

Sustainability Assurance – Respondents’ Detailed Comments to EM Question 13

Do you agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity’s system of internal control for limited and reasonable assurance engagements? If not, what suggestions do you have for making the differentiation clearer and why?

13.2 Agree with comments

1. Monitoring Group

Basel Committee on Banking Supervision (BCBS)

The Committee agrees with the IAASB that the requirements regarding internal controls should be lower for a limited assurance engagement because of the different responsibilities of the practitioner. Nevertheless, there are some additional areas where the Committee believes that the limited assurance practitioner will need to have some understanding. That understanding may be less than in a reasonable assurance engagement, however, and we believe it would be helpful for the IAASB to include text to the effect that the understanding required under paragraph 102L is required to the extent necessary to comply with paragraph 94L. Application guidance could explain how this might differ from the requirements in paragraph 102R.

With that in mind, the Committee believes that in a limited assurance engagement the practitioner needs some understanding of the entity’s risk assessment process, and not only the results, because the results of the process are potentially less relevant, or not at all relevant, if the process has material deficiencies (paragraph 102R(b)). Similarly, with regard to limited assurance engagements, the entity’s process to monitor the system of internal control and control activities are relevant to a limited assurance risk assessment (paragraph 102R(e)) and should be known and understood to the extent necessary. As a result, paragraphs 104R and 105R should also be relevant for limited assurance engagements.

Although the Committee understands that there will be less work on the control environment for limited assurance engagements, and it may not be necessary to “evaluate” the areas in paragraph 103R, we recommend the IAASB considers whether some aspects of these requirements are relevant to identifying those disclosures where material misstatements are likely to arise.

Paragraph 107L sets the requirements for control activities. An identification of other controls may be deemed necessary by the practitioner to identify and assess the risks of material misstatement for limited assurance engagements as well. Thus the requirement in paragraph 107R(c) may also be relevant for limited assurance engagements (and consistent with paragraph 75 of the Explanatory Memorandum, which states that the understanding of relevant components of the entity’s system of internal control should assist the practitioner in identifying the types of misstatements that may occur and factors that affect disclosures in areas prone to material misstatements for limited assurance engagements).

International Association of Insurance Supervisors (IAIS)

The IAIS agrees that in relation to understanding the system of internal control in ISSA-5000, it makes sense for there to be a differentiation in the requirements for limited and reasonable assurance engagements. This reflects the different responsibility of the assurance provider in each case, with a more detailed understanding of the entity’s internal control system likely to be necessary in the latter case.

International Forum of Independent Audit Regulators (IFIAR)

Understanding the entity's system of internal control

It is unclear why the requirements at paragraph 102L are different for limited versus reasonable assurance engagements, specifically in respect of the entity's monitoring system or control activities. Consistent requirements between limited and reasonable assurance may drive greater consistency for practitioners and helping with the pathway from limited to reasonable assurance. At a minimum, a more robust understanding should be required for initial limited assurance engagements which would provide a foundation for future limited assurance engagements. This more robust understanding would also support a better transition to reasonable assurance in the future.

According to paragraph 102L the practitioner is required to obtain an understanding of the control environment. The procedures requested in 103R should therefore be applicable to limited assurance engagements as well. We are furthermore of the view that a practitioner providing limited assurance should design and implement an overall response if the conditions in paragraph 116R (a) (i) are met.

4. Regulators and Audit Oversight Authorities

Accounting and Auditing Board of Ethiopia

The differentiation of obtaining an understanding of certain components for limited assurance and obtaining an understanding of all components for reasonable assurance seems arbitrary. Further guidance is required to make it clearer.

Botswana Accountancy Oversight Authority

We agree with the differentiation. The approach detailed in paragraph 79 clearly differentiates the key requirements related to the practitioner in obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements.

European Securities and Markets Authority (ESMA)

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

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

Irish Auditing and Accounting Supervisory Authority (IAASA)

It is unclear why the requirements at paragraph 102 are different for limited versus reasonable assurance engagements, specifically in respect of the entity's monitoring system and control activities. Consistent requirements between limited and reasonable assurance would drive greater consistency and help with the

potential move from limited to reasonable assurance. At a minimum, a more robust understanding of the entity's system of internal control should be required for initial limited assurance engagements to provide an appropriate foundation for future limited assurance engagements.

As paragraph 102L requires the practitioner is to obtain an understanding of the control environment in a limited assurance engagement, the procedures in paragraph 103R should be applicable to both reasonable and limited assurance engagements.

Additionally, a practitioner providing limited assurance should be required to design and implement an overall response if management has not created and maintained a culture of honesty and ethical behavior (paragraph 116R (a)(i) refers).

5. National Auditing Standard Setters

Auditing and Assurance Standards Board Canada (AASB)

We support differentiating the approach for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements. However, we noted some concerns.

Concern: Definition of system of internal control

The definition of the system of internal control (paragraph 17(w)) could be confusing where there is both: Internal control over sustainability information that the practitioner intends to test and rely upon, and Disclosures of aspects of internal control that are the sustainability information subject to assurance.

Suggest:

Distinguish in the definition the different ways that internal controls are used in sustainability reporting and assurance engagements.

Consider incorporating sustainability specific language from COSO – Achieving Effective Internal Control over Sustainability Reporting (ICSR). For example, in paragraphs A318-A321 add a 'consideration of whether the entity demonstrates its commitment to acting sustainably' as part of understanding the Control Environment. We suggest that the IAASB review the ICSR for sustainability specific language that could be added to the proposed ISSA in the application material that discusses practitioners' understanding of each component of internal control.

Concern: Components of internal control

We have the following concerns:

The work effort in obtaining an understanding of the entity's risk assessment process for limited vs reasonable assurance is inconsistent and unclear.

For limited assurance, paragraph 102L(b) describes it as obtaining an understanding of the results of the entity's risk assessment process.

For reasonable assurance, paragraph 102R(b) describes it as obtaining an understanding of the risk assessment process.

It's not clear whether the practitioner is required to obtain an understanding of the internal controls over 'the entity's process to identify reporting topics', as part of the understanding obtained over the components of

the entity's system of internal control relevant to the sustainability matters and the preparation of the sustainability information (see paragraph 102L, 102R).

Suggest:

Clarifying in the application material that the level of understanding of the entity's risk assessment process for limited assurance is less extensive than for reasonable assurance (paragraphs A329-A332). Reasonable assurance focuses on understanding the entire process, whereas limited assurance focuses on understanding just the results of the entity's risk assessment.

Application material A333(a)(iii) be revised to obtain an understanding of the internal controls over 'the entity's process to identify reporting topics' as follows:

"The understanding of the information system may include an understanding of the following: The entity's information processing activities, including its data and information, the resources to be used in such activities and the policies or procedures that define, for the sustainability information: (iii) The processes used to identify reporting topics and prepare the sustainability information in accordance with the applicable criteria.

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

The work effort for limited assurance should be sufficient to allow practitioner to get a sufficient knowledge of the entity's system of internal control, processes and controls, as there will be no prior knowledge of such controls from previous engagements. We do not believe that the requirements are sufficient to obtain this level of understanding and that the nature of the work for understanding internal control should be the same regardless of the level of assurance.

We suggest developing a specific guidance related to the the first-time application of ISSA 5000, or / and the revision of the EER Guidance.

Hong Kong Institute of Certified Public Accountants

We agree with the said approach in ED-5000, as a practitioner's ability to effectively assess the internal controls related to an entity's sustainability information is a prerequisite to providing reasonable assurance on the said information.

However, practitioners have questioned the feasibility of understanding an entity's system of internal controls if the entity outsources the function to a service organization. Accordingly, we recommend that the IAASB consider including relevant ISAE 3402 requirements in ED-5000 and provide relevant guidance required for a reasonable assurance engagement. See our response to Question 7 for more details.

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

Overall Comment

In our response to this Question, our comments address not only the requirements and application material dealing with the differentiation in the treatment of the understanding of internal control for limited and reasonable assurance, but also the treatment of internal control for reasonable assurance generally.

Differentiation in Approach in the Requirements to Understanding Internal Control

We agree with the differentiation in the approach in the draft for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements as set forth in the

requirements, except for the requirement in paragraph 106 (see below). In particular, we agree that to perform a limited assurance engagement, practitioners need an understanding of the entity's control environment, risk assessment process information system and communication to help in their identification and assessment of risks of material misstatement (see our response to Question 17 on risk procedures, in which we support an identification and assessment of risks of material misstatement for limited assurance). We also agree that from a cost-benefit point of view, it is not necessary in a limited assurance engagement for practitioners to obtain an understanding of the monitoring system or for controls that they do not intend to test. This differentiation appropriately takes into account the need to have limited assurance engagements involve less work effort, and hence less time and cost than reasonable assurance engagements.

While we agree with the requirement as drafted in paragraph 111L, it seems to us that this requirement is more akin to a risk assessment than a risk consideration, which is another reason why we support a risk assessment for limited assurance in our response to Question 17.

We refer to the appendix to this template for our detailed comments on the treatment of internal control.

Public Accountants and Auditors Board Zimbabwe (PAAB)

For both limited and reasonable assurance engagements, the extent, nature and coverage of obtaining an understanding and testing of internal controls needs to be determined on a case by case basis to the extent that it will assist in obtaining all the necessary and relevant information to form an opinion.

7. Accounting Firms

Altaf Noor Ali Chartered Accountants

13.1 Yes. The approach improves the quality and cost-effectiveness of assurance engagements.

13.2 We agree on different approaches for obtaining an understanding of the entity's system of internal control (SIC) for limited and reasonable assurance engagements.

13.3 The ED recognizes that the level of assurance provided by a limited assurance engagement is lower than that of a reasonable assurance engagement. The extent of the work required to obtain an understanding of the SIC is also lower.

13.4 The ED proposes that practitioners performing limited assurance engagements obtains a "general understanding" of the SIC, while practitioners performing reasonable assurance engagements should obtain a "detailed understanding" of the SIC.

13.5 A general understanding is sufficient for limited assurance engagements. It allows the practitioner to identify and assess the risks of material misstatement that are relevant to the assurance engagement.

13.6 A detailed understanding is necessary for reasonable assurance engagements because it allows the practitioner to test the controls that are relevant to the assurance engagement and to form an opinion on the fairness of the sustainability information.

