

Response Template for
EXPOSURE DRAFT OF
Proposed ED ISSA 5000, General Requirements for Sustainability Assurance Engagements

Guide for Respondents

Comments are requested by **December 1, 2023**. *Note that requests for extensions of time cannot be accommodated due to the accelerated timeline for finalization of this proposed standard.*

This template is for providing comments on the Exposure Draft of proposed International Standard on Sustainability Assurance Engagements™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* (ED-5000), in response to the questions set out in the Explanatory Memorandum to ED-5000. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
 - Respond directly to the questions.
 - Provide the rationale for your answers. If you disagree with the proposals in ED-5000, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
 - Identify the specific aspects of ED-5000 that your response relates to, for example, by reference to sections, headings or specific paragraphs in ED-5000.
 - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the “**Submit Comment**” button on the [ED-5000 webpage](#) to upload the completed template.

Responses to IAASB’s Request for Comments in the Explanatory Memorandum for ED-5000, General Requirements for Sustainability Assurance Engagements

PART A: Respondent Details and Demographic information

Your organization’s name (or your name if you are making a submission in your personal capacity)	Australian Auditing and Assurance Standards Board (AUASB)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Doug Niven – AUASB Chair
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Matthew Zappulla Rene Herman
E-mail address(es) of contact(s)	mzappulla@auasb.gov.au rherman@auasb.gov.au
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on ED-5000). Select the most appropriate option.	Asia Pacific
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.	Jurisdictional/ National standard setter
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	
Should you choose to do so, you may provide overall views or additional background to your submission. Please note that this is optional. The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to ED-5000).	

Information, if any, not already included in responding to the questions in Parts B and C:

PART B: Responses to Questions in in the Explanatory Memorandum for ED-5000

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Overall Questions

1. Do you agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 to which your detailed comments, if any, relate (use a heading for each relevant item).

(See Explanatory Memorandum Section 1-A, paragraph 14)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

Other than our strong disagreement with the approach to quality management and ethics in ED-5000 (see response to Question 4 below), the AUASB agrees that ED-5000 can be used as a global baseline for accountants. However, the AUASB considers that ED-5000 would not be very accessible or easily understood by non-accountants with no knowledge of the IAASB Standards.

While the AUASB is generally supportive of ED-5000, the AUASB anticipates a number of practical challenges that will be faced in implementing ISSA 5000 in Australia. While our detailed observations are included in the responses to each question below, we highlight the following key matters for IAASB consideration:

- Question 4: Relevant Ethical and Quality Management Standards
- Question 7: Differentiation of Limited and Reasonable Assurance
- Question 8: Preliminary Knowledge of Engagement Circumstances
- Question 15: Experts
- Question 16: Forward Looking information
- Question 25: Other information, others in the eco-system, guidance, sustainability competency

Para 14 of the Explanatory Memorandum (EM) deals with all sustainability topics and aspects of topics; all mechanisms for reporting; any suitable criteria; all intended users; Limited and reasonable assurance; use by all practitioners. The AUASB's comments on these matters are detailed below:

All sustainability topics and aspects of topics:

There is some confusion amongst Australian non-accounting practitioners regarding the scope and applicability of ED-5000. The IAASB should clarify in paragraphs 2 and 3 of ED- 5000, whether the standard would apply to contractual and voluntary assurance over sustainability information in general purpose reports in addition to assurance required over mandatory disclosures. The wording 'general purpose external reporting' in paragraph 2 of the EM indicates a much narrower focus than paragraph 2 of ED-5000. The AUASB suggests that consistent language is used across the EM and the Proposed Standard and that the term used is defined and well understood.

The title of the proposed standard, *General Requirements for Sustainability Assurance Engagements*, could imply that assurance is over whether an entity is sustainable and is taking appropriate action to be sustainable whereas it is about the disclosures made in period reports under a reporting framework. For clarity, the title could be changed to *General Requirements for Sustainability Reporting Assurance Engagements*.

It may be difficult for practitioners to achieve consistency in practice without appropriate supporting guidance material providing sufficient specificity into assurance of specific topics or aspects of topics. The AUASB suggests that the IAASB issue future standards or guidance and examples across multiple topics or aspects of topics.

All mechanisms for reporting:

The information being assured may be spread across parts of a financial report and accompanying documents. There is concern as to how the information subject to assurance will be readily identified in an assurance report. The AUASB suggests that the IAASB issues guidance to assist practitioners in this regard.

