



AUASB Agenda Paper

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|-------------------------------|---|---------------------|-----------------|
| Title: | ISSA 5000 - Direct Assistance by Internal Audit | Date: | 28 January 2025 |
| Office of AUASB Staff: | Rene Herman Anne Waters | Agenda Item: | 3 |

Objective of Agenda Item

1. The objective of this Agenda Item is for AUASB members to decide whether to prohibit practitioners from using direct assistance from internal auditors in sustainability assurance engagements.

Question for AUASB members

| No. | Question for AUASB members |
|-----|---|
| 1 | Do AUASB members agree with the Office of the AUASB's recommendation to amend ISSA 5000 to prohibit Sustainability Assurance Practitioners from using internal auditors to provide direct assistance? |

Background

2. The AUASB issued [Consultation Paper: Prohibiting Sustainability Assurance Practitioners from Using Direct Assistance by Internal Auditors](#) in September 2024 for a 75-day comment period. Comments closed on 1 December 2024. Links to the public submissions received are available in Appendix 1. The one confidential submission was previously provided to members.
3. At its meeting on 16 December 2024 the AUASB discussed a summary of stakeholder feedback received on the Consultation Paper. The AUASB also discussed preliminary views on possible options, which appeared in the table below that appeared in the 16 December 2024 meeting papers. The arguments for and against each option in the table have not been updated.

| | Option A | Option B | Option C |
|--|--|--|---|
| | <ul style="list-style-type: none">• Issue ASSA 5000 without a prohibition on direct assistance pending further work in early 2025• In public communications indicate that the AUASB is minded to prohibit direct assistance subject to further consultation (i.e. with preparers, the IIA and the APESB). | <ul style="list-style-type: none">• Prohibit direct assistance from 1 January 2025 | <ul style="list-style-type: none">• Temporarily prohibit direct assistance from 1 January 2025 for consistency with ASA 610• The temporary prohibition would be subject to reconsideration when further information is obtained, including the APESB's decision on the matter.• The AUASB to consider a future review of the approach for sustainability reporting and financial reporting under ASA 610. |

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| | Option A | Option B | Option C |
|--------------------------|--|---|--|
| <i>Arguments for</i> | | | |
| 1 | Does not delay the finalisation of ASSA 5000. | Provides certainty to the market. | Consistency with ASA 610 in the short term and the views of many stakeholders on actual and perceived independence. |
| 2 | A final decision will be better informed and have regard to the merits of a prohibition and the compelling reasons test. | Consistent with ASA 610 and the views of many stakeholders on actual and perceived independence. | - |
| 3 | The APESB is directly responsible for auditor independence standards and will consider the matter in the first half of 2025. It would be best if AUASB members were informed of the views of APESB members when making a final decision. | - | - |
| 4 | Allows time to seek the views of preparers (e.g. G100 and AICD) and to engage further with the IIA. | - | - |
| <i>Arguments against</i> | | | |
| 1 | Does not provide certainty until the first half of 2025. | The decision will not be informed by further outreach allow for completing outreach and being informed by deliberations by APESB members. | It may not be appropriate to make a prohibition contingent on: <ul style="list-style-type: none"> • Being informed by further stakeholder outreach and by deliberations by APESB members; and • Establishing whether a prohibition would be contrary to s310 and s312 of the Act. The AUASB would need to consider whether the compelling reasons test would be met. |
| 2 | While auditors can be informed of a likely prohibition and little assurance will be required for years commencing 1 January 2025, a prohibition would only apply part way through the year commencing 1 January 2025. | - | Creates uncertainty in the market. Lack of clarity as to when the matter would be considered and resolved. |

4. While the Board did not make a final decision, the majority of Board members were tentatively in favour of Option C as this resulted in a consistent approach for financial statement audits and sustainability assurance and would not delay the issue of ASSA 5000. However some members were in favour of Option A or Option B.

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5. It was agreed that the following be undertaken before the January 2025 AUASB meeting:
- (a) Further discussions with the institute of Internal Auditors (IIA), including on:
 - a possible inconsistency of a prohibition with the *Corporations Act* 2001 (the Act); and
 - the possibility of the IIA presenting to the Board. As noted at the 2 December 2024 AUASB meeting the IIA had requested to present at an AUASB meeting before a final decision is made;
 - (b) Consultation with preparers (e.g. the G100 and AICD) to gather and understand any views; and
 - (c) Further working with APESB staff to understand the APESB's timetable for considering the matter and possible approaches.

Further work performed

Discussions with the IIA

6. The following matters were discussed in a meeting with the IIA on 8 January 2025:
- (a) The IIA will make a short presentation to the 28 January 2025 AUASB meeting, followed by questions from board members;
 - (b) The IIA's submission on the AUASB consultation paper (available [here](#)) proposes that direct assistance only be provided if in the board and internal auditor's opinions assistance would not cause detriment to the independence of the internal audit function and its ability to effectively provide internal audit assurance under the Global Internal Audit Standards;
 - (c) Benefits of allowing direct assistance highlighted by the IIA include:
 - expanding available resources for sustainability assurance engagements
 - avoiding the issues for multinationals of having inconsistent requirements and arrangements across jurisdictions;
 - external auditors being able to leverage the internal audit knowledge of the business and its systems; and
 - potential cost savings.
 - (d) While the IIA submission suggests that a prohibition on direct assistance may be in conflict with sections 310 and 312 of the Act, that would not be the case. Those provisions allow the auditor to obtain information, explanations and assistance from an officer of the audited/reviewed entity. There would only be a conflict with a provision of the Act that is a requirement, not with a provision that is permissive. A prohibition would not be in conflict with the Act because the Act permits (rather than requires) the external auditor to choose to obtain assistance or perform the work themselves;
 - (e) The IIA agrees that the specific independence requirements of the Act would **not** be an impediment to direct assistance. Subsection 324CF of the Act is contravened where an officer of an audited entity is a professional member of the external audit team. However, direct assistance would be provided by internal audit staff who are neither:
 - A professional member of the audit team – that is, someone who makes judgements on matters such as the application of accounting and auditing standards (see s324AE of the Act). Internal audit staff would work on non-judgemental areas, and the external auditor would review and take responsibility for the work and any judgements.
 - An officer of an entity – that is, someone who makes or participates in decisions affecting the whole or a substantial part of a corporation's business (see s9AD of the Act). While the external auditor could approach the CEO or CFO for direct assistance from internal

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audit, the Chief Internal Auditor and the staff performing the work for the external auditor would not be officers.

- (f) Irrespective of the AUASB's decision on direct assistance, the APESB is likely to prohibit direct assistance in APES 110 (see below). Most external auditors of information in sustainability reports would be required to comply with APES 110 as a member of one of the three largest accounting bodies; and
- (g) The IIA indicated that a prohibition on direct assistance for audits of financial reports could be retained if there were no prohibition for sustainability assurance engagements.

Discussions with the G100 and AICD

- 7. An update will be provided at the meeting on 28 January 2025 on any feedback from the G100 and AICD.

Discussions with APESB staff

- 8. Mr Channa Wijesinghe (Chief Executive Officer of the APESB) has indicated that a prohibition would apply under APES 110. The APESB did not need to consider the matter and was not expected to do so.
- 9. The prohibition on direct assistance appears in the definition of 'engagement team' in the overall principles that apply for all assurance engagements in Part 1 of APES 110. The prohibition would already apply to assurance engagements under Part 4B of APES 110. Because the new Part 5 on sustainability assurance would rely on Part 1 of APES 110, the existing over-arching prohibition would apply to sustainability assurance engagements. That is, the APESB would not need to consider creating a prohibition.

Recommendation

- 10. The Office of the AUASB recommends prohibiting direct assistance by internal audit for sustainability assurance engagements (Option B above) for the following reasons:
 - (a) Consistency with the prohibition for audits of financial reports in ASA 610 and APES 110;
 - (b) Most respondents to the AUASB consultation paper supported a prohibition;
 - (c) APES 110 already contains a prohibition on direct assistance that applies to sustainability assurance engagements and the APESB is not expected to consider a change in its position;
 - (d) Internal audit work may be used by external assurance practitioners provided it is not direct assistance (i.e. not requested by the external assurance practitioner) and is subject to appropriate review by the external assurance practitioner, etc. Together with the phasing in of assurance (see Agenda Paper 5), this may assist with concerns about capacity of external auditors to provide sustainability assurance for the purposes of reporting under the *Corporations Act 2001*.

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APPENDIX - SUBMISSIONS

The public written submissions are available at the links in the table below.

| Category | Name of Organisation |
|-----------------------------------|---|
| Audit firms | Deloitte Touche Tohmatsu |
| | KPMG Australia |
| | Pitcher Partners |
| | PricewaterhouseCoopers |
| Auditor-General | Australasian Council of Auditors General |
| Investor | Impax Asset Management Hong Kong Limited |
| Preparer | Confidential Submission |
| Industry bodies | Chartered Accountants Australia and New Zealand & CPA Australia |
| Industry bodies | Institute of Internal Auditors-Australia |
| Non-accountant assurance provider | GHD Pty Ltd |

The confidential submission is available on the Board members' area of the AUASB website.



AUASB Agenda Paper

| | | | |
|-----------------------------|---|---------------------|-----------------|
| Title: | ASSA 5000 | Date: | 28 January 2025 |
| Office of the AUASB: | Rene Herman Anne Waters Marina Michaelides See Wen Ewe | Agenda Item: | 4 |

Objective of Agenda Item

1. The objective of this agenda item is to approve ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000).

Questions for AUASB members

| No. | Questions for AUASB members |
|-----|--|
| 1 | Subject to consideration of ASSA 5010 and the Explanatory Statements thereto, do AUASB members believe that the following standards and the accompanying Explanatory Statements could be approved at this meeting for issue: (a) ASSA 5000; and <u>(b) ASA 2025-2 Amendments to Australian Auditing Standards?; and</u> (b) <u>(c) ASA 101 Preamble to AUASB Standards?</u> |

Background and Previous Discussions on Topic

2. ISSA 5000 *General Requirements for Sustainability Assurance Engagements* was approved by the IAASB at its September 2024 meeting and issued in November 2024 after certification by the Public Interest Oversight Board. The IAASB voted unanimously that the changes made to ISSA 5000 since the exposure draft did not require ISSA 5000 to be re-exposed.
3. At its meeting on 16 December 2024 the AUASB discussed and agreed the following matters relevant to the drafting of ASSA 5000:
 - (a) A proposed prohibition on direct assistance from internal audit would be considered further at this meeting (see Agenda Paper 3.0);
 - (b) To refer to the current APES 110 and Part 5 of the IESBA Code as the relevant ethical requirements to be applied, and that ASSA 5000 would be updated following the expected adoption of Part 5 in APES 110; and
 - (c) Not to amend ISSA 5000 at this stage to make the AUASB the only authority in Australia to determine which standards are 'at least as demanding as ASQM 1 and the 'relevant ethical requirements'. The AUASB will first develop guidance on its approach applying the 'at least as demanding' test. This matter will be brought to a future AUASB meeting.

4. At its meeting on 16 December 2024 AUASB members indicated they are not anticipating re-exposing ISSA 5000. However the final decision on re-exposure would be made after reviewing the draft ASSA 5000 and the Basis of Conclusions covering the significant changes to the exposure draft, and whether matters raised in the AUASB submission on the exposure draft have been adequately addressed.

Final Draft Standard and Explanatory Statement

5. The final draft ASSA 5000 (Agenda Paper 4.1), draft ASA 2025-2 (Agenda Papers 4.6 to 4.6.2), [draft revised ASA 101 \(Agenda Papers 4.6 and 4.6.3\)](#), [revised ASA 101 Explanatory Statement \(Agenda Paper 4.6.4\)](#) and [ASSA 5000/ASA 2025-2](#) Explanatory Statement (Agenda Paper 4.7) are provided for the AUASB's consideration and indicative approval. The following papers are relevant to consideration of the approval of ASSA 5000:
 - (a) Proposed prohibition of Direct Assistance by Internal Audit (Agenda Paper 3.0)
 - (b) How the matters raised in the AUASB submission were addressed by the IAASB (Agenda Paper 4.2);
 - (c) Australian changes to ASSA 5000 (Agenda Paper 4.3);
 - (d) Basis of Conclusions (Agenda Paper 4.4);
 - (e) Decision on Re-exposure (Agenda Paper 4.5).
6. A proposed prohibition on a sustainability assurance practitioner using direct assurance from internal audit is covered in Agenda Paper 3-9.
7. Because the proposed ASSA 5000, ASSA 5010 (Agenda Paper 5.0), ~~and~~ ASA 2025-2 [and revised ASA 101](#) refer to each other, the Board will be asked to approve ASSA 5000, ASSA 5010, ASA 2025-2, [revised ASA 101](#) and the related Explanatory Statements together. It would be problematic to issue a standard that refers to another standard that does not yet exist.

Draft ASSA 5000

8. [Draft ASSA 5000 \(Agenda Paper 4.1\) has been "Australianised" from the international equivalent of ISSA 5000. The process that the Office of the AUASB undertook includes changing the following wording:](#)
 - [\(a\) international to Australian;](#)
 - [\(b\) enquiries to inquiries;](#)
 - [\(c\) IAASB to AUASB;](#)
 - [\(d\) ISSA to ASSA;](#)
 - [\(e\) ISRE to ASRE;](#)
 - [\(f\) ISAE to ASAE;](#)
 - [\(g\) ISQM to ASQM;](#)
 - [\(h\) IESBA to APESB;](#)
 - [\(i\) financial statements to financial reports; and](#)
 - [\(j\) converting US spelling to UK spelling.](#)

These changes are performed automatically by macros therefore they will not be marked. The mark-up in Agenda Paper 4.1 are changes that the Office of the AUASB put through manually relating to Australian specific amendments.

9. Despite the mark-up in Agenda Paper 4.1, the paragraph numbering of draft ASSA 5000 is consistent with ISSA 5000 as Australian specific amendments are marked as “Aus” paragraphs.
10. The Board is asked to approve ASSA 5000 subject to the following minor changes compared to Agenda Paper 4.1:
 - (a) Para 18 – Definition of ‘The Code’ – use ‘the Code’ and amend text to [The text in paragraph Aus 18.1 applies.]
 - (b) Para 18 – Definition of ‘Engagement team’ – amend text to [Deleted by AUASB and replaced by the text appearing in paragraph Aus 18.2]
 - (c) Para 18 – Definition of ‘Relevant ethical requirements’ – amend text to [Deleted by AUASB and replaced by text appearing in paragraph Aus 18.3]
 - (d) Para Aus 18.1 – Add to the start of the paragraph – ‘The definition of ‘the Code is:’
 - (e) Para Aus 18.2 – Add to the start of the paragraph – ‘The definition of ‘Engagement team’ is:’
 - (f) Para Aus 18.3 – Add to the start of the paragraph – ‘The definition of ‘Relevant ethical requirements’ is:’
 - (g) Paragraph 34 – the word “for” will be replaced by “or”. Para Aus 18.3 will be updated to include a similar reference to the Corps Act provisions.
 - (h) Paragraph 42 will be replaced by “[Deleted by the AUASB. Refer Aus 42.1 and Aus 42.2.]”.

The Office of the AUASB will fix formatting and numbering issues and perform quality review of the final draft before submitting it to the Federal Register of Legislation.

Materials Presented

| Agenda Paper | Description |
|--------------|---|
| 4.1 | Proposed ASSA 5000 <i>General Requirements for Sustainability Assurance Engagements</i> |
| 4.2 | Agenda Paper – How matters raised in AUASB submission were addressed by the IAASB |
| 4.3 | Agenda Paper – Australian changes to ISSA 5000 |
| 4.4 | Agenda Paper – ASSA 5000 Basis for Conclusions |
| 4.4.1 | Draft ASSA 5000 Basis for Conclusions |
| 4.4.2 | ISSA 5000 Basis for Conclusions |
| 4.5 | Agenda Paper – ISSA 5000 Decision on Re-exposure |
| 4.6 | Agenda Paper – Conforming Amendments |
| 4.6.1 | Proposed ASA 2025-2 <i>Amendments to Australian Auditing Standards</i> |
| 4.6.2 | Amendments to non-Corporations Act Standards |

AUASB Agenda Paper

| Agenda Paper | Description |
|--------------|--|
| 4.6.3 | Revised ASA 101 <i>Preamble to AUASB Standards</i> |
| 4.6.4 | ASA 101 Explanatory Statement |
| 4.7 | ASSA 5000 and ASA 2025-2 Explanatory Statement |

ASSA 5000
(February 2025)

Standard on Sustainability Assurance

ASSA 5000

General Requirements for Sustainability Assurance Engagements

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

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This Standard on Sustainability Assurance is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ASSA 5000

The AUASB issues Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make [Auditing Standards on Sustainability Assurance](#) for the purposes of the corporations legislation. These [Auditing Standards on Sustainability Assurance](#) are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Standard on Sustainability Assurance ~~establishes requirements and provides application and other explanatory material regarding~~ [represents](#) the Australian equivalent of *ISSA 5000 General Requirements for Sustainability Assurance Engagements*. ~~This Standard on Sustainability Assurance contains differences from ISSA 5000, is a new overarching standard for assurance on sustainability reporting that is:~~

- [Responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements;](#)
- [Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and](#)
- [Implementable by all assurance practitioners.](#)

New Standard on Sustainability Assurance

This Standard on Sustainability Assurance is a new pronouncement of the AUASB and accordingly does not supersede a pre-existing Standard on Sustainability Assurance.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Standard on Sustainability Assurance is to be read in conjunction with ASA 101 *Preamble to AUASB Standards*, which sets out how AUASB Standards are to be understood, interpreted and applied.

Dated: <TypeHere>

D Niven
Chair - AUASB

Conformity with International Standards on Sustainability Assurance

This Standard on Sustainability Assurance conforms with International Standard on Sustainability Assurance ISSA 5000 *General Requirements for Sustainability Assurance Engagements* issued by the International Auditing and Assurance Standards Board (~~IAASB~~), ~~an independent standard-setting board of the International Federation of Accountants (IFAC)~~.

Paragraphs that have been added to this Standard on Sustainability Assurance (and do not appear ~~or~~ appear differently in/from the text of the equivalent ISSA) are identified with the prefix “Aus”.

The following ~~introductory and~~ requirements ~~paragraphs~~ and definitions are additional to or have been amended from ISSA 5000:

| Paragraph | Summary of Change |
|---------------------------------------|--|
| Aus 6.1 | Replaces ISSA 5000 introductory paragraph 6 to introduce APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (APESB) and provisions in Part 5 of the International Ethics Standards for Sustainability Assurance (Including International Independence Standards). |
| Aus 18.1 | Paragraph added to introduce the definition of the Code. |
| Aus 18.2 | Replaces the definition of engagement team to prohibit the use of internal auditors to provide direct assistance in a sustainability assurance engagement. |
| Aus 18.3 | Replaces definition of relevant ethical requirements to include APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (APESB) and provisions in Part 5 of the International Ethics Standards for Sustainability Assurance (Including International Independence Standards). |
| Aus 18.4 | Paragraph added to explain the different bridge the gap between the terminologies used in the Corporations Act 2001 and the definitions in the AUASB Standards. |
| Aus 42.1 and Aus 42.2 | These e-revised paragraphs prohibits the use of internal auditors to provide direct assistance in a sustainability assurance engagement. |

The following application and other explanatory material is additional to or amended from ISSA 5000:

| Paragraph | Summary of Change |
|---------------------|---|
| A29 | The paragraph is deleted as direct assistance by internal auditors is prohibited in Australia. |

This Standard on Sustainability Assurance incorporates terminology and definitions used in Australia. Compliance with this Standard on Sustainability Assurance enables compliance with ISSA 5000.

STANDARD ON SUSTAINABILITY ASSURANCE ASSA 5000

General Requirements for Sustainability Assurance Engagements

Application

Aus 0.1 This Standard on Sustainability Assurance (ASSA) applies to assurance engagements on:

- (a) sustainability information in a sustainability report for a financial year in accordance with the *Corporations Act 2001* (the Act);
- (b) sustainability information where the engagement is held out to have been conducted in accordance with this ASSA; and
- (c) sustainability information for any other purpose, except where:
 - (i) ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* (ASAE 3410) is required to be applied; or
 - (ii) the engagement is not for the purpose of giving an opinion or conclusion to any person other than the party(ies) responsible for the underlying subject matter.

Aus 0.2 This ASSA also applies, as appropriate, to assurance on other sustainability information.

Operative Date

Aus 0.3 Subject to paragraph Aus 0.4, this ASSA is effective for assurance engagements on sustainability information reported:

- (a) For periods beginning on or after 1 January 2025; or
- (b) As at a specific date on or after 1 January 2025.

Earlier application of this ASSA is permitted, except where ASAE 3410 is required to be applied.

Aus 0.4 For assurance engagements on sustainability information in a sustainability report under Chapter 2M of the Act for a financial year commencing from 1 January 2025 to 30 June 2030, this ASSA applies as specified in *Australian Sustainability Assurance Standard ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*.

Introduction

1. This Australian Standard on Sustainability Assurance (ASSA) deals with assurance engagements on sustainability information.
2. For purposes of this ASSA, sustainability information is information about sustainability matters. An entity's disclosures about such matters may relate to several different topics (e.g., climate, labour practices, biodiversity) and aspects of topics (e.g., risks and opportunities, metrics and key performance indicators). Law or regulation or sustainability reporting frameworks may describe sustainability matters, topics or aspects of topics in different ways, and may also provide requirements or guidance for the entity in determining the sustainability information to be reported. (Ref: Para. A1, A21–A22, A43, Appendix 1)

3. Sustainability information is reported in accordance with the criteria. This ASSA requires the practitioner to evaluate whether the criteria that the practitioner expects to be applied in the preparation of the sustainability information are suitable for the engagement circumstances. In the absence of indications to the contrary, framework criteria that are embodied in law or regulation or are established by authorised or recognised organisations that follow a transparent due process are presumed to be suitable. (Ref: Para. A2, A197)
4. The criteria may specify a process by which the entity identifies sustainability matters to be reported, including the application of materiality in identifying such matters and the reporting boundary. In this ASSA, “the entity’s process to identify sustainability information to be reported” refers to the process applied by the entity to determine the sustainability matters to be reported in the sustainability information and the reporting boundary. (Ref: Para. A3)
5. The scope of the assurance engagement may extend to all of the sustainability information to be reported by the entity or only part of that information. For example, some jurisdictions may require the entirety of the sustainability information to be reported in accordance with an established framework to be subject to assurance. However, in certain jurisdictions, law or regulation may require that only climate-related disclosures in an entity’s sustainability information be subject to assurance. The reporting requirements of this ASSA require the practitioner to identify or describe the information that is subject to the assurance engagement. (Ref: Para. A4)
6. This ASSA is premised on the basis that: (Ref: Para. A5)

(a) ~~[Deleted by the AUASB. Refer Aus 6.1.]~~

Aus 6.1(a) The members of the engagement team and the engagement quality reviewer (for those engagements where one has been appointed) are subject to the applicable requirements of APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (APESB) and the provisions in Part 5 of the International Ethics Standards for Sustainability Assurance (Including International Independence Standards)~~the provisions of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) related to sustainability assurance engagements~~ and applicable legislative or other requirements, or professional requirements, or requirements in law or regulation, that are at least as demanding; and (Ref: Para. A6–A7)

~~(a)~~(b) The practitioner who is performing the engagement is a member of a firm that is subject to ASQM 1,¹ or professional requirements, or requirements in law or regulation, regarding the firm’s responsibility for its system of quality management, that are at least as demanding as ASQM 1. (Ref: Para. A8–A11)

7. Quality management within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognised as being in the public interest and an integral part of high-quality assurance engagements. When a practitioner performs a sustainability assurance engagement in accordance with this and other ASSAs, it is important to recognise that this ASSA includes requirements that reflect the premises described in paragraph 6. (Ref: Para. A5–A11)

¹ See ASQM 1 *Quality Management for Firms That Perform Audits or Reviews of Financial Reports, or Other Assurance or Related Services Engagements*.

Scope of this ASSA

8. ~~Subject to the exceptions in paragraph Aus 0.1, this ASSA applies to all assurance engagements on sustainability information. This ASSA applies to all types of sustainability information, regardless of how that information is presented. (Ref: Para. A12–A14)~~
9. This ASSA deals with both reasonable and limited assurance engagements. Unless otherwise stated, each requirement of this ASSA applies to both reasonable and limited assurance engagements. Because the level of assurance obtained in a limited assurance engagement is substantially lower than in a reasonable assurance engagement, the procedures the practitioner will perform in a limited assurance engagement will vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. (Ref: Para. A15)
10. The *Framework for Assurance Engagements* notes that an assurance engagement may be either an attestation engagement or a direct engagement. This ASSA deals only with attestation engagements. Therefore, references in this ASSA to "assurance engagement" or "engagement" mean an attestation engagement.

Relationship with ASAE 3000 (Revised)²

11. This ASSA is an overarching standard that includes requirements and application material for all elements of a sustainability assurance engagement. Accordingly, the practitioner is not required to apply ASAE 3000 (Revised) when performing the engagement.

Relationship with the Audited Financial Report

12. This ASSA does not address sustainability information that is required to be included in the entity's financial report in accordance with the applicable financial reporting framework. The auditor of the entity's financial report is required to apply the Australian Standards on Auditing to such information.
13. Sustainability information may be presented together with the entity's audited financial report, for example, as a part of the entity's annual report or in a separate document or documents accompanying the annual report. In these circumstances, the audited financial reports are considered other information for purposes of this ASSA.

Scalability

14. This ASSA is intended for assurance engagements on sustainability information of all entities, regardless of size or complexity. However, the requirements of this ASSA are intended to be applied in the context of the nature and circumstances of the engagement.

Effective Date

- ~~15. [Deleted by the AUASB. Refer Aus 0.3] This ASSA is effective for assurance engagements on sustainability information reported:~~
- ~~16. For periods beginning on or after December 15, 2026; or~~
- ~~17. As at a specific date on or after December 15, 2026.~~
- ~~15. Earlier application of this ASSA is permitted.~~
- ~~18.~~

² See ASAE 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

Objectives

~~19~~16. In conducting a sustainability assurance engagement, the objectives of the practitioner are:

- (a) To obtain reasonable assurance or limited assurance, as applicable, about whether the sustainability information is free from material misstatement;
- (b) To express a conclusion on the sustainability information through a written report that conveys a reasonable assurance or a limited assurance conclusion, as applicable, and describes the basis for the conclusion; and
- (c) To communicate further as required by this ASSA and any other relevant ASSA.

~~20~~17. In all cases when reasonable assurance or limited assurance, as applicable, cannot be obtained and a qualified conclusion in the practitioner's assurance report is insufficient in the circumstances for purposes of reporting to the intended users, this ASSA requires the practitioner to disclaim a conclusion or withdraw from the engagement, where withdrawal is possible under applicable law or regulation.

Definitions

~~21~~18. For the purposes of this Standard on Sustainability Assurance, the following terms have the meanings attributed below:

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| Analytical procedures | Evaluations of sustainability information through analysis of plausible relationships among both quantitative and qualitative data. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount. |
| Another practitioner | <p>A firm, other than the practitioner's firm, that performs work that the practitioner intends to use for purposes of the sustainability assurance engagement and the practitioner is unable to be sufficiently and appropriately involved in that work.</p> <p>For purposes of the ASSAs:</p> <ul style="list-style-type: none"> (a) The work of another practitioner that the practitioner may intend to use for purposes of the sustainability assurance engagement is performed in the context of a separate engagement. (b) Individuals from another practitioner who perform the work are not members of the engagement team as they are not performing procedures on the sustainability assurance engagement. Such individuals are also not practitioner's experts. (c) References to using the work of another practitioner include, when applicable, work performed by individuals from that other firm. |
| Applicable criteria | The criteria used for the particular sustainability assurance engagement. |

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| Appropriate party(ies) | Management or those charged with governance, as appropriate, or the engaging party, if different. |
| Assertions | Representations by the entity, explicit or otherwise, that are embodied in the sustainability information, as used by the practitioner to consider the different types of potential misstatements that may occur. (Ref: Para. A16R) |
| Assurance engagement | <p>An engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users about the sustainability information. Each assurance engagement is either a:</p> <p>(a) Reasonable assurance engagement – An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner’s conclusion. The practitioner’s conclusion is expressed in a form that conveys the practitioner’s opinion on the outcome of the measurement or evaluation, including presentation and disclosure, of the sustainability matters against the applicable criteria; or</p> <p>(b) Limited assurance engagement – An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner’s attention to cause the practitioner to believe the sustainability information is materially misstated. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the practitioner’s professional judgement, meaningful. To be meaningful, the level of assurance obtained by the practitioner is likely to enhance the intended users’ confidence about the sustainability information to a degree that is clearly more than inconsequential.</p> |
| Assurance skills and techniques | Planning, evidence gathering, evidence evaluation, communication and reporting skills and techniques demonstrated by an assurance practitioner that are distinct from the expertise in sustainability matters or their evaluation or measurement. |
| Attestation engagement | An assurance engagement in which a party other than the practitioner measures or evaluates the sustainability matters against the applicable criteria. |
| <u>The Code</u> | [Inserted by the AUASB. Refer Aus 18.1.] |
| Comparative information | The sustainability information presented for one or more prior periods. |
| Component | An entity, business unit, function or business activity, or some combination thereof, within the reporting boundary, determined by |

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| | the practitioner for purposes of planning and performing the sustainability assurance engagement. (Ref: Para. A17) |
| Component practitioner | A firm that performs assurance work related to a component for purposes of the sustainability assurance engagement, and the practitioner is able to be sufficiently and appropriately involved in that work. References to a component practitioner include, when applicable, individuals from that firm. The individuals from a component practitioner who perform the work are members of the engagement team. (Ref: Para. A18–A19) |
| Criteria | <p>The benchmarks used to measure or evaluate the sustainability matters. Criteria comprise either framework criteria, entity-developed criteria or both. Framework criteria are either fair presentation criteria or compliance criteria. (Ref: Para. A20, A195)</p> <p>The term “fair presentation criteria” is used to refer to a sustainability reporting framework that requires compliance with the requirements of the framework and: (Ref: Para. A528–A529)</p> <ul style="list-style-type: none"> (a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the sustainability information, it may be necessary for management to provide information beyond that specifically required by the framework; or (b) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the sustainability information. Such departures are expected to be necessary only in extremely rare circumstances. <p>The term “compliance criteria” is used to refer to a sustainability reporting framework that requires compliance with the requirements of the framework but does not contain the acknowledgments in (a) or (b) above.</p> |
| Disclosure(s) | Sustainability information about an aspect of a topic. (Ref: Para. A21–A22) |
| Engagement circumstances | The broad context defining the particular assurance engagement, which includes: the terms of the engagement; the scope of the engagement and whether it is a reasonable assurance engagement or a limited assurance engagement; the characteristics of the sustainability matters; the applicable criteria; the information needs of the intended users; relevant characteristics of the entity and its reporting boundary; the characteristics of the entity’s management and those charged with governance; and other matters that may have a significant effect on the engagement. |
| Engagement leader | The partner or other individual, appointed by the firm, who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, when required, has the appropriate authority from a professional, legal or regulatory body. “Engagement leader” should be read as referring to its public sector equivalents where relevant. (Ref: Para. A23–A24) |

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| Engagement risk | The risk that the practitioner expresses an inappropriate conclusion when the sustainability information is materially misstated. (Ref: Para. A25–A27R) |
| Engaging party | Management, those charged with governance, or another party, that engages the practitioner to perform the assurance engagement. |
| Engagement quality review | An objective evaluation of the significant judgements made by the engagement team and the conclusions reached thereon, performed by the engagement quality reviewer and completed on or before the date of the assurance report. |
| Engagement quality reviewer | A partner, other individual in the firm, or an external individual, appointed by the firm to perform the engagement quality review. |
| Engagement team | [Deleted by the AUASB. Refer Aus 18.2.] The engagement leader and other personnel performing the engagement, and any other individuals who perform procedures on the engagement, excluding a practitioner's external expert and internal auditors who provide direct assistance on the engagement. (Ref: Para. A28–A29) |
| Entity | The legal entity, economic entity, or the identifiable portion of a legal or economic entity, or combination of legal or other entities or portions of those entities, to which the sustainability information relates. (Ref: Para. A30) |
| Evidence | Information, after applying assurance procedures, that the practitioner uses to draw conclusions that form the basis for the practitioner's assurance conclusion and report. Sufficiency of evidence is the measure of the quantity of evidence. Appropriateness of evidence is the measure of the quality of evidence. |
| Firm | A sole practitioner, partnership or corporation or other entity of individual practitioners. "Firm" should be read as referring to its public sector equivalents where relevant. (Ref: Para. A31) |
| Fraud | An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage. (Ref: Para. A32–A33) |
| Further procedures | Procedures, including tests of controls and substantive procedures, performed in response to assessed risks of material misstatement. |
| Group | A reporting entity for which group sustainability information is prepared. (Ref: Para. A34) |
| Group sustainability assurance engagement | An assurance engagement on group sustainability information. |

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| Group sustainability information | Sustainability information that includes the sustainability information of more than one entity or business unit in accordance with the criteria. (Ref: Para. A35) |
| Historical financial information | Information expressed in financial terms in relation to a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods, or about economic conditions or circumstances at points in time in the past. |
| Intended users | The individual(s) or organisation(s), or group(s) thereof, that the practitioner expects will use the sustainability assurance report. In some cases, there may be intended users other than those to whom the sustainability assurance report is addressed. (Ref: Para. A36–A38) |
| Internal audit function | A function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity's governance, risk management and internal control processes. |
| Management | The person(s) with executive responsibility for the conduct of the entity's operations. For some entities in some jurisdictions, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner–manager. |
| Management's expert | An individual or organisation possessing expertise in a field other than assurance, whose work in that field is used by the entity to assist the entity in preparing the sustainability information. |
| Misstatement | A difference between the disclosure(s) and the appropriate measurement or evaluation of the sustainability matters in accordance with the applicable criteria. Misstatements can arise from error or fraud, may be qualitative or quantitative, and include omitted information or information that obscures the presentation of the disclosures. (Ref: Para. A417, A473, A479) |
| Misstatement of the other information | A misstatement of the other information exists when the other information is incorrectly stated or otherwise misleading (including because it omits or obscures information necessary for a proper understanding of a matter disclosed in the other information). |
| Network | A larger structure: (a) That is aimed at cooperation, and (b) That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality management policies or procedures, common business strategy, the use of a common brand name, or a significant part of professional resources. |
| Network firm | A firm or entity that belongs to the firm's network. |
| Non-compliance with laws and regulations | Acts of omission or commission, intentional or unintentional, committed by the entity, or by those charged with governance, by management or by other individuals working for or under the direction of the entity, which are contrary to the prevailing laws or |

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| | regulations. Non-compliance does not include personal misconduct unrelated to the business activities of the entity. |
| Other information | Information not subject to the assurance engagement included in a document or documents containing the sustainability information subject to the assurance engagement and the assurance report thereon. |
| Partner | Any individual with authority to bind the firm with respect to the performance of a professional services engagement. (Ref: Para. A39) |
| Performance materiality | The amount or amounts set by the practitioner at less than the amount or amounts determined to be material for a quantitative disclosure to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in that disclosure is material. |
| Personnel | Partners and staff in the firm. |
| Practitioner | The individual(s) conducting the engagement (usually the engagement leader or other members of the engagement team, or, as applicable, the firm). Where this ASSA expressly intends that a requirement or responsibility be fulfilled by the engagement leader, the term “engagement leader” rather than “practitioner” is used. |
| Practitioner’s expert | An individual or organisation possessing expertise in a field other than assurance, whose work in that field is used by the practitioner to assist in obtaining sufficient appropriate evidence. A practitioner’s expert may be either a practitioner’s internal expert (who is a partner or staff, including temporary staff, of the practitioner’s firm or a network firm), or a practitioner’s external expert. |
| Professional judgement | The application of relevant training, knowledge, and experience, within the context provided by assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement. |
| Professional scepticism | An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence. |
| Professional standards | Australian Standards on Sustainability Assurance (ASSAs) and relevant ethical requirements. |
| Relevant ethical requirements | [Deleted by the AUASB. Refer Aus 18.3.] Principles of professional ethics and ethical requirements that are applicable to practitioners when undertaking assurance engagements on sustainability information. Relevant ethical requirements comprise the provisions of the IESBA Code related to sustainability assurance engagements, together with national requirements that are more restrictive, or professional requirements or requirements in law or regulation that an appropriate authority has determined to be at least as demanding as the provisions of the IESBA Code related to sustainability assurance engagements. (Ref: Para. A62–A63) |

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| Reporting boundary | <p>Activities, operations, relationships or resources to be included in the entity's sustainability information.</p> <p>For purposes of the ASSAs, the reporting boundary is determined in accordance with the applicable criteria. (Ref: Para. A40–A41)</p> |
| Risk of material misstatement | The risk that the sustainability information is materially misstated prior to the engagement. |
| Risk assessment procedures | <p>The procedures designed and performed to:</p> <ul style="list-style-type: none"> (a) In a limited assurance engagement, identify and assess the risks of material misstatement, whether due to fraud or error, at the disclosure level; and (b) In a reasonable assurance engagement, identify and assess the risks of material misstatement, whether due to fraud or error, of the disclosures at the assertion level. |
| Staff | Professionals, other than partners, including any experts the firm employs. |
| Substantive procedures | Procedures designed to detect material misstatements. Substantive procedures comprise tests of details and analytical procedures. (Ref: Para. A42) |
| Sustainability competence | Competence in the sustainability matters that are the subject of the sustainability assurance engagement and in their measurement or evaluation. |
| Sustainability information | <p>Sustainability information – Information about sustainability matters. (Ref: Para. A43)</p> <p>For purposes of the ASSAs:</p> <ul style="list-style-type: none"> (a) Sustainability information results from measuring or evaluating sustainability matters against the criteria. (b) Sustainability information that is the subject of the assurance engagement is the equivalent of “subject matter information” in other AUASB assurance standards. (c) References to “sustainability information to be reported” are intended to relate to the entirety of the sustainability information to be reported by the entity, and are used primarily in the context of the practitioner's preliminary knowledge of the engagement circumstances. (d) If the assurance engagement does not cover the entirety of the sustainability information reported by the entity, the term “sustainability information” is to be read as the information that is subject to assurance. (Ref: Para. A44) |
| Sustainability matters | Environmental, social, governance or other sustainability-related matters as defined or described in law or regulation or relevant |

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| | <p>sustainability reporting frameworks, or as determined by the entity for purposes of preparing or presenting sustainability information.</p> <p>For purposes of the ASSAs, sustainability matters being measured or evaluated in accordance with the criteria are the equivalent of “underlying subject matter” in other AUASB assurance standards. (Ref: Para. A45–A46)</p> |
| System of internal control | <p>The system designed, implemented and maintained by those charged with governance, management and other entity personnel to provide reasonable assurance about the achievement of an entity’s objectives with regard to sustainable business activities and the reliability of sustainability reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations related to sustainability matters.</p> <p>The term “controls” refers to policies or procedures that an entity establishes to achieve the control objectives of management or those charged with governance, relating to any aspects of one or more of the components of the system of internal control.</p> |
| Those charged with governance | <p>The person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the sustainability reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner–manager.</p> |
| Uncorrected misstatements | <p>Misstatements that the practitioner has accumulated during the assurance engagement and that have not been corrected.</p> |

- [Aus 18.1](#) [Parts 1 to 3 of APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\) issued by the Accounting Professional & Ethical Standards Board and the provisions in Part 5 of the International Ethics Standards for Sustainability Assurance \(Including International Independence Standards\).](#)
- [Aus 18.2](#) [The engagement leader and other personnel performing the engagement, and any other individuals who perform procedures on the engagement, excluding a practitioner’s external expert. \(Ref: Para. A28–A29\).](#)
- [Aus 18.3](#) [Principles of professional ethics and ethical requirements that are applicable to practitioners when undertaking assurance engagements on sustainability information. Relevant ethical requirements comprise the Code related to sustainability assurance engagements, together with applicable legislative or other requirements that are more restrictive, or professional requirements or requirements in law or regulation that an appropriate authority has determined to be at least as demanding as the provisions of the Code related to sustainability assurance engagements. \(Ref: Para. A62–A63\)](#)
- [Aus 18.4](#) [For the avoidance of doubt, the following terms used in this standard are to be read as having the same meaning as the terms used in the Act shown in the table below when conducting an audit or review of information in a sustainability report under Chapter 2M of the Act:](#)

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| <u>Term(s) in the Act</u> | <u>Term(s) in AUASB Standards</u> |
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| <u>Lead auditor (for the sustainability report)</u> | <u>Engagement leader</u> |
| <u>Auditor</u> | <u>Firm</u> |
| <u>Review (noun)</u> | <u>Limited assurance engagement</u> |
| <u>Lead auditor (for the sustainability report) or other professional members of the audit team conducting the audit or review, or, as applicable, the auditor.</u> | <u>Practitioner</u> |
| <u>Audit (noun)</u> | <u>Reasonable assurance engagement</u> |
| <u>Audit (noun) or review (noun), as applicable.</u> | <u>Sustainability assurance engagement</u> |

Requirements

Conduct of an Assurance Engagement in Accordance with the ASSAs

Complying with Standards that Are Relevant to the Engagement

- 22.19.** The practitioner shall comply with this ASSA and any other ASSAs relevant to the engagement. (Ref: Para. A47)
- 23.20.** The practitioner shall not represent compliance with this or any other ASSAs unless the practitioner has complied with the requirements of this ASSA and any other ASSAs relevant to the engagement. (Ref: Para. A47–A48)

Text of an ASSA

- 24.21.** The practitioner shall have an understanding of the entire text of an ASSA, including its application and other explanatory material, to understand its objectives and to apply its requirements properly. (Ref: Para. A49–A54)

Complying with Relevant Requirements

- 25.22.** The practitioner shall comply with each requirement of this ASSA and any other relevant ASSAs unless, in the circumstances of the assurance engagement, the requirement is not relevant because it is conditional and the condition does not exist. Requirements that apply to only limited assurance or reasonable assurance engagements have the letter “L” (limited assurance) or “R” (reasonable assurance), respectively, after the paragraph number. When a requirement applies to both limited and reasonable engagements, but in a differential manner, such requirements have been presented in a columnar format with the “L” (limited assurance) and “R” (reasonable assurance) designations. (Ref: Para. A55)
- 26.23.** In exceptional circumstances, the practitioner may judge it necessary to depart from a relevant requirement in an ASSA. In such circumstances, the practitioner shall perform alternative procedures to achieve the aim of that requirement. The need for the practitioner to depart from a relevant requirement is expected to arise only when the requirement is for a specific procedure to be performed and, in the specific circumstances of the assurance engagement, that procedure would be ineffective in achieving the aim of the requirement. (Ref: Para. A56)

Documentation of a Departure from a Relevant Requirement

27:24. If, in exceptional circumstances, the practitioner judges it necessary to depart from a relevant requirement in this ASSA or any other ASSAs, the practitioner shall document how the alternative procedures performed achieve the aim of that requirement, and the reasons for the departure. (Ref: Para. A57)

Failure to Achieve an Objective

28:25. If an objective in this ASSA or any other ASSAs relevant to the engagement cannot be achieved, the practitioner shall evaluate whether this requires the practitioner to modify the practitioner's conclusion or withdraw from the assurance engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective in this or any other relevant ASSA represents a significant matter requiring documentation in accordance with paragraph 69.

Acceptance and Continuance of the Assurance Engagement

29:26. The practitioner shall accept or continue the engagement only when:

- (a) The practitioner has no reason to believe that relevant ethical requirements, including independence, will not be satisfied; (Ref: Para. A58–A64)
- (b) The practitioner has determined that those persons who are to perform the engagement collectively have the appropriate competence and capabilities, including having sufficient time, to perform the engagement; and
- (c) The basis upon which the engagement is to be performed has been agreed, by:
 - (i) Establishing that the preconditions for an assurance engagement are present (see also paragraph 76); and
 - (ii) Confirming that there is a common understanding between the practitioner and the engaging party of the terms of the engagement, including the practitioner's reporting responsibilities (see also paragraph 85).

30:27. If the engaging party imposes a limitation on the scope of the practitioner's work in the terms of a proposed engagement such that the practitioner believes the limitation will result in the practitioner disclaiming a conclusion on the sustainability information, the practitioner shall not accept such an engagement as an assurance engagement, unless required by law or regulation to do so.

31:28. The engagement leader shall determine that the firm's policies or procedures for the acceptance and continuance of client relationships and assurance engagements have been followed and that conclusions reached in this regard are appropriate in accepting the engagement in accordance with paragraph 26. (Ref: Para. A65–A67)

32:29. If the engagement leader obtains information that may have caused the firm to decline the engagement had that information been known by the firm prior to accepting or continuing the client relationship or specific engagement, the engagement leader shall communicate that information promptly to the firm, so that the firm and the engagement leader can take the necessary action.

Firm-level Quality Management

33:30. The engagement leader shall be a member of a firm that applies: (Ref: Para. A68–A72)

- (a) ASQM 1; or

- (b) Professional requirements, or requirements in law or regulation, that an appropriate authority has determined to be at least as demanding as ASQM 1. (Ref: Para: A73–A74)

Engagement-level Quality Management

Overall Responsibility for Managing and Achieving Quality

34.31. The engagement leader shall take overall responsibility for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement such that the engagement leader has the basis for determining whether the significant judgements made, and the conclusions reached, are appropriate given the nature and circumstances of the engagement. (Ref: Para. A75–A79)

35.32. If the engagement leader assigns the design or performance of procedures, tasks or actions related to a requirement of this ASSA to other members of the engagement team to assist the engagement leader in complying with the requirements of this ASSA, the engagement leader shall continue to take overall responsibility for managing and achieving quality on the engagement through direction and supervision of those members of the engagement team, and review of their work. (Ref: Para. A80)

Characteristics of the Engagement Leader

36.33. The engagement leader shall have: (Ref: Para. A81–A83)

- (a) Competence and capabilities in assurance skills and techniques developed through extensive training and practical application;
- (b) An understanding of the relevant ethical requirements, including those related to independence, that are applicable given the nature and circumstances of the assurance engagement; and
- (c) Sustainability competence sufficient to accept responsibility for the conclusions reached on the engagement.

Relevant Ethical Requirements, Including Those Related to Independence

37.34. The practitioner shall comply with relevant ethical requirements, including those related to independence, that comprise: (Ref: Para. A58–A61, A64)

- (a) The provisions of the Code related to sustainability assurance engagements, together with any applicable legislative for other national requirements that are more restrictive, including the relevant requirements in Chapter 2M of the Corporations Act 2001 in the case of an engagement for assurance over information in a sustainability report under that Act; or
- (b) Professional requirements, or requirements in law or regulation, that an appropriate authority has determined to be at least as demanding as the provisions of the Code related to sustainability assurance engagements. (Ref: Para: A62–A63)

38.35. The engagement leader shall take responsibility for other members of the engagement team having been made aware of relevant ethical requirements that are applicable given the nature and circumstances of the engagement, and the firm's related policies or procedures, including those that address: (Ref: Para. A84–A85)

- (a) Identifying, evaluating and addressing threats to compliance with relevant ethical requirements, including those related to independence;

- (b) Circumstances that may cause a breach of relevant ethical requirements, including those related to independence, and the responsibilities of members of the engagement team when they become aware of breaches; and
- (c) The responsibilities of members of the engagement team when they become aware of an instance of non-compliance with laws and regulations by the entity.

~~39.36.~~ If matters come to the engagement leader's attention that indicate that a threat to compliance with relevant ethical requirements exists, the engagement leader shall evaluate the threat through complying with the firm's policies or procedures, using relevant information from the firm, the engagement team or other sources, and take appropriate action. (Ref: Para. A85–A86)

~~40.37.~~ Throughout the engagement, the engagement leader shall remain alert, through observation and making enquiries as necessary, for evidence of breaches of relevant ethical requirements by members of the engagement team. If matters come to the engagement leader's attention through the firm's system of quality management or otherwise that indicate that members of the engagement team have breached relevant ethical requirements, the engagement leader, in consultation with others in the firm, shall determine the appropriate action. (Ref: Para. A86)

Assurance Skills and Techniques, Professional Scepticism and Professional Judgement

~~41.38.~~ The practitioner shall apply assurance skills and techniques as part of an iterative, systematic engagement process.

~~42.39.~~ The practitioner shall plan and perform the engagement with professional scepticism, recognising that circumstances may exist that cause the sustainability information to be materially misstated. (Ref: Para. A87–A92)

~~43.40.~~ The practitioner shall exercise professional judgement in planning and performing the engagement, including determining the nature, timing and extent of procedures. (Ref: Para. A93–A95)

Engagement Resources

~~44.41.~~ The engagement leader shall determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement. (Ref: Para. A96–A97)

~~42.~~ [Deleted by the AUASB. Refer Aus 42.1]

Aus 42.1 The engagement leader shall determine that members of the engagement team, and any practitioner's external experts ~~and internal auditors who provide direct assistance~~, collectively have the appropriate sustainability competence, competence and capabilities in assurance skills and techniques, and sufficient time, to perform the engagement. (Ref: Para. A98–A102)

Aus 42.2 The practitioner shall not use internal auditors to provide direct assistance on the sustainability assurance engagement. This extends to the use of internal auditors for direct assistance for components in the context of a group sustainability assurance engagement.

~~45.43.~~ If the practitioner intends to obtain evidence from using the work of a firm other than the practitioner's firm, the engagement leader shall determine whether the engagement leader will be able to be sufficiently and appropriately involved in such work. When the engagement leader: (Ref: Para. A103–A106)

- (a) Is able to be sufficiently and appropriately involved in that work, that firm is a component practitioner and the individuals performing the work are part of the engagement team. In such circumstances, the practitioner shall apply paragraphs 46–49 with respect to that work;
- (b) Is unable to be sufficiently and appropriately involved in that work, that firm is another practitioner, and the practitioner shall apply paragraphs 50–55 with respect to that work.

~~46.44.~~ If, as a result of complying with the requirements in paragraphs 41–43, the engagement leader determines that resources assigned or made available are insufficient or inappropriate in the circumstances of the engagement, the engagement leader shall take appropriate action, including communicating with appropriate individuals in the firm about the need to assign or make available additional or alternative resources to the engagement. (Ref: Para. A107–A109)

~~47.45.~~ The engagement leader shall take responsibility for using the resources assigned or made available to the engagement team appropriately, given the nature and circumstances of the engagement. (Ref: Para. A110)

Direction, Supervision and Review

~~48.46.~~ The engagement leader shall take responsibility for the direction and supervision of the members of the engagement team and the review of their work. (Ref: Para. A111–A116)

~~49.47.~~ The engagement leader shall determine that the nature, timing and extent of direction, supervision and review is: (Ref: Para. A117–A118)

- (a) Planned and performed in accordance with the firm’s policies or procedures, professional standards and applicable legal and regulatory requirements; and
- (b) Responsive to the nature and circumstances of the engagement and the resources assigned or made available to the engagement team by the firm.

~~50.48.~~ The engagement leader shall review engagement documentation at appropriate points in time during the engagement, including documentation relating to: (Ref: Para. A119–A121, A173)

- (a) Significant matters;
- (b) Significant judgements, including those relating to difficult or contentious matters identified during the engagement, and the conclusions reached; and
- (c) Other matters that, in the engagement leader’s professional judgement, are relevant to the engagement leader’s responsibilities.

~~51.49.~~ The engagement leader shall review, prior to their issuance, formal written communications to management, those charged with governance or regulatory authorities. (Ref: Para. A122)

Using the Work of Others

Using the Work of Another Practitioner

~~52.50.~~ If the practitioner intends to obtain evidence from using the work of another practitioner, the practitioner shall: (Ref: Para. A123–A124)

- (a) Comply with relevant ethical requirements that apply to using the work of another practitioner; (Ref: Para. A125–A126)
- (b) Evaluate whether that practitioner has the necessary competence and capabilities for the practitioner’s purposes; (Ref: Para. A127)

- (c) Evaluate whether the nature, scope and objectives of that practitioner's work are appropriate for the practitioner's purposes; and (Ref: Para. A128)
- (d) Determine whether the evidence obtained from that practitioner's work is adequate for the practitioner's purposes. (Ref: Para. A124)

53.51. In making the evaluation in accordance with paragraph 50(c) and determination in accordance with paragraph 50(d), if the practitioner plans to use an assurance report of another practitioner that has been designed for use by user entities and their assurance practitioners across a value chain (referred to in this ASSA as a one-to-many report), the practitioner shall determine whether that assurance report provides sufficient appropriate evidence for the practitioner's purposes by evaluating: (Ref: Para. A129–A131, A291)

- (a) Whether the description of the procedures performed and the results thereof are appropriate for the practitioner's purposes; and
- (b) The adequacy of the standard(s) under which the assurance report was issued.

54.52. If the practitioner intends to obtain evidence about the operating effectiveness of controls in accordance with paragraphs 119R or 120L, as applicable, the practitioner shall determine whether any complementary user entity controls identified in a one-to-many or other assurance report of another practitioner are relevant to the user entity. (Ref: Para. A130)

55.53. In making the determination in accordance with paragraph 50(d), the practitioner shall, to the extent necessary in the circumstances, communicate with another practitioner about the findings from another practitioner's work. (Ref: Para. A132–A133)

56.54. The practitioner shall determine whether, and the extent to which, it is necessary to review additional documentation of the work performed by another practitioner. (Ref: Para. A134)

57.55. If the practitioner determines that the evidence obtained from the work of another practitioner is not adequate for the practitioner's purposes, including when the practitioner is unable to obtain information to make that determination or when the practitioner is not satisfied that communications with another practitioner are adequate for the practitioner's purposes, the practitioner shall:

- (a) Determine whether the practitioner is able to obtain sufficient appropriate evidence through performing alternative procedures; and
- (b) If sufficient appropriate evidence cannot be obtained through performing alternative procedures, consider the implications for the engagement, including whether a scope limitation exists. (Ref: Para. A135)

Using the Work of a Practitioner's Expert

58.56. If the practitioner plans to use the work of a practitioner's expert, the practitioner shall: (Ref: Para. A136–A140)

- (a) Evaluate whether the expert has the necessary competence, capabilities and objectivity for the practitioner's purposes; (Ref: Para. A141–A145)
- (b) When evaluating the objectivity of a practitioner's external expert, enquire regarding interests and relationships that may create a threat to that expert's objectivity; (Ref: Para. A145–A147)
- (c) Obtain a sufficient understanding of the field of expertise of the expert to determine the nature, scope and objectives of that expert's work for the practitioner's purposes; and (Ref: Para. A148–A149)

- (d) Agree with the expert, in writing when appropriate, on:
 - (i) The nature, scope and objectives of that expert's work; and (Ref: Para. A149–A150)
 - (ii) The respective roles and responsibilities of the practitioner and that expert, including the nature, timing and extent of communication between the practitioner and expert. (Ref: Para. A138–A139)

~~59.~~57. The practitioner shall evaluate the adequacy of the practitioner's expert's work for the practitioner's purposes, including: (Ref: Para. A137; A151)

- (a) The relevance and reasonableness of that expert's findings or conclusions, and their consistency with other evidence obtained by the practitioner;
- (b) If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances; and
- (c) If that expert's work involves the use of source data that is significant to that expert's work, the relevance, completeness, and accuracy of that source data.

~~60.~~58. If the practitioner determines that the work of the practitioner's expert is not adequate for the practitioner's purposes, the practitioner shall:

- (a) Agree with that expert on the nature and extent of further work to be performed; or
- (b) Perform additional procedures appropriate to the circumstances.

Using the Work of the Internal Audit Function

~~61.~~59. If the practitioner plans to use the work of the internal audit function, the practitioner shall: (Ref: Para. A152–A154)

- (a) Evaluate the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors;
- (b) Evaluate the level of competence of the internal audit function, including in sustainability matters and applicable criteria;
- (c) Evaluate whether the internal audit function applies a systematic and disciplined approach, including a system of quality control;
- (d) Determine whether, and to what extent, to use specific work of the internal audit function; and
- (e) Determine whether that work is adequate for the practitioner's purposes.

Communications Among Those Involved in the Engagement

~~62.~~60. The engagement leader shall take responsibility for determining that communications take place at appropriate times throughout the engagement among the engagement team and, as applicable, practitioner's external experts and the internal audit function. (Ref: Para. A155–A159)

Consultation

~~63.~~61. The engagement leader shall take responsibility for the engagement team undertaking consultation on:

- (a) Difficult or contentious matters and matters on which the firm's policies or procedures require consultation; and
- (b) Other matters that, in the engagement leader's professional judgement, require consultation.

Engagement Quality Review

~~64.~~62. For those engagements for which an engagement quality review is required in accordance with ASQM 1 or the firm's policies or procedures, the engagement leader shall discuss significant matters and significant judgements arising during the engagement, including those identified during the engagement quality review, with the engagement quality reviewer.

Monitoring and Remediation

~~65.~~63. The engagement leader shall: (Ref: Para. A160–A161)

- (a) Consider information from the firm's monitoring and remediation process, as communicated by the firm, including, as applicable, information from the monitoring and remediation process of the network and across the network firms; and
- (b) Determine whether the information may affect the engagement and, if so, take appropriate action.

Fraud and Non-Compliance with Laws and Regulations

~~66.~~64. The practitioner shall maintain professional scepticism throughout the engagement, recognising the possibility that a material misstatement due to fraud could exist, notwithstanding the practitioner's past experience of the honesty and integrity of the entity's management and those charged with governance. (Ref: Para. A162)

~~67.~~65. The practitioner shall remain alert to the possibility that procedures performed during the engagement may bring instances of non-compliance or suspected non-compliance with laws and regulations to the practitioner's attention.

~~68.~~66. In the absence of identified or suspected non-compliance, the practitioner is not required to perform procedures regarding the entity's compliance with laws and regulations, other than those set out in paragraphs 65 and 111–112.

