



AUASB Agenda Paper

Title:	ISSA 5000	Date:	5 March 2024
Office of AUASB Staff:	Rene Herman	Agenda Item:	2.1

Objectives of Agenda Item:

1. The objective of this Agenda Item is to seek views from AUASB members on decisions being proposed by the ISSA 5000 Taskforce on substantive matters for consideration at the March 2024 IAASB meeting.
2. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues (if any) may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair.

Questions for the Board and Staff view/Position

3. Questions for the Board appear at the end of each topic:

Topic	Question number(s)
Scope and Applicability of ISSA 5000	1
Materiality	2 and 3
Engagement Team, Using the work of Others, Groups	4, 5 and 6
Sustainability Matter, Sustainability Information and Disclosures	7
Limited and Reasonable Assurance	8
Quality Management and Ethics	9

Background and Previous Discussions on Topic

4. The AUASB provided [a submission](#) on [ED ISSA 5000](#)¹.
5. The IAASB Sustainability Taskforce identified the areas that generated the most significant feedback in comments from stakeholders on ED ISSA 5000, survey responses the IAASB's extensive global outreach. Task force proposals in a number of these areas (see table in paragraph 3 above) will be discussed at the IAASB March 2024 meeting. The remaining areas will be discussed at the June 2024 IAASB meeting.
6. The final standard is due to be voted on by the IAASB at the September 2024 IAASB meeting.

¹ Exposure Draft – Proposed ISSA 5000, General Requirements for Sustainability Assurance Engagements

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7. While Board members are not expected review the revised draft ISSA 5000 marked up from ED that has been provided to the IAASB members, the document can be found [\[here\]](#).

Most significant amendments to ED 5000 proposed:

A. SCOPE AND APPLICABILITY OF ISSA 5000

8. ED ISSA 5000 applies to all assurance engagements on sustainability information except for a separate conclusion on a GHG Statement and that is where ISAE 3410 applies.
9. Stakeholder feedback raised **2 primary concerns** with this approach:
- a. **Stakeholders were unclear on when to use ISSA 5000 or ISAE 3410.** Stakeholders were clear about which standard to apply for an assurance conclusion when there is a separate GHG statement. Where an assurance engagement includes GHG information but there is no separate 'GHG Statement' (i.e., GHG information is presented along with other sustainability information but not in the form of a GHG Statement as defined by ISAE 3410) stakeholders were not clear as to which standard applies.
 - b. **Different work effort for limited assurance under ISAE 3410 and ISSA 5000.**
 - i. ISSA 5000 requires the practitioner to design and perform risk procedures to identify disclosures where a material misstatement is likely to arise.
 - ii. ISAE 3410 requires the practitioner to identify and assess the risk of material misstatement at the GHG statement level as well as for material types of emissions and disclosures.
10. Two solutions are being considered:
- a. **Update and reissue ISAE 3410 as a topic specific standard in the ISSA suite.** The standard would apply for GHG emissions regardless of whether emissions are presented in a separate GHG statement.
 - b. **Incorporate necessary elements of ISAE 3410 into ISSA 5000** and sunset ISAE 3410 (subject to due process and legislative considerations).
11. The Task Force's analysis and proposal are:
- a. Both ISSA 5000 and ISAE 3410 would apply where assurance is provided on a separate GHG statement and only one should apply. Under ED ISSA 5000 'sustainability information' is information about sustainability matters and includes climate information. GHG information meets the definition of a 'GHG Statement' in ISAE 3410.
 - b. **The Taskforce proposes that ISSA 5000 apply to all assurance engagements on sustainability information, including where GHG-related information is subject to assurance regardless of the form of that information. Further consideration should be given to whether to sunset ISAE 3410 or repurpose it after possible research on jurisdiction legislation.**

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12. On this matter, the AUASB submission to the IAASB on ED ISSA 5000 said: ‘... *the AUASB suggests that the IAASB update ISAE 3410 to reflect the principles of ISSA 5000 so that ISAE 3410 can sit under the umbrella of ISSA 5000.*’

Question 1:

Do AUASB members have any concerns with the approach proposed by the Task Force? The Office of the AUASB supports this position.

B. MATERIALITY

13. ED ISSA 5000 deals with the entity’s materiality process and the practitioners’ approach to materiality.
14. Stakeholder concerns (aligned to matters raised in the AUASB submission to the IAASB) are that:
- a. The distinction between the entity’s materiality process and the practitioner’s approach to materiality was not clear in ED ISSA 5000.
 - b. It was not clear what the practitioner’s work effort should be on the entity’s materiality process to identify sustainability information to be reported in deciding whether to accept an engagement (pre-acceptance procedures), and there should be an explicit requirement in this regard.
 - c. There needs to be clarity on how to determine performance materiality for different disclosures, how to aggregate misstatements across disclosures, and how to approach materiality for groups.
15. The Task Force proposals are:
- a. *Entity’s materiality process*
 - i. To use a consistent term that is clear to understand throughout ISSA 5000: *“entity’s process to identify sustainability information to be reported”*
 - ii. To highlight the importance of the ‘entity’s process’, the introductory material in ISAA 5000 should include a new paragraph describing the entity’s process to identify sustainability information to be reported.
 - iii. Recognising that major global and regional sustainability reporting frameworks (ISSB, GRI, ESRS) require the entity to carry out a process to identify sustainability information to be reported and include disclosures related to that process; there is a recommendation for a new requirement (and new application material) for the practitioner to consider, prior to acceptance or continuance of the engagement, whether the entity has a process to identify sustainability information to be reported.
 - iv. A new requirement to understand the entity’s information systems and communications relevant to the sustainability information and the preparation of the sustainability information, including the entity’s process to identify the sustainability information to be reported, and added related application material.

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This requirement would apply to both limited assurance and reasonable assurance engagements. The procedures that flow on from that understanding would differ.

- v. The Taskforce considered whether requirements and application material are needed to address the circumstance when an assurance conclusion on the entity's process to identify sustainability information to be reported is required. These other reporting responsibilities that are reported in a separate section of the assurance report and separate guidance should be assurance on these specific reporting requirements and can be considered for separate guidance in the future or addressed in the relevant jurisdictions.

Question 2

Do AUASB members have any concerns with the approach proposed by the Task Force? The Office of the AUASB considers that the proposed approach would address concerns raised in the [AUASB's response to the IAASB](#) on this matter (see response to Question 8b).

- b. *Practitioner's approach to materiality*

The Task Force proposes including additional application material:

- i. To clarify the difference between "considering" and "determining" materiality as it relates to qualitative and quantitative materiality. Application material clarifies that 'considering materiality involves to actively reflect upon potential material misstatements'.
- ii. To explain the need to exercise professional judgment as performance materiality is not a simple mechanical calculation and include factors the practitioner may take into account when setting performance materiality.
- iii. To clarify the documentation requirements on the accumulation of misstatements and determination of whether uncorrected misstatements are material.
- iv. To provide guidance on factors affecting the identification of an appropriate benchmark and percentage when determining materiality.

Question 3

Do AUASB members have any concerns with the approach proposed by the Task Force? The Office of the AUASB considers that the proposed approach mostly addresses the concerns raised in the [AUASB's response to the IAASB](#) on this matter (see response to Question 12) The AUASB submission suggestion for more guidance and examples could be addressed outside the final ISSA 5000.

C. ENGAGEMENT TEAM, USING THE WORK OF OTHERS, GROUPS

16. The relevant principles in ED ISSA 5000 are:

- a. If the practitioner intends to use the work of their own internal or external expert, the engagement leader must determine whether the practitioner can be sufficiently and appropriately involved in the work. If so, the requirements applicable to the engagement

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team apply to the expert. If not, there are specific requirements around the work of 'another practitioner'.

- b. Group specific requirements were not included because the principles-based requirements of the proposed standard could be applied for all engagements.

17. Stakeholders' concerns (aligned to matters raised in the AUASB submission to the IAASB) are that:

- a. 'Another practitioner' should be defined in the standard and further clarity is needed on the concept of 'sufficient involvement' for these scenarios.
- b. There should be clarity on the work effort expected where there are practical challenges particularly in relation to value chain entities.
- c. There would be further alignment with ISA 620 regarding communications with and evaluating the work of a practitioner's expert.
- d. There should be clarity on the expected work effort when an expert is an internal versus external.
- e. That guidance for groups is required and there should be a separate standard in the future.

18. The Task Force proposals are:

- a. *Definition and clarity of sufficient involvement*
 - i. Adding a definition of 'another practitioner' and application material to clarify why another practitioner is not part of the engagement team (i.e. their work is performed in the context of a separate engagement, they are not performing procedures on the engagement).
 - ii. Adding application material to clarify and signpost the requirements where the practitioner can be sufficient and appropriately involved and where they cannot be sufficiently and appropriately involved, as well as clarify the concept of sufficient involvement for both scenarios (drawing from ISA 220).
- b. *Experts*
 - i. There should be a separate and more robust requirement on the evaluation of the adequacy of the expert's work for the practitioner's purposes, consistent with ISA 620.
 - ii. There be no prohibition on referring to an expert in a report given the expected greater use of experts in sustainability assurance engagements, unlike ISA 620. Application material should explain that if the report refers to an expert, the wording should not imply a reduced responsibility.
 - iii. Adding application material based on ISA 620 to explain how the practitioner's evaluations in accordance with the requirement may differ with respect to using the work of an internal expert.

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Question 4

Do AUASB members agree with the approach proposed by the Task Force? The Office of the AUASB supports the proposals (see response to Question 15 in the [AUASB's response to the IAASB](#) on this matter) but more requirements/guidance should be provided on:

- How a practitioner can assess competence and independence
- How to deal with access to information issues and the impact on the assurance report
- Understanding whether the expert has sufficient understanding of the assurance process
- Understanding Quality Management and Ethics of expert firms where their work is so significant

- c. Another Practitioner – particularly through the value chain
- i. Including a conditional requirements and guidance that describes the concept of an assurance report issued by another practitioner, on behalf of a source entity, that is designed for use by other entities and assurance practitioners across a value chain (a “one-to-many” report).
 - ii. A new conditional requirement similar to ISA 402 that acknowledges that, due to the relationship between entities in a value chain, assurance reports similar to service organisation reports may evolve as a necessary solution to address reporting entities’ information needs when complying with relevant sustainability reporting frameworks. Including a baseline requirement in ISSA 5000 may help to future-proof the standard and provide a way forward, with a possible future ISSA based on ISA 402 if the ecosystem evolves.
 - iii. For both limited assurance and reasonable assurance the practitioner should be required to obtain an understanding about whether the reporting entity has designed and implemented any controls over the information obtained from the [source][value chain] entity. However, testing operating effectiveness would only be required for reasonable assurance.

Question 5

Do AUASB members agree with the approach proposed by the Task Force? Refer to response to Question 15 of the [AUASB's response to the IAASB](#) on this matter. Recognising that the Taskforce have noted that obtaining evidence about information from the value chain will be considered after March 2024, the Office of the AUASB Staff support the IAASB's suggestions however would still expect more requirements/guidance on:

- How a practitioner can assess competence and independence of the other practitioners
- How to determine whether the work is adequate for the practitioner's

- d. Groups
- i. Requirements and guidance on:
 - Engagement strategy and approach, including factors for the practitioner to consider in making scoping decisions. A new conditional requirement has been

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included (from ISA 600) to address the overall strategy and engagement plan if the sustainability information is aggregated from multiple entities or business units. In these circumstances, the practitioner is required to determine the entities at which procedures will be performed and the resources needed to perform the procedures.

- A new requirement that the engagement leader determine that communications between the “main engagement team and others involved in the engagement take place at appropriate times throughout the engagement among the engagement team and, as applicable, practitioner’s external experts, component practitioners, and the internal audit function.
- Understanding the “consolidation” or aggregation process, and assessing and responding to risks of material misstatement in that process. New conditional requirements to supplement the baseline requirements related to the process for assembling the sustainability information.
- Obtaining evidence about information from the value chain be further explored after the March 2024 IAASB meeting.
- Guidance on other elements of ‘groups’ may be issued later, including on materiality.

Question 6

Do AUASB members agree with the approach proposed by the Task Force? Refer to response to Question 18 of the [AUASB’s response to the IAASB](#) on this matter. While the Office of the AUASB supports the proposals, a standard should be developed dealing with groups that will sit under ISSA 5000. There should also be more requirements/guidance on Practical challenges around access to information and how to assess competencies and independence.

D. SUSTAINABILITY MATTERS, SUSTAINABILITY INFORMATION AND DISCLOSURES

19. Stakeholder concerns (NB: only point (a) below was raised in the AUASB submission to the IAASB) are:
- a. “Governance” should be included as one of the core elements of the definition of ‘sustainability matters’, to be consistent with the commonly understood reference to environment, social and governance (ESG) matters.
 - b. The term “sustainability information” is used inconsistently in ED-5000 and should be used when referring to the reported sustainability information as a whole. A term such as “sustainability information subject to assurance” should be used when referring to the information that is within the scope of the assurance engagement.
20. The Task Force proposals are:
- a. Revise the definition of ‘sustainability matters’ to reflect the common understanding of “ESG.” “Cultural” matters can be viewed as a subset of “social”. “Economic” is a broad term that may be confusing and may lead to an unintended widening of the scope of sustainability matters. See below:

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Sustainability matters – Environmental, social and governance ~~economic and cultural matters~~, including:

- (i) ~~The impacts of an entity's activities, products and services on the environment, society, economy or culture, or~~ How such matters the impacts on the entity's strategy, business model or performance;
- (ii) ~~The impacts of an~~ the entity's activities, products and services on the environment, society, ~~and economy or culture;~~ and
- (iii) The entity's related policies, ~~performance,~~ plans, goals and targets ~~governance relating to such matters.~~

For purposes of the ISSAs, sustainability matters being measured or evaluated in accordance with the ~~applicable~~ criteria are the equivalent of “underlying subject matter” in other IAASB assurance standards.

- b. To address any mixed views and lessen the debate about whether specific points should or should not be included in the definition, the Taskforce considered an alternative definition: Sustainability matters – Environmental, social, and governance matters. For purposes of the ISSAs, sustainability matters being measured or evaluated in accordance with the criteria are the equivalent of “underlying subject matter” in other IAASB assurance standards.
- c. To address confusion around sustainability information (as produced by the entity) and sustainability information (as assured by the practitioner), the Task Force proposes the following amendments to the definition of ‘sustainability information’:

~~Sustainability information – Information about sustainability matters. Sustainability information that results from measuring or evaluating sustainability matters against the applicable criteria. For purposes of the ISSAs, sustainability information reported by the entity and that is the subject of the assurance engagement is the equivalent of “subject matter information” in other IAASB assurance standards. Sustainability information not subject to the assurance engagement that is included in a document or documents containing the sustainability information subject to the assurance engagement and the assurance report thereon is other information.~~

Question 7

Do AUASB members agree with the approach proposed by the Task Force? The Office of the AUASB supports the changes to the definition of sustainability information which address the AUASB recommendations in response to Question 5 in the [AUASB's response to the IAASB](#). Views of AUASB members on the alternative definition deliberated by the Taskforce would be welcome.

E. LIMITED AND REASONABLE ASSURANCE

- 21. Stakeholder concerns (consistent with the AUASB submission) are the need for:
 - a. Greater differentiation between limited assurance and reasonable assurance engagements generally; and
 - b. Greater differentiation in the approach to understanding the system of internal controls; and

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- c. More on the approach to risk procedures for limited assurance engagements.
22. The Task Force proposals are:
- a. Amendments to the requirements on understanding the system of internal controls on the differentiation between limited and reasonable assurance and additional application material. Amendments are reflected in the following paragraphs in the mark-up standard: 102L/R, 103L/R, 104L/R, 105L/R, 106, 107R, 108L, 108R, A339A-A339C, A345LA and A349.
 - b. Aligning the risk-based approach with ISAE 3410 and requiring the practitioner, in a limited assurance engagement, to identify and assess the risks of material misstatement for disclosures as a basis for designing and performing further procedures. The requirements for risk procedures and the related application material would be amended to align with the approach for a risk assessment and to clarify the “spectrum of inherent risk”. Amendments are reflected in the following paragraphs in the mark-up standard: paragraphs 94L, 110L, 111, 115, 125(c) and 126L and A349.

