstanding the guidance in A122-A124 (see below), the ability to perform alternative procedures that generate useable "evidence" may be very limited. In consequence we believe there may be many limitations in scope where material sustainability information relates to an entity in the value chain outside the organizational boundary.

We believe users would have a better understanding if it was clear to them where scope limitations relate to entities in the value chain outside the organization boundary compared to entities within the organizational boundary.

In the context of audits, obtaining reasonable assurance for a group by instructing component auditors and then using their work is common and conceptually clearly understood. Here, a group assurance practitioner may conditionally use the work of another assurance practitioner without instruction or oversight, to support what may be a reasonable assurance opinion. We believe it is important to emphasise that, when the group assurance practitioner determines whether the other practitioner's work is adequate for their purposes, they must identify any limitations that arise from the lack of instruction and oversight, and determine whether they can address them where appropriate. This would alleviate the risk that reasonable assurance comes to mean different things in audit and sustainability assurance. However, we have a concern that the impression is being given that it may be possible to use the work of another practitioner more often than will in fact be the case, especially for entities outside the organizational boundary, which risks considerations being exercised less rigorously than appropriate.

The application material in A122 is focused on exchanges of communication and, in effect, obtaining representations from the other practitioner. The further guidance in A123 and A124, to address situations where the practitioner has determined the communications to not be adequate, include review of additional documentation of the other practitioner and consideration of whether there are concerns about the competence and capabilities of the other practitioner. The competency consideration is already covered in the requirement in paragraph 51(a). Obtaining access to review working papers may often be a problem, especially where entities are outside the organizational boundary.

Paragraph 51 of ED-5000 should clarify that it concerns the assurance work of another practitioner. This would help clarify why the requirement is to evaluate independence, rather than objectivity as for an expert.

It is not currently clear if the "other" assurance practitioner is required to be independent to the same level as would be required of someone on the engagement team, or if some leeway is acceptable. We understand this is a matter IAASB has deferred to IESBA to address but we would have expected IAASB to have a position from the perspective of the ability to rely on the work of another practitioner.

5. National Auditing Standard Setters

American Institute of Certified Public Accountants (AICPA)

Using the Work of A Practitioner's External Expert or Another Practitioner

Clarity would be enhanced if ED-5000 addressed using the work of an external expert and using the work of another practitioner separately, as ISAE 3000 (Revised) does. ISA 620, Using the Work of an Auditor's Expert, addresses using the work of an external expert, but there are no ISAs that explicitly include the concept of using the work of another practitioner (auditor). As ED-5000 is currently written, it is quite challenging to parse which requirements apply when the practitioner

can be involved in the work of an expert.

cannot be involved in the work of an expert.

can be involved in the work of another practitioner.

cannot be involved in the work of another practitioner.

We address an external expert and another practitioner separately below.

Practitioner's External Expert

Paragraph 42 requires the engagement leader to determine whether the practitioner will be able to be sufficiently and appropriately involved in the work of a practitioner's external expert. It is unclear what sufficient and appropriate involvement in the work of an external expert would be, as an external expert is not a member of the engagement team. It is also unclear whether paragraph 49 applies regardless of whether the practitioner can be sufficiently and appropriately involved in the work of an external expert, or only when the practitioner can be sufficiently and appropriately involved in the work of an external expert. We suggest deleting reference to the practitioner's external expert from paragraph 42, and revising paragraphs 49-50 to clarify the confusion we have identified.

Using the Work of Another Practitioner

The Explanatory Memo states that "[w]hen the practitioner considers that the work of a firm other than the practitioner's firm is relevant to the practitioner's assurance engagement, and such work has not yet been performed, the practitioner ordinarily plans to be sufficiently involved in that work (see paragraph A90 of ED-5000). If the practitioner is able to direct, supervise and review such work, the requirements in ED-5000 for the engagement team apply...[When] the practitioner cannot be sufficiently involved in the work of another practitioner...and intends to use that work, the requirements in paragraphs 51-54 of ED-5000 apply (see paragraph A91 of ED-5000)." We suggest that paragraph 42 of ED-5000 be revised as follows to focus on direction, supervision and review, which would clarify this concept, remove an inconsistency with other standards, and reduce the need for paragraphs A90 and A91 of ED 5000.

42. If the practitioner intends to use the work of a practitioner's external expert or a firm other than the practitioner's firm, the engagement leader shall determine whether the practitioner will be able to direct and supervise the individuals of that firm and review be sufficiently and appropriately involved in such work, and thereby determine whether the individuals (or as applicable, the other firm) performing that work are members of the engagement team or "another practitioner." (Ref: Para. A87 A89 – A91)

Regarding paragraphs 51-54 of ED-5000, there will be circumstances in which assurance work is performed outside the entity's reporting boundary. Other circumstances likely to arise include when, within the reporting boundary, work has been completed by another practitioner, or not yet performed but the engagement partner cannot be sufficiently involved in the work of the other practitioner, and when the company uses a service provider as part of its sustainability reporting process. In these circumstances, it would be extremely challenging to apply the requirements in paragraphs 51-54. Absent the evolution of a service auditor's report model up and down sustainability value chains, those assurance practitioners further up the value chain are likely to face an inability to obtain sufficient appropriate evidence, which will result in a scope limitation in many circumstances. Treating the work of these assurance practitioners as information intended to be used as audit evidence would be helpful in these situations. Clarifying that this is the intent of ED-5000 would also be helpful.