Any suitable criteria:

While the proposed standard is framework neutral, it may be difficult to achieve consistency in practice without appropriate material for common reporting frameworks (e.g., the ISSB’s S1 and S2 Framework and GRI). The AUASB suggests that the IAASB issues future standards or guidance that cover the most commonly used sustainability reporting frameworks.

All intended users:

The AUASB agrees that in principle, ED-5000 is appropriate for all intended users, however the different reporting frameworks may be applied on a mandatory and voluntary basis that can have different intended users. Assurance may also be sought on information needed for reporting by others in the entity’s value chain. Identifying the intended users will affect determining materiality both from the entity’s perspective and the practitioner’s perspective. The IAASB should develop guidance materials to aid practitioners in identifying the intended users of the assurance report.

<p><i>Public Interest Responsiveness</i></p> <p>2. Do you agree that the proposals in ED-5000 are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal? If not, why not?</p> <p>(See Explanatory Memorandum Sections 1-B, and Appendix)</p>

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

The AUASB agrees that ED-5000 has achieved the standard setting characteristics of timeliness, comprehensiveness and enforceability. However, the proposed standard is difficult for non-accountant and small practitioners to implement. The AUASB strongly suggests that in time the IAASB develop a suite of standards supporting ED-5000 and guidance to achieve appropriate outcomes and consistency in practice (refer paragraph e in the response to Question 25 below).

Specific Questions

Applicability of ED-5000 and the Relationship with ISAE 3410

3. Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?

(See Explanatory Memorandum Section 1-C)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

The AUASB agrees that the scope of and applicability of ED-5000 including when ISAE 3410 is applicable is clear from a theoretical perspective. Paragraph 2 of ED-5000 specifies that ISAE 3410 applies where a practitioner is providing a separate conclusion on a GHG statement.

However, there may be confusion where a practitioner undertakes an engagement under both ISAE 3410 and ED-5000. The AUASB understands that in some cases the practitioner is requested to provide assurance on GHG information that is both included with other sustainability information and in a separate statement. In such circumstances it may not be readily apparent to practitioners which standard should be applied (ED-5000, ISAE 3410 or ISAE 3000).

Conducting such engagements that are required to comply with multiple standards may result in duplication of effort. Specifically, the risk assessment requirements for limited assurance engagements under ED-5000 and ISAE 3410 differ, which may lead to risk procedures being performed at a different depth for the same metrics disclosed in different reports, and consequently different procedures to respond to the risks of material misstatement, despite the same level of assurance being provided.

The IAASB should consider providing further guidance for the scenarios described above. Additionally, 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.

Relevant Ethical Requirements and Quality Management Standards

4. Is ED-5000 sufficiently clear about the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management? If not, what suggestions do you have for additional application material to make it clearer?

(See Explanatory Memorandum Section 1-D)

Overall response: [No, with comments below](#)

Detailed comments (if any):

The AUASB strongly disagrees with the approach to quality management and ethics underpinning ED-5000. Our concerns are as follows:

- (a) *Imposing firm quality management and ethics through an assurance standard*: We believe that it is not appropriate for an assurance standard to ‘back door’ requirements concerning firm quality management and ethics. ED-5000 does this through requirements on the engagement leader to be a member of a firm with certain quality management and ethical requirements, and a

requirement to report compliance. Failure to report compliance with standards “at least as demanding” as ISQM1 and the Code of Ethics would result in non-compliance with ISSA 5000.

- (b) *Firm quality management should be dealt with through a separate dedicated project of the IAASB:* Ethics should be a matter solely for the IESBA which is currently developing ethical requirements for sustainability. Any reporting requirement should be about what requirements were followed and to what extent.

