

Sustainability Assurance – Respondents’ Detailed Comments to EM Question 24

Are there any public sector considerations that need to be addressed in ED-5000?

24.1 Yes or No with Comments

2. Preparer and Users of sustainability information

MFIs’ Internal Audit ESG Working Group

See #1.

Clarify relationship with the international definition of sustainability (and sustainable development in the context of UN SDGs and similar concepts) and the requirement for information on performance.

4. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority

Sustainability reporting is also relevant to public sector entities and as such it is important that assurance standards are accommodative to the unique characteristics of public sector entities. One of the key factors that the IAASB should consider are the relevant laws and regulations that Public sector entities are often subject to. The standard should be flexible enough to accommodate these legal requirements.

5. National Auditing Standard Setters

Auditing and Assurance Standards Board Canada (AASB)

In Canada, we understand that direct engagements on sustainability matters are common in the public sector. As ED-5000 is only applicable for attestation engagements, we are considering the need for a future standard setting project in Canada to address direct engagements.

As it relates to the scope and applicability of ED-5000, we noted the following public sector specific concern (also discussed in our response to question 3).

Concern: Risk of inconsistent implementation of the scope and applicability of the standard

We heard questions on whether ISSA 5000 or ISAE 3000 applies in the following circumstances:

Public Sector: All attestation engagements on ‘other than historical financial information’ reported by public sector entities - In our outreach, public sector auditors suggested that the majority, if not all, of the ‘other than historical financial information’ assurance work they perform meet the definition of sustainability matters as they cover environmental, social, economic, and cultural matters, including the impacts of an entity’s activities, products and services on the environment, society, economy or culture, or their impacts on the entity. Therefore, these engagements would be in scope of ISSA 5000. Questions were raised whether this was an intended outcome of the IAASB when drafting the standard.

Suggest:

Public Sector: Clarify whether the IAASB intended for every public sector attestation engagement to be performed under ISSA 5000 going-forward.

If not, consider whether the use of 'economic' and 'cultural' matters in the in the definition of sustainability matters has an unintended consequence of scoping in every public sector attestation engagement.

This issue may need to be revisited once the IPSASB issue its sustainability reporting framework for public sector entities.

Ernst & Young Global Limited

A public sector entity may be involved in operations of a nature that may have a significant impact on the environment. The information about the operations of these entities may not be disclosed due to confidentiality. The IAASB could consider including some guidance in ED-5000 to assist practitioners in dealing with these situations. Also, we propose that the IAASB liaise with IPSASB on how best to address implementation challenges for ED-5000 due to confidentiality obligations.

ETY sas

We recommend the IAASB follows the ongoing work of the IPSASB on sustainability in order to take into account emerging specific questions.

Mazars

There is very little content on the public sector in the proposed standard which probably reflects that the public sector is behind the curve on sustainability reporting. The IAASB should engage extensively with the public sector with a view to either adding content to ED-5000, publishing additional ISSA standards focused on the sector or guidance to support application of ED-5000 as public sector sustainability reporting standards are established by IPSASB.

It is likely that Public Sector sustainability may have a greater emphasis on the impact on users of the financial statements rather than financial factors, and it is possible the double materiality may also be relevant to public sector assurance.

Mo Chartered Accountants (Zimbabwe)

There is substantive overlap between public sector and non-public sector entities when reporting both on financial statements and or sustainability. Additional guidance or examples provided by public sector stakeholders may be considered if are considered relevant and will provide users of financial statements with more reliable, relevant and faithful presentation.

RSM International

Sustainability reporting for certain jurisdictions may include impact reporting metrics, such as complex social value calculations. We recommend that the IAASB consider including public-sector considerations in providing assurance over such impact reporting metrics that may be unique to the public sector.

9. Public Sector Organizations

First Nations Financial Management Board

Consultation with public sector entities, particularly Indigenous Peoples and governments, will be essential to ensuring that the requirements of the exposure draft are appropriate for those entities. Scalability is a key consideration for guidance that was developed for reporting issuers being utilized by other entities.

Office of the Auditor General (New Zealand)

Our responses provided to the specific questions apply equally to public sector assurance engagements.