~~69.~~67. If the practitioner identifies fraud or suspected fraud, or instances of non-compliance or suspected non-compliance with laws and regulations, the practitioner shall determine whether law, regulation or relevant ethical requirements: (Ref: Para. A163–A165, A434)

- (a) Require the practitioner to report to an appropriate authority outside the entity; or
- (b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

Communication with Management and Those Charged with Governance

~~70.~~68. The practitioner shall communicate with management or those charged with governance, on a timely basis during the engagement, significant matters that, in the practitioner's professional judgement, merit the attention of management or those charged with governance, as appropriate. (Ref: Para. A166–A170)

Documentation

Overarching Documentation Requirements

Form, Content and Extent of Engagement Documentation

~~71.~~69. The practitioner shall prepare, on a timely basis, engagement documentation that provides a record of the basis for the assurance report that is sufficient and appropriate to enable a practitioner experienced in sustainability assurance, having no previous connection with the assurance engagement, to understand: (Ref: Para. A171–A173)

- (a) The nature, timing and extent of the procedures performed to comply with this ASSA, other relevant ASSAs and applicable legal and regulatory requirements;
- (b) The results of the procedures performed, and the evidence obtained; and
- (c) Significant matters arising during the assurance engagement, the conclusions reached thereon, and significant professional judgements made in reaching those conclusions. (Ref: Para. A174–A176)

~~72.~~70. In documenting the nature, timing and extent of procedures performed, the practitioner shall record: (Ref: Para. A177–A178)

- (a) The identifying characteristics of the specific items or matters tested;
- (b) Who performed the assurance engagement work and the date such work was completed; and
- (c) Who reviewed the assurance engagement work performed and the date and extent of such review.

~~73.~~71. The engagement documentation shall also include discussions of significant matters with management, those charged with governance and others, including the nature of the significant matters discussed, and when and with whom the discussions took place. (Ref: Para. A179)

Assembly of the Final Engagement File

~~74.~~72. The practitioner shall assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the assurance report. After the assembly of the final engagement file has been completed, the practitioner shall not delete or discard engagement documentation of any nature before the end of its retention period. (Ref: Para. A180–A182)

~~75.~~73. In circumstances other than those envisaged in paragraph 212, when the practitioner finds it necessary to modify existing engagement documentation or add new engagement documentation after the assembly of the final engagement file has been completed, the practitioner shall, regardless of the nature of the modifications or additions, document:

- (a) The specific reasons for making them; and
- (b) When and by whom they were made and reviewed.

Documentation Related to Quality Management

~~76.~~74. The practitioner shall include in the engagement documentation: (Ref: Para. A183)

- (a) Issues identified with respect to compliance with relevant ethical requirements and how they were resolved;

- (b) Conclusions about compliance with independence requirements that apply to the engagement, and any relevant discussions with the firm that support these conclusions;
- (c) Conclusions reached regarding the acceptance and continuance of client relationships and assurance engagements, including with respect to the preconditions for an assurance engagement; and
- (d) The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement.

Preconditions for an Assurance Engagement

Establishing Whether the Preconditions Are Present

~~77.~~75. The practitioner shall obtain a preliminary knowledge of the engagement circumstances, including: (Ref: Para. A184)

- (a) The sustainability information to be reported; and
- (b) Whether the scope of the proposed assurance engagement encompasses all or part of the sustainability information in (a). (Ref: Para. A185)

~~78.~~76. In order to establish whether the preconditions for an assurance engagement are present, based on the preliminary knowledge of the engagement circumstances and discussion with the appropriate party(ies), the practitioner shall: (Ref: Para. A184, A186–A187)

- (a) Consider whether the entity has a process to identify sustainability information to be reported; (Ref: Para. A187)
- (b) Evaluate whether the roles and responsibilities of management, those charged with governance and the engaging party, if different, are suitable in the circumstances. In doing so, the practitioner shall also evaluate whether management, or those charged with governance, when appropriate, have a reasonable basis for the sustainability information; and (Ref: Para. A186(a), A188–A191)
- (c) Evaluate whether the engagement exhibits all of the characteristics in paragraphs 77–80.

Appropriate Sustainability Matters

~~79.~~77. The practitioner shall evaluate whether the sustainability matters within the scope of the engagement are appropriate. In doing so, the practitioner shall consider whether those sustainability matters are identifiable and capable of consistent measurement or evaluation against the applicable criteria, such that the resulting sustainability information can be subjected to procedures for obtaining sufficient appropriate evidence. (Ref: Para. A192–A193)

Suitability and Availability of Criteria

~~80.~~78. The practitioner shall evaluate whether the criteria that the practitioner expects to be applied in the preparation of the sustainability information are suitable for the engagement circumstances and will be available to the intended users. In doing so, the practitioner shall:

- (a) Evaluate whether there are criteria for all of the sustainability information subject to the assurance engagement; (Ref: Para. A194)
- (b) Identify the sources of the criteria, including whether they are framework criteria, entity–developed criteria or a combination of both; (Ref: Para. A195–A198, A331)
- (c) Evaluate whether the criteria exhibit the following characteristics: (Ref: Para. A199–A201, A332–A335)

- (i) Relevance; (Ref: Para. A336–A337)
 - (ii) Completeness; (Ref: Para. A338)
 - (iii) Reliability; (Ref: Para. A339)
 - (iv) Neutrality; and (Ref: Para. A340–A341)
 - (v) Understandability; and (Ref: Para. A342)
- (d) Evaluate whether and how the criteria will be made available to the intended users. (Ref: Para. A202)

Evidence to Support the Practitioner’s Conclusion and Form of Conclusion

81.79. The practitioner shall determine whether

- (a) The practitioner expects to be able to obtain the evidence needed to support the practitioner’s conclusion; and (Ref: Para. A203–A206L)
- (b) The practitioner’s conclusion, in the form appropriate for the engagement, is to be contained in a written report.

Rational Purpose

82.80. The practitioner shall determine whether the engagement exhibits a rational purpose. In doing so, the practitioner shall determine whether: (Ref: Para. A207–A208)

- (a) In the case of a limited assurance engagement, the practitioner expects to be able to obtain a meaningful level of assurance; (Ref: Para. A209L–A211L)
- (b) The engagement as a whole will be useful and not misleading to intended users; and
- (c) The scope of the assurance engagement is appropriate, including when the scope of the assurance engagement excludes part of the sustainability information to be reported. (Ref: Para. A212–A217)

Deciding Whether to Accept or Continue the Assurance Engagement

83.81. If the preconditions for an assurance engagement are not present, the practitioner shall discuss the matter with the engaging party. If changes cannot be made to meet the preconditions, the practitioner shall not accept the engagement as an assurance engagement, unless required by law or regulation to do so. However, an engagement accepted under such circumstances does not comply with this ASSA. Accordingly, the practitioner shall not include any reference within the assurance report to the engagement having been conducted in accordance with this ASSA or any other ASSAs.

Preconditions Not Present After Acceptance

84.82. If it is discovered after the engagement has been accepted that one or more preconditions for an assurance engagement is not present, the practitioner shall discuss the matter with the appropriate party(ies), and shall determine: (Ref: Para. A218)

- (a) Whether the matter can be resolved to the practitioner’s satisfaction;
- (b) Whether it is appropriate to continue with the engagement; and
- (c) Whether and, if so, how to communicate the matter in the assurance report.

85.83. If it is discovered after the engagement has been accepted that some or all of the applicable criteria are unsuitable or some or all of the sustainability matters are not appropriate for an assurance engagement, the practitioner shall consider withdrawing from the engagement, if withdrawal is possible under applicable law or regulation. If the practitioner continues with the engagement, the practitioner shall express a qualified or adverse conclusion, or disclaimer of conclusion, as appropriate in the circumstances. (Ref: Para. A218)

Assurance Report Prescribed by Law or Regulation

86.84. If law or regulation prescribes the layout or wording of the assurance report that is different from the requirements of the ASSAs, the practitioner shall evaluate:

- (a) Whether intended users may misunderstand the practitioner's conclusion; and
- (b) If so, whether additional explanation in the assurance report can mitigate the possible misunderstanding.

If the practitioner concludes that additional explanation in the assurance report cannot mitigate the possible misunderstanding, the practitioner shall not accept the assurance engagement, unless required by law or regulation to do so. An assurance engagement conducted in accordance with such law or regulation does not comply with this ASSA. Accordingly, the practitioner shall not include any reference in the assurance report to the assurance engagement having been conducted in accordance with this ASSA.

Terms of the Assurance Engagement

Agreeing the Terms of the Assurance Engagement

87.85. The practitioner shall agree the terms of the assurance engagement with the engaging party. The agreed terms shall be specified in sufficient detail in an engagement letter or other suitable form of written agreement, written confirmation, or in law or regulation, and shall include: (Ref: Para. A219–A222)

- (a) Matters related to the objective and scope of the assurance engagement, including:
 - (i) The objective of the assurance engagement;
 - (ii) The sustainability information within the scope of the assurance engagement, and the sustainability information that is not within the scope of the assurance engagement;
 - (iii) The reporting boundary within the scope of the assurance engagement;
 - (iv) Whether the engagement is a limited assurance engagement, reasonable assurance engagement, or a combined limited and reasonable assurance engagement and the sustainability information that is subject to each level of assurance;
 - (v) The applicable criteria; and
 - (vi) That the assurance engagement will be conducted in accordance with ASSA 5000 *General Requirements for Sustainability Assurance Engagements*.
- (b) The responsibilities of the practitioner; (Ref: Para. A221)
- (c) The responsibilities of management or those charged with governance, as appropriate for:
 - (i) The preparation of the sustainability information in accordance with the applicable criteria, including, where relevant, its fair presentation;

- (ii) When applicable, identifying, selecting or developing suitable criteria;
- (iii) Referring to or describing in the sustainability information, the applicable criteria it has used and, when it is not readily apparent from the engagement circumstances, who developed them;
- (iv) Designing, implementing and maintaining a system of internal control that it determines is necessary to enable the preparation of sustainability information in accordance with the applicable criteria that is free from material misstatement, whether due to fraud or error; and
- (v) Providing the practitioner with:
 - a. Access to all information of which management is aware that is relevant to the preparation of the sustainability information;
 - b. Additional information that the practitioner may request for the purpose of the assurance engagement; and
 - c. Unrestricted access to persons within the entity, from whom the practitioner determines it necessary to obtain evidence;
- (d) Reference to the expected form and content of the report or reports to be issued by the practitioner and a statement that there may be modifications to the report in certain circumstances; and
- (e) An acknowledgement that management agrees to provide written representations at the conclusion of the assurance engagement.

88.86. For recurring assurance engagements, the practitioner shall evaluate whether the circumstances require the terms of the assurance engagement to be revised or there is a need to remind the appropriate party(ies) of the existing terms.

Changing the Terms of the Assurance Engagement

89.87. The practitioner shall not agree to a change in the terms of the assurance engagement, including from a reasonable assurance engagement to a limited assurance engagement (i.e., to a lower level of assurance), when there is no reasonable justification for doing so. If the practitioner is unable to agree to a request to change in the terms of the assurance engagement and is not permitted by the appropriate party(ies) to continue the assurance engagement under the original terms, the practitioner shall: (Ref: Para. A223–A224)

- (a) Withdraw from the assurance engagement, when possible under applicable law or regulation; and
- (b) Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.

90.88. If the terms of the assurance engagement are changed:

- (a) The practitioner and the appropriate party(ies) shall agree on and record the new terms of the assurance engagement in an engagement letter or other suitable form of written agreement; and
- (b) The practitioner shall not disregard evidence that was obtained prior to the change.

Evidence

Designing and Performing Procedures to Obtain Sufficient Appropriate Evidence

91.89. For the purpose of obtaining sufficient appropriate evidence, the practitioner shall design and perform procedures: (Ref: Para. A225–A226)

- (a) In a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory; and (Ref: Para. A227–A228)
- (b) The nature, timing and extent of which are appropriate in the circumstances to provide evidence to meet the intended purpose of those procedures. (Ref: Para. A229–A244)

Information Intended to be Used as Evidence

92.90. When designing and performing procedures, the practitioner shall evaluate the relevance and reliability of information intended to be used as evidence, including information obtained from sources external to the entity. (Ref: Para. A245–A263)

93.91. When using information produced by the entity, the practitioner shall evaluate whether the information is sufficiently reliable for the practitioner's purposes, including, as necessary in the circumstances: (Ref: Para. A264–A265)

- (a) Obtaining evidence about the accuracy and completeness of the information; and
- (b) Evaluating whether the information is sufficiently precise and detailed for the practitioner's purposes.

Work Performed by a Management's Expert

94.92. If information intended to be used as evidence has been prepared by a management's expert, as part of the practitioner's evaluation in accordance with paragraph 90, the practitioner shall, to the extent necessary, having regard to the significance of that expert's work for the practitioner's purposes: (Ref: Para. A266)

- (a) Evaluate the competence, capabilities and objectivity of that expert; (Ref: Para. A267–A268)
- (b) Obtain an understanding of the work performed by that expert; (Ref: Para. A269)
- (c) Obtain an understanding about how the information prepared by that expert has been used by management in the preparation of the sustainability information; and (Ref: Para. A270–A271)
- (d) Evaluate the appropriateness of the work of that expert as evidence. (Ref: Para. A272)

Doubts About the Relevance and Reliability of Information Intended to be Used as Evidence

95.93. If conditions identified during the assurance engagement cause the practitioner to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the practitioner, the practitioner shall investigate further and determine the effect on the rest of the evidence obtained. (Ref: Para. A273–A275)

96.94. If the practitioner has doubts about the relevance or reliability of information intended to be used as evidence, the practitioner shall: (Ref: Para. A276)

- (a) Determine whether modifications or additions to procedures are necessary to resolve the doubts; and

- (b) If the doubts cannot be resolved, consider the effect, if any, on other aspects of the engagement, including whether such doubts indicate a risk that disclosures may be materially misstated due to fraud.

Planning

Planning Activities

- ~~97.~~95. The practitioner shall develop an overall strategy and engagement plan, including determining the nature, timing and extent of planned procedures. In doing so, the engagement leader shall consider information obtained in the acceptance and continuance process and, if applicable, whether knowledge obtained on other engagements performed by the engagement leader for the entity is relevant. (Ref: Para. A277–A287)
- ~~98.~~96. For a group sustainability assurance engagement, in developing the overall strategy and engagement plan in accordance with paragraph 95, the practitioner shall determine: (Ref: Para. A284–A291)
- (a) The sustainability information on which assurance work will be performed and the source of that information; (Ref: Para. A288)
 - (b) The resources needed to perform the engagement, including component practitioner(s); and (Ref: Para. A108, A289–A290)
 - (c) Whether to obtain evidence from the work performed by another practitioner(s). (Ref: Para. A291)
- ~~99.~~97. The engagement leader and other key members of the engagement team shall be involved in planning the assurance engagement, including participating in the discussion among the engagement team members required by paragraph 105.

Materiality

- ~~100.~~98. For purposes of planning and performing the assurance engagement, and evaluating whether the sustainability information is free from material misstatement, the practitioner shall: (Ref: Para. A292–A299)
- (a) Consider materiality for qualitative disclosures; and (Ref: Para. A300)
 - (b) Determine materiality for quantitative disclosures. (Ref: Para. A301–A305)
- ~~101.~~99. If the applicable criteria require the entity to apply both financial materiality and impact materiality in preparing the sustainability information, the practitioner shall take into account both perspectives when considering or determining materiality in accordance with paragraph 98. (Ref: Para. A306, A337)
- ~~102.~~100. For quantitative disclosures, the practitioner shall determine performance materiality. (Ref: Para. A307–A311)

Revision of Materiality as the Engagement Progresses

- ~~103.~~101. The practitioner shall revise materiality for a disclosure(s) in the event of becoming aware of information during the assurance engagement that would have caused the practitioner to have considered or determined a different materiality initially. (Ref: Para. A312)

Documentation

- ~~104.~~102. The practitioner shall include in the engagement documentation:

- (a) The factors relevant to the practitioner's consideration of materiality for qualitative disclosures in accordance with paragraph 98(a);
- (b) The basis for the determination of materiality for quantitative disclosures, in accordance with paragraph 98(b); and
- (c) The basis for the practitioner's determination of performance materiality in accordance with paragraph 100.

Risk Assessment Procedures

Designing and Performing Risk Assessment Procedures

| Limited Assurance | Reasonable Assurance |
|--|---|
| <p>103L. The practitioner shall design and perform risk assessment procedures sufficient to: (Ref: Para. A313–A318, A416L)</p> <ul style="list-style-type: none"> (a) Identify and assess risks of material misstatement, whether due to fraud or error, at the disclosure level; and (b) Design and perform further procedures. | <p>103R. The practitioner shall design and perform risk assessment procedures sufficient to: (Ref: Para. A313–A318, A415R)</p> <ul style="list-style-type: none"> (a) Identify and assess risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures; and (b) Design and perform further procedures. |

104. When designing and performing risk assessment procedures in accordance with paragraphs 103L and 103R, the practitioner shall consider information from the practitioner's procedures regarding acceptance and continuance of the client relationship or the sustainability assurance engagement. (Ref: Para. A319)
105. The engagement leader and other key members of the engagement team, and any key practitioner's external experts, shall discuss the susceptibility of the disclosures to material misstatement, whether due to fraud or error, and the application of the applicable criteria to the entity's facts and circumstances. The engagement leader shall determine which matters are to be communicated to members of the engagement team and to any practitioner's external experts not involved in the discussion. (Ref: Para. A320–A321)

Understanding the Sustainability Matters and the Sustainability Information

106. The practitioner shall obtain an understanding of the sustainability matters and the sustainability information, including the characteristics of events or conditions that could give rise to material misstatement of the disclosures. (Ref: Para. A322–A325)

Determining the Suitability of the Applicable Criteria

107. The practitioner shall determine whether the applicable criteria are suitable for the engagement circumstances, including that they exhibit the characteristics in paragraph 78. (Ref: Para. A199–A201, A326–A342)

Understanding the Entity's Reporting Policies

108. The practitioner shall obtain an understanding of the entity's reporting policies and the reason for any changes thereto. (Ref: Para. A2, A197, A343)

109. The practitioner shall evaluate whether the entity's reporting policies are appropriate and consistent with: (Ref: Para. A2, A343–A344)

- (a) The applicable criteria; and
- (b) Criteria used in the relevant industry.

Understanding the Entity and Its Environment

110. The practitioner shall obtain an understanding of the entity and its environment, including:

- (a) The nature of the entity's operations, legal and organisational structure, ownership and governance, and business model; (Ref: Para. A345–A346)
- (b) The reporting boundary and activities within the reporting boundary; and (Ref: Para. A347)
- (c) Goals, targets, or strategic objectives related to sustainability matters and measures used to assess the entity's performance or determine management compensation. (Ref: Para. A348)

Understanding the Legal and Regulatory Framework

111. The practitioner shall obtain an understanding of: (Ref: Para. A349–A351)

- (a) The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates, in the context of the entity's sustainability information; and
- (b) How the entity is complying with that framework.

Enquiries and Discussion with Appropriate Parties

112. The practitioner shall make enquiries of appropriate parties and, when appropriate, others within the entity regarding whether: (Ref: Para. A352–A353)

- (a) They have knowledge of any fraud or suspected fraud or identified or suspected non-compliance with laws and regulations affecting the sustainability information; and
- (b) The entity has an internal audit function and, if so, make further enquiries to obtain an understanding of the activities and main findings, if any, of the internal audit function with respect to the sustainability information.

Understanding the Components of the Entity's System of Internal Control

| Limited Assurance | Reasonable Assurance |
|--|---|
| 113L. The practitioner shall obtain an understanding, through enquiry, of the components of the entity's system of internal control relevant to the sustainability matters and the preparation of the sustainability information, in accordance with paragraphs 114L, 115L, 116L, 117 and 120L. (Ref: Para. A354–A359) | 113R. The practitioner shall obtain an understanding, through enquiry and other procedures, of the components of the entity's system of internal control relevant to the sustainability matters and the preparation of the sustainability information, in accordance with paragraphs 114R, 115R, 116R, 117, and 119R. (Ref: Para. A354–A356, A358–A359) |

The Control Environment

| Limited Assurance | Reasonable Assurance |
|---|--|
| 114L. The practitioner shall obtain an understanding of the entity's control environment relevant to the sustainability matters and the preparation of the sustainability information. (Ref: Para. A360, A362–A363) | <p>114R. The practitioner shall obtain an understanding of the entity's control environment relevant to the sustainability matters and the preparation of the sustainability information, including evaluating whether: (Ref: Para. A360–A363)</p> <ul style="list-style-type: none"> (a) Management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behaviour; (b) The control environment provides an appropriate foundation for the other components of the system of internal control considering the nature and complexity of the entity; and (c) Control deficiencies identified in the control environment undermine the other components of the system of internal control. |

The Entity's Risk Assessment Process

| Limited Assurance | Reasonable Assurance |
|---|--|
| 115L. The practitioner shall obtain an understanding of the results of the entity's risk assessment process relevant to the sustainability matters and the preparation of the sustainability information. (Ref: Para. A364, A366, A368) | <p>115R. The practitioner shall obtain an understanding of the entity's risk assessment process relevant to the sustainability matters and the preparation of the sustainability information, including: (Ref: Para. A364–A368)</p> <ul style="list-style-type: none"> (a) Understanding the entity's process for: <ul style="list-style-type: none"> (i) Identifying risks relevant to sustainability information reporting objectives; (ii) Assessing the significance of those risks, including the likelihood of their occurrence; and |

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| | <ul style="list-style-type: none"> (iii) Addressing those risks; (b) Understanding the results of the entity's risk assessment process; and (c) Based on the understanding in (a) and (b), evaluating whether the entity's risk assessment process is appropriate to the entity's circumstances. |
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The Entity's Process for Monitoring the System of Internal Control

| Limited Assurance | Reasonable Assurance |
|--|---|
| 116L. The practitioner shall obtain an understanding of the results of the entity's process to monitor the system of internal control relevant to the sustainability matters and the preparation of the sustainability information. (Ref: Para. A369–A370) | 116R. The practitioner shall: <ul style="list-style-type: none"> (a) Obtain an understanding of: (Ref: Para. A369–A370) <ul style="list-style-type: none"> (i) The entity's process to monitor the system of internal control relevant to the sustainability matters and the preparation of the sustainability information; and (ii) The results thereof; and (b) Based on this understanding, evaluate whether the entity's process to monitor the system of internal control relevant to the sustainability matters and the preparation of the sustainability information is appropriate to the entity's circumstances. (Ref: Para. A371R–A376R) |

The Information System and Communication

117. The practitioner shall obtain an understanding of the entity's information system and communication relevant to the sustainability matters and the preparation of the sustainability information, including: (Ref: Para. A377–A381)
- (a) The entity's process to identify sustainability information to be reported. (Ref: Para. A382–A384)
 - (b) How information from external sources, such as service organisations or other organisations in the entity's value chain, is recorded, processed, corrected as necessary, and incorporated into the sustainability information. (Ref: Para. A385)
 - (c) For estimates and forward-looking information, how the entity identifies the relevant methods, assumptions or sources of data, and the need for changes in them, that are appropriate in the context of the applicable criteria.

118. Based on the practitioner's understanding of the information system and communication in accordance with paragraph 117, the practitioner shall evaluate whether the entity's information system appropriately supports the preparation of the sustainability information in accordance with the applicable criteria. (Ref: Para. A386)

Control Activities

- 119R. The practitioner shall obtain an understanding of control activities by identifying: (Ref: Para. A387–A392)
- (a) Controls for which the practitioner plans to obtain evidence by testing their operating effectiveness, which shall include:
 - (i) Controls that address risks for which substantive procedures alone do not provide sufficient appropriate evidence; or
 - (ii) If applicable, any complementary user entity controls identified in an assurance report of another practitioner that are determined to be relevant to the user entity in accordance with paragraph 52;
 - (b) Based on the controls identified in (a), the IT applications and the other aspects of the entity's IT environment that are subject to risks arising from the use of IT;
 - (c) The entity's general IT controls that address risks arising from the use of IT identified in (b); and
 - (d) Other controls that the practitioner considers are appropriate to identify and assess the risks of material misstatement at the assertion level for disclosures and design further procedures responsive to those assessed risks.

Design and Implementation of Controls

| Limited Assurance | Reasonable Assurance |
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| <p>120L. If the practitioner plans to obtain evidence by testing the operating effectiveness of controls, the practitioner shall obtain an understanding of: (Ref: Para. A387–A392, A399L)</p> <ul style="list-style-type: none"> (a) The controls the practitioner plans to test, including if applicable, any complementary user entity controls identified in the assurance report of another practitioner that are determined to be relevant to the user entity in accordance with paragraph 52; and (b) The entity's general IT controls that address risks arising from the use of IT related to the controls identified in (a). <p>by: (Ref: Para. A393–A398)</p> | <p>120R. The practitioner shall obtain an understanding of each control identified in accordance with paragraph 119R(a), (c), and (d) by: (Ref: Para. A393–A398)</p> <ul style="list-style-type: none"> (a) Evaluating whether the control is designed effectively to address the risk of material misstatement at the assertion level, or effectively designed to support the operation of other controls; and (b) Determining whether the control has been implemented by performing procedures in addition to enquiry of the entity's personnel. |

| Limited Assurance | Reasonable Assurance |
|---|----------------------|
| <p>(a) Evaluating whether the control is designed effectively to address the risk of material misstatement for the disclosure, or effectively designed to support the operation of other controls; and</p> <p>(b) Determining whether the control has been implemented by performing procedures in addition to enquiry of the entity's personnel.</p> | |

Identifying Control Deficiencies

121. Based on the practitioner's understanding of the components of the entity's system of internal control, the practitioner shall consider whether one or more control deficiencies have been identified. (Ref: Para. A400–A403)

Identifying and Assessing the Risks of Material Misstatement

| Limited Assurance | Reasonable Assurance |
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| <p>122L. The practitioner shall identify and assess the risks of material misstatement at the disclosure level as a basis for designing and performing procedures whose nature, timing and extent: (Ref: Para. A404–A414, A416L, A417)</p> <p>(a) Are responsive to the assessed risks of material misstatement; and</p> <p>(b) Allow the practitioner to obtain limited assurance about whether the sustainability information is prepared, in all material respects, in accordance with the applicable criteria.</p> | <p>122R. The practitioner shall identify and assess the risks of material misstatement at the assertion level for the disclosures as a basis for designing and performing procedures whose nature, timing and extent: (Ref: Para. A404–A405, A407–A408, A410–A415R, A417–A418R)</p> <p>(a) Are responsive to the assessed risks of material misstatement; and</p> <p>(b) Allow the practitioner to obtain reasonable assurance about whether the sustainability information is prepared, in all material respects, in accordance with the applicable criteria.</p> |

- 123R. Due to the unpredictable way in which management is able to override controls, the practitioner shall treat risks of management override of controls as risks of material misstatement due to fraud and thus risks of material misstatement at the upper end of the spectrum of risk. (Ref: Para. A418R)

Evaluating the Evidence Obtained from the Risk Assessment Procedures

124. The practitioner shall determine whether the evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement. If not, the practitioner shall perform additional risk assessment procedures until evidence has been obtained to provide such a basis. (Ref: Para. A419)

Documentation

125. The practitioner shall include in the engagement documentation:
- (a) The engagement team discussion in accordance with paragraph 105, and the significant decisions reached;
 - (b) Key elements of the practitioner's understanding, enquiries and discussion in accordance with paragraphs 106–119R;
 - (c) The evaluation of the design of identified controls, and determination of whether such controls have been implemented, in accordance with paragraph 120L, if applicable, and paragraph 120R; and
 - (d) The identified and assessed risks of material misstatement, in accordance with paragraphs 122L and 122R.

Responding to Risks of Material Misstatement

Designing and Performing Further Procedures

| Limited Assurance | Reasonable Assurance |
|---|--|
| 126L. The practitioner shall design and perform further procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement, whether due to fraud or error, at the disclosure level. (Ref: Para. A284–A287, A420–A424) | 126R. The practitioner shall design and perform further procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures. (Ref: Para. A284–A287, A420–A424) |

127. In designing and performing further procedures, the practitioner shall: (Ref: Para. A424–A427)
- (a) Consider the reasons for the assessment given to the risks of material misstatement;
 - (b) Consider whether the practitioner intends to obtain evidence about the operating effectiveness of controls in determining the nature, timing and extent of other procedures; and
 - (c) Obtain more persuasive evidence the higher the practitioner's assessment of risk.

Overall Responses

| Limited Assurance | Reasonable Assurance |
|--|---|
| 128L. The practitioner shall design and implement overall responses to address the risks of material misstatement if the practitioner identifies: (Ref: Para. A428–A429) | 128R. The practitioner shall design and implement overall responses to address the risks of material misstatement if: (Ref: Para. A428–A429) |
| (a) Control deficiencies in the control environment that undermine the other components of the system of internal control; | (a) The practitioner's evaluation of the control environment indicates that: <ul style="list-style-type: none"> (i) Management, with the oversight of those charged with |

| Limited Assurance | Reasonable Assurance |
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| <p>(b) Fraud or suspected fraud or non-compliance or suspected non-compliance with laws and regulations; or</p> <p>(c) Risks of material misstatement pervasively throughout the sustainability information.</p> | <p>governance, has not created and maintained a culture of honesty and ethical behaviour;</p> <p>(ii) The control environment does not provide an appropriate foundation for the other components of the system of internal control considering the nature and complexity of the entity; or</p> <p>(iii) Control deficiencies identified in the control environment undermine the other components of the system of internal control;</p> <p>(b) The practitioner identifies fraud or suspected fraud or non-compliance or suspected non-compliance with laws and regulations; or</p> <p>(c) The practitioner identifies risks of material misstatement pervasively throughout the sustainability information.</p> |

Responding to Identified or Suspected Fraud or Non-Compliance with Laws and Regulations

129. The practitioner shall respond appropriately to fraud or suspected fraud, or non-compliance or suspected non-compliance with laws and regulations, identified during the engagement by obtaining: (Ref: Para. A430–A431)
- (a) An understanding of the nature of the act and the circumstances in which it occurred; and
 - (b) Further information to evaluate the possible effect on the sustainability information.
130. If the practitioner suspects there may be instances of fraud or non-compliance with laws and regulations, the practitioner shall discuss the matter, unless prohibited by law or regulation, with the appropriate level of management and, where appropriate, those charged with governance. (Ref: Para. A432)
131. The practitioner shall evaluate the implications of identified or suspected fraud or non-compliance with laws and regulations for the assurance engagement, including the practitioner's risk assessment procedures and the reliability of written representations, and take appropriate action. (Ref: Para. A433–A435)

Tests of Controls

132. If the practitioner intends to obtain evidence about the operating effectiveness of controls identified in accordance with paragraphs 119R or 120L, the practitioner shall design and perform tests of controls by: (Ref: Para. A436–A437)
- (a) Performing enquiry and other procedures to obtain evidence about the operating effectiveness of the controls, including:
 - (i) How the controls were applied at relevant times during the period to which the sustainability information relates;
 - (ii) The consistency with which they were applied; and
 - (iii) By whom or by what means they were applied.
 - (b) Determining whether the controls to be tested depend upon other controls and, if so, whether it is necessary to obtain evidence supporting the effective operation of those indirect controls.
133. The practitioner shall test controls for the appropriate period for which the practitioner intends to obtain evidence about the operating effectiveness of those controls, subject to paragraph 134.
134. If the practitioner obtains evidence about the operating effectiveness of controls during an interim period and intends to extend the conclusions of those tests of controls for the remaining period, the practitioner shall obtain evidence about the operating effectiveness of those controls for the period subsequent to the interim period.
135. If the practitioner plans to use evidence from a previous sustainability assurance engagement about the operating effectiveness of controls, the practitioner shall establish the continuing relevance of the evidence by obtaining evidence about whether significant changes in those controls have occurred subsequent to the previous engagement. The practitioner shall obtain this evidence by performing enquiry, combined with observation or inspection, to confirm the understanding of those specific controls, and (Ref: Para. A438–A439)
- (a) If there have not been changes that affect the continuing relevance of the evidence from the previous engagement, the practitioner shall test the controls at least once in every third engagement, and shall test some controls in each engagement.
 - (b) If there have been changes that affect the continuing relevance of the evidence from the previous engagement, the practitioner shall test the controls in the current engagement.
136. If the practitioner plans to obtain evidence about the operating effectiveness of controls over a risk of material misstatement for which the assessment of risk is close to the upper end of the spectrum of risk, the practitioner shall test those controls in the current period.
137. When evaluating the operating effectiveness of controls, the practitioner shall evaluate whether misstatements detected through performing other procedures indicate that controls are not operating effectively. The absence of misstatements detected by other procedures, however, does not provide evidence that controls being tested are effective.
138. If deviations from controls that the practitioner tests are detected, the practitioner shall make specific enquiries to understand these matters and their potential consequences and shall determine whether:
- (a) The tests of controls that have been performed provide sufficient appropriate evidence about the operating effectiveness of those controls;

- (b) Additional tests of controls are necessary; or
- (c) The potential risks of material misstatement need to be addressed by performing substantive procedures.

Substantive Procedures

- 139R. The further procedures required by paragraph 126R shall include substantive procedures that are responsive to each risk for which the assessment of that risk is close to the upper end of the spectrum of risk. (Ref: Para. A407)
- 140R. Irrespective of the assessed risks of material misstatement, the practitioner shall consider the need to design and perform substantive procedures for disclosures that, in the practitioner's judgement, are material. (Ref: Para. A440R–A441R)
- 141R. The practitioner shall consider whether external confirmation procedures are to be performed. (Ref: Para. A442–A443)
142. If substantive procedures are performed at an interim date and the practitioner intends to extend the conclusions of those substantive procedures for the remaining period, the practitioner shall perform: (Ref: Para. A444–A445)
- (a) Substantive procedures, combined with tests of controls for the period subsequent to the interim period; or
 - (b) If the practitioner determines that it is sufficient, substantive procedures only that provide a reasonable basis for extending the conclusions to the period subsequent to the interim period.

Analytical Procedures

| Limited Assurance | Reasonable Assurance |
|---|---|
| <p>143L. If designing and performing analytical procedures, the practitioner shall: (Ref: Para. A446–A447)</p> <ul style="list-style-type: none"> (a) Determine the suitability of particular analytical procedures, considering the reasons for the assessment of the risks of material misstatement at the disclosure level; and (b) Develop an expectation about recorded quantities or ratios. (Ref: Para. A448L) | <p>143R. If designing and performing analytical procedures, the practitioner shall: (Ref: Para. A446–A447)</p> <ul style="list-style-type: none"> (a) Determine the suitability of particular analytical procedures for given assertions, considering the reasons for the assessment of risks of material misstatement and evidence from other procedures, if any, for these assertions; and (b) Develop an expectation about recorded quantities or ratios that is sufficiently precise to identify possible material misstatements. |
| <p>144L. If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from the expected result, the practitioner shall make enquiries of management about such differences. The practitioner shall consider the responses to these</p> | <p>144R. If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected quantities or ratios, the practitioner shall investigate such differences by:</p> |

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| enquiries to determine whether additional procedures are necessary in the circumstances. | <p>(a) Enquiring of management and obtaining additional evidence relevant to management's responses; and</p> <p>(b) Performing other procedures as necessary in the circumstances.</p> |

Sampling

145. If the practitioner uses sampling as a means for selecting items for testing, the practitioner shall: (Ref: Para. A449)
- (a) Consider the purpose of the procedure and the characteristics of the population from which the sample will be drawn;
 - (b) Determine a sample size sufficient to reduce sampling risk to an appropriately low level; and
 - (c) Select the sample, perform procedures on the items selected, and evaluate the results.

Estimates and Forward-Looking Information

| Limited Assurance | Reasonable Assurance |
|---|---|
| <p>146L. In responding to assessed risks of material misstatement relating to disclosures involving estimates or forward-looking information the practitioner shall: (Ref: Para. A450–A452, A454–A455L)</p> <ul style="list-style-type: none"> (a) Evaluate whether: <ul style="list-style-type: none"> (i) Management has appropriately applied the requirements of the applicable criteria relevant to estimates or forward-looking information; (ii) The methods for developing estimates or forward-looking information are appropriate and have been applied consistently; and (iii) Changes, if any, in reported estimates or forward-looking information, or changes from the prior period in the method used for | <p>146R. In responding to assessed risks of material misstatement relating to disclosures involving estimates or forward-looking information, the practitioner shall: (Ref: Para. A450–A452, A454)</p> <ul style="list-style-type: none"> (a) Evaluate whether management has appropriately applied the requirements of the applicable criteria relevant to estimates or forward-looking information; and (Ref: Para. A453R) (b) Undertake one or more of the following: <ul style="list-style-type: none"> (i) Test how management developed the estimate or forward-looking information and the related disclosure(s), and the information on which the estimate or forward-looking information is based. In doing so, the practitioner shall evaluate whether: <ul style="list-style-type: none"> a. The method has been |

| Limited Assurance | Reasonable Assurance |
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| <p>developing estimates or forward-looking information, are appropriate in the circumstances; and (Ref: Para. A459)</p> <p>(b) Consider whether other procedures are necessary in the circumstances.</p> | <p>appropriately selected and applied, and any changes from prior periods are appropriate; (Ref: Para. A456R, A459)</p> <p>b. The assumptions used, including any changes from prior periods, are appropriate; and (Ref: Para. A457R, A459)</p> <p>c. The data, including any changes from prior periods, are appropriate; (Ref: Para. A458R, A459)</p> <p>(ii) Develop a point estimate or a range to evaluate management's estimate. For this purpose, the practitioner shall: (Ref: Para. A460R–A462R)</p> <p>a. Evaluate whether the methods, assumptions or data used are appropriate in the context of the criteria; and</p> <p>b. When the practitioner develops a range:</p> <p>i. Determine that the range includes only amounts that are supported by sufficient evidence and have been evaluated by the practitioner to be</p> |

| Limited Assurance | Reasonable Assurance |
|-------------------|--|
| | <p>reasonable; and</p> <p>ii. Design and perform further procedures to obtain sufficient appropriate evidence regarding the assessed risk of material misstatement relating to the disclosures in the sustainability information that describe the uncertainty; or</p> <p>(iii) Obtain evidence from events occurring up to the date of the practitioner's report.</p> |

Revising the Risk Assessment in a Reasonable Assurance Engagement

147R. If the practitioner becomes aware of a matter or obtains new information that is inconsistent with the evidence on which the practitioner originally based the identification and assessment of the risks of material misstatement at the assertion level for the disclosures, the practitioner shall:

- (a) Revise, if necessary, the assessment of the risks of material misstatement; and
- (b) Perform additional procedures to obtain further evidence to enable the practitioner to express a reasonable assurance conclusion. (Ref: Para. A463R)

Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement

148L. If the practitioner becomes aware of a matter that causes the practitioner to believe the sustainability information may be materially misstated, the practitioner shall design and perform additional procedures to obtain further evidence until the practitioner is able to: (Ref: Para A464L–A467L)

- (a) Conclude that the matter(s) is not likely to cause the sustainability information to be materially misstated; or
- (b) Determine that the matter(s) causes the sustainability information to be materially misstated.

The Entity's Process for Assembling the Sustainability Information

| Limited Assurance | Reasonable Assurance |
|---|--|
| <p>149L. The practitioner's procedures shall include the following procedures related to the entity's process for assembling the sustainability information: (Ref: Para. A468)</p> <ul style="list-style-type: none"> (a) Agreeing or reconciling the sustainability information with the underlying records; and (b) Obtaining, through enquiry of management, an understanding of material adjustments made during the course of preparing the sustainability information and considering whether additional procedures are necessary in the circumstances. | <p>149R. The practitioner's procedures shall include the following procedures related to the entity's process for assembling the sustainability information: (Ref: Para. A468)</p> <ul style="list-style-type: none"> (a) Agreeing or reconciling the sustainability information with the underlying records; and (b) Obtaining evidence about material adjustments made during the course of preparing the sustainability information. |
| | <p>150R. In responding to the risk of management override of controls in accordance with paragraph 123R, the practitioner shall design and perform the following procedures:</p> <ul style="list-style-type: none"> (a) Test the appropriateness of adjustments made by management in the process for assembling the sustainability information; (b) Make enquiries of individuals involved in the sustainability reporting process about their knowledge of inappropriate or unusual activity relating to adjustments to sustainability information; and (c) Determine whether other procedures are needed in addition to those in paragraphs (a)–(b) above, in order to respond to the risks of management override of controls. (Ref: Para. A469R) |
| <p>151L. For group sustainability information, the practitioner shall design and perform further procedures to respond to the assessed risks of material misstatement arising from the aggregation process. Such procedures shall include:</p> | <p>151R. For group sustainability information, the practitioner shall design and perform further procedures to respond to the assessed risks of material misstatement arising from the aggregation process. Such procedures shall include:</p> |

| Limited Assurance | Reasonable Assurance |
|---|--|
| <p>(a) Obtaining, through enquiry of management, an understanding of how management has aggregated the information;</p> <p>(b) Determining that all entities have been included in the sustainability information as required by the applicable criteria; and</p> <p>(c) Considering whether management's judgements made in the aggregation process give rise to indicators of possible management bias.</p> | <p>(a) Obtaining an understanding of how management has aggregated the information;</p> <p>(b) Determining that all entities have been included in the sustainability information as required by the applicable criteria; and</p> <p>(c) Evaluating whether management's judgements made in the aggregation process give rise to indicators of possible management bias.</p> |

Documentation

152. The practitioner shall include in the engagement documentation:

- (a) The overall responses in accordance with paragraphs 128L and 128R and the reasons for such responses;
- (b) The results of the further procedures, including the conclusions where these are not otherwise clear;
- (c) Identified or suspected fraud or non-compliance with laws and regulations and the procedures performed, the significant professional judgements made, and the conclusions reached thereon; and
- (d) When applicable, conclusions reached about whether it is appropriate to use evidence about the operating effectiveness of controls obtained in previous engagements.

Accumulation and Consideration of Identified Misstatements

Accumulation of Identified Misstatements

153. The practitioner shall accumulate misstatements identified during the engagement, other than those that are clearly trivial. (Ref: Para. A470–A476)

154. The practitioner shall: (Ref: Para. A477–A480)

- (a) Consider whether identified misstatements, either individually or in aggregate, may be due to fraud; and
- (b) Respond appropriately if there are indicators that there may be material misstatements due to fraud.

Consideration of Identified Misstatements as the Engagement Progresses

155. The practitioner shall determine whether the approach to the engagement needs to be revised if: (Ref: Para. A481)

- (a) The nature of identified misstatements and the circumstances of their occurrence indicate that other misstatements may exist that, when aggregated with misstatements accumulated during the engagement, could be material; or

- (b) The misstatements accumulated during the engagement may, in the aggregate, result in the sustainability information being materially misstated.

Communicating and Correcting Misstatements

- 156. The practitioner shall communicate to management, on a timely basis, all misstatements accumulated during the assurance engagement, and shall request management to correct those misstatements. (Ref: Para. A482)
- 157. If, at the practitioner's request, management has examined the sustainability information and corrected misstatements that were detected, the practitioner shall perform additional procedures with respect to the work performed by management to determine whether material misstatements remain.
- 158. If management refuses to correct some or all of the misstatements communicated by the practitioner, the practitioner shall obtain an understanding of management's reasons for not doing so and shall consider that understanding when forming the practitioner's conclusion. (Ref: Para. A483)

Evaluating the Effect of Uncorrected Misstatements

- 159. Prior to evaluating the effect of uncorrected misstatements, the practitioner shall consider whether the results of procedures performed and evidence obtained indicate that materiality needs to be revised.
- 160. The practitioner shall determine whether uncorrected misstatements are material, individually or in the aggregate. In making this determination, the practitioner shall consider the size and nature of the misstatements, and the particular circumstances of their occurrence. (Ref: Para. A484–A498)

Documentation

- 161. The practitioner shall include in the engagement documentation:
 - (a) All misstatements accumulated during the engagement, other than those that are clearly trivial, and whether they have been corrected (paragraphs 153 and 156); and
 - (b) The practitioner's conclusion as to whether uncorrected misstatements are material, individually or in aggregate, and the basis for that conclusion (paragraph 160).

Evaluating the Description of Applicable Criteria

- 162. The practitioner shall evaluate whether the sustainability information adequately references or describes the applicable criteria and the sources of those criteria. (Ref: Para. A499–A501)

Subsequent Events

- 163. The practitioner shall: (Ref: Para. A502–A504L)
 - (a) Perform procedures to identify events occurring up to the date of the assurance report that may have an effect on the sustainability information and the assurance report; and
 - (b) Evaluate the sufficiency and appropriateness of evidence obtained about whether such events are appropriately reflected in that sustainability information in accordance with the applicable criteria.
- 164. The practitioner shall respond appropriately to facts that become known to the practitioner after the date of the assurance report, that, had they been known to the practitioner at that date, may have caused the practitioner to amend the assurance report. (Ref: Para. A505)

Written Representations from Management and Those Charged with Governance

165. The practitioner shall request from management and, where appropriate, those charged with governance a written representation: (Ref: Para. A506–A507)
- (a) That they have fulfilled their responsibility for the preparation of the sustainability information, including comparative information where appropriate, in accordance with the applicable criteria, as set out in the terms of the engagement;
 - (b) That they have provided the practitioner with all relevant information and access as agreed in the terms of the engagement and reflected all relevant matters in the sustainability information;
 - (c) Whether they believe the effects of uncorrected misstatements are immaterial, individually and in the aggregate, to the sustainability information. A summary of such items shall be included in, or attached to, the written representation;
 - (d) Whether they believe that significant assumptions used in making estimates and preparing forward-looking information are appropriate;
 - (e) That they have communicated to the practitioner all deficiencies in internal control relevant to the engagement that are not clearly trivial of which they are aware;
 - (f) Whether they have disclosed to the practitioner their knowledge of any fraud or suspected fraud or identified or suspected non-compliance with laws and regulations where the fraud or non-compliance could have a material effect on the sustainability information; and
 - (g) That they adjusted the sustainability information for or disclosed all events occurring subsequent to the date of the sustainability information and for which the applicable criteria require adjustment or disclosure.
166. If, in addition to the required representations, the practitioner determines that it is necessary to obtain one or more written representations to support other evidence relevant to the sustainability information, the practitioner shall request them.
167. When written representations relate to matters that are material to the sustainability information, the practitioner shall:
- (a) Evaluate their reasonableness and consistency with other evidence obtained, including other representations (oral or written); and
 - (b) Consider whether those making the representations can be expected to be well-informed on those matters.
168. The date of the written representations shall be as near as practicable to, but not after, the date of the assurance report.
169. If one or more of the requested written representations are not provided or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or that the written representations are otherwise not reliable, the practitioner shall:
- (a) Discuss the matter with management and, where appropriate, those charged with governance;
 - (b) Re-evaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations (oral or written) and evidence in general; and

- (c) Take appropriate actions, including determining the possible effect on the conclusion in the assurance report.
170. The practitioner shall disclaim a conclusion on the sustainability information or withdraw from the engagement, when withdrawal is possible under applicable law or regulation, if:
- (a) The practitioner concludes that there is sufficient doubt about the integrity of the person(s) providing the written representations required by paragraphs 165(a) and (b) that written representations in these regards are not reliable; or
 - (b) The entity does not provide the written representations required by paragraphs 165(a) and (b).

Other Information

Obtaining the Other Information

171. The practitioner shall: (Ref: Para. A508–A511)
- (a) Identify the other information by determining, through discussion with management, the document or documents expected to be issued that will contain the sustainability information and the assurance report thereon, and the entity's planned manner and timing of the issuance of such document(s); and
 - (b) Make arrangements with management to obtain in a timely manner prior to the date of the assurance report, the final version of such document(s).

Reading and Considering the Other Information

172. The practitioner shall read the other information obtained prior to the date of the assurance report and, in doing so shall: (Ref: Para. A512–A513)
- (a) Consider whether there is a material inconsistency between the other information and the sustainability information;
 - (b) Consider whether there is a material inconsistency between the other information and the practitioner's knowledge obtained during the assurance engagement, in the context of evidence obtained and conclusions reached in the engagement; and
 - (c) Remain alert for indications that the other information, not related to the sustainability information or to the practitioner's knowledge obtained during the engagement, appears to be materially misstated.

Responding When a Material Inconsistency Appears to Exist or Other Information Appears to Be Materially Misstated

173. If the practitioner identifies that a material inconsistency appears to exist or becomes aware that the other information appears to be materially misstated, the practitioner shall discuss the matter with management and, if necessary, perform other procedures to conclude whether:
- (a) A material misstatement of the other information exists;
 - (b) A material misstatement of the sustainability information exists; or
 - (c) The practitioner's understanding of the entity and its environment needs to be updated.
174. If the other information includes the entity's financial report is subject to audit and the practitioner identifies that a material inconsistency appears to exist between those financial reports and the sustainability information, or becomes aware that the financial reports appear to be materially misstated, the practitioner shall also communicate the matter to the auditor of

the entity's financial report, unless prohibited by law or regulation, or professional requirements.

Responding When the Practitioner Concludes That a Material Misstatement of the Other Information Exists

175. If the practitioner concludes that a material misstatement of the other information exists, the practitioner shall request management to correct the other information. If management: (Ref: Para. A514–A515)
- (a) Agrees to make the correction, the practitioner shall determine that the correction is made; or
 - (b) Refuses to make the correction, the practitioner shall communicate the matter to those charged with governance and request that the correction be made.
176. If the practitioner concludes that a material misstatement exists in the other information and it is not corrected after communicating with those charged with governance, the practitioner shall take appropriate action, including: (Ref: Para. A514–A515)
- (a) Considering the implications for the assurance report and communicating with those charged with governance about how the practitioner plans to address the material misstatement in the assurance report; or (Ref: Para. A516)
 - (b) If withdrawal is possible under applicable law or regulation, withdrawing from the engagement. (Ref: Para. A517)

Responding When a Material Misstatement of the Sustainability Information Exists or the Practitioner's Understanding of the Entity and Its Environment Needs to Be Updated

177. If, as a result of performing the procedures in paragraph 172, the practitioner concludes that a material misstatement of the sustainability information exists, or the practitioner's understanding of the entity and its environment needs to be updated, the practitioner shall respond appropriately. (Ref: Para. A518)

Forming the Assurance Conclusion

Evaluating the Evidence Obtained

178. The practitioner shall evaluate the sufficiency and appropriateness of the evidence obtained, including evidence from the work performed by a practitioner's external expert, another practitioner or internal audit function, and, if necessary in the circumstances, attempt to obtain further evidence. In making this evaluation, the practitioner shall: (Ref: Para. A519–A522)
- (a) Evaluate whether the evidence obtained meets the intended purpose of the procedures; and
 - (b) Consider all evidence obtained, including evidence that is consistent or inconsistent with other evidence, and regardless of whether it appears to corroborate or to contradict the disclosures.
179. The practitioner shall evaluate whether judgements and decisions made by management in the estimates made and assumptions used in preparing the sustainability information, including with respect to forward-looking information, even if they are individually reasonable, are indicators of possible management bias. When indicators of possible management bias are identified, the practitioner shall evaluate the implications for the assurance engagement. Where there is intention to mislead, management bias is fraudulent in nature.

180. If the practitioner obtains evidence that is inconsistent with other evidence, the practitioner shall: (Ref: Para. A523–A526)
- (a) Determine what modifications or additions to procedures are necessary to understand and address the inconsistency; and
 - (b) Consider the effect, if any, on other aspects of the assurance engagement.

Concluding

181. The practitioner shall form a conclusion about whether the sustainability information is free from material misstatement, whether due to fraud or error. In forming that conclusion, the practitioner shall consider the practitioner's evaluation in paragraphs 178 and 179 regarding the sufficiency and appropriateness of evidence obtained and the determination in paragraph 160 of whether uncorrected misstatements are material, individually or in the aggregate. (Ref: Para. A527)
182. When the principles of fair presentation are embodied in the applicable criteria, the evaluation required by paragraph 181 shall also include consideration of: (Ref: Para. A528–A529)
- (a) The overall presentation, structure, and content of the sustainability information; and
 - (b) When appropriate in the context of the criteria, the wording of the practitioner's conclusion, or other engagement circumstances, whether the sustainability information represents the sustainability matters in a manner that achieves fair presentation.
183. If sustainability information prepared in accordance with a fair presentation framework does not achieve fair presentation, the practitioner shall discuss the matter with management and, depending on the requirements of the applicable framework and how the matter is resolved, shall determine whether it is necessary to modify the conclusion in the assurance report in accordance with paragraph 203.
184. If the sustainability information is prepared in accordance with compliance criteria, the practitioner is not required to evaluate whether the sustainability information achieves fair presentation. However, if the practitioner concludes that such sustainability information is misleading, the practitioner shall discuss the matter with management and, depending on how it is resolved, shall determine whether, and how, to communicate it in the practitioner's report.

Scope Limitation

185. If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists, and the practitioner shall either: (Ref: Para. A530–A531)
- (a) Express a qualified conclusion;
 - (b) Disclaim a conclusion; or
 - (c) Withdraw from the engagement, if withdrawal is possible under applicable law or regulation, as appropriate.

Taking Overall Responsibility for Managing and Achieving Quality

186. Prior to dating the assurance report, the engagement leader shall:
- (a) Take responsibility for determining whether relevant ethical requirements, including independence, have been fulfilled.
 - (b) Determine, through review of engagement documentation and discussion with the engagement team, that sufficient appropriate evidence has been obtained to support the conclusions reached and for the assurance report to be issued.

- (c) Review the sustainability information and the assurance report, to determine that the report to be issued will be appropriate in the circumstances.
- (d) Determine that:
 - (i) The engagement leader's involvement has been sufficient and appropriate throughout the engagement such that the engagement leader has the basis for determining that the significant judgements made and the conclusions reached are appropriate given the nature and circumstances of the engagement; and (Ref: Para. A532–A534)
 - (ii) The nature and circumstances of the engagement, any changes thereto, and the firm's related policies or procedures have been taken into account in complying with the requirements of this ASSA.
- (e) If the engagement is subject to an engagement quality review, determine that the engagement quality review has been completed.

Documentation

187. The practitioner shall include in the engagement documentation:
- (a) The basis for the engagement leader's determination in accordance with paragraph 186(b) that sufficient appropriate evidence has been obtained, including:
 - (i) The determination in accordance with paragraph 50(d) that the work of another practitioner is adequate for the practitioner's purposes;
 - (ii) The evaluation in accordance with paragraph 57 that the work of a practitioner's external expert is adequate for the practitioner's purposes;
 - (iii) The determination in accordance with paragraph 59(e) that the work of the internal audit function is adequate for the practitioner's purposes; and
 - (iv) If the practitioner identified information that was inconsistent with their final conclusion regarding a significant matter and how the practitioner addressed the inconsistency (see paragraph 180); and (Ref: Para. A535)
 - (b) The basis for the engagement leader's determination in accordance with paragraph 186(d)(i) that the engagement leader's involvement has been sufficient and appropriate throughout the engagement. (Ref: Para. A536)

Preparing the Assurance Report

188. The assurance report shall be in writing and shall contain a clear expression of the practitioner's reasonable assurance opinion or limited assurance conclusion about the sustainability information. (Ref: Para. A537–A538)
189. The practitioner's conclusion shall be clearly separated from information or explanations that are not intended to affect the practitioner's conclusion, including any:
- (a) Emphasis of Matter paragraphs;
 - (b) Other Matter paragraphs;
 - (c) Findings related to particular aspects of the engagement;
 - (d) Recommendations; or
 - (e) Additional information included in the assurance report.