In particular, we are concerned that:

- I. *National standards setters may not be able to make ISSA 5000 compliant standards:* Some national sustainability assurance standard setters do not have the remit to set firm quality management and ethical requirements. These standard setters may need to remove all references to quality management and ethics from the final ISSA 5000, with the resulting standard not being ISSA compliant;
- II. *Standards for non-accountant assurance providers:* The IAASB should consider whether for assurance over a narrow piece of information requiring highly specialised technical expertise, different quality management and ethical requirements could be applied by non-accountant practitioners that are more relevant and appropriate than requirements at least as demanding as ISQM 1 and the Code of Ethics in ED-5000. For example, assurance over the entity's assessment of soil quality which requires an understanding of chemical and other properties relevant to the current and future use of soil by the entity or entities in its value chain, and the use and replacement of minerals consumed in use of the land and current levels and expected trends in salinity. This may require particular approaches to review and re-testing that are not contemplated by ISQM 1 while some elements of ISQM 1 may not be as important or relevant to this narrow piece of assurance work; and
- III. *Ethics and Quality Management “at least as demanding”:* A lack of clarity on the concept of “at least as demanding” could result in inconsistent firm quality management and ethical requirements. If the IAASB were to retain the requirements concerning firm quality management and ethics, which we do not support, the term “at least as demanding” should be sufficiently clear to avoid inconsistency in practice. For example, high level principles might be regarded as being ‘at least as demanding’ as the Code of Ethics. Alternative quality management specific to another profession might be regarded as more demanding than ISQM 1.

If the requirement on firm quality management and ethics were to remain, the IAASB should consider allowing non-accountants time to transition to those requirements which may necessitate new processes.

Definitions of Sustainability Information and Sustainability Matters

5. Do you support the definitions of sustainability information and sustainability matters in ED-5000? If not, what suggestions do you have to make the definitions clearer?

(See Explanatory Memorandum Section 1-E, paras. 27-32)

Overall response: [No, with comments below](#)

Detailed comments (if any):

The AUASB supports the definition of ‘sustainability matters’.

There may be some confusion around the interaction of the definition of “sustainability information” in paragraph 17(uu) and the statement in paragraph 4 “When the assurance engagement does not cover the entirety of the sustainability information, the term sustainability information is to be read as the

information that is subject to the assurance engagement”, and how the term is subsequently used throughout the standard.

The IAASB could integrate material from paragraph 4 into the definition of ‘sustainability information’ in paragraph 17(uu) to create a standalone definition. Thereafter, ‘sustainability information’ could be used throughout the standard when referring to all information reported by the entity and using ‘sustainability information subject to assurance’ when referring to information within the scope of the assurance engagement.

The definitions of sustainability matters and sustainability information both include a sentence referencing equivalent terms in other IAASB assurance standards. The AUASB suggests these sentences are removed from both definitions as ED-5000 is a stand-alone standard and such references may be confusing to non-accountant practitioners.

6. Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?
(See Explanatory Memorandum Section 1-E, paras. 35-36)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

Appendix 1 is critical in understanding the relationship between sustainability matters, sustainability information and disclosures and should therefore be integrated into the body of the application material.

Differentiation of Limited Assurance and Reasonable Assurance

7. Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?
(See Explanatory Memorandum Section 1-F, paras. 45-48)

Overall response: [No, with comments below](#)

Detailed comments (if any):

There is a need to further differentiate the requirements for limited assurance and reasonable assurance. While different words may be used, the differences may be too subtle, particularly for non-accountant and smaller practitioners. There could be confusion as to the nature, timing and extent of procedures expected to be applied to the sustainability information subject to assurance. This could create inconsistency in practice across assurance engagements.

This is especially the case for assurance practitioners performing a limited assurance engagement under ED-5000 who are not the auditor of the entity as they will not have the accumulated understanding of the entity and previous knowledge of risks to assist in "identifying disclosures where material misstatements are likely to arise". The AUASB suggests that the IAASB incorporates content from Appendix 3 of the Non-Authoritative EER Guidance that analyses and explains the differences between limited and reasonable assurance engagements as guidance material in ED-5000.

Australian outreach has indicated that users of assurance reports are not clear as to what limited assurance means, particularly given that limited assurance can range from 'more than inconsequential but less than reasonable assurance'. We encourage the IAASB to facilitate or develop application material or guidance in this area to increase user and practitioner understanding. Education material should cover the difference between limited and reasonable assurance, and the trust and confidence that intended users could place on each level of assurance.

It is also important to emphasise that limited assurance does not involve a higher tolerance for material misstatements and does not necessarily result in unmodified opinions where a reasonable assurance engagement would result in a modified opinion. Where there are issues with systems and processes or risks are identified, more work will be required in a limited assurance engagement which may lead to the identification of material misstatements and result in a modified opinion.

Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement

8. Is ED-5000 sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement? If not, how could the requirements be made clearer?