Office of the Auditor General of Alberta

The fundamental assertion of legislative compliance is not sufficiently included in ED-5000, an important topic or aspect of topics in sustainability. Paragraphs 59, 60, 61 and 101 are not sufficient, given legislative compliance (including regulatory compliance) is fundamental and foundational to sustainability and is only partially incorporated in ED-5000. It appears paragraphs 61 and 101 would only require inquiry to be performed, even under reasonable assurance, which is not sufficient. Legislative compliance should also be an assertion. The areas where ISSA 5000 must further incorporate legislative compliance include:

Paragraph 100 (b) should state “How the entity is complying with that framework, including the entity’s system of internal control (Ref: Para. 102R (f)).”

Paragraph 102R should include “(f) The entity’s process to identify and comply with relevant legal and regulatory requirements.”

Paragraph 138 should include “(c) Review all instances of legislative non-compliance and determine the impact on the assurance report.”

Paragraph A353R should include “Legislative compliance – the criteria, transactions and disclosures are in compliance with legislation and regulations.”

We note that legislative compliance is not solely a public sector consideration and the above changes are applicable to both the private and public sector.

In addition, guidance should be added to the standard to allow a legislative auditor to disclaim characteristics of suitable criteria in their assurance report. A legislative auditor may determine that the suitable criteria, whether from a framework or entity-defined, are not relevant, complete, reliable, neutral or understandable. However, legislation may not permit the legislative auditor to not accept, continue, or withdraw from such a sustainability assurance engagement. Paragraphs 75 and 76 should be modified that in these circumstances the legislative auditor is permitted to explain in their auditor’s report why they disclaim an attribute of the sustainability information, such as relevance. These are not qualifications or scope limitations because those relate to misstatements or inability to obtain evidence, whereas not being able to establish relevance is a pre-condition. It is also not sufficient to simply remove the paragraph from the assurance report that the engagement is in accordance with ISSA 5000. More explanation would be necessary to explain that a precondition was not met. Paragraphs 75 and 76 instead should state “If withdrawal is not possible under applicable law or regulation, accept or continue with the engagement and explain in the assurance report the precondition(s) that are not met.”

We also note that this issue may be alleviated, in part, by making the characteristics of suitable criteria in paragraph 72 application material rather than requirements.

We note A49 provides guidance on when independence considerations may not be met and refers to “disclosure in a public report.” It is not clear what this “public report” is. We believe this should read “disclosure in the assurance report” as the assurance report is describing the practitioner’s independence.

10. Member Bodies and Other Professional Organizations

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

We did not hear specific feedback, but we believe that materiality may require additional considerations in the public sector.

We note that many public sector entities may not be as advanced in their sustainability reporting journey and therefore this issue may become more prominent at a point in the future.

Whilst many public sector considerations will be met by ED-5000, there are certain nuances that may need to be addressed by additional guidance or standards. This includes for example paragraph 17 which references the engagement leader as someone “appointed by the firm”. In the public sector, there is often an engagement leader to be defined in statute or appointed by another public sector body.

Colegio de Contadores Públicos de Costa Rica

Sustainability standards must apply equally to any public or private sector

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

ISSA 5000 will be probably used for assurance engagements for any entity that reports sustainability information and voluntarily seeks assurance. This includes public entities, too.

Public sector is very complex. So, an additional guidance for public sector sustainability engagements could be necessary.

CPA Australia

We are of the view that ED-5000 should stay principles-based and sector-agnostic. Therefore, specific public sector considerations should not be included in the standard.

However, we recommend the IAASB develop guidance based on applying the principles-based approach of ISSA 5000 to public sector specific scenarios. We believe guidance material will be more appropriate as it will allow the inclusion of application guidance and illustrative examples that are targeted for the need of public sector.

Institute of Certified Public Accountants of Rwanda (ICPAR)

We believe ED-5000 is appropriate enough to address all public sector sustainability reporting issues for now.

Institute of Chartered Accountants in England and Wales (ICAEW)

We believe that the IAASB should be engaging extensively with the public sector with a view to either adding content to ISSA 5000, publishing additional ISSAs focused on the sector or guidance to support application of ISSA 5000 in the public sector in due course.

One specific point relates to paragraphs 25-28 of the exposure draft on acceptance and continuance. It is common for public sector audit engagements to be on a statutory basis, such that the auditor does not have a choice over acceptance or continuance. We anticipate that in some jurisdictions sustainability assurance will also be on a statutory footing and that assurance providers will need to adapt these requirements.

