

December 1, 2023

International Auditing and Assurance Standards Board  
529 5th Avenue  
New York, New York 10017

**RE: The IIA Response Regarding IAASB's International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements**

Dear IAASB Professional Standards Team:

On behalf of The Institute of Internal Auditors (The IIA), the international professional association representing over 240,000 internal auditors, I appreciate the opportunity to comment on the International Auditing and Assurance Standards Board's (IAASB) proposed "[International Standard on Sustainability Assurance Engagements \(ISSA\) 5000, General Requirements for Sustainability Assurance Engagements \(ED-5000\)](#)."

For over 80 years, The IIA has been recognized across the globe as the internal audit profession's leader in standards, certification, education, research, and technical guidance.

Amid global efforts to integrate sustainability best practices across organizations – including the disclosure of such activities – the internal audit profession plays a central role in providing stakeholders with trust and confidence in the accuracy of sustainability reports. Recognizing the significant value of an organization's internal audit function, the proposed ISSA 5000 appropriately permits external assessors to utilize the work of internal audit to conform with the standard.

The enclosed IIA recommended amendments to ISSA 5000 are based on the belief that further reliance on the work of the internal audit function can improve the quality and usefulness of assurance services. Internal auditors regularly conduct assurance engagements and advisory engagements, and chief audit executives report to, and routinely communicate with, the organizations' governing body. Internal audit work is performed in conformity with the most current global internal auditing standards, as promulgated by The IIA, with mandatory requirements that not only call for objectivity and independence but that internal auditors possess the skills they need to properly conduct audits.

To strengthen ISSA 5000, The IIA recommends language be added to the section *Using the Work of the Internal Audit Function* inserting a determination on whether the internal audit function:

- Conforms with the Standards
- Includes a requirement that the chief audit executive develop, implement, and maintain a quality assurance and improvement program.

The IIA believes that this information will help a practitioner better understand the internal audit function's commitment to quality and the reliability of their work.

Assessing the optimal allocation of resources between external assurance providers and internal audit resources remains a critical endeavor for organizations seeking efficiency and cost-effectiveness in providing assurance. In many organizations, the implementation of the U.S. Sarbanes-Oxley Act of 2002 positioned internal audit as a valuable, cost-effective asset for external testing of systems and controls over financial reporting, and the role of internal audit has evolved even more significantly beyond that.



The Institute of  
**Internal Auditors**

*Elevating Impact*

As the risk landscape continues to expand, internal audit's significance extends well beyond financial reporting. This expanded role positions the internal audit function as a multifaceted partner, offering insightful evaluations, strategic advisory services, and a robust assurance framework to guide organizational leadership. By embracing this broader responsibility, internal audit emerges as a trusted partner, playing a pivotal role in shaping and enhancing an organization's overall governance, risk management, and control environment.

Due to the urgent focus on new requirements and the reliability of sustainability information, internal auditors are uniquely positioned to provide insight and assurance on these subjects. Given its deep knowledge of the organization and the value it provides, the internal audit profession is well-equipped to serve a more proactive advisory and assurance role.

Thank you for your consideration of our views and recommendations. Should you have any questions regarding this matter, please do not hesitate to contact Alex Sload, IIA's Senior Manager for Advocacy, at [Alex.Sload@TheIIA.org](mailto:Alex.Sload@TheIIA.org).

Sincerely,

Anthony J. Pugliese, CIA, CPA, CGMA, CITP  
President and Chief Executive Officer  
The Institute of Internal Auditors, Global Headquarters

**The Institute of Internal Auditors**  
**Comments on the Proposed International Standard on Sustainability Assurance 5000**  
**General Requirements for Sustainability Assurance Engagements**

*\*\*Please note that The IIA's replies to this proposal have also been submitted Electronically through the IAASB's response portal.\*\**

**Question 7. Differentiation of Limited Assurance and Reasonable Assurance**

The IIA agrees on the importance of clearly distinguishing between a limited assurance and a reasonable assurance engagement. The IIA suggests including the term "scope" in the differentiation of limited assurance engagements on Page 8(d)(ii) and clarifying what is meant in the first sentence by dividing it into two separate sentences.

**Question 8. Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement.**

The IIA believes ED-5000 would be clearer if a definition of "preliminary knowledge" was added to the "Definitions" section. The inclusion of information about industry best practices or benchmarking considerations would be helpful, as well as specific examples of what is expected to achieve/demonstrate "preliminary knowledge."

**Question 11. Appropriately addressing "double materiality" in a framework-neutral way.**

The IIA suggests adding "double materiality" to the "Definitions" section. It is hard to determine at a high-level how entities will be impacted with sustainability matters, so being as specific here as possible would be helpful.

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

Please find additional IIA recommended amendments listed below.

▪ **Definitions (Page 10)**

- (x) Internal audit function – A function of an entity that performs assurance and ~~consulting~~ **advisory** activities designed to evaluate and improve the effectiveness of the entity's governance, risk management and internal control processes.
- NOTE: Use of the term "consulting" is changing to "advisory" in the newly revised version of The IIA's 2024 Global Internal Audit Standards™ set for publication in early January.