(See Explanatory Memorandum Section 1-F, para. 51)

Overall response: [No, with comments below](#)

Detailed comments (if any):

Before accepting an engagement, assurance providers should understand the sustainability information expected to be reported and the scope of the proposed assurance engagement. We have the following comments:

(a) *Risk of inappropriate acceptance of an engagement*

The breadth of sustainability reporting and present lack of preparedness of entities in this area, creates a risk of inappropriately taking on an assurance engagement that does not meet assurance preconditions. The IAASB should include appropriate guidance and examples in ED-5000, to reduce the risk of modified assurance reports where practitioners misjudge the preconditions for assurance being met.

The IAASB should consider noting that for the public sector, the pre-acceptance material may not be applicable if the assurance engagement is required by statute to be conducted by a government auditor.

(b) *Extent of pre-engagement work*

Application material (paragraphs A156, A157 and A192) suggests a more extensive pre-engagement activity than would ordinarily be necessary to understand the scope of an engagement over financial information. The ability to obtain information pre-engagement may also be constrained by confidentiality restrictions and it may not be practical to determine information available for the entire value chain and assurance to be demanded by those in the value chain.

Some practitioners see the ‘process to identify reporting topics’ and ‘materiality process’ in paragraph A157 as being distinct from one another, while A157 treats them as the same. Moreover, the term ‘materiality process’ is seen to imply that the pre-acceptance activity is far more extensive than identifying the scope of the information typically covered in financial assurance engagements and could result in significant unrecoverable costs. The AUASB suggests that to avoid any confusion with the practitioner’s materiality process, the IAASB uses one term: ‘process to identify reporting topics’.

The IAASB may wish to consider including an example that in large, complex engagements the process and identification of disclosures for the first time may be undertaken as a separate process. The assurance practitioner may undertake a separate assurance engagement on whether all disclosures appear to have been identified based on the information available at that time.

The IAASB should consider clarifying what constitutes sufficient knowledge about the entity’s processes, considerations when evaluating an entity’s process and how to obtain such knowledge with appropriate examples of how to evaluate this process. Chapter 4 of the EER guidance *Considering the entity’s process to identify reporting topics* has materials that could be incorporated into the application material of ED-5000.

Paragraph 25 (b) of ED-5000 requires the practitioner to determine “*that those persons who are to perform the engagement collectively have the appropriate competence and capabilities...to perform the engagement.*” Sustainability competence is a critical risk in these assurance engagements and there is significant judgement to be made in the context of complex sustainability reporting and assurance engagements. The AUASB suggests that paragraph 25(b) makes specific reference to sustainability competency and that application material emphasises the significance of this key judgment.

(c) *Planning of an accepted engagement*

Understanding the entity’s processes and the sustainability information to be disclosed and assured is fundamental to the initial planning of the engagement. The IAASB could consider the need for additional requirements in this regard.

9. Does ED-5000 appropriately address the practitioner’s consideration of the entity’s “materiality process” to identify topics and aspects of topics to be reported? If not, what approach do you suggest and why?

(See Explanatory Memorandum Section 1-F, paras. 52-55)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

Comments as per Question 8 above – both questions have been dealt with together.

Suitability and Availability of Criteria

10. Does ED-5000 appropriately address the practitioner’s evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 56-58)

Overall response: [No response](#)

Detailed comments (if any):

11. Does ED-5000 appropriately address the notion of “double materiality” in a framework-neutral way, including how this differs from the practitioner’s consideration or determination of materiality? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 59-60 and 68)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

The AUASB considers that the concept of “double materiality” is appropriately explained and clearly distinguished from the practitioner’s consideration or determination of materiality. However, there may be inconsistencies in the definition of “double materiality” across reporting frameworks. Additionally, the concept of “double materiality” is GRI focused and its use is not framework neutral.

The AUASB suggests that the IAASB provide additional examples beyond double materiality to cover different frameworks.

Materiality

12. Do you agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 65-74)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

The AUASB is supportive of the approach for the practitioner to consider materiality for qualitative disclosures and to determine materiality for quantitative disclosures. However, some Australian stakeholders found the split approach to be confusing. It was seen by some to have qualitative materiality at a lower level of consideration than quantitative materiality. Determining materiality of numerical information has a qualitative aspect as well as a quantitative aspect and it is difficult to separate the two. These stakeholders considered that the determination could be a threshold or characteristic and not necessarily a number or a percentage. The AUASB encourages the IAASB to clarify that the bifurcation approach is not intended to diminish the importance of qualitative materiality.