Question 8

Do AUASB members agree with the approach proposed by the Task Force? The Office of the AUASB supports the proposals and considers that they largely address the AUASB recommendations (with the exception of education) - Refer to the response to Questions 7, 13 and 17 in the [AUASB’s response to the IAASB](#).

F. QUALITY MANAGEMENT AND ETHICS

23. ED ISSA 5000 was underpinned by compliance with the IESBA Code of Ethics and ISQM 1 or ‘at least as demanding’ requirements.
24. Stakeholder feedback, consistent with Australian feedback, supported the fundamental principles but with concerns around how this determination would be made and the level of judgment and inconsistency in application.
25. The Task Force considered the following options to address these concerns:
- a. Requiring outright compliance with IESBA Code and ISQM 1’: the Task Force considered that this was not a viable option, as it would be inconsistent with the objective of developing a profession-agnostic standard.
 - b. Identifying other requirements that are ‘at least as demanding’: Feedback mostly indicated that respondents are not aware of requirements that may be considered at least as demanding as ISQM 1. Additionally, the Task Force is of the view that it is not feasible, based on the overall timeline of the project and resources necessary, for the IAASB to conduct global mapping exercises to determine whether there are alternative requirements deemed to be equivalent to the IESBA Code and ISQM 1 and to make a statement to that effect within the standard.
 - c. Establishing Baseline principles: The Task Force is of the view that it is impractical to extract individual requirements from ISQM 1 and the IESBA Code and to assert that compliance with such “minimum” requirements would be sufficient to be able to use ISSA 5000. To do

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so would undermine the premises underpinning the IAASB's existing audit and assurance standards, which were established to support overall engagement quality.

- d. Clarifying the requirements and providing further guidance: The Task Force reaffirmed its view that the fundamental premises are appropriate but considered that the requirements could directly acknowledge the role of national authorities. It is suggesting including in the requirements the primary role of national regulators and standard setters (i.e. appropriate authority can determine 'at least as demanding'). (The approach for the IESBA Code is to be determined).

Extract from draft standard:

The engagement leader shall be a member of a firm that applies: (Ref: Para. A53-A58)

(a) ISQM 1;

(b) Professional requirements, or requirements in law or regulation, that an appropriate authority has determined to be at least as demanding as ISQM 1; or (Ref: Para: A58A)

(c) Professional requirements, or requirements in law or regulation, that are otherwise determined to be at least as demanding as ISQM 1. (Ref: Para A58B)

- i. The Taskforce acknowledged the views of respondents that the judgment of whether other requirements were at least as demanding should not be left to individual practitioners however, prohibiting this would be inconsistent would create a vacuum in jurisdictions where an appropriate authority does not make any local determination, meaning assurance practitioners that did not comply with ISQM 1 would be unable to assert compliance with ISSA 5000. The Taskforce is recommending that, in circumstances when the practitioner has determined that other professional requirements, or requirements imposed by law or regulation are at least as demanding (either with respect to ISQM 1 or the IESBA Code), the practitioner should be required to document the basis for this determination.

Question 9

Do AUASB members agree with the approach proposed by the Task Force? The Office of the AUASB does not consider that these proposals will go far enough to address stakeholders' concerns and do not go as far as the suggestions made by the AUASB in the response to Question 4 in the [submission to the IAASB on ED 5000](#).

Next steps/Way Forward

26. The Office of the AUASB will continue to monitor the IAASB's progress on ISSA 5000 and feed into the IAASB Standard Setting Process.



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Title:	Technology/Risk Response	Date:	13 March 2024
Office of AUASB Staff:	Rene Herman	Agenda Item:	2.2

Objectives of Agenda Item:

1. The objectives of this Agenda Item are to:
 - a. inform the AUASB on the impending IAASB discussions on technology, risk response and analytical procedures; and
 - b. seek AUASB input on several of the technology questions that will be discussed in breakout sessions at the March 2024 IAASB meeting. *[These are the questions that will be discussed in the break out groups of the Australian IAASB member and the AUASB's IAASB Technical Advisor. Other questions will be discussed in break-out groups.]*
2. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues (if any) may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair.

Questions for the AUASB members

3. Questions for AUASB members:

1	Can the auditor obtain sufficient appropriate audit evidence through designing and implementing responses to assessed ROMMs (risks of material misstatement) that are not specifically tied to or fit within the types of further audit procedures or substantive procedures in ISA 330?
2	Can you provide anonymised examples of instances where the auditor could not obtain sufficient appropriate audit evidence without using ATT (automated tools or techniques) or by using a 'traditional' audit approach only?
3	In your view, what are the obstacles preventing the use of ATT by auditors when performing audit procedures?
4	Are there any other questions or comments on any other aspects contained in this Agenda Paper?

Background and Previous Discussions on Topic

4. In December 2023, the IAASB approved its *Strategy and Work Plan for 2024–2027*,¹ in which the Board agreed to pursue an integrated approach to audit evidence and risk response based on

¹ Refer to the IAASB Strategy and Work Plan for 2024–2027 as approved in December 2023 ([Agenda Item 4-D](#)) for a description of the integrated approach to audit evidence and risk response, including a focus on technology and internal control.

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feedback that there is a need to concurrently address revisions to ISA 500, ISA 330, and other targeted standards in the ISA 500-series.

5. This Integrated Project on audit evidence and risk response includes a focus on technology and internal control, and reflects an integrated approach to consider:
 - a. The 'reference framework' aspects relating to judgments about sufficient appropriate audit evidence in ISA 500 (Audit Evidence Workstream); and
 - b. The 'performance' aspects relating to the design and performance of further audit procedures responsive to assessed ROMMs and to obtain sufficient appropriate audit evidence in ISA 330 (Risk Response Workstream).

Matters to be discussed at the March 2024 IAASB meeting:

6. The IAASB's current position is to:
 - a. Address technology as it develops or revises individual ISAs; and
 - b. Not to require the use of technology in audits but rather to acknowledge and support the use of technology in audits through guidance in application material;
7. As the Board evaluates the ongoing suitability of its current technology position, it will consider the following:
 - a. How entities are, or are expected to be, integrating the use of technology in their business processes and the related financial reporting implications. A critical consideration is whether the use of AI and other sophisticated technologies by entities is giving rise to new ROMMs and whether these risks can be effectively addressed with "manual audit procedures." The Board will consider whether there are characteristics of the use of technology by entities that may, under certain circumstances, require auditors to use their own technology to respond to those risks.
 - b. How auditors are, or are expected to be, using technology in their audits. The use of sophisticated AI applications in audits could blur the lines between what are currently regarded as distinct processes in the audit: the process of designing and performing audit procedures to identify and assess risks of material misstatement and the process of designing and performing procedures to respond to assessed risks. The use of AI may enable these processes to be carried out simultaneously, thereby creating confusion about how to apply ISA 315 and ISA 330, respectively.
 - c. The growing expectation that auditors use technology to enhance the quality of their audits.
8. The IAASB will also consider whether technology should be addressed in the ISAs more holistically (e.g., a project on revisions across the suite of ISAs, with ongoing centralized support for related activities such as non-authoritative guidance). A decentralised approach could, for example, entail a specific focus on the impact of technology as individual standard-setting projects are undertaken (i.e., technology would be a key consideration in taking projects onto the IAASB's Work Plan).
9. The IAASB will have private breakout sessions to discuss the matters above, to inform the IAASB of a technology position going forward. To inform the Australian IAASB member and Australian Technical Advisor for the breakout session, the Office of the AUASB is seeking input from AUASB members on the questions outlined in paragraph 3 of this paper.

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ATTACHMENT – MATTERS TO BE DISCUSSED AT MARCH 2024 IAASB MEETING ON REVISIONS TO ISA 330 (FOR INFORMATION ONLY)

RISK RESPONSE – REVISION OF ISA 330

1. Based on information gathering, the IAASB staff identified the following drivers for revising ISA 330:
 - a) **Alignment with ISA 315**, the following are potential areas where issues arise:
 - Material classes of transactions, account balances and disclosure;
 - New definitions and concepts; and
 - Scalability of the requirements.
 - b) **Alignment with proposed ISA 500** (Revised) and other issues relating to an integrated approach to audit evidence and risk response. The Integrated Project deals with the ‘reference framework’ aspects in proposed ISA 500 and the ‘performance’ aspects in ISA 330. Given the interconnections between both standards, respondents to previous consultations noted that ISA 330 would need to be aligned with proposed ISA 500. The following are potential areas where issues arise:
 - Lack of Linkages in ISA 330 to the Description of the Term Automated Tools and Techniques (ATT) in Proposed ISA 500 (Revised)
 - Lack of Linkages in ISA 330 to the Explanation of the Interrelationship of the Sufficiency, Appropriateness and Persuasiveness of Audit Evidence in Proposed ISA 500 (Revised)
 - Questions About the Need to Apply an Integrated Lens to a Stand-Back Requirement Relating to the Sufficiency and Appropriateness of Audit Evidence
 - c) **Addressing the use of technology in responding to assessed ROMMs**, the following are potential areas where issues arise:
 - Use of ATT in responses to assessed ROMMs:
 - Insufficient Guidance When the Use of ATT Allows for Multi-Purpose Procedures
 - Ambiguity Relating to Whether Substantive Procedures Using ATT Are Considered Tests of Details or Substantive Analytical Procedures
 - Ambiguity Relating to Whether Audit Data Analytics is a Type of Audit Procedure or a Type of ATT
 - Lack of Requirement(s) Addressing the Use of ATT
 - Insufficient Guidance Relating to the Use of ATT When Selecting Items for Testing
 - Insufficient Guidance Addressing Exceptions / Outliers Identified When Using ATT
 - Need to Clarify the Expected Audit Documentation When Using ATT
 - Use of new or emerging technologies by the entity and the auditor and the need to Clarify Audit Considerations Relating to the Use of New or Emerging Technologies by the Entity or the Auditor.
 - d) **Enhancing the auditor’s work effort relating to internal controls**, the following are potential areas where issues arise:

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- Testing of controls if substantive procedures alone cannot provide sufficient appropriate audit evidence.
 - Nature, timing and extent of testing controls:
 - Ambiguity Relating to the Requirement to Obtain More Persuasive Audit Evidence When Placing Greater Reliance on the Effectiveness of Controls
 - Misalignment Between the Level of Requirements to Understand the Entity's System of Internal Control and the Control Testing Required
 - Insufficient Clarity About How to Obtain Sufficient Appropriate Audit Evidence as to the Operating Effectiveness of Controls
 - Insufficient Clarity About How to Perform and Document Dual-Purpose Tests Appropriately
 - Insufficient Clarity of Requirements Relating to the Sufficiency of Audit Evidence When Testing Controls at an Interim Period
 - Insufficient Clarity about How to Use Audit Evidence About the Operating Effectiveness of Controls Obtained in Previous Periods
 - Evaluating the operating effectiveness of controls -: Insufficient Clarity about How to Evaluate the Operating Effectiveness of Controls
2. In relation to 10d) above, stakeholders, including the Public Interest Oversight Board and two Monitoring Group members, have encouraged the IAASB to undertake a project with a focus on internal control, noting that such a focused project is needed to support high-quality audit engagements. Reasons provided included the high level of inspection findings in this area. Additionally, Revisions of ISA 315 emphasised the importance of a strong understanding of the entity's system of internal control as an integral part to the auditor's identification and assessment of ROMMs. This understanding informs the auditor's expectations about the operating effectiveness of controls and the auditor's intentions to test controls in designing and performing further audit procedures.
3. Information gathering has not indicated that ISA 330 is fundamentally broken, which was confirmed by respondents to previous consultations. However, the issues identified above highlight the need for a revision of ISA 330 to clarify and strengthen some of its concepts and principles.

REVISION OF ISA 520

4. Inspection reports recurrently describe findings relating to the performance of substantive analytical procedures, in particular around the development of expectations and the evaluation of variances. Staff identified three possible issues contributing to these inspection findings:
- a. The varying uses of the term analytical procedures throughout the ISAs;
 - b. Ambiguous requirements and application material relating to developing expectations; and
 - c. Ambiguous requirements and application material relating to investigating of the results of variances.
5. Based on the information gathering performed, Staff identified the following areas where issues arise:
- a. Scope and clarity of the standard; and

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- b. The increased role of technology in performing audit procedures.
- 6. The IAASB in break-out sessions will be discussing whether the issues related to ISA 520 warrant a revision of the standard, and if so, how (e.g., concurrently with ISA 330 or as a standalone project).

Next steps/Way Forward

- 7. At the IAASB meeting in September 2024, and based on significant information gathering activities to be completed, the Risk Response Workstream Staff intends to present to the IAASB a list of key issues as well as strategic actions in response to these issues. The IAASB will also have the opportunity to reflect on a possible outline of a project proposal for the Integrated Project.
- 8. The Office of the AUASB will continue to monitor the progression of this integrated project and feed into the IAASB Standard Setting Process.



AUASB Agenda Paper

Title:	Assurance over climate and other sustainability information – AUASB Consultation Paper	Date:	13 March 2024
Office of the AUASB Staff:	Anne Waters, Marina Michaelides and Rebecca Mattocks	Agenda Paper No:	4.0

Objective of this Agenda Paper

1. To seek feedback from AUASB members on the revised draft Consultation Paper *Assurance over climate and other sustainability information* before it is issued for public comment.

Questions for the Board

Question No.	Question for the Board
Question 1	Do AUASB members have any feedback on the draft Consultation Paper at Agenda Item 4.1?
Question 2	Do AUASB members agree with the questions in the Consultation Paper at Agenda Item 4.1? Are there any other matters that should be addressed?
Question 3	Do AUASB members support issuing the Consultation Paper for a minimum 45-day comment period closing on 8 May 2024?

Background

2. At the February 2024 AUASB meeting, AUASB members provided feedback on a draft of Consultation Paper *Assurance over climate and other sustainability information*. The Office of the AUASB has incorporated this feedback into a revised draft. For a clean version of the revised draft see Agenda Item 4.1. A marked-up version is provided at Agenda Item 4.2 but members may find it easier to read the clean version.
3. The objective of the AUASB Consultation Paper is to seek high-level information and feedback from auditors, experts, directors, preparers and users on the following:
 - (a) To assist the AUASB in developing a proposed phasing model for consultation in an Exposure Draft on:
 - (i) The likely demand from users and directors for assurance over climate-related financial information in annual reports of entities in each of Groups 1, 2 and 3;
 - (ii) The likely maturity of entity systems, process and information sources, including the availability of any necessary assurance over information from value chains; and
 - (iii) The likely ability of auditors and their experts to meet that demand.

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- (b) Subject to seeing the final standard, a proposal to adopt the standard on assurance over sustainability information being developed by the International Auditing and Assurance Standards Board (ISSA 5000 *General Requirements for Sustainability Assurance Engagements*); and
- (c) The possible development of an Australian assurance pronouncement to supplement ISSA 5000 on matters specific to the Australian reporting framework.

Next steps

- 4. The Draft Consultation Paper will be revised based on AUASB Member's feedback and issued for public comment subject to the approval of the AUASB Chair.
- 5. It is intended that the Consultation Paper will be open for comment for a minimum of 45 days, closing on 8 May 2024.
- 6. There will be intensive stakeholder outreach during the comment period, including roundtables. The timing and locations of the roundtables will be determined when the Consultation Paper is released.