13.7 The difference in the approach to obtaining an understanding of the SIC is a reasonable and practical way to ensure that the level of work performed is commensurate with the level of assurance being provided. It also helps to ensure that assurance engagements are conducted in a cost-effective manner.

13.8 It is consistent with the principles of risk-based auditing. Risk-based auditing requires that the level of audit work performed be commensurate with the level of assessed audit risk. The differentiation in the

approach to obtaining an understanding of the SIC is consistent with this principle by requiring that the level of work performed be commensurate with the level of assurance being provided.

13.9 It is practical and cost-effective. Obtaining a detailed understanding of the SIC is a time-consuming and expensive process. Obtaining an understanding of the SIC allows practitioners to tailor their work to the scope of the assurance engagement.

13.10 It is consistent with the needs of users of sustainability information. Users of sustainability information are not typically looking for the same level of assurance as users of financial information. The differentiation in the approach to obtaining an understanding of the SIC allows practitioners to provide a level of assurance that is appropriate for the needs of users of sustainability information.

BDO International Limited

We agree with the differentiation of the approach for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements with the following comments:

In ED-5000 paragraph 109L/R, the difference between limited assurance and reasonable assurance includes wording such as 'understand' vs 'evaluate' and 'consider' vs 'determine'. However, the differences in these terms are not clearly explained. Although the term 'evaluate' is defined in the Glossary, the other terms are not defined. We suggest more guidance is given about their differences relating to the extent of assurance work that needs to be performed for limited vs. reasonable assurance engagements.

Paragraph A314 states that 'As the entity, the topics and the aspects of the topics become more complex, more extensive procedures may be necessary to understand controls, for example, by performing a walkthrough to confirm inquiries of entity personnel. For limited assurance engagements, we believe walkthroughs should also be performed for areas where the practitioner believes misstatements are likely to arise, to confirm the practitioners' understanding of controls in those circumstances and inform what a meaningful level of assurance is under those circumstances.

In ED-5000, paragraph 121 requires the practitioner to 'obtain evidence about the operating effectiveness of those controls for the period subsequent to the interim period'. This contrasts with paragraph 21 in ISA 330 which requires the auditor to only 'obtain audit evidence about significant changes' to those controls. Please provide clarification as to the reason for the higher requirement for sustainability assurance engagements versus assurance for financial statements.

Deloitte LLP

To support greater consistency and comparability across limited assurance engagements, we recommend greater distinction between the requirements in ED-5000 to understand the entity's internal control system for limited assurance vs. reasonable assurance engagements. We believe this is important given the diverse experience of assurance practitioners as well as the expected significant increase in the number of limited assurance engagements expected over the next few years. Greater specificity of requirements and expected procedures will improve consistency in the level of differentiated work effort. Specifically, we have the following suggestions:

As drafted, the requirements in paragraphs 102L(a) and 102R(a) and 102L(c) and 102R(d) are the same which infers the same nature, timing and extent of procedures would be expected for a limited or a reasonable assurance engagement. While the application material provides some guidance to distinguish the difference in work effort for limited vs. reasonable assurance engagements, we believe that the requirements themselves should be clear as to whether or not the work effort is intended to be differentiated. We understand certain jurisdictions may adopt only the requirements of ED-5000 and not the application

material, which makes this clarification even more important. If the work effort is intended to be different, we recommend making this clear in the requirements vs. application material. If the work effort is expected to be the same and paragraphs 102L(a) and 102R(a) remain unchanged, we recommend that paragraph A318L be re-referenced as applicable to both limited and reasonable assurance engagements.

In 102L(b) and 102R(b) – There are subtle wording differences in these two paragraphs, and we believe it may be unclear how the wording differences translate into expected differentiated work effort. We recommend that the IAASB provide more specificity, including examples in the

application material, as to how the procedures performed by the assurance practitioner would differ in applying these two paragraphs.

While we understand that paragraph A326 is applicable for both limited and reasonable assurance, its current placement under the header “The Entity’s Risk Assessment Process” and below paragraphs designated “R” creates a risk that it will be overlooked by assurance practitioners performing limited assurance only. We suggest revising the header to “The Entity’s

Risk Assessment Process and Results Thereof” and/or moving the contents of current paragraph A326 to follow directly after current paragraph A322 to avoid confusion.

Ernst & Young Global Limited

Understanding components of the entity’s system of internal control

Generally, we agree with the differentiation for obtaining an understanding of the entity’s system of internal control for limited and reasonable assurance engagements. However, we do not believe it is appropriate to require an understanding of the components of the entity’s system of internal control relevant to sustainability matters, as this goes beyond what is required in ISA 315 (Revised 2019) (paragraphs 21-25) to understand the components “relevant to the preparation of the financial statements.” That is, the scope should be an understanding relevant to the preparation of the sustainability information. In addition, we do not believe it is practical to require an understanding of the entity’s system of internal control relevant to detailed sustainability matters (i.e., topics and aspects of topics). Therefore, we suggest the words “sustainability matters” be deleted from paragraphs 102L and 102R of ED-5000, as well as from the related application material (e.g., paragraph A312).

Responding to risks of material misstatement

In addition to our comment related to the understanding the entity’s system of internal control, we believe the differentiation between reasonable and limited assurance engagements requires clarification in certain requirements related to responding to risks of material misstatement.

Overall responses

We do not believe the requirements in ED-5000 in paragraph 116L and 116R that address designing and implementing overall responses are appropriate or consistent with ISA 330 paragraph 5 or ISAE 3410 paragraphs 37L and 37R. These standards require the design and implementation of overall responses to address the assessed risks of material misstatement, not to address circumstances when a risk has materialized into an identified control deficiency, fraud, or material misstatement. Once a risk has materialized, the practitioner is required to respond to the instance that has arisen.

Because the practitioner is not required to identify risks of material misstatement in a limited assurance engagement, we do not believe a practitioner should be required to design and implement overall responses to address the risks of material misstatement for limited assurance engagements in ED-5000.

Furthermore, for reasonable assurance engagements, we believe ED-5000 already includes requirements for identified instances of fraud or suspected fraud or non-compliance or suspected non-compliance with laws and regulations (see ED-5000 paragraphs 117 -118) and identified misstatements (see ED-5000 137-139).

Therefore, we suggest that:

Paragraph 116L be deleted in its entirety;

Paragraph 116R(b) be deleted; and

The related application material (e.g., A367 second bullet point) be revised.

We also suggest that paragraphs 117-118 of ED-5000 addressing identified instances of fraud or non-compliance be moved out from under the “Overall Responses” sub-heading, as we do not believe these procedures are overall responses to risks. We suggest these requirements be moved to follow paragraphs 59-61 to group all the fraud and non-compliance with law or regulation requirements together (consistent with the grouping of requirements for using the work of a practitioner’s external expert, using the work of another practitioner and using the work of the internal audit function).

Substantive procedures

Although we understand that the requirements in ED-5000 paragraphs 126R and 127R are attempting to mirror the requirements in ISA 330 paragraphs 21 and 18 to perform substantive procedures for “significant risks” and for “material” disclosures, we do not believe these requirements are understandable as drafted, even for experienced auditors familiar with the ISAs. We believe that implementation of these requirements without the introduction of the terms “significant risk” and “material disclosure” in ED-5000 is a primary reason for the lack of clarity. We have the following comments and recommendations:

Paragraph 126R of ED-5000 requires “the practitioner to design and perform further procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement at the assertion level. Those further procedures shall include substantive procedures that are responsive to each risk for which the assessment of that risk is close to the upper end of the spectrum of risk”. This requirement assumes that “each risk” is assessed, which is not consistent with paragraph 110R of ED-5000, which requires risk assessment at the assertion level. We believe that 110R provides flexibility (like ISA 315 (Revised 2019)) to allow for assessment for each risk or for each relevant assertion. It would be more understandable to introduce the concept of a “significant risk” in ED-5000, define them as risks close to upper end of the spectrum of risk and add a requirement to determine them. We believe this would help clarify the overly technical language in the requirement and avoid the impression that each risk must be assessed individually.

We do not believe the intention of paragraph 127R of ED-5000 is clear. Because paragraph 114R of ED-5000 requires the practitioner to design and perform further procedures, and further procedures are defined in paragraph 17(u) of ED-5000 as including tests of controls and substantive procedures, we believe the requirement is intended to address disclosures .

127R. Irrespective of the assessed risks of material misstatement, the practitioner shall consider the need to design and perform substantive procedures for For disclosures that, in the practitioner’s judgment, are important to the information needs of intended users, but for which no risks of material misstatement have been identified, the practitioner shall perform substantive procedures. (Ref: Para. A376R)

We do not believe the guidance in paragraph A376R of ED-5000 is correct, as it describes a disclosure that may be important to intended users as one “for which, if a misstatement were to occur, there is a reasonable possibility of the statement being material”. If there were such a risk, it would be a risk of material misstatement. If the intention of paragraph 127R is to address disclosures for which no risks of material misstatement have been identified, this guidance is inconsistent with that intention.

ETY sas

In general, we agree with the differentiation in approach and recognize that this is in line with the general expectation that the procedures the practitioner will perform in a limited assurance engagement will vary in nature and timing from, and are less in extent than for a reasonable assurance engagement.

However we question whether sufficient guidance is given on Control environment and entity's risk assessment (103R and 104R of the ED) for Reasonable assurance engagements while leaving for the same components required for Limited Assurance engagements. Requirements for Limited Assurance engagements should be included if different from those for reasonable ones or the “R” deleted in order to clarify that paras 103 & 104 are requirements for both engagement types.

It is unclear what the distinction is in requirement between para 102L(b) referring to “The results of the entity's risk assessment process” vs para 102R(b) only stating “The entity's risk assessment process”. We recommend that this difference be more clearly explained.

KPMG International

We generally agree with the differentiation in the approach taken by ED-5000 for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements. In particular, we welcome the alignment of the approach with ISA 315 (Revised), which we consider will drive the practitioner to obtain an appropriately robust understanding of the entity's system of internal control. We also support the differentiated approach to understanding the components of the entity's system of internal control relevant to sustainability matters and the preparation of sustainability information at paragraph 102 in respect of reasonable and limited assurance engagements and we consider the requirements to be appropriate to each type of assurance engagement. However, we do have recommendations below to further enhance ED-5000 in this area.