Paragraph 51

Paragraphs 51(c) and (d) appear to be duplicative. Please clarify the difference between

51(c). Evaluate whether the nature, scope and objectives of that [other] practitioner's work are appropriate for the practitioner's purposes; and (Ref: Para. A121)

51(d). Determine whether the other practitioner's work is adequate for the practitioner's purposes.

Paragraph 51(a) requires the practitioner to evaluate whether [another] practitioner is independent. We recommend revising as follows, using wording from ISA 600 (Revised):

Evaluate Determine whether that practitioner understands and will comply with relevant ethical requirements, including those related to independence, is independent and has the necessary competence and capabilities for the practitioner's purposes

Paragraphs 52 and 53

The objective should be clear, two-way communication between the practitioner and another practitioner. If the concept of clear, two-way communication can be added to paragraph 52, paragraph 53 could be eliminated.

Using the work of internal audit for direct assistance

We suggest addressing internal audit used for direct assistance, using language from ISA 610 (Revised 2013), specifically in the definition of engagement team in ED-5000 and in paragraph 41, to be consistent with paragraph 26 of ISA 220.

Australian Auditing and Assurance Standards Board (AUASB)

While the AUASB has no concerns with the theoretical content of ED-5000, the AUASB has concerns regarding the practical implementation of the requirements of the standard as it relates to assurance by others on entities outside of the entity's organisational boundaries as well as the expected extensive use of experts. This includes how the practitioner would be expected to:

assess competencies and independence;

access information and proprietary information and what this may mean for scope limitations;

determine whether the work is adequate for the practitioner's purposes, particularly when the other practitioner is performing work related to the entity's value chain;

have knowledge of sustainability subject matters and underlying context; and

deal with unaligned reporting timeframes of entities up/down stream.

The AUASB considers that the Application Material in ED-5000 could be strengthened to encourage the use of the assurance providers own experts particularly for more complex entities/industries. The application material in ED-5000 could better reflect the expectations of the IAASB that there would be a greater use of experts owing to the complexity and breadth of sustainability information that will be reported, as well as clarifying when a practitioner's expert is expected to be engaged. Additionally, the AUASB encourages the IAASB to strengthen requirements and guidance in relation to the use of experts more broadly, both for sustainability assurance and financial report assurance.

The IAASB should also consider giving prominence through requirements on the practitioner's need to understand whether the expert has sufficient understanding of the assurance process.

The IAASB should consider requirements or guidance for instances where an assurance practitioner uses an expert or firm of experts in relation to information that is so significant (in materiality and/or the risks associated with that information) that the assurance practitioner should consider the quality management processes and ethical requirements applied by the expert or the expert's firm. This may be particularly important where a team is used by the expert in undertaking their work.

In relation to the use of other practitioners, the AUASB suggests that guidance is needed to assist practitioners with the likely practical challenges in obtaining access to information external to the entity to

test directly, or in determining whether the scope of the work of the other practitioner is sufficient, particularly where the entity itself has no contractual right to access this information.

Additionally, paragraph 172 (and the supporting explanatory material) of ED-5000 seems to be inconsistent with the requirements in ISA 620 (paragraphs 14 and 15). Paragraph 172 seems to focus on not reducing the assurance practitioner's responsibility if reference is made to the work of a practitioner's expert in the assurance report, whereas paragraph 14 of ISA 620 explicitly states that the auditor shall not refer to the work of an auditor's expert unless it is specifically required by law or regulation, or it is appropriate to be included in a modified report. The AUASB suggests that this be revisited by the IAASB to consider whether the inconsistencies are intentional and appropriate.

The IAASB should consider whether assurance providers should be required to report on the use of their own experts as a means to promote the use of experts. The nature of the work of the expert, their competence and objectivity could be covered. However, there should be a statement that using the work of an expert does not in any way diminish the responsibility of the auditor and the experts should not be named.

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

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

Sustainability assurance engagements are to be performed on a wide range of technical matters and thus may necessitate using the work of experts with specialized skills and knowledge. In addition to management's experts, entities may use service organisations for sustainability related testing, certification and verification. Such services and their results may also be relevant for the assurance practitioner.

Therefore, it is crucial that ISSA 5000 addresses this issue in a comprehensive manner considering potential differences in terms of work effort between limited and reasonable assurance. Matters to be clarified include:

the nature of agreement between the practitioner and the expert or another practitioner before deciding to use their work

considerations for the practitioner when placing reliance on others' work

principles-based requirements with regards to addressing inherent limitations of sustainability reporting and assurance (e.g., information from value chain, unavailability of certain types of data, use of proxies such as industry averages, etc.)

how to address issues when the practitioner is not able to communicate effectively and timely with another practitioner/firm

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

While the requirements in the draft for using the work of a practitioner's expert or another practitioner are clear, we do not believe them to be appropriate or capable of consistent implementation. We address the issue of experts and other practitioners in turn.

The Treatment of Experts

As we describe in our response to Question 14, the requirements in ISA 620, as well as in ISAE 3000 (Revised) and ISAE 3410 for auditors' or practitioners' experts were written so that, with the exception of objectivity and independence, they apply equally to internal and external experts, but recognize that auditors

and practitioners may rely in part on firm quality management regarding the competence, capabilities and independence of internal experts and can apply the other requirements as part of direction, supervision and review to internal experts. The requirements and guidance in the draft relating to the use of a practitioner's expert are not in line with the requirements in ISA 620, ISAE 3000 (Revised) and ISAE 3410. The requirements for practitioner's experts in these standards (with the exception of independence and objectivity) apply regardless of whether or not the expert is on the engagement team, but recognize that because the experts on the engagement team are subject to the firm's quality management and engagement quality management, the work required by the engagement team to use the work of such internal experts would generally be considerably less than for external experts.