To aid in consistency between assurance engagements, the IAASB should provide practical guidance and examples on how to consider/determine materiality for the purpose of determining risks of material misstatement, designing further procedures and evaluating disclosures both individually and in the context of the sustainability reporting as a whole.

Additionally, the IAASB should better structure the requirements and application material by clearly separating the entity's materiality from the practitioner's performance materiality. The two types of materiality are currently intermingled particularly through the application material and this is causing confusion (for example paragraphs A273 and A274 relate to entity materiality but the placement is within the practitioner's materiality determination).

Understanding the Entity's System of Internal Control

13. Do you agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements? If not, what suggestions do you have for making the differentiation clearer and why?

(See Explanatory Memorandum Section 1-F, paras. 75-81)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

The difference in the approach for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements is not clear. Given the diversity in assurance practitioners performing sustainability assurance engagements, the AUASB suggests the requirements in ED-5000 (e.g., paragraphs 102L, 102R, 106) should provide a clearer distinction between the work effort for limited assurance and reasonable assurance rather than relying on the application material to provide clarity.

Furthermore, the table on control activities in paragraph 107 is populated for limited assurance engagements and states "if the practitioner plans to obtain evidence by testing the operating effectiveness of controls...". This may create misunderstanding as it is not clear in what circumstances the practitioner would be testing the operating effectiveness of controls and what impact this would have on other procedures in a limited assurance engagement. The AUASB suggests that these requirements are revisited by the IAASB. Illustrative examples would assist in clarifying what and how the extent of understanding would differ between a reasonable and limited assurance engagement.

Using the Work of Practitioner's Experts or Other Practitioners

14. When the practitioner decides that it is necessary to use the work of a firm other than the practitioner's firm, is ED-5000 clear about when such firm(s) and the individuals from that firm(s) are members of the engagement team, or are "another practitioner" and not members of the engagement team? If not, what suggestions do you have for making this clearer?

(See Explanatory Memorandum Section 1-G, paras. 82-87)

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

Detailed comments (if any):

15. Are the requirements in ED-5000 for using the work of a practitioner’s external expert or another practitioner clear and capable of consistent implementation? If not, how could the requirements be made clearer?

(See Explanatory Memorandum Section 1-G, paras. 88-93)

Overall response: [No, with comments below](#)

Detailed comments (if any):

While the AUASB has no concerns with the theoretical content of ED-5000, the AUASB has concerns regarding the practical implementation of the requirements of the standard as it relates to assurance by others on entities outside of the entity’s organisational boundaries as well as the expected extensive use of experts. This includes how the practitioner would be expected to:

- assess competencies and independence;
- access information and proprietary information and what this may mean for scope limitations;
- determine whether the work is adequate for the practitioner’s purposes, particularly when the other practitioner is performing work related to the entity’s value chain;
- have knowledge of sustainability subject matters and underlying context; and
- deal with unaligned reporting timeframes of entities up/down stream.

The AUASB considers that the Application Material in ED-5000 could be strengthened to encourage the use of the assurance providers own experts particularly for more complex entities/industries. The application material in ED-5000 could better reflect the expectations of the IAASB that there would be a greater use of experts owing to the complexity and breadth of sustainability information that will be reported, as well as clarifying when a practitioner’s expert is expected to be engaged. Additionally, the AUASB encourages the IAASB to strengthen requirements and guidance in relation to the use of experts more broadly, both for sustainability assurance and financial report assurance.

The IAASB should also consider giving prominence through requirements on the practitioner’s need to understand whether the expert has sufficient understanding of the assurance process.

The IAASB should consider requirements or guidance for instances where an assurance practitioner uses an expert or firm of experts in relation to information that is so significant (in materiality and/or the risks associated with that information) that the assurance practitioner should consider the quality management processes and ethical requirements applied by the expert or the expert’s firm. This may be particularly important where a team is used by the expert in undertaking their work.

In relation to the use of other practitioners, the AUASB suggests that guidance is needed to assist practitioners with the likely practical challenges in obtaining access to information external to the entity to test directly, or in determining whether the scope of the work of the other practitioner is sufficient, particularly where the entity itself has no contractual right to access this information.