Institute of Chartered Accountants of Ghana

The IAASB has rightly recognised that conditional requirements may be needed for applicability to the public sector. Separate guidance for the public sector is certainly needed for public sector sustainability assurance engagements

Institute of Chartered Accountants of Scotland (ICAS)

We believe there is a need for the IAASB to ensure that it undertakes sufficient outreach with public sector bodies across the globe to ensure that the finalised standard appropriately deals with any specific public

sector considerations. For example, we are aware that auditor appointments in the public sector can be on a statutory footing and therefore the acceptance and continuation paragraphs of the proposed standard would need to reflect that.

Institute of Chartered Accountants of Sri Lanka

A public sector entity may be involved in operations of a nature that may have a huge impact on the environment. The information about the operations of these entities may not be disclosed due to confidentiality. The IAASB could consider including some guidance in ED-5000 to assist practitioners in dealing with these situations. Also, we propose that the IAASB liaise with IPSASB on how best to address implementation challenges for ED-5000 due to confidentiality obligations.

Institute of Chartered Accountants of the Maldives

Mostly the approach in ED-500 will also be applicable to sustainability assurance engagements relating to public sector. However, as the public sector managements are usually politically exposed person (PEPs), material misstatements in sustainability information due to political motive need to be looked into by practitioners.

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

We recommend the IAASB follows the ongoing work of the IPSASB on sustainability in order to take into account emerging specific questions.

Saudi Organization for Chartered and Professional Accountants (SOCPA)

The needs of the intended users of sustainability reporting in public sector could be significantly different as those users can have more authority than those in private sector. Therefore, we believe this should be more acknowledged in ED-5000.

Virginia Society of CPAs

Yes. We believe that public sector considerations like environmental protection agencies should be consulted to changes in ED-5000 to assist in identifying sustainability practices that may be more susceptible to fraud.

11. Academics

Accounting and Finance Association of Australia and New Zealand

We do not have any specific issues that should be addressed, but we comment that sustainability reporting is highly relevant to the public sector. There is a review paper which points out that the public sector has greater responsibilities for promoting and reporting sustainable development than the private sector does (Kaur & Lodhia, 2019).

Monash University

Therefore, auditors must make additional efforts to verify the value of reported long-term assets when providing financial reporting assurance. Higher fees charged by auditors from entities making climate change-related disclosures signal a commitment towards thorough audit investigation and high-quality reporting.

12. Individuals and Others

Dr. Prachi Ugle Pimpalkhute

Ease of doing business

24.2 Disagree with comments

5. National Auditing Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

While ED-5000 is sector neutral and the requirements can be applied to the public sector, the AUASB encourages the IAASB to consult with INTOSAI to confirm whether there are any specific public sector matters that need to be considered within the requirements or application material of ED-5000. For example, the pre-acceptance procedures would not apply where the reports for a public sector entity are required by statute to be subject to assurance by a government auditor.

Public Accountants and Auditors Board Zimbabwe (PAAB)

There is substantive overlap between public sector and non-public sector entities when reporting both on financial statements and or sustainability. Additional guidance or examples provided by public sector stakeholders may be considered if are considered relevant and will provide users of financial statements with more reliable, relevant and faithful presentation.

Royal Dutch Institute of Chartered Accountants

At this stage of implementation of sustainability reporting requirements, it is hard to foresee specific public sector considerations. We suggest the Board keeps track of implementation of sustainability reporting requirements within the public sector, in order to assess whether assurance on public sector sustainability reporting would require specific considerations in the Standard.

6. Global Standard Setter

Global Reporting Initiative (GRI)

Further clarify the definition of the public sector

The proposed standard refers to the public sector, however there is no information pertaining to which types of public sector organizations or public services are meant. The public sector represents wide range of roles and activities, such as in administrative government services, healthcare facilities, education institutions, transportation infrastructure, domestic and international security, and provision of utilities such as energy and water management, etc. It should be noted that parts of the public sector are covered by existing and developing GRI sector standards.

7. Accounting Firms

Ataf Noor Ali Chartered Accountants

24.1 No.

24.2 We wish a day when our Government realizes its responsibility in this aspect.

24.3 In developing countries like us those public listed companies in control of Government can take the first step in its implementation.

BDO International Limited

We believe that key areas for consideration in relation to the public sector are appropriately included in ED-5000. These relate to the potential need to report non-compliance to the governing body or if there is any limitation of scope in the engagement. All other areas remain applicable across industry.