Materials Presented

Agenda Item	Description
4.1	AUASB Consultation Paper: <i>Assurance over climate and other sustainability information</i> (Clean version)
4.2	AUASB Consultation Paper: <i>Assurance over climate and other sustainability information</i> (Marked-up version)

March 2024

Consultation Paper

Assurance over climate and other sustainability information

Issued by the **Office of the Auditing and Assurance Standards Board**

Comments are requested to the AUASB by 8 May 2024



Australian Government

Auditing and Assurance Standards Board



How to Comment on this AUASB Consultation Paper

The AUASB is seeking comment by 8 May 2024.

Submissions should be sent to the Office of the AUASB either electronically as a PDF document (and, if possible, a Word document - for internal use only), as an email or via post to the contact details below. Submissions from all types of stakeholders are welcomed and may be provided via the following methods:

E-mail: enquiries@auasb.gov.au
Phone: (03) 8080 7400
Mail: PO Box 204, Collins St West, VIC 8007

All submissions on possible, proposed or existing auditing and assurance requirements, or on the standard-setting process, will be placed on the public record unless the Chair of the AUASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

Obtaining a Copy of this Consultation Paper

This Consultation Paper is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au, or via the contact details above.

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Important Note and Disclaimer

This Consultation Paper is issued by the AUASB to gather views from stakeholders regarding the development of assurance pronouncements for climate and other sustainability disclosures.

This Consultation Paper seeks feedback that will assist the AUASB in developing proposals for new pronouncements but the document itself does not establish or extend the requirements under existing AUASB Standards and is not intended to be a substitute for compliance with the relevant AUASB Standards with which auditors and assurance practitioners are required to comply when conducting an audit or other assurance engagement. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this document or for any errors or omissions in it.



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CONSULTATION PAPER

Assurance over climate and other sustainability information

Introduction

1. On 12 January 2024 the Australian Government released its [Policy Position Statement](#) for the introduction of requirements for the reporting and assurance over climate-related financial information in the annual reports of certain Australian entities that prepare and lodge financial reports under Chapter 2M of the *Corporations Act 2001* (Corporations Act).
2. The Government policy includes phased implementation of reporting and assurance on climate-related information for three groups of entities that prepare and lodge annual reports under Chapter 2M. Group 1 will be the first group subject to mandatory reporting, followed by Group 2 and then Group 3. Whether entities are in Group 1, 2 or 3 is based on size criteria or any National Greenhouse and Energy Reporting obligations.
3. The Treasury released draft legislation to give effect to the Government's policy for comment by 9 February 2024. This draft legislation contained proposed amendments to the Corporations Act and the *Australian Securities and Investment Commission Act 2001* (ASIC Act). The amendments would require climate reporting in a sustainability report accompanying the financial report in accordance with sustainability standards made by the Australian Accounting Standards Board (AASB). The amendments would also require assurance by the auditor of the financial report on the information in sustainability reports in accordance with auditing standards made by the Auditing and Assurance Standards Board (AUASB).
4. Proposed AASB standards were on exposure for comment until 1 March 2024 (see AASB Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information).
5. The Government's Policy Position Statement indicates that entities will be required to obtain an assurance report from their financial auditors who will use technical climate and sustainability experts where required. Who provides assurance is a matter of Government Policy and we are not seeking feedback on this aspect through this Consultation Paper.
6. The Policy Position Statement indicates that the AUASB:
 - a) will develop assurance standards in line with the IAASB's final standard;
 - b) may provide standards or guidance under the local sustainability reporting framework; and
 - c) will set out a pathway for phasing in assurance requirements over time that will be given effect through an auditing standard having the force of law under the Corporations Act.



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7. Entities may choose to make climate disclosures and/or obtain assurance for earlier financial years than would be required by legislation, AASB standards and AUASB standards. Entities may also choose to voluntarily disclose additional climate or other sustainability information.
8. This Consultation Paper has been prepared based on the Government's Policy Position Statement and proposed legislation. The AUASB will take into account any changes to the proposed legislation in developing any assurance pronouncements.

The objective of this Consultation Paper

9. The objective of this Consultation Paper is to seek high level information feedback from auditors, experts, directors, preparers and users on the following:
 - a) To assist us in developing a proposed phasing model for consultation in an exposure draft:
 - i. The likely demand from users and directors for assurance over climate-related financial information in annual reports of entities in each of Groups 1, 2 and 3;
 - ii. The likely maturity of entity systems, process and information sources, including availability of any necessary assurance over information from value chains; and
 - iii. The likely ability of auditors and their experts to meet that demand.
 - b) Subject to seeing the final standard, a proposal to adopt the standard on assurance over sustainability information being developed by the International Auditing and Assurance Standards Board (ISSA 5000 *General Requirements for Sustainability Assurance Engagements*). The standard would be reporting framework and assurance practitioner neutral. It is proposed to apply the standard in Australia for both mandatory and voluntary assurance over climate-related information required under standards being developed by the AASB and the voluntary reporting of other climate and sustainability information.
 - c) The possible development of an Australian assurance pronouncement to supplement ISSA 5000 on matters specific to the Australian reporting framework.

Request for comments

10. The purpose of this consultation paper is to gather high level information and feedback from a range of interested parties to assist the AUASB in developing a possible exposure draft of an assurance pronouncement. This consultation paper is open for comment for a period of 6 weeks. It is intended that any exposure draft will be released in July or August 2024 for a longer consultation period with the objective of issuing an assurance pronouncement by the end of 2024.
11. The AUASB is interested in views or suggestions from a broad range of stakeholders including audit and assurance practitioners, preparers and users of climate-related financial disclosures (e.g. investors) and other sustainability information, regulators and academics.



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12. Please provide responses to the questions contained in this Consultation Paper and include the rationale for the responses provided where appropriate. It is not necessary to respond to all questions.
13. Comments are requested by 8 May 2024. Respondents are asked to submit their comments electronically through our website (www.auasb.gov.au/projects/open-for-comment/). Please submit comments in both PDF and Word formats.

Working Draft



Part I – Demand for assurance and ability to meet that demand

Background

14. The AUASB is seeking information to assist in developing a proposed model for the phasing of mandatory assurance over mandatory climate information in annual reports. The proposed model will be subject to further consultation in an exposure draft.
15. Feedback on Treasury’s first and second consultation papers on climate-related financial disclosures was that assurance is important and necessary to enhance the creditability of such information. Directors and users expressed a desire for reasonable assurance as soon as possible¹. It was also recognised that assurance requirements should be phased in over time to allow capability and capacity uplift by auditors and their experts, and for preparers to develop and implement appropriate systems and controls.
16. In order to understand the likely future demand for assurance and expected ability of auditors and their experts to meet that demand, the AUASB has undertaken the following preliminary work:
 - a) Obtained information informally from larger auditing firms on the likely future demand for assurance for Group 1 and Group 2 entities and the expected ability to meet that demand;
 - b) Obtained data from a number of external sources on the population of entities in Groups 1, 2 and 3;
 - c) Reviewed submissions to Treasury’s First and Second Consultation Papers; and
 - d) Sought to understand academic research on the current level of assurance over climate-related financial disclosures in Australia (see [AUASB Research Report 10](#)).
17. Feedback on this Consultation Paper, feedback from upcoming AUASB roundtables, and further analysis of data will further inform the AUASB on the likely future demand for assurance and expected ability of auditors and their experts to meet that demand.

Levels of assurance

18. Reasonable assurance provides a higher degree of confidence that information disclosed is not materially misstated than limited assurance.
19. With reasonable assurance, the auditor expresses an opinion as to whether information disclosed complies with the reporting requirements. With limited assurance, the auditor reports on whether anything has come to their attention that causes them to believe the information disclosed does not comply with the reporting requirements. The procedures performed by the auditor for limited assurance may be narrower in scope than those performed for reasonable assurance.

¹ See, for example, to submissions by [The Australian Institute of Company Directors](#) and [The Investor Group on Climate Change](#).



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20. Irrespective of whether limited and reasonable assurance is required, where a material misstatement is identified and remains uncorrected, the auditor modifies their report accordingly. Matters such as significant limitations on scope would also need to be reported.
21. The work performed by the auditor increases if inherent risks are identified, systems and processes are not sufficiently reliable, internal controls cannot be relied upon, or issues are identified and the auditor needs to review corrected information. The work effort in these circumstances for limited assurance could be similar to that for reasonable assurance.

Possible assurance phasing model

22. We recognise that it can be difficult for auditors, preparers, users and others to provide feedback on the demand and supply questions without reference to a possible phasing model. For example, auditors may be better placed to indicate whether or not they could resource assurance under a possible model and identify any pressure points.
23. A possible assurance phasing model for Group 1, 2 and 3 entities is presented in Attachment 1 to this Consultation Paper. This phasing model is presented solely to facilitate feedback on the likely demand for assurance, the preparedness of audited entities, and the ability of auditors and their experts to meet the likely demand. The model is not a proposal by the AUASB. The information provided on demand and ability to meet the demand will assist the AUASB in developing a proposal for consultation through an exposure draft of an auditing standard to be issued in July or August 2024.
24. The final phasing model will be given legal effect through an auditing standard having the force of law under the Corporations Act. Entities may choose to obtain assurance at a higher level, on additional information and for earlier years than is specified in that model.
25. While the possible assurance phasing model is not a proposal, the following considerations may assist in understanding how it has been constructed and facilitate feedback on demand and supply considerations:
 - a) The Government's Policy Proposal Statement specifies that assurance start with limited assurance on disclosures of Scope 1 and 2 emissions from financial years commencing 1 July 2024 for Group 1 entities. Reasonable assurance will be required over all climate disclosures from financial years commencing 1 July 2030.
 - b) Scope 1 and 2 emissions are already subject to reasonable assurance for entities subject to the National Greenhouse and Energy Reporting Scheme, albeit using different criteria for determining group entities covered.
 - c) Because governance, other metrics and targets disclosures are matters of fact and based on historical information it may be practical to move to reasonable assurance more quickly than for disclosures that may involve forward looking information or assumptions. However, the disclosure of mandated industry-based metrics is not required until years commencing 1 July 2030 (see the Government's Policy Position Statement).



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- d) The phasing of assurance over disclosures of Scope 3 emissions, strategy, risk assessment, quantitative scenario analysis and transition plans should be consistent as these matters are inter-related. Scope 3 emissions and strategy can be important inputs into scenario analysis and transition plans. Scope 3 emissions would be required to be disclosed from the second year of mandatory reporting for an entity (see the Government's Policy Position Statement).
- e) While quantitative scenario analysis is not required to be disclosed until years commencing 1 July 2027 (see the Government's Policy Position Statement), entities may develop this analysis earlier and the disclosures could be subject to reasonable assurance from the first year of mandatory reporting.
- f) Year 1 assurance requirements for Group 2 entities should commence with the same settings as year 2 for Group 1 entities. This is because entities and auditors would have an additional two years to prepare.
- g) Group 3 entities could have similar phasing to Group 2 entities but commencing one year later.

Monitoring and review

- 26. The Government's Policy Proposal Paper says that a Treasury led a review of the climate disclosure requirements will take place in 2028/9.
- 27. The AUASB will monitor implementation experience on an ongoing basis.
- 28. The merger of the Financial Reporting Council, AASB and AUASB is proposed to take effect on 1 July 2026². The AUASB suggests that its successor conduct a review in late 2026 of the assurance phasing after two years of reporting and assurance by Group 1 entities. Such a review might indicate whether refinements to the assurance phasing are necessary.

² See [Streamlining financial reporting architecture](#).



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Questions

1. Considering the relative importance of each type of disclosure and the cost of assurance over that information, do you believe that limited assurance or reasonable assurance should be required for earlier financial years for any disclosures for any groups of entities than is shown in the possible assurance phasing model in Attachment 1? Please provide reasons.
2. If you are an auditor, do you consider the possible assurance phasing in Attachment 1 could be adequately resourced by partners and staff with appropriate competence, skills and expertise by your audit firm (including the use of experts) for entities whose financial reports are audited by your firm? If not, please identify any pressure points in the model and reasons.
3. Do you consider that the systems and processes of entities in Groups 1, 2 and 3 will be developed, implemented and sufficiently reliable to facilitate the assurance processes as outlined in the possible assurance phasing model in Attachment 1?



Part II – Adoption of ISSA 5000 *General Requirements for Sustainability Assurance Engagements*

29. The AUASB seeks feedback on its proposal to adopt the final ISSA 5000 in full for mandatory and voluntary assurance, subject to seeing the final standard.
30. It is proposed that the Australian equivalent of ISSA 5000 would apply to assurance over:
- a) Climate disclosures under the final AASB reporting framework:
 - i. As mandated by the assurance phasing developed by the AUASB; and
 - ii. Any earlier voluntary assurance or adoption of reasonable assurance than mandated by the assurance phasing developed by the AUASB; and
 - b) Voluntary assurance over any other sustainability information in annual or other reports, including climate disclosures that are not required by the final AASB reporting framework.
31. It is proposed that the assurance phasing would appear in a local pronouncement that would supplement the Australian equivalent of ISSA 5000. That local pronouncement may cover other assurance matters under the Australian reporting framework (see Part III below).
32. ISSA 5000 applies to information reported on any sustainability topic and prepared under any sustainability reporting framework. It can also be used by both auditors and non-auditor assurance practitioners.
33. The Government’s Policy Position Statement says the financial auditor will audit the climate-related financial disclosures in sustainability reports for the purposes of the Corporations Act. It will be important to emphasise the importance of the competency of the audit engagement partner and the need for the auditor to use their own experts (internal or external).
34. Guidance in a local pronouncement could identify parts of ISSA 5000 that may not be relevant to assurance over information under the mandatory climate disclosure reporting in Australia. Identifying any such matters would not result in any amendments to, or departure from, ISSA 5000. Examples might include:
- a) the “at least as demanding test” is not relevant for reporting under the Corporations Act which requires assurance to be given by the auditor of the financial report;
 - b) the guidance in ISSA 5000 on assurance under the GRI/European models and double materiality when assurance is only given on information disclosed under the AASB’s mandatory reporting framework; and



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- c) pre-acceptance procedures would not be relevant for public sector entities that are required to be audited by an Auditor-General³.

Questions

4. Do you agree that, subject to seeing the final standard, ISSA 5000 should apply to assurance over:
- a. Climate disclosures under the Australian reporting framework;
 - i. As mandated by the assurance phasing developed by the AUASB; and
 - ii. Any earlier voluntary assurance or adoption of reasonable assurance than mandated by the AUASB's assurance phasing; and
 - b. Voluntary assurance over any other sustainability information in annual or other periodic reports, including climate disclosures that are not required by in the AASBs final reporting framework.
5. Should any parts of ISSA 5000 that may not be relevant to assurance of disclosures under the mandatory climate disclosure reporting in Australia be identified in guidance in a local pronouncement?
6. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed equivalent of ISSA 5000?
7. Are there principles and practices considered appropriate in maintaining or improving assurance quality in Australia that may, or do, prevent or impede the application of the proposed equivalent of ISSA 5000, or may conflict with the proposed standard?

³ Consistent with similar requirements for audits of financial reports in the public sector, as described in [GS 023 Special Considerations - Public Sector Engagements](#).



Part III – Possible local pronouncement

35. The Government’s Policy Position Statement says that the AUASB may issue Australian specific standards or guidance under the local sustainability reporting framework.