Include a requirement for the practitioner to develop an understanding of the entity's process to monitor the system of internal control for a limited assurance engagement

We consider that it would usually be appropriate for the practitioner to develop an understanding of the entity's process to monitor the system of internal control for a limited assurance engagement and therefore we recommend the inclusion of this component also, with the differentiation focused on the fact that the understanding required for a limited assurance engagement would be on the results of the process, and not the underlying process itself, similar to the understanding that is required regarding the results of the entity's risk assessment process. We believe this approach would be appropriately scalable to the engagement circumstances, and more appropriate.

Additional guidance and examples to address a lack of clarity regarding the nature and extent of procedures for a limited assurance engagement

We highlight that there appears to be a lack of clarity in terms of the nature and extent of procedures that a practitioner would perform to understand the entity's system of internal control for a limited assurance engagement. We welcome the application material at paragraph A314 which states that the nature and extent of the practitioner's understanding may vary depending on the complexity of the assurance

engagement itself, as well as the nature and complexity of the topics and aspects of the topics comprising the sustainability matters. We note that paragraph A315L emphasises the need for the practitioner to exercise professional judgement to determine the extent of understanding necessary to identify disclosures where material misstatements are likely to arise, and that a detailed understanding of the components of internal control may not be necessary, and that the procedures to obtain such an understanding may be less in extent, and of a different nature, than those required in a reasonable assurance engagement. However, A315L notes that a sufficient understanding may be obtained through inquiry for a limited assurance engagement but that a practitioner may need to perform a walk-through in a reasonable assurance engagement. We are concerned that this may be too simplistic and may suggest a distinction that practitioners may apply as a “rule of thumb” across limited assurance engagements when this may not be appropriate. This also appears inconsistent with other application material (e.g., at paragraph A302) which applies to both reasonable and limited assurance engagements and which states that inquiry alone ordinarily is not sufficient to identify disclosures where a material misstatement is likely to arise.

We recommend that paragraph A315L instead provide examples of procedures a practitioner may perform to develop their understanding of the entity’s system of internal control for a limited and reasonable assurance engagement over the same sustainability information, to help provide greater clarity and consistency in application. We also note that there may be differences in the nature and extent of a walk-through performed for each type of engagement, since the purpose of a walk-through for a limited assurance engagement is focused on identifying disclosures that are likely to be materially misstated (and to design further procedures when these are identified) whereas the purpose of a walk-through for a reasonable assurance engagement is to identify and assess risks of material misstatement (and design and perform further audit procedures when these are identified) and to identify relevant controls. We believe it would be helpful to describe these differences in the guidance.

Clarification of terminology

Lastly, we highlight that the equivalent paragraphs 25L and 25R of ISAE 3410 refer to “the information system, including the related business processes... [emphasis added]” and we recommend including this terminology in paragraphs 102L(c) and 102R(d), for clarity, with related application material focused on the entity’s policies and procedures to identify the information to include in the “sustainability information”.

Mo Chartered Accountants (Zimbabwe)

For both limited and reasonable assurance engagements, the extent, nature and coverage of obtaining an understanding and testing of internal controls needs to be determined on a case by case basis to the extent that it will assist in obtaining all the necessary and relevant information to form an opinion.

9. Public Sector Organizations

Government Accountability Office - US

We believe an understanding of the entity’s system of internal control is necessary only for a reasonable assurance engagement in which the practitioner needs to obtain a high level of assurance.

Office of the Auditor General (New Zealand)

See our detailed comments on question 7.

10. Member Bodies and Other Professional Organizations

Accountancy Europe

Overall, we agree with the differentiation for obtaining an understanding of the entity's system of internal control between limited and reasonable assurance engagements. As noted in paragraph A41 of the ED, certain reasonable assurance procedures may be appropriate in a limited assurance engagement. As clarified in A315L, the extent of procedures would depend on the engagement circumstances and be based on the practitioner's professional judgment.

ASSIREVI – Association of the Italian audit firms

We support the IAASB's approach for obtaining an understanding of an entity's system of internal control for limited and reasonable assurance engagements. We particularly welcome the decision to align the standard with ISA 315R and agree with the decision to differentiate the understanding of an entity's system of internal control for limited and reasonable assurance engagements.

However, we understand that the decision taken in ISSA 5000 is to require the practitioner to obtain an understanding not only of components of an entity's system of internal control relevant to the preparation of sustainability information, which is consistent with ISA 315R, which requires the auditor to understand the components of an entity's system of internal control relevant to the preparation of financial statements, but also that part of the system of internal control which is relevant to the sustainability matters. Given the definition of sustainability matters in paragraph 17 of the standard, the procedures to understand the components of an entity's system of internal control relevant to the sustainability matters could be quite extensive. In this respect, we note that the guidance currently included in the standard supporting paragraphs from 102L/R to 107L/R, which could assist the practitioner to better gauge the boundaries of such understanding, seems to refer in almost all cases to generic considerations about internal control without specifying the typical circumstances of that component of the system of internal control relevant to the sustainability matters. To ensure a more consistent application of the proposed standard, we advise the IAASB to integrate the guidance with detailed examples of the components of the system of internal control to be understood and the practitioner's related procedures.

Belgian Institute of Registered Auditors

We suggest to further clarify with examples the difference between limited and reasonable assurance to avoid different interpretations. We also refer to our comment on question 7.

Chamber of Financial Auditors of Romania (CAFR)

Certainly, understanding the risk environment and the internal control system holds great importance for sustainability practitioners employing a risk-based assurance approach. Nevertheless, there might be a reluctance among practitioners, especially those working with SMEs, where the emphasis lies solely on conducting substantive testing. In such cases, the less structured nature of the internal control system might lead to hesitancy in seeking a comprehensive understanding.

We agree with the differentiation for different levels of assurance engagements. This approach addresses the varying risks of material misstatements in disclosures. We support IAASB's efforts to ensure clarity,

appropriate scope, and scalability in understanding the system of internal control and we consider it important to find a balance between building on existing standards like ISAE 3000 (Revised) and ISAE 3410 while integrating updated concepts from ISA 315 (Revised 2019) for a more comprehensive understanding of the entity and its internal control system.

Although we generally agree with the differentiation, we suggest enhancing the standard's clarity by providing additional illustrative examples or practical guidance to better exemplify how practitioners should differentiate their approach in obtaining an understanding of the internal control system between limited and reasonable assurance engagements.

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

Subject to our response to Q7 where we raised our concerns when it comes to the work effort, yes, we broadly agree with the differential approach in ED-5000 for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements. We do note that certain procedures under reasonable assurance could also be relevant for limited assurance engagements too based on the assurance practitioner's judgment, however the standard could be more explicit in emphasising this.

Colegio de Contadores Públicos de Costa Rica

The standard could also include references to the control environment already analyzed in the audit of financial statements and its applicability in these works when both are carried out by the same firm.

CPA Ireland

CPA Ireland considers that the differentiation is necessary to obtain an understanding of the entity's system of internal control for limited and reasonable assurance engagements outlined per 79 of EM as these are the methods used for the practitioner's risk procedures for the system of internal control.

European Federation of Accountants and Auditors for SMEs (EFEAA)

We generally agree with the differentiation.

We agree it is important to the sustainability practitioner understand the risk environment, including an understanding of the system of internal control, when using a risk-based assurance approach. That said, we suspect there will be some reluctance to obtaining this understanding where the intention is only to perform substantive testing for example, SMPs working on SMEs where the system of internal control may be less formally structured.

Institute of Chartered Accountants of Sri Lanka

It may not be appropriate to require an understanding of the components of the entity's system of internal control relevant to sustainability matters, as this goes beyond what is required in ISA 315 (Revised) (paragraphs 21-25) to understand the components "relevant to the preparation of the financial statements." That is, the scope should be an understanding relevant to the preparation of sustainability information.

In addition, we do not believe it is practical to require an understanding of the entity's system of internal control relevant to detailed sustainability matters (i.e., topics and aspects of topics). Further, we do not believe a practitioner should be required to design and implement overall responses to address the risks of material misstatement for limited assurance engagements in ED-5000 since practitioner is not required to identify risks of material misstatement in a limited assurance engagement.

Institute of Chartered Accountants of the Maldives

Yes, agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements.

Institute of Singapore Chartered Accountants (ISCA)

We agree with the differentiation in the approach but have further comments.

The standard can make it clearer that when the practitioner adopts a controls reliance strategy, there is no difference in the approach on obtaining an understanding of the entity's system of internal control between limited and reasonable assurance.

More guidance would be helpful to explain the difference in the extent of work to be performed in accordance with paragraph 109 in respect of understanding (for limited assurance) or evaluation (for reasonable assurance) of the entity's control environment.

Instituto de Censores Jurados de Cuentas de España (ICJCE)

Given the diversity in practitioners delivering sustainability assurance, requirements in ED-5000 (102L, 102R and subsequents) should provide a clearer distinction between the work effort required for limited assurance vs. reasonable assurance rather than relying on the application material to provide this clarity.

Instituto Mexicano de Contadores Públicos (IMCP)

We support the differentiation in the requirements between reasonable and limited assurance as presented in the proposed ISSA 5000. We also appreciate the presentation in boxes and the inclusion of "L" and "R" to identify from a practical point of view what is applicable in the circumstances. For practitioners with an audit background, we may consider that performing a risk assessment process for reasonable assurance in a similar way as describe in ISA 315 (separate) would drive more benefits to the assurance engagement. However, we also recognize that many systems of internal control at the entity level still may not be mature enough and are evolving overtime; therefore, we consider that the proposed standard provides the flexibility to comply with the requirement and does not impose a burden in practice.

Instituto Nacional de Contadores Públicos de Colombia (INCP)

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

International Federation of Accountants (IFAC)

We agree with the differentiation in approach and are appreciative of the guidance that tries to emphasize the difference between understanding components of an entity's system of internal control for Limited and Reasonable assurance engagements. We agree it is important to understand the risk environment, including an understanding of the system of internal control under a risk-based assurance approach.

The wording of paragraph 102L/R (b) may pose a challenge. 102L (b) indicates the results of the entity's risk assessment process need to be considered whereas there is no explicit reference to this in 102R (b). It should be explicitly emphasized what results should also be considered for a reasonable assurance engagement.

Korean Institute of Certified Public Accountants (KICPA)

We agree with the approach in ED-5000. However, it will be helpful to clarify using example, etc., about the situations where the practitioner plans to test the operating effectiveness of controls for limited assurance engagement (paragraph 107L, ED-5000).

