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Sub 4 ED 01/25

1 May 2025

Mr Doug Niven
Chair
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne, Victoria, 8007
Australia

Dear Doug,

Exposure Draft 01/25 Proposed amendments to ASSA 5000 General Requirements for Sustainability Assurance Engagements and ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements

We welcome the opportunity to respond to the Auditing and Assurance Standards Board's (AUASB) Exposure Draft 01/25 Proposed amendments to ASSA 5000 General Requirements for Sustainability Assurance Engagements and ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements (the ED).

As we highlighted in our previous submission on ED 02/24 on ASSA 5010, the landscape of corporate reporting in Australia is undergoing significant transformation, driven by the introduction of new climate and sustainability standards, in response to growing investor demand for more meaningful information. Assurance is important and necessary to enhance the credibility of climate disclosures in the external market.

General comments

Deloitte supports the need for ethics (including independence) standards for sustainability reporting and assurance that contribute to increasing the level of trust and confidence in sustainability information. We acknowledge the important role that the AUASB is playing in coordination with the Australian Professional & Ethical Standards Board (APESB) to implement international assurance and ethics standards in Australia that are key in strengthening public trust in the overall sustainability reporting and assurance environment.

However, Deloitte has concerns that the proposals in the ED will not achieve the objective of building public trust. We understand that the mandatory climate reporting under the Corporations Act 2001 (the Act) prompted the AUASB to decide on the early adoption of ASSA 5000 in Australia, however in principle consider the following to be relevant considerations in responding to the ED:

- Part 5 of the IESBA Code has not been adopted in Australia, and therefore we are not supportive of it being incorporated by reference in ASSA 5000, a legal instrument, nor retrospectively applied.
- The APESB has recently exposed the adoption of Part 5 of the IESBA Code in Australia, proposing an effective date of 1 January 2026 for the *Australian Ethics Standards for Sustainability Assurance (including Independence Standards)* (the proposed AESSA).
- We are concerned that the retrospective application of the independence requirements and the practical implementation issues created as a result, together with different effective dates and transitional provisions to the proposed AESSA, will add complexity and continue to cause confusion for assurance providers, users of sustainability assurance reports and other stakeholders.

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- Deloitte's preference is to defer the application of Part 5 of the IESBA Code, remove Part 5 of the IESBA Code from ASSA 5000 and refer instead only to the *APES 110: Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110).
- We consider the independence requirements applicable to assurance engagements conducted under ASSA 5000 should align to the effective date and transitional provisions of the proposed AESSA, i.e. commencing 1 January 2026. The AESSA, when it is adopted as Part 5 of APES 110, is the standard that will contain the relevant and applicable ethical requirements. The current APES 110 applies in full in the transitional year.

We consider that by retaining Part 5 of the IESBA Code in ASSA 5000 and trying to address each of the practical independence issues raised as a result, the proposals in the ED may instead lead to potentially disproportionate outcomes such as inadvertent independence breaches, amended or qualified assurance reports, and result in confusion in the market and lack of confidence in the independence of the auditor.

For example, introducing a new concept of "inadvertent" non-compliance with respect to the proposed NAS transitional provision is inconsistent with APES 110 and the proposed AESSA and would require even further interpretation. In addition, requiring "exception" reporting in the assurance report could undermine the confidence of investors and the market in the independence of the assurance practitioner. It may also create potential breach reporting obligations under Section 307 of the Act, which would further undermine trust in the overall sustainability reporting and assurance environment.

As the assurance provider under the Act must be the same individual as the financial statement auditor, they are already required to comply with APES 110 Parts 1-3 and Parts 4A and 4B covering independence for audit and assurance engagements, as well as the auditor independence requirements of the Act. The significant additional requirements in Part 5 related to Value Chain Entities and Use of External Experts do not apply until at least 2026 as they have later effective dates.

Therefore, we consider that, on balance, the public interest may be better served by deferral of the effective date of Part 5 of the IESBA Code in line with the proposed AESSA, which would still meet the overall independence objectives, provide confidence, clarity and consistency over a transitional year, as well as provide time and due process to allow assurance practitioners and firms to implement a measured compliance response. This includes time to update firm systems of quality management, noting that the large firms operate systems on a global basis, update processes and templates, assess current non-audit services at firms and network firms (that are not yet subject to the requirements) and train staff, in order to be confident assurance practitioners are complying with the additional requirements.

If the AUASB retains references to Part 5 of the IESBA Code, we have provided our responses to the specific questions in the ED in Appendix A.

Thank you for the opportunity to provide our views. Should you wish to discuss the responses within our submission, please reach out to either of us.