Feedback on previous consultation paper

36. In August 2023 the AUASB issued the [Consultation Paper](#) *General Requirements for Sustainability Assurance Engagements* as a ‘wrap around’ to the IAASB’s exposure draft of the proposed ISSA 5000. Because the proposed ISSA 5000 would be reporting framework neutral, Attachment 1 to the Consultation Paper included the following Australian specific questions:

“Aus 3 Proposed ISSA 5000 is neutral as to the disclosure framework. Should the AUASB develop guidance on applying the proposed assurance standard in the context of the upcoming Australian Accounting Standards Board climate disclosure framework? Are there any other topics, aspects of topics or elements of an assurance engagement that stakeholders would like the AUASB to issue guidance on? If yes, please provide specific details.

Aus 4 While Appendix 2 of Proposed ISSA 5000 provides illustrations of assurance reports on sustainability information, should an Australian specific assurance opinion be developed?

Aus 5 Do stakeholders foresee any implementation issues regarding Proposed ISSA 5000 in the context of the proposed assurance requirements as being discussed through the recent Treasury Consultation Paper?”

37. All respondents to the Consultation Paper were of the view that the AUASB should develop local material. Some of the suggested topics included:

- a) applying ISSA 5000 in the context of the AASB climate reporting framework;
- b) illustrative examples of Australian specific assurance reports, including modifications; and
- c) further guidance on specific elements of ISSA 5000 - for example, materiality, fraud, non-fraud greenwashing, limited assurance versus reasonable assurance, the use of experts, groups and consolidated information, and estimates and forward-looking information.

38. This was consistent with feedback received at three roundtables held in October 2023.

AUASB’s considerations

39. The audit of financial reports is well-established, there is a significant body of auditing standards, firms may have methodologies, education and training is readily available, and many individual practitioners have substantial practical experience. In contrast, assurance over sustainability information is a relatively new area.



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40. The final ISSA 5000 will provide a global baseline standard. It will be both practitioner and reporting framework neutral.
41. The AUASB proposes to develop a local pronouncement that would build on ISSA 5000 and assist auditors in the relatively new area of assurance over climate and sustainability information under the Australian reporting framework. It would promote consistency and audit quality, and support confidence of investors and others seeking reliable climate information.
42. Other considerations concerning a local pronouncement include:
- a) A local pronouncement would support consistent understanding between auditors, experts, preparers, users, regulators and others;
 - b) Where possible standards and guidance (including the matters outlined in Part II above) should be included in the one pronouncement rather than spread across different publications so that the material is easier for practitioners to locate and use;
 - c) A local pronouncement:
 - i. could emphasise the importance of the competency of the engagement partner to understand and challenge the work of experts;
 - ii. could ensure connectivity of disclosures and assumptions with the sustainability report and the financial report;
 - iii. could promote the need for the increased use of the auditor's own experts (internal and external), which might include transparency on the auditor's use of their own experts in key areas (without naming the experts); and
 - iv. might form a basis for assurance for future other sustainability reporting areas (e.g. nature, biodiversity, human capital) that are likely to use the same disclosure pillars (i.e. governance, strategy, risk management, and metrics and targets); and
 - d) While reporting and assurance is being introduced in Australia ahead of many other jurisdictions using similar reporting frameworks, we will liaise with the IAASB and other National Sustainability Assurance Standard Setters (where they exist) as appropriate. A local pronouncement may inform the subsequent development of pronouncements in other jurisdictions. Ultimately, the AUASB may review any local pronouncement in view of any later developments internationally and in other jurisdictions.
43. Feedback will assist the AUASB in considering whether a local pronouncement and what matters should be covered is such a pronouncement. In particular, feedback is sought on the matters listed in Attachment 2 to this Consultation Paper, including any additional matters that may be identified by auditors and others.



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44. When developing any exposure draft, the AUASB will assess to what extent material in a local pronouncement might need to be standards and what would be better included as application material or guidance. It is too early to analyse and make an assessment on each matter.

Timing considerations

45. Auditors may be asked to conduct dry runs of assurance on climate and sustainability disclosures at 30 June 2024 and mandatory reporting and assurance under the Government's Policy Position Statement is due to start from financial years commencing 1 July 2024. Auditors may also be asked to provide limited assurance and reasonable assurance earlier than outlined in the final mandatory assurance phasing model. The AUASB intends to issue an exposure draft of any local pronouncement in July or August 2024 that may assist auditors in planning and performing their work.

46. It will not be possible for the AUASB to issue final pronouncements ahead of the planned release of the final ISSA 5000 by the IAASB in September 2024 and the release of final reporting standards by the AASB. The AUASB must undertake appropriate due process in developing pronouncements (see the [AUASB's Due Process Framework](#)). The AUASB is aiming to issue final pronouncements in December 2024.

47. These timeframes are ambitious. The AUASB and international assurance standard setters have not issued pronouncements in such short timeframes in the past. Historically, it has taken standard setters several years to develop and issue new and amended standards even for relatively minor changes to existing pronouncements or recom compilations of existing pronouncements under accelerated timeframes. The AUASB has not previously issued local pronouncements to the pronouncement that would address the matters in Attachment 2.

48. However, there is demand for a local pronouncement and the AUASB can play an important role in assisting with preparedness for mandatory reporting and assurance. The AUASB is part of the reporting ecosystem and local pronouncements can assist with ensuring audit quality, consistency and the confidence of users. The AUASB will work to follow proper due process in the compressed timeframes.

49. Given the short timeframes available to develop pronouncements, it may not be practical to fully address all of the matters identified in Attachment 2 and additional matters that may be identified by auditors and others as a part of this consultation process. The AUASB may need to prioritise the matters to be addressed in a pronouncement by the end of the 2024 calendar year. The remaining matters and further guidance on some matters may need to be addressed in the first half of 2025 or later.

50. Feedback is sought on the very preliminary indicative prioritisation shown in Attachment 2 for each matter. The high, medium and low priority classifications for each matter is based on an initial high level assessment of factors such as:

- a) the likely benefit to practitioners, users and markets from addressing the matter;



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- b) the complexity of the matter;
 - c) possible diversity of views on some matters;
 - d) whether it is possible for the AUASB to fully resolve a matter; and
 - e) the likely time and resources required to develop an approach.
51. Feedback will assist the AUASB when considering whether to develop an exposure draft of a proposed pronouncement for further consultation and, if so, what matters should be covered by standards and/or guidance when developing an exposure draft for further consultation.
52. The preliminary indicative prioritisation of matters should not be taken to provide an indication of whether or not the matter will be addressed in full or part by the end of 2024. The AUASB would endeavour to address all matters or as many matters as possible in that timeframe.
53. One or more AUASB Project Advisory Groups or specialist panels may be created to inform the AUASB's work in this area and assist in developing any exposure draft. There will be further public consultation on any exposure draft in the second half of 2024.



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Questions

8. Should the AUASB develop and issue a local pronouncement to supplement the final ISSA 5000 dealing with assurance matters under the Australian climate and sustainability reporting framework?
9. Should the AUASB consider covering the matters identified in Attachment 2 in a possible local pronouncement?
10. Are there any matters identified in Attachment 2 that should not be addressed in a possible local pronouncement? Please provide reasons.
11. Are there any matters that should be addressed in a possible local pronouncement in addition to those identified in Attachment 2?
12. To assist the auditor in considering the adequacy of disclosures, should any local pronouncement include guidance on applying aspects of the reporting framework in addition to that available in sustainability standards or guidance from other standard setters? For example, should the auditor be reminded about their obligations under ASA 720 to consider omissions of material non-climate sustainability risks and opportunities in the Operating and Financial Review? If so, should guidance be provided on reporting frameworks that could be referred to in that regard?
13. Should guidance be provided on materials that might be referred to by the auditor in assessing disclosures (e.g. standards on Financed Emissions, Facilitated Emissions and Insurance-Associated Emissions at The Global GHG Accounting and Reporting Standard for the Financial Industry)?
14. Should any local pronouncement cover considerations about the impact of climate and sustainability risks and opportunities on recognition, measurement and disclosure in the financial report (e.g. impairment of assets, provisions)?



Part IV – Other matters

Questions

15. The Clean Energy Regulator (CER) has assurance requirements for some of the entities that will be covered by the climate reporting requirements under the Corporations Act. These include obtaining external assurance on Scope 1 and 2 emissions for NGERs registered entities. Are there any aspects of the CER's current reporting and assurance regime that the AUASB should consider when developing pronouncements on assurance over climate-related financial disclosures and other sustainability information?
16. Some entities that will be subject to the mandatory proposed climate reporting requirements have cross-border activities or operations. Are there any international factors that the AUASB should consider when developing its proposed pronouncements relating to assurance over climate-related financial disclosures and other sustainability information?
17. Do you have suggestions on any other matters that the AUASB should consider in relation to assurance over climate-related financial disclosures and sustainability reports?

Next steps

54. The primary purpose of this Consultation Paper is to inform the development of an exposure draft on a possible assurance phasing model and a possible local pronouncement. Such an exposure draft that would be subject to further consultation.
55. This Consultation Paper will be open for a 45 day comment period closing on 8 May 2024. The AUASB will also be conducting roundtables, the details of which will be available soon on the AUASB website (www.auasb.gov.au).



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ATTACHMENT 1 – Possible assurance phasing

Group	Disclosure topic area	Years commencing 1 July 2024 to 30 June 2025	Years commencing 1 July 2025 to 30 June 2026	Years commencing 1 July 2026 to 30 June 2027	Years commencing 1 July 2027 to 30 June 2028	Years commencing 1 July 2028 to 30 June 2029	Years commencing 1 July 2029 to 30 June 2030	Years commencing 1 July 2030 onwards
1	Governance	None	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Strategy (including risks and opportunities)	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Qualitative scenario analysis	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Quantitative scenario analysis	N/A	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable
	Climate resilience assessments	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Transition plan and climate-related targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Risk management	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 1 and 2 emissions	Limited	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 3 emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Other metrics and targets (excluding appropriateness of metrics)	None	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Other metrics and targets (appropriateness of metrics)	None	None	Limited	Reasonable	Reasonable	Reasonable	Reasonable
Industry based metrics	N/A	N/A	N/A	N/A	N/A	N/A	Reasonable	

Note: Reporting required from years commencing 1 July 2024 unless otherwise stated in paragraph 25 of the covering paper.



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Group	Disclosure topic area	Years commencing 1 July 2024 to 30 June 2025	Years commencing 1 July 2025 to 30 June 2026	Years commencing 1 July 2026 to 30 June 2027	Years commencing 1 July 2027 to 30 June 2028	Years commencing 1 July 2028 to 30 June 2029	Years commencing 1 July 2029 to 30 June 2030	Years commencing 1 July 2030 onwards
2	Governance	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Strategy (including risks and opportunities)	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Qualitative scenario analysis	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Quantitative scenario analysis	N/A	N/A	N/A	Limited	Limited	Reasonable	Reasonable
	Climate resilience assessments	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Transition plan and climate-related targets	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Risk management	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Scope 1 and 2 emissions	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 3 emissions	N/A	N/A	N/A	Limited	Limited	Reasonable	Reasonable
	Other metrics and targets (excluding appropriateness of metrics)	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Other metrics and targets (appropriateness of metrics)	N/A	N/A	None	Reasonable	Reasonable	Reasonable	Reasonable
Industry based metrics	N/A	N/A	N/A	N/A	N/A	N/A	Reasonable	

Note: Reporting required from years commencing 1 July 2026 unless otherwise stated in paragraph 25 of the covering paper.



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Group	Disclosure topic area	Years commencing 1 July 2024 to 30 June 2025	Years commencing 1 July 2025 to 30 June 2026	Years commencing 1 July 2026 to 30 June 2027	Years commencing 1 July 2027 to 30 June 2028	Years commencing 1 July 2028 to 30 June 2029	Years commencing 1 July 2029 to 30 June 2030	Years commencing 1 July 2030 onwards
3	Governance	N/A	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable
	Strategy (including risks and opportunities)	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
	Qualitative scenario analysis	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
	Quantitative scenario analysis	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
	Climate resilience assessments	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
	Transition plan and climate-related targets	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
	Risk management	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
	Scope 1 and 2 emissions	N/A	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 3 emissions	N/A	N/A	N/A	N/A	Limited	Limited	Reasonable
	Other metrics and targets (excluding appropriateness of metrics)	N/A	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable
	Other metrics and targets (appropriateness of metrics)	N/A	N/A	N/A	None	Reasonable	Reasonable	Reasonable
Industry based metrics	N/A	N/A	N/A	N/A	N/A	N/A	Reasonable	

Notes:

1. Reporting required from years commencing 1 July 2027 unless otherwise stated in paragraph 25 of the covering paper.
2. Phasing is not available for assurance over statement that climate-related risks and opportunities are not material.



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ATTACHMENT 2 – Possible matters for local pronouncement

No.	Topic area	Mandatory AASB climate framework matters	Matters that might be covered in a local pronouncement (subject to final legislation, final AASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
1	Identification of reporting obligations	Yes	<ul style="list-style-type: none"> The auditor’s assessment of the completeness of disclosures under final AASB framework, as well as existing obligations for the financial report and OFR. 	High
2	<p>Implications of:</p> <ul style="list-style-type: none"> Reporting both mandatory and voluntary climate/ sustainability information; and Mandatory assurance over some information and voluntary assurance over other information. <p>Reporting may include the financial report, climate statements under AASB standards, Operating and Financial Review (OFR) and voluntary GRI/European reporting.</p>	No	<ul style="list-style-type: none"> How to address different users (e.g. investors vs social users) when assessing materiality under both the proposed AASB framework and a GRI/European framework. Whether materiality is assessed in the context of the financial report and all mandatory and voluntary assured sustainability information. The auditor’s responsibility to ensure adequate disclosures across documents (audited and not audited), such as: <ul style="list-style-type: none"> Disclosure of material climate risks and opportunities; Financial report measurement and disclosure matters; and Disclosures in the OFR? Implications for the auditor where a non-auditor gives a voluntary assurance report on sustainability information (e.g. implications for risk assessment, ASA 720 obligations, communication with the non-auditor, understanding the impact of disclosures on assumptions used in the financial report). Whether it is necessary and possible to separate information on an AASB basis and GRI or other basis, having regard also to the requirement not to obscure the mandatory information. If the information is not separated, whether the auditor can give assurance only over mandatory and not voluntary information. If information is separated, referring separately to mandatory and voluntary disclosures and assurance in the auditor’s report. 	High
3	Consistent disclosures and assumptions across documents (audited and unaudited).	No	<ul style="list-style-type: none"> Ensuring consistent disclosures and assumptions across documents (e.g. OFR, financial report and sustainability report). Whether information can be included by cross reference. ASA 720 considerations (e.g. unaudited OFR). 	Low