New York State Society of Certified Public Accountants (NYSSCPA)

Response: Yes, a requirement of the proposed standard is to obtain an understanding of components of the entity's system of internal control relevant to sustainability matters and preparation of the sustainability information. The degree of procedures performed beyond understanding design and effectiveness should be subject to practitioner judgment and the specific importance to each entity; limited assurance is based on the absence of material modification, and reasonable assurance is based on the premise of being materially correct. Further, paragraph 102, page 27 of ED-5000 and its paragraph 170(h)(iv), page 47, illustrated detailed, yet succinct, practitioner guidance.

Criticisms of this comment would imply that the guidance is not sufficient, however, with judgment at the forefront of the profession, there are alternative avenues, which are also covered within paragraph A348 on page 129 of ED-5000.

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

ONECCA-BF agrees with the differentiation in approach and recognize that this is in line with the general expectation that the procedures the practitioner will perform in a limited assurance engagement will vary in nature and timing from, and are less in extent than for a reasonable assurance engagement.

However our stakeholders raise concern whether sufficient guidance is given for Limited Assurance engagements in comparison with the guidance provided for Reasonable Assurance engagements on control environment (para 103R) and the entity's risk assessment (para 104R) in the requirement paragraphs.

They also point out that it is unclear what the distinction is in requirement between para 102L(b) referring to "The results of the entity's risk assessment process" vs, para 102R(b) only stating "The entity's risk assessment process".

We recommend the IAASB considers providing similar requirements and application guidance on Limited Assurance engagements were it appears to be relevant or delete the "R" so that they become applicable or both engagement types, and the difference entity's risk being more clearly explained.

Pan African Federation of Accountants

In general, we agree with the differentiation in approach and recognize that this is in line with the general expectation that the procedures the practitioner will perform in a limited assurance engagement will vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. We do question whether sufficient guidance is given for Limited Assurance engagements in comparison with the guidance provided for Reasonable Assurance engagements. For example, the ED elaborates on control environment (para 103R) and the entity's risk assessment (para 104R) in the requirement paragraphs, but these are specifically marked "R". Can these principles be applied for a limited assurance engagement as well? We recognize guidance provided in A-paragraphs, but the guidance in the A-paragraphs for both 102L and 102R is the same [102L Ref: Para A312-A317 and 102R Ref: Para A312-A314, A316-A317; 102L(a) Ref: Para A318L, A320-A321 and 102R(a) Ref: Para A319R-A321]. Can a practitioner performing a limited assurance engagement use 103R and 104R as guidance where relevant?

It is unclear what the distinction is in requirement between para 102L(b) referring to “The results of the entity’s risk assessment process” vs, para 102R(b) only stating “The entity’s risk assessment process”. We recommend that this difference be more clearly explained.

Should a practitioner performing a Limited assurance engagement disregard information in “R” paragraphs, or may such information still be considered as guidance? “R” paragraphs may still have useful information and give additional guidance?

Saudi Organization for Chartered and Professional Accountants (SOCPA)

SOCPA agrees with the differentiation in the approach. However, it suggests that:

ED-5000 could provide more specific examples of the types of procedures that the practitioner may perform for limited and reasonable assurance engagements.

ED-5000 could provide a more detailed discussion of the factors that the practitioner should consider when determining the appropriate approach for a particular engagement.

South African Institute of Chartered Accountants (SAICA)

In general, we agree with the differentiation in approach and recognise that this is in line with the general expectation that the procedures the practitioner will perform in a limited assurance engagement will vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. We do question whether sufficient guidance is given for Limited Assurance engagements in comparison with the guidance provided for Reasonable Assurance engagements. For example, the ED elaborates on the control environment (para 103R) and the entity’s risk assessment (para 104R) in the requirement paragraphs, but these are specifically marked “R”. Would it be appropriate for these principles to be applied for a limited assurance engagement as well? We recognize guidance provided in A-paragraphs, but the guidance in the A-paragraphs for both 102L and 102R is the same [102L Ref: Paragraphs A312-A317 and 102R Ref: Paragraphs A312-A314, A316-A317; 102L(a) Ref: Paragraphs A318L, A320-A321 and 102R(a) Ref: Paragraphs A319R-A321]. Can a practitioner perform a limited assurance engagement use 103R and 104R as guidance where relevant?

It is unclear what the distinction is in requirement between para 102L(b) referring to “The results of the entity’s risk assessment process” vs, para 102R(b) only stating “The entity’s risk assessment process”. We recommend that this difference be more clearly explained.

Should a practitioner performing a limited assurance engagement disregard information in “R” paragraphs, or may such information still be considered as guidance? “R” paragraphs may still have useful information and give additional guidance.

World Federation of Exchanges

It would be useful if the IAASB could further elaborate on what it means by ‘consider’ in terms of the extent of work required.

Files\11. Academics

Accounting and Finance Association of Australia and New Zealand

We agree that internal control is important and relevant to disclosure of sustainability information. However we found it difficult to distinguish between the requirements for limited assurance and those applicable to

reasonable assurance. We recommend the same internal control requirements be applied to both types of engagement.

The requirement for a “Conditional requirement to obtain an understanding” vs “obtain an understanding of controls” is vague. Overall, we find the difference very hard to define and assess, except for the first row in paragraph 79, “certain components” vs “all components”. However, the internal control for most entities on sustainability information may not be fully developed to the extent of financial information, so even “certain” vs “all” components may not be useful in the case of many entities.

We learn from the large body of literature in the U.S. where the internal control over financial reporting is required to be audited for large entities that internal control plays a significant role in determining the financial reporting quality. The independent audit over internal control has an incremental effect in improving the financial reporting quality (Zhou 2022). We can expect the same to be applied to sustainability information.

Nonetheless, there is currently very limited publicly disclosed information about companies' internal control over sustainability information in most settings. The research report (Lum et al. 2023) published by the Deakin Integrated Reporting Center provides a summary (Figure 1) of current internal control measures that listed companies in Australia are using to safeguard the integrity of unaudited periodic corporate reports as a response to the Recommendation 4.3 of the Australian Securities Exchange (ASX) Corporate Governance Council revised Corporate Governance Principles and Recommendations. They find that “The top three most common types of internal controls disclosed by entities are reviews by direct line managers and/or peers (38%), senior executives and/or C-suite (36%), and internal subject matter experts (34%). In contrast, the least three common types of internal control are reviews by internal auditors (12%), externally hired advisors and/ or consultants (13%), and preparer sign-off (14%). 22% of entities indicated that reviewers verified the disclosures against source document” (p5, Lum et al. 2023).

Monash University

Paragraph 79, Table comparing the key requirements for limited assurance and for reasonable assurance: For the third point there is no difference in the text between the limited assurance and the reasonable assurance. We recommend changing slightly the wording for limited assurance as follows: ‘Obtain an understanding, and evaluate the design and consider the implementation, of controls that the practitioner plans to test’.

13.3 Neither agree or disagree

2. Preparer and Users of sustainability information

Keidanren (Japan Business Federation)

Even for limited assurance engagements, practitioners are required to understand the components of internal control to some degree. However, compared to financial information, the departments that handle sustainability information are more wide-ranging and the information itself covers a broader range of topics. Therefore, we are not sure whether this would actually work in practice.

Paragraphs 102L and 102R require the practitioner to obtain an understanding of components of the entity's system of internal control, but the assurance system should not be designed in such a way that entities cannot obtain assurance unless they develop a sophisticated internal control system. Likewise, if information can be gathered as a corporate group, individual entities should not be required to establish a

sophisticated internal control system. ED-5000 presents related Application and Other Explanatory Material in the second bullet point of paragraph A155, paragraph A313, and elsewhere, but the current wording taken on its own could be misunderstood to imply that entities are required to establish internal control systems exceeding a certain level of sophistication (including IT). It should be clearly stated in the guidance and elsewhere that the intention is not to require entities to establish sophisticated internal control systems.

Amid a conflicting jumble of national regulations and various initiatives relating to disclosure of sustainability information, it is difficult for entities now to develop an overarching internal control system that anticipates future developments. Disclosure practice is still developing, and the reality is that many companies are responding flexibly, including through manual processes, given the potential for changes to definitions or additional regulations after disclosure has taken place.

Although it is desirable that entities have already developed a sophisticated internal control system when obtaining assurance, if change due to legislative amendments or the like is anticipated in the near future, it may be rational from a long-term perspective for an entity to develop its internal control system incrementally. The key prerequisite is that an entity can ensure the accuracy and completeness of disclosures, but given that the establishment of an internal control system is to some extent dependent on external circumstances, we recommend that paragraphs 70(a) and A162, as well as paragraphs 102L and 102R (i.e., the provisions relating to obtaining an understanding at the engagement acceptance stage) be supplemented to urge practitioners to assess an entity's initiatives over the long term.

World Business Council for Sustainable Development (WBCSD)

Internal controls

Members highlighted the following points in relation to building internal controls for sustainability reporting:

The scale of challenge for preparers was emphasized, considering the number of data points and information that will need to be assured, especially as some of this will be in relation to complex value chains.

The robustness of internal controls required for sustainability information will require resource and time to build understanding, capability and capacity for issue and data owners internally, for whom this is likely to be a relatively new endeavour.

Notwithstanding the above challenges, members agree that the internal controls and rigour required for sustainability information should be the same as for financial information.

Members want to see their assurance providers, through their management letters, more robustly highlight any deficiencies or areas for continued improvement in internal controls to ensure the highest standards of rigour and systems to deliver sustainability reporting requirements.

Files\7. Accounting Firms

UHY International

We acknowledge the importance of an entity's system of internal control around sustainability matters. We suggest the IAASB consider referencing the COSO Internal Controls - Integrated Framework or other accepted standards around internal controls over sustainability reporting (ICSR).

8. Assurance Practitioner or Firm - Other Profession

SGS

ED-5000 focus on the internal control of accounting world, which is no problem. However, it shall recognize other internal control system as well, for example the international management systems such as ISO 9001, 14001, 45001, etc.

TIC Council

ED-5000 focus on the internal control of accounting world, which is no problem. However, it shall recognize other internal control system as well, for example the international management systems such as ISO 9001, 14001, 45001, etc.

10. Member Bodies and Other Professional Organizations

Institute of Chartered Accountants in England and Wales (ICAEW)

We are concerned that the internal control requirements for limited assurance engagements may not be sufficient, particularly in situations where there will eventually be a transition to reasonable assurance. We do not understand the rationale for not needing to obtain an understanding of all the components of internal control in a limited assurance engagement as would be obtained in a reasonable assurance engagement. We question the rationale for excluding the “control activities” component as well as the “entity’s process to monitor the system of internal control” component in paragraph 102L.