Additionally, paragraph 172 (and the supporting explanatory material) of ED-5000 seems to be inconsistent with the requirements in ISA 620 (paragraphs 14 and 15). Paragraph 172 seems to focus on not reducing the assurance practitioner's responsibility if reference is made to the work of a practitioner's expert in the assurance report, whereas paragraph 14 of ISA 620 explicitly states that the auditor shall not

refer to the work of an auditor's expert unless it is specifically required by law or regulation, or it is appropriate to be included in a modified report. The AUASB suggests that this be revisited by the IAASB to consider whether the inconsistencies are intentional and appropriate.

The IAASB should consider whether assurance providers should be required to report on the use of their own experts as a means to promote the use of experts. The nature of the work of the expert, their competence and objectivity could be covered. However, there should be a statement that using the work of an expert does not in any way diminish the responsibility of the auditor and the experts should not be named.

Estimates and Forward-Looking Information

16. Do you agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 94-97)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

The AUASB considers that the high-level requirements regarding work required to be performed on estimates and forward-looking information are appropriate for an overarching standard however, practitioners have indicated that assurance conclusions over forward looking information can be challenging. They refer to the relative immaturity of reporting by many entities, the lack of established systems and processes, and availability of data from value chains.

The IAASB should highlight the importance of disclosures about estimation uncertainty and key assumptions, as well as reporting on significant limitations on scope. Where the reporting framework focuses on investors and creditors as the primary users and the assurance report covers the financial report and sustainability information as a whole, reasonable assurance that reports are free of material misstatement may be more achievable than where individual pieces of information are subject to assurance or of particular interest to particular users. Where reasonable assurance cannot be given for the reports as a whole due to issues with forward looking information in the sustainability report, this may also affect forward looking information affecting asset values in the financial statements and going concern assessments.

The AUASB suggests that application material in dealing with forward looking information (paragraph A178), needs to draw together and highlight the importance of the preconditions of the engagement, including rational purpose and a meaningful level of assurance in a limited assurance engagement as well as the importance of the entity's disclosures.

For limited assurance engagements, paragraph 134L related to estimates and forward-looking information does not require an independent evaluation of the assumptions and judgments of management. Given the potential significance of estimates and/or forward-looking information to users of sustainability information, the AUASB suggests that the requirements for performing limited assurance include some consideration by the practitioner of the appropriateness of the assumptions used by the entity.

Since estimates and forward-looking information can be highly subjective with a high degree of estimation uncertainty and can be heavily subject to management bias, the AUASB suggests the IAASB develop

support materials including examples and considerations for the practitioner, particularly in understanding what would be considered sufficient appropriate evidence to assure such information. The current application material associated with paragraphs 134L and 134R is very limited.

The AUASB would support the IAASB's considerations of a topic specific ISSA for forward looking information in the future.

Risk Procedures for a Limited Assurance Engagement

17. Do you support the approach in ED-5000 to require the practitioner to design and perform risk procedures in a limited assurance engagement sufficient to identify disclosures where material misstatements are likely to arise, rather than to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement? If not, what approach would you suggest and why?

(See Explanatory Memorandum Section 1-G, paras. 98-101)

Overall response: [No, with comments below](#)

Detailed comments (if any):

The AUASB understands that a risk-based approach for both reasonable and limited assurance is currently occurring in practice. A single risk-based approach across limited and reasonable assurance will assist in consistency in application and overall improved quality of engagements. Additionally, the risk procedures for both limited and reasonable assurance and the scope of work expected to be performed are unclear.

The AUASB considers that a risk-based approach is required for limited assurance (the same as for reasonable assurance) and that additional guidance is required on the nature, timing and extent of procedures required to be performed.

Groups and "Consolidated" Sustainability Information

18. Recognizing that ED-5000 is an overarching standard, do you agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when "consolidated" sustainability information is presented by the entity? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 102-107)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

ED-5000 provides only high-level principles that can be applied for sustainability assurance engagements for group or consolidated information. Significant judgement will be required by assurance practitioners when determining the most appropriate approach to obtaining evidence for group engagements. As such the AUASB considers there to be a strong need for a standard to be developed dealing with groups that sit under ED-5000. Such a standard may include many fundamental concepts from ISA 600 (e.g., 2-way communication with others, materiality, planning and strategy) that will need to be developed and

established for sustainability assurance. In the interim, additional guidance is needed to clarify the requirements for performing assurance over group sustainability information.