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No.	Topic area	Mandatory AASB climate framework matters	Matters that might be covered in a local pronouncement (subject to final legislation, final AASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
4	Fair presentation framework	Yes	<ul style="list-style-type: none"> The fair presentation framework in the proposed AASB standards involves different work from a compliance framework. The proposed AASB standards and the underlying fair presentation framework will not alter the wording of the auditor's opinion and report required by the <i>Corporations Act 2001</i>. 	Low
5	Competency of engagement partner	No	<ul style="list-style-type: none"> Whether to provide guidance on the competency that the engagement partner needs to appropriately identify and engage experts and to challenge experts, etc. The extent to which competency needs to be specific to entity's circumstances. 	High
6	Use of auditor's own experts (internal and external)	No	<ul style="list-style-type: none"> Whether to address the need for greater use of an auditor's own experts (internal or external). Possible transparency on use (not name) of experts to promote use. How much 'reliance' to place on qualifications and competency of experts. Circumstances in which quality management systems and ethical requirements for external experts need to be assessed. 	High
7	Assurance phasing	Yes	<ul style="list-style-type: none"> Application of ASA 720 to mandatory information not subject to assurance during phasing. 	Medium
8	Entity states climate risks and opportunities are not material.	Yes	<ul style="list-style-type: none"> Extent of work. There is no phasing for assurance on the statement. Need to assess materiality even if risks and opportunities would not have been subject to assurance if disclosed. Example text for the auditor's report. 	High
9	Materiality and error evaluation	No	<ul style="list-style-type: none"> Whether separate directors' reports for financial report and climate statements affect materiality assessments or work effort. Further guidance to assist auditors in: <ul style="list-style-type: none"> Assessing materiality of qualitative and quantitative disclosures. Challenges in aggregating and evaluating errors across different disclosures. 	High
10	Value chains	Yes	<ul style="list-style-type: none"> How to draw on group audit and service organisation auditing standards. Encourage entities to consider data and audit when entering into contracts. Providing and receiving assurance through value chains. Other practitioners providing assurance. Response to lack of reliable information. 	Medium
11	Disclosures on governance processes controls and procedures to monitor, manage and oversee climate-related risks and opportunities.	Yes	<ul style="list-style-type: none"> Not assurance about whether governance is adequate but whether disclosures about existing governance arrangements are factual (documentary evidence, knowledge of business, inquiry). 	Medium



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No.	Topic area	Mandatory AASB climate framework matters	Matters that might be covered in a local pronouncement (subject to final legislation, final AASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
12	Disclosures on an entity's strategy for managing climate-related risks and opportunities.	Yes	<ul style="list-style-type: none"> • Documentary evidence, etc. • Effectiveness of strategy relevant to scenario analysis and transition plans. 	Medium
13	Strategy – Risks and opportunities	Yes	<ul style="list-style-type: none"> • Considering whether risks and opportunities disclosed are complete and accurate. • Extent of work on risks and opportunities throughout value chain • For definition of 'short term', 'medium term' and 'long term' and how linked to planning horizons: <ul style="list-style-type: none"> ○ Does auditor need to assess appropriateness of entity's definitions? ○ Disclosure of definitions used is accurate? ○ Whether the disclosed links to planning horizons are accurate? 	High
14	Strategy - other	Yes	<ul style="list-style-type: none"> • Current and anticipated effects of climate-related risks and opportunities on business model and value chain: <ul style="list-style-type: none"> ○ Does the entity have a business strategy? ○ Auditor to understand business model and how it may be impacted. ○ Documentary evidence. • Resilience: <ul style="list-style-type: none"> ○ Ability to adjust to uncertainties from climate-related risk. ○ Considering whether quantitative information should be provided. • Risk management (including processes to identify, prioritise and monitor risks and opportunities, overall risk profile and overall risk management process): <ul style="list-style-type: none"> ○ Documentary evidence. ○ How to deal with different business segments. 	High
15	Metrics and targets - Scope 1 and 2 emissions	Yes	<ul style="list-style-type: none"> • Reminding auditors that NGERs calculation methodology adopted but covers the entity and its controlled entities, not the CER groups. 	Low
16	Metrics and targets - Scope 3 emissions	Yes	<ul style="list-style-type: none"> • Reasonableness of assumptions in estimates. • What are key assumptions to disclose (e.g. assumptions underlying assumptions)? • Considerations for use of information from third party data sources • Information and assurance received and provided through the value chain. • Availability of data and estimates of Scope 3 emissions - when is there significant uncertainty or a limitation on scope? • Possible references in considering reasonableness of entity's approach for financed emissions (eg PCAF). 	Medium
17	Metrics and targets - Scope 1, 2 and 3 emissions	Yes	<ul style="list-style-type: none"> • Whether auditor should consider adequacy of disclosure about inconsistent measurement bases across borders. 	Low



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No.	Topic area	Mandatory AASB climate framework matters	Matters that might be covered in a local pronouncement (subject to final legislation, final AASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
18	Metrics and targets – Climate-related metrics	Yes	<ul style="list-style-type: none"> • Whether the auditor should challenge the entity’s choice of industry metrics, and relevance of the industry classifications. • For climate-related considerations factoring into executive remuneration and percentage of remuneration for current year: <ul style="list-style-type: none"> ○ Approach to non-disclosure. ○ How to address indirect impacts through other criteria. ○ How reflected in audited remuneration information in directors’ report. 	High
19	Scenario analysis	Yes	<ul style="list-style-type: none"> • Appropriateness of scenarios, assumptions and disclosures. • Completeness and accuracy of key assumptions and uncertainties disclosures. • When is there significant uncertainty or a limitation on scope? 	High
20	Strategy - Transition plans	Yes	<ul style="list-style-type: none"> • Appropriateness of disclosures and assumptions (e.g. future technology). • Completeness and accuracy of key assumptions and uncertainties disclosures. • When is there significant uncertainty or a limitation on scope? 	High
21	Strategy – Transition plans	Yes	<ul style="list-style-type: none"> • Auditor to challenge assumptions and estimates. • Planned vs management intention. • Assumptions on future new technologies. • Whether to take carbon credits and offsets into account 	Medium
22	Forward looking information	Yes	<ul style="list-style-type: none"> • Assurance over forward-looking information, disclosure of assumptions, uncertainties. • Applying materiality in context of overall GPFR. • Considerations for assessing when uncertainties impact on opinion. • Consider approach to uncertainties early in COVID-19 pandemic. 	High
23	Disclosure exemptions	Yes	<ul style="list-style-type: none"> • Challenging appropriateness of using disclosure exemptions: <ul style="list-style-type: none"> ○ Exemption from quantification of financial impact of strategy where current or anticipated effects not separately identifiable or measurement uncertainty so high that information not useful. ○ Exemption based on the skills, capabilities and resources available to the entity. ○ Proportionality exemption based on ‘shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort’ 	High
24	Comparatives for first year	Yes	<ul style="list-style-type: none"> • The audit report may need to be modified in relation to comparative information if no assurance or a lower level of assurance in prior year. 	Low
25	Auditor’s report(s)	Yes	<ul style="list-style-type: none"> • Subject to final legislation, provide examples for auditor’s opinions and auditor’s reports. • Subject to final standards from the IAASB, consider inconsistent opinions under ASAE 3410 vs ISSA 5000 ED. 	High
26	Public sector	No	<ul style="list-style-type: none"> • Public sector considerations such as: <ul style="list-style-type: none"> ○ Social vs investor users. ○ Pre-acceptance in ISSA 5000 ED is not applicable where only one body can be the auditor. 	Low



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No.	Topic area	Mandatory AASB climate framework matters	Matters that might be covered in a local pronouncement (subject to final legislation, final AASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
27	Quality management and ethics standards	No	<ul style="list-style-type: none">• Meaning of ‘at least as demanding’ under ISA 5000 for voluntary assurance.	Medium
28	Greenwashing – misleading and deceptive	No	<ul style="list-style-type: none">• Role of auditor in identifying potentially misleading and deceptive information on auditor’s report and obligations to report suspected contraventions of the <i>Corporations Act 2001</i> to ASIC.	Medium

Working Draft

March 2024

Consultation Paper

Assurance over climate-related financial disclosures and other sustainability information—Australian specific considerations

Issued by the Office of the Auditing and Assurance Standards Board

Comments are requested to the AUASB by [8 May 2024](#)



Australian Government
Auditing and Assurance Standards Board



How to Comment on this AUASB Consultation Paper

The AUASB is seeking comment by **XX8 May 2024**.

Submissions should be sent to the Office of the AUASB either electronically as a PDF document (and, if possible, a Word document - for internal use only), as an email or via post to the contact details below. Submissions from all types of stakeholders are welcomed and may be provided via the following methods:

E-mail: enquiries@auasb.gov.au
Phone: (03) 8080 7400
Mail: PO Box 204, Collins St West, VIC 8007

All submissions on possible, proposed or existing auditing and assurance requirements, or on the standard-setting process, will be placed on the public record unless the Chair of the AUASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

Obtaining a Copy of this Consultation Paper

This Consultation Paper is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au, or via the contact details above.

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Important Note and Disclaimer

This Consultation Paper is issued by the AUASB to gather views from **Australian** stakeholders regarding the **introduction/development** of assurance **overpronouncements** for climate-related financial and other sustainability disclosures.

This Consultation Paper seeks feedback that will assist the AUASB in developing proposals for new pronouncements but the document itself does not establish or extend the requirements under **an** existing AUASB **Standard(s)/Standards** and is not intended to be a substitute for compliance with the relevant AUASB Standards with which auditors and assurance practitioners are required to comply when conducting an audit or other assurance engagement. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this document or for any errors or omissions in it.



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CONSULTATION PAPER

Assurance over climate-related financial disclosures and other sustainability information—Australian specific considerations

Introduction

1. On 12 January 2024 the Australian Government released its [Policy Position Statement](#) for the introduction of [standardised, internationally aligned reporting requirements for disclosure of the reporting and assurance over climate-related financial risks and opportunities \(climate-related disclosures\) for information in the annual reports of certain entities in Australia](#). ~~Accompanying the policy position statement was an of amendments to the Australian Securities entities that prepare and Investment Commission Act 2001 (ASIC Act) and lodge financial reports under Chapter 2M of the Corporations Act 2001 (Corporations Act) to require annual climate reporting for entities in accordance with standards made by the Australian Accounting Standards Board (AASB). Comments on the draft legislation were due by 9 February 2024. A Bill is expected to be introduced into the House of Representatives in coming weeks.~~
2. ~~The proposed AASB standards are on exposure for comment by 1 March 2024 (refer to AASB's on~~ The Government policy includes [phased implementation of reporting and assurance on climate-related information for three groups of entities that prepare and lodge annual reports under Chapter 2M. Group 1 will be the first group subject to mandatory reporting, followed by Group 2 and then Group 3. Whether entities are in Group 1, 2 or 3 is based on size criteria or any National Greenhouse and Energy Reporting obligations.](#)
3. ~~The Treasury released draft legislation to give effect to the Government's policy for comment by 9 February 2024. This draft legislation contained proposed amendments to the Corporations Act and the Australian Securities and Investment Commission Act 2001 (ASIC Act). The amendments would require climate reporting in a sustainability report accompanying the financial report in accordance with sustainability standards made by the Australian Accounting Standards Board (AASB). The amendments would also require assurance by the auditor of the financial report on the information in sustainability reports in accordance with auditing standards made by the Auditing and Assurance Standards Board (AUASB).~~
- 2.4. ~~Proposed AASB standards were on exposure for comment until 1 March 2024 (see AASB Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information).~~
- 3.5. ~~The Government's Policy Position Statement states indicates that entities will be required to obtain an assurance report from their financial auditors who will use technical climate and sustainability experts where required. Assurance requirements will be set out in Australian assurance standards for climate disclosures. Who provides assurance is a matter of Government Policy and we are not seeking feedback on this aspect through this Consultation Paper.~~
6. ~~The Policy Position Statement says indicates that the AUASB,~~



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4. will :

- a) develop assurance standards in line with the IAASB's final standard;
- b) may provide standards or guidance under the local sustainability reporting framework and
- c) will set out a pathway for phasing in assurance requirements over time (assurance phasing), which would commence with limited assurance of Scope 1 and 2 emissions disclosures from years commencing 1 July 2024 onwards and end with reasonable assurance of all climate disclosures from years commencing 1 July 2030 onwards. This that will be given effect through an auditing standard having the force of law under the Corporations Act.

The Objective of this Consultation Paper

7. Entities may choose to make climate disclosures and/or obtain assurance for earlier financial years than would be required by legislation, AASB standards and AUASB standards. Entities may also choose to voluntarily disclose additional climate or other sustainability information.
8. This Consultation Paper has been prepared based on the Government's Policy Position Statement and proposed legislation. The AUASB will take into account any changes to the proposed legislation in developing any assurance pronouncements.

The objective of this Consultation Paper

9. The objective of this Consultation Paper is to seek high level information feedback to obtain views from stakeholders—auditors, experts, directors, preparers and users on the following:

- a) A possible approach to assurance phasing.
- a) A proposed approach To assist us in developing a proposed phasing model for consultation in an exposure draft:
 - i. The likely demand from users and directors for assurance over climate-related financial information in annual reports of entities in each of Groups 1, 2 and 3;
 - ii. The likely maturity of entity systems, process and information sources, including availability of any necessary assurance over information from value chains; and
 - iii. The likely ability of auditors and their experts to meet that demand.
- b) Subject to adopting seeing the final reporting framework neutral standard, a proposal to adopt the standard on assurance over sustainability information being developed by the International Auditing and Assurance Standards Board (ISSA 5000 General Requirements for Sustainability Assurance Engagements). The standard would be reporting framework and assurance practitioner neutral. It is proposed to apply the standard in Australia for



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both mandatory and voluntary assurance over ~~the mandatory Australian reporting framework~~ climate-related information required under standards being developed by the AASB; and ~~other~~ the voluntary reporting of ~~other climate and~~ sustainability information.

- c) ~~Considerations relevant to a~~The possible ~~development of an~~ Australian assurance pronouncement to supplement ~~ISSA 5000 on matters specific to~~ the Australian ~~equivalent of ISSA 5000 under the mandatory Australian~~ reporting framework, ~~including the types of pronouncements and matters that might be covered.~~

Request for ~~Comments~~ comments

~~10. Stakeholders are asked to provide~~The purpose of this consultation paper is to gather high level information and feedback from a range of interested parties to assist the AUASB in developing a possible exposure draft of an assurance pronouncement. This consultation paper is open for comment for a period of 6 weeks. It is intended that any exposure draft will be released in July or August 2024 for a longer consultation period with the objective of issuing an assurance pronouncement by the end of 2024.

~~11. The AUASB is interested in~~ views or suggestions ~~in response from a broad range of stakeholders including audit and assurance practitioners, preparers and users of climate-related financial disclosures (e.g. investors) and other sustainability information, regulators and academics.~~

~~6-12. Please provide responses~~ to the questions contained in this Consultation Paper. ~~Stakeholders are not required to comment on all questions but are encouraged to provide and include~~ the rationale for ~~the~~ responses ~~that are~~ provided, as well as ~~specific suggestions~~, where appropriate. ~~It is not necessary to respond to all questions.~~

~~7-13. Comments are requested by~~ ~~XX~~8 May 2024. Respondents are asked to submit their comments electronically through our website (www.auasb.gov.au/projects/open-for-comment/), ~~via the~~ “submit comments to AUASB” button. Please submit comments in both PDF and Word formats.



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Part I – Possible Assurance Phasing

Stakeholder feedback **Demand for assurance and ability to meet that demand**

Background

14. The AUASB is seeking information to assist in developing a proposed model for the phasing of mandatory assurance over mandatory climate information in annual reports. The proposed model will be subject to further consultation in an exposure draft.

8.15. Feedback on Treasury's first and second consultation papers on climate-related financial disclosures was that assurance is important and necessary to enhance the creditability of such disclosures. However, information. Directors and users expressed a desire for reasonable assurance as soon as possible¹. It was also recognised that assurance requirements should be phased in over time to allow capability and capacity uplift in the audit and assurance profession, by auditors and their experts, and for reporters/preparers to develop and embed/implement appropriate systems and controls.

9.16. In order to understand the likely future demand for assurance and expected capacity/ability of auditors and their experts to meet that demand, the AUASB has undertaken the following preliminary work:

- a) Obtained information informally from larger auditing firms on the likely future demand for assurance for Group 1 and Group 2 entities (refer Government Policy Position Statement for and the criteria for Groups 1, 2 and 3) and the firm's expected ability to meet that demand in the future;
- b) Obtained data from a number of external sources on the population of entities in Groups 1, 2 and 3 to better understand likely demand; and
- c) Reviewed submissions to Treasury's First and Second Consultation Papers; and
- e)d) Sought to understand academic research on the current level of assurance over climate-related financial disclosures in Australia (refer to see AUASB Research Report 10).

