

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) | PICPA |
| Name(s) of person(s) responsible for this submission (or leave blank if the same as above) | Allison Henry |
| Name(s) of contact(s) for this submission (or leave blank if the same as above) | |
| E-mail address(es) of contact(s) | ahenry@picpa.org |
| 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. | North America |
| | 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). | The PICPA is a professional CPA association of about 20,000 members working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is composed of practitioners from both regional and small public accounting firms and members serving in financial reporting positions. The committee’s general comments and comments to selected questions included in the due process document are included below. |

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:

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: [Disagree, with comments below](#)

Detailed comments (if any):

1. Use by all assurance practitioners – The committee believes that allowing the application of an IAASB standard by professionals who are not licensed public accountants would dilute the value and rigor of the IAASB's professional standards. The committee notes that performing assurance engagements is not simply a matter of applying a set of standards but includes robust training and licensure requirements. While we understand that subject matter experts are critical to the performance of sustainability assurance engagements, we believe that the licensed audit professionals are in the best position to perform these engagements. We understand that in certain jurisdictions non-accounting professionals are performing these engagements, we do not believe that they should be able to apply the same set of standards that licensed public accountants perform. The standards should be a distinguishing factor between high quality assurance engagements and other practitioners.

The committee also notes that the wording in the explanatory memorandum appears to suggest that licensed public accountants are trained only to provide assurance on financial statements. We disagree. Public accountants training, examination and licensure includes providing assurance on all types of subject matters.

The committee also notes that allowing non licensed professionals to perform assurance standards using IAASB standards further challenges the pipeline of professionals willing to enter into the accounting profession, sit for the CPA exam, and maintain a license. Furthermore, in the U.S. providing assurance using standards recognized by the U.S. assurance standard-setter, the AICPA's Audit Standards Board is restricted to licensed practitioners. This is embedded into the state statutes. U.S. convergence with the international standard setter would therefore not be in the public interest.

2. All sustainability topics and any suitability criteria - We find it difficult to conceptualize how to apply the proposed sustainability assurance standard to highly qualitative and subjective content. Challenging areas include qualitatively assessing the influence of the presentation of the material (e.g., font sizes and styles, images, use of subjective terminology, content positioning,

etc.). Providing assurance on a report that includes management’s commentary could be crossing the independence line. For example, maybe consider a requirement to keep the commentary separate from the information upon which the sustainability assurance is provided. We agree with the criteria identified in paragraph 71 for determining whether sustainability matters are appropriate. We believe that more clearly defined parameters would be in the best interest of the public and the profession.

3. All intended users – The committee understands the broad use for sustainability reporting including the wide variety of interested stakeholders including the general public, customers, legislators, investors and management. The committee notes that the concept of “double materiality” is challenging and requests more practical guidance.

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: [Disagree, with comments below](#)

Detailed comments (if any):

While the committee generally supports the development of tailored guidance for performing sustainability assurance engagements, the committee does not agree with the first stated objective in the project proposal that the standard would serve as a “global baseline standard for assurance on sustainability reporting for use by all assurance practitioners”. We believe that the standard should be limited to licensed public accountants. Please refer to our response to question #1 above.

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

Detailed comments (if any):

Not applicable.

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):

The committee believes that the qualifier “at least as demanding” is too subjective. The committee recommends that practitioners using the IAASB standards should apply the IAASB Quality Management Standards.

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: [Yes, with comments below](#)

Detailed comments (if any):

The committee agrees with the intent of the IAASB to further coordinate with the IESBA to ensure that the definitions are aligned in both sets of standards.

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):

Not applicable.

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):

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

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

Detailed comments (if any):

Not applicable

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

Detailed comments (if any):

Not applicable.

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 \(with no further comments\)](#)

Detailed comments (if any):

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 \(with no further comments\)](#)

Detailed comments (if any):

Not applicable

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: [Agree, with comments below](#)

Detailed comments (if any):

The committee agrees that practitioners should consider materiality quantitative disclosures. [[Is it OK there is no “for” after “materiality”?]]