The wording used shall make it clear that an Emphasis of Matter paragraph, Other Matter paragraph, findings, recommendations or additional information is not intended to detract from the practitioner's conclusion. (Ref: Para. A537–A538)

Assurance Report Content

190. The assurance report shall include at a minimum the following basic elements: (Ref: Para. A539, A567–A569)
- (a) A title that clearly indicates the report is an independent practitioner's limited, reasonable or combined limited and reasonable assurance report. (Ref: Para. A540)
 - (b) An addressee. (Ref: Para. A541)
 - (c) The practitioner's conclusion in the first section of the assurance report, which: (Ref: Para. A542–A552)
 - (i) Includes a heading reflecting the type of conclusion provided, either:
 - a. For unmodified conclusions, "Reasonable Assurance Opinion," "Limited Assurance Conclusion," or appropriate headings for an assurance report for a combined reasonable assurance and limited assurance engagement; or
 - b. For modified conclusions, the heading in a. above shall be prefixed with "Qualified," "Adverse," or "Disclaimer of" as appropriate, and, for an assurance report for a combined reasonable and limited assurance engagement, clear identification of which opinion(s) or conclusion(s) is modified;
 - (ii) Identifies the entity whose sustainability information has been subject to the assurance engagement;
 - (iii) Identifies or describes the level of assurance, either reasonable or limited or different levels of assurance for different parts of the sustainability information, obtained by the practitioner; (Ref: Para. A542)
 - (iv) Identifies or describes the sustainability information subject to the assurance engagement, including, if appropriate, the sustainability matters and how that information is reported; (Ref: Para. A543–A544)
 - (v) Specifies the date of, or period or periods covered by the sustainability information;
 - (vi) Expresses a conclusion, which: (Ref: Para. A545L–A547)
 - a. For reasonable assurance, shall be expressed in a positive form, that the sustainability information is prepared or fairly presented, in all material respects, in accordance with the applicable criteria; or
 - b. For limited assurance, shall be expressed in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe that the sustainability information is not prepared or not fairly presented, in all material respects, in accordance with the applicable criteria;

- (vii) Identifies the applicable criteria, whether framework criteria, entity-developed criteria or both, and, for entity-developed criteria, where it is located; (Ref: A548–A551)
- (viii) The conclusion in paragraph 190(c)(vi) shall be phrased in terms of: (Ref: Para. A545L–A547)
 - a. The sustainability information and the applicable criteria; or
 - b. A statement made by the appropriate party(ies); and
- (ix) When appropriate, the conclusion shall inform the intended users of the context in which the practitioner’s conclusion is to be read. (Ref: Para. A552)
- (d) The basis for conclusion directly following the Conclusion section, with the heading “Basis for Opinion” for a reasonable assurance report, “Basis for Conclusion” for a limited assurance report, or appropriate heading(s) for an assurance report for a combined reasonable and limited assurance engagement that:
 - (i) States that the engagement was conducted in accordance with ASSA 5000 *General Requirements for Sustainability Assurance Engagements*; (Ref: Para. A553)
 - (ii) For a limited assurance engagement, states that:
 - a. The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and
 - b. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed;
 - (iii) Refers to the section of the assurance report that describes the practitioner’s responsibilities in accordance with this ASSA (see paragraph 190(h));
 - (iv) States that the practitioner complies with the independence and other ethical requirements of:
 - a. The Code related to sustainability assurance engagements; or
 - b. Other professional requirements or requirements in law or regulation, and shall:
 - i. Identify those requirements; and
 - ii. Disclose the name of the appropriate authority that has determined such requirements to be at least as demanding as the provisions of the Code related to sustainability assurance engagements;
 - (v) If the relevant ethical requirements require the practitioner to publicly disclose when the practitioner applied independence requirements specific to sustainability assurance engagements of certain entities, the statement in accordance with part (iv) above shall indicate that the practitioner is independent of the entity in accordance with the independence requirements applicable to the sustainability assurance engagements of those entities; (Ref: Para. A554)

- (vi) States that the firm of which the practitioner is a member applies:
 - a. ASQM 1; or
 - b. Other professional requirements, or requirements in law or regulation, and shall:
 - i. Identify those requirements; and
 - ii. Disclose the name of the appropriate authority that has determined such requirements to be at least as demanding as ASQM 1;
- (vii) States whether the practitioner believes that the evidence the practitioner has obtained is sufficient and appropriate to provide a basis for the practitioner's conclusion; and
- (viii) If the practitioner expresses a modified conclusion, provides a description of the matter(s) giving rise to the modification.
- (e) Where applicable, a section with a heading "Other Information," containing the matters in accordance with paragraph 202.
- (f) A section with the heading "Responsibilities for the Sustainability Information" that:
 - (i) States that management or those charged with governance, as appropriate, is responsible for: (Ref: Para. A555–A556)
 - a. The preparation and, if applicable, fair presentation of the sustainability information in accordance with the applicable criteria; and (Ref: Para. A557)
 - b. Designing, implementing and maintaining such internal controls that management determines is necessary to enable the preparation of sustainability information in accordance with the applicable criteria that is free from material misstatement, whether due to fraud or error; and
 - (ii) If those responsible for oversight of the process to prepare the sustainability information are different from those who fulfill the responsibilities described in (f)(i), identifies those responsible for oversight. (Ref: Para. A556)
- (g) If applicable, a section with the heading "Inherent Limitations in Preparing the Sustainability Information" that describes any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria, including inherent limitations relating to forward-looking information included in the sustainability information. (Ref: Para. A494, A558–A560 and A579)
- (h) A section with the heading "Practitioner's Responsibilities" that states that: (Ref: Para. A555)
 - (i) The objective of the practitioner is to plan and perform the assurance engagement to obtain limited or reasonable assurance, as applicable, about whether the sustainability information is free from material misstatement, whether due to fraud or error, and to issue an assurance report that includes a conclusion (for limited assurance) or opinion (for reasonable assurance);
 - (ii) Misstatements can arise from fraud or error, and:

- a. Are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of intended users taken on the basis of the sustainability information; or
 - b. If materiality is defined or described differently in the applicable criteria, include such definition or description;
- (iii) The practitioner exercises professional judgement and maintains professional scepticism throughout the engagement;
- (iv) The practitioner performs risk assessment procedures, including obtaining:
 - a. For limited assurance: an understanding of internal controls relevant to the engagement to identify and assess the risks of material misstatement, whether due to fraud or error, at the disclosure level, but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control. If the limited assurance report includes a conclusion on the effectiveness of internal control, the practitioner shall omit the phrase that the practitioner's consideration of internal control is not for the purpose of providing a conclusion on the effectiveness of the entity's internal control; or
 - b. For reasonable assurance: an understanding of internal controls relevant to the engagement, to identify and assess the risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. If the reasonable assurance report includes an opinion on the effectiveness of internal control, the practitioner shall omit the phrase that the practitioner's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- (v) The practitioner designs and performs procedures:
 - a. For limited assurance: responsive to the assessed risks of material misstatement at the disclosure level; or
 - b. For reasonable assurance: responsive to the assessed risks of material misstatement at the assertion level for the disclosures;
- (vi) The risk of not detecting a material misstatement due to fraud is higher than for one due to error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- (i) For limited assurance, a section, with the heading "Summary of Work Performed," that contains an informative summary of the work performed as a basis for the practitioner's conclusion. This section shall describe the nature, timing and extent of procedures performed sufficiently to enable users to understand the limited assurance the practitioner has obtained. (Ref: Para. A561–A565L)
- (j) The practitioner's signature.
- (k) The location in the jurisdiction where the engagement leader practices.
- (l) The date of the assurance report. The assurance report shall be dated no earlier than the date on which: (Ref: Para. A566)
 - (i) The practitioner has obtained the evidence on which the practitioner's conclusion is based, including evidence that those with the recognised

authority have asserted that they have taken responsibility for the sustainability information; and

- (ii) When an engagement quality review is required in accordance with ASQM 1 or the firm's policies or procedures, the engagement quality review is complete.

Name of the Engagement Leader in the Assurance Report

- 191. When the assurance report on sustainability information is for a listed entity, the name of the engagement leader shall be included, unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. In the rare circumstances that the practitioner intends not to include the name of the engagement leader in the assurance report, the practitioner shall discuss this intention with those charged with governance to inform them of the practitioner's assessment of the likelihood and severity of a significant personal security threat. (Ref: Para. A570–A572)

Reference to a Practitioner's Expert in the Assurance Report

- 192. If the practitioner refers to the work of a practitioner's expert in the assurance report, the wording of that report shall not identify the expert, unless required by law or regulation, or otherwise imply that the practitioner's responsibility for the conclusion expressed in that report is reduced because of the involvement of that expert. (Ref: Para. A99, A573–A575)

Other Reporting Responsibilities

- 193. If the practitioner addresses other reporting responsibilities in the assurance report on the sustainability information that are in addition to the practitioner's responsibilities under this ASSA, these other reporting responsibilities shall be addressed in a separate section in the assurance report with a heading "Report on Other Legal and Regulatory Requirements" or otherwise as appropriate to the content of the section. If these other reporting responsibilities address the same report elements as those presented under the reporting responsibilities required by this ASSA, the other reporting responsibilities may be presented in the same section as the related report elements required by this ASSA. (Ref: Para. A576–A577)
- 194. If other reporting responsibilities are presented in the same section as the related report elements required by this ASSA, the practitioner's report shall clearly differentiate the other reporting responsibilities from the reporting that is required by this ASSA. (Ref: Para. A578)
- 195. If the assurance report contains a separate section that addresses other reporting responsibilities, the requirements of paragraph 190 shall be included under a section with a heading "[Limited, Reasonable, or Limited and Reasonable] Assurance Report on the Sustainability Information." The "Report on Other Legal and Regulatory Requirements" shall follow the "[Limited, Reasonable, or Limited and Reasonable] Assurance Report on the Sustainability Information." (Ref: Para. A578)
- 196. If the practitioner is required by law or regulation to use a specific layout or wording of the assurance report, the assurance report shall refer to this ASSA only if the assurance report includes, at a minimum, each of the elements identified in paragraphs 190 and 191.

Engagements Conducted in Accordance with Both ASSA 5000 and Other Assurance Standards

- 197. A practitioner may be required to conduct an assurance engagement in accordance with the assurance standards of a specific jurisdiction (the "other assurance standards"), and has additionally complied with this ASSA in the conduct of the engagement. If this is the case, the assurance report may refer to this ASSA in addition to the other assurance standards, but the practitioner shall do so only if:

- (a) There is no conflict between the requirements in the other assurance standards and those in this ASSA that would lead the practitioner:
 - (i) to reach a different conclusion, or
 - (ii) not to include an Emphasis of Matter paragraph or Other Matter paragraph that, in the particular circumstances, is required by this ASSA; and
- (b) The assurance report includes, at a minimum, each of the elements set out in paragraphs 190 and 191 when the practitioner uses the layout or wording specified by the other assurance standards. The assurance report shall identify such other assurance standards, including the jurisdiction of origin of the other assurance standards.

Unmodified Conclusion

| Limited Assurance | Reasonable Assurance |
|--|---|
| <p>198L. The practitioner shall express an unmodified limited assurance conclusion when the practitioner concludes, that, based on the procedures performed and evidence obtained, no matter(s) has come to the attention of the practitioner that causes the practitioner to believe that:</p> <ul style="list-style-type: none"> (a) In the case of compliance criteria, the sustainability information is not prepared, in all material respects, in accordance with the applicable criteria; or (b) In the case of fair presentation criteria, the sustainability information is not fairly presented, in all material respects, in accordance with the applicable criteria. | <p>198R. The practitioner shall express an unmodified reasonable assurance opinion when the practitioner concludes that:</p> <ul style="list-style-type: none"> (a) In the case of compliance criteria, the sustainability information is prepared, in all material respects, in accordance with the applicable criteria; or (b) In the case of fair presentation criteria, the sustainability information is fairly presented, in all material respects, in accordance with the applicable criteria. |

Emphasis of Matter Paragraph and Other Matter Paragraph

199. If the practitioner considers it necessary to: (Ref: Para. A579–A582)
- (a) Draw intended users’ attention to a matter presented or disclosed in the sustainability information that, in the practitioner’s judgement, is of such importance that it is fundamental to intended users’ understanding of that information (an Emphasis of Matter paragraph); or
 - (b) Communicate a matter other than those that are presented or disclosed in the sustainability information that, in the practitioner’s judgement, is relevant to intended users’ understanding of the engagement, the practitioner’s responsibilities or the assurance report (an Other Matter paragraph); and
- this is not prohibited by law or regulation, the practitioner shall do so in a paragraph in the assurance report, with an appropriate heading, that clearly indicates the practitioner’s conclusion is not modified in respect of the matter.

200. If the applicable criteria are designed for a specific purpose, the practitioner shall include an Emphasis of Matter paragraph that alerts readers to this fact, and that, as a result, the sustainability information may not be suitable for another purpose. (Ref: Para. A583–A584)

Other Information

201. If the practitioner has obtained the other information by the date of the assurance report, the assurance report shall include a separate section in accordance with paragraph 190(e), except when the practitioner disclaims a conclusion, in which case an “Other Information” section is not included. (Ref: Para. A585)
202. When the assurance report is required to include an Other Information section in accordance with paragraph 201, this section shall include:
- (a) A statement that management or those charged with governance, as appropriate, is responsible for the other information;
 - (b) An identification of other information obtained by the practitioner prior to the date of the assurance report;
 - (c) A statement that the practitioner’s conclusion does not cover the other information and, accordingly, that the practitioner does not provide a conclusion thereon; (Ref: Para. A586)
 - (d) A description of the practitioner’s responsibilities relating to reading, considering, and reporting on other information as required by this ASSA; and
 - (e) Either:
 - (i) A statement that the practitioner has nothing to report with respect to the other information; or
 - (ii) If the practitioner has concluded that there is an uncorrected material misstatement of the other information, a statement that describes the uncorrected material misstatement of the other information.

Modified Conclusion

203. The practitioner shall express a modified conclusion in the following circumstances:
- (a) When, in the practitioner’s professional judgement, a scope limitation exists, and the effect of the matter could be material. In such cases, the practitioner shall express a qualified conclusion or a disclaimer of conclusion. (Ref: Para. A587, A593L–A595)
 - (b) When, in the practitioner’s professional judgement, the sustainability information is materially misstated. In such cases, the practitioner shall express a qualified conclusion or adverse conclusion. (Ref: Para. A588–A590, A593L–A595)
204. The practitioner shall express a qualified conclusion when, in the practitioner’s professional judgement, the effects, or possible effects, of a matter are not so material and pervasive as to require an adverse conclusion or a disclaimer of conclusion. A qualified conclusion shall be expressed as being “except for” the effects, or possible effects, of the matter to which the qualification relates. (Ref: Para. A591–A594R)
205. If the practitioner expresses a modified conclusion because of a scope limitation, but is also aware of a matter(s) that causes the sustainability information to be materially misstated, the practitioner shall include in the assurance report a clear description of both the scope limitation and the matter(s) that causes that the sustainability information to be materially misstated.

206. If a statement made by management, or those charged with governance, as appropriate, in the sustainability information has identified and properly described that the sustainability information is materially misstated, the practitioner shall either:
- (a) Express a qualified conclusion or adverse conclusion phrased in terms of the sustainability information and the applicable criteria; or
 - (b) If specifically required by the terms of the engagement to phrase the conclusion in terms of a statement made by the appropriate party(ies), express an unqualified conclusion, but include an Emphasis of Matter paragraph in the assurance report referring to the statement made by the appropriate party(ies), that identifies and properly describes that the sustainability information is materially misstated.

Comparative Information

207. The practitioner shall determine whether the applicable criteria (or law or regulation) require comparative information to be included in the sustainability information and, if so, whether that comparative information is appropriately presented. (Ref: Para. A596)
208. In determining whether the comparative information is appropriately presented, the practitioner shall evaluate whether: (Ref: Para. A597–A598)
- (a) The comparative information is consistent with the disclosures presented in the prior period and, if not, any inconsistencies are addressed in accordance with the applicable criteria; and
 - (b) The criteria for measurement or evaluation of the sustainability information reflected in the comparative information are consistent with those applied in the current period or, if there have been changes, whether they have been properly applied and adequately disclosed.
209. If the comparative information is not referred to in the practitioner's assurance conclusion and was not subject to an assurance engagement in the prior period, the practitioner shall state that fact in an Other Matter paragraph. Such a statement does not, however, relieve the practitioner of the requirements in paragraphs 207–208. (Ref: Para. A599–A600)
210. If the comparative information is not referred to in the practitioner's conclusion and was subject to an assurance engagement in the prior period, the practitioner shall state in an Other Matter paragraph: (Ref: Para. A599–A600)
- (a) If the assurance engagement for the prior period had a different level of assurance or a different engagement scope than the current period, that fact and what those differences were; or
 - (b) If the assurance engagement for the prior period was conducted by a predecessor practitioner:
 - (i) That fact;
 - (ii) The type of conclusion provided by the predecessor practitioner;
 - (iii) If the conclusion was modified, the reasons for any modification; and
 - (iv) The date of that report.
211. Irrespective of whether the practitioner's conclusion refers to the comparative information, if the practitioner becomes aware that there may be a material misstatement of the comparative information presented, the practitioner shall: (Ref: Para. A601)

- (a) Discuss the matter with management and perform procedures appropriate in the circumstances;
- (b) Consider the effect on the assurance report; and
- (c) If the comparative information presented contains a material misstatement, and the comparative information has not been restated:
 - (i) When the practitioner's conclusion refers to the comparative information, the practitioner shall express a qualified conclusion or an adverse conclusion in the assurance report; or
 - (ii) When the practitioner's conclusion does not refer to the comparative information, the practitioner shall include an Other Matter paragraph in the assurance report describing the circumstances affecting the comparative information.

Documentation

Matters Arising After the Date of the Assurance Report

212. If, in exceptional circumstances, the practitioner performs new or additional procedures or draws new conclusions after the date of the assurance report, the practitioner shall document: (Ref: Para. A602)
- (a) The circumstances encountered;
 - (b) The new or additional procedures performed, evidence obtained, and conclusions reached, and their effect on the assurance report; and
 - (c) When and by whom the resulting changes to engagement documentation were made and reviewed.

* * *

Application and Other Explanatory Material

Introduction

Sustainability Information (Ref: Para. 2–5)

- A1. Sustainability information is often intended to give insight into sustainability-related risks and opportunities for users to understand and evaluate the impacts of sustainability matters on the entity or the entity's actual or potential impacts, positive or negative, on the environment, society or economy.
- A2. The framework criteria determine the principles and concepts regarding the measurement or evaluation of sustainability matters. Although the framework may not specify how to measure or evaluate all sustainability matters, it ordinarily embodies sufficient broad principles that can serve as a basis for the entity to select and apply reporting policies that are consistent with the underlying concepts in, and meet the objectives of, the requirements of the framework.
- A3. The entity's process to identify sustainability information to be reported, including the identification and selection of the sustainability matters and the reporting boundary, may be required by the sustainability reporting framework or entity-developed criteria. Such a process may be referred to as the entity's "materiality assessment," or "materiality process," among other terms, as the process involves the application of materiality in identifying which information relevant to the information needs of intended users is material for the purposes of reporting. Appendix 2 illustrates how the entity's process to identify sustainability information to be reported is considered by the practitioner throughout the engagement.
- A4. As described in paragraph 80, in connection with the acceptance and continuance of the assurance engagement, the practitioner is required to obtain a preliminary knowledge about the sustainability information to be reported, and whether the scope of the engagement encompasses all or part of that sustainability information.

Premises in this ASSA (Ref: Para. 6–7)

- A5. Law, regulation or professional requirements in a jurisdiction may specify relevant ethical requirements or requirements relating to quality management to be applied in the conduct of assurance engagements, and may provide guidance about what constitutes "at least as demanding" as the Code regarding relevant ethical requirements for assurance engagements, and ASQM 1 regarding a firm's responsibility for its system of quality management.

Ethical Requirements (Ref: Para. 6(a), 7)

- A6. As explained in paragraph A58, the Code sets out the fundamental principles of ethics that establish the standards of behaviour expected of an assurance practitioner and establishes the Australian Independence Standards. The fundamental principles are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Paragraph A59 describes the conceptual framework in the Code that an assurance practitioner is required to apply when addressing threats to compliance with the fundamental principles. Paragraphs A60–A61 describe matters that may give rise to potential threats to compliance and that may affect or influence the practitioner's independence.
- A7. Paragraph A62 explains that professional requirements, or requirements in law or regulation, addressing compliance with relevant ethical requirements are at least as demanding as the provisions of the Code related to sustainability assurance engagements when they address the matters referred to in paragraphs A58–A61 and impose obligations that achieve the aims of the requirements set out in the Code related to such engagements.

Quality Management (Ref: Para. 6(b), 7)

- A8. As explained in paragraph A68, this ASSA has been written in the context of a range of measures taken to support the quality of assurance engagements. Such measures include a system of quality management implemented across the firm.
- A9. Paragraph A69 explains the responsibilities of the firm to design, implement and operate a system of quality management for assurance engagements, and paragraph A70 describes the components addressed by such a system that is designed in accordance with the requirements of ASQM 1.
- A10. As explained in paragraph A73, professional requirements, or requirements in law or regulation that deal with the firm's responsibilities to design, implement, and operate a system of quality management are at least as demanding as ASQM 1 when they address all the matters referred to in paragraphs A69–A71 and impose obligations on the firm that achieve the aims of the objectives and requirements of ASQM 1.
- A11. In accordance with ASQM 1, the objective of the firm is to design, implement and operate a system of quality management that provides the firm with reasonable assurance that:
- (a) The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
 - (b) Engagement reports issued by the firm or engagement leaders are appropriate in the circumstances.

Scope of this ASSA

Types and Presentation of Sustainability Information (Ref: Para. 8)

- A12. The sustainability information presented by an entity may be limited to certain matters, such as selected metrics, targets or key performance indicators. Alternatively, the sustainability information may cover many different aspects of topics as required by the sustainability reporting framework or by law or regulation, or that the entity chooses to present voluntarily.
- A13. Sustainability information may be presented in different ways, for example, in a separate sustainability report issued by the entity, as part of the entity's annual report (e.g., a separately identified report within the annual report, as part of the management report or management commentary), in an integrated report, or through some other reporting mechanism. Depending on the applicable criteria, the sustainability information may be for a single entity, or may include information for entities that are part of a group or other entities in the reporting entity's value chain.
- A14. In some circumstances, the sustainability reporting framework may permit sustainability information to be incorporated by reference from other sources, such as the audited financial report or another section of a management report (i.e., a section other than that containing the sustainability information required to be reported). The information incorporated by reference may have been subject to an audit or an assurance engagement. If such information is within the scope of the sustainability assurance engagement, the practitioner responsible for the sustainability assurance engagement may intend to obtain evidence from the work performed by the financial statement auditor or another assurance practitioner. In these circumstances, the requirements in this ASSA addressing using the work of another practitioner apply, including the requirement to communicate, to the extent necessary in the circumstances, about the findings from another practitioner's work.

Reasonable and Limited Assurance Engagements (Ref: Para. 9)

- A15. When the disclosures relate to a number of aspects of topics, separate conclusions may be provided on each aspect. Each conclusion is expressed in the form that is appropriate to either a reasonable assurance engagement or a limited assurance engagement. References in the ASSAs to the conclusion in the assurance report include each conclusion when separate conclusions are provided.

Definitions (Ref: Para. 18)

Assertions

- A16R. Assertions are used by practitioners to consider the different types of potential misstatements that may occur when identifying and assessing, and responding to, the risks of material misstatement in a reasonable assurance engagement. Examples of assertions are provided in paragraph A415R.

Component

- A17. The framework criteria may specify that the sustainability information to be reported should be for the same reporting entity as the related financial report (see also paragraph A35). For purposes of the ASSAs, components that include entities or business units required to be included in the reporting entity's group financial report (e.g., subsidiaries of a parent entity) are referred to as group components. The framework criteria may also require the sustainability information to be extended to include information from other entities that are part of the reporting entity's upstream or downstream value chain. For purposes of the ASSAs, components that include such entities are referred to as value chain components.

Component Practitioner

- A18. A component practitioner may comprise individuals from a network firm, a firm that is not a network firm, or another office within the practitioner's firm.
- A19. In limited circumstances, the practitioner may be able to be sufficiently and appropriately involved in the work of another firm at a value chain component. For example, the reporting entity may have a direct business relationship with a supplier that allows management to arrange for the practitioner to obtain access to information at that entity or access to the firm that has performed work on that information. In those circumstances, if the practitioner intends to use such work and is able to be sufficiently and appropriately involved in the work, the other firm is a component practitioner for purposes of the ASSAs.

Criteria

- A20. The criteria, particularly framework criteria, may include guidance about the sustainability matters (including the topics and aspects of topics) to be reported. The criteria also may establish how those sustainability matters are to be measured or evaluated, and how they are to be presented or disclosed.

Disclosure(s)

- A21. The term "disclosure(s)" is used in this ASSA in the context of sustainability assurance engagements and refers to sustainability information about an aspect of a topic. Accordingly, it is not intended to have the same meaning as "financial statement disclosures" as defined or described in financial reporting frameworks.
- A22. Appendix 1 explains the relationship between sustainability matters, sustainability information and the related disclosures. Disclosure(s) may include quantitative or qualitative information and can vary in form and length. Management's disclosures provide a starting point in

considering whether and how certain disclosures may be combined by the practitioner for the purpose of planning and performing the engagement (see also paragraphs A285–A287).

Engagement Leader

- A23. The individual appointed as the engagement leader may be a partner or another senior staff member in the firm (e.g., a director or principal). Whether the individual is permitted to be an engagement leader in accordance with this ASSA depends on how the firm assigns responsibilities, and whether law, regulation or professional requirements include requirements that specify who may be permitted to accept responsibility for the engagement.
- A24. The term engagement leader in this ASSA is the equivalent of “engagement partner” in ASQM 1.

Engagement Risk

- A25. Engagement risk does not refer to, or include, the practitioner’s business risks, such as loss from litigation, adverse publicity, or other events arising in connection with particular sustainability matters.
- A26. In general, engagement risk can be represented by the following components:
- (a) Risks that the practitioner does not directly influence, which consist of:
 - (i) The susceptibility of the sustainability information to a material misstatement before consideration of any related controls applied by the entity (inherent risk); and
 - (ii) The risk that a material misstatement that occurs in the sustainability information will not be prevented, or detected and corrected, on a timely basis by the entity’s internal control (control risk); and
 - (b) The risk that the practitioner does directly influence, which is the risk that the procedures performed by the practitioner will not detect a material misstatement (detection risk).
- A27R. Reducing engagement risk to zero is very rarely attainable or cost-beneficial. Therefore, reasonable assurance is less than absolute assurance due to factors such as the following:
- The use of selective testing.
 - The inherent limitations of internal control.
 - The fact that much of the evidence available to the practitioner is persuasive rather than conclusive.
 - The use of professional judgement in gathering and evaluating evidence and forming conclusions based on that evidence.
 - In some cases, the characteristics of the sustainability matters (e.g., forward-looking information).

Engagement Team

- A28. The engagement team includes personnel, which includes any internal experts, and, if applicable, component practitioners. Another practitioner is not part of the engagement team.
- A29. ~~[Deleted by the AUASB.] Internal auditors who provide direct assistance refers to the use of internal auditors to perform procedures under the direction, supervision and review of the practitioner. Although they may perform procedures similar to those performed by the~~

~~practitioner, such internal auditors are not independent of the entity as is required of the practitioner. They are therefore not members of the engagement team. In some jurisdictions, the practitioners may be prohibited, or restricted to some extent, by law or regulation from using the work of the internal audit function or using internal auditors to provide direct assistance.~~

Entity

- A30. An example of an identifiable portion of a legal or economic entity is a single factory or other form of facility, such as a landfill site.

Firm

- A31. The legal nature of the organisation performing the assurance engagement may take many forms and may not be described as a firm.

Fraud

- A32. Although some form of management bias is inherent in subjective decisions relating to sustainability information, when there is intention to mislead, management bias is fraudulent in nature.
- A33. Paragraphs A323, A473 and A479 provide examples of matters related to material misstatements due to fraud or management bias in sustainability information, examples of where or how misstatements in sustainability information may arise and examples of misstatements due to fraud in sustainability information, respectively.

Group

- A34. A single legal entity organised with branches or divisions is also a group for purposes of this ASSA if the sustainability information for those branches and divisions is included in the single legal entity's sustainability information through an aggregation process.

Group Sustainability Information

- A35. The framework criteria may specify that the sustainability information to be reported should be for the same reporting entity as the related financial report. For example, if consolidated financial report are required to be prepared in accordance with the applicable financial reporting framework, then the sustainability information would include information for the same entities or business units included in the consolidated financial report. The criteria may also require the sustainability information to be extended to include information from other entities that are part of the upstream or downstream value chain. Such sustainability information, including information from the value chain, is referred to as "group sustainability information" in the ASSAs.

Intended Users

- A36. Examples of intended users include shareholders, investors, lenders and other creditors who may use sustainability information to make resource allocation decisions. Other intended users who may be interested in the sustainability information reported by the organisation include consumers, taxpayers, employees, competitors, prudential authorities, central banks and bodies in charge of financial stability oversight, those granting public contracts, partners, suppliers, community, Indigenous Peoples, government, regulators, and interest groups.
- A37. In some cases, there may be intended users other than those to whom the assurance report is addressed. The practitioner may not be able to identify all those who will read the assurance report, particularly when a large number of people have access to it. In such cases, particularly when possible users are likely to have a broad range of interests in the sustainability matters, intended users may be limited to major stakeholders with significant and common interests.

Intended users may be identified in different ways, for example, by agreement between the practitioner and management or those charged with governance, or by law or regulation.

- A38. In some cases, specific users (for example, lenders) may request the appropriate party(ies) to arrange for an assurance engagement to be performed on sustainability information that has been prepared using criteria that are designed for a specific purpose. When engagements use criteria that are designed for a specific purpose, paragraph 200 requires a statement alerting readers to this fact. In addition, the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the engagement circumstances, this may be achieved by restricting the distribution or use of the assurance report (see paragraph A584).

Partner

- A39. As noted in paragraph A31, the entity performing the assurance engagement may not be described as a firm. Therefore, the individual with authority to bind the organisation with respect to the performance of the engagement may not carry the title of partner.

Reporting Boundary

- A40. In some cases, framework criteria may specify the reporting boundary. In other circumstances, the reporting boundary may be determined by the entity, in which case the reporting boundary will be part of the entity-developed criteria. The reporting boundary may vary for different topics or aspects of topics (e.g., some key performance indicators may have different boundaries from other key performance indicators because of the nature of the sustainability matters).
- A41. Although the entity's sustainability information and financial report may relate to the same reporting entity, the reporting boundary for sustainability information may differ from the boundary for purposes of preparing financial report. For example, the reporting boundary for sustainability information may include activities, operations, relationships, or resources up and down the entity's value chain. An entity's supply chain is part of the value chain.

Substantive Procedures

- A42. Analytical procedures performed to respond to an assessed risk of material misstatement are substantive in nature and therefore this ASSA requires the practitioner to develop an expectation as the basis for evaluating the results of those procedures (see paragraphs 143L and 143R). Analytical procedures may also be used as risk assessment procedures to help identify inconsistencies, unusual events or conditions, and amounts, ratios, and trends that indicate matters that may have implications for the engagement. Unusual or unexpected relationships that are identified may assist the practitioner in identifying risks of material misstatement, including risks of material misstatement due to fraud.

Sustainability Information

- A43. As explained in paragraph 2, sustainability information is information about sustainability matters and may cover a number of topics and aspects of those topics. Paragraph 2 also explains that law or regulation or sustainability reporting frameworks may describe sustainability matters, topics or aspects of topics in different ways. Examples of topics and aspects of topics include the following:

| Topics | |
|----------------------|--|
| <i>Environmental</i> | <ul style="list-style-type: none"> • Climate, including emissions • Energy, such as type of energy and consumption |

| | |
|--|--|
| | <ul style="list-style-type: none"> • Water and effluents, such as water consumption and water discharge • Biodiversity, such as impacts on biodiversity or habitats protected and restored |
| <i>Social</i> | <ul style="list-style-type: none"> • Labour practices, such as diversity and equal opportunity, training and education, and occupational health and safety • Human rights and community relations, such as local community engagement, impact assessments and development programs • Customer health and safety |
| <i>Governance</i> | <ul style="list-style-type: none"> • Monitoring, managing and overseeing sustainability matters and their related impacts |
| Aspects of Topics | |
| <ul style="list-style-type: none"> • Impact analysis, including magnitude of impact • Strategy and business model • Risks and opportunities • Innovation to address risks and opportunities • Financial effects arising from risks and opportunities • Risk management or mitigation • Governance • Metrics and key performance indicators • Targets • Internal control over monitoring and managing risk • Scenario analysis | |

- A44. As explained in paragraph 5, the scope of the assurance engagement may not extend to the entirety of the sustainability information reported. Therefore, for purposes of the ASSAs, the term “sustainability information” is to be read as the information that is subject to assurance. 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.

Sustainability Matters

- A45. Law or regulation or sustainability reporting frameworks may define or describe sustainability matters in different ways. Depending on the criteria, sustainability matters may address:
- The impacts on the entity’s strategy, business model or performance;
 - The impacts of the entity’s activities, products and services on the environment, society or economy; or
 - The entity’s sustainability policies, plans, goals or targets.

- A46. In addition to impacts, the criteria may also refer to risks and opportunities (e.g., how sustainability-related risks and opportunities could reasonably be expected to affect the entity's prospects) or dependencies (e.g., resources and relationships throughout the entity's value chain that may affect the entity's strategy or business model).

Conduct of an Assurance Engagement in Accordance with the ASSAs

Complying with Standards that Are Relevant to the Engagement (Ref: Para. 19–20)

- A47. In some cases, another ASSA is also relevant to the engagement. Another ASSA is relevant to the engagement when that ASSA is in effect, the subject matter of the ASSA is relevant to the engagement, and the circumstances addressed by the ASSA exist.
- A48. The Australian Auditing Standards (ASAs) and Australian Standards on Review Engagements (ASREs) have been written for audits and reviews of historical financial information, respectively, and do not apply to other assurance engagements. They may, however, provide guidance in relation to the engagement process for practitioners undertaking a sustainability assurance engagement in accordance with this ASSA.

Text of an ASSA (Ref: Para. 21)

- A49. ASSAs contain the objectives of the practitioner in following the ASSA, and requirements designed to enable the practitioner to meet those objectives. In addition, they contain related guidance in the form of application and other explanatory material, introductory material that provides context relevant to a proper understanding of the ASSA, and definitions.
- A50. The objectives in an ASSA provide the context in which the requirements of the ASSA are set, and are intended to assist in:
- (a) Understanding what is to be accomplished; and
 - (b) Deciding whether more needs to be done to achieve the objectives.

The proper application of the requirements of an ASSA by the practitioner is expected to provide a sufficient basis for the practitioner's achievement of the objectives. However, because the circumstances of assurance engagements vary widely, and all such circumstances cannot be anticipated in the ASSA, the practitioner is responsible for determining the procedures necessary to fulfill the requirements of relevant ASSAs, and to achieve the objectives stated therein. In the circumstances of an engagement, there may be particular matters that require the practitioner to perform procedures in addition to those required by relevant ASSAs to meet the objectives specified in those ASSAs.

- A51. The requirements of ASSAs are expressed as "shall."
- A52. Where necessary, the application and other explanatory material provides further explanation of the requirements and guidance for carrying them out. In particular, it may:
- Explain more precisely what a requirement means or is intended to cover.
 - Include examples that may be appropriate in the circumstances.

While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in an ASSA. Where appropriate, additional considerations specific to public sector entities or smaller or less complex entities are included within the application and other explanatory material. These additional considerations assist in the application of the requirements in the ASSAs. They do not, however, limit or reduce the responsibility of the practitioner to apply and comply with the requirements in an ASSA.

- A53. Definitions are provided in an ASSA to assist in the consistent application and interpretation of the ASSA and are not intended to override definitions that may be established for other purposes, whether by laws, regulations or otherwise.
- A54. Appendices form part of the application and other explanatory material. The purpose and intended use of an appendix are explained in the body of the related ASSA or within the title and introduction of the appendix itself.

Complying with Relevant Requirements (Ref: Para. 22–23)

- A55. Although some procedures are required only for reasonable assurance engagements, they may nonetheless be appropriate in some limited assurance engagements.
- A56. The requirements of this ASSA and any other relevant ASSAs are designed to enable the practitioner to achieve the objectives specified in the ASSA, and thereby the overall objectives of the practitioner. Accordingly, other than in exceptional circumstances, the practitioner is required to comply with each requirement that is relevant in the circumstances of the assurance engagement.

Documentation of a Departure from a Relevant Requirement (Ref: Para. 24)

- A57. The engagement documentation requirements apply only to requirements that are relevant in the circumstances. A requirement is not relevant only in the cases when the requirement is conditional and the condition does not exist (for example, the requirement to modify the practitioner's conclusion when there is an inability to obtain sufficient appropriate evidence, and there is no such inability).

Acceptance and Continuance of the Assurance Engagement

Relevant Ethical Requirements, Including Those Related to Independence (Ref: Para. 26(a), 34–37)

- A58. The Code sets out the fundamental principles of ethics that establish the standards of behaviour expected of an assurance practitioner and establishes the Australian Independence Standards. The fundamental principles are integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The Code also specifies the required approach for a professional accountant to comply with the fundamental principles and, when applicable, the Australian Independence Standards. Law or regulation in a jurisdiction may also contain provisions addressing ethical requirements, including independence, such as privacy laws affecting the confidentiality of information.
- A59. The Code provides a conceptual framework which an assurance practitioner is required to apply when addressing threats to compliance with the fundamental principles, including:
- (a) Identifying threats to compliance with the fundamental principles. Threats fall into one or more of the following categories:
 - (i) Self-interest;
 - (ii) Self-review;
 - (iii) Advocacy;
 - (iv) Familiarity; and
 - (v) Intimidation;
 - (b) Evaluating whether the threats identified are at an acceptable level; and
 - (c) If the identified threats to compliance with the fundamental principles are not at an acceptable level, addressing them by eliminating the circumstances that create the

threats, applying safeguards to reduce threats to an acceptable level, or withdrawing from the engagement, where withdrawal is possible under applicable law or regulation.

A60. The Code sets out requirements and application material on various topics that may give rise to potential threats to compliance, including:

- Conflicts of interest.
- Professional appointments.
- Second opinions.
- Fees and other types of remuneration.
- Inducements, including gifts and hospitality.
- Custody of client assets.
- Responding to non-compliance with laws and regulations.

A61. The Code defines independence as comprising both independence of mind and independence in appearance. Independence safeguards the ability to form an assurance conclusion without being affected by influences that might compromise that conclusion. Independence enhances the ability to act with integrity, to be objective and to maintain an attitude of professional scepticism. The Australian Independence Standards in the Code address various matters that may affect or influence the practitioner's independence, including:

- Fees.
- Gifts and hospitality.
- Actual or threatened litigation.
- Financial interests.
- Loans and guarantees.
- Business relationships.
- Family and personal relationships.
- Recent service with an assurance client.
- Serving as a director or officer of an assurance client.
- Employment with an assurance client.
- Long association of personnel with an assurance client.
- Provision of non-assurance services to an assurance client.

A62. Professional requirements, or requirements in law or regulation, addressing compliance with relevant ethical requirements are at least as demanding as the provisions of the Code related to sustainability assurance engagements when they address all the matters referred to in paragraphs A58–A61 and impose obligations that achieve the aims of the requirements set out in the Code related to such engagements.

- A63. An appropriate authority could be a national standard setter, regulator, or oversight body with responsibility for audit, assurance or related relevant ethical requirements, or a designated accreditation organisation recognised by a public authority.

Considerations Specific to Public Sector Entities (Ref: Para. 26(a), 34)

- A64. Statutory measures may provide safeguards for the independence of public sector practitioners. However, public sector practitioners or firms carrying out public sector assurance engagements may, depending on the terms of the mandate in a particular jurisdiction, need to adapt their approach to promote compliance with paragraph 34. This may include, where the public sector mandate does not permit withdrawal from the engagement, disclosure through a public report of circumstances that have arisen that would, if they were in the private sector, lead the practitioner to withdraw.

Engagement Leader Responsibilities for Acceptance and Continuance (Ref: Para. 28)

- A65. Under ASQM 1, for acceptance and continuance decisions, the firm is required to make judgements about the firm's ability to perform the engagement in accordance with professional requirements and applicable legal and regulatory requirements. The engagement leader may use the information considered by the firm in this regard in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and engagements are appropriate. If the engagement leader has concerns regarding the appropriateness of the conclusions reached, the engagement leader may discuss the basis for those conclusions with those involved in the acceptance and continuance process.
- A66. If the engagement leader is directly involved throughout the firm's acceptance and continuance process, the engagement leader will be aware of the information obtained or used by the firm in reaching the related conclusions. Such direct involvement may also provide a basis for the engagement leader's determination that the firm's policies or procedures have been followed and that the conclusions reached are appropriate.
- A67. When the firm is obligated by law or regulation to accept or continue an assurance engagement, the engagement leader may take into account information obtained by the firm about the nature and circumstances of the engagement.

Firm-level Quality Management (Ref: Para. 30)

- A68. This ASSA has been written in the context of a range of measures taken to support the quality of sustainability assurance engagements. Such measures include:
- Competency requirements, such as education and experience, and ongoing continuing professional development as well as life-long learning requirements.
 - A system of quality management implemented across the firm, i.e., ASQM 1, or professional requirements, or requirements in law or regulation, that are at least as demanding.
 - When applicable, in accordance with ASQM 1, performance of engagement quality reviews in accordance with ASQM 2.³
 - A comprehensive set of ethical requirements, including detailed independence requirements, founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
- A69. ASQM 1 deals with the firm's responsibilities to design, implement and operate a system of quality management for assurance engagements. It sets out the responsibilities of the firm for

³ See ASQM 2 *Engagement Quality Reviews*.

establishing quality objectives, identifying and assessing risks to the achievement of the quality objectives, and designing and implementing responses to address such risks, including certain specified responses. The specified responses in ASQM 1 include the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews. ASQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.

A70. A system of quality management addresses the following eight components:

- (a) The firm's risk assessment process;
- (b) Governance and leadership;
- (c) Relevant ethical requirements;
- (d) Acceptance and continuance of client relationships and specific engagements;
- (e) Engagement performance;
- (f) Resources;
- (g) Information and communication; and
- (h) The monitoring and remediation process.

Firms or legislative or other national requirements may use different terminology or frameworks to describe the components of the system of quality management.

A71. A firm's system of quality management includes establishing a monitoring and remediation process designed to:

- Provide the firm with relevant, reliable and timely information about the design, implementation, and operation of the system of quality management.
- Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated by the firm on a timely basis.

A72. Ordinarily, the engagement team may depend on the firm's system of quality management unless:

- The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
- Information provided by the firm or other parties about the effectiveness of such policies or procedures suggests otherwise.

For example, the engagement team may depend on the firm's system of quality management in relation to:

- Competence and capabilities of personnel through their recruitment and formal training.
- Independence through the accumulation and communication of relevant independence information.
- Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance of client relationships and assurance engagements.

- Adherence to regulatory and legal requirements through the firm's monitoring and remediation process.
- A73. Professional requirements, or requirements in law or regulation, that deal with the firm's responsibilities to design, implement, and operate a system of quality management are at least as demanding as ASQM 1 when they address all the matters referred to in paragraphs A69–A71 and impose obligations on the firm that achieve the aims of the objectives and requirements of ASQM 1.
- A74. An appropriate authority could be a national standard setter, regulator, or oversight body with responsibility for audit, assurance or related relevant ethical requirements, or a designated accreditation organisation recognised by a public authority.

Engagement-level Quality Management

Overall Responsibility for Managing and Achieving Quality (Ref: Para. 31–32)

- A75. Taking overall responsibility for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the engagement may be demonstrated by the engagement leader in various ways, including:
- Involvement in the acceptance and continuance process to be able to determine that the firm's policies or procedures for the acceptance and continuance of client relationships and assurance engagements have been followed.
 - The engagement being planned and performed (including appropriate direction and supervision of engagement team members) in accordance with professional standards or requirements and applicable legal and regulatory requirements.
 - Reviews being performed in accordance with the firm's policies or procedures and reviewing the engagement documentation on or before the date of the assurance report.
 - Appropriate engagement documentation being maintained to provide evidence of achievement of the practitioner's objectives, and that the engagement was performed in accordance with this ASSA and relevant legal and regulatory requirements.
 - Appropriate consultation being undertaken by the engagement team on difficult or contentious matters.
- A76. The engagement leader remains ultimately responsible, and therefore accountable, for compliance with the requirements of this ASSA. The term "the engagement leader shall take responsibility for..." is used for those requirements that the engagement leader is permitted to assign the design or performance of procedures, tasks or actions to appropriately skilled or suitably experienced members of the engagement team. For requirements in this ASSA that state "the engagement leader shall...", this ASSA expressly intends that the requirement or responsibility be fulfilled by the engagement leader. In such circumstances, the engagement leader may obtain information from the firm or other members of the engagement team in fulfilling the requirement.
- A77. ASQM 1 requires the firm to establish quality objectives that address the firm's governance and leadership that supports the design, implementation and operation of the system of quality management. The engagement leader's responsibility for managing and achieving quality is supported by a firm culture that demonstrates a commitment to quality. A culture that demonstrates a commitment to quality is further shaped and reinforced by the engagement team members as they demonstrate expected behaviours when performing the engagement.

A78. The actions of the engagement leader, and appropriate messages to the other members of the engagement team, emphasise the fact that quality is essential in performing an assurance engagement, and the importance to the quality of the assurance engagement of:

- (a) Performing work that complies with professional standards and relevant legal and regulatory requirements.
- (b) Complying with the firm's policies or procedures as applicable.
- (c) Issuing a report for the engagement that is appropriate in the circumstances.
- (d) The engagement team's ability to raise concerns without fear of reprisals.

A79. Being sufficiently and appropriately involved throughout the engagement when procedures, tasks or actions have been assigned to other members of the engagement team may be demonstrated by the engagement leader in different ways, including:

- Informing assignees about the nature of their responsibilities and authority, the scope of the work being assigned and the objectives thereof; and to provide any other necessary instructions and relevant information.
- Direction and supervision of the assignees.
- Review of the assignees' work to evaluate the conclusions reached, in addition to the requirements in paragraphs 46–49.

Application of Firm Policies or Procedures by Members of the Engagement Team (Ref: Para. 32)

A80. Within the context of the firm's system of quality management, engagement team members from the firm are responsible for implementing the firm's policies or procedures that are applicable to the engagement. As engagement team members from another firm are neither partners nor staff of the engagement leader's firm, they may not be subject to the firm's system of quality management or the firm's policies or procedures. Further, the policies or procedures of another firm may not be similar to that of the engagement leader's firm. For example, policies or procedures regarding direction, supervision and review may be different, particularly when the other firm is in a jurisdiction with a different legal system, language or culture than that of the engagement leader's firm. Accordingly, if the engagement team includes individuals from another firm, different actions may need to be taken by the firm or the engagement leader to implement the firm's policies or procedures in respect of the work of those individuals. For example, individuals who are not personnel may not be able to complete independence declarations directly on the firm's independence systems. The firm's policies or procedures may state that such individuals can provide evidence of their independence in other ways, such as written confirmation.

Characteristics of the Engagement Leader (Ref: Para. 33)

A81. ASQM 1 requires the firm to establish quality objectives that engagement team members are assigned to each engagement, including an engagement leader, who have appropriate competence and capabilities to consistently perform quality engagements.

A82. Sufficient sustainability competence provides the engagement leader with the ability to:

- Ask appropriate questions of a practitioner's expert and evaluate whether the answers are judged to be reasonable in the engagement circumstances;
- Evaluate a practitioner's expert's work and, to the extent necessary, integrate it with the work of the engagement team as a whole; and
- Take responsibility for the conclusions reached on the engagement.

- A83. What constitutes sufficient sustainability competence depends on the engagement circumstances and differs from engagement to engagement. Whether the engagement leader has sufficient sustainability competence in order to accept responsibility for the conclusions reached on the engagement is a matter of professional judgement, and may involve consideration of factors such as:
- The judgement involved in evaluating whether the criteria that the practitioner expects to be applied in the preparation of the sustainability information are suitable for the engagement circumstances.
 - The judgement involved in determining whether the sustainability information in the scope of the assurance engagement is appropriate.
 - The nature and complexity of the sustainability matters.
 - The extent to which the sustainability matters are capable of precise measurement or whether there is a high degree of measurement uncertainty that may need significant knowledge and judgement.
 - The engagement leader's and engagement team's competence and previous experience in relation to sustainability matters.

Relevant Ethical Requirements, Including Those Related to Independence

Engagement Leader Responsibilities for Relevant Ethical Requirements (Ref: Para. 35–37)

- A84. Open and robust communication between the members of the engagement team about relevant ethical requirements may also assist in:
- Drawing the attention of engagement team members to relevant ethical requirements that may be of particular significance to the assurance engagement; and
 - Keeping the engagement leader informed about matters relevant to the engagement team's understanding and fulfillment of relevant ethical requirements and the firm's related policies or procedures.
- A85. In accordance with ASQM 1, the firm's responses to address the quality risks in relation to relevant ethical requirements, including those related to independence for engagement team members, include policies or procedures for identifying, evaluating and addressing threats to compliance with the relevant ethical requirements.
- A86. Appropriate actions the firm may take to address threats to compliance with relevant ethical requirements may include, for example:
- Following the firm's policies or procedures regarding breaches of relevant ethical requirements, including communicating to or consulting with the appropriate individuals so that appropriate action can be taken, including as applicable, disciplinary action(s).
 - Communicating with those charged with governance.
 - Communicating with regulatory authorities or professional bodies. In some circumstances, communication with regulatory authorities may be required by law or regulation.
 - Seeking legal advice.
 - Withdrawing from the assurance engagement, when withdrawal is possible under applicable law or regulation.

Assurance Skills and Techniques, Professional Scepticism and Professional Judgement

Professional Scepticism (Ref: Para. 39)

A87. Professional scepticism is an attitude that includes being alert to, for example:

- Evidence that is inconsistent with other evidence obtained.
- Information that calls into question the reliability of responses to enquiries or information intended to be used as evidence.
- Circumstances that suggest the need for procedures in addition to those required by relevant ASSAs.
- Conditions that may indicate likely misstatement.
- Conditions that may indicate possible fraud.

A88. Professional scepticism is necessary for the critical assessment of evidence. This includes questioning inconsistent evidence and the reliability of responses to enquiries and information intended to be used as evidence. It also includes consideration of the sufficiency and appropriateness of evidence obtained in the light of the circumstances. Maintaining professional scepticism throughout the engagement is necessary if the practitioner is, for example, to reduce the risks of:

- Overlooking unusual circumstances.
- Over-generalising when drawing conclusions from observations.
- Using inappropriate assumptions in determining the nature, timing and extent of the procedures, and evaluating the results thereof.

A89. Unless the engagement involves assurance about whether documents are genuine, the practitioner may accept records and documents as genuine unless the practitioner has reason to believe the contrary. Nevertheless, the practitioner is required by paragraph 90 to consider the reliability of information intended to be used as evidence.

A90. The practitioner cannot be expected to disregard past experience of the honesty and integrity of those who provide evidence. Nevertheless, a belief that those who provide evidence are honest and have integrity does not relieve the practitioner of the need to maintain professional scepticism.

A91. Impediments to the exercise of professional scepticism at the engagement level may include, but are not limited to:

- Budget constraints, which may discourage the use of sufficiently experienced or technically qualified resources, including experts, when needed.
- Tight deadlines, which may negatively affect the behaviour of those who perform the work as well as those who direct, supervise and review that work.
- Lack of cooperation or undue pressures imposed by management, which may negatively affect the engagement team's ability to resolve complex or contentious issues.
- Insufficient understanding of the entity and its environment, its system of internal control and the applicable criteria.

- Difficulties in obtaining access to records, facilities, certain employees, customers, vendors or others, which may cause the engagement team to bias the selection of sources of evidence and seek evidence from sources that are more easily accessible.
- Overreliance on automated tools and techniques, which may result in the engagement team not critically assessing evidence.
- Circumstances when there is no one generally accepted way in which to measure or evaluate the sustainability matters and report the sustainability information, which may result in practitioners being less willing to question management's approach.
- Complexity of the engagement. The larger, more complex and more diverse the entity (e.g., the greater its geographical spread, and the more dependent it is on a long and diverse supply chain), the more challenging it may be to understand and evaluate:
 - Whether the sustainability matters are appropriate in the engagement circumstances; and
 - How much prominence should be given to each disclosure in the context of the sustainability information as a whole.

A92. Possible actions that the engagement team may take to mitigate impediments to the exercise of professional scepticism at the engagement level may include:

- Remaining alert to changes in the nature or circumstances of the engagement that necessitate requesting additional or different resources for the engagement.
- Explicitly alerting the engagement team to instances or situations when vulnerability to unconscious or conscious biases may be greater (e.g., areas involving greater judgement).
- Changing the composition of the engagement team, for example, requesting that more experienced individuals with greater skills or knowledge or specific expertise are assigned to the engagement.
- Involving more experienced members of the engagement team in more complex areas of the engagement or when dealing with members of management who are difficult or challenging to interact with.
- Involving members of the engagement team with specialised skills and knowledge or a practitioner's expert to assist the engagement team with complex or subjective areas of the engagement.
- Involving appropriate resources to perform procedures to obtain evidence about sustainability information related to group components and value chain components.
- Modifying the nature, timing and extent of direction, supervision or review, for example, by more in-person oversight on a more frequent basis or more in-depth reviews of certain working papers.
- Communicating with those charged with governance when management imposes undue pressure or the engagement team experiences difficulties in obtaining access to records, facilities, certain employees, customers, vendors or others from whom evidence may be sought.

Professional Judgement (Ref: Para. 40)

A93. Professional judgement is essential to the proper conduct of an assurance engagement. This is because interpretation of relevant ethical requirements and the ASSAs, and the informed

decisions required throughout the engagement, cannot be made without the application of relevant training, knowledge, and experience to the facts and circumstances. Professional judgement is necessary in particular regarding decisions about:

- The presence of the preconditions for an assurance engagement.
 - Materiality and engagement risk.
 - The nature, timing and extent of procedures used to meet the requirements of this ASSA and any other relevant ASSAs and to obtain evidence, including where, and to what extent, it is necessary to perform procedures at entities across the entity's value chain.
 - Evaluating whether sufficient appropriate evidence has been obtained, and whether more needs to be done to achieve the objectives of this ASSA and any other relevant ASSAs. In particular, in the case of a limited assurance engagement, professional judgement is required in evaluating whether a meaningful level of assurance has been obtained.
 - The appropriate conclusions to draw based on the evidence obtained.
 - The actions to take in exercising professional scepticism.
 - Whether the engagement leader's involvement throughout the engagement has been sufficient and appropriate such that the engagement leader has the basis for determining whether the significant judgements made, and the conclusions reached, are appropriate given the nature and circumstances of the engagement.
- A94. The distinguishing feature of the professional judgement expected of a practitioner is that it is exercised by a practitioner whose training, knowledge and experience have assisted in developing the necessary competencies to achieve reasonable judgements.
- A95. The exercise of professional judgement is based on the facts and circumstances that are known by the practitioner. It needs to be exercised throughout the engagement and be appropriately documented. Professional judgement can be evaluated based on whether the judgement reached reflects a competent application of assurance and measurement or evaluation principles and is appropriate in the light of, and consistent with, the facts and circumstances that were known to the practitioner up to the date of the practitioner's assurance report. Professional judgement is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement or sufficient appropriate evidence.

Engagement Resources (Ref: Para. 41)

- A96. Resources include human, technological and intellectual resources. Human resources include members of the engagement team and, when applicable, a practitioner's external expert. Technological resources include technological tools that may allow the practitioner to manage the engagement more effectively and efficiently. Intellectual resources include, for example, assurance methodologies, implementation tools, assurance guides, model programs, templates, checklists or forms.
- A97. In determining whether sufficient and appropriate resources to perform the engagement have been assigned or made available to the engagement team, the engagement leader ordinarily may depend on the firm's related policies or procedures (including resources). For example, based on information communicated by the firm, the engagement leader may be able to depend on the firm's technological development, implementation and maintenance programs when using firm-approved technology to perform procedures.

Competence and Capabilities of the Engagement Team (Ref: Para. 42)

- A98. When determining that the engagement team has the appropriate sustainability competence and competence and capabilities in assurance skills and techniques, the engagement leader may take into consideration such matters as the team's:
- Understanding of, and practical experience with, sustainability assurance engagements of a similar nature and complexity through appropriate training and participation.
 - Understanding of professional requirements and applicable legal and regulatory requirements applicable to the engagement.
 - Expertise in the sustainability matters relevant to the engagement.
 - Expertise in IT used by the entity or automated tools or techniques that are to be used by the engagement team in planning and performing the engagement.
 - Knowledge of relevant industries in which the entity operates.
 - Knowledge of laws, regulations or business practices relevant to the entity's operations in a particular jurisdiction.
 - Ability to exercise professional scepticism and professional judgement.
 - Understanding of the firm's policies or procedures.
- A99. Sustainability assurance engagements may relate to a wide range of sustainability matters that require specialised skills and knowledge beyond those possessed by the engagement leader and other members of the engagement team and for which the work of a practitioner's expert is used. A practitioner's expert may be either a practitioner's internal expert (who is a member of the engagement team), or a practitioner's external expert. A practitioner's internal expert may be a partner or staff (i.e., personnel), including temporary staff, of the practitioner's firm or a network firm. A practitioner's expert may be needed to assist the practitioner in one or more areas.

Examples:

- Obtaining an understanding of the entity and its environment, including its internal control.
- Performing risk assessment procedures.
- Responding to risks, including determining and implementing overall responses to assessed risks of material misstatement of the sustainability information.
- Evaluating the sufficiency and appropriateness of evidence obtained in forming a conclusion on the sustainability information.

- A100. Considerations when deciding whether to use a practitioner's expert may include:
- Whether management has used a management's expert in preparing the sustainability information (see paragraph A101).
 - The nature and significance of the sustainability information, including its complexity.
 - The assessed risks of material misstatement.

- The expected nature of procedures to respond to identified risks, including the practitioner's knowledge of and experience with the work of experts in relation to such matters, and the availability of alternative sources of evidence.
- A101. When management has used a management's expert in preparing the sustainability information, the practitioner's decision on whether to use a practitioner's expert may also be influenced by such factors as:
- The nature, scope and objectives of the management's expert's work.
 - Whether the management's expert is employed by the entity, or is a party engaged by it to provide relevant services.
 - The extent to which management can exercise control or influence over the work of the management's expert.
 - The management's expert's competence and capabilities.
 - Whether the management's expert is subject to technical performance standards or other professional or industry requirements.
 - Any controls within the entity over the management's expert's work.
- A102. The more complex the engagement, including its geographical spread and the extent to which information is derived from the entity's value chain, the more necessary it may be to consider how the work of a practitioner's expert or another practitioner is to be integrated across the engagement.
- Sufficient and Appropriate Involvement in the Work of a Firm Other than the Practitioner's Firm (Ref: Para. 43)
- A103. Paragraph 31 requires the engagement leader to be sufficiently and appropriately involved throughout the engagement. Paragraphs A75 and A79 provide examples of ways in which the engagement leader may demonstrate sufficient and appropriate involvement in the engagement. When the practitioner intends to obtain evidence from using work that has been performed, or will be performed, by a firm other than the practitioner's firm, these examples may assist the engagement leader in determining whether it is possible for the engagement leader to be sufficiently and appropriately involved in that work.
- A104. When work is performed in relation to sustainability information of a group component, there is a presumption that the practitioner would ordinarily be sufficiently and appropriately involved in that work.
- A105. In certain circumstances, the practitioner may become aware that a separate engagement on sustainability information for a group component has been performed by a firm (including another office of the practitioner's firm or a network firm). For example, that firm may have performed a separate assurance engagement on greenhouse gas emissions of a subsidiary that are included in the group sustainability information. Although the practitioner is unable to be involved because the separate engagement has already been completed, the practitioner may still intend to obtain evidence from using the work of that other firm for the group sustainability assurance engagement. In these circumstances, the requirements in paragraphs 50–55 would apply, including determining whether the evidence obtained from that other practitioner's work is adequate for the practitioner's purposes. If a similar separate engagement is expected to be performed in subsequent years relating to that group component, the practitioner would be able to consider it in developing the overall strategy and engagement plan for the group engagement, including the involvement of that other firm as a component practitioner (see paragraph 96).