10.17. Feedback on this Consultation Paper, outreach/feedback from upcoming AUASB roundtables, and further analysis of data will further inform the AUASB on the likely future demand for assurance and expected capacity/ability of auditors and their experts to meet that demand.

11. In developing a possible assurance phasing model, the AUASB has focused on Group 1 and 2 entities because the new reporting and assurance requirements will apply to entities in these groups first.

12. Mandatory reporting for Group 3 entities will begin from financial years commencing 1 July 2027. The AUASB intends to consider the assurance phasing for Group 3 entities in late 2026 when

¹ See, for example, to submissions by The Australian Institute of Company Directors and The Investor Group on Climate Change.



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~~there may be better information on Group 3 and there will be experience in reporting and assurance for Group 1 entities.~~

The AUASB's Levels of assurance

18. Reasonable assurance provides a higher degree of confidence that information disclosed is not materially misstated than limited assurance.
19. With reasonable assurance, the auditor expresses an opinion as to whether information disclosed complies with the reporting requirements. With limited assurance, the auditor reports on whether anything has come to their attention that causes them to believe the information disclosed does not comply with the reporting requirements. The procedures performed by the auditor for limited assurance may be narrower in scope than those performed for reasonable assurance.
20. Irrespective of whether limited and reasonable assurance is required, where a material misstatement is identified and remains uncorrected, the auditor modifies their report accordingly. Matters such as significant limitations on scope would also need to be reported.
21. The work performed by the auditor increases if inherent risks are identified, systems and processes are not sufficiently reliable, internal controls cannot be relied upon, or issues are identified and the auditor needs to review corrected information. The work effort in these circumstances for limited assurance could be similar to that for reasonable assurance.

Possible assurance phasing model

22. We recognise that it can be difficult for auditors, preparers, users and others to provide feedback on the demand and supply questions without reference to a possible phasing model. For example, auditors may be better placed to indicate whether or not they could resource assurance under a possible model and identify any pressure points.
- ~~23.~~ 23. A possible assurance phasing model for Group 1, 2 and 23 entities is presented in Attachment 1 to this Consultation Paper. This phasing model is presented solely to facilitate feedback on the likely demand for assurance, the preparedness of audited entities, and the ability of auditors and their experts to meet the likely demand. The model is not a proposal by the AUASB. The information provided on demand and ability to meet the demand will assist the AUASB in developing a proposal for consultation through an exposure draft of an auditing standard to be issued in July or August 2024.
14. ~~In developing this possible model, the AUASB had regard to the following:~~
24. The final phasing model will be given legal effect through an auditing standard having the force of law under the Corporations Act. Entities may choose to obtain assurance at a higher level, on additional information and for earlier years than is specified in that model.



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25. While the possible assurance phasing model is not a proposal, the following considerations may assist in understanding how it has been constructed and facilitate feedback on demand and supply considerations:

- a) The Government's Policy Proposal Statement requires:
 - b) ~~a) specifies that assurance start with limited~~ ~~limited~~ assurance on disclosures of Scope 1 and 2 emissions from financial years commencing 1 July 2024 for ~~Group 1 entities; and Group 1 entities~~. Reasonable assurance will be required over all climate disclosures from financial years commencing 1 July 2030.
 - i. ~~Reasonable assurance over all climate disclosures from years commencing 1 July 2030.~~
 - b) Scope 1 and 2 emissions are already subject to reasonable assurance for entities subject to the National Greenhouse and Energy Reporting Scheme, albeit using different criteria for determining group entities covered.
 - c) ~~Assurance over disclosures which are based on historical information and which are not forward looking (i.e. Because governance and other metrics and targets) should disclosures are matters of fact and based on historical information it may be practical to move to reasonable assurance more quickly than for forward looking disclosures: that may involve forward looking information or assumptions. However, the disclosure of mandated industry-based metrics is not required until years commencing 1 July 2030 (see the Government's Policy Position Statement).~~
 - e) The phasing of assurance over disclosures of Scope 3 emissions, strategy, risk assessment, quantitative scenario analysis and transition plans should be consistent ~~because as these matters are inter-related~~. Scope 3 emissions and strategy can be important inputs into scenario analysis and transition plans.
 - f) ~~While reporting of quantitative scenario analysis is not required until 2027-28², reasonable assurance should be required from that year. Entities are likely to be developing their quantitative scenario analysis before it is. Scope 3 emissions would be required to be disclosed.~~
 - g) ~~Reasonable assurance over mandated industry-based metrics should begin from the commencement from the second year of mandatory reporting (2030-31³). Entity developed industry-based metrics would be subject to assurance earlier for an entity (see the Government's Policy Position Statement).~~
- e) While quantitative scenario analysis is not required to be disclosed until years commencing 1 July 2027 (see the Government's Policy Position Statement), entities may

² As detailed in the Australian Government's Policy Statement.

³ As detailed in the Australian Government's Policy Statement.



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develop this analysis earlier and the disclosures could be subject to reasonable assurance from the first year of mandatory reporting.

h)f) Year 1 assurance requirements for Group 2 entities should commence with the same settings as year 2 for Group 1 entities. Entities~~This is because entities~~ and auditors would have an additional two years to prepare.

g) ~~As detailed on page 4 of the~~ Group 3 entities could have similar phasing to Group 2 entities but commencing one year later.

Monitoring and review

~~15-26.~~ The Government's Policy Proposal Paper, says that a Treasury led a review of the climate disclosure requirements is planned for will take place in 2028/9.

27. The AUASB will monitor implementation experience on an ongoing basis.

~~16-28.~~ The merger of the Financial Reporting Council, AASB and AUASB is proposed to take effect on 1 July 2026⁴. The AUASB suggests that its successor conduct a review in late 2026 of the assurance phasing after two years of reporting and assurance by Group 1 entities. This~~Such a~~ review will assist in setting~~might indicate whether refinements to~~ the assurance phasing ~~for Group 3 entities~~are necessary.

⁴ See Streamlining financial reporting architecture.



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Questions

1. Do you consider the possible assurance phasing can be adequately resourced by audit firms?
2. Do you have concerns with any specific aspects? Considering the relative importance of each type of disclosure and the possible cost of assurance phasing? If so, please explain your reasons.
3. Do you believe that limited assurance or reasonable assurance should be required for earlier financial years for any disclosures for any reporting topic areas? If so, please explain your reasons.
4. Do you agree that assurance phasing should not be developed for Group 3 groups of entities until there is more information on those entities and experience with reporting and assurance for Group 1 entities?
- 5.1. Do you agree with the AUASB conducting a review after two years of reporting and assurance (i.e. late 2026)? Please provide reasons.
2. If you are an auditor, do you consider the possible assurance phasing in Attachment 1 could be adequately resourced by partners and staff with appropriate competence, skills and expertise by your audit firm (including the use of experts) for entities whose financial reports are audited by your firm? If not, please identify any pressure points in the model and reasons.
3. Do you consider that the systems and processes of entities in Groups 1, 2 and 3 will be developed, implemented and sufficiently reliable to facilitate the assurance processes as outlined in the possible assurance phasing model in Attachment 1?



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Part II – Adoption of ISSA 5000 *General Requirements for Sustainability Assurance Engagements*

~~17.29.~~ The AUASB ~~proposes~~ ~~seeks feedback on its proposal~~ to ~~consult on adopting~~ ~~adopt~~ the final ISSA 5000 in full for mandatory and voluntary assurance, subject to seeing the final standard.

~~18.30.~~ It is proposed that the Australian equivalent of ISSA 5000 would apply to assurance over:

- a) Climate disclosures under the final AASB reporting framework:
 - i. As mandated by the assurance phasing developed by the AUASB; and
 - ii. Any earlier voluntary assurance or adoption of reasonable assurance than mandated by the assurance phasing developed by the AUASB; and
- b) Voluntary assurance over any other sustainability information in annual or other reports, including climate disclosures that are not ~~with~~ ~~required by the final~~ AASB reporting framework.

~~19.31.~~ It is proposed that the assurance phasing would appear in a local pronouncement that would supplement the Australian equivalent of ISSA 5000. That local pronouncement may cover other assurance matters under the Australian reporting framework (see Part III below).

~~20.~~ We view ISSA 5000 as ~~providing a global baseline standard. It is both practitioner applies to information reported on any sustainability topic and prepared under any sustainability reporting framework~~ ~~neutral~~.

~~32.~~ ~~For the purposes of reporting under the Corporations Act, the~~ ~~It can also be used by both auditors and non-auditor~~ ~~of assurance practitioners.~~

~~21.33.~~ The Government's Policy Position Statement says the financial ~~report~~ ~~auditor~~ will audit the climate ~~statements-related financial disclosures in sustainability reports for the purposes of the Corporations Act~~. It will be important to emphasise the importance of the competency of the audit engagement partner and the need for the auditor to use their own experts (internal or external).

~~22.34.~~ Guidance in a local pronouncement could identify parts of ISSA 5000 that may not be relevant to assurance over information under the mandatory climate disclosure reporting in Australia. Identifying any such matters would not result in any amendments to, or departure from, ISSA 5000. Examples might include:

- a) the “at least as demanding test” is not relevant for reporting under the Corporations Act which requires assurance to be given by the auditor of the financial report;
- b) the guidance in ISSA 5000 on assurance under the GRI/European models and double materiality when assurance is only given on information disclosed under the AASB's mandatory reporting framework; and



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- c) pre-acceptance procedures would not be relevant for public sector entities that are required to be audited by an Auditor-General⁵.

Questions

~~6.4.~~ Do you agree that, subject to seeing the final standard, ISSA 5000 ~~would~~should apply to assurance over:

- a. Climate disclosures under the Australian reporting framework;
- i. As mandated by the assurance phasing developed by the AUASB; and
 - ii. Any earlier voluntary assurance or adoption of reasonable assurance than mandated by the AUASB's assurance phasing; and
- ~~b.~~ Voluntary assurance over any other sustainability information in annual or other periodic reports, including climate disclosures that are not required by in the AUASB's final reporting framework.

~~7.~~ Should any parts of ISSA 5000 that may not be relevant to assurance of disclosures under the mandatory climate disclosure reporting in Australia be identified in guidance in a local pronouncement?

~~8.~~ Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed equivalent of ISSA 5000?

- ~~a.b.~~ Are there principles and practices considered appropriate in maintaining or improving assurance quality in Australia that may, or do, prevent or impede the application of the proposed equivalent of ISSA 5000, or may conflict with the proposed standard?

~~5.~~ Should any parts of ISSA 5000 that may not be relevant to assurance of disclosures under the mandatory climate disclosure reporting in Australia be identified in guidance in a local pronouncement?

~~6.~~ Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed equivalent of ISSA 5000?

⁵ Consistent with similar requirements for audits of financial reports in the public sector, as described in GS 023 *Special Considerations - Public Sector Engagements*.



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7. Are there principles and practices considered appropriate in maintaining or improving assurance quality in Australia that may, or do, prevent or impede the application of the proposed equivalent of ISSA 5000, or may conflict with the proposed standard?

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Part III – Possible Australian Standards and Guidance local pronouncement

23-35. The Government’s Policy Position Statement says that the AUASB may issue Australian specific standards or guidance under the local sustainability reporting framework.

Feedback on previous consultation paper

24-36. In August 2023 the AUASB issued the Consultation Paper General Requirements for Sustainability Assurance Engagements as a ‘wrap around’ to the IAASB’s exposure draft of the proposed ISSA 5000. Because the proposed ISSA 5000 would be reporting framework neutral, Attachment 1 to the Consultation Paper included the following Australian specific questions:

“Aus 3 Proposed ISSA 5000 is neutral as to the disclosure framework. Should the AUASB develop guidance on applying the proposed assurance standard in the context of the upcoming Australian Accounting Standards Board climate disclosure framework? Are there any other topics, aspects of topics or elements of an assurance engagement that stakeholders would like the AUASB to issue guidance on? If yes, please provide specific details.

Aus 4 While Appendix 2 of Proposed ISSA 5000 provides illustrations of assurance reports on sustainability information, should an Australian specific assurance opinion be developed?

Aus 5 Do stakeholders foresee any implementation issues regarding Proposed ISSA 5000 in the context of the proposed assurance requirements as being discussed through the recent Treasury Consultation Paper?”

25-37. All respondents to the Consultation Paper were of the view that the AUASB should develop guidance-local material. Some of the suggested topics included:

- a) applying ISSA 5000 in the context of the AASB climate reporting framework;
- b) illustrative examples of Australian specific assurance reports, including modifications; and
- c) further guidance on specific elements of ISSA 5000 - for example, materiality, fraud, non-fraud greenwashing, limited assurance versus reasonable assurance, the use of experts, groups and consolidated information, and estimates and forward-looking information.

26-38. This was consistent with feedback received at three roundtables held in October 2023.

AUASB’s considerations

27-39. The audit of financial reports is well-established, there is a significant body of auditing standards, firms may have methodologies, education and training is readily available, and many individual practitioners have substantial practical experience. In contrast, assurance over sustainability information is a relatively new area.



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~~28.40.~~ The final ISSA 5000 will provide a global baseline standard. It will be both practitioner and reporting framework neutral.

~~29.~~ The AUASB consider it will assist auditors by identifying in a local pronouncement or non-authoritative material any parts of ISSA 5000 that may not be relevant to assurance of disclosures under the mandatory climate disclosure reporting in Australia. Examples might include:

- ~~a) the “at least as demanding test” (this is not relevant for reporting under the Corporations Act 2001 which requires this to be done by the auditor of the financial report);~~
- ~~b) the guidance in ISSA 5000 on assurance under the GRI/European models and double materiality when assurance is only given under the AUASB’s mandatory reporting framework; and~~
- ~~e) pre-acceptance procedures would not be relevant for public sector entities that are required to be audited by an Auditor General.~~

~~30.~~ Any local pronouncement would sit under ISSA 5000 and by addressing these matters in a separate pronouncement this would not result in any amendments to, or departure from, ISSA 5000.

~~31.~~ As detailed above The AUASB is of the view that there is a need for a local pronouncement or non-authoritative material to assist auditors in applying ISSA 5000 in the context of the local reporting framework.

~~32.41.~~ The AUASB proposes to develop a local pronouncement that would build on ISSA 5000 and assist auditors in the relatively new area of assurance over climate and sustainability information under the Australian reporting framework. It would promote consistency and audit quality, and support confidence of investors and others seeking reliable climate information.

~~33.42.~~ Other considerations concerning a local pronouncement include:

- ~~a) A local pronouncement would support consistent understanding between auditors, experts, preparers, users, regulators and others;~~
- ~~b) Where possible standards and guidance (including the matters outlined in Part II above) should be included in the one pronouncement rather than spread across different publications so that the material is easier for practitioners to locate and use;~~
- ~~c) A local pronouncement:
 - ~~i.~~ could emphasise the importance of the competency of the engagement partner to understand and challenge the work of experts and;~~
- ~~ii.~~ could ensure connectivity of disclosures and assumptions with the sustainability report and the financial report;



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ii.iii. A local pronouncement could promote the need for the increased use of the auditor's own experts (internal and external), which might include transparency on the auditor's use of their own experts in key areas; (without naming the experts); and

iii.iv. A local pronouncement might form a basis for assurance for future other sustainability reporting areas (e.g. nature, biodiversity, human capital) that are likely to use the same disclosure pillars (i.e. governance, strategy, risk management, and metrics and targets); and

e)d) While reporting and assurance is being introduced in Australia ahead of many other jurisdictions using similar reporting frameworks, we will liaise with the IAASB and other National Sustainability Assurance Standard Setters (where they exist) as appropriate. A local pronouncement may inform the subsequent development of pronouncements in other jurisdictions. Ultimately, the AUASB may review any local pronouncement in view of any later developments internationally and in other jurisdictions.