The AUASB encourages the IAASB to consider the practical challenges around access to information from outside the entity’s organisational boundary and evidence of sufficient appropriate assurance, as well as assessment of an assurer’s competencies and independence. Further the assurance provider may be asked to provide assurance on information provided to others in the entity’s value chain.

The AUASB strongly encourages the IAASB’s consideration of a topic-specific ISSA that is aligned, where relevant to the requirements of ISA 600.

Fraud

19. Do you agree that ED-5000 appropriately addresses the topic of fraud (including “greenwashing”) by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error? If not, what suggestions do you have for increasing the focus on fraud and why?

(See Explanatory Memorandum Section 1-G, paras. 108-110)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

The AUASB supports the way that fraud has been dealt with in ED-5000. There are numerous references in the requirements and application material (including various examples), at different stages throughout the engagement lifecycle, that address the practitioner’s consideration of the risks of material misstatement due to fraud and appropriate responses to actual or suspected fraud identified during the engagement.

The AUASB is supportive that the term “greenwashing” is not specifically used in the proposed standard, but rather is addressed indirectly through examples. The term greenwashing is a ‘transient’ undefined term, largely linked to climate reporting.

However, significant professional judgement will be required to identify and understand the difference between the risk of intentional fraud and misrepresentation and the risk of management bias, particularly for qualitative disclosures. The IAASB could provide additional guidance, including examples, linking intentional bias with fraud and unintentional bias with management error.

The AUASB suggests that the IAASB consider what revisions in the proposed ISA 240 should be incorporated into ED-5000 (for example – the emphasis on authenticity of documentation).

Communication with Those Charged with Governance

20. Do you support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 111-112)

Overall response: [Neither yes/no, but see comments below](#)

Detailed comments (if any):

The AUASB recognises that given the qualitative and subjective nature of many sustainability disclosures, regular and high-quality engagement between directors and assurance practitioners will be crucial to quality sustainability assurance. Paragraph A137 covers ‘what’ is communicated to management and those charged with governance. The AUASB suggests that guidance is included within the final standard on how management or those charged with governance and assurance practitioners should communicate. Additionally, the final standard should require for timely communication throughout the engagement.

Reporting Requirements and the Assurance Report

21. Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users? If not, please be specific about any matters that should not be required to be included in the assurance report, or any additional matters that should be included.

(See Explanatory Memorandum Section 1-G, paras. 116-120, 124-130)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

While the AUASB is largely supportive of the requirements in relation to reporting, further to our response to Question 7, the AUASB considers that more needs to be done to highlight the difference between the content of a limited assurance report and that of a reasonable assurance report. Feedback from Australian stakeholders indicates that users of reports do not sufficiently understand the nature of a limited assurance engagement and may not distinguish between limited assurance and reasonable assurance engagements. To reduce the expectation gap, the assurance report needs to be clearer in relation to the nature and extent of procedures performed and evidence obtained (recognising that procedures can vary widely).

Additionally, the AUASB considers the IAASB should produce multiple example reports to aid with consistency and comparability. These could include example reports that cover:

- Different reporting frameworks;
- Modifications of reports e.g., scope limitation / inherent limitations;
- Other Assurance engagement types (e.g., compliance and controls engagements); and
- Other Matter paragraphs required for the situations described in paragraphs 189-191 of ED-5000.

22. Do you agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability assurance engagement, and instead having the IAASB consider addressing this in a future ISSA? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 121-123)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

The AUASB agrees with the approach taken by the IAASB to not address the concept of “key audit matters” in the sustainability assurance report. On outreach, the AUASB heard mixed responses on this matter but on balance, the AUASB would like to see more maturity in sustainability reporting and assurance before requiring reporting key sustainability assurance matters, recognising that voluntary reporting by practitioners is not prohibited by ED-5000.

While the AUASB does not support long-form reporting being a requirement of ED-5000, the IAASB should encourage practitioners through application material to provide more detail regarding the assurance process through their reports if considered relevant to users (for example materiality).

23. For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, para. 131)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

As highlighted in our response to Question 7, limited assurance engagements are not well understood by users. Accordingly, the AUASB encourages the IAASB to facilitate or develop application material or guidance in this area to increase user and practitioner understanding. Education material should cover the difference between limited and reasonable assurance, and the trust and confidence that intended users could place on each level of assurance.

In addition, the caveat that a limited assurance engagement is substantially less than for a reasonable assurance engagement has been ‘moved up’ the assurance report compared to the IAASB’s examples for other assurance reports. The IAASB should consider consistency in the format of the assurance report with the other ISAEs.