For these reasons, the requirement in paragraph 42 should delete the term "external" and just refer to experts. The same applies to the requirement in paragraphs 49 (and the heading) and 50, where the term "external" should be deleted, but introduced for the requirement in paragraph 49 (b) on objectivity.

The application material in paragraphs A87 and A88 as well as in paragraphs A108 to A116 needs to be amended accordingly. We note that paragraph A114 (a) refers to "including the materiality to be applied". This works for a quantitative materiality level set, but not for qualitative materiality considerations, for which no threshold can be "applied". We therefore suggest that the words be changed to "including any quantitative materiality thresholds". Paragraph 167 (a) (i) also refers to external experts, when the documentation requirement also applies to both external and internal experts, so we suggest that the word "external" be deleted.

The Treatment of Another Practitioner

As we describe in our response to Question 14, the conditions for when another practitioner is considered to be a member of the engagement team, as opposed to being considered "another practitioner" not on the engagement team, cannot be attached to the ability to direct, supervise, and review the work of the other practitioner under the current definition of engagement team. As described further in our response, this implies that when the practitioner directs the other practitioner to perform procedures, but is not able to supervise, or review the work of, the other practitioner, then the other practitioner would be on the engagement team under the definition, but not under the standard. This is a major issue because of those other practitioners that will perform work used by the practitioner are often from outside the corporate group but one step up or down the value chain, and therefore cannot be supervised or their work reviewed, even when on the engagement team. In this case, the engagement team definition does not work and, as we suggest in our response to Question 14, consideration may need to be given to revising it.

The requirements for another practitioner as set forth in paragraphs 51 to 54 (and the related application material in paragraphs A89 to A91 and A117 to A125) may work for practitioners outside the engagement team performing work at entities that are one step up or down in the value chain and not under the operational control of the entity from the entity whose sustainability information is being assured – but only when the entity whose sustainability information is being assured has great market power over its value chain, which is seldom the case. However, we do not believe that these requirements and guidance are realistic for other practitioners who do work further steps up and down the value chain. This is where user expectations (particularly those of NGOs and related organizations) are likely to collide with reality. These users expect the information obtained from several steps up or down the value chain to have the same quality as that obtained from other practitioners within the corporate group. Yet, it simply will not be possible for entities to obtain the same quality of information about what goes on further up or down the value chain and the same applies to practitioners, only worse, because practitioners are also concerned about the quality of the work done by other practitioners further up or down the supply chain. Many of the assurance-

type reports, if any, issued a number of steps up or down the value chain will be private reports, between entities at least a few steps further up and down the value chain, to which neither the entity nor the practitioner will ever obtain access. Treating the information and the reports thereto as evidence, rather than as using the work of another practitioner, does not change the fact that the ability of practitioners to evaluate the reliability of this information and the appropriateness of the reports declines rapidly once one is dealing with more than one step up or down in the value chain. Furthermore, ultimately, all upstream value chains end with products from extractive industries, agriculture, forestry, or fishing (and are therefore theoretically material for all manufacturing and processing entities reporting sustainability information), which implies that the products from these industries must be material to the reporting entity, but even entities in these industries have suppliers for the products they use, i.e., we are actually not speaking about a “value” or “supply” chain, but about a “circular value flow” within the economy.

As a result, the requirements in paragraphs 42 and 51 to 54 are a virtually impossible to implement outside of the corporate group, particularly more than a few steps up or down the value chain. The guidance provided in paragraphs A91 and A117 – and in particular, in relation to a scope limitation as set forth in paragraph A125 – could lead to the practitioners' reports for the assurance conclusion in many sustainability reports being modified due to scope limitations, which is neither appropriate nor what the expectations are. For this reason, we believe that the IAASB needs to “think out of the box” on this issue and consider solutions that might have been rejected in other circumstances or that are used in different contexts.

One solution, at least for the first step in the upstream value chain outside of the corporate group for suppliers that supply many entities, could be for suppliers to have their other practitioners provide a “one to many report” similar to ISAE 3402 reports, in which the other practitioners preparing the one-to-many reports perform an assurance engagement on the sustainability information needed by most customers of the supplier, where these one-to-many reports provide greater detail of the procedures performed and conclusions reached to support the assurance conclusion that then be used by practitioners. In this case, the practitioner receiving the report would apply the same principles as in ISA 402. However, we do not expect this solution to become practice quickly.

Another solution for the first step in the upstream value chain outside the corporate group (but note: not within the corporate group, where we would retain the concept of sole responsibility) is the reintroduction (see ISA 600 from the year 1995) of the concept of “division of responsibility”, which is still being practiced primarily for consolidated financial statements in the US under PCAOB standards and US GAAS. In relation to information, in the sustainability report, taken from, or in material respects based upon, sustainability reports from suppliers in the first step in the upstream value chain, the practitioner would refer, in their assurance report, to the assurance reports of other practitioners regarding that information when the practitioner is unable to direct, supervise and review the work of those other practitioners. However, the responsibility of the practitioner for the work of the other practitioners is limited because responsibility is divided.