A106. An inability to be sufficiently and appropriately involved in the work of a firm other than the practitioner's firm may arise because the work has already been performed, the practitioner's access to the work of that firm is restricted by law or regulation, or the work relates to a value chain component and neither the entity's management nor the practitioner have any rights of access to that other firm's work. Similarly, if the extent of the engagement leader's involvement does not provide the basis for determining that the significant judgements made and the conclusions reached in relation to the work of a firm other than the practitioner's firm are appropriate, the engagement leader is ordinarily not able to conclude that they can be sufficiently and appropriately involved. The engagement leader may also take account of firm policies or procedures in making the determination in accordance with paragraph 43.

Insufficient or Inappropriate Resources Assigned or Made Available (Ref: Para. 44)

A107. The engagement leader's determination that the resources assigned or made available are insufficient or inappropriate in the circumstances of the engagement, and the appropriate actions to take, are matters of professional judgement. For example, if an assurance software program provided by the firm has not incorporated new or revised procedures related to sustainability disclosures required by new or revised framework criteria, timely communication of such information to the firm enables the firm to take steps to update and reissue the software promptly or to provide an alternative resource that enables the engagement team to comply with the new regulation in the performance of the engagement.

A108. For a group sustainability assurance engagement, the engagement leader's determination about whether the resources assigned or made available are sufficient and appropriate may include considering whether there is a need to involve component practitioners with knowledge and experience of the laws, regulations, language or culture in certain jurisdictions.

A109. If the resources assigned or made available are insufficient or inappropriate in the circumstances of the engagement and additional or alternative resources have not been made available, appropriate actions may include:

- Changing the planned approach to the nature, timing and extent of direction, supervision and review (see also paragraph 47).
- Discussing an extension to the entity's reporting deadlines with management or those charged with governance, when an extension is possible under applicable law or regulation.
- Following the firm's policies or procedures for resolving differences of opinion if the engagement leader does not obtain the necessary resources for the engagement.
- Following the firm's policies or procedures for withdrawing from the engagement, when withdrawal is possible under applicable law or regulation.

Using the Resources Assigned or Made Available (Ref: Para. 45)

A110. The firm's policies or procedures may include required considerations or responsibilities for the engagement team when using firm-approved technological tools to perform procedures and may require the involvement of individuals with specialised skills or expertise in evaluating or analysing the output. The engagement team may be required, in accordance with the firm's policies or procedures, to use the firm's assurance methodology and specific tools and guidance. The engagement team may also consider whether the use of other intellectual resources is appropriate and relevant based on the nature and circumstances of the engagement, for example, an industry-specific assurance methodology or related guides and performance aids.

Direction, Supervision and Review

Engagement Leader's Responsibility for Direction, Supervision and Review (Ref: Para. 46)

- A111. ASQM 1 requires that direction, supervision and review is planned and performed on the basis that the work performed by less experienced engagement team members is directed, supervised and reviewed by more experienced engagement team members.
- A112. Direction and supervision of the engagement team and the review of their work are firm-level responses that are implemented at the engagement level, of which the nature, timing and extent may be further tailored by the engagement leader in managing the quality of the engagement. Accordingly, the approach to direction, supervision and review will vary from one engagement to the next, taking into account the nature and circumstances of the engagement. The approach will ordinarily include a combination of addressing the firm's policies or procedures and engagement specific responses.
- A113. When an engagement is not carried out entirely by the engagement leader, or when the nature and circumstances of the engagement are more complex (e.g., when there are members of the engagement team spread across multiple jurisdictions), it may be necessary for the engagement leader to assign direction, supervision, and review to other members of the engagement team. However, as part of the engagement leader's overall responsibility for managing and achieving quality on the engagement and to be sufficiently and appropriately involved, the engagement leader is required to determine that the nature, timing and extent of direction, supervision and review is undertaken in accordance with paragraph 47. In such circumstances, personnel or members of the engagement team may provide information to the engagement leader to enable the engagement leader to make the determination required by paragraph 47.

Direction

- A114. Direction of the engagement team may involve informing the members of the engagement team of their responsibilities, such as:
- Contributing to the management and achievement of quality at the engagement level through their personal conduct, communication and actions.
 - Maintaining a questioning mind and being aware of unconscious or conscious biases in exercising professional scepticism when gathering and evaluating evidence.
 - Addressing threats to the achievement of quality, and the engagement team's expected response. For example, budget constraints or resource constraints should not result in the engagement team members modifying planned procedures or failing to perform planned procedures.
 - Fulfilling relevant ethical requirements.
 - Understanding the objectives of the work to be performed and the detailed instructions regarding the nature, timing and extent of planned assurance procedures.
 - The responsibilities of respective engagement team members to perform procedures, and of more experienced engagement team members to direct, supervise and review the work of less experienced engagement team members.

Supervision

- A115. Supervision may include matters such as:
- Tracking the progress of the engagement, which includes monitoring:

- The progress against the engagement plan;
- Whether the objective of work performed has been achieved; and
- The ongoing adequacy of assigned resources.
- Taking appropriate action to address issues arising during the engagement, including for example, reassigning planned procedures to more experienced engagement team members when issues are more complex than initially anticipated.
- Identifying matters for consultation or consideration by more experienced engagement team members during the engagement.
- Providing coaching and on-the-job training to help engagement team members develop skills or competencies.
- Creating an environment where engagement team members raise concerns without fear of reprisals.

Review

A116. Review of the engagement team's work consists of consideration of whether, for example:

- The work has been performed in accordance with the firm's policies or procedures, professional requirements and applicable legal and regulatory requirements.
- Significant matters have been raised for further consideration.
- Appropriate consultations have taken place and the resulting conclusions have been documented and implemented.
- There is a need to revise the nature, timing and extent of work performed.
- The work performed supports the conclusions reached and is appropriately documented.
- The evidence obtained is sufficient and appropriate to provide a basis for the practitioner's conclusion.
- The objectives of the procedures have been achieved.

Determining the Nature, Timing and Extent of Direction, Supervision and Review (Ref: Para. 47)

A117. The approach to the direction and supervision of the members of the engagement team and the review of their work provides support for the engagement leader in fulfilling the requirements of this ASSA, and in concluding that the engagement leader has been sufficiently and appropriately involved throughout the engagement in accordance with paragraph 186(d)(i).

A118. The approach to direction, supervision and review may be tailored depending on, for example:

- The engagement team member's previous experience with the entity and the subject matter.
- The complexity of the engagement.
- The assessed risks of material misstatement.
- The competence and capabilities of the individual engagement team members performing the work.

- The manner in which the reviews of the work performed are expected to take place (remote or in-person).
- The structure of the engagement team and the location of engagement team members.
- Whether engagement team members are from the practitioner's firm, a network firm, or a firm that is not a network firm.

Review of Engagement Documentation (Ref: Para. 48)

- A119. Timely review of engagement documentation by the engagement leader at appropriate stages throughout the engagement enables significant matters to be resolved to the engagement leader's satisfaction on or before the date of the practitioner's report. The engagement leader need not review all engagement documentation.
- A120. The engagement leader exercises professional judgement in identifying significant judgements made by the engagement team. The firm's policies or procedures may specify certain matters that are commonly expected to be significant judgements. Significant judgements may include matters related to planning and performing the engagement, as well as the conclusions reached by the engagement team.

Examples of significant judgements:

- Whether the scope of the sustainability information to be reported and the scope of the assurance engagement are appropriate in the circumstances.
- Matters related to planning the engagement, such as the consideration or determination of materiality.
- The composition of the engagement team, including personnel with expertise in one or more sustainability matters addressed in the engagement.
- The decision to involve a practitioner's expert, including the decision to involve an external expert.
- The engagement team's risk assessment procedures, including situations when the identification and assessment of the risks of material misstatement requires significant judgement by the engagement team.
- For a group sustainability assurance engagement:
 - The proposed approach to the engagement for addressing where, and by whom, evidence needs to be obtained.
 - Decisions about the involvement of component practitioners and using the work of another practitioner, including, for example, in areas of higher assessed risk of material misstatement of the sustainability information.
- Results of the procedures performed on areas of the engagement involving significant management judgement.
- The evaluation of the work performed by a practitioner's external expert or another practitioner, and conclusions drawn therefrom.
- The significance and disposition of corrected and uncorrected misstatements identified during the engagement.
- The evaluation of matters that may affect the assurance report, including modification of the practitioner's conclusion.

A121. The engagement leader exercises professional judgement in determining other matters to review, for example based on:

- The nature and circumstances of the engagement.
- Which engagement team member performed the work.
- Matters relating to recent inspection findings.
- The requirements of the firm's policies or procedures.

Review of Formal Written Communications (Ref: Para. 49)

A122. The engagement leader uses professional judgement in determining which written communications to review, taking into account the nature and circumstances of the engagement. For example, it may not be necessary for the engagement leader to review communications between the engagement team and management in the ordinary course of the engagement.

Using the Work of Others

Using the Work of Another Practitioner (Ref: Para. 50–55)

A123. Using the work of another practitioner may include using work that has already been completed, or that is yet to be performed but will be completed prior to completion of the practitioner's engagement. Such work may specifically relate to sustainability matters or may be other assurance or non-assurance work that, in the practitioner's judgement, is relevant to the sustainability assurance engagement. The practitioner exercises professional judgement in determining whether the work of another practitioner is relevant to, and is appropriate for purposes of the practitioner's engagement, and the extent to which such work can be used in the circumstances. The extent of the practitioner's procedures to evaluate the work of another practitioner in accordance with paragraph 50 is influenced by:

- The overall significance of the work to the practitioner's engagement. For example, the greater the significance to the overall sustainability information of the disclosures for which the practitioner intends to obtain evidence from using the work of another practitioner, the more extensive the practitioner's procedures are likely to be, including communication with another practitioner and determining whether it is necessary to review additional documentation of the work of that practitioner in accordance with paragraph 54;
- The ability of the practitioner to obtain access to another practitioner and their work. For example, when the work of another practitioner relates to information from a value chain component, neither the reporting entity's management nor the practitioner may have rights of access to that other firm or its work. Paragraph A135 explains circumstances in which a limitation on scope may arise in relation to using the work of another practitioner; and
- Whether a one-to-many report of another practitioner is available (see paragraph 51).

A124. The guidance in paragraphs A136–A151 for using the work of a practitioner's expert may also be helpful when obtaining evidence from using the work of another practitioner, in particular, the considerations described in paragraphs A137 and A151.

Complying with relevant ethical requirements that apply to using the work of another practitioner (Ref: Para. 50(a))

A125. Relevant ethical requirements may include provisions addressing the fulfillment of the practitioner's ethical responsibilities related to using the work of another practitioner. These

responsibilities may vary depending on whether the work performed by another practitioner is assurance or non-assurance work.

A126. Whether an engagement performed by another practitioner is an assurance engagement depends on the circumstances. Considerations that may be relevant in distinguishing an assurance engagement from a non-assurance engagement include:

- The nature of the engagement. For example, agreed-upon procedures engagements performed in accordance with Standard on Related Services 4400⁴ and consulting (or advisory) engagements are not assurance engagements.
- The nature of the procedures performed on the engagement. For example, a validation or verification engagement may be an assurance engagement if it is performed in accordance with recognised standards that enable the practitioner to design and perform procedures aimed at gathering sufficient appropriate evidence to support an assurance conclusion.
- The wording of the report of another practitioner. For example, the report for an assurance engagement includes the practitioner's opinion, conclusion or other form of assurance statement based on the procedures performed and evidence obtained. Reports that only provide the practitioner's findings would not be considered assurance engagements.

Evaluating the competence and capabilities of another practitioner (Ref: Para. 50(b))

A127. Determining whether another practitioner has the appropriate competence and capabilities is a matter of professional judgement and is influenced by the nature and circumstances of another practitioner's work. The sources described in paragraph A141 related to the work of a practitioner's expert may also be relevant when evaluating the competence and capabilities of another practitioner. Other factors that may be relevant include the consistency or similarity of laws and regulations, language and culture. When another practitioner is another firm within the same network as the practitioner's firm and is subject to common network requirements or uses common network services, the practitioner may be able to depend on such network requirements, for example, those addressing professional training or recruitment, or that require the use of common systems, policies, methodologies and related implementation tools.

Evaluating the nature, scope and objectives of another practitioner's work (Ref: Para. 50(c))

A128. Evaluating whether the nature, scope and objectives of another practitioner's work are appropriate for the practitioner's purposes may include obtaining an understanding of:

- The nature of the engagement performed by another practitioner, including whether it is a limited or reasonable assurance engagement, and whether that engagement exhibits a rational purpose;
- The applicable criteria relevant to that assurance engagement;
- The scope of the engagement;
- Whether the work performed was undertaken in accordance with recognised standards;
- Whether the work performed includes tests of controls, substantive procedures or both; and

⁴ See ASRS 4400 *Agreed-Upon Procedures Engagements*.

- Whether the work performed has been supported by firm-level policies or procedures designed to address quality management.

Obtaining and evaluating a one-to-many report (Ref: Para. 51–52)

- A129. The practitioner's evaluation of the work of another practitioner may include obtaining and evaluating a one-to-many report as described in paragraph 51. Such a report may identify assurance procedures and the results of those procedures, including exceptions, and other related information that could affect the practitioner's conclusions. Exceptions noted by another practitioner, or a modified conclusion, in such a report does not automatically mean that the report will not be useful for the assurance engagement on the reporting entity's sustainability information. Rather, the exceptions, or the matter giving rise to a modified conclusion, in the one-to-many report are considered in the context of the significance to users of the reported information. In considering the exceptions or matters giving rise to a modified conclusion, the practitioner may seek to discuss such matters with that other practitioner, if possible in the circumstances. Such communication is dependent upon the reporting entity contacting the value chain entity, and obtaining that entity's approval for the communication to take place.
- A130. Depending on the nature of the information that is the subject of the one-to-many report, or other relevant assurance report of another practitioner, that report may identify complementary user entity controls that, if relevant to the user entity, may need to be designed and implemented by the user entity to have an appropriate basis for using the information obtained in preparing the sustainability information.
- A131. The practitioner may determine that the one-to-many report does not provide sufficient appropriate evidence (e.g., the description of the procedures performed and results thereof may not provide sufficient evidence for the practitioner's purposes). In such circumstances, the practitioner may consider whether it is practicable to supplement the understanding of another practitioner's procedures and conclusions by communicating with that practitioner. If not practicable in the circumstances, the practitioner may need to perform other procedures to obtain sufficient appropriate evidence about the information from that value chain entity.

Communications with another practitioner (Ref: Para. 53)

- A132. Relevant matters that the engagement team may request another practitioner to communicate include:
- Whether the other practitioner has complied with ethical requirements that are relevant to the engagement, including independence for an assurance engagement.
 - Information about instances of non-compliance with laws and regulations that could give rise to a material misstatement of the sustainability information.
 - A list of uncorrected misstatements identified by another practitioner during the engagement that are not clearly trivial.
 - Indicators of possible bias in the preparation of relevant information.
 - Description of any deficiencies in internal control identified by the other practitioner during the engagement.
 - Other significant matters that another practitioner has communicated or expects to communicate to the entity, including fraud or suspected fraud.
 - Any other matters that may be relevant to the sustainability information, or that another practitioner wishes to draw to the attention of the engagement team, including exceptions noted in any written representations that another practitioner requested from the component entity.

- The other practitioner's overall findings, conclusion or opinion.

A133. If the practitioner determines that another practitioner's communications are not adequate for the practitioner's purposes, the practitioner may consider whether, for example:

- Further information can be obtained from another practitioner (e.g., through further discussions or meetings);
- Review of additional documentation of another practitioner may provide the practitioner with further information; or
- There are any concerns about another practitioner's competence or capabilities.

Reviewing additional documentation of work performed by another practitioner (Ref: Para. 54)

A134. Determining whether to review additional documentation of another practitioner may include consideration of:

- The nature, timing and extent of the work performed by another practitioner;
- The competence and capabilities of another practitioner; and
- The significant judgements made by, and the findings or conclusions of, another practitioner about matters that are material to the sustainability information.

Evidence obtained from work of another practitioner inadequate for practitioner's purposes (Ref: Para. 55)

A135. A scope limitation exists when the practitioner is unable to:

- Obtain evidence from the work of another practitioner that is adequate for the practitioner's purposes; and
- Obtain, through alternative means, sufficient appropriate evidence over the disclosures for which the practitioner intended to use the work of another practitioner as evidence.

In such circumstances, the practitioner considers the implications for the engagement and the assurance report in accordance with paragraph 185.

Using the Work of a Practitioner's Expert (Ref: Para. 56–57)

A136. The practitioner has sole responsibility for the assurance conclusion expressed, and that responsibility is not reduced by the practitioner's use of the work of a practitioner's expert. Nonetheless, if the practitioner using the work of a practitioner's expert, having followed this ASSA, concludes that the work of that expert is adequate for the practitioner's purposes, the practitioner may accept that expert's findings or conclusions in the expert's field as appropriate evidence.

A137. The nature, timing and extent of procedures to fulfill the requirement in paragraphs 56–57 will vary depending on the circumstances. Relevant considerations may include:

- The significance of the practitioner's expert's work in the context of the engagement (see also paragraph A140).
- The nature of the disclosure(s) to which that expert's work relates.
- The assessed risks of material misstatement of the sustainability information to which that expert's work relates.

- The practitioner's knowledge of and experience with previous work performed by that expert.
- A138. Agreement on the respective roles and responsibilities of the practitioner and the practitioner's expert may also include agreement about access to, and retention of, each other's engagement documentation. A practitioner's internal expert is a member of the engagement team and therefore that expert's working papers form part of the engagement documentation.
- A139. Effective two-way communication facilitates the proper integration of the nature, timing and extent of the practitioner's expert's procedures with other work on the assurance engagement, and appropriate modification of the practitioner's expert's objectives during the course of the engagement. Identification of specific partners or staff who will liaise with the practitioner's expert, and procedures for communication between that expert and the entity, assists timely and effective communication, particularly on larger engagements.
- A140. When the work of a practitioner's expert is to be used, it may be appropriate to perform some of the procedures required by paragraph 56 at the engagement acceptance or continuance stage. This is particularly so when the work of the practitioner's expert will be fully integrated with the work of other assurance personnel and when the work of the practitioner's expert is to be used in the early stages of the engagement, for example, during initial planning and risk assessment procedures.

Evaluating the competence, capabilities and objectivity of a practitioner's expert (Ref: Para. 56(a))

- A141. The competence, capabilities and objectivity of a practitioner's expert are factors that significantly affect whether the work of the practitioner's expert will be adequate for the practitioner's purposes. Information regarding the competence, capabilities and objectivity of a practitioner's expert may come from a variety of sources.

Examples:

- Personal experience with previous work of that expert.
- Discussions with that expert.
- Discussions with other practitioners or others who are familiar with that expert's work.
- Knowledge of that expert's qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition.
- Understanding whether that expert's work is subject to technical performance standards or other professional or industry requirements, for example, ethical standards and other membership requirements of a professional body or industry association, accreditation standards of a licensing body.
- Published papers or books written by that expert.
- The practitioner's firm's system of quality management (see paragraphs A68–A74).

- A142. A practitioner's internal expert that is a partner or staff of a network firm is subject to the firm's policies or procedures for network requirements and network services established as part of the firm's system of quality management. In some instances, the practitioner's internal expert of a network firm may be subject to common quality management policies or procedures as the practitioner's firm, given that they are part of the same network.
- A143. Quality management at the engagement level is supported by the firm's system of quality management and informed by the specific nature and circumstances of the engagement. The practitioner may be able to depend on the firm's related policies or procedures regarding the

evaluation of the adequacy of an internal expert's work. For example, the firm's training programs may provide internal experts with an appropriate understanding of the interrelationship of their expertise with the assurance process. Reliance on such training may affect the nature, timing and extent of the practitioner's procedures to evaluate the adequacy of the practitioner's internal expert's work.

- A144. ASQM 1 requires the firm to have policies or procedures to address quality risks arising from the use of resources from a service provider, which includes the use of an external expert. A practitioner's external expert is not a member of the engagement team and may not be subject to the firm's policies or procedures under its system of quality management.

Evaluating the competence, capabilities and objectivity of a practitioner's external expert (Ref: Para. 56(a)–(b))

- A145. Relevant ethical requirements applicable to the practitioner when using the work of a practitioner's external expert may include provisions addressing the fulfillment of the practitioner's ethical responsibilities related to evaluating whether an external expert has the necessary competence, capabilities and objectivity for the practitioner's purposes. Such provisions may prohibit the practitioner from using the work of a practitioner's external expert if the practitioner:

- (a) Is unable to determine whether the external expert has the necessary competence or capabilities, or is objective;
- (b) Has determined that the external expert does not have the necessary competence or capabilities; or
- (c) Has determined that it is not possible to eliminate circumstances that create threats to the expert's objectivity, or apply safeguards to reduce such threats to an acceptable level.

- A146. The evaluation of whether the threats to objectivity are at an acceptable level may depend upon the role of the practitioner's external expert and the significance of the expert's work in the context of the engagement. In some cases, it may not be possible to eliminate circumstances that create threats or apply safeguards to reduce threats to an acceptable level, for example, if a proposed practitioner's external expert is an individual who has played a significant role in preparing the sustainability information.

- A147. When evaluating the objectivity of a practitioner's external expert, it may be relevant to:

- Enquire also of the appropriate party(ies) about any known interests or relationships that the appropriate party(ies) has with the expert that may affect that expert's objectivity.
- Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert, and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that may be relevant to discuss with the expert include:
 - Financial interests.
 - Business and personal relationships.
 - Provision of other services by that expert.

In some cases, it may also be appropriate for the practitioner to obtain a written representation from the practitioner's external expert about any interests or relationships with the entity or engaging party of which that expert is aware.

Understanding the field of expertise of a practitioner's expert (Ref: Para. 56(c))

A148. Having a sufficient understanding of the field of expertise of the practitioner's expert enables the practitioner to:

- (a) Agree with the practitioner's expert on the nature, scope (including, when applicable, the materiality for quantitative disclosures to be applied or other considerations of materiality for qualitative disclosures) and objectives of that expert's work for the practitioner's purposes;
- (b) Understand what assumptions, data and methods, including models as applicable, are used by the practitioner's expert, and whether they are generally accepted within that expert's field and appropriate in the circumstances of the engagement; and
- (c) Evaluate the adequacy of that expert's work for the practitioner's purposes.

Agreement with the practitioner's expert (Ref: Para. 56(c)–(d))

A149. The nature, scope and objectives of the practitioner's expert's work may vary considerably with the circumstances, as may the respective roles and responsibilities of the practitioner and the practitioner's expert, and the nature, timing and extent of communication between the practitioner and the practitioner's expert. It is therefore required that these matters are agreed between the practitioner and the practitioner's expert regardless of whether the expert is a practitioner's external expert or a practitioner's internal expert.

A150. The matters noted in paragraph A137 may affect the level of detail and formality of the agreement between the practitioner and the practitioner's expert, including whether it is appropriate that the agreement be in writing. For example, the following factors may suggest the need for more a detailed agreement than would otherwise be the case, or for the agreement to be set out in writing:

- The practitioner's expert will have access to sensitive or confidential entity information.
- The respective roles or responsibilities of the practitioner and the practitioner's expert are different from those normally expected.
- Multi-jurisdictional legal or regulatory requirements apply.
- The matter to which the practitioner's expert's work relates is highly complex.
- The practitioner has not previously used work performed by that expert.
- The greater the extent of the practitioner's expert's work, and its significance in the context of the engagement.

Evaluating the adequacy of the practitioner's expert's work (Ref: Para. 57)

A151. Procedures to evaluate the adequacy of the practitioner's expert's work for the practitioner's purposes may include:

- Enquiries of the practitioner's expert.
- Reviewing the practitioner's expert's working papers and reports.
- Corroborative procedures, such as:
 - Observing the practitioner's expert's work;

- Examining published data, such as statistical reports from reputable, authoritative sources;
- Confirming relevant matters with third parties;
- Performing detailed analytical procedures; and
- Reperforming calculations.
- Discussion with another expert with relevant expertise when, for example, the findings or conclusions of the practitioner's expert are not consistent with other evidence obtained by the practitioner.
- Discussing the practitioner's expert's report with management.

Using the Work of the Internal Audit Function (Ref: Para. 59)

- A152. In determining whether the work of the internal audit function can be used for purposes of the engagement, a first consideration is whether the planned nature and scope of the work of the internal audit function that has been performed, or is planned to be performed, is relevant to the practitioner's approach to the engagement.
- A153. The extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors and the level of competence of the function are particularly important in determining whether to use and, if so, the nature and extent of the use of the work of the function that is appropriate in the circumstances.
- A154. Factors that may affect the practitioner's evaluation of whether the internal audit function applies a systematic and disciplined approach include the following:
- The existence, adequacy and use of documented internal audit procedures or guidance covering such areas as risk assessments, work programs, documentation and reporting, the nature and extent of which is commensurate with the size and circumstances of an entity.
 - Whether the internal audit function has appropriate quality control policies and procedures, for example, policies and procedures that would be applicable to an internal audit function (such as those relating to leadership, human resources and engagement performance) or quality control requirements in standards set by the relevant professional bodies for internal auditors. Such bodies may also establish other appropriate requirements such as conducting periodic external quality assessments.

Communications Among Those Involved in the Engagement (Ref: Para. 60)

- A155. Clear and timely communication about responsibilities, along with clear direction about the nature, timing and extent of the work to be performed, and the matters expected to be communicated to the practitioner, helps establish the basis for effective two-way communication. Effective two-way communication also helps to set expectations for work performed at various locations (e.g., by component practitioners) and facilitates the practitioner's direction, supervision and review of that work. Such communication also provides an opportunity for the engagement leader to reinforce the need to exercise professional scepticism in performing the work.
- A156. Other factors that may also contribute to effective two-way communication include:
- Clarity of any instructions issued (e.g., to a component practitioner).
 - A mutual understanding of relevant issues and the expected actions arising from the communication process.

- The form of communications. For example, matters that need timely attention may be more appropriately discussed in a meeting rather than by exchanging emails.
 - A mutual understanding between the practitioner and component practitioner about which individuals have responsibility for managing communications regarding particular matters.
 - The process for reporting back to the practitioner on the results of the work performed or significant issues encountered in performing the work.
- A157. The communications depend on the facts and circumstances of the engagement, including, for example, the nature and extent of involvement of component practitioners and the degree to which the practitioner and component practitioners are subject to common systems of quality management, or the involvement of a practitioner's external expert.
- A158. The form of the communications may be affected by such factors as:
- The significance, complexity or urgency of the matter.
 - Whether the matter has been or is expected to be communicated to the entity's management or those charged with governance.
- A159. The appropriate timing of communications will vary with the circumstances of the engagement. Relevant circumstances may include the nature, timing and extent of work to be performed by others. For example, communications regarding planning matters may often be made early in the engagement and, for an initial sustainability assurance engagement, may be made as part of agreeing the terms of the engagement.

Monitoring and Remediation (Ref: Para. 63)

- A160. In considering information communicated by the firm through its monitoring and remediation process and how it may affect the engagement, the engagement leader may consider the remedial actions designed and implemented by the firm to address identified deficiencies and, to the extent relevant to the nature and circumstances of the engagement, communicate accordingly to the engagement team. The engagement leader may also determine whether additional remedial actions are needed at the engagement level. For example, the engagement leader may determine that:
- A practitioner's expert is needed; or
 - The nature, timing and extent of direction, supervision and review needs to be enhanced in an area of the engagement where deficiencies have been identified.

If an identified deficiency does not affect the quality of the engagement (e.g., if it relates to a technological resource that the engagement team did not use) then no further action may be needed.

- A161. A deficiency in the firm's system of quality management does not necessarily indicate that an assurance engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the practitioner's report was not appropriate.

Fraud and Non-Compliance with Laws and Regulations

Fraud (Ref: Para. 64)

- A162. Maintaining professional scepticism requires an ongoing questioning of whether the information and evidence obtained suggests that a material misstatement due to fraud may exist. It includes considering the reliability of the information intended to be used as evidence

and the controls over its preparation and maintenance where relevant. Due to the characteristics of fraud, the practitioner's professional scepticism is particularly important when considering material misstatement due to fraud, which may include omission of information or deliberate bias. Paragraph A323 provides examples of material misstatements due to fraud in sustainability information. Paragraphs 128L, 128R and 129–131 address the practitioner's required responses to fraud or suspected fraud.

Non-Compliance with Laws and Regulations (Ref: Para. 67)

- A163. Relevant ethical requirements may include a requirement to report identified or suspected non-compliance with laws and regulations to an appropriate level of management or those charged with governance. In some jurisdictions, law or regulation may restrict the practitioner's communication of certain matters with the responsible party, management or those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity. In these circumstances, the issues considered by the practitioner may be complex and the practitioner may consider it appropriate to obtain legal advice.
- A164. The reporting of identified or suspected non-compliance with laws and regulations in accordance with law, regulation or relevant ethical requirements may include non-compliance with laws and regulations that the practitioner comes across or is made aware of when performing the engagement, but which may not affect the sustainability information. Under this ASSA, the practitioner is not expected to have a level of understanding of laws and regulations beyond those affecting the sustainability information. However, law, regulation or relevant ethical requirements may expect the practitioner to apply knowledge, professional judgement and expertise in responding to such non-compliance. Whether an act constitutes actual non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.
- A165. In some circumstances, the reporting of identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be precluded by the practitioner's duty of confidentiality under law, regulation, or relevant ethical requirements. In other cases, reporting identified or suspected non-compliance to an appropriate authority outside the entity would not be considered a breach of the duty of confidentiality under the relevant ethical requirements.

Communication with Management and Those Charged with Governance (Ref: Para. 68)

- A166. In addition to those matters specifically required to be communicated in accordance with this ASSA, significant matters that the practitioner may consider merit the attention of management or those charged with governance, as appropriate, may include:
- Identified deficiencies in internal control.
 - Management bias in the preparation of the sustainability information.
 - Material misstatements of the sustainability information or other information that management has refused to correct.
 - Reporting policies that are not appropriate or that are inconsistent with the applicable criteria or criteria used in the relevant industry.
 - Circumstances that affect the form and content of the assurance report, if any.
 - Matters relating to estimates, forward-looking information, and inherent uncertainties, and related disclosures.

- Significant matters discussed or subject to correspondence with management (see also paragraph A167).
 - Significant difficulties encountered during the engagement (see also paragraph A168).
- A167. Significant matters discussed, or subject to correspondence with management, may include such matters as:
- Significant events or transactions that occurred during the year.
 - Concerns about management's use of work of an expert or information obtained from external sources.
 - Significant matters on which there was disagreement with management.
- A168. Significant difficulties encountered during the engagement may include such matters as:
- Significant delays by management, the unavailability of entity personnel, or an unwillingness by management to provide information necessary for the practitioner to perform procedures.
 - An unreasonably brief time within which to complete the engagement.
 - Extensive unexpected effort required to obtain sufficient appropriate evidence.
 - The unavailability of expected information.
 - Restrictions imposed on the practitioner by management.
- In some circumstances, such difficulties may constitute a scope limitation that leads to a modification of the practitioner's assurance conclusion.
- A169. In addition to communicating with management or those charged with governance, the practitioner may be permitted or required to communicate about certain matters with other relevant parties, such as regulators or prudential supervisors. Such communication may be appropriate throughout the engagement or at particular stages, such as when the practitioner identifies matters that are required to be reported to the regulator or when finalising the assurance report.

Considerations Specific to Public Sector Entities

- A170. A public sector practitioner may be obliged to report on identified or suspected non-compliance with laws and regulations to the legislature or other governing body or to report them in the practitioner's report.

Documentation

Overarching Documentation Requirements

Form, Content and Extent of Engagement Documentation (Ref: Para. 69–71)

- A171. A practitioner experienced in sustainability assurance refers to an individual (whether internal or external to the firm) who has practical experience in sustainability assurance, and a reasonable understanding of:
- (a) Assurance processes;
 - (b) ASSAs and applicable legal and regulatory requirements;
 - (c) The business environment in which the entity operates; and

- (d) Assurance and sustainability reporting matters relevant to the entity's industry.
- A172. Preparing sufficient and appropriate engagement documentation on a timely basis helps to enhance the quality of the assurance engagement and facilitates the effective review and evaluation of the evidence obtained and conclusions reached before the practitioner's report is finalised. Engagement documentation prepared after the assurance engagement work has been performed is likely to be less accurate than documentation prepared at the time such work is performed.
- A173. The form, content and extent of engagement documentation depend on factors such as:
- The size and complexity of the entity.
 - The scope of the assurance engagement and nature of the procedures to be performed. For example, the extent of engagement documentation would ordinarily be less:
 - For a limited assurance engagement compared to a reasonable assurance engagement.
 - When the scope of the assurance engagement includes only certain parts, rather than all, of the sustainability information.
 - The assessed risks of material misstatement.
 - The significance of the evidence obtained.
 - The nature and extent of exceptions identified.
 - The need to document a conclusion or the basis for a conclusion not self-evident from the engagement documentation of the work performed or evidence obtained.
 - The assurance methodology and tools used.
- A174. Judging the significance of a matter requires an objective analysis of the facts and circumstances. Examples of significant matters include:
- Matters that give rise to risks of material misstatement that are assessed higher on the spectrum of risk.
 - Results of procedures indicating that the sustainability information could be materially misstated or, in a reasonable assurance engagement, a need to revise the practitioner's previous assessment of the risks of material misstatement and the practitioner's responses to those risks.
 - Circumstances that cause the practitioner significant difficulty in applying necessary procedures.
 - Findings that could result in a modification to the assurance conclusion or the inclusion of an Emphasis of Matter paragraph in the assurance report.
- A175. An important factor in determining the form, content and extent of engagement documentation of significant matters is the extent of professional judgement exercised in performing the work and evaluating the results. Engagement documentation of the professional judgements made, when significant, serves to explain the practitioner's conclusions and to reinforce the quality of the judgement.
- A176. Circumstances in which it is appropriate to prepare engagement documentation relating to the use of professional judgement, include matters and judgements that are significant to:

- The rationale for the practitioner's conclusion when a requirement provides that the practitioner "shall consider" certain information or factors, and that consideration is significant in the context of the particular engagement.
 - The basis for the practitioner's conclusion on the reasonableness of judgements (for example, the reasonableness of significant estimates).
 - The basis for the practitioner's conclusions about the authenticity of a document when further investigation is undertaken in response to conditions identified during the assurance engagement that caused the practitioner to believe that the document may not be authentic.
- A177. It is neither necessary nor practical to document every matter considered, or professional judgement made, during an engagement. Further, it is unnecessary for the practitioner to document separately (e.g., through a checklist) compliance with matters for which compliance is demonstrated by documents included within the assurance engagement file.
- A178. The requirement to document who reviewed the work performed does not imply a need for each specific working paper to include evidence of review. The requirement, however, means documenting what work was reviewed, who reviewed such work, and when it was reviewed.
- A179. Documentation of discussions of significant matters with management, those charged with governance, and others is not limited to records prepared by the practitioner, but may include other appropriate records such as minutes of meetings prepared by the entity's personnel and agreed by the practitioner. Others with whom the practitioner may discuss significant matters may include other personnel within the entity, and external parties, such as persons providing professional advice to the entity.

Assembly of the Final Engagement File (Ref: Para. 72)

- A180. ASQM 1 requires firms to establish a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement report. An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.
- A181. The completion of the assembly of the final engagement file after the date of the assurance report is an administrative process that does not involve the performance of new procedures or the drawing of new conclusions. Changes may, however, be made to the engagement documentation during the final assembly process if they are administrative in nature. Examples of such changes include:
- Deleting or discarding superseded documentation.
 - Sorting, collating and cross-referencing working papers.
 - Signing off on completion checklists relating to the file assembly process.
 - Documenting evidence that the practitioner has obtained, discussed and agreed with the relevant members of the engagement team before the date of the assurance report.
- A182. ASQM 1 requires firms to establish a quality objective that addresses the maintenance and retention of engagement documentation to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards. The retention period for assurance engagements ordinarily is no shorter than five years from the date of the assurance report.

Documentation Related to Quality Management (Ref: Para. 74)

- A183. When dealing with circumstances that may pose risks to achieving quality on the engagement, the exercise of professional scepticism, and the engagement documentation of the practitioner's consideration thereof, may be important. For example, if the engagement leader obtains information that may have caused the firm to decline the engagement (see paragraph 29), the engagement documentation may include explanations of how the engagement team dealt with the circumstance.

Preconditions for an Assurance Engagement

Establishing Whether the Preconditions Are Present

Obtaining a Preliminary Knowledge of the Engagement Circumstances (Ref: Para. 75–76)

- A184. In order to establish whether the preconditions are present, the practitioner applies the preliminary knowledge obtained of the engagement circumstances (see the definition in paragraph 18) and holds discussions with the appropriate party(ies) in accordance with paragraph 76. The practitioner uses professional judgement to determine the nature and extent of the preliminary knowledge. The preliminary knowledge that the practitioner obtains ordinarily differs in nature, and is less in extent, than the understanding obtained when performing the engagement.

Obtaining a Preliminary Knowledge of the Scope of the Proposed Assurance Engagement (Ref: Para. 75(b))

- A185. The scope of the assurance engagement may extend to all of the sustainability information to be reported by the entity (e.g., the entity's sustainability report), or only part of it (e.g., it may be limited to specific disclosures such as assurance on key performance indicators for product recycling rates). Also, the scope of the proposed assurance engagement may encompass the reporting boundary covered by the sustainability information to be reported, or only certain jurisdictions, entities, operations or facilities within the reporting boundary. The reporting boundary within the scope of the assurance engagement may be established by law, regulation or professional requirements, or it may be determined by the appropriate party(ies).

Considerations Specific to Public Sector Entities (Ref: Para. 76)

- A186. In the absence of indications to the contrary, in a public sector environment some of the preconditions for an assurance engagement may be presumed to be present, for example:
- (a) The roles and responsibilities of public sector entity management, or those charged with governance, when appropriate, may be presumed to be suitable in the circumstances, because they are generally set out in legislation;
 - (b) A rational purpose is generally exhibited because the engagement is set out in legislation; and
 - (c) The practitioner's conclusion, in a form appropriate for the engagement, is generally required by legislation to be contained in a written report.

Considering Whether the Entity Has a Process to Identify Sustainability Information to Be Reported (Ref: Para. 76(a), Appendix 2)

- A187. An assurance engagement is conducted in accordance with this ASSA on the basis that management and, where appropriate, those charged with governance, have acknowledged and understand that they have responsibility for:
- The preparation of the sustainability information in accordance with the applicable criteria; and

- For designing, implementing and maintaining a system of internal control that management and, where appropriate, those charged with governance, determine is necessary to enable the preparation of the sustainability information in accordance with the applicable criteria (see paragraph 85).

The entity's information system and communication relevant to the preparation of the sustainability information ordinarily includes the entity's process to identify sustainability information to be reported. In the absence of such a process it may be difficult to establish whether management or those charged with governance, as appropriate, have a reasonable basis for the sustainability information.

Suitability of the Roles and Responsibilities (Ref: Para. 76(b))

A188. The three parties for an assurance engagement are:

- (a) The engaging party;
- (b) The practitioner; and
- (c) The intended users.

A189. If the engagement does not have at least three parties, it is unable to satisfy all of the elements of an assurance engagement under the *Framework for Assurance Engagements*. The practitioner's responses may include:

- Asking the engaging party to change the terms of engagement to reflect a three-party relationship;
- Conducting the engagement as a consulting engagement;
- Performing an agreed-upon procedures engagement; or
- Declining the engagement.

Reasonable Basis for the Sustainability Information (Ref: Para. 76(b))

A190. In evaluating whether management or those charged with governance, as appropriate, have a reasonable basis for the sustainability information, the practitioner may consider whether the entity has a process, including controls, to enable the preparation of the sustainability information that is free from material misstatement. What constitutes a reasonable basis will depend on the nature of the sustainability matters addressed by the sustainability information and other engagement circumstances.

A191. If the practitioner becomes aware that there are deficiencies in the entity's process to prepare the sustainability information that is not within the proposed scope of the assurance engagement and is therefore other information, this may indicate that management or those charged with governance, as appropriate, does not have a reasonable basis for reporting such information. In these circumstances, the implications of the requirements in this standard for other information (see paragraphs 173–176) will have an impact on the practitioner's acceptance of the proposed engagement.

Appropriate Sustainability Matters (Ref: Para. 77)

A192. Whether the sustainability matters within the scope of the engagement are appropriate is not affected by the level of assurance, that is, if a sustainability matter is not appropriate for a reasonable assurance engagement, it is also not appropriate for a limited assurance engagement, and vice versa. Therefore, inappropriate sustainability matters for a reasonable assurance engagement cannot be overcome by changing the engagement to a limited assurance engagement.

A193. In evaluating whether the sustainability matters are appropriate, and whether the sustainability information can be subject to procedures for obtaining sufficient appropriate evidence, the practitioner may consider matters such as the characteristics of the sustainability matters (i.e., the degree to which they are qualitative versus quantitative, factual versus judgemental, historical versus forward-looking, and relate to a point in time or cover a period) and the reporting boundary.

Suitability and Availability of Criteria (Ref: Para. 78, 107)

Suitable criteria for only some of the sustainability matters (Ref: Para. 78(a))

A194. If suitable criteria are unavailable for some of the sustainability information subject to the assurance engagement, but the practitioner can identify one or more disclosures for which the criteria are suitable, then an assurance engagement may be performed with respect to those disclosures.

Sources of the criteria (Ref: Para. 78(b))

A195. Criteria may be:

- (a) Framework criteria, that is:
 - (i) Embodied in law or regulation;
 - (ii) Established for use by certain types of entities by an organisation(s) that is authorised or recognised to promulgate standards for reporting sustainability information that follow a transparent due process involving deliberation and consideration of the views of a wide range of stakeholders;
 - (iii) Developed collectively by a group that does not follow a transparent due process;
 - (iv) Published in scholarly journals or books; or
 - (v) Developed for sale on a proprietary basis;
- (b) Entity-developed criteria; or
- (c) A combination of framework criteria and entity-developed criteria.

A196. When criteria are selected from multiple frameworks or entity-developed criteria are to be used, the practitioner's evaluation of the suitability of the criteria may be more extensive and the practitioner may need to consider subjectivity or opportunity for management bias in selecting or developing the criteria.

A197. Framework criteria that are embodied in law or regulation or are established by an authorised or recognised organisation that follows a transparent due process may be presumed to be suitable in the absence of indications to the contrary. The entity may select and apply reporting policies to apply the framework criteria as described in paragraph A2.

A198. There may be circumstances when the framework criteria are not suitable on their own and may need to be supplemented by additional framework or entity-developed criteria in order to:

- Be sufficiently prescriptive about the scope of the sustainability matters to be addressed in the sustainability information.
- Address the entity's industry or jurisdictions in which the entity operates, or other factors pertinent to the sustainability information to be reported.
- Avoid vague descriptions of expectations or judgements.

Characteristics of suitable criteria (Ref: Para. 78(c), 107)

- A199. Suitable criteria are required for reasonably consistent measurement or evaluation of the sustainability matters within the context of professional judgement. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. The suitability of criteria is context-sensitive, that is, it is determined in the context of the engagement circumstances. Even for the same sustainability matters there may be different criteria that will yield a different outcome. Suitable criteria exhibit the following characteristics:
- (a) **Relevance:** Relevant criteria result in sustainability information that assists decision-making by the intended users;
 - (b) **Completeness:** Criteria are complete when sustainability information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of intended users made on the basis of that sustainability information. Complete criteria include, where relevant, benchmarks for presentation and disclosure;
 - (c) **Reliability:** Reliable criteria allow reasonably consistent measurement or evaluation of the sustainability matters, when used in similar circumstances by different practitioners;
 - (d) **Neutrality:** Neutral criteria result in sustainability information that is free from bias as appropriate in the engagement circumstances; and
 - (e) **Understandability:** Understandable criteria result in sustainability information that can be understood by the intended users.
- A200. The relative importance of each characteristic of the criteria to a particular engagement is a matter of professional judgement.
- A201. If the criteria are unsuitable, this cannot be overcome by changing the level of assurance. That is, if criteria are unsuitable for a reasonable assurance engagement, they are also unsuitable for a limited assurance engagement, and vice versa.

Availability of the criteria to users (Ref: Para. 78(d))

- A202. Criteria being available allows the intended users to understand how sustainability matters have been measured or evaluated. The intended users are unlikely to be able to base decisions on the sustainability information without access to both the framework criteria and any entity-developed criteria supplementing the framework criteria. In determining whether the criteria are available to the intended users, the practitioner may consider whether they will be available in writing, with sufficient detail, sufficiently clear, and including identification of the version of the criteria applied. Criteria may be made available:
- (a) Publicly, for example, in published framework criteria or a general-purpose framework that is readily available, such as on a website.
 - (b) Through inclusion in the sustainability information, in particular for entity-developed criteria.
 - (c) By general understanding, for example, the criterion for measuring time in hours and minutes.

Ability to Obtain Evidence Needed (Ref: Para. 79(a))

- A203. In determining whether the evidence needed to support the practitioner's conclusion can be expected to be obtained, the practitioner may consider:

- (a) The characteristics of the sustainability matters and the potential sources of evidence; and
 - (b) Whether evidence is not available due to the engagement circumstances, even though the evidence could reasonably be expected to exist.
- A204. Examples of the nature and availability of evidence that may impact the practitioner's ability to obtain evidence, include:
- The timing of the practitioner's appointment, the entity's document retention policy, inadequate information systems, or a restriction imposed by the appropriate party(ies).
 - The nature of the relationship between the appropriate party(ies) affecting the practitioner's ability to access records, documentation, and other information the practitioner may require as evidence to complete the engagement.
 - Evidence located at organisations not controlled by the entity, such as entities within the value chain but outside of the reporting entity's control. In such cases, the practitioner may determine whether the entity has contractual arrangements with those organisations to provide access to persons or information, or to provide independent assurance reports on relevant internal controls or the measurement or evaluation of relevant sustainability matters, or whether the entity has plans to put such arrangements in place.
- A205. In some circumstances, the practitioner may conclude that, due to the condition and reliability of an entity's records, it is unlikely that sufficient appropriate evidence will be available to support an unmodified conclusion on the sustainability information. This may occur, for example, when the entity has little experience with the preparation of sustainability information. In such circumstances, it may be more appropriate for the sustainability information to be subject to an agreed-upon procedures engagement or a consulting engagement in preparation for an assurance engagement in a later period. However, such engagements can give rise to potential threats to the practitioner's independence in performing an assurance engagement at a later date.
- A206L. The evidence that the practitioner obtains in a limited assurance engagement is more limited than in a reasonable assurance engagement. However, the need for availability and accessibility to evidence is the same regardless of the level of assurance, as the practitioner may be required, in accordance with paragraph 148L, to design and perform additional procedures to obtain further evidence in a limited assurance engagement if the practitioner becomes aware of a matter that causes the practitioner to believe the sustainability information may be materially misstated (see paragraph A232).
- Rational Purpose (Ref: Para. 80)
- A207. If the assurance engagement is required by law or regulation, the practitioner may presume, in the absence of indications to the contrary, that the engagement has a rational purpose.
- A208. Other matters the practitioner may consider in evaluating whether the engagement has a rational purpose, include whether:
- When the engagement is a combined reasonable and limited assurance engagement, there is sufficient justification for the different levels of assurance.
 - Management and those charged with governance, if different from the engaging party, have consented to the reporting of the sustainability information.
 - When the criteria were selected or developed by the entity, how the intended users were identified in selecting the criteria.

- The degree of judgement and scope for bias in applying the criteria.
- There are any significant limitations on the scope of the practitioner's work.
- The engaging party intends to associate the practitioner's name with the sustainability matters or the sustainability information in an inappropriate manner.

Meaningful level of assurance in a limited assurance engagement (Ref: Para. 80(a))

A209L. The level of assurance the practitioner plans to obtain is not ordinarily susceptible to quantification. Whether the level of assurance is meaningful is a matter of professional judgement for the practitioner to determine in the circumstances of the engagement. In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, but are, nonetheless, planned to obtain a level of assurance that is meaningful. To be meaningful the level of assurance obtained by the practitioner is likely to enhance the intended users' confidence about the sustainability information to a degree that is clearly more than inconsequential.

A210L. Across the range of all limited assurance engagements, what is meaningful assurance can vary from just above assurance that is likely to enhance the intended users' confidence about the sustainability information to a degree that is clearly more than inconsequential to just below reasonable assurance. What is meaningful in a particular engagement represents a judgement within that range that depends on the engagement circumstances, including the information needs of intended users as a group, the criteria, and the sustainability matters of the engagement.

A211L. Some of the factors that may be relevant in determining what constitutes meaningful assurance in a specific engagement include:

- The characteristics of the sustainability matters and the applicable criteria.
- Instructions or other indications from the appropriate party(ies) about the nature of the assurance. For example, the terms of the engagement may stipulate particular procedures that the appropriate party(ies) considers necessary or particular aspects the appropriate party(ies) would like the practitioner to focus on within the sustainability information that is within the scope of the assurance engagement. However, the practitioner may consider that other procedures are required to obtain sufficient appropriate evidence to obtain meaningful assurance.
- Generally accepted practice with respect to assurance engagements for sustainability information.
- The information needs of intended users as a group. Generally, the greater the consequence to intended users of receiving an inappropriate conclusion when the sustainability information is materially misstated, the greater the assurance that would be needed in order to be meaningful to them. For example, in some cases, the consequence to intended users of receiving an inappropriate conclusion may be so great that a reasonable assurance engagement is needed for the practitioner to obtain assurance that is meaningful in the circumstances.
- The expectation by intended users that the practitioner will form the limited assurance conclusion on the sustainability information within a short timeframe and at a low cost.

Appropriateness of the scope of the assurance engagement (Ref: Para. 80(c))

A212. The practitioner's determination of the appropriateness of the scope of the assurance engagement ordinarily involves the consideration of the results of the practitioner's evaluation or determination, as applicable, of the characteristics in paragraph 78(c).

- A213. If the scope of the assurance engagement includes only part of the sustainability information being reported by the entity (e.g., in reporting labour practices, the entity only requires assurance over occupational health and safety disclosures), the practitioner may consider whether the reasons for the scope of the engagement are appropriate.
- A214. The entity may not have a reasonable basis for all of the disclosures in the sustainability information, such as when the entity's processes to prepare some or all of the sustainability information are at an early stage of development. In such cases, if permitted by the applicable criteria, it may be possible to include only those areas of the sustainability information where the processes are more developed within the scope of the assurance engagement, because the preconditions have been met for those areas.
- A215. In jurisdictions in which law or regulation does not require assurance on sustainability information, and in particular for sustainability information that is reported voluntarily, there may be legitimate reasons for not including all of the sustainability information being reported by the entity within the scope of an assurance engagement. In determining whether the sustainability information within the scope of the engagement is appropriate, the practitioner may consider:
- (a) Whether the sustainability information within the scope of the assurance engagement is likely to meet the information needs of intended users; and
 - (b) How the sustainability information will be presented and whether intended users may misinterpret what has, and has not, been subject to the assurance engagement.
- A216. Examples of circumstances when the sustainability information subject to the assurance engagement may not be appropriate include:
- Inadequate justification for not including sustainability information to be reported within the scope of the engagement.
 - The assurance engagement excludes sustainability information that can be readily measured or evaluated and the exclusion of this sustainability information from the assurance engagement may be misleading to intended users.
 - The assurance engagement excludes sustainability information that may be significant to intended users' decisions.
 - The assurance engagement includes sustainability information that may be perceived by intended users as positive, and excludes sustainability information that is negative (e.g., areas where the entity has not met targets or has not taken action to achieve goals).
 - The reporting boundary excludes significant entities, operations or facilities, which may be misleading to intended users.
- A217. The practitioner's evaluation of the suitability of the criteria may include consideration of criteria for the preparation of any other part(s) of the sustainability information not within the scope of the assurance engagement. This may enable the practitioner to consider matters such as:
- Whether there may be omissions of relevant parts of the sustainability information from the sustainability information within the scope of the assurance engagement, and whether such omissions call into question the rational purpose of the engagement; and
 - Whether and how the sustainability information is used in the preparer's own decision-making processes, for example:

- If information relating to an entity's decisions is important to its stakeholders, then it may be reasonable to expect that the entity would be using that information in its own decision-making.
- If the entity is using the information in its decision-making, then it may be reasonable to expect that a user may be interested in that information.
- If the information is not used for the entity's own decision-making, that may raise a question as to why the information is being reported, and whether there may be bias in selecting only sustainability information that are easily subject to an assurance engagement or that present the entity in a positive way.

Preconditions Not Present After Acceptance (Ref: Para. 82–83)

A218. If the practitioner discovers after accepting the engagement that one or more of the preconditions in paragraph 76 are not present, but continues the engagement, the assurance report may address the matter. For example:

- When, in the practitioner's professional judgement the intended users are likely to be misled, since either the applicable criteria are unsuitable, or the sustainability matters are inappropriate, a qualified conclusion or adverse conclusion may be appropriate, depending on how material and pervasive the matter is.
- A qualified conclusion or a disclaimer of conclusion may be appropriate in other circumstances depending on, in the practitioner's professional judgement, the materiality and pervasiveness of the matter.

Terms of the Assurance Engagement

Agreeing the Terms of the Assurance Engagement (Ref: Para. 85)

A219. It is in the interests of both the engaging party and the practitioner for the practitioner to communicate in writing the agreed terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The form and content of the written agreement or contract will vary depending on the engagement circumstances. For example, if law or regulation prescribes in sufficient detail the terms of the engagement, the practitioner need not record them in a written agreement, except for the fact that such law or regulation applies and that the appropriate party(ies) acknowledges and understands its responsibilities under such law or regulation.

A220. When agreeing the terms of engagement, unless restricted by law or regulation, the practitioner may request agreement from management or those charged with governance to provide information or access to persons, such as:

- Access to other practitioners providing audit or assurance reports on part or parts of the other information (e.g., the auditor of the financial report of the entity if the other information includes the financial report).
- Authority to obtain information relevant to the assurance engagement on the sustainability information from the other practitioners.
- Authority to share information requested by the financial statement auditor relevant to the audit or review of the financial report.
- Authority to communicate findings with other practitioners, as appropriate.

A221. In describing the practitioner's responsibilities in the terms of engagement, the practitioner may consider the responsibilities required to be included in the assurance report in accordance with paragraph 190(h).

A222. Law or regulation, particularly in the public sector, may mandate the appointment of a practitioner and set out specific powers, such as the power to access an appropriate party(ies)'s records and other information, and responsibilities, such as requiring the practitioner to report directly to a minister, the legislature or the public if an appropriate party(ies) attempts to limit the scope of the engagement.

Changing the Terms of the Assurance Engagement (Ref: Para. 87)

A223. Examples of when the appropriate party(ies) may request a change to the terms of the assurance engagement and there may not be reasonable justification for doing so include:

- (a) The change is to limited assurance from reasonable assurance because of an inability to obtain sufficient appropriate evidence; or
- (b) The change is to remove sustainability information from the scope of the assurance engagement to avoid a modification of the assurance conclusion.

A224. A change in circumstances that affects the intended users' needs, or a misunderstanding concerning the nature of the engagement, may justify a request for a change in the engagement, for example, from an assurance engagement to a non-assurance engagement, or from a reasonable assurance engagement to a limited assurance engagement.

Evidence

Designing and Performing Procedures to Obtain Sufficient Appropriate Evidence (Ref: Para. 89)

A225. Evidence is necessary to support the practitioner's conclusion and assurance report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources, such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect the relevance of the information to the current engagement), a firm's policies or procedures for acceptance and continuance of client relationships and assurance engagements, or the work of another practitioner. Evidence comprises information that supports or corroborates disclosures, and any information that contradicts disclosures.

A226. The practitioner obtains evidence by designing and performing procedures, including risk assessment procedures and further procedures, to comply with this ASSA. The nature of a procedure refers to its purpose and its type. Types of procedures include enquiries, inspection, observation, confirmation, recalculation, reperformance and analytical procedures.

Designing and Performing Procedures in a Manner that Is Not Biased (Ref: Para. 89(a))

A227. Unconscious or conscious biases may affect the engagement team's professional judgements in designing and performing procedures, which may impede the exercise of professional scepticism. An awareness of such biases when designing and performing procedures may help to mitigate impediments to the practitioner's exercise of professional scepticism in critically assessing evidence and determining whether sufficient appropriate evidence has been obtained. Such awareness may also enable the practitioner to design and perform procedures that seek to avoid:

- Placing more weight on evidence that corroborates disclosures than evidence that contradicts or casts doubt on such disclosures (confirmation bias).
- Using an initial piece of information or evidence as an anchor against which subsequent information or evidence is assessed (anchoring bias).

- Placing more weight on information that immediately comes to mind or uses information from sources that are more readily available or accessible (availability bias).
- Placing weight or undue reliance on output from automated systems or information in digital format, or assuming it is relevant and reliable, without performing appropriate procedures (automation bias).
- Placing undue reliance on information prepared by an expert or another practitioner, or assuming the information is relevant and reliable, without performing appropriate procedures (authority bias).

A228. Obtaining evidence in an unbiased manner may involve obtaining information from multiple sources (see also paragraphs A255–A257).

