

RESPONSE TEMPLATE FOR EXPOSURE DRAFT OF PROPOSED ISSA 5000, *GENERAL REQUIREMENTS FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS*

Guide for Respondents

Comments are requested by **December 1, 2023**. *Note that requests for extensions of time cannot be accommodated due to the accelerated timeline for finalization of this proposed standard.*

This template is for providing comments on the Exposure Draft of proposed International Standard on Sustainability Assurance Engagements™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* (ED-5000), in response to the questions set out in the Explanatory Memorandum to ED-5000. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
 - Respond directly to the questions.
 - Provide the rationale for your answers. If you disagree with the proposals in ED-5000, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
 - Identify the specific aspects of ED-5000 that your response relates to, for example, by reference to sections, headings or specific paragraphs in ED-5000.
 - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the "**Submit Comment**" button on the [ED-5000 webpage](#) to upload the completed template.

Responses to IAASB’s Request for Comments in the Explanatory Memorandum for ED-5000, General Requirements for Sustainability Assurance Engagements

PART A: Respondent Details and Demographic information

Your organization’s name (or your name if you are making a submission in your personal capacity)	CPA Australia
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Elinor Kasapidis
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Ram Subramanian Tiffany Tan
E-mail address(es) of contact(s)	Ram.subramanian@cpaaustralia.com.au Tiffany.tan@cpaaustralia.com.au
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on ED-5000). Select the most appropriate option.	Asia Pacific
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.	Member body and other professional organization
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 170,000 members working in over 100 countries and regions around the world. We welcome the opportunity to provide a submission on the Exposure Draft: Proposed International Standard on Sustainability Assurance 5000 General Requirements for Sustainability Assurance Engagements (ISSA 5000) and Proposed Conforming and Consequential Amendments to Other ISAs (ED-5000). We make this submission on behalf of our members and in the broader public interest.

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to ED-5000).

Information, if any, not already included in responding to the questions in Parts B and C:

CPA Australia commends the International Auditing and Assurance Standard Board's (IAASB) and its stakeholders for their efforts in developing the Proposed International Standard on Sustainability Assurance 5000 (ISSA 5000) within a very short space of time. CPA Australia has supported awareness of this project through many channels, including webinars. We strongly support the development and publication of this standard in September 2024 as scheduled.

It is important to recognise that the proposed standard is a “minimum viable product” that will require further refinement and detail added to it for it to be a useful and reliable source of requirements and guidance on sustainability assurance. In the short term, there is a need for additional implementation guidance, transitional considerations, and further clarity on aspects of the standard. In the long term, there will be a need to develop further requirements on specific assurance aspects, some of which may need to be developed as separate standards under the sustainability assurance suite of standards. It is crucial to focus on progressing the development of a suite of ISSAs and supporting material in a timely manner to meet market demands.

Our submission has been informed by outreach activities we have conducted with our members and other stakeholders, including a dedicated working group established to provide feedback on the ISSA 5000 proposals. We thank our members and stakeholders for their feedback in the development of this submission.

ISSA 5000 will form part of a broader ecosystem that includes, amongst others, sustainability reporting standards, legislative requirements, quality management standards, ethical and independence requirements, and suitably qualified and competent professionals. Many of these elements of the broader ecosystem are likely to be tailored to align with jurisdiction-specific statutory and reporting requirements. It is the responsibility of stakeholders including the IAASB to ensure ISSA 5000 is a “good fit” to the broader ecosystem.

One of the key challenges will be around managing market expectations from ISSA 5000 based sustainability assurance. It is likely that the broader ecosystem referred to above and the systems, processes and controls within organisations to manage and report on sustainability matters will be in various stages of early development, similar to ISSA 5000 as noted in the first paragraph. The success or failure of ISSA 5000 to some extent relies on the other elements that form part of the broader ecosystem as well. It is important for the IAASB to communicate to the market that this is the first iteration of a dedicated sustainability assurance standard that will require refinement and additions to it over time.

We understand that there are some concerns around the state of readiness of entities that have to prepare sustainability reports which will be subject to assurance. In this regard, it is the responsibility of all stakeholders including the IAASB to ensure the market that will place on reliance on sustainability reports that are assured is informed of the potential limitations associated with a sustainability reporting ecosystem that is in the early stages of development.

We recommend the IAASB remains dynamic and alive to meet market expectations and to address any practical challenges that may arise once the final standard is issued. To facilitate this, we recommend the IAASB sets up a process to collect, analyse and respond to issues arising once the standard is issued and before it becomes effective. This approach would be similar to the approach taken by the International Accounting Standards Board when it set up a Transition Resource Group following the issue of IFRS 15 *Revenue from Contracts with Customers*. As part of this exercise, it would be helpful if a “sandbox” environment is created to test various aspects of the standard before it becomes effective.

The content of ISSA 5000 is very much driven by the extant IAASB auditing and assurance standards. Whilst assurance practitioners from the accounting profession may be familiar with such content, there

are concerns that assurance practitioners from other professions may not be as familiar with such content and approach. This could lead to a lack of consistency in application which could undermine overall assurance quality. We suggest educational material is developed specifically targeted at non-accounting assurance practitioners to ensure the “profession-agnostic” nature of ISSA 5000 does not present a hindrance to its overall success.

Feedback we have received suggests the IAASB should reconsider the title of the standard currently proposed to be “International Standard on Sustainability Assurance 5000”. Since the standard addresses assurance over sustainability information rather than sustainability matters, we suggest the title is changed to “International Standard on Assurance Engagements on Sustainability **Information** 5000”.

We presume the IAASB will include a Basis for Conclusions to support the decisions it has made in the shaping of the content and requirements in the standard. We believe this to be an important element and we have provided suggestions in our responses to specific questions for inclusion of explanatory material in the Basis for Conclusions.

PART B: Responses to Questions in in the Explanatory Memorandum for ED-5000

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Overall Questions

1. Do you agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 to which your detailed comments, if any, relate (use a heading for each relevant item).

(See Explanatory Memorandum Section 1-A, paragraph 14)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

CPAAustralia agrees that ED-5000 will provide a global baseline for sustainability assurance engagements. However, it is important to recognise that ED-5000 is only a starting point as an overarching framework assurance standard that is intended as set out in paragraph 14.

Given the broad coverage proposed, we believe that the standard needs further refinement and detail added to it for it to be a useful and reliable source of requirements and guidance on sustainability assurance.

In the short term, there is a critical need for additional implementation guidance, transitional considerations, and further clarity on aspects of the standard. In the long term, there will be a need to develop further requirements on specific assurance aspects, some of which may need to be developed as separate standards under the sustainability assurance '5000' suite of standards.

First-time implementation guidance that includes transitional considerations will also be very useful. For example, such guidance should cover:

- the differences or similarities between the proposed ISSA 5000, and the following assurance standards that have been referred to in the development of this standard:
 - ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000)
 - ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements* (ISAE 3410)
- how assurance practitioners can make the transition from the '3000' series to the proposed ISSA 5000 if they:
 - have not used the 3000 series before
 - if they have previously used the 3000 series.
- First-time transition guidance and requirements for 'opening balances and disclosures' in the below scenarios:
 - practitioners providing assurance engagement in the first year with comparative disclosures
 - transition from a limited assurance engagement in prior year to a reasonable assurance engagement in current year and the assurance consequences of prior period comparative disclosures.

We also recommend the IAASB to consider how its Non-Authoritative Extended External Reporting Guidance (EER Guidance) would work in conjunction with ISSA 5000. We have provided some suggestions in our response to Question 7 and Question 9 to address this. We found the EER Guidance to be very useful and would recommend the IAASB to update the EER Guidance to include references to ISSA 5000.