These solutions may work for one step in the upstream value chain outside of the corporate group. However, for situations in which there are many steps up and down the value chain, we are not convinced that practitioners should be taking responsibility for the work of other practitioners or take responsibility for the reliability of the evidence obtained in those value chains because they, in most cases, will not have direct access to that work, and may not be capable of determining the independence of the practitioners who have done work on this information. In this case, in our view, the only reasonable solution is to refer in the practitioner's report to the inherent limitations in the measurement and evaluation of the sustainability matters for the entity regarding upstream and downstream value chains more than one step beyond the

corporate group, which also represent inherent limitations on the assurance engagement regarding the reliability of such information. We are not convinced that “sweeping this issue under the rug” by “doing nothing” in this respect is a viable solution given the stakeholder expectations, that, in our view, need to be managed.

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

The requirements are clear and conceptually reasonable.

However, there are significant practical barriers to a practitioner’s ability to comply with the requirements.

When assurance work has been performed at an entity significantly down the value chain, it is unrealistic to expect the assurance practitioner from that value chain entity to be able to interact with multiple assurance practitioners across the value chain.

It is unclear how the assurance practitioner can reasonably evaluate the independence of another practitioner significantly down the value chain, other than relying on a statement in any assurance report issued by that downstream practitioner.

When the downstream assurance practitioner is also from a non-professional accounting firm, the challenge of evaluating whether that practitioner has complied with requirements that are at least as demanding as the IESBA Code also apply (see question 4).

Obtaining sufficient information to determine the nature, scope and objectives of that practitioner’s work and evaluating its adequacy will be similarly challenging.

Similar challenges to those for evaluating relevant ethical requirements apply in respect of evaluating whether a non-professional accounting firm has complied with quality management principles.

Therefore, in the absence of the evolution of a service auditor’s report model up and down sustainability value chains, those assurance practitioners further up the value chain are likely to face an inability to obtain sufficient appropriate evidence (scope limitation) in many circumstances.

Whilst the existing group audit concepts from ISA 600 (Revised) with regards to obtaining sufficient appropriate evidence over aggregated sustainability information may be referred to for this purpose, the concepts will need to be further adapted for sustainability assurance to address the different types of information which originate from outside the entity’s organisational boundary, which are reported by the reporting entity.

In view of this, we suggest that the IAASB provide application guidance in ISSA 5000 or develop a non-authoritative guidance on:

the practical challenges associated with addressing information from outside the entity’s organisational boundary in complying with various requirements within ED-5000;

examples of what level of information and access can reasonably be expected to be obtained to determine the nature, scope and objectives of that practitioner’s work; and

evaluating the adequacy of the practitioner’s work to enable an assurance practitioner to express an assurance conclusion on aggregated sustainability information as a whole.

For example, this would include implications for whether engagement preconditions can be met, availability of, and sufficiency and appropriateness of, evidence, considerations related to using work of another

practitioner in response to the requirements of paragraph 51(d) of ED-5000, and any limitations of scope that impact the practitioner's conclusion.

Royal Dutch Institute of Chartered Accountants

We refer to our comments in response to Question 14.

7. Accounting Firms

Grant Thornton International

We believe practitioners will struggle to apply the requirements in ED-5000 related to using the work of individuals involved in the engagement. Our concerns and recommendations follow.

Practitioner's External Expert

We believe the requirements in ED-5000 are insufficient in respect to evaluating the adequacy of the external expert's work. Professional accountants will rely on their experience performing assurance engagements under the ISAs when working with external experts, which may result in inconsistent application of ED-5000 among practitioners. We propose the IAASB add requirements from ISA 620, paragraphs 12-13 and related application guidance to ED-5000 to clarify the practitioner's responsibilities and to promote consistency.

We believe further clarification is needed in ED-5000, paragraph 172 which implies that the practitioner is able to make reference to an external expert in the assurance report, as it is not clear if that is the intent of ED-5000. We propose the IAASB add guidance to help the practitioner determine when it would be appropriate to refer to an external expert in the assurance report.

Another practitioner

When the work of a firm other than the practitioner's firm will be used but that work has already been completed, or the practitioner is unable to direct, supervise, and review the work to be completed, the other practitioners from that firm are referred to as "another practitioner". Several questions related to using the work of another practitioner remain unanswered that we believe may lead to inconsistency in application of the related requirements.

The guidance in ED-5000, paragraph A91, indicates that another practitioner's work can be used for the assurance engagement by applying the requirements in ED-5000, paragraphs 51-54. However, the requirements in ED-5000, paragraphs 51-54, assume the practitioner is able to direct, supervise, and review the work of the other practitioner and do not acknowledge the limitations present in paragraph A91 which led to the involvement of the other firm being classified as the work of "another practitioner" instead of an engagement team member. We propose the IAASB add requirements and necessary guidance related to how the practitioner will use the work and the practitioner's responsibilities related to the work of another practitioner when there are legal or regulatory restrictions on another practitioner's work, or the work has been performed related to an entity that is part of the supply chain outside the organizational boundary of the entity subject to the practitioner's engagement.

In addition, we recommend that the IAASB work with IESBA to ensure that requirements and guidance related to experts are aligned with ongoing IESBA projects to ensure consistency of the standards and their application

Mazars

See comments in Q14 regarding assessment of specialist practitioners.

Whilst it may be possible to consider the competence of experts by confirming whether they are appropriately licensed, it is not clear how the assurance practitioner is able to assess the competence of other practitioners who are not members of professional bodies and may not be subject to registration/licensing requirements. Further guidance on the assessment of competence, with practical examples, would be helpful given the potentially wide range of experts and practitioners involved in sustainability engagements.