Other Matters

24. Are there any public sector considerations that need to be addressed in ED-5000?

(See Explanatory Memorandum Section 1-I, para. 135)

Overall response: [No, with comments below](#)

Detailed comments (if any):

While ED-5000 is sector neutral and the requirements can be applied to the public sector, the AUASB encourages the IAASB to consult with INTOSAI to confirm whether there are any specific public sector matters that need to be considered within the requirements or application material of ED-5000. For example, the pre-acceptance procedures would not apply where the reports for a public sector entity are required by statute to be subject to assurance by a government auditor.

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

Overall response: [Yes, as further explained below](#)

Detailed comments (if any):

a. Other Information:

Consistency in disclosures and assumptions between the sustainability information and financial information is critical. In this regard:

- i. The AUASB agrees that ED-5000 should contain similar requirements to ISA 720 for Other Information. For listed entities, under ED-5000, the practitioner is not required to obtain and consider Other Information not available until after the date of the assurance report. The AUASB considers this to be inconsistent with policies and practices currently reflected in ISA 720 and diminishes the importance of Other Information in the context of sustainability assurance engagements.
- ii. The AUASB is conscious of the practical challenges and expectations of practitioners in relation to Other Information, particularly if the practitioner was not the financial statement auditor. Where the practitioner was not the financial statement auditor, they would need to meet/engage with the financial statement auditor or treat them as 'another practitioner' to meet the requirements of ED-5000 in relation to this Other Information. The AUASB encourages the IAASB to provide additional guidance for such a scenario.

b. Qualitative disclosures:

The guidance and examples in ED- 5000 relate almost exclusively to measurement of metrics as compared to guidance and examples related to evaluating qualitative disclosures such as the description of an entity's business. Additionally, all the procedure-specific examples in the ED-5000 relate to metrics. The AUASB suggests that the IAASB add examples to guide assurance practitioners in making often-complex evaluation judgements on qualitative disclosures.

c. Working with others in the sustainability eco-system:

The AUASB encourages the IAASB to work with other parties in the sustainability eco-system (including report preparers, directors, financial statement auditors and sustainability assurance practitioners) to educate all parties about the assurance being provided over the sustainability reporting and key concepts being used. The IAASB should continue to work with non-accounting practitioners to bridge the gap between different assurance standards with the intention of creating a truly profession agnostic standard.

d. Sustainability Competency

ED-5000 paragraph 17tt defines sustainability competence as “competence in the sustainability matters that are the subject of the sustainability assurance engagement and in their measurement or evaluation”.

Based on the breadth of subject matters including topics related to environmental, social, economic and cultural matters and the information disclosed about aspects of those topics, the AUASB considers that sustainability competence is a critical risk in these assurance engagements, and in practice we could expect that a significant depth of specialist expertise will be required for many sustainability assurance engagements.

The AUASB encourages the IAASB to strengthen the expectation of the engagement leader and team member competencies and the strong need to utilise experts throughout the conduct of these engagements beginning at the pre-conditions stage of the engagement.

e. *Guidance*

The AUASB has suggested the IAASB develop further standards and guidance in several areas throughout this submission including materiality, experts, forward looking information, limited and reasonable assurance.

The AUASB will be considering whether to issue a standard and guidance to supplement the final ISSA 5000 under the Australian climate reporting framework (governance, strategy, emissions, other metrics, scenario analysis and transition plans). This may include enhanced requirements for the use of experts, on materiality and about information and assurance received and given through value chains.

Importantly, where additional guidance and examples have been suggested throughout this submission, the AUASB strongly encourages the IAASB to revisit the underlying requirements within the standard with a view to strengthening the requirements to stand alone, lessening the need for such guidance and examples.

Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

26. Translations—Recognizing that many respondents may intend to translate the final ISSA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-5000.

Overall response: [No response](#)

Detailed comments (if any):

27. Effective Date—As explained in paragraph 138 of Section 1-I – Other Matters, the IAASB believes that an appropriate effective date for the standard would be for assurance engagements on sustainability information reported for periods beginning or as at a specific date approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISSA. If not, what do you propose and why?

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

The AUASB may amend the final Effective Date to a date earlier than being proposed by the IAASB should mandatory assurance be in place in Australia for earlier reporting periods or for the purposes of voluntary assurance.