

Mr Doug Niven
Chair, Auditing and Assurance Standards Board
PO Box 204
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VIC 8007

1 May 2025

Dear Mr Niven,

ED 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 your invitation to comment on the Auditing and Assurance Standards Board (AUASB)'s Exposure Draft (ED) 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 believe it would be beneficial for the AUASB to consider delaying the adoption of Part 5 of the IESBA Code to align with the effective date of international adoption. In our view, this would support international consistency and allow audit practitioners more time to thoughtfully consider, evaluate, and adapt their systems, processes, and policies to accommodate the changes introduced by Part 5 of the IESBA Code.

As further elaborated in our response to question 4, we note that audit practitioners are already required to comply with Corporations Act and APES 110 audit-level standards of independence when performing engagements for mandatory sustainability assurance under Chapter 2M and hence, we do not consider there to be a compelling reason to accelerate the adoption of Part 5.

We have responded to the questions posed in the ED in Annex 1.

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We look forward to further engagement with the AUASB as this area continues to develop. We would be pleased to discuss our comments with you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Horlin'.

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Annex 1 - Questions

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:
 - the AUASB's objective of issuing assurance standards that are consistent with IAASB standards;
 - the importance of ethical requirements in Part 5 of the IESBA Code for sustainability assurance engagements; and
 - the possible practical implications of adopting Part 5 of the IESBA Code from 1 January 2025.

1. We believe that the transitional provisions are appropriate and necessary due to Australia's early, and retrospective, adoption of Part 5 of the IESBA Code.

That said, please refer to our response to question 4 where we provide comments on the early adoption of Part 5 of the IESBA code.

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?

2. Yes, on the basis that the change in the start date for applicability of ASSA 5000 clarifies the adoption of ASSA 5000 for those engagements with 'as at' dates, postponing the adoption of ASSA 5000 until 31 December 2025 onwards.

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?

3. See response to Question 4.

4. Are there any other options that should be considered by the AUASB?

4. Yes, we kindly suggest the AUASB consider deferral of the application of Part 5 of the IESBA Code to align the effective date of international application.

The proposed requirement for audit practitioners in Australia to adopt Part 5 of the IESBA Code from 1 January 2025 - being two years in advance of their global peers - and with limited consultation and lead time to consider, evaluate and implement the required changes, presents significant practical implementation challenges for audit practitioners in Australia.

Specifically, we consider that the accelerated application date and inconsistent international application results in pressure to manage simultaneous transitions in a compressed timeframe, and to manage the complexities of applying differing requirements globally until international consistency returns.

This pressure gives rise to a heightened risk of mistakes or oversights potentially resulting in inadvertent breaches and/or failures in systems of quality management, which would not be in the public interest on the basis it would undermine stakeholder trust in the audit profession's reliability and reputation.

In our view, deferring the application of Part 5 of the IESBA Code to align with the effective international dates would allow audit practitioners adequate time to address practical implementation requirements including:

- (a) the consideration and determination, in the required level of detail, of the incremental requirements of Part 5 itself (an exercise which was anticipated to be performed at a global level over the next 12-18 months); and
- (b) the determination, design, testing and implementation of changes necessary to policies, guidance and training materials and to local and global systems and processes which are required only to be operative and effective at a local level /for a single network firm and not for all network firms.

We acknowledge that it may be perceived as optimal for ASSA 5000 and Part 5 to have aligned implementation dates, however on the basis that:

- (a) Australian audit firms and engagement teams will be subject to:
 - (i) the ethical and independence provisions of APES 110, including parts 1 to 3, part 4A and part 4B (for the mandatory sustainability engagement);
 - (ii) the auditor independence requirements of Part 2M of the Corporations Act; and
- (b) The application of APES 110 Part 4B requirements is consistent with the provision of Limited (and not Reasonable) Assurance which is required to be provided under ASSA 5010,

we do not consider there to be a compelling reason to do so, particularly given the risks noted above.

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?

5. If the adoption of Part 5 of the IESBA Code is deferred to be consistent with IESSA effective dates (as outlined in our response to question 4), the imperative to urgently issue a revised APES 110 is removed.

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?

6. Yes we agree with the proposal to clarify the adoption of ASSA 5000 for engagements required for the Clean Energy Regulator. We consider it essential to consistently adopt assurance standards for sustainability-related topics.

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?

7 We consider that independence exception reporting should not be required if there has been compliance with the transitional provisions permitted in ASSA 5000. Any confusion in compliance could affect stakeholder perception and trust, both for clients and the broader market. Clear communication and appropriate transitional measures are crucial to managing expectations and maintaining confidence in audit firms during this transition period.

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 nonsustainability assurance engagements with effect from financial reporting periods commencing on or after 1 January 2026?

8 No comment

9. What are the costs and benefits of the proposals, whether quantitative or qualitative and whether financial or non-financial?

9 As noted in our response to question 4., due to the international inconsistency created by early adoption along with limited lead time for firms to recognize and implement the necessary changes to their independence and quality management processes and systems, there is a risk of unintentional breaches and system failures which could affect stakeholder perception and trust.



10. Are there any other significant public interest matters that you wish to raise on the proposals in this exposure draft?

10. It would be beneficial for consistency in the market if the proposals in this ED were expanded to produce a standardised assurance report in accordance with the assurance timeline outlined in ASSA 5010.