▪ **Using the Work of the Internal Audit Function (Page 18)**

- 55. If the **practitioner** plans to use the work of the internal audit function, the practitioner shall: (Ref: Para. A126-A128)
- The IIA recommends defining the term "practitioner." The document currently reads: "This project includes the development of ethics and independence standards for implementation and use by all sustainability assurance practitioners (i.e., professional accountants and other professionals performing sustainability assurance engagements)." These engagements could be second line or third line functions, so further clarification is needed.
- (a) Evaluate the extent to which the internal audit function's organizational status and



- relevant policies and procedures support the objectivity and independence of the internal auditors;
- (b) Evaluate the professional background and levels of competence and experience of the internal audit function, including in sustainability matters and applicable criteria;
    - NOTE: Since competence is not defined, The IIA suggests a better way to say this is: "Evaluate the professional background and levels of competence and experience of ...."
  - (c) Evaluate whether the internal audit function applies a systematic and disciplined approach, including a system of quality control and periodic reporting to the board/audit committee;
  - (d) Determine whether the internal audit function adheres to the most current global internal auditing standards, as promulgated by The IIA;
  - Determine whether the internal audit function has an established internal audit Quality Assurance and Improvement Program, as defined by the most current global internal auditing standards, as promulgated by The IIA;
  - (e) Determine whether, and to what extent, to ~~use~~ rely upon and reference specific work of the internal audit function; and
  - (f) Determine whether that work is adequate for the practitioner's purposes.
    - The IIA suggests greater elaboration on what is meant by "adequate." In subsection (e) if it says "rely upon" the work of the internal audit function, then, once that is done, is the work reliable? Have they done a good job? Is it sufficient to achieve objectives?
  - **Inquiries and Discussion with Appropriate Parties (Page 27)**
    - 101. The practitioner shall make inquiries of appropriate parties and, when appropriate, others within the entity regarding whether: (Ref: Para. A310-A311)
      - (a) They have knowledge of any actual, suspected, or alleged fraud or non-compliance with laws and regulations affecting the sustainability information; and
      - (b) The entity has an internal audit function and, if so, makes further inquiries to obtain an understanding of the activities and ~~main~~ significant findings, if any, of the internal audit function with respect to the sustainability information.
        - NOTE: The IIA suggests that "main" is not clear in this context, while "significant" means impact on the organization.
  - **Forming the Assurance Conclusion (Page 42)**
    - 160. The practitioner shall evaluate the sufficiency and appropriateness of the evidence obtained, including evidence from the work performed by a practitioner's external expert, another practitioner or internal audit function, and, if necessary, in the circumstances, attempt to obtain further clarification including additional evidence. In making this evaluation, the practitioner shall: (Ref: Para. A444-A447)



- (a) Evaluate whether the evidence obtained meets the intended purpose of the procedures and supports the conclusions; and
- 167. The practitioner shall include in the engagement documentation:
  - (a) The basis for the engagement leader's determination conclusion in accordance with paragraph 166(b) that sufficient appropriate evidence has been obtained, including:
- **Using the Work of the Internal Audit Function (Ref: Para. 55) (Page 79)**
  - A127. The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity and independence of the internal auditors and the level of competence of the function are particularly important in determining whether to use and, if so, the nature and extent of the use of the work of the function that is appropriate in the circumstances.
  - A128. Factors that may affect the practitioner's evaluation of whether the internal audit function applies a systematic and disciplined approach include the following:
    - The existence, adequacy and use of documented internal audit procedures or guidance (i.e., the most current global internal auditing standards, as promulgated by The IIA) covering such areas as risk assessments, work programs, documentation and reporting, the nature and extent of which is commensurate with the size and circumstances of an entity.
    - Whether the internal audit function has appropriate quality control policies and procedures, for example, policies and procedures that would be applicable to an internal audit function (such as those relating to leadership, human resources and engagement performance and supervision) or quality control requirements in standards set by the relevant professional bodies for internal auditors. Such bodies may also establish other appropriate requirements such as conducting periodic external quality assessments.
- **Planning (Page 110)**
  - A262. The nature and extent of planning activities will vary with the engagement circumstances, for example, the complexity of the sustainability matters and applicable criteria. Examples of matters that may be considered include:
    - The IIA suggests adding this bullet: A clearly defined scope, objectives and time period of review.
    - The characteristics of the entity and its activities;
    - Whether the engagement is a limited assurance engagement, reasonable assurance engagement or a combination of both.
    - The nature of the disclosures.
    - The expected timing and the nature of the communications required with management or those charged with governance.
    - The reporting boundary.
      - The IIA suggests clarifying what is meant in this bullet.
    - The practitioner's understanding of the entity and its environment, including the risks that the disclosures may be materially misstated.
    - The intended users and their information needs.



- The extent to which the risk of fraud is relevant to the engagement.
  - The nature, timing and extent of resources necessary to perform the engagement, such as expertise required, including the nature and extent of the involvement of experts.
  - If the entity has an internal audit function and the impact on the engagement coordination exists between assurance providers to avoid duplication.
- **The Entity's Process for Monitoring the System of Internal Control (Ref: Para. 102R(c), 105R) (Page 125)**
    - A327R. Understanding the entity's process for monitoring the system of internal control relevant to the preparation of the sustainability information may involve understanding:
      - (a) Those aspects of the entity's process that address:
        - (i) Ongoing and separate evaluations for monitoring the effectiveness of controls, and the identification and remediation of control deficiencies identified;
        - (ii) The entity's internal audit function, if any, including its nature, responsibilities, ~~and~~ activities, and evaluation of the design and operating effectiveness of related internal controls; and
      - (b) The sources of information used in the entity's process to monitor the system of internal control, and the basis upon which management considers the information to be sufficiently reliable for the purpose.