All sustainability topics and aspects of topics

To achieve consistency in practice, we recommend the IAASB develop and issue supporting guidance with sufficient specificity to address specific topics or aspects of topics. In addition to the two topics (estimates and forward-looking information, and groups or “consolidated” sustainability information) identified in the IAASB’s Explanatory Memorandum (EM) to ED-5000 for potential future topic-specific ISSA, we have also identified other potential topics for future development of guidance in the short term and standalone standards in the long-term including:

- materiality
- work effort required for the preconditions assessment
- the differences between limited and reasonable assurance (guidance only as we do not consider this topic suitable for a future standalone standard)
- working with qualitative information
- using the work of practitioner’s experts or other practitioners.

All mechanisms for reporting

Further to our response to Question 21 in relation to ‘Other Information’ that is not subject to assurance, we recommend the IAASB to provide clarity on how ‘Sustainability Information’ that is subject to assurance can be clearly identified in the assurance report. The clarity can be provided in the form of guidance material or included in the illustrative assurance report.

Any suitable criteria

Suitability criteria are very much dependent on the reporting frameworks the sustainability information is subject to. Acknowledging that ISSA 5000 is developed to be framework-neutral, it may be challenging to apply ISSA 5000 consistently across multiple frameworks in practice. Further to our response to Question 9, we encourage the IAASB to develop reporting framework-specific considerations and supplementary guidance material for more common reporting frameworks such as the ISSB’s S1 and S2 Framework.

All intended users

The feedback we received indicates that ED-5000 needs to provide more information and examples of ‘intended users’ in a more contextual way. For example, different reporting frameworks could result in a different pool of ‘intended users’ and ‘intended users’ in the public sector could also be different from the private sector. We suggest the IAASB include more contextual examples of identifying intended users of the assurance report.

Limited and reasonable assurance

Please refer to our response to Question 7.

Use by all assurance practitioners

For the standard to be used by all assurance practitioners in a ‘profession agnostic’ manner, we believe detailed application guidance will be needed for assurance practitioners and assurance team members from non-accounting backgrounds who may not be familiar with terminologies and concepts such as the use of audit assertions, materiality, professional scepticism, quality management standards, and ethical requirements (including the independence standards). Such guidance will be necessary to ensure that the assurance work is consistently high quality, regardless of the assurance practitioner’s professional background.

Public Interest Responsiveness

2. Do you agree that the proposals in ED-5000 are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal? If not, why not?

(See Explanatory Memorandum Sections 1-B, and Appendix)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

Overall, we agree that the proposal is responsive to the public interest, and we believe the truncated timeframe for the development of the standard is an appropriate approach to meet current market demand.

Given the short development timeframe and high-level/overarching nature of ED-5000, we are of the view that the proposals in ED-5000 may not be sufficiently comprehensive in addressing certain aspects of sustainability assurance. We also note that ED-5000 is predominantly based on existing assurance/auditing standards and content, updated to reflect subject-matter specific considerations and terminology. Based on our observations and feedback from our stakeholder outreach activities, we believe further consideration needs to be given to refining the standard and/or developing guidance for some of the fundamental concepts and requirements that are relevant to sustainability reporting assurance such as:

- materiality
- preconditions assessment
- working with qualitative information
- estimates and forward-looking information
- using the work of practitioner's experts and/or other practitioners
- group/value chain information.

As per our response in Part A above, we recommend the IAASB progresses the project with a view to finalising and publishing this standard in September 2024 as scheduled. We also recommend the IAASB concurrently continues development of guidance to support the implementation in the short-term, followed by developing other ISSA standards on some of the more fundamental aspects in the longer term.

Specific Questions

Applicability of ED-5000 and the Relationship with ISAE 3410

3. Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?

(See Explanatory Memorandum Section 1-C)

Overall response: [No, with comments below](#)

Detailed comments (if any):

The feedback we have received indicates that the scope and applicability of ED-5000 are clear in many circumstances.

However, we believe some clarity is needed in some circumstances when both ISAE 3410 and ISSA 5000 are being applied concurrently. It is our understanding that when GHG information is assured applying ISAE

3410, such information is excluded from the scope of ISSA 5000. In circumstances where the GHG information is subject to a separate conclusion and such information is also included as part of the sustainability information that is subject to assurance under ISSA 5000, there is some confusion over which standard should apply to such GHG information that is included as part of the sustainability information. Arguably, since the approaches under ISAE 3410 and ISSA 5000 are different, assurance procedures under ISSA 5000 will have to be carried out again on the GHG information that is included in the sustainability information, which could be a duplication of work effort. We suggest clarifying this in the final standard. Ideally, in the long term, ISAE 3410 should be updated to align with ISSA 5000 and may form part of the ISSA suite of standards, thereby eliminating any confusion and duplication of work effort.

We note paragraph 3 of ISAE 3410 is being amended to reflect the introduction of ISSA 5000. We also suggest similar conforming amendments are made to paragraphs 9-11 *Relationship with ISAE 3000, Other Pronouncements, and Other Requirements*.

Relevant Ethical Requirements and Quality Management Standards

4. Is ED-5000 sufficiently clear about the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management? If not, what suggestions do you have for additional application material to make it clearer?

(See Explanatory Memorandum Section 1-D)

Overall response: [No, with comments below](#)

Detailed comments (if any):

One of the key concerns we have heard consistently is that there is no benchmarking criteria for determining whether the provisions of other ethical, independence, and quality management requirements are ‘at least as demanding’ as the International Ethics Standards Board for Accountants (IESBA) Code and ISQM 1 respectively. It would be helpful to understand how such an assessment could be undertaken and who should be responsible for this assessment and associated compliance, both initially and on an ongoing basis. We do not believe it is sufficient to state that it is something left to local jurisdictions (paragraph 25 of the EM) as this could lead to inconsistent outcomes that can undermine the success of the standard. We suggest some consideration be given to this concern and some criteria be developed in conjunction with the IESBA and published to address it globally.

In order for high quality sustainability assurance to be achieved, it is important there is consistency in ethics, independence and quality management requirements for all practitioners. Therefore, we do not believe self-assessment would be effective.

To avoid inconsistency, it is crucial for regulators and/or standard setters to assess the various options for ethical, independence and quality management standards used by non-accountant practitioners and determine which frameworks are acceptable in their respective jurisdictions. In Australia, we are encouraging the Auditing and Assurance Standards Board (AUASB) to engage with regulators and other stakeholders to consider how this could be achieved. Ultimately, to achieve global consistency and comparability, as noted above, the IAASB (with the IESBA) will need to assist with the global baseline for assessment processes and guidelines.

We have also heard concerns about the requirements in paragraph 34 of ED-5000 that the “engagement leader should take responsibility for other members of the engagement team, having been made aware of relevant ethical requirements including the firm’s related policies or procedures...”. This requirement places a higher level of responsibility on engagement leaders under these proposals in comparison to the requirements in paragraph 20 of extant ISAE 3000 which states that “The practitioner shall comply with the provisions of the IESBA Code related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding.” We note the current requirement in ISAE 3000 does not specifically require the engagement leader to take responsibility for others within the engagement team in respect of the relevant ethical requirements etc. We suggest the IAASB provides its rationale for placing a higher level of responsibility than ISAE 3000 as part of the Basis for Conclusions to this standard.

