

April 2023

Purpose of this publication

This publication, prepared by AUASB staff, is the third in a series, with the [first update](#) issued in October 2022 and the [second update](#) issued in February 2023. This publication is more technical in nature than the previous publications and provides an update as to key advancements in the IAASB's Proposed International Standard on Sustainability Assurance (ISSA) 5000.

IAASB development of an overarching standard for assurance on sustainability

Background

Recognising the urgency of the need for a global baseline sustainability assurance standard, in September 2022 the IAASB approved a project proposal to develop an overarching standard on sustainability assurance ISSA 5000 *General Requirements for Sustainability Assurance Engagements*. This standard is designed as a 'end to end' standard that addresses all phases of a sustainability assurance engagement. ISSA 5000 has been designed to be consistent with existing ISAE 3000¹ and ISAE 3410² but will additionally include more specific requirements and guidance in certain sustainability priority areas. The proposed standard also leverages the [IAASB's guidance for Extended External Reporting Assurance](#) issued in 2021 and incorporates targeted material from certain auditing standards to provide more robust requirements and guidance to facilitate quality sustainability assurance engagements.

Going forward, the IAASB anticipates the possibility to develop other standards in the 'ISSA' suite to provide more specificity than the overarching standard on certain aspects of a sustainability assurance engagement (for example, the use of experts, materiality and forward-looking information).

ISSA 5000

In drafting Proposed ISSA 5000, the IAASB has focused on several priority areas as agreed by the IAASB in their project proposal. These are the areas of greatest challenge in sustainability assurance engagements as identified from the IAASB's information-gathering activities and stakeholder outreach. The discussions in this publication are representative of the IAASB's thinking as of March 2023 and are still subject to further IAASB deliberations and agreement.

Refer to the Draft Proposed ISSA 5000 Requirements [\[here\]](#) and Application Material [\[here\]](#).

Note: These documents are Work-In-Progress by the IAASB as of March 2023 and the links are to the IAASB's website.

¹ ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

² ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements*

Priority Areas

Priority Areas	Proposed ISSA 5000*
The difference in work effort between limited and reasonable assurance , including sufficiency of evidence.	<ul style="list-style-type: none"> ➤ Proposed ISSA 5000 clearly distinguishes between Limited Assurance and Reasonable Assurance, particularly in relation to the practitioner's work effort for risk identification and assessment and responses to those risks. ➤ Proposed ISSA 5000 "signposts" certain requirements that are presented side-by-side in a table format to highlight the differences between Limited Assurance and Reasonable Assurance.
The suitability of the reporting criteria ,	<ul style="list-style-type: none"> ➤ The preconditions for acceptance or continuance of a sustainability assurance engagement include that the criteria to be used are suitable and will be available to the intended users. Guidance is provided on the characteristics of suitable criteria.
The scope of the assurance engagement	<p>Proposed ISSA 5000 requires an evaluation of the appropriateness of the:</p> <ul style="list-style-type: none"> ➤ Scope of sustainability information to be reported (in view of the requirements of the reporting framework); and ➤ Scope of the engagement (the extent of sustainability information subject to assurance) <p>Fundamental to these evaluations are that the entity has a reasonable basis for reporting the information and that the engagement has a rational purpose.</p>
Evidence , including the reliability of information and what constitutes sufficient appropriate evidence	<p>Proposed ISSA 5000 incorporates recent thinking on evidence from the IAASB's exposure draft on revisions to ISA 500³. Additionally, Proposed ISSA 5000 will incorporate thinking from the revised ISA 540⁴.</p>
The entity's system of internal control and its impact on the ability of the practitioner to obtain sufficient appropriate evidence.	<p>Proposed ISSA 5000 requires an understanding of the entity's control environment for Limited Assurance (some</p>

* Proposed ISSA 5000 at the time of the March 2023 IAASB meeting. These are not final determinations.

