

## 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)	The Institute of Certified Public Accountants in Ireland (CPA Ireland)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Emer Kelly, Secretary, Audit Practices Sub Committee,
Name(s) of contact(s) for this submission (or leave blank if the same as above)	As above
E-mail address(es) of contact(s)	ekelly@cpaireland.ie
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.	<a href="#">Europe</a>
	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.	<a href="#">Member body and other professional organization</a>
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

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:** [Agree, with comments below](#)

**Detailed comments (if any):**

CPA Ireland agrees that ED-5000 as an overarching standard can be applied for each of the items described in para 14 of the Explanatory Memorandum.

We accept that the development of standards, requirements, and legislation in the ESG space is evolving at a rapid rate and welcome the comments that this standard will be the foundation for a future suite of ISSAs to meet the needs of practitioners and stakeholders.

**Limited and reasonable assurance engagements**

While we accept the urgency with which the need for an assurance standard is to be developed to fit a range of assurance levels, we would welcome in the future separate standards to deal with limited and reasonable assurance engagements, given the substantial differences in the focus and output of such engagements.

*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):**

CPA Ireland agrees that the proposals in ED-5000 are responsive to the public interest. In particular, we welcome the focus in the ED on relevant ethical requirements and quality management standards.

## 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 comments below](#)

#### **Detailed comments (if any):**

CPA Ireland would welcome future consideration of whether it is necessary to have two separate standards, ISSA 5000 and ISAE 3410. We understand that this is a fast-evolving area but would welcome future deliberations around the consolidation of the two sets of standards to assist with the streamlining of this complex area.

### *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:** [Yes, with comments below](#)

#### **Detailed comments (if any):**

Whilst it is accepted that the concept of “at least as demanding” is understood, at a local jurisdictional level it would be helpful for regulatory bodies to consult on the expectation of this concept, in the context of local law and regulations. We welcome the acknowledgment of this point in the EM.

### *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):**

Whilst CPA Ireland supports the definitions of sustainability information and sustainability matters, we have some concerns regarding the broadening of the definition to include environmental, social, economic and cultural matters. It is considered that the term “Environmental, Social and Governance” or ESG is a term that is widely used and understood.

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 comments below](#)

**Detailed comments (if any):**

CPA Ireland considers that the relationship between the three terms is clear in the ED.

As the assurance of sustainability information evolves and develops, we would welcome further guidance and in particular examples to assist practitioners.

#### *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:** [Yes, with comments below](#)

**Detailed comments (if any):**

CPA Ireland considers that it is appropriate to include the basis for performing both limited assurance and reasonable assurance engagements in the one standard, that is ISSA 5000. CPA Ireland is in agreement with the rationale for same as set out in the *Explanatory Memorandum Section 1-F, paras. 45-48*. However, to provide greater clarity in the standard requirements, CPA Ireland has the following comments;

#### **Risk Procedures**

Greater clarity is required in the area of risk procedures, specifically relating to paragraphs 94L and 94R. Limited assurance requires the designing and performing of risk procedures to identify disclosures where material misstatements, whether due to fraud or error, are likely to arise and then provide a basis for designing further procedures to focus on those disclosures.

Similarly, for reasonable assurance, the practitioner is required to design and perform risk procedures sufficient to identify and assess risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures and design and perform further procedures. 94L places the focus on addressing where a material misstatement in relation to a disclosure may arise and in contrast 94R focuses on the risk of material misstatement at the assertion level for the disclosures. These are not sufficiently distinct and there is a greater emphasis placed on finding material misstatements whether due to fraud or error for limited assurance which is considered contradictory to the level of assurance to be provided.

#### **Control Activities**

Similarly, at 107L, it details for limited assurance, if the practitioner plans to obtain evidence by testing the operating effectiveness of controls, the practitioner shall obtain an understanding of the controls the practitioner plans to test versus 107R, reasonable assurance, which details the practitioner's understanding of control activities in accordance with paragraph 102R shall include identifying controls for

which the practitioner plans to obtain evidence by testing their operating effectiveness. The requirement for both is the same but the different wording in use may lead to ambiguity.

*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):**

***Preconditions for an Assurance Engagement***

The wording “preliminary knowledge” implies a requirement to obtain the relevant information at the initial stages of the engagement. These requirements are set out in ISSA 5000 at paragraph 69. To ensure this preliminary knowledge is obtained at the correct period in time, it would be appropriate to include these requirements after the section titled “*Acceptance and Continuance of the Assurance Engagement*” at paragraph 25. While paragraph 25, refers to paragraph 69, it does not include the requirements; “(c) *The basis upon which the engagement is to be performed has been agreed, by: (i) Determining that the preconditions for an assurance engagement are present (see also paragraphs 69-70);*”

At present the placement comes after the section titled “*Documentation*” at paragraph 63 which details the requirements to record the basis for the assurance report and therefore not an initial or preliminary requirement. Altering the location of this requirement in the sequential order would ensure that the relevant preconditions are considered at the appropriate time in the engagement.

Consideration could also be given to the merging of these two sections to provide greater clarity in this area. This would provide a greater mechanism for the practitioner to build on the preliminary knowledge they have obtained in accepting or continuing the engagement when planning the engagement.

***Rational Purpose***

Paragraph 74 detailed the “Rational Purpose”. This sets out the requirements the practitioner must consider with regard to limited assurance but not reasonable. It is appropriate to consider reasonable assurance also for completeness.