We question why paragraph 103 only refers to paragraph 102R when understanding is also required on a limited assurance engagement (compare paragraphs 103 and 104 with 106, which refers to 102L and 102R).

We would welcome guidance as to the circumstances in which a practitioner might be expected to perform operating effectiveness testing for a limited assurance engagement and what alternative procedures are to be performed or outcomes reported if the practitioner chooses not to perform this testing or is not able to perform this testing. This should include guidance as to whether operating effectiveness testing alone is sufficient or whether practitioners are expected to perform analytics and/or reconciliation procedures in addition to operating effectiveness testing, and if so, practitioners will need clarity around whether other procedures can be reduced in the case of reliance on controls.

We believe that the requirement in paragraph 121 is unnecessarily more prescriptive than ISA 330.12, where there is more judgment about the extent of work and evidence a practitioner should obtain over the operating effectiveness of controls subsequent to the interim period.

We would also welcome the provision of additional application material discussing first time engagements (focussing on the work effort for obtaining an understanding) and also addressing how practitioners may be able to leverage previous work in internal controls when transitioning to reasonable assurance in the future.

We note that ED 5000 does not address work on internal controls when providing a mix of limited and reasonable assurance. We would welcome guidance on what should be done in this situation when performing a hybrid engagement with a single report.

Institute of Chartered Accountants of Scotland (ICAS)

We believe that further differentiation is needed between the work effort required with regard to understanding the entity's system of internal control for limited assurance versus reasonable assurance. We also believe that further consideration needs to be given to explaining the terminology used at different places e.g. "consider", "determine" and "evaluate", if these standards are going to be clear, particularly from a profession agnostic perspective.

Additionally, we do have a concern that the content is too prescriptive and does not appear to readily support innovation in the provision of assurance e.g. the use of technological tools such as AI where it might not be clear where their use would contravene the requirements.

11. Academics

Deakin University

Refer to our answer to Question 10. We believe that the reporting process and the internal controls within it will always be a material business process within an organisation's business model. Accordingly, it will be described in a report containing sustainability information, either in the basis of preparation and presentation or as part of the description of the business model.

In this way, what is 'underlying subject matter' in a financial statements audit will become 'sustainability information' subject to assurance in a sustainability reporting assurance engagement.

We believe that in due course the whole of an annual report will become subject matter or sustainability information subject to assurance and there will be a whole-of-annual report assurance report.

We also believe that financial statement auditors leading teams with appropriate subject matter experts will be ideally placed to deliver such assurance reports given the comprehensive understanding of the business and expertise in interacting and communicating with boards of directors and senior executives that they must have.

13.4 Disagree with comments

2. Preparer and Users of sustainability information

Link Asset Management Limited

Given that sustainability information is very broad, companies will not have same level of internal control for all sustainability related quantitative and qualitative information and may have various roadmaps of different time horizons for building up quality controls. To encourage companies to adopt ED-5000 for assurance engagements suggest that limited assurance criteria to be less stringent than proposed.

4. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

It is unclear why the requirements in paragraphs 102L and 102R are different for limited assurance engagements, specifically in respect of the entity's monitoring system or control activities. Consistent

requirements between limited and reasonable assurance engagements will drive greater consistency and help with the assurance journey that leads from limited assurance to reasonable assurance engagements.

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

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

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

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

5. National Auditing Standard Setters

American Institute of Certified Public Accountants (AICPA)

The practitioner’s report states that “the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.” One significant difference between limited assurance and reasonable assurance relates to the area of obtaining an understanding of internal control.

ISAE 3000 (Revised) has obtaining an understanding of internal control as a differentiator between limited and reasonable assurance, as is clear from the difference in requirements between paragraphs 47L and 47R of ISAE 3000 (Revised). We believe that this baseline is appropriate. The IAASB’s decision to require obtaining an understanding of the entity’s system of internal control in a limited assurance engagement on sustainability information is materially consistent with ISAE 3410. However, we do not believe that this additional procedure, which is not required for limited assurance on any other subject matter, is necessary to achieve limited assurance. Therefore, we recommend changing paragraph 102L to state that the practitioner shall obtain an understanding of the process used to prepare the sustainability information, which would be consistent with paragraph 46L of ISAE 3000 (Revised). If that recommendation is not acceptable, we then suggest that paragraph 102L be consistent with paragraph 27L of ISAE 3410, and state that the practitioner shall obtain an understanding, through inquiry, of the following components of the entity’s system of internal control...

We also recommend the following edits to paragraph 170(h)(iv) for (1) consistency with our recommendations above and with paragraph 39(b)(ii) of ISA 700 (Revised); and (2) conciseness and clarity (footnotes omitted for purposes of this comment):

If our recommendation that paragraph 102L be revised to be consistent with paragraph 27L of ISAE 3410 is taken:

The practitioner performs risk procedures, including obtaining

For a limited assurance engagement: risk identification procedures, including obtaining an understanding of internal controls relevant to the engagement the process used to prepare the sustainability information to

identify disclosures where material misstatements are likely to arise, whether due to fraud or error, but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control; or

For a reasonable assurance engagement: risk assessment procedures, including obtaining an understanding of internal controls control relevant to the engagement, to identify and assess the risks of material misstatement, whether due to fraud or error, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

If that recommendation is not taken, then we suggest the following edit instead:

The practitioner performs risk procedures, including obtaining

For a limited assurance engagement: risk identification procedures, including obtaining an understanding of internal controls control relevant to the engagement to identify disclosures where material misstatements are likely to arise, whether due to fraud or error, but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control; or

For a reasonable assurance engagement: risk assessment procedures, including obtaining an understanding of internal controls control relevant to the engagement, to identify and assess the risks of material misstatement, whether due to fraud or error, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

Australian Auditing and Assurance Standards Board (AUASB)

The difference in the approach for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements is not clear. Given the diversity in assurance practitioners performing sustainability assurance engagements, the AUASB suggests the requirements in ED-5000 (e.g., paragraphs 102L, 102R, 106) should provide a clearer distinction between the work effort for limited assurance and reasonable assurance rather than relying on the application material to provide clarity.

Furthermore, the table on control activities in paragraph 107 is populated for limited assurance engagements and states "if the practitioner plans to obtain evidence by testing the operating effectiveness of controls...". This may create misunderstanding as it is not clear in what circumstances the practitioner would be testing the operating effectiveness of controls and what impact this would have on other procedures in a limited assurance engagement. The AUASB suggests that these requirements are revisited by the IAASB. Illustrative examples would assist in clarifying what and how the extent of understanding would differ between a reasonable and limited assurance engagement.

Japanese Institute of Certified Public Accountants (JICPA)

Refer to our comment on Question 7.

Royal Dutch Institute of Chartered Accountants

In our opinion, the approach regarding internal control needs further clarification, both for limited assurance and for reasonable assurance engagements. More specifically we suggest that:

- The standard should be clear that for limited assurance testing of the operating effectiveness of controls is not expected. Hence, all requirements regarding the testing of controls should be marked

'R' and be made applicable to reasonable assurance engagements only. This does not mean that a practitioner in a limited assurance engagement is prevented from testing controls, but it does make clear that this is not required or expected. The application material may include language that explains that

controls testing may be done in a limited assurance engagement in rare circumstances, and that the R-paragraphs will then provide useful guidance.

- We consider the standard as to what the practitioner needs to do when control deficiencies are found. We cannot find further narrative within the standard on the evaluation of deficiencies. We request clarity as to whether this means a qualified conclusion/opinion or whether there is an expectation that alternative procedures are to be performed, and if so what the nature and extent of these procedures are expected to be. We also suggest there should an 'evaluate' requirement in the reasonable assurance column.
- Finally, we observe that ED-5000 does not distinguish between limited and reasonable assurance for IPE. In our view, unless there are indications otherwise, a practitioner performing a limited assurance engagement should be able to use IPE without performing specific procedures on its reliability. A practitioner performing a reasonable assurance engagement, however, should perform procedures to determine that the information is reliable. We propose that the Board makes such clarifications in the standard. Of course, any IPE used by the practitioner should be 'fit for purpose' and provide meaningful information about the subject matter.

6. Global Standard Setter

Social Value International

Although we recognize that it is point of contention, it is difficult to see how some level of maturity of internal controls and their governance is not needed for the practitioner to carry out investigations and form an opinion at either limited or reasonable levels. Again the ability of the user to rely on the information and opinion formed by the practitioner hinges on the fundamental characteristics of the underlying data. As currently drafted, the proposed standard plays to the common misperception that if an entity's data and controls are not sufficient to form an opinion at a reasonable level that a limited opinion can be offered as an alternative. This would be inconsistent with ISAE 3000 and the related guidance and it is important for the IAASB to stress that limited assurance is not a fall back position in circumstances where an opinion at a reasonable level can be formed.

Paragraph 51 could be expanded to cover the use of third-party certifications of recognised management systems, for example ISO14001 environmental management system, or other aspects of internal control and the extent to which that certification is a three party relationship.

7. Accounting Firms

Grant Thornton International

We believe the difference in work effort for understanding the entity's system of internal control for limited and reasonable assurance engagements is unclear. In part, this is because the standard lacks examples and guidance on when it is necessary and/or appropriate to test controls in a limited assurance engagement. Given the importance to the assurance engagement and frequency of inspection findings in this area, it's important that the requirements and application material related to controls be clear, concise, and easy to implement.

We see two issues, 1) in its current state, ED-5000 does not sufficiently differentiate the level of work for limited assurance and reasonable assurance engagements; and 2) some areas of differentiation for limited assurance engagements are not appropriate. We have the following recommendations:

Understanding components of the entity's system of internal control

Many reports used as evidence in limited assurance engagements are system generated reports. We believe ED-5000 is missing a requirement for limited assurance engagements to understand the entity's process to monitor the system of internal control as it relates to the entity's process to monitor information processing controls that involve the use of IT (as specified in ED-5000, paragraphs A330R-A332R). We propose the IAASB:

Revise ED-5000 paragraph 102L to include "The entity's process to monitor the system of internal control; (Ref: Para. A330-A332)" as a conditional requirement when planning to rely on system generated reports or test controls.

Revise the numbering of paragraphs A330R-A332R to remove the signposting "R" references.