We agree that engagement leaders should be taking responsibility for the overall quality of the assurance engagement which includes compliance with the relevant ethical requirements (ISA 220 paragraph A3(a)(i)). However, applying this concept to a sustainability assurance engagement can be challenging in practice as engagement team members may consist of practitioner experts from outside of the firm or from outside the engagement leader’s profession, who are not subject to the same ethical requirements/system of quality management or the same policies and procedures. Therefore, we recommend early signposting of the requirement for the engagement leader to take different actions for engagement team members from another firm/profession. The IAASB could repurpose the wording in paragraph A64 of ED-5000 to address this.

Additionally, paragraph A64 of ED-5000 should also highlight that, unlike the audit of financial statements, the engagement team for a sustainability assurance engagement may include experts from outside of the accounting profession that may not have ethical requirements that are at least as demanding as the accounting profession. Therefore, extra care should be taken when the engagement leader intends to include such experts in the engagement team.

Definitions of Sustainability Information and Sustainability Matters

5. Do you support the definitions of sustainability information and sustainability matters in ED-5000? If not, what suggestions do you have to make the definitions clearer?

(See Explanatory Memorandum Section 1-E, paras. 27-32)

Overall response: [No, with comments below](#)

Detailed comments (if any):

We support the definition of ‘sustainability matters’.

Feedback we have received indicates that the definition of Sustainability Information could be made clearer as below:

17(uu) Sustainability information – Information about sustainability matters. Sustainability information ~~is disclosure of information resulting results~~ from measuring or evaluating sustainability matters against the applicable criteria that is subject to the assurance engagement. For purposes of the ISSAs, sustainability information is the equivalent of “subject matter information” in other IAASB assurance standards. (Ref: Para. A32)

We have also heard that the inclusion of ‘culture’ in the definition of Sustainability Matters can be challenging. Stakeholders are concerned with the inclusion of ‘culture’ as it may be extremely challenging for the practitioner to be able to obtain meaningful and appropriate documentary evidence on culture. ‘Culture’ may also mean different things to different people. What is documented by an organisation in respect of culture is usually the policies and value statements which are aspirational and evidencing the outcomes of such policies and value statements may be challenging. Therefore, we recommend some consideration is given to this specific aspect of sustainability matters and more guidance is provided on how to obtain evidence on “culture” and opine on the “culture” of an entity.

We note the definition of sustainability matters (paragraph 17 (vv)) includes “economic” matters. As financial matters could be considered a subset of economic matters, to avoid confusion, we suggest specifically scoping out “financial” information from the definition of sustainability matters.

As noted in the EM to ISSA 5000, the IESBA is also currently developing the definition of Sustainability Information as part of their project to develop ethical requirements as they relate to sustainability assurance. We encourage close collaboration between the two Boards to ensure the definition of Sustainability information is the same. The Boards should aim at deriving an identical definition of key terms such as sustainability information to avoid further confusion in the market.

6. Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?
(See Explanatory Memorandum Section 1-E, paras. 35-36)

Overall response: [Yes \(with no further comments\)](#)

Detailed comments (if any):

Differentiation of Limited Assurance and Reasonable Assurance

7. Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?
(See Explanatory Memorandum Section 1-F, paras. 45-48)

Overall response: [No, with comments below](#)

Detailed comments (if any):

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

A limited assurance engagement is anything below a reasonable assurance engagement, which can be a very broad spectrum. Hence, the level of work effort for a limited assurance engagement will vary depending on several factors an assurance practitioner will have to take into consideration including client expectations, statutory assurance requirements, the reporting framework and/or criteria, the level of sophistication of the client's reporting systems, controls and processes etc.

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

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

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

- ISRE 2400 (paragraph A78) – only requires the assurance practitioners to obtain an understanding of the entity and its environment, including the “tone at the top” and the entity’s control environment through which the entity addresses risks relating to financial reporting and compliance with the entity’s financial reporting obligations.
- ISAE 3000 (paragraph A3(a)) - the emphasis placed on the nature of various procedures as a source of evidence will likely differ, depending on the engagement circumstances. For example, the assurance practitioner may judge it to be appropriate in the circumstances of a particular limited assurance engagement to place relatively greater emphasis on enquiries of the entity’s personnel and analytical procedures, and relatively less emphasis, if any, on testing of controls and obtaining evidence from external sources than may be the case for a reasonable assurance engagement. This is further reinforced in paragraph A13 of ISAE 3000.
- ISAE 3410 (paragraph A90 (a) and (c)) - similar to ISAE 3000, in a limited assurance engagement, the assurance practitioner may place relatively less emphasis, if any, on tests of controls. In addition, when undertaking analytical procedures in a limited assurance engagement the assurance practitioner may, for example: Use data that has not been subjected to separate procedures to test its reliability to the same extent as it would be for a reasonable assurance engagement.

ED-5000 also implies that, in a limited assurance engagement, when the assurance practitioner identifies disclosures where material misstatements are likely to arise, the practitioner should perform a ‘deep dive’ in designing and performing further procedures that are equivalent to a reasonable assurance engagement, which may include substantive procedures typically seen in reasonable assurance engagements. Given the reporting of sustainability information is in its infancy as well as the complexity of the matters being reporting on, our stakeholders are of the view that examples provided in paragraph A363L of ED-5000 of

reasons for identifying disclosures where material misstatements are likely to arise will be prevalent at least for the next few reporting seasons. Consequently, stakeholders expect little distinction in work effort between limited and reasonable assurance until the market matures. At least in the initial years of implementation, we believe the requirements on this should be aligned to be the same as the current requirements in ISAE 3000.

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

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

- paragraph 79 of the EM states that, for limited assurance, practitioners need to obtain an understanding of **certain components** whereas for reasonable assurance, practitioners are required to obtain an understanding of **all components**. We suggest these terms are brought into paragraphs 102L and 102R of the standard.
- paragraph 79 of the EM states that, for limited assurance, it is a **conditional requirement** to obtain an understanding of controls (and related IT general controls) only if the practitioner plans to obtain evidence by testing the operating effectiveness of controls. Although ED-5000 paragraph 107L is worded similarly to the EM, we believe that adding the phrase ‘conditional requirements’ to paragraph 107L in the ED would make the distinction between limited and reasonable assurance clearer.

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

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

Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement

8. Is ED-5000 sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement? If not, how could the requirements be made clearer?

(See Explanatory Memorandum Section 1-F, para. 51)

Overall response: [No, with comments below](#)

Detailed comments (if any):

There are concerns that there are a number of challenges associated with the practitioner's responsibility to obtain a preliminary knowledge of the engagement circumstances, particularly in the initial years of the emerging practice of sustainability reporting.

Whilst the requirements in paragraph 69 (practitioner's responsibility to obtain preliminary knowledge about the sustainability information and the scope of the proposed assurance engagement) appear reasonable at a high level, there are challenges associated with the application of subsequent paragraphs 71 to 74 that expand on the precondition assessment requirements as set out below:

- evaluation of appropriate sustainability matters (paragraphs 71, A164 to A165),
- evaluation of suitability and availability criteria (paragraphs 72, A166 to A186),
- determine whether there is evidence to support the practitioner's conclusion and form of conclusion (paragraphs 73, A187 to A190), and
- determine whether the engagement exhibits a rational purpose (paragraphs 74, A191 to A201)

Overall, there are significant concerns that the precondition requirements in ED-5000 are too onerous. Precondition requirements generally assist the practitioner in understanding the nature of the engagement through preliminary knowledge of the engagement circumstances and whether or not they are able to accept the engagement. The detailed requirements in the paragraphs outlined above indicate work effort beyond what is currently required or undertaken at the preliminary/pre-engagement stage of an assurance engagement. Our stakeholders are of the view that it is not pragmatic to expect assurance practitioners to undertake these steps and incur significant non-chargeable costs, especially in situations where they conclude that they cannot accept or continue the assurance engagement after undertaking this exercise.