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):**

*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):**

Explanatory guidance was provided in paragraph A167 to provide greater context to the sources of criteria which may be considered. However, clarity on the below framework criterion is required; (a)(iii) “*Developed collectively by a group that does not follow a transparent due process*”. It is unclear why if a transparent due process does not occur, such a method would be suitable as a criterion consideration.

Further to this, paragraph A170 contradicts A167 and denotes, “*Framework criteria that are embodied in law or regulation or are issued by authorized or recognized bodies of experts that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary*”. Paragraph A170 instead noted those that follow a due process rather than those which do not per A167.

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:** [No, with comments below](#)

**Detailed comments (if any):**

Double materiality is referenced twice within ISSA 5000, in each instance this is only within the application and other explanatory material section of the standard. An example is provided at A274 to demonstrate double materiality, however this should be expanded further to provide greater context i.e. to the financial and impact materiality. This concept should be detailed within the requirements section of 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: [Agree, with comments below](#)

### Detailed comments (if any):

CPA Ireland notes that ED-5000 deems the "**bifurcated**" approach appropriate because it is impracticable for practitioners to determine materiality for qualitative disclosures given the nature of those disclosures, and being impracticable to determine a single materiality for the sustainability information as a whole due to a mix of qualitative and quantitative disclosures about a number of different topics and aspects of topics, and for quantitative disclosures the practitioner is required to determine performance materiality.

Whilst it is noted that a sustainability assurance engagement ordinarily involves multiple materialities, amplified by the fact that there is no single evaluation of the materiality process, more guidance would be welcomed on the application of these different variables namely:

1. Quantitative disclosures
2. Qualitative disclosures
3. Notion of double materiality
4. Performance materiality

Although A278 of the Exposure draft outlines examples of factors that may be relevant to the practitioner's consideration of materiality for qualitative disclosures, worked examples with a scenario analysis would be helpful and/or a process map to guide a practitioner in the application of the different variables.

Sustainability reporting frameworks ordinarily will include requirements for the entity to disclose information about sustainability matters when such information is material. The entity's judgments about what is material are specific to the entity's facts and circumstances with the entity not providing specific disclosure if the information is not material.

How does the entity measure if a sustainability matter is not material? Worked examples with a scenario analysis would be welcomed.

In their consideration of quantitative disclosures, the practitioner and the entity will not necessarily arrive at the same materiality threshold(s) (i.e. the entity uses a threshold to determine, for example, whether certain metrics or targets should be reported and whether they are properly disclosed in accordance with the reporting framework, while the practitioner may use a different threshold when obtaining evidence about the metrics and targets that are reported by the entity, and evaluating identified misstatements in that information.

As the thresholds may differ, further guidance in this complex area for the practitioner on the application of professional judgment would be welcomed.

*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:** [Agree, with comments below](#)

**Detailed comments (if any):**

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

*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):**

CPA Ireland considers that it may be beneficial for clarity purposes to have this explicitly outlined within the Terms of the Assurance Engagement with insertion of Figure 2: Individuals involved in the Engagement per EM (ISSA) 5000.

Refer also to ED ISSA 5000 – Agreeing the Terms of the Assurance Engagement to have Figure 2 of EM (ISSA) 5000 included for clarity purposes.

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 comments below](#)

**Detailed comments (if any):**

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

*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):**

Whilst there are procedures noted for both limited assurance and reasonable assurance, greater clarity is required in designing procedures for the same. Limited assurance requires evaluations of appropriateness of applicable criteria relevant to estimates of forward-looking information whereas reasonable assurance requires testing of these, it is CPA Ireland's view that one would have to test the said information in order to evaluate its appropriateness as such these are not sufficiently distinct and as such contradictory to the level of assurance to be provided.

*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 comments below](#)

**Detailed comments (if any):**

Similarly, to above estimates and forward-looking information, greater clarity would be welcomed in the area of risk procedures, specifically relating to paragraphs 94L and 94R. Limited assurance requires the designing and performing of risk procedures to identify disclosures where material misstatements, whether due to fraud or error, are likely to arise and then provide a basis for designing further procedures to focus on those disclosures.

Similarly, for reasonable assurance, the practitioner is required to design and perform risk procedures sufficient to identify and assess risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures and design and perform further procedures. 94L places the focus on addressing where a material misstatement in relation to a disclosure may arise and in contrast 94R focuses on the risk of material misstatement at the assertion level for the disclosures. These are not sufficiently distinct and there is a greater emphasis placed on finding material misstatements whether due to fraud or error for limited assurance which is contradictory to the level of assurance to be provided.

*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):**

*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):**

Whilst the standard appropriately addresses the topic of fraud, it might be useful to link the risk assessment procedures and place emphasis on paragraphs 59 – 61 fraud and non-compliance requirements. These illuminate the need for professional skepticism. Further, these could be included in examples provided in the Explanatory Memorandum.

*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 comments below](#)

**Detailed comments (if any):**

Yes, the requirements set out on para 62 and A137-139 of the ED-5000 are appropriate items to consider in communications with TCWG and are in line with ISAE 3000.

*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):**

The requirements as set out in ED-5000 are appropriate and relatively in line with the auditor's reporting requirements, with which significant portion of the user group would be familiar with (such as investors etc). However, the reporting requirements might need to be reassessed as the user base of the Assurance Reports develop with time.

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):**

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):**

While the wording in the Basis for Conclusion is clear, there is a need that this distinction is also carried across other sections/paragraphs in the Standard.

*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):**

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):**

### **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):**

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):**