We believe the requirements are incomplete regarding understanding control activities based on subsequent guidance and requirements in the standard. We propose the IAASB:

Revise ED-5000, paragraph 102L to include a conditional requirement to understand "(c) Control activities, if the practitioner plans to obtain evidence by testing the operating effectiveness of controls". We also propose to remove the letter "R" from the related requirements in paragraphs 103R – 105R to indicate that these procedures also apply to limited assurance engagements where controls will be tested. This concept is necessary before the practitioner can understand and test controls.

We believe the requirement to understand the entity's system of internal control related to the processes used to design, implement, or operate the controls when controls are the aspects of the topics is currently buried in ED-5000 paragraph A316. Leaving the requirement in application material violates CUSP principles and creates confusion about the level of work needed. We believe this requirement should apply to both limited and reasonable assurance engagements and propose adding a conditional requirement in paragraph 102L and 102R instead of leaving it buried in the Application Material.

The requirements in ED-5000 do not differentiate the level of work required for in-scope components on internal control for limited assurance engagements.

We struggle to understand the rationale for certain differentiators related to understanding the entity's system of internal controls. Application material in ED-5000, paragraph 315L says that when understanding the control activities on limited assurance engagements that plan to test controls, the practitioner may not need to obtain a detailed understanding and may obtain a sufficient understanding of the information system through inquiry versus through walkthrough for a reasonable assurance engagement. We believe that inquiry alone is not sufficient to obtain an understanding of control activities when the practitioner plans to test controls. Further, as noted below, the application material uses the terms "understand" and "evaluate" several times. We question what the difference is between these terms and how a practitioner would obtain a lesser understanding of the system of internal controls in a limited assurance engagement and still be able to test controls.

Application material related to understanding components of internal control in ED-5000, paragraphs A318L – A322 reference the practitioner's "understanding" of the control environment. The term "understanding" is used to refer to limited assurance engagements and in general when the paragraph does not include signposting for limited or reasonable assurance. The application material refers to the practitioner's

“evaluation” of the control environment for reasonable assurance engagements. The terms “understanding”, and “evaluation” are not specified in the standard, leading to questions about how different the level of work is since the guidance within these paragraphs is not substantively different for limited assurance and reasonable assurance. We recommend the IAASB clarify the difference or consolidating the application material and removing sign-posting references.

We believe it is unclear what the practitioner is expected to do after obtaining an understanding of internal controls in a limited assurance engagement. We suggest the IAASB add examples on how to apply the understanding of components of internal controls in limited assurance engagements to ensure consistent application.

It is not clear how the requirement to understand components of the entity’s system of internal controls for limited and reasonable assurance engagements is scalable where the practitioner is providing assurance over only one or a few disclosures. Assurance may be required on a very small number of disclosures for entities that do not prepare a full sustainability report. For example, when assurance is being provided on a single metric, such as the percentage of females in management and above from employee census data, how does an understanding of the broader system of internal controls impact the nature, timing, and extent of work to be performed to obtain assurance over that metric. In this example, the employee data is very isolated to just that process within the entity.

Control activities

ED-5000 requires an understanding of controls in limited assurance engagements when a practitioner plans to test controls. We do not disagree with including this requirement if the limited assurance engagement plans to test controls but return to our initial question about when it is necessary and appropriate to test controls in a limited assurance engagement.

The requirement in ED-5000 paragraphs 107L and 107R to understand controls is too broad and subject to different interpretations because it does not include references to “relevant controls”. We believe this will cause confusion because it is unclear how practitioners will identify controls when the link to relevant controls is missing. We propose the IAASB revise ED-5000, paragraph 107L and 107R to use the requirement from ISAE 3000 (Revised), paragraph 47R which says “the practitioner shall obtain an understanding of internal control over the preparation of the subject matter information relevant to the engagement. This includes evaluating the design of those controls relevant to the engagement and determining whether they have been implemented by performing procedures in addition to inquiry of the personnel responsible for the subject matter information.”

We agree with the requirement in ED-5000 to obtain evidence of the entity’s general IT controls that address the risks arising from the use of IT related to the controls the practitioner plans to test in paragraph 109L(b) and 109R(b). However, ED-5000 is missing further requirements and/or guidance related to understanding and testing general IT controls. Professional accountants will use their experience providing assurance under the ISAs and ISAEs. Non-accountant practitioners may struggle to apply the requirements in ED-5000, paragraph 49 related to the use of a specialist and/or design a suitable methodology for understanding and testing general IT controls or apply the guidance for using the work of a practitioner’s external expert as it relates to testing general IT controls as that guidance is related to sustainability matters outside the practitioner’s expertise.

We believe ED-5000 is missing requirements and guidance for when, given the nature of the information processing system, testing controls is necessary to obtain sufficient appropriate evidence to support the

opinion. For example, for highly automated processes. We propose the IAASB add the guidance from ISAE 3410, paragraph A4 and A98 to ED-5000.

Within the ED-5000 Explanatory Memorandum, we question the statement that a more in-depth understanding of the system of internal control is needed on all reasonable assurance engagements or just those that plan to test controls.

Design and implementation of controls

We believe the guidance in ED-5000, paragraph A291 is misleading as it relates to the evaluation of the operating effectiveness of controls for reasonable assurance engagements and can be taken out of context. We do not believe the results of risk assessment procedures supports the evaluation of the operating effectiveness of controls and suggest removing the second example.

Identifying control deficiencies

We do not believe the requirements in ED-5000, paragraphs 109L-109R differentiate between limited and reasonable assurance engagements. The difference between “consider” and “determine” is a concept from the ISAs and is not relevant here as control deficiencies are equally relevant in limited and reasonable assurance. We recommend merging the requirement into one paragraph and removing signposting references. This proposed revision will also align with the application material, which provides the same guidance for both limited and reasonable assurance engagements.

We suggest the IAASB re-evaluate the use of sign-posting related to controls and consider expanding to three sign-posts to clearly differentiate the level of work required: 1) limited assurance – no tests of controls and no controls are aspects of the topics, 2) reasonable assurance – no tests of controls and no controls are aspects of the topics, 3) limited and reasonable assurance where the practitioner plans to test controls and/or controls are aspects of the topics

Mazars

Differentiation of work effort

Although ED-5000 sets out a clear differentiation in work effort between limited and reasonable assurance, we do not fully agree with the proposed approach. In particular we are concerned that there is insufficient work required on internal control for limited assurance engagements in the final exposure draft compared to earlier drafts. For example, practitioners are not required to understand all components of control environment relevant to the sustainability matters and the preparation of the sustainability report in limited assurance engagements and are required only to assess obtain an understanding of the results of the risk assessment process, without considering whether the risk assessment process itself is appropriate. We do not believe this distinction is appropriate.

We are particularly concerned that, for first time application, the work effort for limited assurance should be sufficient to ensure that the practitioner has sufficient knowledge of the entity's system of internal control to evaluate systems, processes and controls as there will be no prior knowledge of such controls from previous engagements. We do not believe that the requirements are sufficient to obtain this level of understanding and that the nature of the work for understanding internal control should be the same regardless of the level of assurance. Perhaps a distinction could be made between understanding for Limited Assurance and evaluating for reasonable assurance?

Furthermore, if the more restricted requirements apply to limited assurance, it is not clear how the practitioner would transition to a reasonable assurance engagement where this is required in the future,

without the risk that additional work performed may identify deficiencies not picked up in previous limited assurance engagements. This runs the risk of creating an expectation gap with intended users. The IAASB should develop guidance for practitioners on how to plan for and execute the transition from limited to reasonable assurance.

Hybrid engagements

ED-5000 does not set out how the requirements should apply in hybrid engagements where both limited and reasonable assurance may be provided in a single report. Guidance should set out the impact of hybrid engagements on the approach to internal control understanding and risk procedures where there is a distinction in work effort.

Control deficiencies

The difference between considering control deficiencies in limited assurance engagements and determining whether deficiencies exist in reasonable assurance engagements is not sufficiently clear. In particular, it is not clear how to operationalize the requirement to “consider whether one or more control deficiencies” exist in practice for a limited assurance engagement, as presumably if a control deficiency is identified it should be treated in the same manner regardless of the level of assurance. We do not believe that there should be a distinction between the requirements for limited and reasonable assurance in this regard. If the IAASB retains this distinction, further guidance should be provided to clarify what is required when considering control deficiencies in a limited assurance engagement.

MHA

We agree it is appropriate for the approach to be differentiated between limited and reasonable assurance engagements when obtaining an understanding of the reporting entity’s system of internal control, but have reservations that the limited assurance approach to this area may be insufficient where reasonable assurance may be required in the future, such as under the CSRD in the European Union.

We have identified the following areas where we believe the proposed standard deviates from established market practice:

Paragraph 102L omits “the entity’s process to monitor the system of internal control” and “control activities”, but it is not clear why these elements are excluded or why the IAASB considers these irrelevant to limited assurance engagements. Dependent on the engagement scope, MHA considers these as fundamental components of our approach on sustainability assurance engagements under ISAE 3000 and ISAE 3410, regardless of whether we are providing a limited or reasonable assurance report.

Similarly, paragraph 103 of the ED in relation to the control environment refers only to paragraph 102R while we would consider this an essential component of a limited assurance engagement.

Conversely, it is not common for a limited assurance engagement performed under ISAE 3000 or ISAE 3410 to include tests of operating effectiveness of controls, as is proposed in paragraph 107L of the ED. While tests of operating effectiveness may be appropriate under particular circumstances (for example, where the volume of data is such that statistical sampling or other substantive procedures may be ineffective), we do not believe it appropriate for ISSA 5000 to mandate this approach. We encourage the IAASB to include operating effectiveness testing as an option, but not a requirement, accompanied by illustrative guidance as to the circumstances where this approach may be suitable (and any additional procedures deemed appropriate). Ultimately, we believe this is a topic best left to the assurance practitioner to determine, based on their understanding of the scope and extent of the sustainability assurance engagement.

Paragraph 121 of ED-5000 is more prescriptive than ISA 330 paragraph 12 concerning the extent of work and evidence an assurance practitioner should obtain over operating effectiveness subsequent to the interim period.

Paragraph 123R of ED-5000 is also more prescriptive than ISA 330 paragraph 15, which requires testing of controls in the current period for significant audit risks only.

The first part of paragraph 133L of ED-5000, concerning additional procedures where the practitioner believes the sustainability information may be materially misstated, should arguably apply to reasonable assurance engagements as well as limited assurance engagements, albeit with more robust additional requirements for reasonable assurance engagements.

