

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 Malta Institute of Accountants
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Dinahlee Delceppo
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Dinahlee Delceppo
E-mail address(es) of contact(s)	ddelceppo@miamalta.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.	Europe
	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).	

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:

We feel strongly enough about the following two comments to once again point them out in this section.

- There is a significant element of ambiguity throughout ISSA 5000 in relation to other independent assurance service providers (IASPs), such as the reference to an equivalent for certain audit and quality management standards without any clarification as to what this constitutes, among others.
- The timeliness of this standard's finalisation is critical considering that companies will start reporting as from FY 2024, especially for countries which will not have a national standard in play to bridge the gap until ISSA 5000 is finalised.

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):

Overall, we note that the proposed ISSA 5000 has been drafted in a way that is essentially capturing a generic collation of different International Standards for Auditing (ISAs). We believe this is a very positive step in the right direction for the audit profession, considering that there is already familiarity with the terms, concept and rules established thereunder.

On the other hand, in view of the fact that the proposed ISSA 5000 is meant to be used by all assurance practitioners, be it within the audit profession or otherwise, we feel it should be pointed out that references to ISAs might prove to be more challenging for other independent assurance service providers (IASPs) due to the lack of familiarity with such standards themselves and the contents thereof.

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):

We would like to point out, similar to the above question, that the professional who will be providing such responsiveness to the public interest, and thus adhering towards such requirements, will have an impact in this regard.

In order to maintain consistency in application, standards should ideally be driven by one profession rather than across different professions.

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):

Considering that the International Standard on Assurance Engagements (ISAE) being referenced here i.e. ISAE 3410 deals with greenhouse gas statements, there should be a direct link to such topic within the proposed ISSA 5000 itself. This is due to the fact that the same information might be required across and in such instances, there might be uncertainty or a lack of clarity as to which standard is meant to be applied.

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):

This concept, and the overall equivalence concept, requires further clarification. The way that such a concept is currently featured within the proposed ISSA 5000 does not specify what this actually constitutes and by whom such equivalent is regulated, among others.

Our recommendations in this regard would be to either remove such a concept from the standard altogether or else provide more guidelines and detailed tangible references to ensure the necessary clarifications are in place.

It is important that the proposed ISSA 5000 maintains a level playing field.

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):

We believe that practical examples would further aid the understanding of such definitions.

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):

We believe that practical examples would further aid the relationship between these terms.

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):

Once again, we reiterate the issue of who will be performing the sustainability audit engagement, and thus making use of the proposed ISSA 5000.

Questions arise as to whether this would translate the same across different professions being targeted by this standard and whether engagements would be performed based on the same procedures and concepts, among others.

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):

No comments.

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):

When conducting such engagements, there are two aspects to materiality at play: the entity which is adopting the double materiality approach when reporting, and the auditors who need to have their own materiality set for testing/procedural reasons. While both concepts are clear, the proposed ISSA 5000 does not seem to go into any details and/or provide any guidance on the process to be adopted by the auditor in auditing the double materiality concept. We suggest that more guidance is provided in relation to the procedures that need to be performed in this regard.

Furthermore, the scope of work for financial reporting purposes is different (narrower) than that for reporting under the Corporate Sustainability Reporting Directive (CSRD), with the latter having the consideration of upstream and downstream. This means that there might be the need to place reliance on other auditors, which might result in possible misalignments between materialities. A further challenge might also be created when placing reliance on expert reports. Materiality is typically allocated to component parts, but it is currently unclear what will happen in this case.

One final comment would be in relation to qualitative disclosures, which feature more than quantitative ones when it comes to sustainability, and more specifically the fact that, without further guidance and clarification, it will be challenging to determine where to cross the line in this regard.

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):

The proposed ISSA 5000 does not seem to define well, and/or provide any clarifications on, entity developed criteria. We note that more guidance is needed in this regard.

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):

No comments.

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):

Materiality in relation to qualitative disclosures necessitates further clarification. This also ties in to our other related comments under question 9.

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

Detailed comments (if any):

No comments.

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 no further comments)

Detailed comments (if any):

No comments.

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: No, with comments below

Detailed comments (if any):

We have a number of comments in this regard.

The current proposed requirements do not really clarify whether the assurance provider is expected to interact with all those somehow involved in the value chain.

There is lack of clarity as to what happens in instances where the information is not subject to an opinion, and whether in such instances, such information can be treated as, for example, an equivalent of an accounting estimate, or otherwise.

There is also a lack of details on how to conduct the assessment of the expert's competence, independence, and quality management system, among others.

Further guidance is required in relation to group audits.

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):

This would depend on the extent of forward-looking information that there will be. We note that this is the first time that the forward-looking concept is involved to this extent in an assurance standard, and it is thus very likely that this will present more challenges from an assurance perspective. The question of limitation of scope might be even more frequent as a result of this.

One further comment is in relation to the fact that ISA 540 is quite detailed on the subject-matter and it is currently not clear as to what the equivalent of this would be.

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):

No comments.

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):

We note that the points raised further above in relation to the necessary guidance also refer here.

In this regard, further guidance such as on how to obtain assurance of scope 3, scoping materiality and aggregation, and component auditors, among others, is required.

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):

We note that the content related to fraud within the proposed ISSA 5000 is quite limited, especially when compared to ISA 240, which is dedicated to the subject-matter. Our concern is that the content as currently is does not seem like it would suffice to capture the depth of such a subject.

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):

No comments.

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

Detailed comments (if any):

No comments.

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):

No comments.

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

Detailed comments (if any):

No comments.

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):

No comments.

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):

We kindly make reference to our comments on page 1 of this Response Template i.e those included before this Section and Section C hereunder.

One further comment would be in relation to the predisposition of who the user in that this will depend from which profession the assurance provider would be hailing – those already working with ISAs might have a deeper background in this regard.

We would also like to note that doing both the financial and sustainability audit will aid the assurance provider in understanding the entity in its entirety, which is not the case in other scenarios characterised by different assurance providers.

A practical example of this would be in relation to fraud, management remuneration and performance linked benefits - if you segregate the two engagements from each other in terms of who is providing the assurance on each one, the sustainability auditor will most likely not go into the metrics in this regard and the importance of the outcome of this to the C-suite.

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):

No comments.

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 comments below](#)

Detailed comments (if any):

Our only comment here would be that, naturally, this needs to be finalised in a timely manner, considering that the first companies will start reporting on their sustainability information as from January 2024.