43. The feedback will assist the AUASB in considering whether a local pronouncement should cover and what matters should be covered is such as these a pronouncement. In particular, feedback is sought on the matters listed in Attachment 2 to this Consultation Paper, including any additional matters that may be identified by auditors and others.

44. When developing any exposure draft, the AUASB will assess to what extent material in a local pronouncement might need to be standards and what would be better included as application material or guidance. It is too early to analyse and make an assessment on each matter.

Timing considerations

45. Auditors may be asked to conduct dry runs of assurance on climate and sustainability disclosures at 30 June 2024 and mandatory reporting and assurance under the Government's Policy Position Statement is due to start from financial years commencing 1 July 2024. Auditors may also be asked to provide limited assurance and reasonable assurance earlier than outlined in the final mandatory assurance phasing model. The AUASB intends to issue an exposure draft of any local pronouncement in July or August 2024 that may assist auditors in planning and performing their work.

46. It will not be possible for the AUASB to issue final pronouncements ahead of the planned release of the final ISSA 5000 by the IAASB in September 2024 and the release of final reporting standards by the AASB. The AUASB must undertake appropriate due process in developing pronouncements (see the AUASB's Due Process Framework would consider which of these). The AUASB is aiming to issue final pronouncements in December 2024.

47. These timeframes are ambitious. The AUASB and international assurance standard setters have not issued pronouncements in such short timeframes in the past. Historically, it has taken standard setters several years to develop and issue new and amended standards even for relatively minor changes to existing pronouncements or recomputations of existing pronouncements under



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accelerated timeframes. The AUASB has not previously issued local pronouncements to the pronouncement that would address the matters in Attachment 2.

48. However, there is demand for a local pronouncement and the AUASB can play an important role in assisting with preparedness for mandatory reporting and assurance. The AUASB is part of the reporting ecosystem and local pronouncements can assist with ensuring audit quality, consistency and the confidence of users. The AUASB will work to follow proper due process in the compressed timeframes.
49. Given the short timeframes available to develop pronouncements, it may not be practical to fully address all of the matters identified in Attachment 2 and additional matters that may be identified by auditors and others as a part of this consultation process. The AUASB may need to prioritise the matters to be addressed in a pronouncement by the end of the 2024 calendar year. The remaining matters and further guidance on some matters may need to be addressed in the first half of 2025 or later.
50. Feedback is sought on the very preliminary indicative prioritisation shown in Attachment 2 for each matter. The high, medium and low priority classifications for each matter is based on an initial high level assessment of factors such as:
- a) the likely benefit to practitioners, users and markets from addressing the matter;
 - b) the complexity of the matter;
 - c) possible diversity of views on some matters;
 - d) whether it is possible for the AUASB to fully resolve a matter; and
 - e) the likely time and resources required to develop an approach.
51. Feedback will assist the AUASB when considering whether to develop an exposure draft of a proposed pronouncement for further consultation and, if so, what matters should be covered by standards and/or guidance when developing an exposure draft for further consultation.
52. The sets out the principles for how pronouncements and other non-authoritative material issued by the AUASB are created and updated in accordance with its mandate and responsibilities. Any development of local pronouncements or non-authoritative materials will be performed in accordance with this framework. The preliminary indicative prioritisation of matters should not be taken to provide an indication of whether or not the matter will be addressed in full or part by the end of 2024. The AUASB would endeavour to address all matters or as many matters as possible in that timeframe.
53. One or more AUASB Project Advisory Groups or specialist panels may be created to inform the AUASB's work in this area and assist in developing any exposure draft. There will be further public consultation on any exposure draft in the second half of 2024.



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Questions

8. Should the AUASB develop and issue a local pronouncement to supplement the final ISSA 5000 dealing with assurance matters under the Australian climate and sustainability reporting framework?
9. Should the AUASB consider covering the matters identified in Attachment 2 in a possible local pronouncement?
10. Are there any matters identified in Attachment 2 that should not be addressed in a possible local pronouncement? Please provide reasons.
11. Are there any matters that should be addressed in a possible local pronouncement in addition to those identified in Attachment 2?
9. Should the AUASB develop and issue a To assist the auditor in considering the adequacy of disclosures, should any local pronouncement include guidance on applying aspects of the reporting framework in addition to supplement the final ISSA 5000 by containing that available in sustainability standards and/or guidance on assurance from other standard setters? For example, should the auditor be reminded about their obligations under the Australian climate and sustainability reporting framework?
10. Should the AUASB ASA 720 to consider covering the matters identified in Attachment 2 in an exposure draft of a possible local pronouncement?
11. Are there any other matters relating to assurance under the Australian climate and omissions of material non-climate sustainability risks and opportunities in the Operating and Financial Review? If so, should guidance be provided on reporting framework that should be considered by the AUASB when developing an exposure draft of a possible local pronouncement?
12. How should the AUASB balance assisting the auditor in their consideration of the adequacy of disclosures against the risk frameworks that disclosures are driven through an assurance pronouncement rather than the sustainability reporting standards could be referred to in that regard?
13. Should guidance be provided on materials that might be referred to by the auditor in assessing disclosures (e.g. standards on Financed Emissions, Facilitated Emissions and Insurance-Associated Emissions at The Global GHG Accounting and Reporting Standard for the Financial Industry)?



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14. Should any local pronouncement cover considerations about the impact of climate and sustainability risks and opportunities on recognition, measurement and disclosure in the financial report (e.g. impairment of assets, provisions)?

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Part IV – Other Matters

Questions

- ~~13.~~ The Clean Energy Regulator (CER) has assurance requirements for some of the entities that will be covered by the climate reporting requirements under the Corporations Act. These include obtaining external assurance on Scope 1 and 2 emissions for NGERs registered entities. Are there any aspects of the CER's current reporting and assurance regime that the AUASB should consider when developing pronouncements on assurance over climate-related financial disclosures and other sustainability information?
- ~~14.~~ Some entities that will be subject to the mandatory proposed climate reporting requirements have cross-border activities or operations. Are there any international factors that the AUASB should consider when developing its proposed pronouncements relating to assurance over climate-related financial disclosures and other sustainability information?
15. Do you have suggestions on any other matters that the AUASB should consider in relation to assurance over climate-related financial disclosures and sustainability reports?
- ~~16.~~ Some entities that will be subject to the mandatory proposed climate reporting requirements have cross-border activities or operations. Are there any international factors that the AUASB should consider when developing its proposed pronouncements relating to assurance over climate-related financial disclosures and other sustainability information?
- ~~17.~~ Do you have suggestions on any other matters that the AUASB should consider in relation to assurance over climate-related financial disclosures and sustainability reports?

Next Steps

- ~~35-54.~~ The primary purpose of this Consultation Paper is to inform the development of an exposure draft on a possible assurance phasing model and a possible local pronouncement. Such an exposure draft that would be subject to further consultation.
- ~~36-55.~~ This Consultation Paper will be open for a ~~XX~~45 day comment period closing on ~~XX~~8 May 2024. The AUASB will also be conducting roundtables, the details of which will be available soon on the AUASB website (www.auasb.gov.au(www.auasb.gov.au)).

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ATTACHMENT 1 – Possible assurance phasing

Group	Disclosure topic area	2024/5 Years commencing 1 July 2024 to 30 June 2025	2025/6 Years commencing 1 July 2025 to 30 June 2026	2026/7 Years commencing 1 July 2026 to 30 June 2027	2027/8 Years commencing 1 July 2027 to 30 June 2028	2028/9 Years commencing 1 July 2028 to 30 June 2029	Years commencing 1 July 2029 to 30 June 2030	Years commencing 1 July 2030/31 onwards
1	Governance	None	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Strategy (including risks and opportunities)	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Qualitative scenario analysis (reporting commencing 2024/25)	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Quantitative scenario analysis (reporting commencing 2027/28 ⁶)	N/A	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable
	Climate resilience assessments	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Transition plan and climate-related targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Risk management (including risks and opportunities)	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 1 and 2 emissions	Limited	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 3 emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 3 emissions (second year ⁷) Other metrics and targets (excluding appropriateness of metrics)	N/A	None	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Other metrics and targets (appropriateness of metrics)	None	None	Limited	Reasonable	Reasonable	Reasonable	Reasonable
Industry based metrics (reporting commencing from 1 July 2030/31 ⁴)	N/A	N/A	N/A	N/A	N/A	N/A	Reasonable	

⁶ Commencement date for reporting is detailed in the Australian Government's Policy Position Statement.
⁷ Commencement date for reporting is detailed in the Australian Government's Policy Position Statement.



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[Note: Reporting required from years commencing 1 July 2024 unless otherwise stated in paragraph 25 of the covering paper.](#)

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Group	Disclosure topic area	2024/5 Years commencing 1 July 2024 to 30 June 2025	2025/6 Years commencing 1 July 2025 to 30 June 2026	2026/7 Years commencing 1 July 2026 to 30 June 2027	2027/8 Years commencing 1 July 2027 to 30 June 2028	2028/9 Years commencing 1 July 2028 to 30 June 2029	Years commencing 1 July 2029 ⁸ to 30 June 2030	Years commencing 1 July 2030/31 onwards
2	Governance	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Strategy (including risks and opportunities)	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Qualitative scenario analysis	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Quantitative scenario analysis (reporting commencing 2027/28 ⁹)	N/A	N/A	N/A	Limited	Limited	Reasonable	Reasonable
	Climate resilience assessments	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Transition plan and climate-related targets	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Risk management (including risks and opportunities)	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Scope 1 and 2 emissions	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 2 ³ emissions	N/A	N/A	N/A ⁴ Reasonable	Limited ⁵ Reasonable	Limited ⁶ Reasonable	Reasonable	Reasonable
	Scope 3 emissions (reported second year ⁹) Other metrics and targets (excluding appropriateness of metrics)	N/A	N/A	Reasonable ⁷ N/A	Reasonable ⁸ Limited	Reasonable ⁹ Limited	Reasonable	Reasonable
	Other metrics and targets (appropriateness of metrics)	N/A	N/A	None ¹⁰ Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
Industry based metrics ⁴ metrics	N/A	N/A	N/A	N/A	N/A	N/A	Reasonable	

⁸ Commencement date for reporting is detailed in the Australian Government's Policy Position Statement.

⁹ Commencement date for reporting is detailed in the Australian Government's Policy Position Statement.



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ATTACHMENT 2—Possible areas for local pronouncement

Note: Reporting required from years commencing 1 July 2026 unless otherwise stated in paragraph 25 of the covering paper.

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No.	Topic area	Mandatory AASB climate framework matters	Should the AUASB consider standard and/or guidance on the areas listed below (subject to final legislation, final AASB standards and assessment of final ISSA 5000 guidance)?					
4	Identification of reporting obligations	Yes	<ul style="list-style-type: none"> The auditor's assessment of the completeness of disclosures under final AASB framework, as well as existing obligations for the financial report and OFR. [Being mindful of assisting the auditor perform their work but not crossing the and driving disclosure through an auditing pronouncement]. 					
Group 2	<p>Implications of:</p> <ul style="list-style-type: none"> Reporting both mandatory and voluntary climate/sustainability information; and Mandatory assurance over some information and voluntary assurance over other information. <p>Reporting may include the financial report, climate statements under AASB standards, Operating and Financial Review (OFR) and voluntary GRI/European reporting. Disclosure topic area</p>	No Years commencing 1 July 2024 to 30 June 2025	<ul style="list-style-type: none"> How to address different users (e.g. investors vs social users) when assessing materiality under both the proposed AASB framework and a GRI/European framework. 	Years commencing 1 July 2026 to 30 June 2027	Years commencing 1 July 2027 to 30 June 2028	Years commencing 1 July 2028 to 30 June 2029	Years commencing 1 July 2029 to 30 June 2030	Years commencing 1 July 2030 onwards
			<ul style="list-style-type: none"> Whether materiality is assessed in the context of the financial report and all mandatory and voluntary assured sustainability information. 					
			<ul style="list-style-type: none"> The auditor's responsibility to ensure adequate disclosures across documents (audited and not audited), such as: 					

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			<ul style="list-style-type: none">○ Disclosure of material climate risks and opportunities;○ Financial report measurement and disclosure matters;○ Disclosures in the OFR?● Implications for the auditor where a non-auditor gives a voluntary assurance report on sustainability information (e.g. implications for risk assessment, ASA 720 obligations, communication with the non-auditor, understanding the impact of disclosures on assumptions used in the financial report).● Whether it is necessary and possible to separate					
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			<p>information on an AASB basis and GRI or other basis, having regard also to the requirement not to obscure the mandatory information.</p> <ul style="list-style-type: none"> • If the information is not separated, whether the auditor can give assurance only over mandatory and not voluntary information. <p>If information is separated, referring separately to mandatory and voluntary disclosures and assurance in the auditor's report. Years commencing 1 July 2025 to 30 June 2026</p>					
3	<p>Consistent disclosures and assumptions across documents (audited and unaudited). Governance</p>	No/N/A	<ul style="list-style-type: none"> • Ensuring consistent disclosures and assumptions across documents (e.g. OFR, financial report and sustainability report). • Whether information can 	N/A	Reasonable	Reasonable	Reasonable	Reasonable

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			be included by cross-reference. ASA 720 considerations (e.g. unaudited OFR)-N/A					
4	Fair presentation framework	Yes	<ul style="list-style-type: none"> The fair presentation framework in the proposed AASB standards involves different work from a compliance framework. The proposed AASB standards and the underlying fair presentation framework will not alter the wording of the auditor's opinion and report required by the <i>Corporations Act 2001</i>. 					
5	Competency of engagement partner	No	<ul style="list-style-type: none"> Whether to provide guidance on the competency that the engagement partner needs to challenge experts, etc. The extent to which competency needs to be specific to entity's circumstances. 					
6	Use of auditor's own experts (internal and external)	No	<ul style="list-style-type: none"> Whether to address the need for greater use of an auditor's own experts (internal or external). Possible transparency on use (not name) of experts to promote use. How much 'reliance' to place on qualifications and competency of experts. Circumstances in which quality management systems and ethical requirements for external experts need to be assessed. 					
7	Assurance phasing	Yes	<ul style="list-style-type: none"> Application of ASA 720 to mandatory information not subject to assurance during phasing. 					
8	Entity states climate risks and opportunities are not material.	Yes	<ul style="list-style-type: none"> Extent of work. There is no phasing for assurance on the statement. Need to assess materiality even if risks and opportunities would not have been subject to assurance if disclosed. Example text for the auditor's report. 					
9	Materiality and error evaluation	No	<ul style="list-style-type: none"> Whether separate directors' reports for financial report and climate statements affect materiality assessments or work effort. Further guidance to assist auditors in: <ul style="list-style-type: none"> Assessing materiality of qualitative and quantitative disclosures. Challenges in aggregating and evaluating errors across different disclosures. 					
10	Value chains	Yes	<ul style="list-style-type: none"> How to draw on group audit and service organisation auditing standards. Encourage entities to consider data and audit when entering into contracts. Providing and receiving assurance through value chains. Other practitioners providing assurance. Response to lack of reliable information. 					
11	Disclosures on governance processes controls and procedures to monitor, manage and oversee climate-related risks and opportunities.	Yes	<ul style="list-style-type: none"> Not assurance about whether governance adequate but whether disclosures about existing governance arrangements are factual (documentary evidence, knowledge of business, inquiry). 					
12	Disclosures on an entity's strategy for managing climate-related risks and opportunities.	Yes	<ul style="list-style-type: none"> Documentary evidence, etc. Effectiveness of strategy relevant to scenario analysis and transition plans. 					