For qualitative disclosures, the committee recommends establishing principles-based guidance such as the guidance included in the Code of Professional Conduct maintained by the International Ethics Standards Board for Accountants; specifically included at R220.4.

When preparing or presenting information, a professional accountant shall:

- (a) Prepare or present the information in accordance with a relevant reporting framework, where applicable;
- (b) Prepare or present the information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately;
- (c) Exercise professional judgment to: (i) Represent the facts accurately and completely in all material respects; (ii) Describe clearly the true nature of business transactions or activities; and (iii) Classify and record information in a timely and proper manner;
- (d) Not omit anything with the intention of rendering the information misleading or of influencing contractual or regulatory outcomes inappropriately;
- (e) Avoid undue influence of, or undue reliance on, individuals, organizations, or technology; and
- (f) Be aware of the risk of bias. [[Font changed for entry (f)]]

The committee finds that the following examples of misstatements of sustainability information may entail too much subjectivity :

- Undue prominence to favorable by using large, bold or brightly-colored text and images or presenting unfavorable information using small or light-colored font and less extensive text. (from A355)
- The impact of the presentation of the information on the perception of the user’s (e.g., whether presenting different scales for the x-and y-axes of a graph may be misleading) (from A278)

The committee recommends the use of more principles-based criteria for consideration.

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

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

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

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

The committee recommends that this section be reevaluated.

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: [Yes, with comments below](#)

Detailed comments (if any):

In general, the proposed guidance is clear. However, given that the reporting boundaries may include information from up and down the entity's value chain, is there a need for guidance for group engagements? Can an auditor refer to another practitioner in the report if the information that the other practitioner reported on is material to the overall engagement?

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

Detailed comments (if any):

Not applicable.

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: [Disagree, with comments below](#)

Detailed comments (if any):

The committee is concerned that proposed standard does not contain sufficient guidance for providing assurance on forward looking information. This is clearly a high-risk area prone to misstatements. The committee notes the following areas of concern:

- The proposed report does not include verbiage separately addressing forward-looking information or providing any qualifying language about limitations (e.g., the results may not be achieved, the practitioner has no responsibility to update the report for events and circumstances occurring after the date of the report, etc.) or restrictions as to use.
- The guidance does not have a requirement that key assumptions be included with the forward-looking information to ensure that the reader is aware of the uncertainty of the possible outcomes.

- There does not appear to be any limitations on providing limited assurance on the forward-looking information. This is a major change from the current assurance standards for which there is no review engagement of prospective financial information.

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):

Not applicable.

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 \(with no further comments\)](#)

Detailed comments (if any):

Not applicable.

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: [Disagree, with comments below](#)

Detailed comments (if any):

The committee believes that the risk of fraud including “greenwashing” is significant for sustainability assurance engagements given the degree of subjectivity, the significant number of information users, and

the difficulty of assessing materiality based on users' information needs and wide variety of metrics. The committee suggests adding additional guidance to the risk assessment section to include obtaining an understanding of the areas of management pressure and related fraud risks (e.g., expected changes, previous forward-looking information provided as compared with the results, incentives to misstate, etc.) and suggested responses to those fraud risks. While application guidance is included in the proposal, (including the considerations at paragraphs A404 and A405) the committee supports enhancing the guidance and requirements in this area.

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):

Not applicable.

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: [No response](#)

Detailed comments (if any):

Not applicable.

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 \(with no further comments\)](#)

Detailed comments (if any):

Not applicable.

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: [Yes, with comments below](#)

Detailed comments (if any):

The committee agrees that the explanation of the assurance report is sufficiently prominent. At the same time this has historically been an area of confusion among assurance report users.

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 response](#)

Detailed comments (if any):

Not applicable.

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

Overall response: [No other matters to raise](#)

Detailed comments (if any):

Not applicable.

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 response](#)

Detailed comments (if any):

Not applicable.

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 ISSA. If not, what do you propose and why?

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

Detailed comments (if any):

Not applicable.