Preconditions requirements in ED-5000 appear to be excessive, and an uplift from the requirements in the ISAE 3000 series and ISA 210 *Terms of Engagements* (ISA 210). There is a concern that the amount of responsibility placed upon the assurance practitioner through precondition assessment requirements could shift some responsibility from management and those charged with governance to the assurance practitioners. For example, such work may create an expectation that any errors or issues with the sustainability report will be picked up by the assurance practitioner as part of their precondition work. Ultimately, it is the preparer's responsibility to prepare the report for the intended users, based on their materiality process to identify the sustainability matters to be disclosed.

We are of the view that the assurance of sustainability information should be on equal footing with financial information assurance engagements. Therefore, the precondition assessment requirements should be better aligned with ISA 210, especially the hierarchy of the requirements as set out in ISA 210. As outlined in paragraph 6(b) of ISA 210, in order to establish whether the preconditions for an audit are present, the auditor firstly obtains the agreement of management (and where appropriate, those charged with

governance) that it acknowledges and understands its primary responsibility over the information subject to assurance.

To address the above concerns we have raised, we recommend the IAASB repeat the requirements under the section on 'Terms of the Assurance Engagement' in paragraph 78(c) of ED-5000 in relation to the responsibility of management or those charged with governance in the 'Preconditions for an Assurance Engagement' section of the standard. We are of the view that setting out the responsibility of management or those charged with governance early in the standard will provide clarity and reinforce the message that ultimately, it is the responsibility of the management or those charged with governance to prepare the sustainability information in accordance with the applicable criteria, including identifying, selecting or developing suitable criteria and ensuring a system of internal control that the entity determines is necessary to enable the preparation of sustainability information in accordance with the applicable criteria that is free from material misstatement, whether due to fraud or error.

In addition to obtaining the agreement of management over their responsibilities as detailed in paragraph 78(c) of ED-5000, we suggest the need for more explicit requirements for management to also acknowledge that it is their primary responsibility in identifying the intended users of sustainability information.

We agree with the IAASB's view that if changes cannot be made to meet the preconditions, the practitioner shall not accept the engagement as an assurance engagement, unless required by law or regulation to do so (paragraph 75, ED-5000). Although it is implied that this is the requirement that applies to both limited and reasonable assurance engagements, we recommend that the IAASB make this point more explicitly in paragraph 75 with similar wording taken from paragraph A164 to reinforce this point and to minimise any potential misunderstanding in this respect. That is, if the preconditions are not met, and changes cannot be made to meet the preconditions, the practitioner shall not accept the engagement as an assurance engagement (limited and reasonable) unless required by law or regulation to do so.

9. Does ED-5000 appropriately address the practitioner's consideration of the entity's "materiality process" to identify topics and aspects of topics to be reported? If not, what approach do you suggest and why?

(See Explanatory Memorandum Section 1-F, paras. 52-55)

Overall response: [No, with comments below](#)

Detailed comments (if any):

Sustainability information reported can be very narrow or cover a wide range of sustainability matters. ED-5000 is developed on the basis that it can be applied to reporting on all sustainability topics and aspects of topics. As an entity's "materiality process" is a user-driven concept, it can be a complex exercise, especially if the sustainability report covers a wide range of sustainability matters. The consensus view from our stakeholders is that the IAASB should include in its workplan, a project to develop a separate ISSA for Materiality. This standard would address both the assurance practitioner's consideration of the entity's "materiality process" and the practitioner's own materiality considerations in respect of the assurance engagement. We suggest the IAASB leverage the content in the EER Guidance, Chapter 4: *Considering the Entity's Process to Identify Reporting Topics* when developing the standard on Materiality.

ED-5000 requires the assurance practitioner to consider the entity's "materiality process" at various stages of the assurance engagement including at precondition assessment, planning, and the risk assessment

stage. We are concerned about the extent of work required for assurance practitioners to consider and assess the entity's "materiality process" at each stage of the engagement as noted below:

- at the preconditions assessment stage, the assurance practitioner is required to evaluate the appropriateness of the sustainability matters (paragraphs 71, A164 to A165)
- when conducting risk assessment, the assurance practitioner is required to obtain an understanding of the sustainability matters and the sustainability information (paragraphs 97, A295 to A298)
- in the context of applicable criteria, at preconditions, the assurance practitioner is to evaluate the suitability and availability of criteria (paragraph 72, A166 to A186) and when conducting risk assessment, the assurance practitioner is required to obtain an understanding of the applicable criteria by evaluating the appropriateness of the entity's policies or procedures to identify or develop, evaluate the suitability of, and apply the applicable criteria (paragraphs 98, A299 to A301).

There appears to be more work effort (evaluate) at the precondition assessment stage compared to the work effort (understand) at the risk assessment stage. We are of the view that there is an opportunity for the IAASB to streamline the requirements between precondition and risk assessment and to clearly distinguish the extent of work required at each distinct stage of the assurance engagement. In particular, we believe the IAASB needs to ensure any work effort at this stage of the assurance engagement does not exceed the work effort currently expected for financial statement audits. Expected work effort at the preconditions assessment stage for sustainability information assurance should therefore be consistent with the requirements in ISA 210, unless there is a compelling reason to deviate. The reasoning for any deviation from the approach in ISAs' should be included in the Basis for Conclusions of the ISSA.

We have also heard from stakeholders that more guidance and examples are required especially dealing with more challenging aspects of the engagement in relation to the practitioner's consideration of the entity's "materiality process" as follows:

- How to deal with a situation when the entity and the assurance practitioner cannot agree on what is deemed to be material sustainability matters.
- When dealing with a combination of framework criteria and entity-developed criteria.
- Reporting framework-specific considerations. For example, how to apply ED-5000 requirements in the GRI reporting framework that deals with "double-materiality" in contrast to IFRS S1 and S2 which deals with single materiality.

We also understand there is some confusion about the terms "materiality process" (entity) versus "materiality" (practitioner). The IAASB may wish to provide educational material. ED-5000 assigns three terms ("process to identify reporting topics," "materiality assessment," or "materiality process") and highlights these by using quotation marks for the entity's process to identify and select topics and aspects of topics to be reported (paragraphs A157, A273 of ED-5000). These three terms are used interchangeably in ED-5000. For example, "materiality process" is used in paragraph A275, and "materiality assessment" is used in paragraph A400. Furthermore, "materiality process" is a term used in the Global Reporting Initiative (GRI) reporting framework whilst ED-5000 is designed to be framework-neutral. Additionally, the term "materiality assessment" is a common term used in an assurance engagement.

To address any confusion and inconsistencies that may arise from the above, we recommend the IAASB only uses one term in the standard. Our preference is to retain the entity's "process to identify reporting topics" but with a slight tweak to the entity's "process to identify *material* reporting topics" and remove the other two terms. The term "materiality process" could be repurposed as an example of the term used in the GRI reporting framework to describe the entity's process to identify reporting topics.

We also found the IAASB's FAQs for Proposed ISSA 5000: *The Application of Materiality by the Entity and the Assurance Practitioner* (Materiality FAQs) to be helpful. The explanation provided for question 2 in the Materiality FAQs on the entity's process for identifying the matters to disclose is particularly helpful. We encourage the IAASB to include this content in the standard or alternatively, we suggest paragraph A157 of ED-5000 is rewritten so that it's more consistent with the Materiality FAQs. We are of the view that this important guidance should be moved to the Requirements section of the standard, and not included in the application paragraph.