Given the range and extent of inconsistencies flagged above, we do not believe the proposed standard can be issued as drafted without authoritative application guidance to address these points.

Nexia International

We believe the requirements will be difficult to operationalize. While the Explanatory Memorandum points to seemingly analogous requirements in ISAE 3410, we believe when broader subject matters are considered under ISSA 5000, unintended consequences may occur in terms of significant diversity in practice among practitioners and amongst different regulators between and inside different jurisdictions.

PKF International Limited

We agree that ED-5000 should differentiate the approach for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance. However, we are not fully in agreement with the approach taken in ED-5000 to achieve differentiation, as described below.

Suggestions for an alternative approach to differentiation

In summary, the approach in ED-5000 to differentiate the requirements between limited and reasonable assurance for the purpose of obtaining an understanding of the entity's system of internal control, is that the scope of the procedures and the specific requirements are more or less identical for both levels of assurance, other than certain requirements for the understanding obtained under the reasonable assurance approach are omitted from the limited assurance approach.

In our view, the selection of those reasonable assurance requirements over the entity's internal control which are omitted from the limited assurance approach, appears to be somewhat arbitrary. For example, there is no clear rationale for requiring that an understanding for both the entity's information and communication process and of the results of the entity's risk assessment process are obtained under both limited and reasonable assurance, yet an understanding of the entity's monitoring process is a requirement only for the reasonable assurance approach. In context of a limited assurance engagement, in our view the results of the entity's monitoring process are equally as relevant to the practitioner's risk procedures as the results of the entity's risk assessment process, and perhaps even more so if the results of the entity's monitoring process identify deficiencies in the entity's risk assessment process. Likewise, it is unclear why ED-5000 has prioritised the entity's information and communication process over its monitoring process for the purpose of the practitioner's understanding of the entity's internal controls under a limited assurance approach.

In our view there are valid counter arguments to justify why some, or all, of the elements of internal control procedures which are currently omitted in this part of ED-5000 for limited assurance are appropriate and relevant to a limited assurance engagement.

We encourage the IAASB to consider if an alternative approach in this part of ED-5000 could be adopted for differentiating the required work effort for both levels of assurance. This could be done by switching the aspects of differentiation away from the components of the entity's internal control to the scale and extent of the practitioner's procedures. For example, the required understanding could cover the same areas of the entity's internal control for both levels of assurance, with differentiation introduced instead to specify how the nature of the risk procedures can be scaled down under a limited assurance engagement compared to a reasonable assurance engagement.

Understanding the results of the entity's risk assessment process

With regard to the requirements in para 102 on the entity's risk assessment process, it is unclear why obtaining an understanding of the results of the entity's risk assessment process is a requirement only of a limited assurance engagement and not of a reasonable assurance engagement.

The applicable requirement in para 102 under reasonable assurance is for the practitioner to obtain an understanding of the entity's risk assessment process rather than to understand the results of the process. It could be inferred from the application guidance (e.g., A323R) that the results of the entity's risk assessment process should be considered under a reasonable assurance engagement. However, there is no explicit requirement to this effect in paras 102R or 104R.

Regardless of how A323R should be interpreted, we consider that the current explicit approach under ED-5000 in which an understanding of the results of the entity's risk assessment process applies only for a limited assurance engagement, is not appropriate. To address this point, we recommend the standard is revised to include an explicit requirement to obtain an understanding of the results of the entity's risk assessment process for both limited and reasonable assurance.

The entity's risk assessment process versus the entity's materiality process

The following point does not directly address the question on differentiation between limited and reasonable assurance. Rather, it pertains to the manner in which ED-5000 presents requirements on the entity's risk assessment process and applies to both levels of assurance.

In our view, ED-5000 needs to clearly distinguish between the practitioner's procedures over entity's risk assessment process and its "materiality process". While there is some overlap between the two processes, in terms of risk identification, each has a unique internal control purpose relevant to sustainability reporting.

Many of the commonly applied frameworks on sustainability reporting, require the reporting entity to perform due diligence by engaging with stakeholders for the purpose of identifying the entity's relevant "impacts" – for example see GRI 2 General Disclosures, Disclosure 2-12, requirement b. Although such a process can be sometimes referred to as a "risk identification process", it is our understanding that this process is what ED-5000 describes as the entity's "materiality process" (e.g., in para A157). In our view, the different terminologies will likely cause confusion, leading to inconsistencies in terms of the practitioners' understanding of what ED-5000 means with its reference to the entity's risk assessment process in para 102(b). For example:

Some practitioners may interpret the para 102(b) "risk assessment" as being the same as both: the entity's "materiality process" as referred to in ED-5000's application guidance (e.g., in para A157), and the due diligence process described in GRI 2 General Disclosures, Disclosure 2-12, requirement b.

Other practitioners may take the view the para 102(b) reference to the entity's "risk assessment" process is consistent with the descriptions of a risk assessment process in para A102 of ISA315R, and as applied in context of an audit of historic financial reporting performed in accordance with ISAs.

In our view, both interpretations above are valid and relevant for the purpose of performing a sustainability assurance engagement. Both have a specific role as an internal control for the purpose of sustainability reporting. However, given that each has a separate purpose, we recommend that the risk procedures in ED-5000 be revised to require that the practitioner obtains an understanding of:

the entity's risk assessment process, consistent with the risk assessment process as described in ISA 315R para A102, and the entity's materiality process, consistent with the materiality process described in ED-5000 para A157.

Accompanying its requirement on (ii) above, we also recommend that ED-5000 includes further application guidance to give more detailed explanation of: the relevance of the entity's materiality process as an internal control over sustainability reporting, and why it is relevant for the practitioner to gain an understanding of the process.

These recommendations on the entity's materiality process are further outlined in our response to Q9.

8. Assurance Practitioner or Firm - Other Profession

Academy for Practical Training on Sustainability Assurance (APTISA)

Once again the ED5000 makes such a distinction between limited and reasonable assurance that I believe it undermines the value of limited assurance. It is important for both limited and reasonable assurance to understand the entity's system of internal control, including its design and implementation if planning to test controls in a limited assurance engagement on data, for example for safety and environmental incident metrics. I strongly urge the IAASB not to make a distinction between the activities in planning and risk assessment based on the level of assurance.

ERM Certification and Verification Services Limited

If the changes suggested in Question 25 1 – 9 are addressed, we would limit the suggested changes below to only the difference between Limited and Reasonable Assurance and would not suggest the changes related to professional judgement.

In relation to A315L, ERM CVS do not agree with the following (bolded) parts of the Limited Assurance requirements for 'Understanding Components of the Entity's System of Internal Control (Ref: Para. 102L, 102R)':

A315L. In a limited assurance engagement, the practitioner is not required to obtain an understanding of all the components of the entity's system of internal control relevant to the preparation of the sustainability information as required in a reasonable assurance engagement. In addition, the practitioner is not required to evaluate the design of controls and determine whether they have been implemented unless the practitioner plans to test the operating effectiveness of controls. The practitioner uses professional judgment to determine the extent of understanding that is necessary to identify disclosures where material misstatements are likely to arise and to provide a basis for designing procedures to focus on those disclosures. It will often not be necessary to obtain a detailed understanding of the components and the procedures to obtain the understanding may be less in extent, and of a different nature than those required in a reasonable assurance engagement. For example, the practitioner may obtain a sufficient understanding of the information system through inquiry in a limited assurance engagement but may need to perform a walk-through in a reasonable assurance engagement.

The practitioner is expected to use professional judgement, although the requirement does not make mention of subject matter expertise. The Limited Assurance requirements cannot be reduced to inquiry to obtain a sufficient understanding of the information system and the current market practice for Limited Assurance includes both a walk-through AND selected testing of components of the entity's system of internal control relevant to the preparation of the sustainability information (please see responses to Question 7).

The suggested addition is bolded as follows:

A315L. In a limited assurance engagement, the practitioner is not required to obtain an understanding of all the components of the entity's system of internal control relevant to the preparation of the sustainability information as required in a reasonable assurance engagement. In addition, the practitioner is not required to evaluate the design of controls and determine whether they have been implemented unless the practitioner plans to test the operating effectiveness of controls. The practitioner uses professional judgment and subject matter expertise to determine the extent of understanding that is necessary to identify disclosures where material misstatements are likely to arise and to provide a basis for designing procedures to focus on those disclosures. It will often not be necessary to obtain a detailed understanding of the components and the procedures to obtain the understanding may be less in extent, and of a different nature than those required in a reasonable assurance engagement. For example, the practitioner may not be able to obtain a sufficient understanding of the information system through inquiry only and may need to perform a walk-through, as well as selected testing of components of the entity's system of internal control relevant to the preparation of the sustainability information.

10. Member Bodies and Other Professional Organizations

Chartered Accountants Ireland

We believe that there are some practical difficulties with how the differentiation in the approach for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements is drafted. These practical difficulties include the following matters:

Clarity in relation to the level of internal control testing required and the requirements

Under a limited assurance engagement, there is no requirement to evaluate internal controls and instead there is a need to obtain an understanding. This is not made clear in paragraph 102.

Furthermore, paragraph 102L/R does not differentiate between LA and RA with respect to the information systems and communications component of the entity's system of internal control. It is likely that in a LA engagement, the practitioner may need a less in-depth understanding of the information systems and communications component than in a RA engagement. Bearing in mind that for a LA engagement, this understanding should be sufficient to assist the practitioner in identifying the types of misstatements that may occur and factors that affect disclosures where material misstatements are likely to arise. We believe that there should be a differentiation on the extent of understanding required with respect to information systems and communications.

If a practitioner decides to obtain evidence by testing the operating effectiveness of the controls, then there are conditional requirements set out in para 107 and 108. A cross-reference from paragraph 102 to 107/108 would be helpful in this instance.

Similarly, the references in paragraphs 107 and 108 that a practitioner may be performing operating effectiveness testing on a LA engagement may create an unrealistic expectation that these are required. To provide clarity in relation to this, it may be appropriate to include an additional paragraph as follows;

“In a limited assurance engagement, the practitioner is not required to evaluate the design of controls and determine whether they have been implemented unless the practitioner plans to test the operating effectiveness of controls. If, based on professional judgement, the practitioner plans to obtain evidence by testing the operating effectiveness of controls, additional requirements are needed in paragraph 107L and paragraph 108L.”