Procedures that Are Appropriate in the Circumstances (Ref: Para. 89(b))

A229. Procedures are appropriate in the circumstances when the nature, timing and extent of such procedures are designed, performed and executed in a manner that achieves the intended purpose of the procedures. The purpose of performing a procedure may be related to risk assessment procedures, further procedures or another procedure to comply with this ASSA. For example, the purpose may be to obtain evidence about whether an event has occurred or whether the disclosures are complete.

A230. In designing and performing procedures that are appropriate in the circumstances to provide evidence to meet the intended purpose of those procedures, the practitioner's considerations may include whether information intended to be used as evidence:

- Is expected to be available in digital, written or oral form, related to a point in time or for a period, and is to be obtained from internal or external sources.
- Is needed across multiple disclosures and how that affects the nature, timing and extent of evidence needed. For example, the nature and availability of appropriate evidence may vary based on whether the disclosures relate to an entity's processes, governance, controls or key performance indicators, and the characteristics of the disclosures, such as whether they are quantitative, qualitative, historical or forward-looking (see also paragraphs A240–A244).
- Relates to disclosures that include information from the entity's value chain, and how that may affect the ability to obtain sufficient appropriate evidence.
- Will need to be obtained across multiple locations or jurisdictions (e.g., for a group sustainability assurance engagement).
- Relates to disclosures that are factual, judgemental or subject to estimation uncertainty.

A231. In designing and performing procedures, the appropriateness of an approach or technique in selecting items for testing depends on several factors, such as:

- The nature of the sustainability matters or population to be tested.
- The intended purpose of the procedure.
- How the procedure is designed.
- Whether the practitioner is performing the procedure manually or using automated tools and techniques.

- The matters described in paragraph A230 relating to information intended to be used as evidence.
- The persuasiveness of evidence that is needed in the circumstances.

Sufficiency and Appropriateness of Evidence (Ref: Para. 89(b))

- A232. The practitioner is required to obtain sufficient appropriate evidence to provide a basis for the assurance conclusion. The sufficiency and appropriateness of evidence are interrelated and together affect the persuasiveness of evidence. In both limited and reasonable assurance engagements, the collective persuasiveness of the evidence obtained establishes the level of assurance obtained. The practitioner aims to obtain evidence that is collectively persuasive to respond to risk considerations. Ordinarily, evidence will be persuasive rather than conclusive. As explained in paragraph A206L, the evidence that the practitioner obtains in a limited assurance engagement is more limited than in a reasonable assurance engagement. However, if the practitioner becomes aware in a limited assurance engagement of a matter(s) that causes the practitioner to believe that the sustainability information may be materially misstated, the practitioner is required to design and perform additional procedures to obtain further evidence.
- A233. Sufficiency is the measure of the quantity of evidence. Sufficiency is also affected by the quality of evidence (the higher the quality, the less may be required). Obtaining more evidence, however, may not compensate for its poor quality.
- A234R. For reasonable assurance engagements, the quantity of evidence needed is affected by the nature and number of disclosures and the assessment of the risks of material misstatement at the assertion level for those disclosures (the higher the assessed risks, the more evidence is likely to be required).
- A235L. For limited assurance engagements, the quantity of evidence needed is affected by the nature and number of disclosures and the assessment of the risks of material misstatement at the disclosure level. As explained in paragraph A209L, the procedures in a limited assurance engagement vary in nature and timing and are lesser in extent than for a reasonable assurance engagement but are, nonetheless, planned to obtain a level of assurance that is meaningful. The sufficiency of evidence is evaluated in that context.
- A236. The appropriateness of evidence refers to its quality. The quality of evidence depends on the relevance and reliability of the information intended to be used as evidence as well as the effectiveness of the design of the assurance procedures and the practitioner's application of those procedures. Information that is more relevant and reliable ordinarily is of a higher quality and, therefore, may provide more persuasive evidence. If the evidence is more persuasive, the practitioner may determine that the evidence is sufficient in providing support for the practitioner's conclusions. Alternatively, when evidence is less persuasive, the practitioner may determine that additional evidence is needed. However, increasing the quantity of evidence by performing the same type of procedures may not provide more persuasive evidence in all circumstances.
- A237. The practitioner uses professional judgement and exercises professional scepticism in evaluating the sufficiency and appropriateness of evidence to support the assurance conclusion.
- A238. Factors that affect the evidence that may be available in the circumstances, in terms of quantity or quality, and therefore impact its sufficiency or appropriateness, include the following:
- The characteristics of the sustainability matters or disclosures. For example, less objective evidence might be expected when the disclosures are forward-looking rather than historical.

- Whether the source of the information used to prepare the disclosures is accessible. For example, if the criteria require the sustainability information to include information from value chain entities outside of the entity's control, there may be limitations on access to such information or to the work of another practitioner that may have provided an assurance report on such information. Such limitations may also affect the practitioner's evaluation of the relevance and reliability of this information intended to be used as evidence (see also paragraphs A236 and A252).
- Other circumstances, such as when evidence that could reasonably be expected to exist is not available because of factors such as those described in paragraph A204.

A239. The procedures designed and performed by the practitioner may also affect the persuasiveness of the evidence obtained. For example, in a reasonable assurance engagement, evaluating the design and implementation of controls relating to processes in the entity's information system that support the preparation of the sustainability information, or external confirmation procedures to obtain evidence about information used by management in preparing the sustainability information, may provide more persuasive evidence than enquiry of management. In a reasonable assurance engagement, enquiry alone ordinarily does not provide sufficient appropriate evidence.

Qualitative Information (Ref: Para. 89(b))

A240. Some qualitative disclosures may be factual and directly observable or otherwise able to be subject to further procedures to gather evidence. However, some qualitative disclosures may be inherently judgemental, not directly observable and may be susceptible to management bias. The practitioner may need to exercise significant professional judgement in evaluating what constitutes sufficient appropriate evidence in these circumstances.

A241. The entity's information system, including internal controls, may be different for quantitative and qualitative information. This may have implications for the practitioner's planned procedures, the ability to obtain the evidence needed about qualitative sustainability information, and the assurance conclusion. For example, when designing and performing procedures for qualitative sustainability information, the practitioner may consider:

- Whether, in the case of a reasonable assurance engagement, substantive procedures alone will provide sufficient appropriate evidence. If not, the practitioner may need to perform tests of controls over the integrity of data, or other controls within the entity's information system that support the preparation of the qualitative information.
- The source of the information intended to be used as evidence, how such information has been captured and processed by the entity's information system, and how this may affect the reliability of the information. For example, information may be captured directly into the entity's information system on a real-time basis without supporting documentation or may be obtained through informal communication.

Forward-looking Information (Ref: Para. 89(b))

A242. Forward-looking information, by its nature, is predictive and may be expressed in both quantitative and qualitative terms. Information about future conditions or outcomes relate to events and actions that have not yet occurred and may not occur, or that have occurred but are still evolving in unpredictable ways. For example, this information may include forecasts or projections, and may relate to the entity's intentions or strategy, future risks and opportunities. While forward-looking information may result from applying criteria to the sustainability matters, the sustainability matters (a future event, occurrence or action) may be subject to greater uncertainty, and ordinarily able to be evaluated with less precision than historical matters. Uncertainty and the need for judgement are also likely to increase the further into the future the period to which the disclosures relate. Unlike historical information, it is not possible for the practitioner to determine whether the results or outcomes forecasted or projected have been or will be achieved or realised. The practitioner may obtain evidence

about whether the forward-looking information has been prepared in accordance with the applicable criteria on the basis of the assumptions used by the entity, and:

- (a) In the case of forecasts, whether the assumptions used provide a reasonable basis for preparing the sustainability information; or
- (b) In the case of projections that use hypothetical assumptions, whether such assumptions are consistent with the purpose of the information.

A243. Evidence may be available to support the assumptions on which the forward-looking sustainability information is based, but such evidence itself may also be forward-looking and, therefore, speculative in nature. Accordingly, the practitioner may need to exercise significant professional judgement in determining whether the evidence is sufficient and appropriate. In some circumstances, the evidence available may support a range of possible outcomes with the disclosure falling within that range. The practitioner's evaluation of whether the disclosures are reasonable based on the evidence obtained is further addressed in paragraph 179.

A244. The nature and availability of evidence for forward-looking information, and what constitutes sufficient appropriate evidence, will likely vary by topics, aspects of topics and disclosures, and the practitioner's consideration of potential material misstatements. For example:

- When disclosures relate to future strategy, a target, or other intentions of an entity, the practitioner may focus evidence-gathering activities on whether management or those charged with governance have an intention to follow that strategy, the target or intention exists, or there is a reasonable basis for the intended strategy or target (e.g., the practitioner may obtain evidence to support that the entity has the ability to carry out its intent, or is implementing controls over source data and the assumptions on which the strategy is based).
- When disclosures relate to future risks and opportunities, the practitioner may focus evidence-gathering activities on information available from the entity's risk register or records of discussions of those charged with governance if the entity's controls over the maintenance of the risk register and the minuting of discussions provide a reasonable basis for using these sources as evidence. In a reasonable assurance engagement, the practitioner may need to consider obtaining evidence about the effectiveness of the entity's controls.

Information Intended to Be Used as Evidence

Evaluating the Relevance and Reliability of Information Intended to Be Used as Evidence (Ref: Para. 90)

A245. In planning and performing a sustainability assurance engagement, the practitioner may obtain information from a variety of sources and in different forms. Such information ordinarily is expected to result in evidence to support the conclusions that form the basis for the practitioner's assurance conclusion and report. However, such information can become evidence only after procedures are applied to it, including procedures to evaluate its relevance and reliability. For purposes of this ASSA, this information is referred to as "information intended to be used as evidence."

A246. Factors that may influence the nature, timing and extent of procedures to evaluate the relevance and reliability of information intended to be used as evidence, include:

- (a) The source of the information (see paragraphs A255–A257); and
- (b) The attributes of relevance and reliability of the information that are considered applicable in the circumstances (see paragraphs A258–A263).

- A247. In some circumstances, the procedures to evaluate relevance and reliability may be straightforward (e.g., comparing information used by management to information published by a national government body). In other circumstances, procedures, including tests of controls, may be performed to evaluate the reliability of information (e.g., the accuracy and completeness of information generated internally from the entity's information system).
- A248. Evidence from performing other procedures in accordance with this ASSA also may assist the practitioner in evaluating the relevance and reliability of information intended to be used as evidence. For example, evidence obtained from:
- The practitioner's understanding of the entity and its environment, the applicable criteria and the entity's system of internal control.
 - Tests of controls over the preparation and maintenance of the information.
 - Procedures performed when using the work of a practitioner's expert.

Form, availability, accessibility and understandability of information

- A249. The form, availability, accessibility and understandability of the information intended to be used as evidence may affect:
- (a) The design and performance of the procedures in which the information will be used; and
 - (b) The practitioner's evaluation of the relevance and reliability of the information.

For example, information may only be available in digital form on a continuous basis. In such circumstances, the practitioner may use automated tools and techniques that are designed to operate on a real-time basis to evaluate the relevance and reliability of the information.

- A250. The practitioner may receive information intended to be used as evidence in many forms, ranging from information generated from highly complex automated systems to information manually prepared by management and others within the entity. The practitioner may have an expectation of the form in which information intended to be used as evidence will be received. Remaining alert for information intended to be used as evidence that is received in a form different from the expected form may assist the practitioner in mitigating unconscious biases that may impede the practitioner's exercise of professional scepticism. In addition, receiving information in a form different from that expected may also be relevant to the practitioner's evaluation of the reliability of that information.
- A251. Information intended to be used as evidence may exist, but access to such information may be restricted, for example, due to restrictions imposed by law or regulation or the source providing the information (e.g., due to hospital patient confidentiality), or due to war, civil unrest or outbreaks of disease. In some cases, the practitioner may be able to overcome restrictions on access to information. In particular, the practitioner may request management or those charged with governance of the entity to assist in requesting information from a source when contractual obligations exist between an information source and the entity. For example, this may be possible when the reporting entity has a direct business relationship with a value chain entity, such as a large supplier or customer. The practitioner may also consider whether it is possible to visit a location to inspect information that is available but cannot be transferred outside of a jurisdiction.
- A252. As explained in paragraph A238, there may be limitations on management's ability to obtain information from value chain entities outside of the entity's control. In these circumstances, the applicable criteria may provide certain relief provisions for management (e.g., the ability to develop estimates using sector-average data after making reasonable efforts to obtain the information). Regardless of any limitations on management's ability to obtain information from such value chain entities, the practitioner is required to obtain sufficient appropriate

evidence about the value chain information reported by management. Paragraph A290 describes procedures that may be considered by the practitioner in these circumstances, including testing management's process for obtaining such information.

- A253. The practitioner may be unable to obtain sufficient appropriate evidence if the practitioner determines that it is not practicable to obtain information intended to be used as evidence or does not have a sufficient basis to evaluate the relevance and reliability of information (e.g., from an external source). In some circumstances, the practitioner may be able to obtain sufficient appropriate evidence through alternative procedures. An inability to obtain sufficient appropriate evidence requires the practitioner to express a qualified conclusion or disclaim a conclusion on the sustainability information, or withdraw from the engagement if withdrawal is possible under applicable law or regulation, in accordance with paragraph 185.
- A254. In some circumstances, specialised skills or knowledge may be needed to understand or interpret the information intended to be used as evidence, for example, emissions data from downstream or upstream entities, water quality or biodiversity measurements. Accordingly, the practitioner may consider using a practitioner's expert to assist in understanding or interpreting the information intended to be used as evidence if the engagement team does not have the appropriate competence and capabilities to do so.

Sources of information

- A255. Information intended to be used as evidence may come from internal sources or external sources and may affect the availability, accessibility and understandability of the information intended to be used as evidence. For example, information may come from:
- The entity's records, management or other sources internal to the entity.
 - Other entities within the entity's control.
 - Entities in the value chain. For value chain information, the framework criteria may recognise that management's ability to access information directly from value chain entities outside of the entity's control may be limited, and therefore may include provisions that take into account the impact of such limitations on the responsibilities of management. For example, the framework criteria may permit management to use reasonable and supportable information (e.g., publicly available sector-average data) when management is unable to obtain information from the value chain entity after making reasonable efforts to do so. See also paragraphs A289–A290 regarding the impact on the practitioner's work.
 - A management's expert.
 - A practitioner's expert.
 - Independent sources external to the entity, other than a management's or practitioner's expert, that provide information, such as the entity's legal counsel, customers, suppliers, governmental agencies, bank, or general data providers (e.g., entities providing macro-economic, industry or social data).
 - A service organisation.
 - Another practitioner, which may include a practitioner engaged by an entity to provide a one-to-many report (see paragraph A291).
- A256. The practitioner is not required to perform an exhaustive search to identify all possible sources of information to be used as evidence. The practitioner's understanding of the entity and its environment, the applicable criteria and the entity's system of internal control may assist the practitioner in identifying appropriate sources of information.

A257. The practitioner ordinarily obtains more assurance from consistent evidence obtained from different sources or of a different nature than from items of evidence considered individually. In addition, obtaining information intended to be used as evidence from different sources or of a different nature may indicate that an individual item of information intended to be used as evidence is not reliable. For example, corroborative information obtained from a source independent of the entity may increase the assurance the practitioner obtains from a representation from management. Conversely, when evidence obtained from one source is inconsistent with that obtained from another, the practitioner determines what additional procedures are necessary to resolve the inconsistency.

Attributes of relevance and reliability of information

A258. The quality of evidence depends on the relevance and reliability of the information upon which it is based. Whether, and the degree to which, certain attributes of relevant and reliable information are considered applicable in the circumstances is a matter of professional judgement.

Relevance

A259. The principal attribute of the relevance of information intended to be used as evidence deals with the logical connection with, or bearing upon, the purpose of the procedure, including, in a reasonable assurance engagement, the assertion being tested. The degree to which the information relates to meeting the purpose of the procedure may also be a consideration.

Reliability

A260. The reliability of information intended to be used as evidence deals with the degree to which the practitioner may depend on such information. Common attributes that may be applicable when considering the degree to which information intended to be used as evidence is reliable may include whether the information is:

- (a) Accurate (free from error).
- (b) Complete (reflecting all applicable events, conditions and circumstances).
- (c) Authentic (genuine, authorised and not inappropriately altered).
- (d) Free from bias (whether intentional or unintentional).
- (e) Credible (generated by a competent, capable and trustworthy source).

Factors that affect the practitioner's professional judgement regarding the attributes of relevance and reliability

A261. Factors that may affect the practitioner's professional judgement about the relevance and reliability of information intended to be used as evidence, including which attributes of reliability may be applicable in the circumstances, include:

- The disclosures and, for reasonable assurance engagements, the assertions, for which the information will be used as evidence. Information may be relevant to multiple disclosures. Some information may be relevant for certain assertions but not others.
- The period of time to which the information relates.
- The controls over the preparation and maintenance of the information.
- The practitioner's assessment of the risks of material misstatement at the disclosure level (in a limited assurance engagement) or at the assertion level for the disclosures (in a reasonable assurance engagement).

- The intended purpose of the procedure in which the information will be used.
 - The level of detail of the information needed given the intended purpose of the procedure. For example, information related to key performance indicators used by management may not be precise enough to detect material misstatements at the assertion level and therefore may not, in a reasonable assurance engagement, be appropriate for use by the practitioner in performing further procedures.
 - The level of precision within the applicable criteria regarding what is to be reported and how it is to be measured or evaluated. For example, when the applicable criteria require more granular quantitative disclosures, the practitioner may consider the attributes of accuracy and completeness to be important.
 - The source of the information. For example, accuracy and completeness ordinarily will be applicable attributes for information generated internally from the entity's information system (such as when performing further procedures). For information obtained from a source external to the entity, the practitioner may be more focused on other attributes of reliability, including the credibility of the source providing the information.
 - The ability of the reporting entity to influence information obtained from external sources with whom they have relationships.
 - Evidence of general market acceptance by users of the relevance and reliability of information from an external source, including tolerance for less precise information, for example, when that information is inherently subjective.
- A262. The reliability of information, in particular the attributes of accuracy, completeness and authenticity, when deemed to be applicable in the circumstances, may also be affected by whether the integrity of the information has been maintained through all stages of processing through the entity's information systems. For example, an entity's information system may include general information technology controls to safeguard and maintain the integrity of the sustainability information.
- A263. The source of the information intended to be used as evidence may affect the nature and extent of the practitioner's evaluation of the relevance and reliability of the information. It may also affect how the practitioner responds to matters such as doubts about the reliability of the information, or inconsistencies in evidence. For example, if the information comes from a highly reputable external source, such as an authorised jurisdictional environmental agency, the practitioner's work effort in considering the reliability of the information may not be extensive.

Information Produced by the Entity (Ref: Para. 91)

- A264. In order for the practitioner to obtain reliable evidence, information produced by the entity that is used for performing procedures needs to be sufficiently complete and accurate. Obtaining evidence about the accuracy and completeness of such information may be performed concurrently with the actual procedure applied to the information when obtaining such evidence is an integral part of the procedure itself. In other situations, the practitioner may have obtained evidence of the accuracy and completeness of such information by testing controls over the preparation and maintenance of the information. In some situations, however, the practitioner may determine that additional procedures are needed.
- A265. In some cases, the practitioner may intend to use information produced by the entity for other purposes. For example, the practitioner may intend to use the entity's production numbers for the purpose of analytical procedures for water or energy consumption, or to use the entity's information produced for monitoring activities, such as reports of the internal audit function. In such cases, the appropriateness of the evidence obtained is affected by whether the information is sufficiently precise or detailed for the practitioner's purposes. For example,

performance measures used by management may not be precise enough to detect material misstatements.

Work Performed by a Management's Expert (Ref: Para. 92)

A266. When evaluating the relevance and reliability of information intended to be used as evidence prepared by a management's expert:

- (a) The competence and capabilities of that expert may inform the practitioner's consideration of the attribute of credibility. The credibility of the source providing the information affects the degree to which information intended to be used as evidence is reliable; and
- (b) The objectivity of that expert may inform the practitioner's consideration of the attribute of bias. A broad range of circumstances may influence the professional judgements of the management's expert, which may threaten the management expert's objectivity, for example, self-interest threats, advocacy threats, familiarity threats, self-review threats and intimidation threats. Bias in the information intended to be used as evidence also affects the degree to which information is reliable. In some cases, information prepared by a management's expert may be subject to bias, as management may have an influence on the professional judgements of the management's expert.

Competence and Capabilities of the Management's Expert (Ref: Para. 92(a))

A267. Competence relates to the nature and level of expertise of the management's expert. Factors that may affect whether the management's expert has the appropriate competence include:

- Whether the expert's work is subject to technical performance standards or other professional or industry requirements, for example, ethical standards and other membership requirements of a professional body or industry association, accreditation standards of a licensing body, or requirements imposed by law or regulation.
- The matter for which the management expert's work will be used, and whether they have the appropriate level of expertise applicable to the matter, including expertise in a particular area of specialty.
- The management's expert's competence with respect to relevant sustainability matters, for example, knowledge of assumptions and methods, including models when applicable, that are consistent with the applicable criteria.

A268. Capabilities relates to the ability of the management's expert to exercise the competence in the circumstances. Factors that may influence capabilities may include geographic location, and the availability of time and resources.

Obtain an Understanding of the Work Performed by the Management's Expert (Ref: Para. 92(b))

A269. Matters relevant to the practitioner's understanding of the work performed by the management's expert may include:

- The relevant field of expertise.
- The nature, scope and objectives of the management's expert's work.
- Whether there are professional or other standards, and regulatory or legal requirements that apply in preparing the information.
- How the information has been prepared by the management's expert, including:

- The assumptions and methods used by the management's expert, and whether they are generally accepted within that expert's field and appropriate in the context of the applicable criteria and the sustainability matters;
- The underlying information used by the management's expert; and
- The relevance and reasonableness of that expert's findings or conclusions, and their consistency with other evidence.

Obtain an Understanding of How the Information Prepared by the Management's Expert Has Been Used by Management in the Preparation of the Sustainability Information (Ref: Para. 92(c))

A270. Obtaining an understanding about how the information prepared by a management's expert has been used by management in the preparation of the sustainability information may include understanding:

- (a) How management has considered the appropriateness of the information prepared by the management's expert; and
- (b) The modifications made by management to the information prepared by the management's expert.

A271. This understanding may assist the practitioner in:

- (a) Evaluating the relevance and reliability of the information intended to be used as evidence; and
- (b) Understanding whether the expert's findings or conclusions have been appropriately reflected in the sustainability information. For example, in some circumstances, management may need to modify the information prepared by the management's expert, such as when the information provided is too general and requires adjustment to reflect the circumstances unique to the entity. Management's adjustments may give rise to bias, or management may not have the appropriate competence and capabilities to adapt or adjust the information, which may cause the information to be inaccurate, incomplete or lack credibility.

Evaluating the Appropriateness of the Management's Expert's Work (Ref: Para. 92(d))

A272. Considerations when evaluating the appropriateness of the management's expert's work as evidence may include:

- The relevance and reasonableness of that expert's findings or conclusions, their consistency with other evidence, and whether they have been appropriately reflected in the sustainability information;
- If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods; and
- If that expert's work involves significant use of source data, the relevance and reliability of that source data.

Doubts About the Relevance and Reliability of Information Intended to Be Used as Evidence
(Ref: Para. 93–94)

A273. Unless the practitioner has reason to believe the contrary, the practitioner may accept records and documents as genuine. When the practitioner identifies conditions that cause the practitioner to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the practitioner, possible procedures to investigate further may include:

- (a) Confirming directly with the third party.
 - (b) Using the work of an expert to evaluate the document's authenticity.
- A274. Factors or circumstances that may give rise to doubts about the reliability of information intended to be used as evidence include:
- An inability to evaluate the relevance and reliability of the information, including, for example, whether the information is authentic.
 - Misstatements identified during the assurance engagement.
 - Deficiencies in internal control identified by the practitioner.
 - When procedures performed on a population result in a higher rate of deviation than expected.
 - When information intended to be used as evidence is inconsistent with other information or evidence.
- A275. The relevance of information intended to be used as evidence may be affected by the period of time to which the information relates. For example, the relevance of such information may change based on the passage of time or due to events or conditions, such as the identification of new information. Such circumstances may occur when the practitioner identifies information from an alternative or more credible source which negates, or causes doubt about, the relevance of the initial information intended to be used as evidence.
- A276. In cases of doubt about the reliability of information or indications of possible fraud, this ASSA requires the practitioner to investigate further and determine what modifications or additions to procedures are necessary to resolve the matter. Doubts about the reliability of information from management may indicate a risk of fraud.

Planning

Overall Strategy and Engagement Plan (Ref: Para. 95)

Planning Activities

- A277. Adequate planning helps to:
- Devote appropriate attention to important areas of the engagement;
 - Identify potential problems on a timely basis and properly organise and manage the engagement in order for it to be performed in an effective and efficient manner;
 - Properly assign work to engagement team members, and facilitate the direction and supervision of engagement team members and the review of their work; and
 - When applicable, co-ordinate work done by other practitioners and experts.
- A278. Planning involves the engagement leader, other key members of the engagement team, and any key practitioner's external experts developing:
- (a) An overall strategy for the scope, timing and direction of the assurance engagement; and
 - (b) An engagement plan, consisting of a detailed approach for the nature, timing and extent of procedures to be performed, and the reasons for selecting them.

A279. The nature and extent of planning activities will vary with the engagement circumstances. Examples of matters that may be considered include:

- The characteristics of the entity and its activities.
- Whether the engagement is a limited assurance engagement, reasonable assurance engagement or a combined limited and reasonable assurance engagement.
- The nature of the sustainability matters.
- Whether there are sustainability matters that may also relate to matters disclosed in the entity's financial report and, if so, whether communication with the auditor of the financial report, if not prohibited by law or regulation, may be useful for planning the assurance engagement (e.g., to inform each other about common sustainability matters that may be susceptible to risks of misstatement, or to discuss other matters that may be identified during the course of the respective engagements). If such matters are identified, communication between the practitioner and the auditor of the financial report may take place at appropriate times throughout the assurance engagement. In some cases, authorisation from management may be needed to share the entity's information with the auditor of the financial report.
- The expected timing and the nature of the communications required with management or those charged with governance.
- The reporting boundary.
- The practitioner's understanding of the entity and its environment, including the risks that the disclosures may be materially misstated due to error or fraud.
- The intended users and their information needs.
- The nature, timing and extent of resources necessary to perform the engagement, such as expertise required, including the nature and extent of the involvement of experts.
- If the entity has an internal audit function, the impact on the engagement.

A280. Information obtained in the acceptance and continuance process may assist the engagement leader in planning and performing the engagement. Such information may include:

- Information about the size, complexity and nature of the entity, including the industry in which it operates and the applicable criteria.
- The entity's timetable for reporting.
- If the assurance engagement relates to a group, the nature and extent of the control relationships between the entity and other entities within the group.
- Relevant knowledge gained on other engagements performed by the engagement team for the entity.
- Whether there have been changes in the entity or in the industry in which the entity operates since the previous assurance engagement that may affect the nature of resources required, as well as the manner in which the work of the engagement team will be directed, supervised and reviewed.

A281. The practitioner may decide to discuss elements of planning with the entity when obtaining a preliminary knowledge of the engagement circumstances, determining the scope of the engagement or to facilitate the conduct and management of the engagement (e.g., to co-ordinate some of the planned procedures with the work of the entity's personnel). Although these discussions often occur, the approach to the engagement remains the practitioner's

responsibility. When discussing the approach to the engagement, care is needed in order not to compromise the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the entity may compromise the effectiveness of the engagement by making the procedures too predictable.

- A282. Planning is not a discrete phase, but rather a continual and iterative process throughout the engagement. As a result of unexpected events, changes in conditions, or evidence obtained, the practitioner may revise the approach to the engagement, and thereby the resulting planned nature, timing and extent of procedures.

Scalability

- A283. In less complex engagements, the entire engagement may be conducted by the engagement leader (who may be a sole practitioner) or a very small engagement team. With a smaller team, co-ordination of, and communication between, team members is easier. Establishing the approach to the engagement in such cases need not be a complex or time-consuming exercise; it varies according to the size of the entity, the complexity of the engagement, including the sustainability matters and applicable criteria, the scope of the assurance engagement, and the size of the engagement team. For example, in the case of a recurring engagement, a brief memorandum prepared at the completion of the previous engagement, based on a review of the working papers and highlighting issues identified in the engagement just completed, updated in the current period based on discussions with appropriate parties, may be appropriate as the engagement strategy for the current engagement.

Nature, Timing and Extent of Planned Procedures

- A284. The practitioner uses professional judgement in identifying the appropriate approach to planning and performing assurance procedures to obtain sufficient appropriate evidence. Understanding how the entity disaggregates or aggregates the sustainability information for purposes of reporting may assist the practitioner in planning the engagement. Matters that may be relevant in this regard include:
- The information needs of intended users (e.g., intended users may place more significance on information about certain sustainability topics, or aspects of topics, than others).
 - Whether the applicable criteria address how the sustainability information should be presented, and how the entity has applied such criteria. Applicable criteria do not always specify in detail the required level of aggregation or disaggregation. They may, however, include principles for determining an appropriate level of aggregation or disaggregation in particular circumstances. For example, the applicable criteria may require the entity to report operational sites situated in areas of high biodiversity value by geographical location only. In other circumstances, the applicable criteria may require that information be disaggregated further to operational size and relative vicinity.
 - The entity's reporting policies regarding preparation of the sustainability information, including its policies for classification and presentation of the sustainability information.
 - Whether the disclosures pertain to one or more entities within the reporting boundary, and whether such entities are within or outside the reporting entity's control.
 - The extent to which the sustainability information:
 - Is processed using common information systems and controls; and
 - Has a common unit of measure.

- How sustainability information is communicated internally to management or those charged with governance.
- Whether the disclosures relate to similar or interconnected topics, aspects of the topics, or characteristics (see also paragraphs A286–A287).
- How the entity’s industry peers present the sustainability information.

A285. The practitioner may decide that the way management has aggregated or disaggregated the sustainability information for purposes of presentation is the most appropriate approach for the engagement. However, the practitioner may decide that there are other logical ways of grouping the sustainability information for purposes of planning and performing the engagement.

A286. In addition to the factors in paragraph A284, preliminary expectations about the risks of material misstatement may also be relevant to the practitioner’s decision about grouping the sustainability information. For example, if misstatements were identified in the information for certain topics or aspects of topics in previous assurance engagements, the practitioner may decide that the information for those topics or aspects of topics needs to be considered separately.

A287. The practitioner’s decision about grouping the entity’s disclosures for purposes of planning and performing the engagement, and the manner in which it is done, involves professional judgement. Given the diverse nature of sustainability information, some topics and aspects of topics are more capable of being grouped than others. In addition, care is needed when grouping disclosures so that risks of material misstatement are identified and responded to appropriately.

Examples of possible ways for the practitioner to group the disclosures:

- By topics: All disclosures on climate; all disclosures on labour practices.
- By aspects of topics: All disclosures regarding risks and opportunities (regardless of the topic); all disclosures regarding targets.
- By topic and aspect of topic: All disclosures regarding targets for climate; all disclosures regarding scenario analysis for climate.
- By characteristics: All disclosures that are qualitative; all disclosures that are forward-looking; all disclosures that are historical.
- By characteristics by aspect of topic: All disclosures regarding targets that are judgemental; all disclosures regarding targets that are historical.

Overall Engagement Strategy and Engagement Plan for Group Sustainability Assurance Engagements

Sustainability Information on Which Assurance Work Will Be Performed (Ref: Para. 96(a))

A288. For a group sustainability assurance engagement, the determination of the information on which assurance work will be performed is a matter of professional judgement depending on the source of the information (i.e., the entities or business units to which the information relates). Matters that may influence the practitioner’s determination include, for example:

- The nature and extent of disaggregation of the sustainability information. The matters described in paragraph A284 may be helpful in this regard.
- Whether there are specific locations at which procedures may need to be performed to obtain sufficient appropriate evidence for sustainability information that is important to intended users (e.g., if information about occupational health and safety is of

particular importance to users and such information is confined to one or two entities or business units).

- The nature and extent of misstatements or control deficiencies identified at entities in prior sustainability assurance engagements.

Resources Needed to Perform the Engagement (Ref: Para. 96(b))

A289. Matters that may influence the practitioner's determination of the resources needed to perform a group sustainability assurance engagement, including component practitioner(s), include, for example:

- Whether sufficient appropriate evidence is expected to be available from records held by group management, taking into account:
 - The practitioner's understanding of the entity and its environment.
 - The entity's system of internal control, including the information system, and its degree of centralisation. For example, the need to involve a component practitioner may be greater when the system of internal control is decentralised.
- Whether the practitioner is aware of work that has been performed, or will be performed, on sustainability information that has been aggregated from other entities within the entity's control.
- The geographic dispersion of the entities or business units from which information is aggregated.
- Management's process for obtaining information from the value chain. In some circumstances, the criteria may permit management to estimate the information to be reported by using sector-average data and other proxies if management is unable to obtain the information after making reasonable efforts to do so.
- Access arrangements, or any restrictions on access to information. For example, using the work of a component practitioner may be necessary if the practitioner's access to information from an entity in a particular jurisdiction is restricted.
- The knowledge and experience of the engagement team. For example, a component practitioner may have greater experience and a more in-depth knowledge than the practitioner about laws or regulations, business practices, language and culture.
- Previous experience of using the work of component practitioner(s).

A290. In determining the nature and extent of evidence to be obtained in relation to sustainability information from group components or value chain components, the following procedures may be considered by the practitioner:

- Inspecting records and documents held by the group: The reliability of this evidence is determined by the nature and extent of the records and supporting documentation retained by the entity. In some cases, the group may not maintain independent detailed records or documentation of specific sustainability matters relating to group components, and in most cases will not do so with respect to value chain components.
- Inspecting records and documents at the component: The practitioner's access to the records of a component may be established as part of the contractual or other arrangements between the group and the component. This is more likely to be the case for group components.

- Testing management's process for obtaining information from value chain components: Due to the limitations that may exist in obtaining information from the value chain, the practitioner's procedures may in some cases be limited to evaluating whether management has complied with the requirements of the criteria, and testing the reasonableness of such information. The practitioner may also seek to obtain evidence from the work of another practitioner if work has been performed on that information. Regardless of any limitations that may exist in obtaining information from the value chain, the practitioner is required to obtain sufficient appropriate evidence. See also paragraphs A252–A253.
- Obtaining confirmations of sustainability information from the component:
 - If the group maintains independent records of sustainability information, confirmation from the component corroborating information in the group entity's records may constitute reliable evidence.
 - If the group does not maintain independent records, information obtained in confirmations from the component is merely a statement of what is reflected in the records maintained by the component. Therefore, such confirmations do not, taken alone, constitute sufficient appropriate evidence. In these circumstances, the practitioner may consider whether an alternative source of independent evidence can be identified.
- Performing analytical procedures on the records maintained by the group or on the information received from the component: the effectiveness of analytical procedures is likely to vary by disclosure or assertion and will be affected by the extent and detail of information available.

Whether to Obtain Evidence from the Work Performed by Another Practitioner(s) (Ref: Para. 96(c))

A291. If the practitioner plans to use a one-to-many report of another practitioner as evidence, paragraph 51 requires the practitioner to evaluate whether the description of the procedures performed and the results thereof are appropriate for the practitioner's purposes. However, the use of such a report does not alter the practitioner's responsibility to obtain sufficient appropriate evidence to provide a reasonable basis to support the practitioner's assurance conclusion on the sustainability information of the group.

Materiality (Ref: Para. 98–100)

A292. The practitioner's consideration or determination of materiality, as applicable, is relevant when performing risk assessment procedures, determining the nature, timing and extent of further procedures, and evaluating whether the sustainability information is free from material misstatement.

A293. Considering materiality for qualitative disclosures involves the practitioner actively reflecting upon factors that may lead to potential material misstatements (see paragraph A300).

A294. In considering or determining materiality, the practitioner considers disclosures that may be important to intended users. The practitioner's risk assessment procedures are designed and performed to identify and assess risks of material misstatement at the disclosure level (for limited assurance) or at the assertion level for the disclosures (for reasonable assurance). Therefore, judgements about materiality and the nature and likelihood of potential misstatements are relevant to the practitioner's approach, including the way in which the sustainability information is grouped for planning and performing the engagement, as explained in paragraphs A284–A287.

A295. Professional judgements about materiality are made in light of surrounding circumstances, but are not affected by the level of assurance. That is, for the same intended users and purpose,

materiality for a reasonable assurance engagement is the same as for a limited assurance engagement because materiality is based on the information needs of intended users.

- A296. The framework criteria may include a discussion of the concept of materiality that provides a frame of reference for consideration or determination of materiality by the practitioner. In the absence of materiality being addressed in the framework criteria, the following principles may be applied:
- (a) Judgements about matters that are material to intended users of the sustainability information are based on a consideration of the common information needs of intended users as a group.
 - (b) Misstatements, including omissions, are considered material if they, individually or in the aggregate, could reasonably be expected to influence decisions of intended users taken on the basis of the sustainability information.
- A297. Materiality is a matter of professional judgement and is affected by the practitioner's perception of the common information needs of intended users as a group. In this context, it is reasonable for the practitioner to assume that intended users:
- (a) Have a reasonable knowledge of the sustainability matters, and a willingness to study the sustainability information with reasonable diligence;
 - (b) Understand that the sustainability information is prepared and assured to appropriate levels of materiality and have an understanding of any materiality concepts included in the applicable criteria;
 - (c) Understand any inherent uncertainties involved in measuring or evaluating the sustainability matters; and
 - (d) Make reasonable decisions on the basis of the sustainability information.

Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.

Example:

The entity operates globally in various industries, including health care and consumer goods. The entity engaged an external consulting firm to gather data on stakeholders' perspectives regarding the entity's sustainability strategy. The entity took an approach to first identify the most relevant stakeholder groups, which included "customers, suppliers, non-profit organisations, corporate/private sector, academics, consultants, government, media, finance, trade associations, and think tanks." The entity then obtained direct feedback on how its sustainability strategy affected people, wider communities and the environment. After gathering this data, the entity analysed it to determine what issues were important to those surveyed and reported on those areas.

- A298. Materiality relates to the sustainability information within the scope of the assurance engagement. Therefore, when the engagement covers some, but not all, of the sustainability information, materiality is considered in relation to only the sustainability information that is within the scope of the assurance engagement.
- A299. Not all disclosures involve the same materiality considerations. Ordinarily, materiality is considered or determined for different disclosures. For different disclosures, the same intended users may have different information needs, a different tolerance for misstatement, or the disclosures may be expressed using different units of measure. Considering qualitative factors may help the practitioner to identify disclosures that may be more significant to the intended users. For example, intended users may place more importance on information about food or

drug safety than they do on information about the recycling of non-hazardous waste because the consequences of poor safety standards in food or drug production are likely to be more serious to human health than those for not recycling non-hazardous waste. They may, therefore, have a lower tolerance for misstatement of information about food or drug safety than about recycling of non-hazardous waste.

Qualitative Factors (Ref: Para. 98(a))

A300. Examples of factors that may be relevant to the practitioner's consideration of materiality for qualitative disclosures include:

- The number of persons or entities affected by, and the severity of the effect of, the sustainability matter. For example, a hazardous waste spill may impact a small number of people, but the effect of that spill could lead to serious adverse consequences to the environment.
- The interaction between, and relative importance of, multiple topics and aspects of the topics.
- The form of the presentation of the sustainability information when the applicable criteria allow for variations in the presentation.
- The nature of a potential misstatement and when it would be considered material, for example, the nature of observed deviations from a control when the sustainability information is a statement that a process exists, or the control is effective.
- Whether a potential misstatement could affect compliance with law or regulation, including whether there is an incentive or pressure on management to achieve an expected target or outcome. For example, a practitioner may consider a potential misstatement to be material if it affected a threshold at which a carbon tax would be payable by the entity.
- Whether a potential misstatement would be significant based on the practitioner's understanding of known previous communications to the intended users on matters relevant to their information needs, for example, in relation to the expected outcome of goals or targets, the degree to which a potential misstatement would impact the entity achieving the goal or target.
- When the sustainability matter relates to a governmental program or public sector entity, whether a particular aspect of the program or entity is significant with regard to the nature, visibility and sensitivity of the program or entity.
- If the applicable criteria include the concept of due diligence regarding impacts, the nature and extent of those impacts. For example, a practitioner may consider whether the entity's disclosures omitted or distorted the actions taken to prevent or mitigate negative impacts or ignored additional negative impacts, or the entity's actions to prevent or mitigate negative impacts were not effective.
- For narrative disclosures, whether the level of detail of the description or the overall tone of the words used to describe the matter, may give a misleading picture to users of the sustainability information.
- How the presentation of the information influences users' perception of the information. For example, when management presents the disclosures in the form of graphs, diagrams or images, materiality considerations may include whether using different scales for the x- and y-axes of a graph may be potentially misleading.

Considerations for Materiality for Quantitative Disclosures (Ref: Para. 98(b))

- A301. Quantitative factors relate to the magnitude of misstatements relative to the disclosures, if any, that are:
- (a) Expressed numerically; or
 - (b) Otherwise related to numerical values (e.g., the number of observed deviations from a control may be a relevant quantitative factor when the sustainability information is a statement that the control is effective).
- A302. Qualitative factors may also be relevant when determining materiality for quantitative disclosures. Example of qualitative factors are provided in paragraph A300.
- A303. For disclosures that are quantitative (e.g., a key performance indicator expressed in numerical terms), materiality may be determined by applying a percentage to the reported metric, or to a chosen benchmark related to the disclosure.

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| Examples of thresholds may include x% of investment in community projects (in hours or monetary terms), y% of energy consumed (in kWh), or z% of land rehabilitated (in hectares). |
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- A304. Factors that may affect the identification of an appropriate benchmark and percentage include:
- (a) The elements of the disclosure. For example, if there is an element that is likely to be the focus of intended users, it may be the appropriate benchmark.
 - (b) The relative volatility of the benchmark. For example, if the benchmark varies significantly from period to period, it may be appropriate to set materiality relative to the lower end of the fluctuation range even if the current period is higher.
 - (c) The requirements of the applicable criteria. If the applicable criteria specify a percentage threshold for materiality, this may provide a frame of reference to the practitioner in determining materiality for the disclosure.
- A305. The applicable criteria may require disclosures of historical cost financial information. For example, topics reported may include community investment, training expenditures, or taxes by jurisdiction. These may also be reported in the entity's financial report. The practitioner, or another practitioner, may be engaged to audit those financial report (see also paragraph A14). The materiality used for these aspects of the disclosures need not be the same as the materiality used in the audit of the entity's financial report.

When the Entity Is Required to Apply Both Financial Materiality and Impact Materiality (Ref: Para. 99)

- A306. If double materiality, as described in paragraph A337 is required to be applied by the reporting framework or entity-developed criteria, paragraph 99 requires the practitioner to take into account both financial materiality and impact materiality perspectives when considering or determining materiality for purposes of planning and performing procedures and determining whether identified misstatements are material, so that:
- (a) For quantitative disclosures, ordinarily the lower level of materiality for financial or impact materiality would be used; and
 - (b) For qualitative disclosures, when applying the factors in paragraph A300 and other misstatement considerations in paragraphs A491–A493, ordinarily the greater level of detail needed in the materiality for financial or impact materiality would be used.

Performance Materiality (Ref: Para. 100)

- A307. Performance materiality may be used during different stages of the assurance engagement. For example, performance materiality may be useful to help identify and assess risks of material misstatement at the disclosures level (in a limited assurance engagement), or to help identify and assess risks of material misstatement at the assertion level for disclosures (in a reasonable assurance engagement) and to determine the nature, timing and extent of further procedures.
- A308. For quantitative disclosures, planning the engagement solely to detect individually material misstatements overlooks aggregation risk, which is the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Aggregation risk arises because the sustainability information may be disaggregated, and the practitioner may be designing and performing assurance procedures separately on that disaggregated information. It may therefore be appropriate when planning the nature, timing and extent of procedures for the practitioner to:
- (a) Determine performance materiality for quantitative disclosures to reduce aggregation risk to an appropriately low level; and
 - (b) Consider what types of errors or omissions would potentially constitute a material misstatement when aggregated with other misstatements.
- A309. The determination of performance materiality is not a simple mechanical calculation and involves the exercise of professional judgement. It is affected by the practitioner's understanding of the entity that is updated during the performance of the risk assessment procedures. Factors the practitioner may take into account in setting performance materiality include the following:
- The extent of disaggregation of the disclosures. For example, in a group engagement, as the extent of disaggregation across components increases, a lower performance materiality ordinarily would be appropriate to address aggregation risk. The relative significance of the component to the reporting entity may affect the extent of disaggregation (e.g., if a single component represents a large portion of the reporting entity, there likely may be less disaggregation across components).
 - Expectations about the nature, frequency and magnitude of misstatements of the disaggregated disclosures, including those identified in previous engagements.
- A310. In some cases, risk assessment or further procedures may be performed by the practitioner on a quantitative disclosure as a single population (i.e., not disaggregated). In such cases, performance materiality used for purposes of performing these procedures is the same as materiality.
- A311. Performance materiality does not address misstatements that would be material solely due to qualitative factors that affect their significance. However, designing procedures to increase the likelihood of the identification of misstatements that are material solely because of qualitative factors, to the extent it is possible to do so, may also assist the practitioner in addressing aggregation risk.

Revision of Materiality as the Engagement Progresses (Ref: Para. 101)

- A312. Materiality may be revised as a result of a change in circumstances during the assurance engagement (for example, the disposal of a major part of the entity's business), new information, or a change in the practitioner's understanding of the entity and its operations as a result of performing procedures. For example, it may become apparent during the engagement that the percentage of significant product categories for which customer health and safety impacts are assessed for improvement is likely to be substantially different from that expected during planning. If during the engagement the practitioner concludes that a different

materiality is appropriate, it may also be necessary to revise performance materiality or the nature, timing and extent of further procedures.

Risk Assessment Procedures

Designing and Performing Risk Assessment Procedures (Ref: Para. 103L–105)

- A313. Risk assessment procedures are part of an iterative and dynamic process. Initial expectations may be developed about risks of material misstatement, which may be further refined as the practitioner progresses through the engagement, or if new information is obtained. Risk assessment procedures by themselves do not provide sufficient appropriate evidence on which to base the assurance conclusion.
- A314. The nature and extent of risk assessment procedures will vary based on whether it is a limited or reasonable assurance engagement, the nature and circumstances of the entity (e.g., the formality of the entity's policies or procedures, and processes and systems), the nature and complexity of the sustainability matters and the characteristics of the events or conditions that could give rise to material misstatements. The practitioner uses professional judgement to determine the nature and extent of the risk assessment procedures to be performed to meet the requirements of this ASSA as appropriate to the level of assurance to be obtained. The depth of understanding that is required by the practitioner is less than that possessed by management in managing the entity and is less for a limited assurance engagement than for a reasonable assurance engagement.
- A315. The type of risk assessment procedures performed by the practitioner may include the following:
- (a) Enquiries of management, of appropriate individuals within the internal audit function (if the function exists), and of others within the entity who, in the practitioner's judgement, may have information that is likely to assist in identifying and assessing risks of material misstatement, whether due to fraud or error;
 - (b) Analytical procedures; and
 - (c) Observation and inspection.
- A316. Information obtained by the practitioner through enquiries may provide important evidence (e.g., to support the required understanding of the entity and its environment and the components of the entity's system of internal control); however, for a reasonable assurance engagement, enquiry alone ordinarily is not sufficient to identify and assess risks of material misstatement at the assertion level.
- A317. Designing and performing risk assessment procedures may involve obtaining evidence from multiple sources including:
- (a) Interactions with management, those charged with governance, and other key entity personnel, which may include personnel within the entity who work in functions relevant to the sustainability information (such as Human Resources) or internal auditors.
 - (b) Certain external parties such as regulators, whether obtained directly or indirectly.
 - (c) Publicly available information about the entity and its industry, for example, entity-issued press releases, materials for analysts or investor group meetings, analysts' reports, or information about sustainability matters.
- A318. The practitioner may perform further procedures concurrently with risk assessment procedures when it is efficient to do so.

Example:

- Evidence obtained that supports the identification and assessment of risks of material misstatement may also support the evaluation of the operating effectiveness of controls.

Considering Information from Engagement Acceptance and Continuance Procedures (Ref: Para. 104)

A319. Paragraph 75 requires the practitioner to obtain a preliminary knowledge of the engagement circumstances to provide an appropriate basis for establishing whether the preconditions for the engagement are present. This preliminary knowledge ordinarily is not sufficient to fulfill the requirements in paragraphs 103L and 103R, but may provide important evidence to support the required understanding. The practitioner may supplement the understanding of the applicable criteria obtained in accepting the engagement when performing risk assessment procedures with information from, for example:

- When applicable, other engagements performed by the engagement leader for the entity, such as the audit of financial report or verification of specific matters (e.g., verification of water consumption for a significant operation within the entity).
- Previous experience with the entity, if such information remains relevant and reliable as evidence for the current engagement.

Engagement Team Discussion (Ref: Para. 105)

A320. Discussions between the engagement leader and other key members of the engagement team, and any key practitioner's external experts may:

- Provide an opportunity for more experienced engagement team members, including the engagement leader, to share their insights based on their knowledge of the entity. Sharing information contributes to an enhanced understanding by all engagement team members.
- Allow the engagement team members to exchange information about how and where the sustainability information might be susceptible to material misstatement due to fraud or error.
- Assist the engagement team in planning and performing the engagement.

A321. When the engagement is carried out by a single individual, such as a sole practitioner, consideration of the matters referred to in paragraph 105 nonetheless may assist the practitioner in identifying and assessing risks of material misstatement.

Understanding the Sustainability Matters and the Sustainability Information (Ref: Para. 106)

A322. The characteristics of events or conditions that could give rise to a material misstatement of the disclosures may include complexity, judgement, change, uncertainty, or susceptibility to misstatement due to management bias or fraud, thus resulting in susceptibility of the disclosures to material misstatement, whether due to fraud or error.

A323. Material misstatements due to fraud or management bias in sustainability information may relate to matters such as the following:

- Misstating sustainability information (including omitting information) to avoid penalties or fines, potentially aggressive or overly optimistic internal or external goals, intentionally inaccurate or misleading product or corporate public statements or claims.

- Omitting sustainability matters when identifying the matters to be included in the sustainability information, that may be unfavourable or for which the information is difficult to obtain, even though those matters are material to intended users.
- Misstating sustainability information to enable the entity to be favourably considered in relation to future endeavours, or to be a factor in funding, supplier or customer arrangements or negotiations.
- Misstating sustainability information to reduce carbon tax liabilities or overstate carbon credits created.
- Intentionally reporting sustainability information relating to performance or compensation incentives in a biased way in order to influence the outcome of the performance reward or compensation.
- Pressures linked to obtaining certain credentials or recognitions (e.g., a ‘green’ seal or rating), or to meet certain contractual conditions.
- Immature systems of internal control over sustainability reporting.

A324. The characteristics of events or conditions that could give rise to risks of material misstatement may be different for different disclosures. For example:

- The risks of material misstatement related to information about the entity’s waste generated in the entity’s own activities may be different from the risks of material misstatement related to information about the waste generated upstream or downstream in the entity’s value chain.
- The risks of material misstatement in historical quantitative information may be different from the risks of material misstatement in forward-looking qualitative information.

A325. The sustainability matters may be complex to measure or evaluate or be subject to uncertainties. For example, potential climate-related risks, the likelihood of their occurrence, and their expected short, medium, and long-term impacts on an entity and its supply chain may be both complex to measure and evaluate and subject to a high degree of uncertainty. As a result of the inherent uncertainties, the risk of material misstatement of disclosures may be higher, or it may be difficult to identify and assess the risks of material misstatement of the sustainability information.

Determining the Suitability of the Applicable Criteria (Ref: Para. 107)

A326. Determining the suitability of the applicable criteria during the engagement builds on the preliminary knowledge obtained and discussion with appropriate party(ies) in evaluating their suitability prior to acceptance or continuance of the engagement, and includes determining whether the criteria exhibit the characteristics of suitable criteria in paragraph 78 (see also paragraph A199). The practitioner’s risk assessment procedures are different in nature and extent from the procedures that may be sufficient for acceptance or continuance of the engagement.

A327. If the applicable criteria comprise framework criteria that are presumed to be suitable, as described in paragraph A197, it may be sufficient for the practitioner to determine that the entity has applied such criteria in preparing the sustainability information. In other circumstances, the practitioner may consider whether the evaluation of the criteria at the acceptance and continuance stage remains appropriate for the purposes of the practitioner’s risk assessment procedures. If the practitioner’s evaluation of the criteria is no longer appropriate, a more detailed determination of the suitability of the criteria is required in accordance with paragraph 107. This may be the case, for example, if entity-developed criteria

are available only after the engagement is accepted, or if the entity applies criteria in preparing the sustainability information that differ from what the practitioner anticipated prior to acceptance or continuance of the engagement. This may be due to a range of factors, for example:

- The criteria initially identified are no longer suitable for the entity's circumstances.
- Changes in comparable industry practice.
- New or revised criteria being available.
- The entity applies more precise criteria.
- The entity identifies insufficient specificity in the framework criteria, necessitating entity-developed criteria to be developed.

A328. Determining the suitability of the applicable criteria and evaluating the appropriateness of their application assists the practitioner in identifying the susceptibility of the disclosures to misstatement. For example, the practitioner may:

- Identify elements of the applicable criteria that may be more susceptible to incorrect interpretation and application by the entity in preparing the sustainability information.
- Identify where the entity has the ability to exercise judgement in applying the applicable criteria, and therefore may give rise to risks of material misstatement due to inappropriate judgements in the circumstances of the entity.
- Identify aspects of the applicable criteria that may be more susceptible to manipulation, for example, when the entity is permitted to prepare the information on a comply or explain basis, provided the entity has a reasonable basis for doing so.
- Determine that the entity's process for identifying or developing and applying the applicable criteria is lacking, which may give rise to risks of material misstatement relating to the suitability or appropriate application of the applicable criteria in the entity's circumstances.

A329. Framework criteria may not be considered suitable on their own (e.g., may be incomplete or subject to interpretation in application). Therefore, the entity may need to supplement the framework criteria so that the applicable criteria are suitable. The process of developing the applicable criteria and applying it to the sustainability matters may be complex, require judgement, and may be susceptible to bias. The determination required by paragraph 107 may result in the practitioner identifying disclosures where there is an increased susceptibility to misstatement or cause the practitioner to re-evaluate the suitability of the applicable criteria.

A330. The determination of the suitability of the applicable criteria may include understanding:

- The uncertainties and complexities associated with identifying the framework criteria, and any entity-developed criteria used to supplement the framework.
- The criteria for the entity's process to identify sustainability information to be reported.
- The criteria for identifying the reporting boundary, and whether this differs for each disclosure.
- If applicable, how the entity develops its own criteria, including criteria used to supplement the framework criteria.
- The controls over the entity's process for identifying or developing and applying the applicable criteria.

- Whether there are any relief provisions. Such relief may be in relation to disclosure obligations over a certain period (e.g., an entity is only required to provide environmental information for the first three years of reporting), or in respect to data and information required to prepare the sustainability information (e.g., to address concerns about initial costs and resourcing constraints in obtaining required information regarding upstream and downstream value chain information).
- A331. Understanding the process for identifying or developing and applying the applicable criteria, including the entity's process to identify sustainability information to be reported, may also help the practitioner determine the suitability of the applicable criteria, including whether the criteria:
- Address the purpose of the sustainability information.
 - Are transparent.
 - Involve engagement with intended users or their representatives in identifying their information needs for decision-making.
 - Address how the criteria are applied in the entity's circumstances, including the selection and application of reporting policies consistent with the applicable criteria.
 - Provide appropriate reasons for using the criteria.
 - Consider if the criteria are appropriately specific regarding how the sustainability matters should be measured or evaluated.

Specific Considerations for Determining the Suitability of Criteria for Qualitative Information (Ref: Para. 78(c), 107)

- A332. In some circumstances, the practitioner may determine that the criteria for qualitative information are unsuitable. For example, not all the characteristics for suitable criteria are exhibited because the criteria lack specificity or criteria for the qualitative information do not exist. In such circumstances, the practitioner may consider:
- Requesting that the entity develop suitable criteria.
 - Requesting that the entity not report the information that would result from applying the unsuitable criteria, but if the entity decides to report that information, clearly identifying the information as other information that is not within the scope of the assurance engagement, and performing procedures in accordance with paragraphs 171–177.
 - Whether the information may be misleading, and the impact on acceptance and continuance of the engagement.
 - The impact on the assurance conclusion.

Specific Considerations for Determining the Suitability of Criteria for Processes, Systems and Controls (Ref: Para. 78(c), 107)

- A333. If sustainability information on processes, systems and controls is subject to the assurance engagement, the practitioner may consider whether the criteria encompass the following:
- (a) If the assurance conclusion covers the description of the entity's process, systems or controls:
 - (i) The control objectives and controls designed to achieve those objectives;

- (ii) The procedures and records, within both information technology and manual systems, by which the sustainability matters, and significant events and conditions, relevant to the sustainability information are recorded, processed, corrected as necessary, and transferred to the sustainability information reported.
- (b) If the assurance conclusion covers the suitability of the design of the processes, systems or controls:
 - (i) Identification of the risks that threaten achievement of the control objectives stated in the description of the processes, systems or controls; and
 - (ii) Whether the controls identified in that description would, if operated as described, provide reasonable assurance about the achievement of the control objectives.
- (c) If the assurance conclusion covers the operating effectiveness of the processes, systems or controls, whether the controls were consistently applied as designed throughout the specified period.

Specific Considerations for Determining the Suitability of Criteria for Performance (Ref: Para. 78(c), 107)

- A334. In evaluating whether the criteria to evaluate the entity's performance are suitable, the practitioner may consider whether the criteria encompass:
- (a) Measures or benchmarks used to set the targets, key performance indicators, commitments or other goals against which performance is to be measured; and
 - (b) Methods of measurement or evaluation of the entity's performance.