³ Proposed ISA 500 *Audit Evidence*

⁴ ISA 540 *Auditing Accounting Estimates and Related Disclosures*

Priority Areas	Proposed ISSA 5000*
	<p>components of the environment) and for Reasonable Assurance (more focus on control activities and monitoring of the system of internal control).</p> <p>Proposed ISSA 5000 acknowledges in the guidance material the maturity of the entity's processes and controls.</p>
<p>Materiality in the context of the assurance engagement, including materiality in the context of narrative and qualitative information.</p>	<p>Proposed ISSA 5000 recognises that professional judgments about materiality should not be affected by the level of assurance.</p> <p>The proposed standard provides qualitative and quantitative factors to consider when setting materiality and when evaluating identified misstatements in concluding whether a material misstatement exists.</p>

Other Challenge Areas

There are additional challenge areas which the IAASB has sought to include in this overarching standard. These challenges were raised by stakeholders, including Australian stakeholders, during the IAASB's information gathering and research activities and include use of experts, estimates including forward looking information and other information. Recognising that not all areas of concern can be dealt with immediately by the IAASB and that developing Proposed ISSA 5000 is the start of a process, the approach in these areas is outlined below.

Other Challenge Areas	Proposed ISSA 5000*
<p>Experts and other practitioners</p>	<p>Proposed ISSA 5000 clarifies which individuals form part of the engagement team and addresses the circumstances in which work of another practitioner that has already been performed for a different purpose can be used for purposes of the assurance engagement. The thinking in Proposed ISSA 5000 is aligned to the newly revised ISA 220⁵.</p> <p>A practitioner's external expert is not part of the engagement team. Accordingly, to be able to use the work of a practitioner's external expert, Proposed ISSA 5000 requires the engagement team to be sufficiently involved in the work to be performed by such expert and brings in the concepts from ISA 620⁶.</p>

* Proposed ISSA 5000 at the time of the March 2023 IAASB meeting. These are not final determinations.

⁵ ISA 220 *Quality Management for an Audit of Financial Statements and Other Historical Financial Information*

⁶ ISA 620 *Using the Work of an Auditor's Expert*

Other Challenge Areas	Proposed ISSA 5000*
Estimates, including forward looking information	Proposed ISSA 5000 incorporates thinking on estimates from ISAE 3410 updated with reference to the revised ISA 540 ⁷ .
Other Information	Reflecting that the market is expecting reasonable assurance on sustainability reporting to be comparable to audits of financial statements, ISA 720 ⁸ has been used as the basis in drafting the requirements for the practitioner's responsibilities in relation to Other Information.

Other International Developments

IOSCO Report

Further to the September 2022 the International Organization of Securities Commissions' (IOSCO) statement welcoming the IAASB's and IESBA's planned work to develop profession-agnostic standards, in March 2023 IOSCO issued a further report, again calling for timely development of ethics and assurance standards for sustainability reporting by the IESBA and the IAASB, respectively.

Refer [here](#) for the IOSCO March 2023 Report

The IOSCO report extensively elaborates on investor's views on assurance over sustainability-related information, issuers' capabilities and readiness, assurance providers' current practices and future direction and the priority areas for standard setters' consideration.

IESBA

The IESBA committed in June 2022 to taking timely action to develop fit-for-purpose, globally applicable ethics (including independence) standards as a critical part of the infrastructure needed to support transparent, relevant, and trustworthy sustainability reporting.

This recognises the fundamental role of ethics in underpinning public trust in the production, reporting and assurance of sustainability information.

In March and April 2023, the IESBA held international roundtables, including in Sydney, to obtain stakeholders' input to key ethics and independence issues relating to sustainability reporting and assurance.

To meet the objective of delivering coordinated global baseline standards for sustainability reporting and assurance, the IESBA is aiming to approve exposure drafts by Quarter 4 2023 and the final standards by Quarter 4 2024.

⁷ ISA 540 Auditing Accounting Estimates and Related Disclosures

⁸ ISA 720 The Auditor's Responsibilities Relating to Other Information

Way Forward

Through AUASB Chair Bill Edge, who is a member of the IAASB Sustainability Task Force, and discussions at AUASB meetings, the AUASB will continue to influence the IAASB's standard setting process to achieve public interest outcomes and provide the most effective base possible for a future Australian sustainability assurance standard.

The IAASB Exposure Draft for Proposed ISSA 5000 is planned to be released in the second half of 2023 with a 120-day comment period. The AUASB plans to conduct extensive outreach during the exposure period to ensure Australian feedback on the IAASB Exposure Draft is captured and shared with the IAASB. The IAASB has targeted approval of a final standard in the second half of 2024.