A key requirement of experts is to be independent from the entity to which they are providing assurance. However, when assessing the expert or other practitioner, the focus of the assurance practitioner's assessment is on objectivity, which incorporates independence. In our view the standard should more clearly state that objectivity includes consideration of independence, perhaps in application guidance, with examples of matters which the assurance practitioner should consider and the impact on their ability to use the work of the expert, taking account of the final IESBA proposals on independence in sustainability engagements.

Reliance on other practitioners in the value chain of the entity subject to assurance may be more difficult to achieve than in a group financial statements audit where the group can exert some control over its components. ED-5000 should provide guidance on the inherent limitations relating to obtaining sufficient appropriate evidence from the value chain, and how the practitioner should address any situations which arise in this regard.

There is academic evidence relating to the impact of bias when relying on the work of others and it may be helpful to add guidance on the application of skepticism and avoiding bias when relying on the work of experts and other specialist practitioners in such engagements.

Nexia International

We do not believe the requirements in the ED for using the work of a practitioner's external expert or another practitioner are clear or capable of consistent implementation. Sustainability information is very broad in its nature and continues to evolve as is the involvement of external experts. We recommend the IAASB provide more extensive application guidance and examples to provide guidance to practitioners and give materials for practitioners to use when interacting with other practitioners and external experts, particularly those who are new to the assurance environment.

PricewaterhouseCoopers International Limited

The requirements are clear and conceptually reasonable. However, there are significant practical barriers to a practitioner's ability to comply with the requirements.

With respect to practitioner's experts, we recommend that the application material acknowledge the common challenge of restriction of access to proprietary information, which can often limit the practitioner's ability to evaluate the method, assumptions and data used by an expert. Relevant guidance on how this may affect the practitioner's ability to use the work of an expert and when a limitation on evidence available may give rise to a scope limitation would be useful. The application material in paragraphs A235-A236 could be leveraged or cross-referred for this purpose.

With respect to using the work of another practitioner, due to the challenges we describe in our response to question 1 with respect to obtaining evidence for information reported by the entity that originated outside of

the entity's organisational boundary, when assurance work has been performed at an entity further along the entity's value chain, it is unrealistic to expect the assurance practitioner from that value chain entity to be able to interact with multiple assurance practitioners across the entire value chain.

Building on our comment in response to question 1 that existing audit/assurance concepts associated with obtaining sufficient appropriate evidence over aggregated information i.e., group audit principles, are not, in our view, fully transposable to sustainability assurance engagements and will need to be adapted, we believe the IAASB needs to give further consideration to the following challenges:

It is unclear how the assurance practitioner can reasonably evaluate the independence of another practitioner that has performed work in relation to an entity outside of the entity's organisational boundary, for example, one significantly down the value chain, other than relying on a statement in any assurance report issued by that downstream practitioner. Furthermore, when the assurance practitioner is also from a non-professional accounting firm, the challenges of evaluating whether that practitioner has complied with requirements that are at least as demanding as the IESBA Code also apply (see question 4).

What level of information and access can reasonably be expected to be obtained to determine the nature, scope and objectives of that practitioner's work and evaluate its adequacy? Similar challenges to those for evaluating relevant ethical requirements apply in respect of evaluating whether a non-professional accounting firm has complied with quality management principles. Paragraph A117 acknowledges access restrictions, and we expect this to be fairly prevalent.

Therefore, while appearing conceptually reasonable on paper, we believe it is unlikely in practice that, for larger and more complex sustainability assurance engagements, practitioners will be able to comply with the requirements in paragraphs 51-54. In our view, a service auditors' reporting model, addressing the information needs of entities and assurance practitioners up and down sustainability value chains, will need to evolve. Otherwise, assurance practitioners along the value chain are likely to face an inability to obtain sufficient appropriate evidence (scope limitation) in many circumstances. More radical thinking may prove necessary around what level of evidence, and consequently assurance, can be obtained over reported information generated from outside the entity's organisational boundary.

8. Assurance Practitioner or Firm - Other Profession

SGS

The current standard requirement is very subjective regarding to using external expert or another practitioner. This may pose high risk to the principle of independence, for example if the external expert is an individual who has played a significant role in preparing the sustainability information.

We recommend applying principle of independence when selecting external expert or another practitioner. This could refer to ISO standards such as ISO 17029.

TIC Council

Not clear why there is a distinction between internal and external expert as the ethical considerations should be the same. Either an internal or external sector/ industry expert may have bias so this should be made transparent and acknowledged as part of the process.

For industrial activities, we highly recommend having in the audit team a person with the experience of the industrial process to be audited. We also recommend for industrial activities to have on site audits to better capture the industry process risks and impacts.

We recommend applying principle of independence when selecting external expert or another practitioner. This could refer to ISO standards such as ISO 17029.

9. Public Sector Organizations

Government Accountability Office - US

We believe that further detail of the quality management procedures to ensure the practitioner is sufficiently involved in the work of an external expert would allow for more consistent implementation across sustainability assurance reports. For example, consistent with GAGAS, practitioners could review the external expert's sustainability testing documentation or perform tests of the external expert's work. In addition, we believe the practitioner's engagement team should conduct an assessment of independence, both of mind and in appearance (ED-5000, paragraph A47) of the external expert. In addition to, identifying threats and applying any necessary safeguards in the same manner as they would for engagement team practitioners performing work to report on sustainability assurance.

Office of the Auditor General of Alberta

Many topics or aspects of topics will require expert involvement. We suggest more material from ISA 620 be included, and additional material added. For example, a requirement is necessary that the expert be familiar with the concept of double materiality and external impact identification and mitigation.