Additionally, we suggest the IAASB create a resource hub where all existing resources including the Materiality FAQs and future resources be made available at a central location that is easily accessible to all.

Suitability and Availability of Criteria

10. Does ED-5000 appropriately address the practitioner's evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 56-58)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

We believe that ED-5000 provides sufficient details to help the practitioner to address the suitability and availability of the criteria used by the entity in preparing the sustainability information. Consistent with our response to earlier questions, stakeholders feel that ED-5000 requires a significant amount of work effort from the assurance practitioner on this matter at the precondition assessment stage. We believe that whilst a high level consideration may be appropriate at the precondition assessment stage, a more detailed assessment would be appropriate after engagement acceptance.

By implication, ED-5000 appears to expect the auditor to identify and assess reporting gaps or a disconnect between the suitability and availability of criteria and to identify better and more appropriate or material criteria that the entity might have missed at the precondition assessment stage. If that is the intent of ED-5000, it may give rise to independence concerns (self-review threats) and as noted previously, shift responsibility from the preparers to the assurance practitioners.

We suggest the IAASB revisit and address the precondition assessment requirements in light of the above concerns.

As detailed in our response to question 9 above, we are of the view that, there is opportunity for the IAASB to streamline the requirements between precondition and risk assessment when addressing the practitioner's evaluation of appropriate sustainability matters, and the suitability and availability of the criteria used by the entity in preparing the sustainability information. We believe the requirements will be much clearer if the IAASB can clearly distinguish the extent of work required at each distinct stage of the assurance engagement.

Choosing the appropriate criteria without a reporting framework can be problematic for assurance practitioners. In the absence of a reporting framework, auditors will need to rely heavily on the entity's "process to identify material reporting topics" that is relevant, meaningful, and appropriate. The risk to the assurance practitioner is what ultimately gets captured and reported as the outcome of the entity's "process

to identify material reporting topics”. Therefore, omission might be challenging to identify and assess, especially when the entity and the assurance practitioner may not agree on the materiality and the intended users. ED-5000 is not clear on how the auditor should deal with the discrepancies, especially for qualitative disclosures.

As outlined in our response to question 10 above, we recommend the IAASB to develop more guidance and examples on how to deal with challenging situation such as disagreement/discrepancies between the assurance practitioner and the entity, especially in relation to entity’s materiality and its outcome on qualitative disclosures.

11. Does ED-5000 appropriately address the notion of “double materiality” in a framework-neutral way, including how this differs from the practitioner’s consideration or determination of materiality? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 59-60 and 68)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

Paragraph A180 of ED-5000 describes “double materiality” as both financial materiality and impact materiality. However, “double materiality” is a term used in specific frameworks such as the Global Reporting Initiative (GRI) framework. Given, that ISSA 5000 is a framework-neutral standard, we recommend the IAASB uses a broader term (e.g., “multiple materiality”). The term “double materiality” could be included as an example in the standard.

Materiality

12. Do you agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 65-74)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

We agree with the approach in ED-5000 for the practitioner to determine materiality (including performance materiality) for quantitative disclosures.

However, we have heard mixed views on the approach for the practitioner to consider materiality for qualitative disclosures. Some stakeholders are unclear how the practitioner can apply materiality for qualitative disclosures due to their inherent nature. Others are of the view that using the word ‘consider’ which is insufficient in addressing a fundamental concept of materiality in an assurance engagement and should be avoided (or should not be encouraged) where possible. Therefore, we recommend the IAASB replace ‘consider’ with ‘assess’ materiality for qualitative disclosures, providing a more balanced and appropriate approach that gives equal importance to both qualitative and quantitative disclosures.

Regardless of the term used (“consider” or “assess”) for qualitative disclosures, stakeholders have significant concerns about the adequacy and depth the detail in ED-5000 in addressing materiality for qualitative disclosures. As outlined in our response to question 9, materiality can be very complex and a challenging area for assurance practitioners, and qualitative and quantitative materiality are not exclusive and should be assessed together.

Some of the key challenges that were identified in our outreach include:

- aggregation and disaggregation of qualitative disclosures
- how to accumulate misstatements across multiple areas/topics of disclosures to assess the overall impact of the assurance conclusion, including, what is considered pervasive, the line between an ‘except for’ and ‘qualified’ assurance opinion
- how to deal with the entity and the practitioner disagreeing on materiality, specifically what additional procedures are required to resolve the disagreement

Consistent with our response to question 9, we strongly recommend the IAASB provide more examples in the standard to illustrate how the standard can be applied to challenging areas identified or develop supplementary resources in the form of guidance as the immediate/short-term solution in addressing the gaps in ED-5000. In the medium to longer term, we recommend the IAASB include the development of a separate ISSA for Materiality in the IAASB workplan as a matter of priority.

Understanding the Entity’s System of Internal Control

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?

(See Explanatory Memorandum Section 1-F, paras. 75-81)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

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).

Using the Work of Practitioner's Experts or Other Practitioners

14. When the practitioner decides that it is necessary to use the work of a firm other than the practitioner's firm, is ED-5000 clear about when such firm(s) and the individuals from that firm(s) are members of the engagement team, or are "another practitioner" and not members of the engagement team? If not, what suggestions do you have for making this clearer?

(See Explanatory Memorandum Section 1-G, paras. 82-87)

Overall response: [No, with comments below](#)

Detailed comments (if any):

We are of the view that the definition of an "engagement team" and the "practitioner's expert" are unclear. Based on the EM *Figure 2: Individual Involved in the Engagement*, there are three layers of participation as follows:

- The engagement team consists of the practitioner and other personnel from within and outside of the firm who perform procedures on the engagement *with direct supervision and review* from the practitioner.
- The practitioner's external expert is an individual or organisation outside the practitioner's firm or a network firm that possesses expertise in a field other than assurance, and whose work in that field is used by the practitioner in obtaining sufficient appropriate evidence. The practitioner *is able to* be sufficiently and appropriately involved in the work of the external expert, however, is *not able* to have direct supervision and review of the work of the external expert.
- Another practitioner is similar to the practitioner's external expert, but the practitioner or the engagement leader is *unable* to be sufficiently and appropriately involved in the work and is *not able* to have direct supervision and review of the work of the other practitioner.

In our view, the key criteria to be part of the engagement team is the practitioner's *ability to have direct supervision and review* of the work performed by personnel/organisation irrespective of whether the personnel/organisation is from within or outside of the practitioner's firm nor the field of work.

Additionally, the key distinction between the practitioner's external expert and another practitioner is the ability/inability of the practitioner to be sufficiently and appropriately involved in the work of the other practitioner.

Given ISSA 5000 is intended as a profession-agnostic standard that envisages individuals from multiple professions either undertaking or being part of the engagement, it is important to ensure there is clarity around the definition of the engagement team. To bring about more clarity in distinguishing between the various individuals/firms participating in the assurance engagement, we recommend the IAASB to revise the relevant paragraphs as suggested below:

- 17(p): Engagement team - The engagement leader and other personnel performing the engagement, and any other individuals who perform procedures on the engagement, with direct supervision and review from the practitioner/engagement leader. The engagement team excludes ~~excluding a~~ practitioner's external expert: (Ref: Para. ~~17(jj)-A22~~) and "another practitioner" (Ref: Para. A22)

- 17(jj) – Practitioner’s expert - An individual or organization possessing expertise in a field other than assurance, whose work in that field is used by the practitioner in obtaining sufficient appropriate evidence. A practitioner’s expert may be either a practitioner’s internal expert (who is a partner or staff, including temporary staff, of the practitioner’s firm or a network firm, where the practitioner is able to direct and supervise them and review their work), or a practitioner’s external expert (where the practitioner is able to sufficiently and appropriately involved in their work but is not able to direct and supervise them and review their work).