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13	Strategy— Risks and opportunities	Yes	<ul style="list-style-type: none"> Considering whether Strategy (including risks and opportunities disclosed are complete and accurate: Extent of work on risks and opportunities throughout value chain For definition of ‘short term’, ‘medium term’ and ‘long term’ and how linked to planning horizons: <ul style="list-style-type: none"> Does auditor need to assess appropriateness of entity’s definitions? Disclosure of definitions used accurate? Whether the disclosed links to planning horizons are accurate?	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
			Qualitative scenario analysis	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
			Quantitative scenario analysis	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
			Climate resilience assessments	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
14	Strategy— other	Yes	<ul style="list-style-type: none"> Current Transition plan and anticipated effects of climate-related risks and opportunities on business model and value chain: <ul style="list-style-type: none"> Does the entity have a business strategy? Auditor to understand business model and how it may be impacted. Documentary evidence. Resilience: <ul style="list-style-type: none"> Ability to adjust to uncertainties from climate-related risk. 	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable

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			<ul style="list-style-type: none"> Considering whether quantitative information should be provided. Risk management (including processes to identify, prioritise and monitor risks and opportunities, overall risk profile and overall risk management process): Documentary evidence. <p>How to deal with different business segments-targets</p>							
			Risk management	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
15			Metrics and targets—Scope 1 and 2 emissions	Yes/N/A	Reminding auditors that NGERs calculation methodology adopted but covers the entity and its controlled entities, not the CER groups. N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable
16	Metrics and targets—Scope 3 emissions	Yes	<ul style="list-style-type: none"> Reasonableness of assumptions in estimates. What are key assumptions to disclose (e.g. assumptions underlying assumptions)? Considerations for use of information from third party data sources Information and assurance received and provided through the value chain. Availability of data and estimates of Scope 3 emissions—when is there significant uncertainty or a limitation on scope? 	N/A	N/A	N/A	N/A	Limited	Limited	Reasonable

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	Possible references in considering reasonableness of entity's approach for financed emissions (eg PCAF), Scope 3 emissions								
17	Metrics Other metrics and targets – Scope 1, 2 and 3 emissions (excluding appropriateness of metrics)	Yes/N/A	Whether auditor should consider adequacy of disclosure about inconsistent measurement bases across borders. N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
18	Metrics Other metrics and targets – Climate-related (appropriateness of metrics)	Yes/N/A	<ul style="list-style-type: none"> Whether the auditor should challenge the entity's choice of industry metrics, and relevance of the industry classifications. For climate-related considerations factoring into executive remuneration and percentage of remuneration for current year: <ul style="list-style-type: none"> Approach to non-disclosure. How to address indirect impacts 	N/A	None	Reasonable	Reasonable	Reasonable	Reasonable



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				through other criteria: How reflected in audited remuneration information in directors' report: N/A						
19	Scenario analysis	Yes	<ul style="list-style-type: none"> Appropriateness of scenarios, assumptions and disclosures. Completeness and accuracy of key assumptions and uncertainties disclosures. When is there significant uncertainty or a limitation on scope? 							
20	Strategy—Transition plans	Yes	<ul style="list-style-type: none"> Appropriateness of disclosures and assumptions (e.g. future technology). Completeness and accuracy of key assumptions and uncertainties disclosures. When is there significant uncertainty or a limitation on scope? 							
21	Strategy—Transition plans	Yes	<ul style="list-style-type: none"> Auditor to challenge assumptions and estimates. Planned vs management intention. Assumptions on future new technologies. Whether to take carbon credits and offsets into account 							
22	Forward looking information	Yes	<ul style="list-style-type: none"> Assurance over forward looking information, disclosure of assumptions, uncertainties. Applying materiality in context of overall GPFR. Considerations for assessing when impact on opinion. Consider approach to uncertainties early in COVID-19 pandemic. 							
23	Disclosure exemptions	Yes	<ul style="list-style-type: none"> Challenging appropriateness of using disclosure exemptions: <ul style="list-style-type: none"> Exemption from quantification of financial impact of strategy where current or anticipated effects not separately identifiable or measurement uncertainty so high that information not useful. Exemption based on the skills, capabilities and resources available to the entity. Proportionality exemption based on 'shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort' Industry based metrics 	N/A	N/A	N/A	N/A	N/A	N/A	Reasonable

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24	Comparatives for first year	Yes	Impact if no assurance or lower level of assurance in prior year, opinion may need to be modified re comparative information.
25	Auditor's report(s)	Yes	<ul style="list-style-type: none">• Subject to final legislation, provide examples for auditor's opinions and auditor's reports.• Subject to final standards from the IAASB, inconsistent opinions under ASAE 3410 vs ISSA 5000 ED.
26	Public sector	No	<ul style="list-style-type: none">• Public sector considerations such as:<ul style="list-style-type: none">◦ Social vs investor users.◦ Pre-acceptance in ISSA 5000 ED is not applicable where only one body can be the auditor.
27	Quality management and ethics standards	No	<ul style="list-style-type: none">• Meaning of 'at least as demanding' under ISA 5000 for voluntary assurance.
28	Greenwashing—misleading and deceptive	No	<ul style="list-style-type: none">• Role of auditor in identifying potentially misleading and deceptive information on auditor's report and obligations to report suspected contraventions of the Corporations Act 2001 to ASIC.

Notes:

1. Reporting required from years commencing 1 July 2027 unless otherwise stated in paragraph 25 of the covering paper.
2. Phasing is not available for assurance over statement that climate-related risks and opportunities are not material.



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Assurance over climate-related financial disclosures and other sustainability information—Australian specific considerations

ATTACHMENT 2 – Possible matters for local pronouncement

No.	Topic area	Mandatory AASB climate framework matters	Matters that might be covered in a local pronouncement (subject to final legislation, final AASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
1	Identification of reporting obligations	Yes	<ul style="list-style-type: none"> The auditor's assessment of the completeness of disclosures under final AASB framework, as well as existing obligations for the financial report and OFR. 	High
2	<p>Implications of:</p> <ul style="list-style-type: none"> Reporting both mandatory and voluntary climate/sustainability information; and Mandatory assurance over some information and voluntary assurance over other information. <p>Reporting may include the financial report, climate statements under AASB standards, Operating and Financial Review (OFR) and voluntary GRI/European reporting.</p>	No	<ul style="list-style-type: none"> How to address different users (e.g. investors vs social users) when assessing materiality under both the proposed AASB framework and a GRI/European framework. Whether materiality is assessed in the context of the financial report and all mandatory and voluntary assured sustainability information. The auditor's responsibility to ensure adequate disclosures across documents (audited and not audited), such as: <ul style="list-style-type: none"> Disclosure of material climate risks and opportunities; Financial report measurement and disclosure matters; and Disclosures in the OFR? Implications for the auditor where a non-auditor gives a voluntary assurance report on sustainability information (e.g. implications for risk assessment, ASA 720 obligations, communication with the non-auditor, understanding the impact of disclosures on assumptions used in the financial report). Whether it is necessary and possible to separate information on an AASB basis and GRI or other basis, having regard also to the requirement not to obscure the mandatory information. If the information is not separated, whether the auditor can give assurance only over mandatory and not voluntary information. If information is separated, referring separately to mandatory and voluntary disclosures and assurance in the auditor's report. 	High
3	Consistent disclosures and assumptions across	No	<ul style="list-style-type: none"> Ensuring consistent disclosures and assumptions across documents (e.g. OFR, financial report and sustainability report). Whether information can be included by cross reference. ASA 720 considerations (e.g. unaudited OFR). 	Low



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Assurance over climate-related financial disclosures and other sustainability information—Australian specific considerations

No.	Topic area	Mandatory AASB climate framework matters	Matters that might be covered in a local announcement (subject to final legislation, final AASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
	documents (audited and unaudited).			
4	Fair presentation framework	Yes	<ul style="list-style-type: none"> The fair presentation framework in the proposed AASB standards involves different work from a compliance framework. The proposed AASB standards and the underlying fair presentation framework will not alter the wording of the auditor's opinion and report required by the <i>Corporations Act 2001</i>. 	Low
5	Competency of engagement partner	No	<ul style="list-style-type: none"> Whether to provide guidance on the competency that the engagement partner needs to appropriately identify and engage experts and to challenge experts, etc. The extent to which competency needs to be specific to entity's circumstances. 	High
6	Use of auditor's own experts (internal and external)	No	<ul style="list-style-type: none"> Whether to address the need for greater use of an auditor's own experts (internal or external). Possible transparency on use (not name) of experts to promote use. How much 'reliance' to place on qualifications and competency of experts. Circumstances in which quality management systems and ethical requirements for external experts need to be assessed. 	High
7	Assurance phasing	Yes	<ul style="list-style-type: none"> Application of ASA 720 to mandatory information not subject to assurance during phasing. 	Medium
8	Entity states climate risks and opportunities are not material.	Yes	<ul style="list-style-type: none"> Extent of work. There is no phasing for assurance on the statement. Need to assess materiality even if risks and opportunities would not have been subject to assurance if disclosed. Example text for the auditor's report. 	High
9	Materiality and error evaluation	No	<ul style="list-style-type: none"> Whether separate directors' reports for financial report and climate statements affect materiality assessments or work effort. Further guidance to assist auditors in: <ul style="list-style-type: none"> Assessing materiality of qualitative and quantitative disclosures. Challenges in aggregating and evaluating errors across different disclosures. 	High
10	Value chains	Yes	<ul style="list-style-type: none"> How to draw on group audit and service organisation auditing standards. Encourage entities to consider data and audit when entering into contracts. Providing and receiving assurance through value chains. Other practitioners providing assurance. Response to lack of reliable information. 	Medium
11	Disclosures on governance processes controls and procedures to monitor, manage and oversee climate-	Yes	<ul style="list-style-type: none"> Not assurance about whether governance is adequate but whether disclosures about existing governance arrangements are factual (documentary evidence, knowledge of business, inquiry). 	Medium



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Assurance over climate-related financial disclosures and other sustainability information—Australian specific considerations

No.	Topic area	Mandatory AUASB climate framework matters	Matters that might be covered in a local announcement (subject to final legislation, final AUASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
	related risks and opportunities.			
12	Disclosures on an entity's strategy for managing climate-related risks and opportunities.	Yes	<ul style="list-style-type: none"> • Documentary evidence, etc. • Effectiveness of strategy relevant to scenario analysis and transition plans. 	Medium
13	Strategy – Risks and opportunities	Yes	<ul style="list-style-type: none"> • Considering whether risks and opportunities disclosed are complete and accurate. • Extent of work on risks and opportunities throughout value chain • For definition of 'short term', 'medium term' and 'long term' and how linked to planning horizons: <ul style="list-style-type: none"> ○ Does auditor need to assess appropriateness of entity's definitions? ○ Disclosure of definitions used is accurate? ○ Whether the disclosed links to planning horizons are accurate? 	High
14	Strategy - other	Yes	<ul style="list-style-type: none"> • Current and anticipated effects of climate-related risks and opportunities on business model and value chain: <ul style="list-style-type: none"> ○ Does the entity have a business strategy? ○ Auditor to understand business model and how it may be impacted. ○ Documentary evidence. • Resilience: <ul style="list-style-type: none"> ○ Ability to adjust to uncertainties from climate-related risk. ○ Considering whether quantitative information should be provided. • Risk management (including processes to identify, prioritise and monitor risks and opportunities, overall risk profile and overall risk management process): <ul style="list-style-type: none"> ○ Documentary evidence. ○ How to deal with different business segments. 	High
15	Metrics and targets - Scope 1 and 2 emissions	Yes	<ul style="list-style-type: none"> • Reminding auditors that NGERs calculation methodology adopted but covers the entity and its controlled entities, not the CER groups. 	Low
16	Metrics and targets - Scope 3 emissions	Yes	<ul style="list-style-type: none"> • Reasonableness of assumptions in estimates. • What are key assumptions to disclose (e.g. assumptions underlying assumptions)? • Considerations for use of information from third party data sources • Information and assurance received and provided through the value chain. • Availability of data and estimates of Scope 3 emissions - when is there significant uncertainty or a limitation on scope? • Possible references in considering reasonableness of entity's approach for financed emissions (eg PCAF). 	Medium



Consultation Paper

Assurance over climate-related financial disclosures and other sustainability information—Australian specific considerations

No.	Topic area	Mandatory AUASB climate framework matters	Matters that might be covered in a local announcement (subject to final legislation, final AUASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
17	Metrics and targets - Scope 1, 2 and 3 emissions	Yes	<ul style="list-style-type: none"> Whether auditor should consider adequacy of disclosure about inconsistent measurement bases across borders. 	Low
18	Metrics and targets – Climate-related metrics	Yes	<ul style="list-style-type: none"> Whether the auditor should challenge the entity’s choice of industry metrics, and relevance of the industry classifications. For climate-related considerations factoring into executive remuneration and percentage of remuneration for current year: <ul style="list-style-type: none"> Approach to non-disclosure. How to address indirect impacts through other criteria. How reflected in audited remuneration information in directors’ report. 	High
19	Scenario analysis	Yes	<ul style="list-style-type: none"> Appropriateness of scenarios, assumptions and disclosures. Completeness and accuracy of key assumptions and uncertainties disclosures. When is there significant uncertainty or a limitation on scope? 	High
20	Strategy - Transition plans	Yes	<ul style="list-style-type: none"> Appropriateness of disclosures and assumptions (e.g. future technology). Completeness and accuracy of key assumptions and uncertainties disclosures. When is there significant uncertainty or a limitation on scope? 	High
21	Strategy – Transition plans	Yes	<ul style="list-style-type: none"> Auditor to challenge assumptions and estimates. Planned vs management intention. Assumptions on future new technologies. Whether to take carbon credits and offsets into account 	Medium
22	Forward looking information	Yes	<ul style="list-style-type: none"> Assurance over forward-looking information, disclosure of assumptions, uncertainties. Applying materiality in context of overall GPFR. Considerations for assessing when uncertainties impact on opinion. Consider approach to uncertainties early in COVID-19 pandemic. 	High
23	Disclosure exemptions	Yes	<ul style="list-style-type: none"> Challenging appropriateness of using disclosure exemptions: <ul style="list-style-type: none"> Exemption from quantification of financial impact of strategy where current or anticipated effects not separately identifiable or measurement uncertainty so high that information not useful. Exemption based on the skills, capabilities and resources available to the entity. Proportionality exemption based on ‘shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort’ 	High
24	Comparatives for first year	Yes	<ul style="list-style-type: none"> The audit report may need to be modified in relation to comparative information if no assurance or a lower level of assurance in prior year. 	Low
25	Auditor’s report(s)	Yes	<ul style="list-style-type: none"> Subject to final legislation, provide examples for auditor’s opinions and auditor’s reports. 	High



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No.	Topic area	Mandatory IAASB climate framework matters	Matters that might be covered in a local pronouncement (subject to final legislation, final IAASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
			<ul style="list-style-type: none">• Subject to final standards from the IAASB, consider inconsistent opinions under ASAE 3410 vs ISSA 5000 ED.	
26	Public sector	No	<ul style="list-style-type: none">• Public sector considerations such as:<ul style="list-style-type: none">○ Social vs investor users.○ Pre-acceptance in ISSA 5000 ED is not applicable where only one body can be the auditor.	Low
27	Quality management and ethics standards	No	<ul style="list-style-type: none">• Meaning of 'at least as demanding' under ISA 5000 for voluntary assurance.	Medium
28	Greenwashing – misleading and deceptive	No	<ul style="list-style-type: none">• Role of auditor in identifying potentially misleading and deceptive information on auditor's report and obligations to report suspected contraventions of the <i>Corporations Act 2001</i> to ASIC.	Medium