Specific Considerations for Determining the Suitability of Criteria for Forward-looking Sustainability Information (Ref: Para. 78(c), 107)

- A335. In evaluating whether the criteria to be applied in preparing the entity's forward-looking information are suitable, the practitioner may consider whether the criteria encompass:
- (a) The basis of the assumptions to be made and the nature, sources and extent of uncertainty inherent in those assumptions; and
 - (b) The measurement or evaluation methods to be used for the forward-looking sustainability information to be prepared on the basis of the assumptions in (a).

Relevance of the Criteria (Ref: Para. 78(c)(i), 107)

- A336. In evaluating whether the criteria are relevant, the practitioner may consider whether the criteria:
- (a) Result in sustainability information that assists decision-making by the intended users.
 - (b) Were developed through a process, by the entity or an external party, that focused on identifying or evaluating whether the sustainability information assists decision-making by the intended users, including the general types of decisions that intended users are expected to make based on the purpose of the sustainability information.
 - (c) Address the inherent level of measurement or evaluation uncertainty in applying the criteria in the circumstances of the engagement, including whether the sustainability information that is subject to high inherent measurement or evaluation uncertainty will be accompanied by disclosures that make the nature and extent of the uncertainty clear.

- (d) Specify the level of disaggregation or aggregation of the information or include principles for determining an appropriate level of aggregation or disaggregation in particular circumstances.
- (e) Are consistent with those generally recognised to be appropriate in the context of the entity's industry or sector or there are justifiable reasons not to use such criteria (e.g., the entity develops more relevant criteria).
- (f) Permit omissions of sustainability disclosures only in circumstances when it is appropriate to do so. For example, the criteria may allow the entity to exclude certain disclosures if:
 - (i) The reporting processes have not yet fully matured, such that the information is incomplete or unavailable, and the criteria require the entity to disclose this fact and its reasons for omitting the disclosures.
 - (ii) That disclosure is not applicable to the entity's circumstances.
 - (iii) There are legal constraints preventing the disclosure.
 - (iv) In extremely rare circumstances, the sustainability information is confidential, or the adverse consequences of disclosure would reasonably be expected to outweigh the public interest benefits of doing so, such as information that might prejudice an investigation into an actual, or suspected, illegal act.
- (g) Are specific to the topics and aspects of the topics, that will result in information that assists decision-making by the intended users, such as whether the criteria for:
 - (i) Processes, systems or controls includes, for example, control objectives to evaluate the suitability of their design (see also paragraph A333);
 - (ii) Performance includes the targets, key performance indicators, commitments or goals against which performance is measured and methods of measurement or evaluation of that performance (see also paragraph A334);
 - (iii) Forward-looking information includes the basis for evaluating the reasonableness of the underlying assumptions and methods of preparation based on those assumptions (see also paragraph A335); or
 - (iv) Historical information includes methods of measurement or evaluation of the entity's activities.

Consideration of the relevance of the criteria when financial materiality or impact materiality apply (Ref: Para. 99, 107)

A337. Relevant criteria that assist the decision-making of intended users may relate to:

- (a) Either:
 - (i) The material impacts of environmental, social and governance matters on the entity's strategy, business model and performance, which may be referred to as "financial materiality;" or
 - (ii) The material impacts of the entity's activities, products and services on the environment, society, or economy, which may be referred to as "impact materiality;" or
- (b) Both financial materiality and impact materiality, which may be described by the applicable criteria as "double materiality."

Completeness of Criteria (Ref Para. 78(c)(ii), 107)

A338. In evaluating the completeness of the criteria, including entity-developed criteria to supplement any framework criteria used, the practitioner may consider whether they address:

- Topics or aspects of topics that could reasonably be expected to affect decisions of intended users, or cannot be as readily measured or evaluated as other topics or aspects of topics.
- The basis for significant judgements in preparing the sustainability information.
- The source of significant inherent uncertainties in applying the criteria.
- The reporting boundary.

Reliability of the Criteria (Ref: Para. 78(c)(iii), 107)

A339. In evaluating whether the criteria are reliable, the practitioner may consider:

- Whether the measurement or evaluation of the sustainability matters can be undertaken with the necessary degree of precision to be relevant in the engagement circumstances.
- Whether the criteria are based on definitions with little or no ambiguity.
- Whether applying the criteria allows for reasonably consistent measurement or evaluation of the sustainability matters when used in similar circumstances by different parties.
- The sources of the criteria and the process used to develop them.

Neutrality of the Criteria (Ref: Para. 78(c)(iv), 107)

A340. In evaluating whether the criteria are neutral, the practitioner may consider whether the criteria:

- Require a balanced disclosure of both favourable and unfavourable information and are not subject to management bias by excluding any topics or aspects of topics only on the basis that they may reflect poorly on the entity.
- Do not result in information that is misleading to the intended users in the interpretation of the sustainability information.
- Are consistent between reporting periods, unless there is a reasonable basis for the change.
- Address how the information is presented and disclosed, to reduce the opportunity for management bias.
- Are entity-developed (e.g., may be subject to management bias).

A341. When the criteria are not consistent with previous reporting periods, the practitioner may consider whether:

- The entity has a reasonable basis for the change, for example, the entity may be developing and improving its process to prepare the sustainability information and the entity-developed criteria may have been changed to reflect more appropriate or modern approaches, data or methods.

- The basis for the change is sufficiently disclosed and explained in the sustainability information.
- The criteria are different from those commonly used in the entity's industry or sector, as this may be an indicator of management bias.
- The change results in information that is always positive (e.g., management changes the criteria year on year so that the outcome looks more positive).

Understandability of the Criteria (Ref: Para. 78(c)(v), 107)

A342. In evaluating whether the criteria are understandable, the practitioner may consider whether the criteria:

- Are clear and unambiguous.
- Will enable the intended users to identify readily the main points being made and to infer appropriately whether they affect their decision-making.
- Will result in a presentation that does not obscure relevant information.
- Will result in clear presentation of the sustainability information in a way that effectively summarises and draws attention to key features of the information reported.
- Will result in the sustainability information being coherent, easy to follow, clear and logical.
- Will result in sustainability information that can be readily located, for example, the information may be difficult to locate if it is spread across different reports, webpages or included by reference.
- Will result in sustainability information that is appropriately balanced between conciseness to be understandable and relevance.
- Will result in logical and comparable time periods, whether those be:
 - A point in time (e.g., for description or implementation of a process not covering the period).
 - Periods that have ended (e.g., for historical information).
 - Periods that end in the future (e.g., for strategy, targets or commitments).

Understanding the Entity's Reporting Policies (Ref: Para. 108–109)

A343. Reporting policies are the bases, conventions, rules and practices applied by an entity in preparing and presenting the sustainability information. The entity's reporting policies are not criteria by themselves, but assist the entity in complying with the applicable criteria. The criteria need to encompass sufficient principles as the basis for the entity to select and apply reporting policies that are consistent with the underlying concepts in, and meet the objectives of, the requirements of the criteria, as explained in paragraph A2. If the existing criteria do not provide sufficient principles for the entity to select and apply reporting policies, criteria from another framework may need to be identified or entity-developed criteria may need to be developed. Matters that the practitioner may consider when obtaining an understanding of the entity's selection and application of reporting policies, including any changes and the reasons for those changes, may include:

- Reporting policies used by similar entities, such as those in the same industry or jurisdiction.

- The methods the entity uses to recognise, measure, present and disclose significant sustainability information, or to address unusual or exceptional circumstances.
- The effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
- Changes in the environment, such as changes in the applicable criteria, law and regulation or accepted interpretation of the criteria that may necessitate a change in the entity's reporting policies.
- Criteria and laws and regulations that are new to the entity and when and how the entity will adopt, or comply with, such requirements.

A344. Example of the entity selecting and applying reporting policies in accordance with the framework criteria:

- A mining company reports sustainability information in accordance with a sustainability framework that requires specific disclosures on risks and opportunities related to human rights and rights of Indigenous Peoples for the metals and mining industry.
- In complying with the criteria, the entity also selects and applies reporting policies, including the methods used to disclose engagement processes and due diligence practices with respect to human rights and indigenous rights in areas of conflict to mitigate related risks.

Understanding the Entity and Its Environment

Understanding the Entity's Operations, Legal and Organisational Structure, Ownership and Governance, and Business Model (Ref: Para. 110(a))

A345. The practitioner uses professional judgement to determine the characteristics of the entity and its environment that are relevant to the sustainability information and therefore are necessary to understand. The practitioner's primary consideration is whether the understanding that has been obtained is sufficient to meet the objective of the risk assessment procedures. The practitioner's understanding may involve less effort when the scope of the assurance engagement is limited to certain sustainability information (e.g., discrete metrics). On the other hand, a broader understanding of the entity and its environment may be necessary if the scope of the assurance engagement addresses multiple topics or aspects of the topics. Similarly, the depth of understanding of the entity and its environment necessary for a limited assurance engagement may be less than the depth of understanding necessary in a reasonable assurance engagement.

A346. The practitioner's understanding of the entity and its environment may include an understanding of the following:

- (a) The nature of the entity and its sustainability-related business risks, including:
 - (i) The nature of the operations included in the reporting boundary, including:
 - a. Whether the activities or operations within the reporting boundary are internal or external to the entity;
 - b. The contribution of each activity or operation to the sustainability information, including entities or operations within the value chain, if material to the sustainability information; and
 - c. The uncertainties associated with the quantities reported in the sustainability information.

- (ii) Changes from the prior period in the nature of the entity, its business risks, or the reporting boundary, including whether there have been any mergers, acquisitions, disposals, or outsourcing of functions.
 - (iii) The frequency and nature of interruptions to operations.
- (b) The maturity of the processes and controls over sustainability information and the extent to which they integrate the use of IT.

Understanding the Reporting Boundary (Ref: Para 110(b))

A347. Understanding the reporting boundary may require the analysis of complex organisational structures (e.g., multiple operating units in different jurisdictions), contractual relationships and activities within the entity's value chain. The way operations are organised may also have implications for the reporting boundary. For example, a facility may be owned by one party, operated by another, and process materials solely for a third party, but the sustainability activities of all three entities may be within the reporting boundary. Understanding activities within the reporting boundary help the practitioner:

- Understand whether the disclosures are affected by complexity, judgement, change, uncertainty, or susceptibility to misstatement due to management bias or fraud.
- Identify disclosures for which it may be necessary to use the work of others to obtain sufficient appropriate evidence.
- Identify the members of the engagement team and other parties with whom the engagement leader discusses the susceptibility of disclosures to material misstatements whether due to fraud or error.
- Consider or determine an appropriate materiality for the applicable disclosures.
- Determine the nature, timing and extent of further procedures.
- Identify disclosures where it may be difficult to obtain sufficient appropriate evidence and, as a result, the implications for the assurance report.

Understanding the Entity's Goals, Targets, or Strategic Objectives (Ref: Para. 110(c))

A348. Understanding goals, targets, or strategic objectives related to sustainability matters and measures used to assess the entity's performance may help the practitioner identify incentives and pressures that increase the susceptibility of the sustainability information to management bias or fraud.

Understanding the Legal and Regulatory Framework (Ref: Para. 111)

A349. The effect on the sustainability information of laws and regulations will vary. Those laws and regulations to which an entity is subject constitute the legal and regulatory framework. The provisions of some laws or regulations may have a direct effect on the sustainability information, in that they may determine the criteria to be applied or specify disclosures required to be included in an entity's sustainability information.

A350. Other laws and regulations may not have a direct effect on the determination of the disclosures in the sustainability information, but compliance with them may be fundamental to the operating aspects of the business. Non-compliance with laws and regulations that have a fundamental effect on the operations of the entity may have consequences for the entity's disclosures.

A351. To obtain an understanding of the legal and regulatory framework, and how the entity complies with that framework, the practitioner may, for example:

- Use the practitioner's existing understanding of the entity's industry, regulatory and other external factors.
- Update the understanding of those laws and regulations that establish criteria, frameworks, standards or guidance.
- Enquire of management as to other laws or regulations that may be expected to have a fundamental effect on the operations of the entity.
- Enquire of management concerning the entity's policies or procedures regarding compliance with laws and regulations.

Enquiries and Discussion with Appropriate Parties (Ref: Para. 112)

A352. Enquiries of appropriate parties and, when appropriate, others within the entity may offer the practitioner varying perspectives in performing risk assessment procedures.

Examples:

- Enquiries directed towards those charged with governance may help the practitioner understand the extent of oversight by those charged with governance over the preparation of the sustainability information.
- Enquiries of management may help the practitioner to evaluate the appropriateness of the selection and application of the applicable criteria.
- Enquiries directed towards in-house legal counsel may provide information about matters such as litigation, compliance with laws and regulations, knowledge of fraud or suspected fraud affecting the sustainability information.
- Enquiries directed towards the risk management function (or enquiries of those performing such roles) may provide information about operational and regulatory risks that may affect the sustainability information.
- Enquiries directed towards IT personnel may provide information about system changes, system or control failures, or other IT-related risks.

A353. If an entity has an internal audit function, enquiries of the appropriate individuals within the function may assist the practitioner in understanding the entity and its environment and the entity's system of internal control, in identifying and assessing risks of material misstatement.

Understanding Components of the Entity's System of Internal Control (Ref: Para. 113L, 113R)

- A354. Understanding components of the entity's system of internal control relevant to the sustainability matters and the preparation of the sustainability information assists the practitioner in identifying the types of misstatements that may occur and factors that affect risks of material misstatement in the disclosures.
- A355. The level of formality of the entity's system of internal control, including the control environment, the entity's risk assessment process and process to monitor the system of internal control, may vary by size and complexity of the entity, and the nature and complexity of the sustainability matters and the applicable criteria.
- A356. The nature and extent of the practitioner's understanding of the components of the entity's system of internal control may vary depending on the complexity of the assurance engagement and the nature and complexity of the sustainability matters. As the entity and sustainability matters become more complex, more extensive procedures may be necessary to obtain the understanding, for example, by performing a walkthrough to confirm enquiries of entity

personnel. A walkthrough involves selecting events or conditions and tracing them through the applicable process in the information system.

A357L. In a limited assurance engagement, the practitioner uses professional judgement to determine the extent of understanding of the components of the system of internal control that is necessary to identify and assess the risks of material misstatement, whether due to fraud or error, at the disclosure level. It often will not be necessary to obtain a detailed understanding and the procedures to obtain the understanding may be less in extent, and of a different nature than those required in a reasonable assurance engagement. For example, the practitioner may obtain a sufficient understanding of the information system through enquiry in a limited assurance engagement but may need to perform a walk-through in a reasonable assurance engagement.

A358. In some circumstances, the sustainability matters may be related to controls (i.e., the controls are the aspects of the topics). For example, the sustainability information may describe the design, implementation, or effectiveness of controls over occupational health and safety. Paragraph 106 requires the practitioner to understand the sustainability matters (in this case, controls over occupational health and safety). In these circumstances, paragraphs 113L and 113R require the practitioner to obtain an understanding of the entity's system of internal control related to the processes used to design, implement, or operate the controls over occupational health and safety and the processes to prepare information about those controls.

A359. The practitioner's understanding of the relevant components of the entity's system of internal control may raise doubts about the practitioner's ability to obtain sufficient appropriate evidence on which to base the assurance conclusion or may indicate a need to withdraw from the engagement, if withdrawal is possible under applicable law or regulation. For example:

- Concerns about the integrity of those preparing the sustainability information may be so serious as to cause the practitioner to conclude that the engagement cannot be conducted.
- Concerns about the competence of management and the condition and reliability of an entity's records may cause the practitioner to conclude that it is unlikely that sufficient appropriate evidence will be available to support an unmodified conclusion on the sustainability information.

The Control Environment (Ref: Para. 114L, 114R)

A360. The practitioner's understanding of the control environment, such as how the entity demonstrates behaviour consistent with the entity's commitment to integrity and ethical values, may assist the practitioner in identifying risks of material misstatement. For example, deficiencies in the control environment may result in risks of material misstatement in disclosures throughout the sustainability information.

A361R. The practitioner's evaluation of the control environment may assist the practitioner in identifying potential issues in the other components of the entity's system of internal control. This is because the control environment is foundational to the other components of the entity's system of internal control. This evaluation may also assist the practitioner in identifying and assessing the risks of material misstatement.

A362. The practitioner's understanding of the control environment may include understanding the controls, processes and structures that address:

- How management's oversight responsibilities are carried out, such as the entity's culture and management's commitment to integrity and ethical values.
- When those charged with governance are separate from management, the independence of, and oversight over, the entity's system of internal control by those charged with governance.

- The entity's assignment of authority and responsibility.
- How the entity attracts, develops, and retains competent individuals.
- How the entity holds individuals accountable for their responsibilities in the pursuit of the objectives of the entity's system of internal control.

Scalability

A363. Information about the control environment in less complex entities may not be available in documentary form, in particular when communication between management and other personnel is informal, but the information may still be appropriately relevant and reliable in the circumstances. For example, the practitioner may observe the entity's past and current practices, and engagement with stakeholders. Such observations may contribute to the practitioner's understanding of the components of the entity's system of internal control, even if policies have not been documented formally.

The Entity's Risk Assessment Process (Ref: Para. 115L, 115R)

A364. Understanding the results of the entity's risk assessment process may assist the practitioner in:

- (a) Identifying and assessing risks of material misstatement in the disclosures; and
- (b) Obtaining an understanding of the sustainability matters and other engagement circumstances.

A365R. The practitioner's evaluation of whether the entity's risk assessment process is appropriate to the entity's circumstances allows the practitioner to understand where the entity has identified risks that may occur, and how the entity has responded to those risks. The practitioner's evaluation of how the entity identifies its risks, and how it assesses and addresses those risks, assists the practitioner in understanding whether the risks faced by the entity have been identified, assessed, and addressed as appropriate to the nature and complexity of the entity.

A366. In some cases, the criteria may require the entity to identify and provide information about sustainability-related risks and opportunities, or the process(es) by which sustainability-related risks and opportunities are identified, assessed and managed. Therefore, understanding the results of the entity's risk assessment process may also assist the practitioner in identifying and assessing risks of material misstatement related to the appropriate application of the applicable criteria by the entity. For example, if the practitioner identifies potential deficiencies in the entity's risk assessment process, the practitioner may determine that there is a heightened risk that sustainability matters required to be reported in accordance with the applicable criteria may not have been identified by the entity and therefore, the presentation or description of such matters in the sustainability information may be incomplete.

A367R. Not all risks identified by the entity give rise to risks of material misstatement. In understanding how management and those charged with governance have identified risks relevant to the preparation of the sustainability information, and decided about actions to address those risks, the practitioner may consider how management or, as appropriate, those charged with governance, have:

- (a) Specified the entity's objectives with sufficient precision and clarity to enable the identification and assessment of the risks relating to the objectives;
- (b) Identified the risks to achieving the entity's objectives and analysed the risks as a basis for determining how the risks should be managed; and
- (c) Considered the potential for fraud when considering the risks to achieving the entity's objectives.

A368. If the practitioner identifies risks that the entity failed to identify, and those risks are of a kind that the practitioner expects would have been identified by the entity's risk assessment process, it may be an indicator that the entity's risk assessment process is not appropriate to the entity's circumstances.

The Entity's Process for Monitoring the System of Internal Control (Ref: Para. 116L, 116R)

A369. Understanding the results of the entity's process for monitoring the system of internal control may assist the practitioner in:

- (a) Identifying and assessing risks of material misstatement in the disclosures;
- (b) Obtaining an understanding of the sustainability matters and other engagement circumstances; and
- (c) Determining whether to obtain evidence from testing controls.

A370. Understanding the results of the entity's process for monitoring the system of internal control may provide information about deficiencies in controls; however, the absence of results of the entity's process for monitoring the system of internal control does not necessarily indicate that controls are operating effectively. The absence of results may be indicative of an ineffective process for monitoring the system of internal control.

A371R. Understanding the entity's process for monitoring the system of internal control relevant to the preparation of the sustainability information may involve understanding:

- (a) Those aspects of the entity's process that address:
 - (i) Ongoing and separate evaluations for monitoring the effectiveness of controls, and the identification and remediation of control deficiencies identified; and
 - (ii) The entity's internal audit function, if any, including its nature, responsibilities, and activities; and
- (b) The sources of information used in the entity's process to monitor the system of internal control, and the basis upon which management considers the information to be sufficiently reliable for the purpose.

A372R. The practitioner's evaluation of the entity's process for monitoring the system of internal control assists the practitioner in understanding the other components of the entity's system of internal control. This evaluation may also assist the practitioner with identifying and assessing risks of material misstatement at the assertion level for the disclosures.

A373R. Matters that may be relevant for the practitioner to consider when understanding how the entity monitors its system of internal control include:

- (a) The design of the monitoring activities, for example, whether it is periodic or ongoing monitoring;
- (b) The performance and frequency of the monitoring activities;
- (c) The evaluation of the results of the monitoring activities, on a timely basis, to determine whether the controls have been effective; and
- (d) How identified deficiencies have been addressed through appropriate remedial actions, including timely communication of such deficiencies to those responsible for taking remedial action.

A374R. The practitioner may also consider how the entity's process to monitor the system of internal control addresses monitoring of information processing controls that involve the use of IT. This may include, for example:

- (a) Controls to monitor complex IT environments that:
 - (i) Evaluate the continuing design effectiveness of information processing controls and modify them, as appropriate, for changes in conditions; or
 - (ii) Evaluate the operating effectiveness of information processing controls.
- (b) Controls that monitor the permissions applied in automated information processing controls that enforce the segregation of duties.
- (c) Controls that monitor how errors or control deficiencies related to the automation of sustainability reporting are identified and addressed.

Scalability

A375R. In less complex entities, and in particular owner-manager entities, the practitioner's understanding of the entity's process to monitor the system of internal control is often focused on how management or the owner-manager is directly involved in operations, as there may not be any other monitoring activities.

A376R. For entities where there is no formal process, understanding the process to monitor the system of internal control may include understanding periodic reviews of information that are designed to contribute to how the entity prevents or detects misstatements.

The Information System and Communication (Ref: Para. 117–118)

A377. The practitioner uses professional judgement to determine which aspects of the information system are relevant to the sustainability matters and the preparation of the sustainability information and may make enquiries of the appropriate party(ies) about those aspects and perform other procedures, as necessary.

A378. The understanding of the information system may include an understanding of the entity's information processing activities, its data and information, the resources to be used in such activities and the policies or procedures that define, for the sustainability information:

- (a) How data and information, including qualitative information, are captured, recorded, processed, reviewed, corrected, and presented, including whether, and if so, how, the entity centralises activities relevant to sustainability reporting. Such policies or procedures may include internal verification processes whereby the data and information are checked by a reviewer for accuracy and completeness, and signed off to evidence that the review has taken place;
- (b) Supporting records and other relevant information about the sustainability matters relating to the flow of information in the information system; and
- (c) The processes used to prepare the sustainability information, including the aggregation process used, including, if any, aggregation adjustments.

A379. The practitioner's understanding of the information system may be obtained in various ways and may include:

- (a) Enquiries of relevant personnel about the procedures used to initiate, record, process and report events and conditions related to the topics and aspects of the topics;
- (b) Inspection of policy or process manuals or other documentation of the information system;

- (c) Observation of the performance of the policies or procedures by the entity's personnel; or
- (d) Selecting events or conditions and tracing them through the applicable process in the information system (i.e., performing a walk-through).

A380. The entity's information system and communication are likely to involve the use of IT to collect or process data and information. Entities may use complex IT applications, simple spreadsheets or paper-based records, or a combination of these. The information system includes the IT environment, IT applications and other aspects of the IT environment that are relevant to the flows and processing of information in the information system. The entity's use of IT applications or other aspects of the IT environment may give rise to risks arising from the use of IT. For example, changes in the flow of information within the information system may result from program changes to IT applications, or direct changes to data in databases involved in processing or storing that information.

Scalability

A381. The information system and how the entity communicates in smaller or less complex entities are likely to be less sophisticated and are likely to involve a less complex IT environment than in larger and more complex entities. Less complex entities with direct management involvement may not need extensive descriptions of procedures, sophisticated records, or written policies. Understanding the relevant aspects of the entity's information system may therefore require less effort in an engagement for a less complex entity and may involve a greater amount of enquiry than observation or inspection of documentation. The need to obtain an understanding, however, remains important to provide a basis for the design of further procedures and may further assist the practitioner in identifying and assessing risks of material misstatement.

Understanding the entity's process to identify sustainability information to be reported (Ref: Para. 117(a))

- A382. The practitioner may consider whether the entity's process to identify sustainability information to be reported includes:
- (a) Identification of, or engagement with, the intended users, or the stakeholders they represent, to determine their information needs;
 - (b) The entity's selection or development of suitable criteria, which provides the basis for the identification of sustainability information to be reported prior to the consideration of materiality;
 - (c) The appropriate application of the criteria to identify sustainability information to be reported, including the identification of topics, aspects of topics and reporting boundary; and
 - (d) Filtering of the sustainability information to select material information to be reported.
- A383. If the entity does not have a suitable process to identify sustainability information to be reported, then the topics or aspects of topics selected may be incomplete or include sustainability information that is not relevant or obscures material sustainability information. As the entity's process includes management judgement, there is risk of management bias when identifying the sustainability information to be reported. The greater the degree to which the reporting framework or law or regulation specifies in detail the sustainability information to be reported, the lower the risk of material misstatement may be as there is less opportunity for management bias.
- A384. The extent of the practitioner's work effort in obtaining an understanding of the entity's process to identify sustainability information to be reported will depend on the nature and

circumstances of the engagement. For some engagements, the reporting framework or law or regulation may specify sustainability information to be reported and the procedures may be limited to identifying those requirements and understanding whether the sustainability information required to be reported is included in the sustainability information. In other engagements, the framework or entity-developed criteria may not specify the sustainability information, or may only specify certain sustainability information to be reported and may set out the process the entity is required to follow to identify the sustainability information, or additional sustainability information to be reported. Alternatively, the entity may need to develop its own criteria for that process. In these circumstances, the entity's process is likely to be more complex and to impact the nature and extent of the practitioner's procedures.

Understanding how information from external sources is recorded, processed, corrected and incorporated (Ref: Para. 117(b))

A385. The understanding of how information from external sources is recorded, processed, corrected as necessary, and incorporated into the sustainability information may also include an understanding of:

- (a) The nature and significance of the data or information provided by external sources; and
- (b) How the entity addresses the reliability of information from external sources, for example by:
 - (i) Monitoring information provided to, and received back from, the external source;
 - (ii) Considering the reputation of the external source; and
 - (iii) Considering whether there are other sources of similar information, and whether the information from such different available sources is aligned.

Evaluating the information system to support the preparation of the sustainability information (Ref: Para. 118)

A386. The understanding of the information system may also include an understanding of how the entity communicates significant matters that support the preparation of the sustainability information and related reporting responsibilities in the information system and other components of the entity's system of internal control:

- (a) Between people within the entity, including how roles and responsibilities are communicated;
- (b) Between management and those charged with governance;
- (c) With intended users; and
- (d) With external parties, such as regulatory authorities.

Control Activities (Ref: Para. 119R, 120L)

A387. The practitioner's identification and evaluation of controls in the control activities component of the entity's system of internal control may focus on information processing controls, which are controls applied during the processing of information in the entity's information system that directly address risks to the integrity of information (i.e., the completeness, accuracy, and validity of information). However, the practitioner is not required to identify and evaluate all information processing controls.

A388. An assurance engagement does not require an understanding of all the controls related to each disclosure or to every assertion relevant to them.

A389. Examples of other controls for which it may be appropriate for the practitioner to obtain an understanding include:

- Controls that address risks of material misstatement assessed as higher on the spectrum of risk based on their likelihood and magnitude.
- Controls that are related to the assembly of, or adjustments to, the sustainability information.
- If the entity uses a service organisation, controls at the entity that relate to the services provided by the service organisation.

A390. Identifying IT applications and other aspects of the IT environment, related risks arising from the use of IT, and general IT controls in place to address those risks affects the practitioner's decisions on testing controls, assessing risks of material misstatement, testing information produced by IT applications, and designing further procedures.

A391. In identifying IT applications subject to risks arising from IT, the practitioner may consider the entity's automated controls, information storage and processing, and reliance on general IT controls. The extent of understanding and the number of applications subject to risks arising from the use of IT vary based on the entity's complexity. When the practitioner has identified IT applications that are subject to risks arising from IT, other aspects of the IT environment (for example network, operating systems, databases, and interfaces between IT applications) are likely to be identified because such aspects support and interact with the identified IT applications.

A392. Risks arising from IT may include unauthorised access, program changes, and inappropriate data changes, and their extent depends on the nature and characteristics of the IT applications and environment.

Design and Implementation of Controls (Ref: Para. 120L, 120R)

A393. Evaluating the design of an identified control involves the practitioner's consideration of whether the control, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting, material misstatements (i.e., the control objective).

A394. The practitioner determines the implementation of an identified control by establishing that the control exists and that the entity is using it. There is little point in the practitioner assessing the implementation of a control that is not designed effectively. Therefore, the practitioner evaluates the design of a control first. An improperly designed control may represent a control deficiency.

A395. The practitioner may conclude that a control, which is effectively designed and implemented, may be appropriate to test in order to take its operating effectiveness into account in determining the nature, timing and extent of further procedures. However, when a control is not designed or implemented effectively, there is no benefit in testing it.

A396. When the practitioner plans to test the operating effectiveness of a control, the information obtained about the extent to which the control addresses the risk(s) of material misstatement is an input to the practitioner's risk assessment.

A397. Evaluating the design and determining the implementation of controls is not sufficient to test their operating effectiveness. However, the practitioner may plan to test the operating effectiveness of automated controls by identifying and testing general IT controls that provide for the consistent operation of the automated controls instead of testing the operating

effectiveness of the automated controls directly. General IT controls that are not able to be reconfigured or changed by management provide for the consistent operation of an automated control.

- A398. The practitioner may expect more formal documentation of the information system and controls when the information system and controls form part of the sustainability matters (e.g., when the sustainability information is about the entity's controls).
- A399L. In accordance with paragraph 120L, in a limited assurance engagement, the practitioner is not required to understand the control activities component by evaluating the design of controls and determining whether they have been implemented, unless the practitioner plans to obtain evidence by testing the operating effectiveness of controls.

Identifying Control Deficiencies (Ref: Para. 121)

- A400. If deficiencies are identified related to the control environment, this may affect the practitioner's overall expectations about the operating effectiveness of controls, and therefore the practitioner's plans to test the operating effectiveness of controls.
- A401. When understanding the components of the entity's system of internal control, the practitioner may determine that certain of the entity's policies are not appropriate to the nature and circumstances of the entity. Such a determination may be an indicator that control deficiencies exist. The practitioner may consider the effect of those control deficiencies on the design of further procedures and whether to communicate the deficiencies to management or those charged with governance.
- A402. Circumstances that may indicate that control deficiencies exist include matters such as the identification of:
- Fraud of any magnitude that involves senior management;
 - Deficiencies in the control environment;
 - Risks of material misstatement that were not identified by the entity's risk assessment process;
 - The omission of sustainability matters from the sustainability information, that are required to be reported by the applicable criteria and that are material, when those sustainability matters were not identified by the entity's process to identify sustainability matters to be reported; and
 - The inclusion of immaterial sustainability matters that obscure sustainability matters to be reported within the sustainability information

- A403. If the practitioner's evaluation of the entity's control environment or other components of internal control raise doubts about the ability to obtain evidence on which to base the assurance conclusion, the practitioner may:
- Perform additional risk assessment procedures until evidence has been obtained to alleviate the practitioner's doubts;
 - Withdraw from the engagement when permitted by law or regulation; or
 - Consider the implications for the practitioner's report.

Identifying and Assessing the Risks of Material Misstatement (Ref: Para. 122L, 122R)

- A404. Identifying and assessing the risks of material misstatement involves professional judgement based on the practitioner's understanding of the sustainability matters and the sustainability information and the entity and its environment.

- A405. Identifying and assessing the risks of material misstatement also involves the practitioner considering the potential for a misstatement occurring (i.e., its likelihood) and being material if it were to occur (i.e., whether the potential misstatement is of a magnitude or severity that could reasonably be expected to influence the decisions of users).
- A406L. The identification and assessment of the risks of material misstatement at the disclosure level in a limited assurance engagement is less extensive than for a reasonable assurance engagement. This is the case because:
- The breadth and depth of the practitioner's understanding that forms the basis for risk identification and assessment is different because the risk assessment procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement;
 - The practitioner is not required to identify and assess risks of material misstatement at the assertion level in a limited assurance engagement; and
 - The level of assurance obtained in a limited assurance engagement is substantially lower than the assurance obtained in a reasonable assurance engagement.
- A407. The combination of the likelihood and magnitude of a potential misstatement determines where on the spectrum of risk the identified risk is assessed. Making this assessment informs the practitioner's design of further procedures to address the risk. The higher the combination of likelihood and magnitude, the higher the assessment of risk; the lower the combination of likelihood and magnitude, the lower the assessment of risk.
- A408. The manner in which the practitioner groups the disclosures for purposes of planning and performing the engagement (see paragraphs A285–A287) affects how the practitioner identifies and assesses the risks of material misstatement.
- A409L. For a limited assurance engagement, the practitioner's expectation about a misstatement occurring, and being material if it were to occur, is less specific than for a reasonable assurance engagement because it is based on more limited information, as explained in paragraph A406L. In addition, the practitioner's conclusion in a limited assurance engagement is expressed in terms of whether anything has come to the practitioner's attention that causes the practitioner to believe that the sustainability information is not fairly stated (or properly prepared), in all material respects, in accordance with the applicable criteria. Therefore, for a limited assurance engagement, if in the course of performing procedures to respond to the assessed risks, matters come to the practitioner's attention that indicate the sustainability information may be materially misstated, paragraph 148L requires the practitioner to perform additional procedures.
- A410. In considering the magnitude of a possible misstatement, the practitioner may consider the qualitative and quantitative aspects of the possible misstatement (i.e., misstatements in a disclosure may be judged to be material due to size, nature or circumstances). The qualitative and quantitative factors in paragraphs A300 and A301, respectively, may be helpful in this regard.
- A411. The practitioner's consideration of the magnitude of a potential misstatement in a qualitative disclosure may depend on the importance of that disclosure to the intended users. For example, intended users may place more importance on the entity's efforts to reduce carbon emissions than its efforts to enhance community engagement. Therefore, intended users may have a lower tolerance for a misstatement of disclosures about efforts to reduce carbon emissions than disclosures about efforts to enhance community engagement.

Example:

The practitioner may identify and assess a risk of misstatement in an entity's disclosure that its efforts to reduce carbon emissions includes enhancing its carbon capture and storage

capacities and describe its plans to acquire the technology to do so. This may be based on the practitioner's understanding of:

- The pressures that the entity faces to reduce carbon emissions to meet regulatory targets; and
- The fact that acquiring the technology to capture and store carbon likely would be cost prohibitive to the entity.

Whether the practitioner considers the misstatement material, if it were to occur, depends on the importance that intended users place on the disclosure, and the magnitude of misstatement that would influence the decisions of intended users, which may be influenced by factors including:

- Current or past trends in carbon emissions for the entity and the industry;
- Whether the plan to reduce carbon emissions is important to meeting legal or regulatory emissions targets;
- Whether the plan to enhance carbon capture and storage capacities is the primary approach, or part of a multi-pronged approach, to reducing carbon emissions; and
- Whether customers, employees, or investors in the industry place importance on carbon emissions.

A412. The sustainability reporting framework may require disclosure of a large number of individual metrics for different sustainability matters. In these circumstances:

- The practitioner may treat a group of metrics as a disclosure for purposes of identifying and assessing the risks of material misstatement (i.e., the practitioner need not identify and assess the risk of material misstatement for each individual metric.) This may be the case, for example, if intended users are more likely to focus on the group of metrics rather than individual metrics.
- Depending on the facts and circumstances, the practitioner may determine that the risks of material misstatement for certain metrics or groups of metrics are acceptable in the circumstances (i.e., are at an acceptable level for the engagement (for limited assurance) or an acceptably low level (for reasonable assurance)). In these circumstances, the practitioner need not design and perform further procedures. Irrespective of the assessed risks of material misstatement in a reasonable assurance engagement, paragraph 140R requires the practitioner to consider the need to design and perform substantive procedures for disclosures that, in the practitioner's judgement, are material.

A413. The assurance engagement (and the practitioner's assurance conclusion) may relate only to certain metrics. In these circumstances, it is more likely that the individual metrics may be of significance to intended users. Therefore, the practitioner would ordinarily identify and assess the risks of material misstatement for each individual metric.

A414. Risks of material misstatement may relate to one or more entities within the reporting boundary. In these circumstances, the practitioner may consider using the work of a component practitioner to identify and assess the risks of material misstatement. However, the practitioner remains responsible for the identification and assessment of risks of material misstatement of the group sustainability information and for the design and performance of further procedures to respond to the assessed risks.

Assertions

A415R. In identifying and assessing the risks of material misstatement, the practitioner uses assertions to consider the different types of potential misstatements that may occur. The practitioner may use the assertions described below or may express them differently provided all aspects described below have been covered. Assertions may include:

- Occurrence and existence – the disclosures are related to events or conditions that have occurred or exist.
- Responsibility – the disclosures pertain to the entity.
- Completeness – all events or conditions, pertaining to the entity and the reporting boundary, that should have been included in the sustainability information have been included.
- Accuracy and valuation – the disclosures, including estimates, have been appropriately measured, evaluated or described in accordance with the applicable criteria.
- Cut-off – the disclosures have been recorded in the reporting period to which they relate.
- Presentation, classification and understandability – the disclosures are appropriately aggregated or disaggregated, structured appropriately, and presented and described in accordance with the applicable criteria, and are clearly expressed.
- Consistency – the criteria and application of the criteria are consistent with those applied in the prior period, or changes are justified and have been properly applied and adequately disclosed; and comparative information, if any, is as reported in the prior period or has been appropriately restated.

A416L. Although the practitioner is not required to identify and assess risks of material misstatement at the assertion level in a limited assurance engagement, the practitioner may choose to use assertions if they are useful in considering the types of potential misstatements that could occur or designing and performing procedures in response to them.

A417. Misstatements may arise as a result of human error, process flaws, management bias or fraud.

Examples of different types of possible misstatements include:

- False claims in information (occurrence and existence, or responsibility assertion) – for example, if an entity claimed responsibility for community investment or environmental clean-up that did not actually occur or was done by another party.
- Recording information in the incorrect period (cut-off assertion) – for example, recording an entity's water used in the period preceding or following the period in which the water was actually used.
- Inaccuracies in information (accuracy and valuation assertion) – for example, arising from inaccurately calibrated measuring devices, transposition or other errors in the recording of measurements, or use of inappropriate conversion factors, such as use of a carbon dioxide conversion factor for nuclear energy when the entity has coal and oil-fired facilities.
- Omission of information (completeness assertion) – for example, a company reports on its land rehabilitation program for three of its mining sites but remains silent about two sites where significant degradation has occurred and where there are no plans to rehabilitate the land.

- Incorrectly classified information (presentation, classification and understandability assertion) – for example, the entity classifies seasonal contractors (mainly female) as permanent full-time employees, which results in erroneous reporting about gender representation on its permanent work force.
- Misleading or unclear representation of information (presentation, classification and understandability assertion) – for example, the preparer gives undue prominence to favourable information by using large, bold or brightly-colored text and images, or other ways to emphasise the presentation, but presents unfavourable information less conspicuously, for example, by using small or light-colored font, and less extensive text.
- Bias in information that focuses on positive aspects of performance and omits negative aspects (presentation, classification and understandability assertion).

Management Override of Controls (Risk Assessment) (Ref: Para. 123R)

A418R. Management is in a unique position to perpetrate fraud because of management's ability to manipulate the data and records and prepare fraudulent sustainability information by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a risk of material misstatement at the upper end of the spectrum of risk.

Evaluating the Evidence Obtained from the Risk Assessment Procedures (Ref: Para. 124)

- A419. The practitioner's evaluation of the components of the entity's system of internal control and understanding of controls, along with any control deficiencies identified, may:
- (a) Influence the identification and assessment of risks of material misstatement for the disclosures; and
 - (b) Indicate risks of material misstatement that may affect many disclosures, and thus may require overall responses in accordance with paragraphs 128L and 128R.

Responding to Risks of Material Misstatement

Designing and Performing Further Procedures (Ref: Para. 126L–127)

A420. The practitioner's further procedures may include a combination of procedures such as inspection; observation; confirmation; recalculation; reperformance; analytical procedures; and enquiry. Determining the further procedures to be performed on a particular engagement is a matter of professional judgement. Because sustainability information may cover a wide range of circumstances, the nature, timing and extent of such procedures are likely to vary considerably from engagement to engagement.

A421. Substantive procedures may include:

- Tests of detail, for example:
 - Agreeing emissions factors to appropriate sources (for example, government publications), and considering their applicability in the circumstances.
 - Reviewing joint venture agreements and other contracts relevant to the entity's reporting boundary.

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| <ul style="list-style-type: none"> ○ Reconciling recorded data to, for example, odometers on vehicles owned by the entity. ○ Reperforming calculations and reconciling differences noted. ○ Sampling and independently analysing the characteristics of materials such as coal, or observing the entity's sampling techniques and reviewing records of laboratory test results. ○ Checking the accuracy of calculations and the suitability of calculation methods used. ○ Agreeing recorded data back to source documents, such as production records, fuel usage records, and invoices for purchased energy. |
| <ul style="list-style-type: none"> • Analytical procedures when there is a relationship between the sustainability information and other relevant information such that the practitioner may be able to develop an expectation and compare that expectation with the outcome of the measurement or evaluation of the sustainability matters. |

A422. The planned nature, timing and extent of further procedures is a matter of professional judgement and is influenced by the circumstances of the assurance engagement, including the information needs of intended users as a group, the criteria, and the sustainability matters within the scope of the engagement.

A423. The nature, timing and extent of the further procedures will be informed by:

- The practitioner's approach to planning and performing procedures, including understanding how the entity disaggregates or aggregates the sustainability information for purposes of reporting (see paragraph A284);
- The assessed risks of material misstatement, including the reasons for the assessment given to the risks of material misstatement;
- Whether using the work of others (e.g., practitioner's experts, component practitioners or another practitioner(s)) is necessary to obtain evidence from or pertaining to group components or value chain components; and
- The persuasiveness of evidence to be obtained.

A424. Because the level of assurance obtained in a limited assurance engagement is substantially lower than in a reasonable assurance engagement, the further procedures the practitioner performs in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. The differences between the practitioner's further procedures for a reasonable assurance engagement and a limited assurance engagement on sustainability information may include:

- (a) The emphasis placed on the nature of procedures as a source of evidence will likely differ, depending on the engagement circumstances. For example, the practitioner may judge it to be appropriate in the circumstances of a particular limited assurance engagement to place relatively greater emphasis on enquiries of the entity's personnel and analytical procedures, and relatively less emphasis, if any, on tests of controls and obtaining evidence from external sources than may be the case for a reasonable assurance engagement.
- (b) In a limited assurance engagement, the extent of procedures performed compared to those in a reasonable assurance engagement may involve:
 - (i) Selecting fewer items to test;

- (ii) Performing fewer procedures (for example, performing only analytical procedures in circumstances when, in a reasonable assurance engagement, both analytical procedures and tests of detail would be performed); or
 - (iii) Performing procedures on location at fewer facilities.
- (c) In a reasonable assurance engagement, analytical procedures performed in response to assessed risks of material misstatement involve developing expectations of quantities or ratios that are sufficiently precise to identify material misstatements. In a limited assurance engagement, analytical procedures may be designed to support expectations regarding the direction of trends, relationships and ratios rather than to identify misstatements with the level of precision expected in a reasonable assurance engagement.

In addition, when undertaking analytical procedures in a limited assurance engagement the practitioner may, for example:

- (i) Use data that is more highly aggregated, for example, data at a regional level rather than at a facility level, or monthly data rather than weekly data.
- (ii) Use data that has not been subjected to separate procedures to test its reliability to the same extent as it would be for a reasonable assurance engagement.

A425. Examples of reasons for the assessment given to a risk of material misstatement:

- The inherent complexity of the sustainability matter or judgement in its measurement or evaluation. For example, a material misstatement may be more likely to arise in a disclosure where mass balance calculations are involved than when water consumption is read directly from a meter.
- The complexity of the organisation, its ownership and control arrangements, or its geographical spread.
- Systems and processes that are less automated or still developing, such that there may be a greater likelihood of human error, processing flaws or opportunity for unauthorised intervention.
- Incentives to misstate, for example, if a particular target performance has to be met to retain a license to operate or to avoid fines, or to meet stakeholders' expectations.
- Inherent limitations in the capabilities of measuring devices (e.g., water meters) or insufficient frequency of their calibration.
- Errors or inappropriate judgements made in measuring, evaluating or disclosing the sustainability information, including in the assumptions used in making estimates, the use of inaccurate or incomplete base data on which estimates are based, or in circumstances when complex calculations are involved (e.g., when a mass balance approach is used to calculate water abstracted).
- The risk that unidentified aspects of the sustainability matter may be missed, for example because of events or transactions outside of the normal course of business, because the preparer relies on a third party for information (e.g., external meter readers or engineering firms to calculate water abstracted), or because of undetected water or wastewater leaks or similar.

- How weaknesses in the design of controls or the ineffective operation of controls might give rise to errors, processing flaws or opportunity for unauthorised intervention.

A426. More persuasive evidence may be needed to provide the basis for a conclusion on the sustainability information due to engagement circumstances. For example, the practitioner may have identified and assessed a higher risk of material misstatement. In such circumstances, it may be appropriate to increase the quantity of the evidence (e.g., by obtaining corroborating evidence from a number of independent sources).

A427. More persuasive evidence may be needed if the practitioner, through the understanding of the entity and its environment and its system of internal control, has identified matters such as:

- A higher assessed risk of material misstatement.
- An increased focus of intended users on a topic or aspect of a topic.
- The lack of a relationship between the sustainability information and other relevant information that precludes the performance of analytical procedures.
- A control environment in which the entity does not demonstrate behaviour consistent with a commitment to integrity and ethical values.
- Risks of material misstatement that have not been identified by the entity's risk assessment process.
- Information systems that are not appropriate to the circumstances of the entity.
- A lack of maturity in the sustainability matters or the information system used to prepare the sustainability information.
- Errors in the disclosure in the past.
- A new area, topic or aspect of a topic.

Overall Responses (Ref: Para. 128L, 128R)

A428. Paragraphs 126L and 126R require the practitioner to design and perform further procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement, whether due to fraud or error, at the disclosure level (limited assurance) or at the assertion level for the disclosures (reasonable assurance). However, the practitioner may identify circumstances that indicate that overall responses may be needed in accordance with paragraph 128L or 128R, such as the following:

- Deficiencies in the control environment may undermine the effectiveness of other controls, in particular in relation to fraud. In such cases, material misstatements may occur in any assertion or in multiple assertions.
- There may be incentives for intentional misstatement of the sustainability information, for example, those who are directly involved with, or have the opportunity to influence, the reporting process may have a significant portion of their compensation contingent upon achieving aggressive targets or complying with laws and regulations that have a direct effect on the sustainability information.
- The practitioner may identify an increased risk of material misstatement pervasively throughout the sustainability information (that is, not related to one disclosure or assertion, or a few disclosures or assertions).

A429. Designing and performing overall responses may include:

- Assigning and supervising personnel, considering the knowledge, skill and ability of the individuals to be given significant engagement responsibilities, and the practitioner's risk assessment procedures.
- Conducting more procedures as of the period end rather than at an interim date.
- Obtaining more extensive evidence from procedures other than tests of controls.
- Increasing sample sizes and the extent of procedures, such as the number of facilities at which procedures are performed.
- Incorporating an element of unpredictability in the selection of the nature, timing and extent of procedures.

Responding to Identified or Suspected Fraud or Non-Compliance with Laws and Regulations (Ref: Para. 129–131)

- A430. The risk of not detecting a material misstatement due to fraud or non-compliance with laws and regulations is higher than the risk of not detecting one resulting from error. Furthermore, the risk of not detecting fraud or suspected fraud or non-compliance or suspected non-compliance with laws and regulations is higher in a limited assurance engagement than in a reasonable assurance engagement. The appropriate response to fraud or suspected fraud or non-compliance or suspected non-compliance with laws and regulations is dependent on the circumstances.
- A431. Responding appropriately to identified or suspected fraud or non-compliance with laws and regulations, identified during the engagement, may include taking action, such as:
- Discussing the matter with the entity.
 - Requesting the entity to consult with an appropriately qualified third party, such as the entity's legal counsel or a regulator.
 - Inspecting correspondence, if any, with the relevant licensing or regulatory authorities.
 - Considering the implications of the matter in relation to other aspects of the engagement, including the practitioner's risk assessment and the reliability of written representations from the entity.
 - Obtaining legal advice about the consequences of different courses of action.
 - Withholding the assurance report.
 - Withdrawing from the engagement.
- A432. In determining the appropriate level of management or those charged with governance, with whom to communicate instances of fraud or suspected fraud or non-compliance or suspected non-compliance with laws and regulations, the practitioner may consider whether management may have been involved in the fraud or suspected fraud or identified or suspected non-compliance with laws and regulations and whether any of those charged with governance are involved in managing the entity. If those charged with governance are not involved with managing the entity, the practitioner may communicate to them instances of fraud or suspected fraud or non-compliance or suspected non-compliance with laws and regulations involving management, employees who have significant roles in internal control, or where the fraud or non-compliance with laws and regulations results in a material misstatement in the sustainability information, unless that communication is prohibited by law or regulation.
- A433. In certain circumstances, the practitioner's response to identified or suspected fraud, or instances of non-compliance or suspected non-compliance with laws and regulations may

require reporting the identified or suspected fraud or non-compliance with laws and regulations to an appropriate authority outside the entity. See paragraph 67.

- A434. Relevant ethical requirements may include requirements addressing the practitioner's communication of instances of identified or suspected non-compliance with laws and regulations with the financial statement auditor.
- A435. Examples of circumstances that may cause the practitioner to evaluate the implications of identified or suspected non-compliance on the reliability of written representations received from management and, where applicable, those charged with governance include when:
- The practitioner suspects or has evidence of the involvement or intended involvement of management and, where applicable, those charged with governance in any identified or suspected non-compliance.
 - The practitioner is aware that management and, where applicable, those charged with governance have knowledge of such non-compliance and, contrary to legal or regulatory requirements, have not reported, or authorised reporting of, the matter to an appropriate authority within a reasonable period.

Tests of Controls (Ref: Para. 132, 135)

- A436. When more persuasive evidence is needed regarding the effectiveness of a control, it may be appropriate to increase the extent of testing of the control. Other matters the practitioner may consider in determining the extent of tests of controls include the following:
- The frequency of the performance of the control by the entity during the period.
 - The length of time during the period that the practitioner is relying on evidence about the operating effectiveness of the control.
 - The expected rate of deviation from a control.
 - The relevance and reliability of the information to be used as evidence regarding the operating effectiveness of the control at the assertion level.
 - The extent to which evidence is obtained from tests of other controls related to the assertion in a reasonable assurance engagement.
- A437. Because of the inherent consistency of IT processing, evidence about the implementation of an automated application control, when considered in combination with evidence about the operating effectiveness of the entity's IT general controls (in particular, change controls), may also provide substantial evidence about its operating effectiveness.
- A438. In certain circumstances, evidence obtained from previous engagements may provide evidence for the current engagement when the practitioner performs procedures to establish its continuing relevance. For example, in performing a previous engagement, the practitioner may have determined that an automated control was functioning as intended. The practitioner may obtain evidence to determine whether changes to the automated control have been made that affect its continued effective functioning through, for example, enquiries of management and the inspection of logs to indicate what controls have been changed. Consideration of evidence about these changes may support either increasing or decreasing the expected evidence to be obtained in the current period about the operating effectiveness of the controls.
- A439. In most cases, evidence from a previous engagement's substantive procedures provides little or no evidence for the current period. However, it may be appropriate to use evidence from a previous engagement's substantive procedures if that evidence and the related subject matter have not fundamentally changed, and procedures have been performed during the current period to establish its continuing relevance.

Substantive Procedures (Ref: Para. 140R)

A440R. The practitioner's understanding of the entity's process to identify sustainability information to be reported may indicate that certain disclosures include information that is likely to be of particular importance to intended users (see also paragraphs A285–A287 regarding the grouping of disclosures for purposes of planning and performing the engagement). However, the practitioner may determine that the risks of material misstatement for those disclosures are at an acceptably low level. In these circumstances, due to the importance of that information to intended users, paragraph 140R requires the practitioner to consider the need to design and perform substantive procedures on those disclosures. The need to perform substantive procedures, and the extent of such procedures, is a matter of professional judgement in the circumstances. In addition, the practitioner is not expected to design and perform substantive procedures for all disclosures. Rather, the substantive procedures may focus on the disclosures, or the information within those disclosures, that is expected to be of particular importance to intended users.

A441R. The consideration of the need to design and perform substantive procedures for these disclosures reflects that:

- The practitioner's assessment of the risks of material misstatement is judgemental.
- There are inherent limitations in internal control, including the possibility of management override. Therefore, for example, the practitioner may determine that testing the operating effectiveness of controls may need to be supplemented with limited tests of details.

External Confirmation Procedures (Ref: Para. 141R)

A442. The practitioner may consider performing confirmation procedures to request information regarding assertions, disclosures, topics, or aspects of topics.

A443. External confirmation procedures may provide relevant evidence about such information as:

- Activity data collected by a third party.
- Industry benchmark data used in calculations.
- The terms of agreements, contracts, or transactions between the entity and other parties.
- The results of laboratory analysis of samples.

Extending the Conclusions of Substantive Procedures Performed at an Interim Date (Ref: Para. 142)

A444. In some circumstances, the practitioner may determine that it is effective to perform substantive procedures at an interim date, and to compare and reconcile information at the period end with the comparable information at the interim date to:

- (a) Identify amounts that appear unusual;
- (b) Investigate any such amounts; and
- (c) Perform analytical procedures or tests of details to test the intervening period.

A445. Performing substantive procedures at an interim date without undertaking additional procedures at a later date increases the risk that the practitioner will not detect misstatements that may exist at the period end. This risk increases as the remaining period is lengthened. The practitioner may consider factors such as the following in deciding whether to perform substantive procedures at an interim date:

- The control environment and other relevant controls.
- The availability at a later date of information necessary for the practitioner's procedures.
- The purpose of the substantive procedure.
- The assessed risk of material misstatement.
- The nature of the disclosures and related assertions.
- The ability of the practitioner to perform appropriate substantive procedures or substantive procedures combined with tests of controls to cover the remaining period in order to reduce the risk that misstatements that may exist at the period end will not be detected.

Analytical Procedures (Ref: Para. 143L–143R)

- A446. Analytical procedures may be performed when there is a reasonably predictable relationship between the sustainability information and financial or operational information (for example, the relationship between Scope 2 emissions from electricity and hours of operation or the general ledger balance for electricity purchases). Other analytical procedures may involve comparisons of information about the entity's sustainability information with external data such as industry averages; or the analysis of trends during the period to identify anomalies for further investigation, and trends across periods for consistency with other circumstances such as the acquisition or disposal of facilities.
- A447. Analytical procedures may be particularly effective when disaggregated data is readily available, or when the practitioner has reason to consider the data to be used is reliable, such as when it is extracted from a well-controlled source. In some cases, data to be used may be captured by the financial reporting information system or may be entered in another information system in parallel with the entry of related financial data, and some common input controls applied. For example, the quantity of fuel purchased as recorded on suppliers' invoices may be input under the same conditions that relevant invoices are entered into an accounts payable system. In some cases, data to be used may be an integral input to operational decisions and therefore subject to increased scrutiny by operational personnel, or subject to separate external procedures (for example, as part of a joint venture agreement or oversight by a regulator).
- A448L. In a limited assurance engagement, analytical procedures may be designed to support expectations about the direction of trends, relationships and ratios rather than with the level of precision required in a reasonable assurance engagement to identify possible material misstatements.

Sampling (Ref: Para. 145)

- A449. Sampling is not the same as selecting items as part of risk identification or assessment procedures or to evaluate the reliability of information. Sampling involves the following:
- (a) Determining a sample size sufficient to reduce sampling risk to an appropriately low level. Sampling risk is the risk that the practitioner's conclusion based on a sample may be different from the conclusion if the entire population were subjected to the same procedure. Because the acceptable level of assurance engagement risk is lower for a reasonable assurance engagement than for a limited assurance engagement, so too may be the level of sampling risk that is acceptable in the case of tests of details. Therefore, when sampling is used for tests of details in a reasonable assurance engagement, the sample size may be larger than when used in similar circumstances in a limited assurance engagement.

- (b) Selecting items for the sample in such a way that each sampling unit in the population has a chance of selection, and performing procedures, appropriate to the purpose, on each item selected. If the practitioner is unable to apply the designed procedures, or suitable alternative procedures, to a selected item, that item is treated as a deviation from the prescribed control, in the case of tests of controls, or a misstatement, in the case of tests of details.
- (c) Investigating the nature and cause of deviations or misstatements identified and evaluating their possible effect on the purpose of the procedure and on other areas of the engagement.
- (d) Evaluating:
 - (i) The results of the sample, including, for tests of details, projecting misstatements found in the sample to the population; and
 - (ii) Whether the use of sampling has provided an appropriate basis for conclusions about the population that has been tested.