We also recommend the IAASB consider including a separate definition for “another practitioner” as this term is currently embedded in paragraph A22. Separating “another practitioner” from paragraph A22 could provide further clarity and opportunity in distinguishing “another practitioner” and “practitioner’s external expert”. Additionally, including some examples of ‘practitioner’s external expert’ and ‘another practitioner’ in the standard is also helpful to bring further clarity to the definitions of ‘practitioner’s external expert’ and ‘another practitioner’.

We note the concepts of “engagement team”, “using the work of the practitioner’s external expert” and “another practitioner” in ED-5000 differs from ISA 220, ISA 600, and ISA 620 where the ISAs exclude external experts in a field other than accounting or auditing from the engagement team as these experts are treated as the practitioner’s external experts (ISA 220 paragraph 7(d) and ISA 620 paragraph 6(a)). Although ED-5000 is developed based on existing material from the ISAs, it differs from the ISAs in including experts in a field other than accounting or auditing in the engagement team. It will be beneficial to include the IAASB’s rationale for this departure from the ISAs in this respect in the Basis for Conclusions to this standard.

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

(See Explanatory Memorandum Section 1-G, paras. 88-93)

Overall response: [Neither yes/no, but see comments below](#)

Detailed comments (if any):

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

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

Paragraph 49(a) (External Expert) discusses fundamental ethical principle of Objectivity but not Independence whilst paragraphs 51(a) (Another Practitioner) discusses the fundamental ethical principle of Independence but not Objectivity. We are unclear as to the rationale for the difference in requirements for an External Expert compared to Another Practitioner in this regard. In our view, both fundamental ethical principles should apply equally to both the External Expert and Another Practitioner.

Estimates and Forward-Looking Information

16. Do you agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 94-97)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We observe that the approach to the requirements in ED-5000 related to estimates and forward-looking information is very similar to ISAE 3410, that is to address estimates and forward-looking information together, in “Responding to Risks of Material Misstatement”. We note ED-5000 does not address this in detail and this is acknowledged in the EM.

We support the IAASB in developing a separate topic-specific ISSA in the future to address estimates and forward-looking information in a more comprehensive manner. In addition to the ISA 540 (Revised), we also recommend the IAASB draw on the Australian Auditing and Assurance Standards Board’s existing material on ASRE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* (ASRE 3450) when developing the separate ISSA for this topic. ASRE 3450 deals with assurance of forward-looking information and may be a useful point of reference on this topic.

While a separate ISSA is being developed, we also recommend the IAASB develop guidance material on this topic, especially to address the more challenging aspects of forward-looking information that often involves a higher degree of speculation and a longer timeframe. For example, it would be beneficial if guidance was developed on what supplementary procedures may be appropriate in evaluating:

- the entity’s projections or future plans which are prepared based on hypothetical assumptions
- a mixture of best-estimate assumptions and hypothetical assumptions on a “what-if” scenario that may or may not take place in the future date.

Risk Procedures for a Limited Assurance Engagement

17. Do you support the approach in ED-5000 to require the practitioner to design and perform risk procedures in a limited assurance engagement sufficient to identify disclosures where material misstatements are likely to arise, rather than to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement? If not, what approach would you suggest and why?

(See Explanatory Memorandum Section 1-G, paras. 98-101)

Overall response: [Yes \(with no further comments\)](#)

Detailed comments (if any):

Groups and “Consolidated” Sustainability Information

18. Recognizing that ED-5000 is an overarching standard, do you agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when “consolidated” sustainability information is presented by the entity? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 102-107)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

Groups, and the assurance of “consolidated” sustainability information can be very complex in comparison to the assurance of consolidated financial statements. One of the key distinctions is the inclusion of value chain information in the reporting of sustainability information, which is not relevant to the reporting of financial statements.

We agree that it would be inappropriate for ED-5000 to include detailed requirements and guidance for groups. As outlined in the EM, the IAASB will consider developing a separate ISSA to address group or “consolidated” sustainability information. We support and strongly recommend the IAASB in developing a separate ISSA for group and “consolidated” sustainability information as suggested. In developing the ISSA for group and “consolidated” sustainability information, we recommend the IAASB draw on existing material from ISAs including:

- ISA 402 *Audit Considerations Relating to an Entity Using a Service Organisation* (ISA 402)
- ISA 600 *Special Considerations-Audits of a Group Financial Report* (ISA 600)
- ISA 610 *Using the Work of Internal Auditors* (ISA 610)
- ISA 620 *Using the Work of an Auditor’s Expert* (ISA 620).

As outlined above, the existing ISAs may not have addressed value chain information, therefore, in developing a new ISSA for groups, we recommend the IAASB to give consideration to the assurance procedures related specifically to value chain information.

While a separate ISSA is being developed, we also recommend the IAASB develop guidance material on this topic, preferably soon after the final standard is issued and before it becomes effective. Some of the more challenging areas that stakeholders have identified that are currently not adequately addressed in ED-5000 include:

- dealing with the reporting entity’s value chain information that may form a significant portion of the overall reporting of the entity. For example, the reporting data on scope 2 and scope 3 together can be significantly more material to the entity’s scope 1 reporting. This scenario is unlikely to apply to financial reporting therefore, current literature in using the work of another practitioner in ISAs may not have considered the appropriate assurance procedures in this scenario.
- the entity’s group sustainability information including the value chain information can also be far-reaching to many more jurisdictions than financial information. Each jurisdiction is likely to have its own preferred reporting framework on sustainability information and some jurisdictions may not even have a reporting framework and will be relying on the entity-developed criteria. Unlike financial information which has a small number of well-established reporting frameworks such as IFRS and US GAAP, there are multiple reporting frameworks for sustainability information, and some are still in their development stage. Therefore, the reporting entity will be “consolidating” sustainability information derived from multiple reporting frameworks, and reporting timeframes of entities up/down stream.

- the differentiation in procedures and work effort (if any) between limited and reasonable assurance engagement in the group or “consolidated” context.

We recommend the IAASB develops guidance material to adequately address the above-identified challenges, especially from the perspective of the practitioner in relation to his/her responsibility in managing and reviewing the work of a multi-disciplinary team and using the work of the practitioner’s external expert and another practitioner.

We also recommend the IAASB include a provision in the standard to encourage direct communication between the financial statements auditor and the sustainability information assurance practitioners if they are different. This provision will be especially critical especially when the practitioner reviews ‘Other Information’ for consistency with what is reported in the Sustainability Information Report.

Fraud

19. Do you agree that ED-5000 appropriately addresses the topic of fraud (including “greenwashing”) by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error? If not, what suggestions do you have for increasing the focus on fraud and why?

(See Explanatory Memorandum Section 1-G, paras. 108-110)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

The topic of fraud has always posed a significant challenge to the assurance profession, even in the well-established audits of historical financial information. By nature, fraud is an intentional act involving the use of deception to obtain an unjust or illegal advantage. Therefore, fraud can be challenging to detect.