Yours sincerely

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Independence & Conflicts Leader
Deloitte Touche Tohmatsu

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Appendix A – Responses to the specific questions in the ED

Questions		Deloitte Response
1.	Do you agree that the proposed amendments to introduce new transitional provisions in ASSA 5000 for certain requirements of Part 5 of the IESBA Code are appropriate, taking into account: (a) the AUASB's objective of issuing assurance standards that are consistent with IAASB standards; (b) the importance of ethical requirements in Part 5 of the IESBA Code for sustainability assurance engagements; and (c) the possible practical implications of adopting Part 5 of the IESBA Code from 1 January 2025.	Refer to our general comments. Should the AUASB retain references to Part 5 of the IESBA Code in ASSA 5000, then we agree that the proposed transitional provisions are required. In relation to the transitional provisions on non-assurance services, for the reasons outlined in our general comments, we recommend the AUASB remove the proposed "inadvertently contracted" wording and change the date of the transitional provision to apply to services commenced before 1 January 2026, to align it with the effective date of the proposed AESSA.
2.	Do you agree with the proposal to change the start date for applying ASSA 5000 to engagements other than engagements for assurance over information in sustainability reports under Chapter 2M?	We are supportive of the change to the start date of ASSA 5000 to engagements other than engagements for assurance over information in sustainability reports under Chapter 2M.
3.	In the alternative, are you of the view that the AUASB should not make the amendments referred to in Questions 1 and 2 above?	Refer to our general comments.
4.	Are there any other options that should be considered by the AUASB?	As noted in our general comments, we consider that, on balance, the independence objectives can still be achieved and the public interest may be better served by the removal of Part 5 of the IESBA Code from ASSA 5000, so as to provide confidence, clarity and consistency in the implementation of the independence requirements.
5.	If you agree with amending ASSA 5000, do you agree that the AUASB should amend ASSA 5000 as soon as possible to provide certainty to assurance practitioners and assured entities? In the alternative, should the AUASB wait for the APESB to issue a revised APES 110 before making any amendments to ASSA 5000?	We are supportive of the AUASB amending ASSA 5000 as soon as possible to address the independence issues and to give certainty and clarity to assurance practitioners, assured entities, and the market, however in our view this should not be at the risk of due process. As noted, we consider that ASSA 5000 should refer only to APES 110 and the AUASB and APESB should align the effective dates of the independence requirements, and this may require the AUASB to wait for the APESB to issue the AESSA.
6.	Do you agree with the proposal to clarify the application of AUASB standards for assurance engagements on information reported to the Clean Energy Regulator?	Yes, we are supportive of this proposal.
7.	Do you have any comments on the proposed amendments to the illustrative assurance reports in ASSA 5000, taking into account the requirements of subparagraphs 190(d)(iv) and (v) of that standard?	We are not supportive of the amendments to the proposed illustrative assurance reports in ASSA 5000. If the assurance practitioner has availed of transitional provisions or circumstances permitted in ASSA 5000 then in our view they are in compliance with the standard and should

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Questions		Deloitte Response
		be able to confirm that they are independent in accordance with the applicable requirements. On the contrary, if these disclosures are examples of non-compliance with applicable ethical standards, then breach reporting under Section 307C of the Corporations Act may also be required, further undermining confidence in the independence of the report. We suggest the illustrative assurance report wording be amended as follows: *We are independent of the Company in accordance with the applicable requirements of the Code being:* *(a) APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (APES 110); and* *(b) the provisions in Part 5 of the International Ethics Standards for Sustainability Assurance (Including International Independence Standards) issued by the International Ethics Standards Board for Accountants (Part 5 of the IESBA Code), <u>as applicable under ASSA 5000</u>.*
8.	Are there any matters that the AUASB should be aware of in connection with the proposal to amend ASA 102 to adopt the proposed revised APES 110 for non-sustainability assurance engagements with effect from financial reporting periods commencing on or after 1 January 2026?	We recommend ASA 102 be updated to refer to the revised APES 110 (including the AESSA) only after it is adopted and issued by the APESB.
9.	What are the costs and benefits of the proposals, whether quantitative or qualitative and whether financial or non-financial?	Refer to our general comments.
10.	Are there any other significant public interest matters that you wish to raise on the proposals in this exposure draft?	Following are some additional matters for the AUASB's consideration: *Scope* ASSA 5000 refers to Parts 1-3 of APES 110 as well as Part 5 the IESBA Code. However, Part 5 of the IESBA Code already includes Parts 1-3 for all sustainability assurance engagements. This is duplicative and could cause confusion. If the AUASB retain references to Part 5 of the IESBA Code then we recommend removing references to Parts 1-3 of APES 110. ASSA 5000 only refers to Part 5 of the IESBA Code and not the corresponding amendments to the IESBA Code, which are the revised glossary and other consequential amendments. This

Questions		Deloitte Response
		could result in confusion among assurance providers and possible inconsistent application. *Assurance Sustainability Fee Disclosure* There is another implementation challenge raised by the retrospective adoption of Part 5 of the IESBA Code, which is that Part 5 requires public disclosure of the sustainability assurance fee by the assurance client (paras R.5410.30 and 31). Unlike the disclosures required for the audit fee and non-audit services in Part 4A, there is no equivalent requirement in AASB 1054/60 to separately disclosure the sustainability assurance fee in the financial statements. We acknowledge this is not a standard issued by the AUASB, however it is an issue being created by the adoption of Part 5 of the IESBA Code in ASSA 5000. The auditor will be required to discuss separate disclosure of the sustainability assurance fee with each client, in order for the auditor to comply with Part 5 of the IESBA Code, in the absence of any requirement for the client to do so. If the client does not do so, then the auditor would be required to publicly disclose the fee, and this is a departure from current market practice that may create additional complexity and confusion.