10. Member Bodies and Other Professional Organizations

Accountancy Europe

Sustainability assurance engagements are to be performed on a wide range of technical matters and thus may necessitate using the work of experts with specialized skills and knowledge. In addition to management's experts, entities may use service organisations for sustainability related testing, certification and verification. Such services and their results may also be relevant for the assurance practitioner.

Therefore, it is crucial that ISSA 5000 addresses using the work of others in a comprehensive manner considering potential differences in terms of work effort between limited and reasonable assurance. Matters to be clarified include:

the nature of agreement between the practitioner and the expert or another practitioner before deciding to use their work

considerations for the practitioner when placing reliance on others' work

principles-based requirements with regards to addressing inherent limitations of sustainability reporting and assurance (e.g., information from value chain, unavailability of certain types of data, use of proxies such as industry averages, etc.)

how to address issues when the practitioner is not able to communicate effectively and timely with another practitioner/firm

ASSIREVI – Association of the Italian audit firms

Although the requirements about the use of the work of a practitioner's external expert are relatively clear, the use of the work of "another practitioner" is a critical aspect of the new standard.

Given the nature of a sustainability assurance engagement, especially in the case of groups or consolidated sustainability information, the practitioner will frequently use evidence obtained from the work of another practitioner.

As already noted in our response to the previous question, the standard is sufficiently clear about when the practitioner is able to interface and work with another firm (for example, when the timing of the engagement of the other firm is such that the work has not been completed and the other firm is willing to work with the practitioner). If this is the case, the practitioner is able to direct, supervise and review the work of the other firm and the individuals from the other firm who perform the work are considered to be members of the practitioner's engagement team.

When, however, the practitioner is unable to be sufficiently involved in the work of another firm (for example, when the work has already been completed or access to the other firm's work papers is restricted by law or regulation), ED-5000 requires the practitioner to evaluate whether the work of the other firm can be used as evidence for the engagement. In this case, reference is made to the use of the work of "another practitioner".

ED-5000 establishes that if the practitioner intends to use the work of another practitioner, the practitioner shall:

evaluate whether the other practitioner is independent and has the necessary competence and capabilities for the practitioner's purposes;

inquire of the other practitioner about threats to compliance with relevant ethical requirements, including those related to independence;

evaluate whether the nature, scope and objectives of the other practitioner's work are appropriate for the practitioner's purposes;

determine whether the other practitioner's work is adequate for the practitioner's purposes.

With respect to the last point, the procedures to be performed depend on the nature and extent to which the work of another practitioner can be used in the circumstances. These procedures may include, depending on the circumstances, communication with the other practitioner about the findings from the other practitioner's work, evaluation of the adequacy of such communication for the purposes of the practitioner and the review of the additional documentation of the work performed by the other practitioner.

ED-5000 sets out procedures for the use of the work of another practitioner which are almost identical to those for the practitioner's external expert, such that the two figures appear similar even though they have different characteristics and responsibilities. This approach is simplistic and does not facilitate the practitioner's work, giving the practitioner great discretion, with the consequence that the nature, timing and scope of the procedures to be performed to evaluate the work of another practitioner may lead to inconsistency in the practical application of the standard.

The two most problematic aspects are:

the independence requirements applicable to the other practitioner. The independence requirements applicable to the other practitioner and the practitioner may differ. This would make it very difficult to assess the other practitioner's independence.

There needs to be a distinction between the other practitioners requested to perform procedures at a group entity as opposed to entities in the value chain. In the case of another practitioner requested to perform procedures at a group entity, the requirements about independence and quality management set out in

paragraphs 5, 17.(nn) and 33-34 for the practitioner and the engagement team are also applicable to the other practitioner which, as noted, is not a member of the engagement team unless the practitioner is able to direct, supervise and review its work. Therefore, the guidance provided in ED-5000.A119 should specify that, in the case of group entities, the other practitioner should also be required to comply with the IESBA Code or, if they are not a professional accountant, with regulations “that are at least as demanding as the IESBA Code”.

With respect to entities belonging to the value chain, evaluation of the independence requirements is more complicated as it is closely tied to the assurance work that the other practitioner has to perform on the information related to the entities in the value chain that is material to the sustainability information.

As set out in more detail in our response to question 18, ED-5000 currently lacks suitable requirements and guidance to allow practitioners to properly and effectively plan and perform engagements for these entities. Definition of independence rules applicable to other practitioners requested to perform assurance activities on entities in the value chain depends on their reporting boundaries.

It is our opinion that there should be a concise and specific definition of the independence rules applicable to the other practitioners requested to perform procedures on information for entities in the reporting entity's value chain. This definition should be based on a definition of the requirements and guidance for the performance of assurance engagements on this information in ISSA 5000. Moreover, it should be noted that other practitioners are not usually aware that their work may be used by another assurance provider as part of a sustainability assurance engagement for an entity with which the other practitioners do not have a direct relationship. Therefore, in order for the sustainability assurance provider to use the work of another practitioner without ending up in a position where they cannot rely on such work due to the existence of excessive independence requirements compared to the risks involved in using such practitioner's work, we believe that additional independence requirements should not be introduced, maintaining the requirements that the practitioner is required to comply with for the entity for which they are performing their assurance engagement. For example, the introduction of the requirement for another practitioner to be independent of the sustainability assurance client could lead to a multitude of situations in which the evaluation of the other practitioner's independence could be compromised even though risks requiring monitoring do not actually exist; the competence and capabilities necessary to perform the work, the type of work and the professional standards used by the other practitioner to perform their work. The other practitioner may refer to professional standards other than those issued by the IAASB or other equivalent bodies (including those based outside the EU in the future). This issue may arise mainly for sustainability information related to the value chain, where it is more likely to find entities that are not required to comply with ESG reporting standards.