Sustainability information that may have more qualitative disclosures than quantitative disclosures will impose additional challenges for assurance practitioners in determining what is fraud. The risk is not only dealing with the degree of misrepresentation or management biases but more importantly, the omission of material disclosures that may distort/misrepresent the actual condition of the reporting entity.

Therefore, it is important for the IAASB to provide adequate guidance to be included in the standard or where appropriate, to be issued as FAQs or Guidance to address more challenging aspects of the practitioner’s consideration when addressing fraud in sustainability information assurance.

Feedback from stakeholders indicates the IAASB should address some of the practical issues relating to qualitative disclosures for example:

- nuances in the language used in qualitative disclosures such as management bias, degree of exaggeration, positive versus conservative language, and therefore, guidance or examples of triggers for practitioners to consider in the context of intention.
- clarity in the differentiation of fraud procedures and work effort between limited and reasonable assurance engagements.
- as outlined in our response to question 12, in the context of fraud we suggest developing guidance on:
 - aggregation and disaggregation of misstatement in qualitative disclosures,
 - how to aggregate misstatements across multiple areas/topics of disclosures to assess the overall impact of the assurance conclusion, including, what is considered pervasive, the line between an ‘except for’ and ‘qualified’ assurance opinion,

- how to deal with the entity and the practitioner disagreeing on the materiality, specifically what additional procedures are required to resolve the disagreement.

The IAASB is currently in the final stage of the development of the exposure draft (ED) for ISA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* (ISA 240). It is unclear if the more advanced thinking in the draft ED for ISA 240 will form part of this standard. Therefore, we recommend the IAASB to revisit this standard and align the requirement on fraud once ISA 240 is finalised.

Stakeholders also raised concerns about the consistency in the interpretation of the fraud requirements in this standard among regulators from different jurisdictions. Each jurisdiction may have its own way of defining fraud and may also be working on a different tolerance level in determining whether a misstatement is a fraud. For example, the Australian regulator, the Australian Security and Investment Commission (ASIC), issued [Information Sheet 271](#) (INFO 271) that uses the terms “misrepresentation”, “misleading” and “deceptive”. There needs to be acceptance/buy-in from local regulators that, work performed by assurance practitioners in accordance with ISSA 5000 in relation to fraud is sufficient and fit for purpose.

The market expects assurance practitioners to detect and “stop” fraud. But the reality is, that the best way to eliminate fraud is from within the reporting entity, starting at the ‘tone from the top’ to set the culture of integrity and honesty. The most effective way to deter fraud is through a robust system of internal control.

We are concerned that ED-5000 places undue pressure and an onerous responsibility on the assurance practitioner to detect fraud. Fraud is an intentional act involving the use of deception to obtain an unjust or illegal advantage. Expecting the assurance practitioner to detect fraud in the context of sustainability information assurance will be more challenging as the system of internal control related to sustainability matters and preparation of the sustainability information, are continuing to develop and in many cases are less mature than for historical financial information. Especially in the initial years, there may be more misstatements occurring which will require the assurance practitioner to put in more work effort in determining whether such misstatements are intentional or unintentional.

Therefore, we will continue to advocate for the reporting entity and those charged with governance to take equal responsibility in addressing fraud.

Communication with Those Charged with Governance

20. Do you support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 111-112)

Overall response: [Yes \(with no further comments\)](#)

Detailed comments (if any):

Reporting Requirements and the Assurance Report

21. Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users? If not, please be specific about any matters that should not be required to be included in the assurance report, or any additional matters that should be included.

(See Explanatory Memorandum Section 1-G, paras. 116-120, 124-130)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

Overall, we support the IAASB approach in aligning the structure and flow of the sustainability information assurance report with ISA 700 *Forming an Opinion and Reporting on a Financial Report* (ISA 700).

Further to our response to Question 7 above, stakeholders have indicated that there is insufficient distinction in the assurance reports to highlight the differences between a limited and reasonable assurance engagement. We have reviewed the illustrations of Assurance Reports on Sustainability Information and believe some improvements could be made to them. The suggested revisions aim at reducing the expectation gap by providing a clearer disclosure of the nature and extent of procedures performed and evidence obtained between the two levels of assurance engagements. Accordingly, we recommend the IAASB consider our suggestions below to revise the illustrative assurance reports:

Illustration 1: Unmodified Reasonable Assurance Report on Sustainability Information of a Listed Entity Prepared in Accordance with Fair Presentation Criteria

- As outlined in paragraphs 189-190, comparative information is one of the examples for inclusion in the Other Matter paragraph. We believe comparative information will be a common issue, especially for first-time assurance engagements. Therefore, we recommend the IAASB include the Other Matter paragraph in illustration 1.
- We also recommend the IAASB include the below-suggested wordings in the Practitioner's Responsibility paragraph to align with the existing wordings in ISA 700:

Practitioner's Responsibilities

Our objectives are to plan and perform the assurance engagement to obtain reasonable assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error, and to issue an assurance report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance conducted in accordance with ISSA 5000 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Information.

- We recommend the IAASB to provide the option for the practitioner to refer to their website for further description of their responsibilities for the reasonable assurance of the sustainability information report.

Illustration 2: Unmodified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

- As outlined in paragraphs 189-190, comparative information is one of the examples for inclusion in the Other Matter paragraph. We believe comparative information will be a common issue especially for

first-time assurance engagement. Therefore, we recommend the IAASB to include Other Matter paragraph in Illustration 2.

- In respect of the point, we recommend the IAASB includes in the illustration for the limited assurance report, the Other Information paragraph included in the illustration for the reasonable assurance report. Given, that the requirements in ED-5000 in relation to Other Information apply to both limited and reasonable assurance engagements, we believe it is important to include the Other Information paragraph in the limited assurance report as well.
- Sustainability information may be prepared in accordance with statutory requirements, frameworks, and/or the entity's developed criteria. Therefore, to cater to this broad spectrum of sources and rationale for preparing sustainability information, we recommend the IAASB include the provision in the Limited Assurance Conclusion paragraph for "[applicable criteria] applied as explained in Note X to the sustainability report", consistent with the approach adopted in Illustration 2 of ISAE 3410. If the IAASB agrees with this suggestion, the same consideration should be given to the Responsibilities for the Sustainability Information paragraph to expand the preparation framework beyond "XYZ Law of Jurisdiction X".
- We also recommend the IAASB to include the words "Those charged with governance are responsible for overseeing the Company's sustainability reporting process." in the Responsibilities for the Sustainability Information paragraph of the limited assurance report.
- We recommend the IAASB include the below-suggested wording in the Basis of Conclusion paragraph to align with the existing wording in ISAE 3410:

Basis for Conclusion

We conducted our limited assurance engagement in accordance with International Standard of Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the International Auditing and Assurance Standards Board.

The procedures in a limited assurance engagement vary in nature and timing from, ~~and are less in extent than for,~~ a reasonable assurance engagement. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, 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. Accordingly, we do not express a reasonable assurance opinion on the sustainability information.

- Consistent with our suggestion made for changes to illustration 1 above, we recommend the IAASB include the below-suggested wording in the Practitioner's Responsibility paragraph to align with the existing wording in ISA 700:

Practitioner's Responsibilities

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the sustainability information is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. A limited assurance engagement is a substantially lower level of assurance than a reasonable assurance engagement. It is not a guarantee that an assurance engagement conducted in accordance with ISSA 5000 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Information.