Estimates and Forward-Looking Information (Ref: Para. 146L, 146R)

- A450. Estimation uncertainty may arise due to incomplete knowledge about the measurement of an area, activity or event, or the measurement or evaluation of an estimate may depend on the forecast of an outcome of one or more events or conditions.
- A451. Forward-looking information may include forecasts, projections, or future plans of the entity. Forward-looking information may be prepared using scenarios based on best-estimate assumptions or hypothetical assumptions, which are affected by management's judgement. A future event, occurrence or action relating to the sustainability matters may be subject to greater uncertainty, and therefore ordinarily able to be evaluated with less precision than historical events, occurrences or actions. Disclosures become more speculative as the length of the period covered increases and the uncertainty may increase the further into the future the period to which the forward-looking information relates.
- A452. The applicable criteria may require disclosure of the entity's intended future strategy, targets, or other intentions. For such forward-looking information, the practitioner is not required to obtain evidence about whether the strategy, target or intention will be achieved, or to come to a conclusion to that effect.
- A453R. When designing the procedures required by paragraph 146R(a), the practitioner's procedures may include:
- (a) Based on the practitioner's knowledge and experience, considering if there are reasons to believe that the forward-looking information is clearly unrealistic.
 - (b) Inspecting minutes of meetings or reports on the business's operations to evaluate whether:
 - (i) Management or those charged with governance have an intention and ability to follow the strategy;
 - (ii) The target or intention exists; or
 - (iii) There is a reasonable basis for the intended strategy or target.
- A454. Regardless of the source or degree of uncertainty, complexity or subjectivity, or the extent of management's judgement, it is necessary for management to appropriately apply the applicable criteria when developing estimates and forward-looking information and the related disclosures, including selecting and using appropriate methods, assumptions and data.

A455L. In some limited assurance engagements, it may be appropriate for the practitioner to undertake one or more of the procedures in paragraph 146R.

Evaluating Whether the Method Has Been Appropriately Selected and Applied (Ref: Para 146R(b)(i)a.)

A456R. In evaluating whether the method has been appropriately selected and applied, the practitioner's further procedures may address:

- (a) Whether judgements made in selecting the method give rise to indicators of possible management bias;
- (b) Whether the calculations are applied in accordance with the method and are mathematically accurate;
- (c) When management's application of the method involves complex modelling, whether judgements have been applied consistently and whether, when applicable:
 - (i) The design of the model meets the measurement objective of the applicable criteria, is appropriate in the circumstances, and, if applicable, changes from the prior period's model are appropriate in the circumstances; and
 - (ii) Adjustments to the output of the model are consistent with the measurement objective of the applicable criteria and are appropriate in the circumstances; and
- (d) Whether the integrity of the significant assumptions and the data have been maintained in applying the method. Assumptions used in determining an estimate or forward-looking information are referred to as significant assumptions when a reasonable variation in the assumption would materially affect the estimate or forward-looking information.

Evaluating Whether the Assumptions Are Appropriate (Ref: Para. 146R(b)(i)b.)

A457R. In evaluating whether the assumptions are appropriate, the practitioner's further procedures may address:

- (a) Whether judgements made in selecting the significant assumptions give rise to indicators of possible management bias;
- (b) Whether the significant assumptions are consistent with the purpose for preparing the estimates or forward-looking information, with each other and with those used in other disclosures, or with related assumptions used in other areas of the entity's business activities, based on the practitioner's knowledge obtained in the engagement;
- (c) If applicable, whether management has the intent to carry out specific courses of action and has the ability to do so; and
- (d) Whether the entity has considered alternative assumptions or outcomes, and why it has rejected them.

Evaluating Whether the Data Are Appropriate (Ref: Para. 146R(b)(i)c.)

A458R. In evaluating whether the data are appropriate, the practitioner's further procedures may address:

- (a) Whether judgements made in selecting the data give rise to indicators of possible management bias;
- (b) Whether the data are relevant and reliable in the circumstances; and

- (c) Whether the data have been appropriately understood or interpreted by management, including with respect to contractual terms.

Changes from Prior Periods Not Based on New Circumstances or New Information (Ref:

Para. 146L(a)(iii), 146R(b)(i))

A459. When a change from prior periods in a method, significant assumption, or the data are not based on new circumstances or new information, or when significant assumptions are inconsistent with each other and with those used in other estimates, or with related assumptions used in other areas of the entity's business activities, the practitioner may need to have further discussions with management about the circumstances and, in doing so, challenge management regarding the appropriateness of the assumptions used.

Developing a Point Estimate or Range (Ref: Para. 146R(b)(ii))

A460R. Developing a point estimate or range, as applicable, to evaluate estimates and related disclosures may be an appropriate approach when, for example:

- The practitioner's consideration of similar estimates made in the prior period suggests that management's current period process is not expected to be effective.
- The entity's controls within and over management's processes for developing estimates are not well designed or properly implemented.
- Events or transactions between the period end and the date of the practitioner's report have not been properly taken into account, when it is appropriate for management to do so, and such events or transactions appear to contradict management's point estimate.
- There are appropriate alternative assumptions or sources of relevant data that can be used in developing a practitioner's point estimate or a range.
- Management has not taken appropriate steps to understand or address the estimation uncertainty.

A461R. The practitioner may develop a point estimate or a range in a number of ways, for example, by:

- Using a different model than the one used by management, for example, one that is commercially available for use in a particular sector or industry, or a proprietary or practitioner-developed model.
- Using management's model but developing alternative assumptions or data sources to those used by management.
- Using the practitioner's own method but developing alternative assumptions to those used by management.
- Employing or engaging a person with specialised expertise to develop or execute a model, or to provide relevant assumptions.

A462R. The practitioner may also develop a point estimate or range for forward-looking information. The practitioner's decision as to whether to do so may depend on the nature of the forward-looking information and the practitioner's judgement in the circumstances. For example, as forward-looking information is subject to greater inherent uncertainty than historical information, the practitioner may choose to determine whether the disclosure presented by management is within a reasonable range of possible outcomes.

Revising the Risk Assessment in a Reasonable Assurance Engagement (Ref: Para. 147R)

A463R. If, having performed the additional procedures required by paragraph 147R(b), the practitioner is not able to obtain sufficient appropriate evidence to reach a reasonable assurance conclusion, a scope limitation exists and paragraph 185 applies.

Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement (Ref: Para. 148L)

A464L. Not all misstatements are indicative of the existence of material misstatements. However, the practitioner may become aware of a matter(s) that causes the practitioner to believe the sustainability information may be materially misstated. For example, when performing site visits the practitioner may identify a potential source of emissions that does not appear to be included in the emissions disclosures. In such cases, the practitioner makes further enquiries as to the potential source, and how it has been incorporated into the emissions disclosures.

A465L. The practitioner's judgement about the nature, timing and extent of additional procedures that are needed to obtain evidence to either conclude that a material misstatement is not likely, or determine that a material misstatement exists, is, for example, guided by:

- Information obtained from the practitioner's evaluation of the results of the procedures already performed.
- The practitioner's updated understanding of the sustainability matters and other engagement circumstances obtained throughout the course of the engagement.
- The practitioner's view on the persuasiveness of evidence needed to address the matter that causes the practitioner to believe that the sustainability information may be materially misstated.
- Whether the practitioner judges it appropriate to perform procedures of similar nature or extent to that required in a reasonable assurance engagement.

A466L. The practitioner uses professional judgement to determine the persuasiveness of evidence required to conclude on the matter that causes the practitioner to believe the sustainability information may be materially misstated.

A467L. If, having performed the additional procedures required by paragraph 148L, the practitioner is not able to obtain sufficient appropriate evidence to either conclude that the matter(s) is not likely to cause the sustainability information to be materially misstated or determine that it does cause the sustainability information to be materially misstated, a scope limitation exists and paragraph 185 applies.

The Entity's Process for Assembling the Sustainability Information (Ref: Para. 149L, 150R)

A468. The process to assemble the sustainability information may be very informal when the entity's information system is immature. In more sophisticated systems, the process may be more systematic and formally documented. The nature and extent of the practitioner's procedures with respect to adjustments and the manner in which the practitioner agrees or reconciles the sustainability information with the underlying records depends on the nature and complexity of the sustainability matters, the entity's reporting process and the related risks of material misstatement. The practitioner also may consider whether all activities within the reporting boundary have been included in the sustainability information in accordance with the applicable criteria.

A469R. Other procedures to respond to the risk of management override of controls may include:

- Enquiring with those charged with governance about the appropriateness of the adjustments made by management in the process for the assembly of the sustainability information.
- Obtaining and examining supporting documentation to determine the rationale, business or otherwise, for the adjustments to the sustainability information.
- Evaluating whether the rationale (or the lack thereof) of the adjustments to the sustainability information suggests that they may have been entered into to engage in fraudulent reporting.
- Inspecting system logs for system overrides or bypasses to controls.

Accumulation and Consideration of Identified Misstatements

Accumulation of Identified Misstatements (Ref: Para. 153)

- A470. Uncorrected misstatements are accumulated during the engagement for the purpose of determining whether, individually or in the aggregate, they are material when forming the practitioner's conclusion. "Clearly trivial" is not another expression for "not material." Misstatements that are clearly trivial are of a wholly different (smaller) order of magnitude, or of a wholly different nature than those that would be determined to be material, and are misstatements that are clearly inconsequential, whether taken individually or in the aggregate and whether judged by any criteria of size, nature or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the misstatement is considered not to be clearly trivial.
- A471. For quantitative disclosures, the practitioner may designate an amount below which misstatements would be clearly trivial and would not need to be accumulated because the practitioner expects that the accumulation of such amounts clearly would not have a material effect on the disclosures.
- A472. Clearly trivial may be considered in the context of the impact of the misstatement on the intended users' decisions. As explained in paragraph A36, intended users may include users who may use sustainability information to make resource allocation decisions, or users who may be interested in the impacts described in paragraph A337. The entity's process to identify sustainability information to be reported may inform the practitioner's consideration of identified misstatements and whether they are clearly trivial.

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| <p>A473. Examples of where or how misstatements in sustainability information may arise:</p> <ul style="list-style-type: none"> (a) An inaccuracy in gathering or processing information used to prepare the sustainability information. (b) Manipulating or obscuring the sustainability information in a manner that would be misleading to the intended users. (c) Management's judgements involving estimates being considered unreasonable by the practitioner. (d) The inclusion of inappropriate information, for example, information that does not meet the applicable criteria or a misapplication of the entity's process to identify sustainability information to be reported by management which results in the inclusion of excessive immaterial information that obscures or distorts sustainability information required by the applicable criteria. |
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| (e) | The entity's reporting policies to select and apply the criteria are inappropriate or inconsistent with the applicable framework criteria or the criteria used in the relevant industry. |
| (f) | The inclusion of information that is not supported by sufficient appropriate evidence. |
| (g) | The omission of sustainability information, for example, information that, in the practitioner's judgement, should have been disclosed based on the entity's process to identify sustainability information to be reported or that otherwise is required to be disclosed by the applicable criteria, or omitting sustainability information relating to a significant subsequent event that would likely change the decisions of users but has not been adequately disclosed. |
| (h) | Sustainability information that, in the practitioner's judgement, is: <ul style="list-style-type: none"> (i) Ambiguous; or (ii) Capable of being determined precisely, but is presented in a vague manner. |
| (i) | Changes since the previous reporting period to the sustainability information without reasonable justification for doing so or without disclosing the reasons for doing so. |
| (j) | The way the sustainability information is presented, such as: <ul style="list-style-type: none"> (i) Out of context, in an unbalanced manner, or given greater or lesser prominence than is warranted, based on the available evidence and applicable criteria; or (ii) Using superlatives and adjectives that describe a more positive outcome than is supportable. |
| (k) | Inappropriately drawing conclusions, based on selective information, through statements such as the following: <ul style="list-style-type: none"> (i) "A large number of companies worldwide," based on information for only a hundred companies; although a hundred may be large, it is not large compared with the number of companies in the world. (ii) "The numbers have doubled since last year" may be factual, but a small base giving rise to this doubling may not be disclosed. |

A474. Some framework criteria may allow the entity to omit information, explain what information has been omitted and why. For example, the entity may be permitted to omit information if a requirement is not applicable, information is unavailable or incomplete, there are legal prohibitions, or confidentiality constraints. In such cases, the omitted information may not be a misstatement. The practitioner may discuss the omission, and the reasons for it, with management, and where appropriate, those charged with governance before concluding whether the omission is a misstatement.

A475. The sustainability information may include a description of the entity's processes, systems or controls regarding the sustainability matters (e.g., the entity's process to identify, assess, and manage current and anticipated sustainability-related risks and opportunities). The scope of the assurance engagement may require the practitioner to conclude:

- (a) Whether the description of the entity's process, systems or controls fairly presents the design and implementation of those processes, systems or controls;

- (b) Whether the entity's processes, systems or controls are suitable, or operated effectively throughout the period; or
- (c) A combination of both.

A476. What constitutes a misstatement when the sustainability information includes a description of the entity's processes, systems or controls, depends on the scope of the engagement. For example:

- (a) The scope of the engagement includes whether the entity's processes, systems or controls are suitable and operated effectively throughout the period: If the practitioner determines that the entity's description of the processes, systems or controls inaccurately implies that it is suitably designed or operated effectively throughout the period, this may constitute a misstatement.
- (b) The scope of the engagement does not include whether the entity's processes, systems or controls are suitable and operated effectively throughout the period, and the related disclosures about the entity's processes, systems or controls are considered other information: If the practitioner is aware that the entity's description of its processes, systems or controls inaccurately implies that it is suitably designed or operated effectively throughout the period, paragraph 175 applies.

Considering Whether Identified Misstatements May Be Due to Fraud (Ref: Para. 154)

A477. Paragraph 78 requires the practitioner to evaluate whether the applicable criteria are suitable. Criteria that are vague and allow manipulation of the sustainability information may not be suitable for the engagement circumstances. If the criteria are suitable but management intentionally did not apply the criteria appropriately, it may be an indication of misstatement due to fraud.

A478. Misstatements due to fraud may result from intentional:

- (a) Manipulation, falsification, or alteration of information or supporting documentation from which the sustainability information is prepared; or
- (b) Misrepresentation in, or omission from, the sustainability information.

A479. Examples of misstatements due to fraud in sustainability information:

- Misstating sustainability information to avoid penalties or fines.
- Intentionally inaccurate or misleading public statements or claims that will favourably impact share price or an assessment of the entity's sustainability credentials, such as an inaccurate statement that a bond is a sustainability bond.
- Intentionally reporting sustainability information relating to performance or compensation incentives in a biased way to influence the outcome of the performance reward or compensation.
- Emphasising that a product was produced using recycled materials but intentionally not reporting that the product was produced using forced labour.
- Intentionally reporting topics for which the entity has positive impacts and omitting topics for which the entity has negative impacts.
- Misstating baseline information to make sustainability information look more favourable in subsequent periods.

- Misstating sustainability information associated with specific project milestones, budget approval, or rights to access certain markets or begin projects in certain markets or geographies.

- A480. If the practitioner identifies a misstatement that is indicative of fraud, this may have implications in relation to other aspects of the assurance engagement, particularly:
- (a) The practitioner's identification and assessment of risks of material misstatements due to fraud at the disclosures level (in a limited assurance engagement), or at the assertion level for disclosures (in a reasonable assurance engagement), and the resulting effect on the nature, timing and extent of further procedures; and
 - (b) The reliability of management representations, recognising that an instance of fraud is unlikely to be an isolated occurrence.

Consideration of Identified Misstatements as the Engagement Progresses (Ref: Para. 155)

- A481. The practitioner may also consider whether accumulated misstatements relate to control deficiencies. Specifically, the practitioner may consider whether the nature or extent of the accumulated misstatements result in the need to update the practitioner's understanding of the entity's system of internal control relevant to the preparation of the sustainability information (see paragraphs 113L and 113R).

Communicating and Correcting Misstatements (Ref: Para. 156–158)

- A482. In the case of narrative disclosures, asking management to correct a misstatement may involve management either re-wording or removing the misstated text.
- A483. The practitioner's understanding of management's reasons for not making the corrections may indicate possible bias in management's judgements.

Evaluating the Effect of Uncorrected Misstatements (Ref: Para. 160)

- A484. Determining whether uncorrected misstatements are material involves professional judgement in the context of the applicable criteria and the engagement circumstances, including who the intended users are and what disclosures are likely to be important.
- A485. The manner in which uncorrected misstatements are evaluated depends on the sustainability information that is the subject of the engagement. For example, if the practitioner provides an assurance conclusion on the entirety of the sustainability information, the practitioner may determine whether the uncorrected misstatements are:
- (a) Individually material for each of the disclosures to which they relate. If an individual misstatement in a disclosure is determined to be material, it is unlikely that it can be offset by other misstatements within that disclosure unless the misstatements relate to the same matter and involve the same measurement basis.
 - (b) If the misstatements are not material individually:
 - (i) Material in aggregate (i.e., collectively with other misstatements) across specific topics or aspects of topics (see paragraphs A488 and A489).
 - (ii) Material in aggregate to the entirety of the sustainability information (i.e., in aggregate across all disclosures) (see paragraph A490).
- A486. Misstatements of amounts smaller than the materiality for quantitative disclosures may have a material effect on the reported sustainability information from a qualitative perspective. For example, if an error results in a reversal of a declining trend in an indicator, or if an error

prevents an entity from achieving regulatory requirements, these may be considered material, even if the quantitative error is smaller than the quantitative threshold.

- A487. When the scope of the assurance engagement is a number of metrics, each relating to a different sustainability matter, the practitioner may evaluate the materiality of misstatements separately for each metric as intended users may have different tolerances for misstatement in each metric. For example, intended users' tolerance for misstatements is likely to be higher for a disclosure about non-hazardous, degradable waste, than it would be for a disclosure about radioactive or other hazardous waste.
- A488. When the sustainability information is measured using a common measurement basis (e.g., monetary amounts or physical units), the practitioner may be able to accumulate all misstatements together (i.e., as being of the same nature quantitatively and capable of being aggregated). However, the disclosures may relate to multiple topics, may comprise several aspects of the topics, and the sustainability matters may be measured or evaluated using different measurement bases. The practitioner is not required to convert misstatements in different measurement bases into a common base for purposes of accumulating the misstatements and determining whether the sustainability information is materially misstated.
- A489. It may be possible, after all non-quantifiable misstatements have been identified, to group them together, for example, by whether they relate, in common, to particular aspects of the sustainability matters. For example, there may be one or more individually immaterial misstatements in the qualitative statements management has made about occupational health and safety and another immaterial misstatement relating to employee diversity. As occupational health and safety and diversity both relate to the social aspect of sustainability information, the practitioner may be able to group these misstatements together and consider their combined effect on the social aspect of the entity's sustainability information. Similarly, a number of immaterial misstatements in the reported water consumption information and another immaterial misstatement relating to waste generated may be able to be considered together as they both relate to the environmental aspect of the sustainability information.
- A490. The sustainability information as a whole may be misstated, even though the misstatements are individually immaterial. Even if there are misstatements that are not able to be accumulated by sustainability matter or other common factors, they may exhibit a common direction, narrative, tone or trend. For example, if the effect of the misstatements is to make the sustainability information as a whole look more favourable than it actually is or all the misstatements overstate the positive aspects of the entity's actions, and downplay the negative aspects, that may add up to give a biased and misleading picture to the users of the sustainability information.

Other Misstatement Considerations

- A491. Materiality of uncorrected misstatements is considered in the context of qualitative and, when applicable, quantitative factors. The practitioner may also consider the extent to which users could reasonably be expected to make a different decision if the sustainability information was not misstated. Qualitative factors that may indicate that a misstatement is more likely to be material, include:

Sustainability matters

- (a) The entity's process to identify sustainability information to be reported is misaligned with the scope or objective of reporting in accordance with the applicable criteria.
- (b) The misstated sustainability information relates to an aspect of the sustainability matter that has been determined as being significant.
- (c) There are multiple misstatements related to the same topic of the sustainability matter.

- (d) The nature of the misstatements is such that they all overstate or understate the sustainability matter.

External factors

- (e) The misstated sustainability information relates to non-compliance with a law or regulation, particularly when the consequence for non-compliance is severe.
- (f) The misstated sustainability information relates to sustainability matters that has implications for a large number of the entity's stakeholders. However, there may be situations when the sustainability matter has implications for only a small number of stakeholders but may, nonetheless, have material implications. For example, a small community affected by radioactive contamination of its water supply from effluent from an entity's operations may result in a lawsuit that could have a material impact on the entity and its other stakeholders.

Nature of the sustainability information

- (g) The misstatements may indicate doubts as to the feasibility of management's plans. For example, an entity may disclose its policies or commitments to mitigate sustainability-related risks in accordance with the applicable criteria, but evidence obtained may indicate these policies or commitments are unrealistic, rely on unproven technologies, or require financing that the entity is unlikely to be able to obtain.
- (h) The misstatement relates to a particular disclosure that is commonly used to compare the entity to its peers.
- (i) The misstatement relates to a target or threshold, and the error significantly impacts whether the target or threshold is met (e.g., the magnitude of the error may be small but may have significant consequences for meeting the target).
- (j) The misstated information is reporting a significant change in a previously reported position, or a trend that has reversed.

Presentation

- (k) The misstatement that has arisen from the presentation of the sustainability information being misleading because the wording that has been used lacks clarity such that it could be interpreted in widely different ways. Accordingly, intended users might make different decisions depending on their interpretation.

Management's behaviour

- (l) The misstatement has arisen as a result of fraud by management to mislead intended users.
- (m) Management is reluctant to correct the misstatement for reasons other than they consider it immaterial.
- (n) Management is reporting aggressive targets or estimates, or is defensive in providing explanations.

A492. Misstatements in qualitative information are as important as misstatements in quantitative information. If the misstatements in qualitative information are not corrected by management, the practitioner may accumulate them by listing them, or marking up or highlighting them in a copy of the sustainability information. When it is not possible to add the misstatements together to determine their effect in the aggregate, the practitioner may consider whether there are any commonalities among the misstatements, such as whether the misstatements reflect a more favourable outcome that is collectively material, or indicate management bias.

A493. Other factors that may help the practitioner evaluate the materiality of misstatements include understanding:

- The underlying cause of identified misstatements. For example, if the qualitative misstatement exists because management has intentionally decided to misrepresent facts, this may indicate the possibility that the sustainability information may contain a material misstatement due to fraud.
- Whether a misstatement may have an indirect effect on misstatements identified in other areas of the engagement. For example, an otherwise immaterial overstatement of an item might indirectly affect a more significant calculation that incorporates the item, causing that calculation to fall below the required minimum threshold included in a contractual requirement, or the qualification criteria for a scheme, grant or funding. Similarly, the lack of a required approval for a relatively unimportant transaction might not be material individually, but it could have implications for the operating effectiveness of controls in areas of the sustainability information that users might consider important.

Measurement or Evaluation Uncertainty

A494. The sustainability matter may have inherent measurement or evaluation uncertainty (for example, the estimation of climate-related risks in the long term across the entity's value chain). As a result of inherent uncertainties relating to the sustainability matter, there may be a wide range of possible outcomes and it may be difficult to identify whether there is a material misstatement of the sustainability information. The practitioner may consider whether the sustainability matter is as precise as is required by the applicable criteria, and the information required by the applicable criteria about the inherent uncertainty is disclosed. Without supporting disclosures to help the intended users understand the uncertainty, the applicable criteria may not be suitable, and the sustainability information may not be presented appropriately. Paragraphs 190(g) and A579 address the appropriate descriptions to be included in the assurance report.

A495. When the uncertainty is not inherent (i.e., when it results from lack of appropriate application of the applicable criteria), it may give rise to misstatements. For example, management may not have used appropriate information to measure or evaluate the sustainability matter that has resulted in it not being as precise as required by the applicable criteria.

A496. Forward-looking information is ordinarily subject to greater measurement or evaluation uncertainty than historical information. As a result, there may be a broad range of possible outcomes, and it may be difficult to identify and evaluate misstatements, including whether the assumptions are:

- (a) Reasonable, in the case of a forecast; or
- (b) Realistic and in line with the purpose of the information, in the case of projections.

A497. The practitioner may consider ways in which misstatements in forward-looking information may arise, for example:

- (a) Data or other information used may not be relevant, complete or reliable;
- (b) Assumptions may include information that is not relevant, may omit important considerations, may be internally inconsistent, or may be given inappropriate weighting;
- (c) Assumptions may not be consistent with management's decisions or intent; or
- (d) There may be unintentional or deliberate misapplication of the assumptions to the data or other information, or in calculations of quantifiable information.

In some cases, misstatements may arise as a result of a combination of these circumstances.

- A498. The practitioner may also consider whether there are indicators of possible management bias in the selection of assumptions, methods or data in the way in which the sustainability information is presented that may indicate a misstatement or have implications for the rest of the assurance engagement. For example, indicators of possible management bias may include when management has:
- (a) Changed the assumptions or methods used, or has made a judgemental assessment that there has been a change in circumstances, without reasonable justification;
 - (b) Used assumptions that are inconsistent with assumptions used elsewhere in the entity's business, including for financial statement or operational purposes, or inconsistent with observable marketplace assumptions; or
 - (c) Selected significant assumptions that favour management's objectives, or that may indicate a pattern or trend.

Evaluating the Description of Applicable Criteria (Ref: Para. 162)

- A499. The preconditions for an assurance engagement in paragraph 78 require that the criteria that the practitioner expects to be applied in the preparation of the sustainability information will be available to the intended users. This may be done by references to a description of the applicable criteria, which is available to the intended users, or the inclusion of a description of the applicable criteria and the sources of those criteria in the sustainability information, to enable intended users to understand how:
- (a) The content of the sustainability information, such as the topics and aspects of the topics, has been identified and selected;
 - (b) The intended users' information needs were identified; and
 - (c) The sustainability matter has been measured or evaluated.
- A500. Referencing or describing the applicable criteria and their sources is particularly important when:
- (a) There are significant differences between criteria applied by entities in the same industry, region, or jurisdiction that the practitioner expects to have similar circumstances or be equivalent.
 - (b) The sustainability matter is subject to a high degree of measurement or evaluation uncertainty, such as forward-looking sustainability information, as there may be more variability, or it may be open to greater interpretation than when there is less uncertainty. This may result in sustainability information that could be misunderstood or misinterpreted by intended users.
- A501. In evaluating whether the reference or description of the criteria is adequate, the practitioner may consider whether it addresses:
- (a) The source of the applicable criteria, and whether the applicable criteria are framework criteria embodied in law or regulation or issued by an authorised or recognised organisation that follows a transparent due process, other framework criteria or entity-developed criteria.
 - (b) How framework criteria have been applied, including the entity's reporting policies for applying the framework criteria.

- (c) For other framework criteria or entity-developed criteria, how the determination was made that these, together with any framework criteria, are suitable.
- (d) When applicable framework criteria were not applied, the reasons therefor.
- (e) The specific aspects of the criteria related to particular types of sustainability information, for example:
 - (i) The basis for evaluating the reasonableness of the underlying assumptions for forward-looking information.
 - (ii) Control objectives for design and operating effectiveness of processes, systems or controls.
 - (iii) Targets, key performance indicators, commitments or goals for evaluating or measuring performance.
- (f) Measurement or evaluation methods used when the applicable criteria allow for choice between a number of methods.
- (g) Any significant judgements made in applying the applicable criteria in the engagement circumstances.
- (h) The inherent limitations, if any, associated with the measurement or evaluation of the sustainability matter against the applicable criteria.
- (i) Other matters relevant to intended users' understanding of the basis for the preparation of the sustainability information, including uncertainties.
- (j) Any changes in the measurement or evaluation methods used, and the reasons therefor.
- (k) Any deviations from the applicable criteria identified, for example, deviations from a framework that the entity has referred to as being the basis for preparing the sustainability information.
- (l) The need for clear meaning, so that the description does not contain imprecise or qualifying language that may result in inconsistent interpretation and provides sufficient detail and clarity to be understandable.

Subsequent Events (Ref: Para. 163–164)

A502. Examples of subsequent events:

- The publication of revised factors, assumptions or benchmarks by a body such as a government agency (e.g., revised emissions factors).
- Changes to relevant legislation or regulations.
- Significant improved scientific knowledge.
- Significant structural changes in the entity.
- The availability of more accurate quantification methods.
- The discovery of a significant fraud or error.
- The discovery of significant water pollution or soil contamination.

- | |
|--|
| <ul style="list-style-type: none"> • Fatality and other significant health and safety events. |
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A503R. The practitioner's procedures to identify subsequent events may include:

- (a) Obtaining an understanding of any procedures management has established to identify subsequent events.
- (b) Enquiring of management, and where appropriate, those charged with governance, as to whether any subsequent events have occurred that may affect the sustainability information.
- (c) Reading minutes of meetings of the owners, those charged with governance and management held after the date of the sustainability information and enquiring about matters discussed at any such meetings for which minutes are not yet available.
- (d) Reading the entity's monthly or quarterly sustainability information, if available.

A504L. The practitioner's procedures to identify subsequent events may include enquiring of management, and as appropriate, those charged with governance, about whether any subsequent events have occurred that may affect the sustainability information.

A505. The practitioner has no responsibility to perform any procedures regarding the sustainability information after the date of the assurance report. However, if, after the date of the assurance report, a fact becomes known to the practitioner that, had it been known to the practitioner at the date of the assurance report, may have caused the practitioner to amend the report, the practitioner may need to discuss the matter with management or those charged with governance or take other action as appropriate in the circumstances.

Written Representations from Management and Those Charged with Governance (Ref: Para. 165)

A506. Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and management, and where appropriate, those charged with governance. The person(s) from whom the practitioner requests written representations will ordinarily be a member of senior management or those charged with governance depending on, for example, the management and governance structure of the entity, which may vary by jurisdiction, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics.

A507. Representations by management and, where appropriate, those charged with governance cannot replace other evidence the practitioner could reasonably expect to be available. Although written representations provide necessary evidence, they do not provide sufficient appropriate evidence on their own about any of the matters with which they deal. Furthermore, the fact that the practitioner has received reliable written representations does not affect the nature or extent of other evidence that the practitioner obtains.

Other Information

Obtaining the Other Information (Ref: Para. 171)

A508. As explained in paragraph 5, the scope of the assurance engagement may extend to all of the sustainability information to be reported by the entity or only part of that information. 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.

A509. The objective of the required discussion with management in paragraph 171(a) is to help the practitioner understand the entirety of the sustainability information to be reported, including

the sustainability information subject to the assurance engagement, and where it will be reported, to be able to identify the other information required to be read and considered in accordance with paragraph 172. For example, the sustainability information subject to the assurance engagement may be included as part of an entity's management report, annual report or integrated report, or included with other governance information.

- A510. As frameworks and practices for reporting sustainability information may be evolving and new laws and regulations may be imposed over time, the location of the sustainability information and the content of the report(s) in which that information is included may change between periods. As a result, it may not be clear which document(s) comprises the report in which the sustainability information will be published. The practitioner may communicate with those responsible for preparing the entity's reports, whether management or those charged with governance, the practitioner's expectations in relation to obtaining the final version of the report(s) that will contain the sustainability information in a timely manner prior to the date of the assurance report. This enables the practitioner to complete the procedures required by this ASSA before the date of the assurance report.
- A511. When other information is only made available to users via the entity's website, the final version of the other information obtained from the entity, rather than directly from the entity's website, is the relevant document on which the practitioner would perform procedures in accordance with this ASSA. The practitioner has no responsibility under this ASSA to search for other information, including other information that may be on the entity's website. In addition, the practitioner has no responsibility to perform any procedures to confirm that other information is appropriately displayed on the entity's website or otherwise has been appropriately transmitted or displayed electronically, unless this is within the scope of the assurance engagement.

Reading and Considering the Other Information (Ref: Para. 172)

- A512. If the other information is materially inconsistent with the sustainability information subject to the assurance engagement or the practitioner's knowledge obtained in the engagement, it may indicate that there is a material misstatement of the sustainability information or that a material misstatement of the other information exists. This may undermine the credibility of the sustainability information and the assurance report thereon. Such material misstatements may also inappropriately influence the decisions of the users for whom the assurance report is prepared. The procedures with respect to other information may also assist the practitioner in complying with relevant ethical requirements as required by paragraph 34. Relevant ethical requirements require the practitioner to avoid being knowingly associated with information that the practitioner believes contains a materially false or misleading statement, statements or information provided recklessly, or omits or obscures required information where such omission or obscurity would be misleading.
- A513. In some cases, disclosures in the other information may summarise, or provide additional details about, the disclosures in the sustainability information subject to the assurance engagement. The practitioner may compare a selection of such disclosures in the other information with the disclosures in the sustainability information subject to assurance. The extent of this comparison is a matter of professional judgement recognising that the practitioner's responsibilities under this ASSA do not constitute an assurance engagement on the other information or impose an obligation to obtain assurance about the other information.

Responding When the Practitioner Concludes That a Material Misstatement of the Other Information Exists

Responding When the Practitioner Concludes That a Material Misstatement Exists in Other Information Obtained Prior to the Date of the Assurance Report (Ref: Para. 175–176)

- A514. The actions the practitioner takes if the other information is not corrected after communicating with those charged with governance are a matter of professional judgement. The practitioner may take into account whether the rationale given by management and those charged with

governance for not making the correction raises doubt about the integrity or honesty of management or those charged with governance, such as when the practitioner suspects an intention to mislead. The practitioner may also consider it appropriate to seek legal advice. In some cases, the practitioner may be required by law, regulation or professional requirements to communicate the matter to a regulator or relevant professional body.

Responding When the Practitioner Concludes That a Material Misstatement Exists in Other Information Obtained After the Date of the Assurance Report (Ref: Para. 175–176)

A515. The practitioner has no obligation to perform any procedures regarding the other information that becomes available after the date the assurance report. However, the practitioner may become aware that a material inconsistency appears to exist between the other information available after the date of the assurance report and the sustainability information or the practitioner's knowledge obtained in the engagement. The practitioner may discuss the matter with management or those charged with governance, as appropriate, and if the other information is not corrected take appropriate action. This may include performing other procedures to conclude whether a material misstatement of the other information or of the sustainability information exists. If the practitioner concludes that a material misstatement exists, but the other information is not corrected, the practitioner may seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom the practitioner's report is prepared, considering the practitioner's legal rights and obligations.

Reporting Implications (Ref: Para. 176(a))

A516. In rare circumstances, a disclaimer of conclusion or opinion on the sustainability information may be appropriate when the refusal to correct the material misstatement of the other information casts such doubt on the integrity of management and those charged with governance as to call into question the reliability of evidence in general.

Withdrawal from the Engagement (Ref: Para. 176(b))

A517. Withdrawal from the engagement, when possible under applicable law or regulation, may be appropriate when the circumstances surrounding the refusal to correct the material misstatement of the other information cast such doubt on the integrity of management and those charged with governance as to call into question the reliability of representations obtained from them during the assurance engagement.

Responding When a Material Misstatement in the Sustainability Information Exists or the Practitioner's Understanding of the Entity and Its Environment Needs to Be Updated (Ref: Para. 177)

A518. In reading the other information, the practitioner may become aware of new information that has implications for:

- The practitioner's understanding of the entity and its environment and, accordingly, may indicate the need to revise the practitioner's risk consideration or assessment.
- The practitioner's responsibility to evaluate the effect of identified misstatements on the engagement and of uncorrected misstatements, if any, on the sustainability information.
- The practitioner's responsibilities relating to subsequent events.

Forming the Assurance Conclusion

Evaluating the Evidence Obtained (Ref: Para. 178)

A519. An assurance engagement is an iterative process, and information may come to the practitioner's attention that differs significantly from that on which the determination of planned procedures was based. This may particularly be the case when the entity's information

system is less mature or when the disclosures, and their characteristics, are subject to greater judgement. As the practitioner performs planned procedures, the evidence obtained may cause the practitioner to perform additional procedures to meet the intended purpose(s) in performing those procedures. In some circumstances, the practitioner may not have obtained the evidence that the practitioner had expected to obtain through the planned procedures. When the practitioner determines that the evidence obtained from the procedures performed is not sufficient and appropriate to be able to form a conclusion on the sustainability information, the practitioner may:

- (a) Extend the work performed; or
- (b) Perform other procedures judged by the practitioner to be necessary in the circumstances.

When neither of these is practicable in the circumstances, the practitioner will not be able to obtain sufficient appropriate evidence to be able to form a conclusion.

A520. A procedure may be designed to be effective in achieving an intended purpose, but if the performance or execution of the procedure (i.e., its application) is inappropriate the purpose of the procedure may not be met. Paragraphs 31–63 address the specific responsibilities of the practitioner regarding quality management at the engagement level, and the related responsibilities of the engagement leader, which may affect the application of procedures. In addition, paragraph A116 explains that the review of the engagement team’s work consists of considering whether, for example:

- (a) The evidence obtained is sufficient and appropriate to provide a basis for the practitioner’s assurance conclusion; and
- (b) The objectives of the procedures have been achieved.

A521. The practitioner’s professional judgement as to what constitutes sufficient appropriate evidence is influenced by such factors as the following:

- Significance of a potential misstatement and the likelihood of it having a material effect, individually or when aggregated with other potential misstatements, on the sustainability information.
- Effectiveness of management or those charged with governance’s responses to address the known risk of material misstatement.
- Experience gained during previous assurance engagements with respect to similar potential misstatements.
- Results of procedures performed, including whether such procedures identified specific misstatements.
- Source and reliability of the available information.
- Persuasiveness of the evidence.
- Understanding of the entity and its environment.

A522. The evaluation of evidence obtained related to the preparation of qualitative information or qualitative aspects of quantitative information may include consideration of whether:

- (a) There are indicators of possible bias in judgements and decisions in the making of estimates and in preparing the sustainability information;
- (b) The quantification methods and reporting policies selected and applied are consistent with the applicable criteria and are appropriate;

- (c) The information presented in the sustainability information is relevant, reliable, complete, comparable and understandable;
- (d) The sustainability information provides adequate disclosure of the applicable criteria, and other matters, including uncertainties, such that intended users can understand the significant judgements made in its preparation; and
- (e) The terminology used in the sustainability information is appropriate.

Evidence Obtained That Is Inconsistent with Other Evidence (Ref: Para. 180)

- A523. When evidence is inconsistent with other evidence, it may indicate that some of the information used as evidence is not reliable. This may be the case, for example, when responses to enquiries of management, those charged with governance, internal auditors, or others are inconsistent. Such inconsistencies may therefore call into question the appropriateness of the practitioner's evaluation of the relevance and reliability of such information, in accordance with paragraph 90. Paragraph 94 addresses the practitioner's responsibilities when the practitioner has doubts about the relevance and reliability of information intended to be used as evidence. The extent to which the practitioner may need to modify or add to the procedures to resolve the doubts and the effect on other aspects of the assurance engagement may vary.
- A524. When performing a procedure, the practitioner may identify items that are inconsistent with the practitioner's expectations or that exhibit characteristics that are unusual. Different terminology may be used to describe these items, for example, exceptions, outliers, notable items, or items of interest. These items may indicate a possible misstatement in the sustainability information. They may also indicate inconsistencies in evidence, particularly when other evidence has not identified similar exceptions or outliers, or cast doubt on the reliability of the information.
- A525. In considering the effect of inconsistencies in evidence on other aspects of the assurance engagement, the practitioner may consider whether the practitioner's risk assessment remains appropriate.
- A526. If the practitioner is unable to obtain sufficient appropriate evidence, the practitioner is required to express a qualified conclusion or disclaim a conclusion on the sustainability information, or, if possible, withdraw from the engagement, in accordance with paragraph 185.

Concluding (Ref: Para. 181–184)

- A527. In regulatory disclosure regimes, disclosures specified in the relevant law or regulation are adequate for reporting to the regulator. However, additional disclosures in the sustainability information may be necessary for other intended users to understand the significant judgements made in preparing the sustainability information, such as:
- (a) The method used for determining the reporting boundary, if the applicable criteria allow a choice between different methods, and which operations are included;
 - (b) Significant evaluation or quantification methods and reporting policies selected and applied, including:
 - (i) The entity's process to identify the sustainability matters to be included in the sustainability information (see paragraph A3);
 - (ii) Any significant interpretations made in applying the applicable criteria in the entity's circumstances, including data sources and, when choices between different methods are allowed, or entity-specific methods are used, disclosure of the method used and the rationale for doing so; and

- (iii) How the entity determines whether previously reported disclosures should be restated;
- (c) A statement regarding the uncertainties relevant to the entity's quantification of its sustainability information, including: their causes, how they have been addressed and their effects on the sustainability information; and
- (d) Changes, if any, in the matters mentioned in this paragraph or in other matters that materially affect the comparability of the sustainability information with a prior period(s) or base year.

Evaluating Whether the Sustainability Information Achieves Fair Presentation (Ref: Para. 182)

- A528. In the case of fair presentation criteria, the practitioner's evaluation about whether the sustainability information achieves fair presentation is a matter of professional judgement. This evaluation takes into account such matters as the facts and circumstances of the entity, including changes thereto, based on the practitioner's understanding of the entity and the evidence obtained. The evaluation also includes consideration, for example, of the disclosures needed to achieve a fair presentation arising from matters that could be material (i.e., in general, misstatements are considered to be material if they could reasonably be expected to influence decisions of intended users taken on the basis of the sustainability information), such as the effect of evolving requirements or the changing environment.
- A529. Evaluating whether the sustainability information achieves fair presentation may include, for example, discussions with management and those charged with governance about their views on why a particular presentation was chosen, as well as alternatives that may have been considered. The discussions may include, for example:
- The degree to which the disclosures in the sustainability information are aggregated or disaggregated, and whether the presentation of disclosures obscures useful information, or results in misleading information.
 - Consistency with appropriate industry practice, or whether any departures are relevant to the entity's circumstances and therefore warranted.

Scope Limitation (Ref: Para. 185)

A530. A scope limitation may arise from:

- (a) Circumstances beyond the control of the appropriate party(ies). For example, documentation the practitioner considers necessary to inspect may have been accidentally destroyed;
- (b) Circumstances relating to the nature or timing of the practitioner's work. For example, a physical process the practitioner considers necessary to observe may have occurred before the practitioner's engagement; or
- (c) Limitations imposed by management, those charged with governance, or the engaging party on the practitioner that, for example, may prevent the practitioner from performing a procedure the practitioner considers to be necessary in the circumstances. Limitations of this kind may have other implications for the engagement, such as for the practitioner's consideration of engagement risk and the acceptance and continuance of the client relationship and the assurance engagement.

A531. An inability to perform a specific procedure does not constitute a scope limitation if the practitioner is able to obtain sufficient appropriate evidence by performing alternative procedures.

Taking Overall Responsibility for Managing and Achieving Quality (Ref: Para. 186(d)(i))

A532. Relevant considerations in determining that the engagement leader's involvement has been sufficient and appropriate throughout the engagement to provide a basis for determining that the significant judgements made and conclusions reached are appropriate, given the nature and circumstances of the engagement, include, for example:

- (a) How consultation on difficult, contentious or other matters has been undertaken and conclusions agreed have been implemented;
- (b) How differences of opinion have been addressed and resolved; and
- (c) How the engagement documentation evidences the engagement leader's involvement throughout the engagement.

A533. Examples of indicators that the engagement leader may not have been sufficiently and appropriately involved:

- Lack of timely review by the engagement leader of the engagement planning, including reviewing the risk assessment procedures performed.
- Evidence that those to whom tasks, actions or procedures have been assigned were not adequately informed about the nature of their responsibilities and authority, the scope of the work being assigned and the objectives thereof; and were not provided other necessary instructions and relevant information.
- A lack of evidence of the engagement leader's direction and supervision of the other members of the engagement team and the review of their work.

A534. If the engagement leader's involvement does not provide the basis for determining that the significant judgements made and the conclusions reached are appropriate, the engagement leader will not be able to make the determination required by paragraph 186. In addition to taking into account firm policies or procedures that may set forth the required actions to be taken in such circumstances, appropriate actions that the engagement leader may take, include, for example:

- Updating and changing the engagement plan;
- Re-evaluating the planned approach to the nature and extent of review and modifying the planned approach to increase the involvement of the engagement leader; or
- Consulting with personnel assigned operational responsibility for the relevant aspect of the firm's system of quality management.

Documentation (Ref: Para. 187)

A535. The requirement to document how the practitioner addressed inconsistencies in information does not imply that the practitioner needs to retain engagement documentation that is incorrect or superseded.

A536. Engagement documentation evidencing the involvement of the engagement leader and the engagement leader's determination in accordance with paragraph 186(d)(i) may be accomplished in different ways depending on the nature and circumstances of the engagement.

Examples:

- Direction of the engagement team can be documented through signoffs of the engagement plan and project management activities;

- Minutes from formal meetings of the engagement team may provide evidence of the clarity, consistency and effectiveness of the engagement leader's communications and other actions in respect of culture and expected behaviours that demonstrate the firm's commitment to quality;
- Agendas from discussions between the engagement leader and other members of the engagement team, and where applicable the engagement quality reviewer, and related signoffs and records of the time the engagement leader spent on the engagement, may provide evidence of the engagement leader's involvement throughout the engagement and supervision of other members of the engagement team; or
- Signoffs by the engagement leader and other members of the engagement team provide evidence that the working papers were reviewed.

Preparing the Assurance Report

Communicating Effectively in the Assurance Report (Ref: Para. 188–189)

- A537. The assurance report is the means by which the practitioner communicates the outcome of the assurance engagement to the intended users. Clear communication helps the intended users to understand the assurance conclusion. The practitioner does not report orally or by use of symbols without also providing a written assurance report that is readily available whenever the oral report is provided or the symbol is used, so that the practitioner's conclusion is not misunderstood. For example, a symbol indicating disclosures have been subject to an assurance engagement could be hyperlinked to a written assurance report.
- A538. Appendix 3 contains illustrations of assurance reports on sustainability information, incorporating only the basic elements in paragraph 190 for the fact pattern stated above each illustration. The circumstances of the engagement may necessitate additional matters to be included in the assurance report to comply with this ASSA or the practitioner may consider that additional matters are needed to aid the understanding of the intended users.

Assurance Report Content (Ref: Para. 190)

- A539. This ASSA does not require a standardised format for reporting on all assurance engagements. Instead, it identifies the basic elements the assurance report is to include. Assurance reports are tailored to the specific engagement circumstances. The practitioner may use headings, in addition to those required by this ASSA, paragraph numbers, the bolding of text, and other mechanisms to enhance the clarity and readability of the assurance report.

Title of the Assurance Report (Ref: Para. 190(a))

- A540. To be independent, an assurance report is prepared by a practitioner that complies with the independence requirements of the Code related to sustainability assurance engagements or requirements that are at least as demanding.

Addressee (Ref: Para. 190(b))

- A541. The addressee is usually the engaging party or those charged with governance of the entity. Law or regulation or the terms of the engagement may specify to whom the assurance report is to be addressed in that particular jurisdiction. As well as identifying the addressee of the assurance report, the practitioner may consider it appropriate to include wording in the body of the assurance report that specifies the purpose for which, or the intended users for whom, the report was prepared.

The Practitioner's Conclusion (Ref: Para. 190(c))

The level of assurance obtained (Ref: Para. 190(c)(iii))

A542. When parts of the sustainability information are subject to limited assurance and other parts are subject to reasonable assurance, clear identification in the assurance report of the sustainability information subjected to each level of assurance may aid users' understanding of what has been subject to limited assurance and what has been subject to reasonable assurance. The conclusions relating to each part of the sustainability information may also be distinguished to assist the intended users. In these circumstances, the practitioner's report contains each of the content elements that are common to both levels of assurance, with the content elements for limited assurance and reasonable assurance clearly separated, to comply with paragraph 190.

Identification or description of the sustainability information (Ref: Para. 190(c)(iv))

A543. Identification or description of the sustainability information subject to the assurance engagement and, when appropriate, the sustainability matters, may include:

- The title or other identifying features of the sustainability information and, if applicable any broader report (such as an annual report or integrated report) within which the sustainability information is reported.
- If the sustainability information subject to the assurance engagement is not the entire sustainability information reported, identification of the part of the sustainability information subject to the assurance engagement, and if necessary to assist users' understanding, identification of the sustainability information not subject to the assurance engagement (see also paragraph A544).
- Where applicable, the name of other entity(ies) (such as entities in the value chain), facility(ies), location(s), jurisdiction(s) or other boundary(ies) to which the sustainability matters relate.
- An explanation of those characteristics of the sustainability matters or the sustainability information of which the intended users should be aware, and how such characteristics may influence the precision of the measurement or evaluation of the sustainability matters against the applicable criteria, or the persuasiveness of available evidence. For example:
 - The degree to which the sustainability information is qualitative versus quantitative, narrative versus numeric, objective versus judgemental, or historical versus forward-looking.
 - Changes in the sustainability matters, criteria or other engagement circumstances that affect the comparability of the sustainability information from one period to the next.

A544. In some circumstances, the entity may refer to the fact that certain sustainability information (e.g., information related to a value chain entity outside of the entity's control) has been subject to assurance, and may also include a reference in the sustainability information to the report of the practitioner that performed that assurance engagement. Such references could imply that the practitioner is taking responsibility for the content of, or conclusions expressed, in the assurance report of that other practitioner. In these circumstances, the practitioner may decide to clearly identify these references as not being subject to the assurance engagement.

Expression of the practitioner's conclusion (Ref: Para. 190(c)(vi)–(vii), 198L, 198R)

A545L. Examples of conclusions expressed in a form appropriate for a limited assurance engagement:

- (a) When expressed in terms of the sustainability information and the applicable criteria:
 - (i) Under a compliance framework: “Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the [sustainability information] is not prepared, in all material respects, in accordance with XYZ criteria.”
 - (ii) Under a fair presentation framework: “Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the [sustainability information] is not fairly presented, in all material respects, in accordance with XYZ criteria.”
- (b) When expressed in terms of a statement made by the appropriate party:
 - (i) Under a compliance framework: “Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the [appropriate party's] statement that [the entity] has complied, in all material respects, with XYZ requirements is not properly prepared.”
 - (ii) Under a fair presentation framework: “Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the [appropriate party's] statement that the [sustainability information] is prepared in accordance with XYZ criteria is not, in all material respects, fairly stated.”

A546R. Examples of conclusions expressed in a form appropriate for a reasonable assurance engagement:

- (a) When expressed in terms of the sustainability information and the applicable criteria:
 - (i) Under a compliance framework: “In our opinion, the entity's [sustainability information] is prepared, in all material respects, in accordance with XYZ criteria;” or
 - (ii) Under a fair presentation framework: “In our opinion, the entity's [sustainability information] is fairly presented, in all material respects, in accordance with XYZ criteria;”
- (b) When expressed in terms of a statement made by the appropriate party:
 - (i) Under a compliance framework: “In our opinion, the [appropriate party's] statement that the entity has complied with XYZ requirement is, in all material respects, properly prepared” or
 - (ii) Under a fair presentation framework: “In our opinion, the [appropriate party's] statement that the [sustainability information] is prepared in accordance with XYZ criteria is, in all material respects, fairly stated.”

A547. Forms of expression that may be useful for sustainability matters include, for example, one, or a combination of, the following:

- For compliance frameworks—“in compliance with” or “in accordance with.”
- For engagements when the applicable criteria describe a methodology for the preparation or presentation of the sustainability information—“properly prepared.”
- For engagements when the principles of fair presentation are embodied in the applicable criteria—“fairly stated” or “presents fairly.”

Identification of the applicable criteria (Ref: Para. 190(c)(vii))

A548. In order for the practitioner to accept or continue the engagement, paragraph 81 requires the preconditions to be met, including that the criteria will be available to the intended users. Management or those charged with governance may make the applicable criteria available to users, either in the sustainability information or by reference, in order for the intended users to understand the basis of preparation of the sustainability information. The entity’s sustainability information or the description of the criteria referenced, may include matters such as:

- Details of the sources of the applicable criteria, and whether or not the applicable criteria are framework criteria, embodied in law or regulation, or issued by an authorised or recognised organisation that follow a transparent due process, and if they are not, who developed the criteria, the basis for that development (such as how the intended users’ needs were identified) and a description of why they are considered suitable.
- Reporting policies for the measurement or evaluation methods used, including when the applicable criteria allow for choice between a number of methods.
- Any significant interpretations made in applying the applicable criteria.
- Whether there have been any changes in reporting policies for the measurement or evaluation methods used since the prior period.

A549. A statement that management has prepared the sustainability information in accordance with particular criteria is appropriate only if the sustainability information complies with all the requirements of those criteria that are effective during the period covered by the sustainability information.

A550. A description of the applicable criteria that contains imprecise qualifying or limiting language (for example, “the sustainability information is in substantial compliance with the requirements of XYZ”) is not an adequate description as it may mislead users of the sustainability information.

A551. Sometimes management may report the sustainability information using more than one framework. In such a case, user understanding is likely to be enhanced if management or those charged with governance make available the criteria relating to each framework separately, rather than being summarised or combined. When management prepares the sustainability information in accordance with multiple frameworks (e.g., a national framework and a global framework), those frameworks represent the applicable criteria and are identified in accordance with paragraph 190(c)(vii), if each framework is complied with individually. If the sustainability information is prepared in accordance with one sustainability reporting framework and, in addition, discloses the extent to which the sustainability information complies with another framework, such disclosure is covered by the assurance conclusion if it cannot be clearly differentiated from the sustainability information.

Informing the intended users of the context in which the practitioner's conclusion is to be read (Ref: Para. 190(c)(ix))

A552. It may be appropriate to inform the intended users of the context in which the practitioner's conclusion is to be read when the assurance report includes an explanation of particular characteristics of the sustainability matter of which the intended users should be aware. The practitioner's conclusion may, for example, include wording such as: "This conclusion has been formed on the basis of the matters outlined elsewhere in this independent assurance report."

Basis for Conclusion Section (Ref: Para. 190(d))

Statement that the engagement was conducted in accordance with this ASSA (Ref: Para. 190(d)(i))

A553. Practitioner's statements that contain imprecise or limiting language (for example, "the engagement was performed by reference to (or based on) ASSA 5000") may mislead users of assurance reports. In these circumstances, users may understand that all of the requirements of this ASSA have all been complied with, even if they have not (see paragraph 20).

Statement about independence requirements specific to certain entities (Ref: Para 190(d)(v))

A554. Relevant ethical requirements may:

- Establish independence requirements that are specific to sustainability assurance engagements of certain entities specified in the relevant ethical requirements, such as the independence requirements for sustainability assurance engagements of public interest entities in the Code.
- Require the practitioner to publicly disclose when the practitioner applied independence requirements specific to sustainability assurance engagements of certain entities. For example, the Code requires that when a firm has applied the independence requirements for public interest entities in performing a sustainability assurance engagement of an entity, the firm publicly disclose that fact, unless making such disclosure would result in disclosing confidential future plans of the entity.

Responsibilities for the Sustainability Information (Ref: Para. 190(f))

A555. Identifying relative responsibilities informs the intended users that management, or those charged with governance, as appropriate, is responsible for the preparation of the sustainability information, and that the practitioner's role is to independently express a conclusion about the sustainability information.

A556. Those charged with governance instead of management may be responsible for the sustainability information depending on the engagement circumstances and the legal framework in the particular jurisdiction. In other jurisdictions, those charged with governance may be responsible for the oversight of the process to prepare the sustainability information, and management fulfills the responsibilities described in paragraph 190(f)(i).

Applicability of responsibility for fair presentation of the sustainability information (Ref: Para. 190(f)(i)a.)

A557. Some criteria acknowledge explicitly or implicitly the concept of fair presentation. As noted in the definition of criteria (see paragraph 18), fair presentation criteria not only require compliance with the criteria, but also acknowledge explicitly or implicitly that it may be necessary for management to provide disclosures beyond those specifically required by the criteria. Therefore, the responsibilities of management or those charged with governance, as appropriate, for preparing the sustainability information in accordance with a fair presentation framework, extend to whether fair presentation is achieved in the sustainability information presented.

Inherent Limitations in Preparing the Sustainability Information (Ref: Para. 190(g))

- A558. While in some cases inherent limitations can be expected to be well understood by the intended users, in other cases it may be appropriate for the practitioner to make explicit reference to them in the assurance report. This may particularly be the case when inherent measurement or evaluation uncertainties may be fundamental to intended users' understanding of the sustainability information. For example, for greenhouse gas emissions, it may be appropriate to note that the entity's disclosures about Scope 3 emissions are subject to more inherent limitations than for Scope 1 and Scope 2 emissions, given the lack of availability and relative precision of information used for determining both qualitative and quantitative Scope 3 information from value chain entities outside the control of the group.
- A559. Management may choose to explain limitations on the ability to obtain information from value chain entities included in the sustainability information reported and, if not, the practitioner may discuss with management whether to do so. The practitioner may also choose to describe the effects on the practitioner's procedures in the assurance report (e.g., in the Inherent Limitations section of the report). However, it is important that any such description in the assurance report does not imply that the practitioner's responsibility for obtaining sufficient appropriate evidence to support the assurance conclusion is reduced with respect to such information.
- A560. For engagements on sustainability information containing forward-looking information (i.e., goals or targets, forecasts, scenario analyses or transition plans) the preparation of this information may be subject to inherent limitations. If the practitioner describes such limitations in an Inherent Limitations section of the assurance report, such description may refer to management's explanation, if any, and state that:
- For a forecast expressed as specific disclosure(s): Actual results are likely to be different from the forecast sustainability information since anticipated events frequently do not occur as expected and the variation could be material;
 - For a forecast expressed as a range: For forecast information expressed in a range the actual results may fall outside of that range and the variation could be material; or
 - For projections, scenario analyses or transition plans: The forward-looking sustainability information has been prepared for (state purpose), using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently, users are cautioned that the forward-looking sustainability information is not used for purposes other than that described.