We recommend that the IAASB should clarify the extent of the procedures that the practitioner has to perform to determine the adequacy of the standards used and the work performed by another practitioner.

The responsibilities of the preparer of the sustainability information differ from those of the practitioner, as the former prepares the information under the applicable reporting standards (ESRS, ISSB, etc.) and the legislation adopted in the individual countries and the latter is required to provide assurance on such information. Given their different roles, the risk that the practitioner has greater responsibilities for the expression of a conclusion on the sustainability information than that of the preparer of such information should be avoided.

In addition, it is unreasonable to assume that the practitioner has the same level of responsibility for the sustainability information on which the assurance procedures are carried out by members of the

engagement team (directed and supervised by the practitioner) and those performed by another practitioner and reviewed by the practitioner.

Therefore, we believe that the approach to the information for another entity in the reporting entity's value chain which is subject to assurance procedures performed by another practitioner should be revised. The guidance provided in ISA 500 could represent another approach. Specifically, the findings of another practitioner's work could support that of the practitioner and considered in ISSA 5000 with reference to the basic concepts of ISA 500 Audit Evidence regarding the evaluation of the relevance and reliability of information to be used as evidence. Such material could focus on applicable attributes of relevance and reliability, and how these may apply when the information is from external information sources.

Belgian Institute of Registered Auditors

Given the various types of practitioners, experts,..., the various types of organisations and regulations, the current requirements are not sufficiently clear to ensure a consistent application.

We refer to the comment in relation to question 14 with regard to additional guidance on what would be the level of involvement needed to assess this involvement as sufficient and appropriate. This comment also applies to question 15, as the practitioner would be required to be sufficiently and appropriately involved in the work of the external expert.

For the engagement team and the practitioner, reference is made to the fact that they are subject to the IESBA Code and the ISQM 1. It is unclear in the current Exposure Draft whether similar requirements apply for external experts or other practitioners, as they are not part of the Engagement Team based on figure 2 Explanatory Memorandum Section 1-G.

Center for Audit Quality

We do not believe that the requirements in ED-5000 for using the work of a practitioner's external expert or another practitioner are clear and capable of consistent implementation.

Given the nature and diversity of sustainability information and reliance on third-party information, using the work of practitioner's experts or other practitioners is often encountered in sustainability assurance engagements. (Please see Question 1 for insight into how entities may need to use value chain information). Further, given the current sustainability reporting landscape, additional complexities exist. For example, in certain instances, a practitioner may need to evaluate the reliability of information provided by entities up and down the value chain (e.g., for scope 3 emissions). In other situations, a practitioner may need to evaluate the reliability of the information produced by a service provider that may go into the measurement of a company's GHG emissions (e.g., vehicle or air travel mileage used to calculate mobile combustion which could come from a rental car company, corporate credit card processor, or airline, etc.). In the current sustainability reporting environment, assurance reports on controls at service organizations don't exist. Companies may be using outside vendors to calculate or provide certain metrics, and those outside vendors may have proprietary systems, etc. Some of those service providers may currently publish assurance reports on controls at service organizations in relation to providing services in support of the financial statement audit; however, what is covered by those reports may not cover attributes that are relevant for sustainability reporting. The differences that exist between the sustainability reporting and financial reporting ecosystems and the nascency of the sustainability reporting environment puts more pressure on the assurance standards. As a result, there is a need to be agile through keeping requirements principles based, but at the same time acknowledging the complexity of the reporting and making parallels to financial reporting when appropriate to help foster consistent and comparable work.

Recognizing IAASB resource constraints, with the prevalence of these situations and the expectation that the need for the use of the work of practitioner's experts or other practitioners will only increase in the future as regulatory requirements extend to further within the value chain, we believe that other practitioners (and groups) are a priority topic for further consideration by the IAASB following the completion of ED-5000.

In the interim, we recommend the following:

Clarifying when the assurance practitioner could use the work of an expert or another practitioner versus performing the work themselves. We recommend incorporating examples of sustainability information and/or circumstances that could warrant the involvement of an expert or another practitioner in ED-5000 to help clarify when the assurance practitioner might use the work of an expert or another practitioner versus performing the work themselves. Providing greater differentiation between using the work of another practitioner that has been performed at a component within the organizational boundary versus information outside the organizational boundary that has been assured and is intended to be used as evidence (e.g., air travel mileage used as an input into GHG emissions calculations) also would be useful. The latter is also a very important consideration from the perspective of what the IAASB plans to do with proposed ISA 500 content given the status of that project – and whether the IAASB reverts to extant ISA 500 which distinguishes between information produced by the entity and all other information given that this differentiation will be very challenging to apply.

Clarifying when it would be expected that the practitioner may need to direct, supervise and review the work of an other practitioner (i.e., they are part of the engagement team) versus using the other practitioner's work to support the reliability of information to be used as evidence. There is currently a lack of clarity regarding when a practitioner cannot be sufficiently or appropriately involved, which will lead to inconsistencies in practice. In particular, non-accountant assurance practitioners, unfamiliar with the group audit concepts of ISA 600 (Revised), may defer to concluding that it is an "other practitioner", without appropriately taking responsibility for the work.