Clarity between the levels of understanding required in a LA and RA engagement

We believe that there is a lack of distinction between the levels of understanding required under a LA and RA engagement. This lack of distinction could cause an unnecessarily large amount of work to be performed on a LA engagement. We believe that there is scope to categorise these separately based on the engagement type and that two levels of understanding could be recognised in the standard. For example, this could recognise that;

For a LA engagement, an understanding should be obtained to identify areas of potential material misstatement.

For an RA engagement, a greater level of understanding should be obtained, including by evaluating the design and implementation of the controls.

Addressing control deficiencies

There is a lack of guidance within the standard regarding what practitioners should do with identified deficiencies. For example, the standard does not discuss the impact on scope of work or potential report qualifications.

Inconsistencies with ISA 330 The Auditor's Responses to Assessed Risks

Paragraph 123R, which appears to be taken from ISA 330 The Auditor's Responses to Assessed Risks (ISA 330), speaks about testing controls for all risks at the upper end of the spectrum of risk. This compares to ISA 330 which speaks about “significant risks”. The language in paragraph 123R could create the impression that there is a need to go above the requirements of ISA 330.

Similarly, paragraph 121 discusses the update of testing between interim and final. These requirements appear to reach further than the requirements set out in ISA 330. While recognising that this standard is intended to be profession agnostic, we believe that auditors will be reasonably well positioned to interpret and use these standards, given that their work is aligned to existing audit standards. Given the lack of understanding highlighted above, we believe that this may cause difficulties for use by non-audit practitioners.

CPA Australia

The responses we have provided to Question 7 are relevant to this question also.

We found some inconsistencies in the application paragraphs as they relate to an understanding of the entity's system of internal control. For a limited assurance engagement, paragraph A334(d) suggests that a walk through of internal controls may be appropriate for a limited assurance engagement. However, paragraph A315L suggests that inquiry is sufficient for a limited assurance engagement and a walk through

is only suggested for a reasonable assurance engagement. We suggest paragraph A334(d) is aligned with paragraph A315L as it relates to limited assurance engagements.

As outlined in our response to question 7, based on our analysis and comparison of the standards on review/limited assurance engagement namely, ISRE 2400, ISAE 3000, and ISAE 3410, there is no expectation or requirements to test controls in a review/limited assurance engagement. Therefore, we disagree with the requirement in paragraph 107L of ED-5000 that suggests the practitioner obtains evidence by testing the operating effectiveness of controls in a limited assurance engagement if they plan to place reliance on the operating effectiveness of controls. We believe the language used in this paragraph could be misleading and therefore we recommend the IAASB removes paragraph 107L from the standard as our first preference, otherwise, we suggest the IAASB soften the language used in paragraph 107L to better align with the extant review/limited assurance standards.

We also found a minor drafting error in paragraph 102L(c). The reference should be (Ref: Para. A333-A336), not (Ref: Para A329-A332).

NOREA - Dutch Professional Association of Registered IT Auditors

We agree that a differentiation in the approach for obtaining an understanding of the entity's system of internal control is necessary, but we disagree with the current implementation of this differentiation.

We note and appreciate that in the A-paragraphs, specifically A333 to A336, specific topics regarding IT and related monitoring are included. From the references from paragraph 102R, these A paragraphs only seem to apply to reasonable assurance engagements.

Instead, for limited assurance engagements, only paragraphs A329 to A332 apply based on 102L. However, the paragraphs A329 to A332 are then indicated with an (R) (e.g. A329R), instead of an L. This implies that these paragraphs apply to reasonable assurance engagements, instead of limited assurance engagements. We firmly believe that an entity's IT environments and its related risks with regard to (among other factors) the reliability of information and related activities, paragraphs A329 to A332 should also be considered for limited assurance engagements, dependent on the extent to which sustainability matters are captured and maintained in mature IT environments.

Furthermore, in the current ED-ISSA5000, it is unclear how paragraphs A333 to A336 apply to limited and/or reasonable assurance engagements, as paragraph 106 implies that paragraphs A333 to A336 apply to both limited and reasonable assurance engagements, whereas paragraph 102L and 102R differentiate between the applicability of A333 to A336 (as these are only referenced in paragraph 102R).

We would highly recommend you to consider (or clarify) that paragraphs A333 to A336 also apply to limited assurance engagements, as we firmly believe that a general understanding of the IT environment of the entity is at the core of being able to determine the reliability of sustainability information.

In addition, paragraphs 107L and 107R note the understanding of General Information Technology (IT) Controls. While General IT Controls are most definitely relevant to consider, we would like to invite you to determine whether the term General IT Controls is appropriate in regard to IT environments relevant for sustainability assurance engagements. As sustainability information will often not only be the responsibility of the entity but also other entities in the value chain, other controls over IT may also become relevant to consider regarding reliability of data, e.g. IT dependent controls such as data quality controls and data processing controls. We propose to append the current paragraphs to reflect these possibilities.

In addition to the previous point, ED-ISSA5000 only considers IT in terms of understanding the control environment. However, even when the practitioner determines that (General) IT Controls are not necessary

to be tested, there could be other reasons to consider including IT in the scope of the engagement, namely in terms of data and its integrity. This may be the case, for example, for data received from entities in the value chain where reliability is a concern.

These comments also extend to information used by the entity. We recommend implementing clarification as to what is expected of practitioners with regard to reliability of IPE (Information Produced by the Entity) in limited as well as reasonable assurance engagements. This may include information that is produced by entities in the value chain and the implications thereof.

We note that paragraphs A304 and A333 include that the practitioner's understanding of the entity and its environment may include an understanding of [...]. We are of the opinion that the wording may in these paragraphs leaves too much room for interpretation and possibility to exclude an understanding of the information system of the entity. Furthermore, this differs from the implementation in ISA 315.25, which states 'The auditor shall obtain an understanding of the entity's information system [...]'. We propose and highly recommend you to include this explicit use of 'shall' in ED-ISSA5000 as well, as reliability of information systems and data contained therein is a key aspect for providing assurance regarding sustainability information dependent on the extent to which sustainability matters are captured and maintained in mature IT environments.

This is also in line with the notion of paragraph A335, stating that "the entity's information system and communication are likely to involve the use of IT to collect or process data and information". As such, we believe it would be relevant to mandate the understanding by the use of 'shall' in the aforementioned paragraphs.

In paragraph A344 it is noted that the practitioner may test operating effectiveness of automated controls by 'identifying and testing general IT controls that are embedded in the IT system'. This wording is confusing, General IT Controls are used in maintaining an IT system but are not by default embedded in an IT system, as these also include controls regarding processes such as change management. We recommend changing this paragraph to reflect that General IT Controls support the functioning of automated (or computer dependent) controls but are not always embedded in the system.

Certain risks may arise using IT and data regarding privacy and confidentiality of such data, for example if the organization must comply with the EU GDPR. These risks are currently not addressed in ED-ISSA5000. We recommend including a paragraph on the need for the understanding of such risks in the context of sustainability information.

Lastly, we note that the terminology 'IT General Controls' and 'General IT Controls' are used interchangeably throughout ED-ISSA5000 and recommend using 'General IT Controls' as defined in ISA 315.12.d.

Pennsylvania Institute of Certified Public Accountants (PICPA)

The requirements outlined in the proposal at paragraph 102L would introduce conflicting requirements in relationship to the IAASB standards for other limited assurance engagements. Specifically, the proposed standard would require the practitioner to obtain an understanding of certain components of the entity's system of internal control including the control environment, the results of the entity's risk assessment process and the information system and communication. As review engagements do not require the practitioner to obtain an understanding of the entity's system of internal control, the committee believes that the conflict between the two sets of standards will introduce greater confusion regarding the expectations of a limited assurance engagement.

It is further unclear as to why the limited assurance engagement being proposed would look at the results of the entity's risk assessment process, (para. 102L) while the reasonable assurance engagement considers the entity's risk assessment process.

Paragraph 107L and 108L indicates that the practitioner may plan to obtain evidence by testing the operating effectiveness of controls. Paragraph 111 relates to obtaining evidence about the operating effectiveness of controls and references both 107L and 107R. This suggests that there may be instances in which a practitioner tests controls on a limited assurance engagement. We do not support this conflict between the proposed limited assurance engagements and the other IAASB standards that provide limited assurance.

Paragraph 109L would require the practitioner to consider whether one or more control deficiencies have been identified. Based on the limited responsibilities of the practitioner with respect to internal controls on a limited assurance engagement it is not clear that the practitioner would be in a position to identify control deficiencies.

The committee recommends that this section be reevaluated.

12. Individuals and Others

Capitals Coalition

Although we recognize that it is point of contention, it is difficult to see how some level of maturity of internal controls and their governance is not needed for the practitioner to carry out investigations and form an opinion at either limited or reasonable levels. Again the ability of the user to rely on the information and opinion formed by the practitioner hinges on the fundamental characteristics of the underlying data. As currently drafted, the proposed standard plays to the common misperception that if an entity's data and controls are not sufficient to form an opinion at a reasonable level that a limited opinion can be offered as an alternative. This would be inconsistent with ISAE 3000 and the related guidance and it is important for the IAASB to stress that limited assurance is not a fall back position in circumstances where an opinion at a reasonable level can be formed.

Paragraph 51 could be expanded to cover the use of third-party certifications of recognised management systems, for example ISO14001 environmental management system, or other aspects of internal control and the extent to which that certification is a three party relationship.

International Accreditation Forum (IAF)

ED-5000 does not consider the alignment and coherence between the internal control system and the results of both the materiality assessment and the exposure to risks.

The control environment should take into consideration such coherence and alignment. For example, if water pollution is the most important material topic and the GHG emissions are not considered a less important material topic then the internal control system should reflect the different in priorities and the practitioner should assign a priority to verify the reliability of the internal control system focused on water pollution rather than the internal control system focused on the GHG emissions.

IAF recommends IAASB to expand paragraph 51 to cover the use of third-party certifications of management systems (for example ISO 14001 environmental management system, ISO 45001 occupational health and safety management system) and product certifications (for example EPD –

environmental product declaration – in compliance with ISO 14025), or other aspects of internal control and the extent to which that certification is a three-party relationship.

Japan Accreditation Board (JAB)

ED-5000 needs to address the expected outcome of internal control system for limited and reasonable assurance are different. However, it is necessary for ED 5000 to guide entity how to shift the internal control from the limited assurance to reasonable assurance.