- Consistent with our suggestion made to illustration 1 above we recommend the IAASB to provide the option for the practitioner to refer to their website for further description of their responsibilities for the reasonable assurance of the sustainability information report.
- We support the inclusion of Summary of Work Performed in the limited assurance report, to the extent that it is framed at a very high level for the purpose of informing the users of the scope and nature of limited assurance engagements. We do not support detailed disclosures of work performed unless it is absolutely necessary to the users' understanding of the practitioner's conclusion and the level of assurance obtained. Therefore, we recommend the IAASB revise this paragraph by adapting existing material from ISAE 3410 as suggested below.

Summary of the Work Performed

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Information. The nature, timing and extent of procedures selected depend on professional judgment, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Sustainability Information. The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

~~In conducting our limited assurance engagement, we:~~

[Insert a summary of the nature and extent of procedures performed that, in the practitioner's judgment, provides additional information that may be relevant to the users' understanding of the work performed to support the practitioner's conclusion and the level of assurance obtained – only when this is necessary in the practitioner's judgment.]

Illustration 4: Modified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

- We recommend the IAASB replicate the changes made to Illustration 2 above in Illustration 4 as well.

Illustration 3: Unmodified Combined Reasonable and Limited Assurance Report on Sustainability Information for an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

- We have heard mixed views on the illustrative combined report. Some stakeholders found the combined report challenging to follow and are concerned about how well users will understand the report. Therefore, we recommend the IAASB monitor and consider feedback from user groups in deciding whether to endorse the combined reporting format or two separate reporting formats (limited assurance and reasonable assurance) for the assurance report over sustainability information.
- If the appropriate approach is to retain the combined report format, we recommend the IAASB revise Illustration 3 as outlined in our suggestion for Illustration 1 and Illustration 2 above.

Recommended changes as suggested above, if appropriate should also be reflected in the Preparing the Assurance Report section of the standard (paragraphs 168 to 170) and its corresponding paragraphs in the Application Material.

Illustrative example 3 addresses combined assurance engagements that include both limited and reasonable assurance, but in a scenario where the whole sustainability report is subject to assurance. As outlined in paragraph 37 of the EM, the scope of an assurance engagement on sustainability information may extend to all of the sustainability information expected to be reported by the entity or only part of that information. Consequently, for the latter scenario (only part of that information), within the entity's sustainability information report, they may include sustainability information not subject to the assurance engagement (defined as "other information" in paragraph 17(ee) of ED-5000). Stakeholders are concerned about the ability of the assurance report to distinguish between sustainability information that has been assured and "other information" that is also part of the sustainability report. To address this, we recommend the IAASB provides clarity and guidance to illustrate how the assurance report is able to identify and pinpoint the assurance opinion over the relevant/discreet sustainability information and not the "other information" included in the same sustainability report prepared by the entity.

In addition to the four illustrative examples provided above, we recommend the IAASB to provide more illustrative examples in the following scenarios:

- Modified Combined Reasonable and Limited Assurance Report on Sustainability Information for an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria
- Modified Reasonable Assurance Report on Sustainability Information of a Listed Entity Prepared in Accordance with Fair Presentation Criteria
- Unmodified and Modified Combined Reasonable and Limited Assurance Report on Sustainability Information for an Entity Other than a Listed Entity Prepared in Accordance with Multiple Reporting Frameworks including the Entity's Defined Criteria
- Unmodified and Modified assurance reports (limited and reasonable) based on key established and known reporting frameworks such as:
 - IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 *Climate-related Disclosures* (IFRS S2)
 - Global Reporting Initiative (GRI)
 - Task Force on Climate-related Financial Disclosures (TCFD)
 - Sustainability Accounting Standards Board (SASB) standards
 - Corporate Sustainability Reporting Directive (CSRD)

We note that ED-5000 has provided some examples of when it is appropriate to include an Emphasis of Matter (EOM) paragraph in the assurance report (paragraph A500) and when it is appropriate to include an Other Matter (OM) paragraph in the assurance report (paragraph A501). In addition to what's already been included in ED-5000, we encourage the IAASB to include more examples to illustrate when EOM and OM are appropriate.

22. Do you agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability assurance engagement, and instead having the IAASB consider addressing this in a future ISSA? If not, what do you propose and why?

(See *Explanatory Memorandum Section 1-G, paras. 121-123*)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We support the IAASB’s decision to address the concept of “key audit matter” (KAM) at a later stage. We are of the view that the inclusion of KAM may not be appropriate at this stage and sufficient time should be allowed for the market to mature before the IAASB considers including KAM in the sustainability information assurance report.

As outlined in our responses to earlier questions, to recommend the IAASB allocates its finite resources to developing separate ISSA in more fundamental areas of sustainability information assurance such as materiality, estimates and forward-looking information, group and “consolidated” sustainability information and developing critical implementation guidance.

23. For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?

(See *Explanatory Memorandum Section 1-G, para. 131*)

Overall response: [No, with comments below](#)

Detailed comments (if any):

As outlined in our response to question 21 above, we suggest further clarity to the Basis for Conclusion section for limited assurance engagements as detailed below:

Basis for Conclusion

We conducted our limited assurance engagement in accordance with International Standard of Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the International Auditing and Assurance Standards Board.

The procedures in a limited assurance engagement vary in nature and timing from, ~~and are less in extent than for,~~ a reasonable assurance engagement. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, 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. Accordingly, we do not express a reasonable assurance opinion on the sustainability information.

Other Matters

24. Are there any public sector considerations that need to be addressed in ED-5000?
(See *Explanatory Memorandum Section 1-I, para. 135*)

Overall response: [No, with comments below](#)

Detailed comments (if any):

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.

25. Are there any other matters you would like to raise in relation to ED-5000?

Overall response: [Yes, as further explained below](#)

Detailed comments (if any):

See our comments in Part A of this submission.

Also, we believe it would be helpful if the IAASB develops and includes illustrative examples for an engagement letter and management representation letter.

Paragraph 32(c) requires the Engagement Leader to have sufficient “sustainability competence”. We do not believe this term sufficiently captures the competence requirements in this regard and suggest rewording to:

(c) Sufficient understanding of the sustainability topics, and the necessary ~~S~~sustainability competence and knowledge ~~sufficient~~ to accept responsibility for the conclusions reached on the engagement.

Paragraph 57 *Engagement Quality Review* specifically refers to ISQM 1 but there is no consideration of other equivalent quality management requirements, which should also be referenced in this paragraph. Therefore, we suggest the IAASB to refine the wordings as below:

57. For those engagements for which an engagement quality review is required in accordance with ISQM 1 or other equivalent quality management requirements ~~the firm’s policies or procedures~~, the engagement leader shall discuss significant matters and significant judgments arising during the engagement, including those identified during the engagement quality review, with the engagement quality reviewer.

Paragraph 78(b) refers to “the responsibilities of the practitioner” but does not then provide the details of such responsibilities. We suggest such detail is added to the paragraph. The content in paragraph 170(h) could be repurposed for inclusion in paragraph 78(b).

Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

26. Translations—Recognizing that many respondents may intend to translate the final ISSA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-5000.

Overall response: [No, with comments below](#)

Detailed comments (if any):

We suggest the IAASB focuses on providing a final standard along with supporting material in English initially and consider developing translations subsequently as required.

27. Effective Date—As explained in paragraph 138 of Section 1-I – Other Matters, the IAASB believes that an appropriate effective date for the standard would be for assurance engagements on sustainability information reported for periods beginning or as at a specific date approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISA. If not, what do you propose and why?

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We fully support permitting earlier application of ISSA 5000. In jurisdictions such as Australia where mandatory climate reporting and assurance are being considered for earlier implementation, permitting earlier application of the standard would be helpful.