Narrowing the definition of expert. We believe the current definition of expert is too broad, which makes the application of the requirements more challenging. As currently written, it only refers to "in a field other than assurance" (whereas the ISAs refer to "in a field other than accounting or audit"). In effect, this widens who is considered a management or practitioner's expert because many people involved in the preparation of the subject matter information would technically be in a field other than assurance. Given it triggers work effort later in the standard, the scope of the definition could have the inadvertent consequence of driving more extensive work than is intended. We recommend instead referring to "in a field other than preparing, reporting on, or assuring sustainability information".

Adding application guidance regarding para. 51, to indicate that if the practitioner intends to use the work of another practitioner, para. 51 (a) and (b) could be satisfied if the report was issued under IAASB or equivalent assurance standards. The practitioner should be able to rely on the IAASB or equivalent assurance standards' requirements for another practitioner to be independent and have standards on quality management in place.

Chartered Accountants Ireland

See comments above at Q14.

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

The requirements that could be made clearer are, for example, the nature of the agreement between the practitioner/auditor and the external expert or another practitioner or some considerations relating to the communications between the abovementioned parties.

Institute of Chartered Accountants in England and Wales (ICAEW)

We have concerns as to how workable this will be in practice, and consequently have concerns about consistent implementation. Clear guidance is required from the IAASB on the direction, supervision and review model around the different combinations of 'players' in these engagements given the depth of the value chain in these engagements.

We question how practitioners will be able to determine whether experts whose expertise lies in disciplines or areas that the practitioners themselves may have low familiarity with are, in fact, sufficiently competent.

This may especially be an issue in emerging or unregulated areas of sustainability reporting, compared to well established arrangements for financial statement audits. There may well be registrations or licences, membership of professional bodies etc, but equally, there may not be. This is a significant concern and we believe it may be more likely to crystallise in sustainability assurance engagements than in financial statement audits.

We would encourage more clarity around the issue of independence as a component of objectivity relating to sustainability assurance engagements and we suggest as a minimum the creation of additional application guidance, ideally with examples of issues to consider. We would also welcome practical guidance on how to evidence appropriate involvement in the work of external expert / another practitioner, and how to evaluate their compliance with relevant ethical and independence requirements. We believe there are potential threats to consistent implementation in these areas.

Malta Institute of Accountants (MIA)

We have a number of comments in this regard.

The current proposed requirements do not really clarify whether the assurance provider is expected to interact with all those somehow involved in the value chain.

There is lack of clarity as to what happens in instances where the information is not subject to an opinion, and whether in such instances, such information can be treated as, for example, an equivalent of an accounting estimate, or otherwise.

There is also a lack of details on how to conduct the assessment of the expert's competence, independence, and quality management system, among others.

Further guidance is required in relation to group audits.

New York State Society of Certified Public Accountants (NYSSCPA)

Response: No, we recommend that the IAASB update paragraph 55 for the use of the work of the reporting entity's internal audit function and incorporate the required procedures for evaluating the work performed by internal audit.

World Federation of Exchanges

Clarity is requested on what work the external expert can provide (e.g., advisory, etc.)

12. Individuals and Others

International Accreditation Forum (IAF)

ED 5000 does not clarify if the practitioner's technical expert can be a member of the assurance team, and deliver the opinion as assurance team, however, it is depended on such technical expert if she/he would have sufficient knowledge to conduct the judgement for opinions. In general, technical expert shall deliver the relevant information only to the assurance team.

Not clear why there is a distinction between internal and external expert as the ethical considerations should be the same. Either and internal or external sector/ industry expert may have bias so this should be made transparent and acknowledged as part of the process.

For industrial activities, IAF highly recommends

having in the audit team a person with the experience of the industrial process to be audited.

Having on site audits to better capture the industry process risks and impacts

applying principle of independence when selecting external expert or another practitioner. This could refer to ISO standards such as ISO 17029.

Japan Accreditation Board (JAB)

ED 5000 is also not clear if the practitioner's technical expert can be a member of the assurance team, and deliver the opinion as assurance team, however, it is depended on such technical expert if she/he would have sufficient knowledge to conduct the judgement for opinions. In general technical expert shall deliver the relevant information only to the assurance team, not to be expected the same competencies with sufficient knowledge of the practitioners.

We Mean Business Coalition

It is not clear what kind of working papers/documentation/information should be shared between assurance teams in the case that the financial and non-financial assurers come from different houses. Neither is it clear what level of granularity is needed to be acceptable for the receiving assurance partner. This is especially important for ED §§51-54 Using the Work of a Another Practitioner and ED §§63-68 Documentation – and especially important for assurance of truly integrated reporting elements, which can only be made by the preparer by using both financial and non-financial elements together. (see also question 1).

This lack of precision could lead to the preparer reaching the conclusion that the practitioner needs just one set of assurance work and documentation and that this can be re-used by the other assurer. But when the second assurance team sees the working papers from the first team, they may decide to re-work some or all the assurance work, which the first team did. This may also be the approach used by the second assurer to persuade the preparer to use a single assurance house in the future – and the preparer will have no way of arguing against it, due to lack of precision in the standard. Finally, the preparer will have no way of “enforcing” one practitioner to share working papers/documentation/information with another practitioner, which could limit the possibilities to re-use for instance documentation verification from mandatory certifications of various kinds. The latter is especially relevant for the circumstances described in Ex Memo §92.

Either way, the lack of precision can make it difficult for the preparer to evaluate offers of assurance – and could eventually be both costly and time-consuming for the preparer.