An Informative Summary of the Work Performed as the Basis for the Practitioner's Conclusion (Ref: Para. 190(i))

- A561. For engagements that require the practitioner to obtain different levels of assurance on different topics, aspects of topics or disclosures, the practitioner may also delineate the procedures performed for each level of assurance so that it is clear to the users which procedures were performed in relation to the sustainability information.
- A562R. The assurance report in a reasonable assurance engagement requires a section with the subheading "Practitioner's Responsibilities" that briefly describes procedures performed (see paragraph 190(h)(iv-v)). This is because, in a reasonable assurance engagement, describing in any level of detail the specific procedures performed would not assist users to understand that, in all cases where an unmodified conclusion is issued, sufficient appropriate evidence has been obtained to enable the practitioner to form a reasonable assurance conclusion.
- A563L. In a limited assurance engagement, an appreciation of the nature, timing and extent of procedures performed is essential for the intended users to understand the conclusion expressed in the limited assurance report. The summary of work performed is therefore

ordinarily more detailed than the procedures described in the Practitioner's Responsibilities section in a reasonable assurance report. It also may be appropriate to include a description of procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement. However, a complete identification of all such procedures may not be possible because the procedures in a limited assurance engagement vary in nature and timing from, and are less than for, a reasonable assurance engagement.

A564L. Factors to consider in determining the level of detail to be provided in the summary of work performed may include:

- Circumstances specific to the entity (e.g., the differing nature of the entity's activities compared to those typical in the sector).
- Specific engagement circumstances affecting the nature and extent of the procedures performed.
- The intended users' expectations of the level of detail to be provided in the report, based on market practice, or applicable law or regulation.

A565L. In describing the procedures performed in a limited assurance report, it is important that they are written in an objective way but are not summarised to the extent that they are ambiguous, nor written in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is also important that the description of the procedures not give the impression that an agreed-upon procedures engagement has been undertaken, and in most cases will not detail the entire work plan. The procedures for limited assurance, which are described in the "Summary of Work Performed" section, may appear to a user to be more comprehensive than the procedures described in a reasonable assurance engagement, so it may be helpful for the practitioner to explain why this is the case. This may be accomplished by including in the assurance report an indication of the differences between limited assurance and reasonable assurance to aid user understanding, especially when both reasonable and limited assurance are in the same assurance report.

Date of the Assurance Report (Ref: Para. 190(l))

A566. Including the assurance report date informs the intended users that the practitioner has considered the effect on the sustainability information and on the assurance report of events that occurred up to that date.

Form of the Assurance Report (Ref: Para. 190)

A567. An assurance conclusion expressed in a binary manner (e.g., concludes that the sustainability information either has, or has not, been prepared in accordance with the applicable criteria) may not be able to communicate sufficiently the complexities that may be present in a sustainability assurance engagement without additional contextual information to aid the intended users' understanding. The practitioner may choose a "short-form" or "long-form" style of reporting to facilitate effective communication to the intended users. "Short-form" reports ordinarily include only the basic elements, as required by paragraph 190. "Long-form" reports include other information and explanations that are not intended to affect the practitioner's conclusion, such as:

- (a) Detailed description of the terms of the engagement;
- (b) Findings relating to particular aspects of the engagement;
- (c) Details of the qualifications and experience of the practitioner and others involved with the engagement;
- (d) The practitioner's considerations of materiality, and whether those considerations are in respect of qualitative or quantitative sustainability information;

- (e) The intended users of the assurance report and the purpose for which it has been prepared;
- (f) The range of competencies that were needed to perform the engagement and how they have been deployed on the engagement; or
- (g) Explanation of why, in an assurance engagement, the practitioner cannot become involved in the preparation of the sustainability information because such an engagement is designed to give a conclusion by an independent practitioner over the sustainability information.

The practitioner may find it helpful to consider the significance of providing such information to the information needs of the intended users. As required by paragraph 189, additional information is clearly separated from the practitioner's conclusion and phrased in such a manner so as to make it clear that it is not intended to detract from that conclusion.

- A568. Including the practitioner's recommendations on matters, such as improvements to the entity's information system, in the assurance report may imply that those matters have not been appropriately dealt with in preparing the sustainability information. Such recommendations may be communicated, for example, in a management letter or in discussion with those charged with governance. Considerations relevant to deciding whether to include recommendations in the assurance report include whether their nature is relevant to the information needs of intended users, and whether they are worded appropriately so that they will not be misunderstood as a qualification of the practitioner's conclusion on the sustainability information.
- A569. In addition to the basic elements described in paragraph 190, the practitioner may decide to include additional information in the assurance report (see paragraph A567). Matters that may be relevant to the practitioner's decision to include such additional information may include:
- (a) Sustainability information may be prepared for diverse groups of users, and may cover sustainability matters that are diverse in nature, ranging from a single aspect, such as greenhouse gases emitted by the entity during a period, through to an entity's strategy, business model and performance, which may comprise:
 - Historical information.
 - Forward-looking information.
 - Processes, systems and controls.
 - Performance against targets, goals or commitments.
 - (b) The sustainability matters may be complex to measure or evaluate, or be subject to measurement or evaluation uncertainties, which the intended users may not be aware of.
 - (c) The criteria used to measure or evaluate them may be set out in an established framework, may be developed by the entity, or may be selected from various frameworks, with or without further development by the entity, making it difficult for a user to understand how the sustainability information has been prepared.
 - (d) The sustainability information may be presented in the form of a traditional stand-alone report, or as part of a larger report or reports. It may also be presented partially in narrative and partially through the use of graphs, images, embedded videos or similar representations. The presentation could support the users' understanding of what is, and what is not, subject to the assurance engagement.

Name of the Engagement Leader in the Assurance Report (Ref: Para. 191)

A570. The objective of the firm in ASQM 1 is to design, implement and operate a system of quality management that provides the firm with reasonable assurance that:

- The firm and its personnel fulfill their responsibilities in accordance with professional requirements and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm or engagement leaders are appropriate in the circumstances.

Notwithstanding the objective of ASQM 1, naming the engagement leader in the assurance report is intended to provide further transparency to the users of the assurance report on sustainability information of a listed entity.

A571. Law, regulation or national standards may require that the practitioner's report include the name of the engagement leader responsible for assurance reports other than those of sustainability information of listed entities. The practitioner may also be required by law, regulation or national standards, or may decide to include additional information beyond the engagement leader's name in the assurance report to further identify the engagement leader, for example, the engagement leader's professional license number that is relevant to the jurisdiction where the engagement leader practices.

A572. In rare circumstances, the practitioner may identify information or be subject to experiences that indicate the likelihood of a personal security threat that, if the identity of the engagement leader is made public, may result in physical harm to the engagement leader, other engagement team members or other closely related individuals. However, such a threat does not include, for example, threats of legal liability or legal, regulatory or professional sanctions. Discussions with those charged with governance about circumstances that may result in physical harm may provide additional information about the likelihood or severity of the significant personal security threat. Law, regulation or national standards may establish further requirements that are relevant to determining whether the disclosure of the name of the engagement leader may be omitted.

Reference to a Practitioner's Expert in the Assurance Report (Ref: Para. 192)

A573. In some cases, law or regulation may require a reference to the work of a practitioner's expert in the assurance report, for example, for the purposes of transparency in the public sector. It may also be appropriate in other circumstances, for example, to explain the nature of a modification of the practitioner's conclusion, or when the work of an expert is integral to findings included in a long-form report. In such circumstances, the practitioner may need the permission of the practitioner's expert before making such a reference.

A574. As the practitioner has sole responsibility for the assurance conclusion expressed, it is important that, if the assurance report refers to a practitioner's expert, the wording of that report does not imply that the practitioner's responsibility for the conclusion expressed is reduced because of the involvement of that expert. For example, in describing the practitioner's approach to an estimate that has been identified as having high estimation uncertainty, the practitioner may wish to highlight that the practitioner employed or engaged a practitioner's expert without identifying that expert. Such a reference to the use of a practitioner's expert does not reduce the practitioner's responsibility for the conclusion on the sustainability information and is therefore not inconsistent with paragraph 192.

A575. A generic reference in a long-form report to the engagement having been conducted by suitably qualified personnel, including subject matter experts and assurance specialists, is unlikely to be misunderstood as reduced responsibility. The potential for misunderstanding is higher, however, in the case of short-form reports, where minimum contextual information is able to be presented, or when law or regulation require the practitioner's expert to be referred

to by name. Therefore, additional wording may be needed in such cases to prevent the assurance report implying that the practitioner's responsibility for the conclusion expressed is reduced.

Other Reporting Responsibilities

Assurance Report Prescribed by Law or Regulation (Ref: Para. 193–194)

- A576. In some jurisdictions, the practitioner may have additional responsibilities to report on other matters that are additional to the practitioner's responsibilities under this ASSA. For example, the practitioner may be required to provide a conclusion on specific matters, such as compliance of the sustainability information with a digital taxonomy. Assurance standards in the specific jurisdiction often provide guidance on the practitioner's responsibilities with respect to specific additional reporting responsibilities in that jurisdiction.
- A577. In some cases, the relevant law or regulation may require or permit the practitioner to report on these other responsibilities as part of their assurance report on the sustainability information. In other cases, the practitioner may be required or permitted to report on them in a separate report.
- A578. Paragraphs 193–194 permit combined presentation of other reporting responsibilities and the practitioner's responsibilities under this ASSA only when they address the same elements as those presented under the reporting responsibilities required by this ASSA and the wording of the assurance report clearly differentiates the other reporting responsibilities from those under this ASSA. Such clear differentiation may make it necessary for the assurance report to refer to the source of the other reporting responsibilities and to state that such responsibilities are beyond those required under ASSA 5000. Otherwise, other reporting responsibilities are required to be addressed in a separate section in the assurance report with the heading "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content of the section.

Emphasis of Matter Paragraph and Other Matter Paragraph

The Difference between Inherent Limitations, Emphasis of Matter and Other Matter Paragraphs (Ref: Para. 199)

- A579. When significant inherent limitations are described in the assurance report in accordance with paragraph 190(g), the description of those inherent limitations is different from including an Emphasis of Matter paragraph in the assurance report. Inherent limitations are present in the measurement or evaluation of the sustainability matters, irrespective of whether they have been disclosed by management. However, it may be useful for management to disclose such inherent limitations in greater detail within the sustainability information. In some cases, the inherent measurement or evaluation uncertainties may be fundamental to the users' understanding of the sustainability information and may be described within the sustainability information.
- A580. An Emphasis of Matter paragraph can only draw attention to a matter which is presented or disclosed by management in the sustainability information. The content of an Emphasis of Matter paragraph includes a clear reference to the matter being emphasised and to where relevant disclosures that fully describe the matter can be found in the sustainability information. It also indicates that the practitioner's conclusion is not modified in respect of the matter emphasised. An Emphasis of Matter paragraph may be appropriate when, for example:
- (a) Different criteria have been used or the criteria have been revised, updated or interpreted differently than in prior periods and this has had a fundamental effect on the sustainability information.
 - (b) A system breakdown for part of the period impacted the operation of controls or recording of matters material to the engagement.

- A581. The content of an Other Matter paragraph reflects clearly that such other matter is not required to be presented and disclosed in the sustainability information. An Other Matter paragraph does not include information that the practitioner is prohibited from providing by law, regulation or professional requirements, for example, ethical standards relating to confidentiality of information. An Other Matter paragraph also does not include information that is required to be provided by management. An Other Matter paragraph may be appropriate when, for example, the scope of the engagement has changed significantly from the prior period and this has not been stated in the sustainability information.
- A582. A widespread use of Emphasis of Matter or Other Matter paragraphs may diminish the effectiveness of the practitioner's communication of such matters. Emphasis of Matter or Other Matter paragraphs are not a substitute for a modified assurance conclusion.

Criteria Designed for a Specific Purpose (Ref: Para. 200)

- A583. In some cases, the applicable criteria used to measure or evaluate the sustainability matter may be designed for a specific purpose. For example, a regulator may require certain entities to use particular applicable criteria designed for regulatory purposes. To avoid misunderstanding, the practitioner alerts readers of the assurance report to this fact and that, therefore, the sustainability information may not be suitable for another purpose.
- A584. In addition to the alert required by paragraph 200, the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the engagement circumstances, for example, the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the assurance report. While an assurance report may be restricted in this way, the absence of a restriction regarding a particular user or purpose does not in itself indicate that a legal responsibility is owed by the practitioner in relation to that user or for that purpose. Whether a legal responsibility is owed will depend on the legal circumstances of each case and the relevant jurisdiction.

Other Information (Ref: Para. 201–202)

- A585. When the practitioner disclaims a conclusion on the sustainability information, the assurance report does not include an "Other Information" section because providing further details about the engagement, including a section to address other information, may overshadow the disclaimer of conclusion on the sustainability information as a whole.
- A586. If the other information includes the financial report that have been audited by the practitioner or the practitioner's firm, ordinarily this is acknowledged in the Other Information section of the assurance report by expanding the statement required by paragraph 202(c) to indicate that a conclusion is not provided on the other information as part of the engagement on the sustainability information, but the practitioner or the practitioner's firm has audited the financial report that form part of the other information and provided a separate auditor's opinion thereon that is included with the other information.

Modified Conclusion (Ref: Para. 203–206)

Impact of Qualified Conclusions Due to Limitation of Scope on the Statement on Other Information (Ref: Para. 203(a))

- A587. When there is a limitation of scope with respect to a material item in the sustainability information, the practitioner will not have obtained sufficient appropriate evidence about that matter. In these circumstances, the practitioner may be unable to conclude whether or not the disclosures in the other information related to this matter result in a material misstatement of the other information. Accordingly, the practitioner may need to modify the statement required by paragraph 202(e)(i) to refer to the practitioner's inability to consider management's description of the matter in the other information in respect of which the assurance conclusion on the sustainability information has been qualified as explained in the Basis for Qualified

Conclusion paragraph. The practitioner is nevertheless required to report any other uncorrected material misstatements of the other information that have been identified.

Impact of Modified Conclusions Due to Uncorrected Misstatements on the Statement on Other Information (Ref: Para. 203(b))

- A588. A qualified or adverse assurance conclusion on the sustainability information may not have an impact on the statement on other information required by paragraph 202(e) if the matter for which the assurance conclusion has been modified is not included or otherwise addressed in the other information and the matter does not affect any part of the other information. In other circumstances, there may be implications for such reporting as described in paragraphs A589–A590.
- A589. When the assurance conclusion is qualified, consideration may be given as to whether the other information is also materially misstated for the same matter as, or a related matter to, the matter giving rise to the qualified conclusion on the sustainability information.
- A590. An adverse conclusion on the sustainability information relating to a specific matter(s) described in the Basis for Adverse Conclusion paragraph does not justify the omission of reporting of material misstatements of the other information that the practitioner has identified in the assurance report in accordance with paragraph 202(e)(ii). When an adverse conclusion has been expressed on the sustainability information, the practitioner may need to appropriately modify the statement required by paragraph 202(e)(ii), for example, to indicate that the disclosures in the other information are materially misstated for the same matter as, or a related matter to, the matter giving rise to the adverse conclusion on the sustainability information.

Effects of the Matter Are Pervasive (Ref: Para. 204)

- A591. The term ‘pervasive’ describes the effects on the sustainability information of misstatements or the possible effects on the sustainability information of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate evidence. Pervasive effects on the sustainability information are those that, in the practitioner’s professional judgement:
- (a) Are not confined to specific aspects of the sustainability information;
 - (b) If so confined, represent or could represent a substantial proportion of the sustainability information; or
 - (c) In relation to disclosures, are fundamental to the intended users’ understanding of the sustainability information.
- A592. The nature of the matter, and the practitioner’s judgement about the pervasiveness of the effects or possible effects on the sustainability information, affects the type of conclusion to be expressed.

Examples of Modified Conclusions (Ref: Para. 203)

- A593L. Examples of a qualified conclusion for a limited assurance engagement (with a material misstatement)
- Qualified conclusion (compliance framework) – “Based on the procedures performed and the evidence obtained, except for the effect of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the [sustainability information] is not prepared, in all material respects, in accordance with XYZ criteria.”
 - Qualified conclusion (fair presentation framework) – “Based on the procedures performed and the evidence obtained, except for the effect of the matter described

in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the [sustainability information] is not fairly presented, in all material respects, in accordance with XYZ criteria.”

A594R. Examples of qualified conclusion for a reasonable assurance engagement (with a material misstatement):

- Qualified conclusion (compliance framework) – “Except for the effect of the matter described in the Basis for Qualified Conclusion section of our report, the [sustainability information] is prepared, in all material respects, in accordance with XYZ criteria.”
- Qualified conclusion (fair presentation framework) – “Except for the effect of the matter described in the Basis for Qualified Conclusion section of our report, the [sustainability information] is fairly presented, in all material respects, in accordance with XYZ criteria.”

A595. Examples of adverse conclusions and a disclaimer of conclusion for both limited and reasonable assurance engagements:

- Adverse conclusion (an example for a material and pervasive misstatement for information prepared under a compliance framework) – “Because of the significance of the matter described in the Basis for Adverse Conclusion section of our report, the [sustainability information] is not prepared in accordance with “XYZ criteria.”
- Adverse conclusion (an example for a material and pervasive misstatement for information prepared under a fair presentation framework) – “Because of the significance of the matter described in the Basis for Adverse Conclusion section of our report, the [sustainability information] does not present fairly the entity’s compliance with XYZ criteria.”
- Disclaimer of conclusion (an example for a material and pervasive limitation of scope) – “Because of the significance of the matter described in the Basis for Disclaimer of Conclusion section of our report, we have not been able to obtain sufficient appropriate evidence to form a conclusion on the [sustainability information]. Accordingly, we do not express a conclusion on that [sustainability information].”

Comparative Information (Ref: Para. 207–211)

A596. Law or regulation, the criteria or the terms of the engagement, may specify the requirements regarding the presentation, reporting and assurance of the comparative information in the sustainability information.

A597. If there are inconsistencies between the comparative information and the current-period sustainability information, the practitioner may consider the reasons for those differences to evaluate whether those inconsistencies are addressed in accordance with the criteria. When sustainability information includes comparisons of period-on-period information, such as references to percentage reductions or increases in measures or key performance indicators, it is important that the practitioner consider the appropriateness of the comparisons. These may be inappropriate due to:

- (a) Significant changes in operations from the prior period;

- (b) Significant changes in conversion factors;
 - (c) Significant changes in assumptions, or
 - (d) Inconsistency of sources or methods of measurement or evaluation.
- A598. Information reported in a prior period may need to be restated in accordance with law or regulation or the applicable criteria because of, for example, improved scientific knowledge, significant structural changes in the entity, the availability of more accurate quantification methods, or the discovery of a significant error.
- A599. When comparative information is presented with the current sustainability information, but some or all of that comparative information is not referred to in the practitioner's conclusion, it is important that the status of such information is clearly identified in both the sustainability information and the assurance report in accordance with paragraphs 209 and 210.
- A600. The identification of information required under paragraphs 209 and 210 to be included in an "Other Matter" paragraph with respect to an assurance engagement conducted on the comparative information in the prior period, may be complex and lengthy. In these circumstances, it may be appropriate to include this information by way of reference if it is included in the sustainability information, or as an attachment to the assurance report.
- A601. If the engagement does not include assurance on comparative information, the requirement to perform procedures in the circumstances addressed by paragraph 211 is to satisfy the practitioner's ethical obligation to not knowingly be associated with materially false or misleading information.

Documentation

Matters Arising After the Date of the Practitioner's Report (Ref: Para. 212)

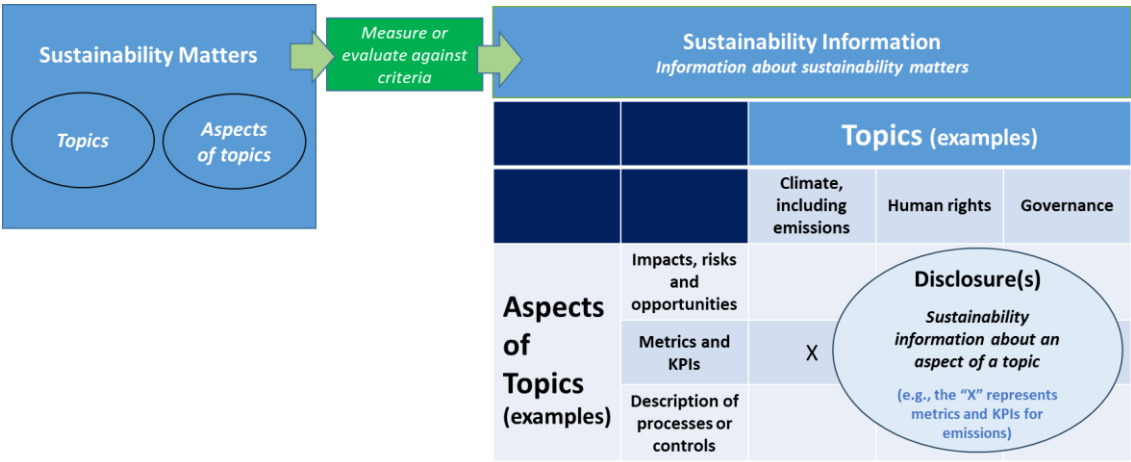
- A602. Examples of exceptional circumstances include facts that become known to the practitioner after the date of the assurance report but which existed at that date and which, if known at that date, might have caused the sustainability information to be amended or the practitioner to modify the conclusion in the assurance report, for example, the discovery of a significant uncorrected error. The resulting changes to the engagement documentation are reviewed in accordance with the firm's policies or procedures with respect to the nature, timing and extent of the review of engagement team members' work as required by ASQM 1, with the engagement leader taking final responsibility for the changes.

Appendix 1

(Ref: Para. 2, A21–A22)

Sustainability Matters and Sustainability Information

- 1. This appendix explains the relationship between sustainability matters (i.e., the underlying subject matter); sustainability information (i.e., the subject matter information), which results from measuring or evaluating the sustainability matters against the criteria; and the related disclosures.
- 2. This relationship can be illustrated as follows:



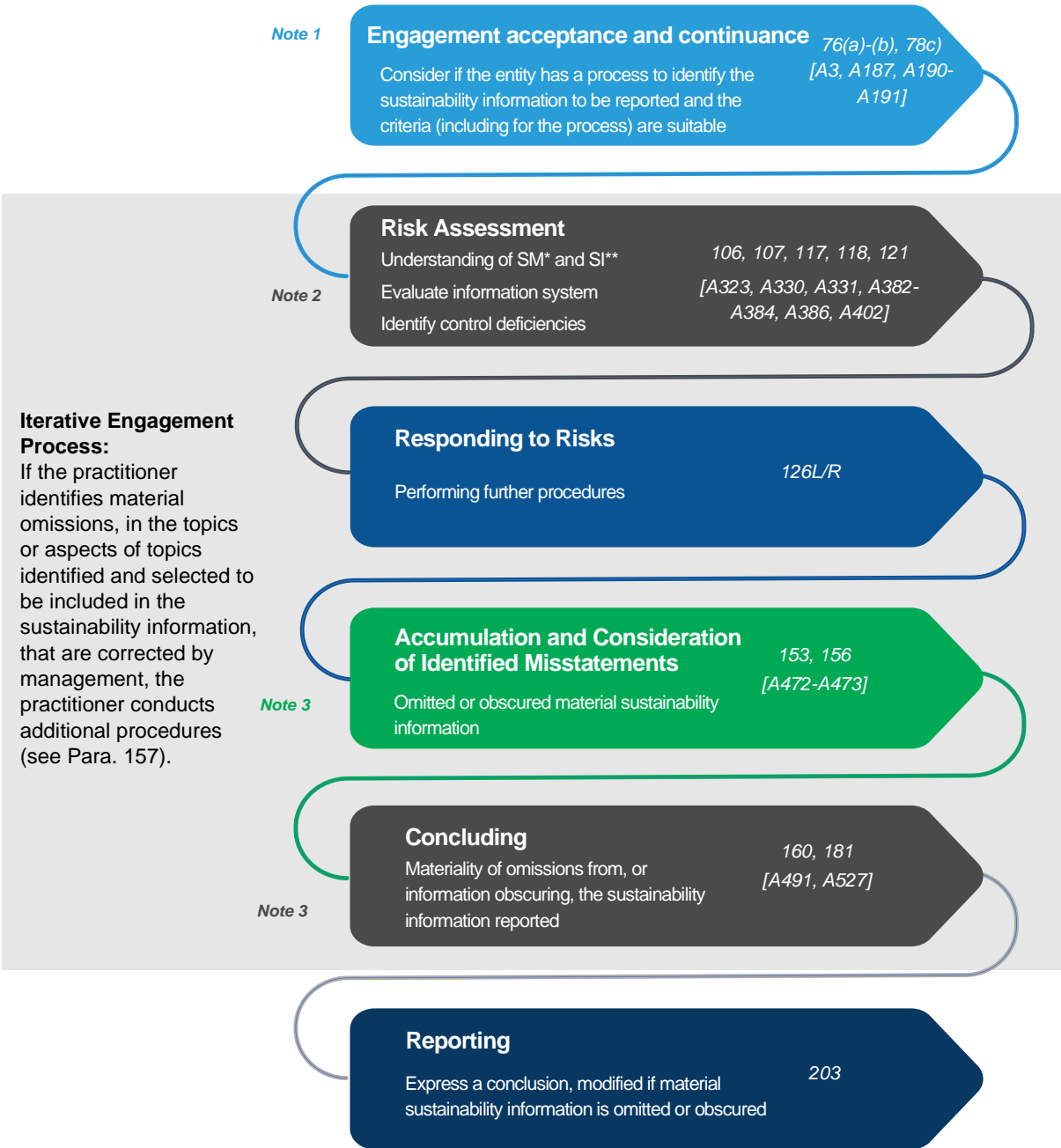
- 3. Paragraph 75 requires the practitioner to obtain a preliminary knowledge of the sustainability information to be reported by the entity. As a part of establishing whether the preconditions for an assurance engagement are present, paragraph 76(a) requires the practitioner to consider whether the entity has a process to identify sustainability information to be reported.
- 4. As explained in paragraph 3, sustainability information is reported in accordance with the criteria. The topics and aspects of topics of sustainability matters are considered by management in determining the sustainability information to be reported, and are manifested in the related disclosures. A disclosure represents sustainability information reported by the entity about an aspect of a topic. A more comprehensive list of examples of topics and aspects of topics is provided in paragraph A43.
- 5. Disclosures can be in various forms (e.g., narrative descriptions or other qualitative information, tables with key performance indicators or other quantitative information, or a combination thereof) and may be limited to a single paragraph or table or may span multiple pages in a separate sustainability report, part of the entity’s annual report or some other reporting mechanism. How the entity presents the disclosures (i.e., how the entity aggregates or disaggregates the sustainability information for purposes of presentation) is determined by the criteria. Whether and how the practitioner may further group the disclosures for purposes of planning and performing the engagement is a matter of professional judgement, as explained in paragraph A287.

Appendix 2

(Ref: Para. 4, A3)

The Practitioner’s Consideration of the Entity’s Process to Identify Sustainability Information to be Reported

1. This appendix sets out the requirements and application material relevant to the practitioner’s conduct of an engagement, in the circumstances when the entity has a process to identify sustainability information to be reported, as described in paragraph 4.



Notes to the flowchart:

1. The practitioner is required to consider whether the entity has a process to identify the sustainability information to be reported (paragraph 76(a)). The practitioner is also required to evaluate the suitability of the criteria for the sustainability information, which would include understanding whether the entity is required to have such a process and whether the criteria in respect of that process exhibit the suitability characteristics in paragraph 78(c), in particular the relevance and completeness of the criteria.
2. As part of the practitioner's understanding of the entity's information system and controls, the practitioner obtains an understanding of the entity's process, and based on that understanding, and in the context of the reporting framework, the practitioner evaluates whether it appropriately supports the preparation of the sustainability information (paragraphs 117 and 118). The practitioner's understanding of the entity's process, along with other risk assessment procedures, may highlight where there are risks of material misstatement, including in relation to the completeness of the sustainability information to be reported.
3. Misstatements accumulated include any misstatements arising from material omissions in, or obscuring of, the sustainability information to be reported.

Requirements and application material for reference

| Requirement [Application Material] Paragraph Number | Relevant extract of the requirement wording The practitioner shall... |
|--|---|
| 76 (a) [A3, A187] | Consider whether the entity has a process to identify the sustainability information to be reported. |
| 76 (b) [A190–A191] | Evaluate whether management, or those charged with governance, when appropriate, have a reasonable basis for the sustainability information. |
| 78 | Evaluate whether the criteria that the practitioner expects to be applied in the preparation of the sustainability information are suitable for the engagement circumstances and will be available to the intended users. In doing so, the practitioner shall:... (c) Evaluate whether the criteria exhibit the following characteristics: (i) Relevance; (ii) Completeness... |
| 106 [A323] | Obtain an understanding of the sustainability matters and the sustainability information, including the characteristics of events or conditions that could give rise to material misstatement of the disclosures. |
| 107 [A330–A331] | Determine whether the applicable criteria are suitable for the engagement circumstances, including that they exhibit the characteristics in paragraph 78. |

| Requirement [Application Material] Paragraph Number | Relevant extract of the requirement wording The practitioner shall... |
|--|---|
| 117 [A382–A384] | Obtain an understanding of the entity’s information system and communication relevant to the sustainability matters and the preparation of the sustainability information, including: (a) The entity’s process to identify sustainability information to be reported.... |
| 118 [A386] | Evaluate whether the entity’s information system appropriately supports the preparation of the sustainability information in accordance with the applicable criteria. |
| 121 [A402] | Based on the practitioner’s understanding of the components of the entity’s system of internal control, the practitioner shall consider whether one or more control deficiencies have been identified. |
| 126L/R | Design and perform further procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement, whether due to fraud or error, at the disclosure level/ assertion level for the disclosures. |
| 153 [A472–A473] | Accumulate misstatements identified during the engagement, other than those that are clearly trivial. |
| 156 | Communicate to management, on a timely basis, all misstatements accumulated during the assurance engagement, and shall request management to correct those misstatements. |
| 160 [A491] | Determine whether uncorrected misstatements are material, individually or in the aggregate. In making this determination, the practitioner shall consider the size and nature of the misstatements, and the particular circumstances of their occurrence. |
| 181 [A527] | Form a conclusion about whether the sustainability information is free from material misstatement, whether due to fraud or error... |
| 203 | Express a modified conclusion ... when, in the practitioner’s professional judgement, a scope limitation exists, and the effect of the matter could be material ... (or) ... the sustainability information is materially misstated. |

Appendix 3

(Ref: Para. A538)

Illustrations of Assurance Reports on Sustainability Information

- Illustration 1: Unmodified Reasonable Assurance Report on Sustainability Information of a Listed Entity Prepared in Accordance with Fair Presentation Criteria
- Illustration 2: Unmodified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria
- Illustration 3: Unmodified Combined Reasonable and Limited Assurance Report on Sustainability Information for an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria
- Illustration 4: Modified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

Illustration 1 – Unmodified Reasonable Assurance Report on Sustainability Information of a Listed Entity Prepared in Accordance with Fair Presentation Criteria

For purposes of this illustrative assurance report, the following circumstances are assumed:

- A reasonable assurance engagement relating to the entirety of the Sustainability Report of ABC Company (the Company), a listed entity, for the year ended December 31, 20X1 (the Sustainability Information).
- The Sustainability Information is prepared by management of the Company in accordance with fair presentation criteria (Sustainability Reporting Framework Version x.1).
- The Sustainability Information includes comparative information that is not referred to in the practitioner’s conclusion. The comparative information was subject to a reasonable assurance engagement by the same practitioner in the prior period and the practitioner’s conclusion was unmodified.
- Management of the Company is the engaging party.
- Those charged with governance are responsible for oversight of the Company’s sustainability reporting process.
- The terms of the assurance engagement reflect the description of management’s responsibility for the Sustainability Information in ASSA 5000.
- The practitioner has concluded that an unmodified (i.e., “clean”) opinion is appropriate based on the evidence obtained.
- The relevant ethical requirements that apply to the assurance engagement comprise the applicable requirements of APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (APESB) and the provisions in Part 5 of the International Ethics Standards for Sustainability Assurance (Including International Independence Standards) (the Code together with legislative and other requirements)~~the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements relating to assurance engagements in the jurisdiction, and the assurance report refers to both. The IESBA Code and the ethical requirements relating to the assurance engagement, in the jurisdiction Australia including~~ independence requirements that are applicable to sustainability assurance engagements of public interest entities. They also require the practitioner to publicly disclose that the independence requirements applicable to sustainability assurance engagements of public interest entities were applied.
- The firm of which the practitioner is a member applies ASQM 1.
- The Sustainability Information and the practitioner’s report thereon have been included in the Company’s Annual Report. The practitioner has obtained the Annual Report prior to the date of the assurance report and has not identified a material misstatement of the other information in the Annual Report.
- In addition to the reasonable assurance engagement on the Sustainability Information, the practitioner has other reporting responsibilities required under the law.

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances.

INDEPENDENT PRACTITIONER'S REASONABLE ASSURANCE REPORT ON ABC'S SUSTAINABILITY INFORMATION

To the Management of ABC

Reasonable Assurance Report on the Sustainability Information⁵

Reasonable Assurance Opinion

We have conducted a reasonable assurance engagement on the Sustainability Report of ABC Company (the "Company") for the year ended December 31, 20X1 (the "Sustainability Information").

In our opinion, the accompanying Sustainability Information is fairly presented, in all material respects, in accordance with the Sustainability Reporting Framework Version x.1.

Basis for Opinion

We conducted our reasonable assurance engagement in accordance with Australian Standard on Sustainability Assurance (ASSA) 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the Australian Auditing and Assurance Standards Board.

Our responsibilities under this standard are further described in the *Practitioner's Responsibilities* section of our report.

We are independent of the Company in accordance with ~~the applicable requirements of APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (APESB) and the provisions in Part 5 of the International Ethics Standards for Sustainability Assurance (Including International Independence Standards)~~ *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* issued by the International Ethics Standards Board for Accountants (IESBA) (the Code), as applicable to sustainability assurance engagements of public interest entities, together with the ethical requirements that are relevant to assurance engagements of public interest entities in [title/identification of requirements, name of appropriate authority and jurisdiction]. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies Australian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Reports, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter⁶

We draw attention to [identify the specific disclosure in the Sustainability Information], which describes [...]. Our opinion is not modified in respect of this matter.

Other Information⁷

⁵ The sub-title "Reasonable Assurance Report on the Sustainability Information" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁶ Include if the practitioner considers it necessary in the engagement circumstances – see paragraph 199.

⁷ Another appropriate heading may be used, such as "Information Other than the Sustainability Information and Reasonable Assurance Report Thereon."

Management of the Company is responsible for the other information. The other information comprises the [information included in the Company's Annual report],⁸ but does not include the Sustainability Information and our assurance report thereon.

Our opinion on the Sustainability Information does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our assurance engagement on the Sustainability Information, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Sustainability Information or our knowledge obtained in the assurance engagement, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the Sustainability Information

Management of the Company is responsible for:

- The preparation and fair presentation of the Sustainability Information in accordance with the Sustainability Reporting Framework Version x.1.
- Designing, implementing and maintaining such internal control that management determines is necessary to enable the preparation of the Sustainability Information, in accordance with the Sustainability Reporting Framework Version x.1, that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Company's sustainability reporting process.

Inherent Limitations in Preparing the Sustainability Information⁹

As discussed in [identify the specific disclosure in the Sustainability Information], [provide a specific description of any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria].

Practitioner's Responsibilities

Our objectives are to plan and perform the assurance engagement to obtain reasonable assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error, and to issue an assurance report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Information.

As part of a reasonable assurance engagement in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹⁰
- Design and perform procedures responsive to the assessed risks of material misstatement at the assertions level for the disclosures. The risk of not detecting a material misstatement

⁸ A more specific description of the other information, such as "the financial statements and notes thereto and chairman's statement," may be used to identify the other information.

⁹ Include paragraph if relevant to the engagement circumstances – see paragraph 190(g).

¹⁰ Remove the words "but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control " if the reasonable assurance engagement includes an opinion on the effectiveness of internal control.

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the assurance report will vary depending on the nature of the practitioner's other reporting responsibilities. The matters addressed by other law, regulation or national standards (referred to as "other reporting responsibilities") are addressed within this section unless the other reporting responsibilities address the same report elements as those presented in accordance with the reporting responsibilities required by ASSA 5000 as part of the Reasonable Assurance Report on the Sustainability Information section. The reporting of other reporting responsibilities that address the same report elements as those required by this ASSA may be combined (i.e., included in the Reasonable Assurance Report on the Sustainability Information section under the appropriate subheadings) provided that the wording in the assurance report clearly differentiates the other reporting responsibilities from the reporting that is required by ASSA 5000, when such a difference exists.]

The engagement leader on the assurance engagement resulting in this independent practitioner's assurance report is [name].

[Signature in the name of the assurance firm, the personal name of the assurance practitioner, or both, as appropriate for the particular jurisdiction]

[Practitioner's address]

[Date of the assurance report]

Illustration 2 – Unmodified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

For purposes of this illustrative assurance report, the following circumstances are assumed:

- A limited assurance engagement relating to the entirety of the Sustainability Report of ABC Company (the Company), an entity other than a listed entity, for the year ended December 31, 20X1, as required by law or regulation (the Sustainability Information).
- The Sustainability Information is presented in a stand-alone document (i.e., the entity's Sustainability Report).
- The Sustainability Information is prepared by management of the Company in accordance with compliance criteria (XYZ Law of Jurisdiction X).
- The Sustainability Information includes comparative information that is not referred to in the practitioner's conclusion. The comparative information was subject to a limited assurance engagement by the same practitioner in the prior period and the practitioner's conclusion was unmodified.
- Management of the Company is the engaging party.
- The terms of the assurance engagement reflect the description of management's responsibility for the Sustainability Information in ASSA 5000.
- The practitioner has concluded that an unmodified (i.e., "clean") conclusion is appropriate based on the evidence obtained.
- The relevant ethical requirements that apply to the assurance engagement comprise [the Code and applicable legislative or other requirements applicable requirements of APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\) issued by the Accounting Professional & Ethical Standards Board Limited \(APESB\) and the provisions in Part 5 of the International Ethics Standards for Sustainability Assurance \(Including International Independence Standards\) \(the Code\)](#)~~the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements relating to assurance engagements in the jurisdiction, and the assurance report refers to both,~~ and the assurance report refers to both.
- The firm of which the practitioner is a member applies ASQM 1.
- There is no other information because the Sustainability Information is presented in a stand-alone document.

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances.

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON ABC'S SUSTAINABILITY INFORMATION

To the Management of ABC

Limited Assurance Conclusion

We have conducted a limited assurance engagement on the Sustainability Report of ABC Company (the Company) for the year ended December 31, 20X1 (the "Sustainability Information").

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the accompanying Sustainability Information is not prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

Basis for Conclusion

We conducted our limited assurance engagement in accordance with Australian Standard on Sustainability Assurance (ASSA) 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the Australian Auditing and Assurance Standards Board.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under this standard are further described in the *Practitioner's Responsibilities* section of our report.

We are independent of the Company in accordance with [the applicable requirements of APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\) issued by the Accounting Professional & Ethical Standards Board Limited \(APESB\) and the provisions in Part 5 of the International Ethics Standards for Sustainability Assurance \(Including International Independence Standards\)](#) ~~the International Code of Ethics for Professional Accountants (including International Independence Standards)~~ (IESBA Code) issued by the International Ethics Standards Board for Accountants [\(IESBA\) \(the Code\)](#), together with the ethical requirements that are relevant to our assurance engagement of the Sustainability Information in [title/identification of requirements, name of appropriate authority and jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ~~IESBA~~ Code.

Our firm applies Australian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Reports, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of Matter¹¹

We draw attention to [identify the specific disclosure in the Sustainability Information], which describes [...]. Our conclusion is not modified in respect of this matter.

Responsibilities for the Sustainability Information

¹¹ Include if the practitioner considers it necessary in the engagement circumstances – see paragraph 199.

Management of the Company is responsible for:

- The preparation of the Sustainability Information in accordance with XYZ Law of Jurisdiction X.
- Designing, implementing and maintaining such internal control that management determines is necessary to enable the preparation of the Sustainability Information, in accordance with XYZ Law of Jurisdiction X that is free from material misstatement, whether due to fraud or error.

Inherent Limitations in Preparing the Sustainability Information¹²

As discussed in *[identify the specific disclosure in the Sustainability Information]*, *[provide a specific description of any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria]*.

Practitioner's Responsibilities

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Information.

As part of a limited assurance engagement in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatements, whether due to fraud or error, at the disclosure level but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.¹³
- Design and perform procedures responsive to assessed risks of material misstatement at the disclosures level. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the Work Performed

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Information. The nature, timing and extent of procedures selected depend on professional judgement, including the assessed risks of material misstatement at the disclosures level, whether due to fraud or error.

In conducting our limited assurance engagement, we:

[Insert a summary of the nature and extent of procedures performed that, in the practitioner's judgement, provides additional information that may be relevant to the users' understanding of the work performed to support the practitioner's conclusion and the level of assurance obtained.]¹⁴

¹² Include paragraph if relevant to the engagement circumstances – see paragraph 190(g).

¹³ Remove "but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control" if the limited assurance engagement includes a conclusion on the effectiveness of internal control.

¹⁴ The procedures are to be summarised but not to the extent that they are ambiguous, nor described in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is important that the description of the procedures does not give the impression that those procedures were agreed upon by the assurance practitioner with management and in most cases will not detail the entire work plan.

- [...]

[Signature in the name of the assurance firm, the personal name of the assurance practitioner, or both, as appropriate for the particular jurisdiction]

[Practitioner's address]

[Date of the limited assurance report]

Illustration 3 – Unmodified Combined Reasonable and Limited Assurance Report on Sustainability Information for an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria, comprising:

- (a) Reasonable Assurance Opinion on the selected disclosures, [identified by ...],¹⁵ from the Sustainability Report (“Information RA”)**
- (b) Limited Assurance Conclusion on the selected disclosures, [identified by ...],¹⁶ from the Sustainability Report (“Information LA”)**

For purposes of this illustrative assurance report, the following circumstances are assumed:

- A reasonable assurance engagement relating to Information RA and a limited assurance engagement relating to Information LA of the Sustainability Report of ABC Company (the Company), an entity other than a listed entity, for the year ended December 31, 20X1, as required by law or regulation (the Sustainability Report).
- The Sustainability Report represents the sustainability information reported by the Company and Information RA and Information LA represent the sustainability information subject to the assurance engagement.
- The Sustainability Report is prepared by management of the Company in accordance with compliance criteria (XYZ Law of Jurisdiction X).
- The Sustainability Report includes comparative information that is not referred to in the practitioner’s conclusion. With respect to the comparative information: comparative Information RA was subject to a reasonable assurance engagement, and comparative Information LA was subject to a limited assurance engagement, in the prior period, and the practitioner’s respective conclusions were unmodified.
- Management of the Company is the engaging party.
- The terms of the assurance engagement accurately reflect the description of management’s responsibility for the Sustainability Information in ASSA 5000.
- The assurance practitioner has concluded that, based on the evidence obtained, an unmodified (i.e., “clean”) reasonable assurance opinion and limited assurance conclusion are appropriate with respect to Information RA and Information LA, respectively.
- The relevant ethical requirements that apply to the assurance engagement comprise [the applicable requirements of APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\) issued by the Accounting Professional & Ethical Standards Board Limited \(APESB\) and the provisions in Part 5 of the International Ethics Standards for Sustainability Assurance \(Including International Independence Standards\) \(the Code\)](#)~~the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements relating to assurance engagements in the jurisdiction, and the assurance report refers to both.~~
- The firm of which the practitioner is a member applies ASQM 1.

¹⁵ Provide a specific identification and location of the information that is subject to a reasonable assurance opinion, which should be distinct from the information subject to a limited assurance conclusion (e.g. by tagging the specific disclosures in the Sustainability Information, Title of Section of the Sustainability Information, an Appendix to Assurance Report, etc.).

¹⁶ Provide a specific identification and location of the information that is subject to a limited assurance conclusion, which should be distinct from the information subject to a reasonable assurance conclusion (e.g. by tagging the specific disclosures in the Sustainability Information, Title of Section of the Sustainability Information, an Appendix to Assurance Report, etc.).

- Information LA and Information RA, and the practitioner's report thereon, have been included in the Company's Annual Report. The practitioner has obtained the Annual Report prior to the date of the assurance report and has not identified a material misstatement of the other information in the Annual Report.

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances.

INDEPENDENT PRACTITIONER'S REASONABLE AND LIMITED ASSURANCE REPORT ON ABC'S SUSTAINABILITY INFORMATION

To the Management of ABC

Reasonable Assurance Opinion

We have conducted a reasonable assurance engagement on the selected disclosures, [identified by ...],¹⁷ of the Sustainability Report of ABC Company (the Company) for the year ended December 31, 20X1 ("Information RA").

In our opinion, the Information RA of the accompanying Sustainability Report is prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

Limited Assurance Conclusion

We have conducted a limited assurance engagement on the selected disclosures, [identified by ...],¹⁸ included in the Sustainability Report of the Company for the year ended December 31, 20X1 ("Information LA").

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Information LA of the accompanying Sustainability Report is not prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

Basis for Reasonable Assurance Opinion and Limited Assurance Conclusion

We conducted our engagement in accordance with Australian Standard on Sustainability Assurance (ASSA) 5000 *General Requirements for Sustainability Assurance Engagements*, issued by the Australian Auditing and Assurance Standards Board.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under this standard are further described in the *Practitioner's Responsibilities* section of our report.

We are independent of the Company in accordance with [the applicable requirements of APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\) issued by the Accounting Professional & Ethical Standards Board Limited \(APESB\) and the provisions in Part 5 of the International Ethics Standards for Sustainability Assurance \(Including International Independence Standards\)](#) ~~the International Code of Ethics for Professional Accountants (including International~~

¹⁷ Provide a specific identification and location of the information that is subject to a reasonable assurance opinion, which should be distinct from the information subject to a limited assurance conclusion (e.g. by tagging the specific disclosures in the Sustainability Information, Title of Section of the Sustainability Information, an Appendix to Assurance Report, etc.).

¹⁸ Provide a specific identification and location of the information that is subject to a limited assurance conclusion, which should be distinct from the information subject to a reasonable assurance conclusion (e.g. by tagging the specific disclosures in the Sustainability Information, Title of Section of the Sustainability Information, an Appendix to Assurance Report, etc.).

Standard on Sustainability Assurance ASSA 5000

General Requirements for Sustainability Assurance Engagements

~~Independence Standards~~) (~~IESBA Code~~) issued by the International Ethics Standards Board for Accountants (~~IESBA~~) (~~the Code~~), together with the ethical requirements that are relevant to our assurance engagement of the Information RA and Information LA in [title/identification of requirements, name of appropriate authority and jurisdiction], and we have fulfilled our other responsibilities in accordance with these requirements and the ~~IESBA Code~~.

Our firm applies Australian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Reports, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance opinion and limited assurance conclusion.

Emphasis of Matter¹⁹

We draw attention to [identify the specific disclosure in the Sustainability Report] from the Information LA of the Sustainability Report, which describes [...]. Our limited assurance conclusion is not modified in respect of this matter.

Other Information²⁰

Management of the Company is responsible for the other information. The other information comprises the [information included in the Company's Annual Report],²¹ but does not include the Information RA and Information LA subject to this engagement and our assurance report thereon.

Our reasonable assurance opinion and limited assurance conclusion on Information RA and Information LA, respectively, do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our limited and reasonable assurance engagements on the Information RA and Information LA, respectively, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Information RA and Information LA, respectively, or our knowledge obtained in the assurance engagement, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the Sustainability Information

Management of the Company is responsible for:

- The preparation of the Information RA and Information LA in accordance with XYZ Law of Jurisdiction X.
- Designing, implementing and maintaining such internal control that management determines is necessary to enable the preparation of the Information RA and Information LA, in accordance with XYZ Law of Jurisdiction X, that is free from material misstatement, whether due to fraud or error.

¹⁹ Include if the practitioner considers it necessary in the engagement circumstances – see paragraph 199.

²⁰ Another appropriate heading may be used, such as “Information Other than the Sustainability Information and Reasonable and Limited Assurance Report Thereon”.

²¹ A more specific description of the other information, such as “the financial statements and notes thereto and chairman’s statement,” may be used to identify the other information.

Inherent Limitations in Preparing the Sustainability Information²²

As discussed in [identify the specific disclosure in the Sustainability Report], [provide a specific description of any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria].

Practitioner's Responsibilities

Our objectives are to:

- (a) Plan and perform the assurance engagement to obtain reasonable assurance about whether the Information RA is free from material misstatement, whether due to fraud or error, and to issue an assurance report that includes our opinion.
- (b) Plan and perform the assurance engagement to obtain limited assurance about whether the Information LA is free from material misstatement, whether due to fraud or error and to issue an assurance report that includes our conclusion.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Information RA and Information LA.

As part of both limited and reasonable assurance engagements in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- (a) For a reasonable assurance engagement:
 - Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.²³
 - Design and perform procedures responsive to the assessed risks of material misstatement at the assertions level for the disclosures in the Information RA. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) For a limited assurance engagement:
 - Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatements, whether due to fraud or error, at the disclosure level but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.²⁴
 - Design and perform procedures responsive to assessed risks of material misstatement at the disclosures level in the Information LA. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud

²² Include paragraph if relevant to the engagement circumstances – see paragraph 190(g).

²³ Remove “but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control” if the reasonable assurance engagement includes an opinion on the effectiveness of internal control.

²⁴ Remove “but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control” if the limited assurance engagement includes a conclusion on the effectiveness of internal control.

may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the Work Performed for Limited Assurance Conclusion

A limited assurance engagement involves performing procedures to obtain evidence about the Information LA. The nature, timing and extent of procedures selected depend on professional judgement, including the assessed risks of material misstatement at the disclosures level, whether due to fraud or error, in the Information LA.

In conducting our limited assurance engagement, we:

*[Insert a summary of the nature and extent of procedures performed that, in the practitioner's judgement, provides additional information that may be relevant to the users' understanding of the work performed to support the practitioner's conclusion and the level of assurance obtained.]*²⁵

- [...]

[Signature in the name of the assurance firm, the personal name of the assurance practitioner, or both, as appropriate for the particular jurisdiction]

[Practitioner's address]

[Date of the assurance report]

²⁵ The procedures are to be summarised but not to the extent that they are ambiguous, nor described in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is important that the description of the procedures does not give the impression that those procedures were agreed upon by the assurance practitioner with management, and in most cases will not detail the entire work plan.

Illustration 4 – Modified Limited Assurance Report on Sustainability Information of an Entity Other than a Listed Entity Prepared in Accordance with Compliance Criteria

For purposes of this illustrative assurance report, the following circumstances are assumed:

- A limited assurance engagement relating to the entirety of the Sustainability Report of ABC Company (the Company), an entity other than a listed entity, for the year ended December 31, 20X1, as required by law or regulation (the Sustainability Information).
- The Sustainability Information is presented in a stand-alone document (i.e., the entity's Sustainability Report).
- The Sustainability Information is prepared by management of the Company in accordance with compliance criteria (XYZ Law of Jurisdiction X).
- The Sustainability Information includes comparative information that is not referred to in the practitioner's conclusion. The comparative information was subject to a limited assurance engagement by the same practitioner in the prior period and the practitioner's conclusion was unmodified.
- Management of the Company is the engaging party.
- The terms of the assurance engagement reflect the description of management's responsibility for the Sustainability Information in ASSA 5000.
- The assurance practitioner has concluded that a modified conclusion is appropriate due to a limitation of scope arising from an inability to obtain sufficient appropriate evidence regarding an identified matter that the practitioner has determined is material but not pervasive.
- The relevant ethical requirements that apply to the assurance engagement comprise the applicable requirements of APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (APESB) and the provisions in Part 5 of the International Ethics Standards for Sustainability Assurance (Including International Independence Standards) (the Code) and applicable legislative or other requirements, and the assurance report refers to both the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements relating to assurance engagements in the jurisdiction, and the assurance report refers to both.
- The firm of which the practitioner is a member applies ASQM 1.
- There is no other information because the Company's Sustainability Information is presented in a stand-alone document.

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances.

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON ABC'S SUSTAINABILITY INFORMATION

To the Management of ABC

Qualified Limited Assurance Conclusion

We have conducted a limited assurance engagement on the Sustainability Report of ABC Company (the Company) for the year ended December 31, 20X1 (the "Sustainability Information").

Based on the procedures we have performed and the evidence we have obtained, except for the possible effect of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the accompanying Sustainability Information is not prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

Basis for Qualified Conclusion

The Company has disclosed [...].²⁶ We were unable to obtain sufficient appropriate evidence about [...] as at December 31, 20X1 because [...].²⁷ Consequently, we were unable to determine whether any adjustments to [...] were necessary.

We conducted our limited assurance engagement in accordance with Australian Standard on Sustainability Assurance (ASSA) 5000, *General Requirements for Sustainability Assurance Engagements*, issued by the Australian Auditing and Assurance Standards Board.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our responsibilities under this standard are further described in the *Practitioner's Responsibilities* section of our report.

We are independent of the Company in accordance with [the applicable requirements of APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\) issued by the Accounting Professional & Ethical Standards Board Limited \(APESB\) and the provisions in Part 5 of the International Ethics Standards for Sustainability Assurance \(Including International Independence Standards\) the International Code of Ethics for Professional Accountants \(including International Independence Standards\) \(IESBA Code\)](#) issued by the International Ethics Standards Board for Accountants ([IESBA](#)) ([the Code](#)), together with the ethical requirements that are relevant to our assurance engagement of the Sustainability Information in [title/identification of requirements, name of appropriate authority and jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements and the [IESBA](#) Code.

Our firm applies Australian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Reports, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified conclusion.

²⁶ Insert a description of the relevant disclosure.

²⁷ Provide a description of the matter giving rise to, and the reasons for, the qualified conclusion.

Emphasis of Matter²⁸

We draw attention to [identify the specific disclosure in the Sustainability Information], which describes [...]. Our conclusion is not modified in respect of this matter.

Responsibilities for the Sustainability Information

Management of the Company is responsible for:

- The preparation of the Sustainability Information in accordance with XYZ Law of Jurisdiction X.
- Designing, implementing and maintaining such internal control that management determines is necessary to enable the preparation of the Sustainability Information, in accordance with XYZ Law of Jurisdiction X, that is free from material misstatement, whether due to fraud or error.

Inherent Limitations in Preparing the Sustainability Information²⁹

As discussed in [identify the specific disclosure in the Sustainability Information], [provide a specific description of any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria].

Practitioner's Responsibilities

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Information.

As part of a limited assurance engagement in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatements, whether due to fraud or error, at the disclosure level but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.³⁰
- Design and perform procedures responsive to assessed risks of material misstatement at the disclosures level. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the Work Performed

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Information. The nature, timing and extent of procedures selected depend on professional judgement, including the assessed risks of material misstatement at the disclosures level, whether due to fraud or error.

In conducting our limited assurance engagement, we:

²⁸ Include if the practitioner considers it necessary in the engagement circumstances – see paragraph 199.

²⁹ Include paragraph if relevant to the engagement circumstances – see paragraph 190(g).

³⁰ Remove “but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control” if the limited assurance engagement includes a conclusion on the effectiveness of internal control.

Standard on Sustainability Assurance ASSA 5000
General Requirements for Sustainability Assurance Engagements

*[Insert a summary of the nature and extent of procedures performed that, in the practitioner's judgement, provides additional information that may be relevant to the users' understanding of the work performed to support the practitioner's conclusion and the level of assurance obtained.]*³¹

- [...]

[Signature in the name of the assurance firm, the personal name of the assurance practitioner, or both, as appropriate for the particular jurisdiction]

[Practitioner's address]

[Date of the limited assurance report]

³¹ The procedures are to be summarised but not to the extent that they are ambiguous, nor described in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is important that the description of the procedures does not give the impression that those procedures were agreed upon by the assurance practitioner with management, and in most cases will not detail the entire work plan.



AUASB Agenda Paper

| | | | |
|-----------------------------|---|---------------------|-----------------|
| Title: | How matters in AUASB Submission were addressed by the IAASB | Date: | 28 January 2025 |
| Office of the AUASB: | Rene Herman Anne Waters | Agenda Item: | 4.2 |

Objective of Agenda Item

1. The objective of this agenda item is to provide a summary of how the matters raised by the [AUASB in its submission on the IAASB Exposure Draft of ISSA 5000 General Requirements for Sustainability Assurance Engagements](#) have been addressed by the IAASB.

Question for AUASB members

| No. | Questions for AUASB members |
|-----|---|
| 1 | Do AUASB members agree that the substantive matters raised in the AUASB submission on ED-ISSA 5000 have been appropriately addressed, and no changes to ISSA 5000 are required in ASSA 5000 at this time? |

Background and Previous Discussions on Topic

2. See Agenda Item 4 of this board pack for more information.

Summary of comments in AUASB submission and how the IAASB addressed them in ISSA 5000

3. The Office of the AUASB considers that the majority of the substantive comments in the AUASB submission have been addressed by the IAASB in ISSA 5000. Those which have not been addressed are not significant enough to warrant amendment in ASSA 5000. Some matters may be addressed through additional AUASB guidance or future amendments to ISSA 5000.

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|---|---|
| A. Scope and Applicability | |
| <ul style="list-style-type: none">• There may be confusion where a practitioner undertakes an engagement under both ISAE 3410 <i>Assurance Engagements on Greenhouse Gas Statements</i> and ISSA 5000.• Update ISAE 3410 to reflect the principles of ISSA 5000 so that ISAE 3410 can sit under the umbrella of ISSA 5000. | <ul style="list-style-type: none">• ISSA 5000 applies to all assurance engagements on sustainability information.• Having concluded that there are no significant gaps in the requirements between ISSA 5000 and ISAE 3410, the IAASB has decided that ISAE 3410 be withdrawn once ISSA 5000 becomes effective for years commencing 15 December 2026 (subject to due process).• The AUASB has excluded engagements required to be conducted in accordance with ASAE 3410 from the scope of ASSA 5000 until years commencing 15 December 2026 or earlier where the Clean Energy Regulator's determination. |

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|---|---|
| | requiring the use of ASAE 3410 is amended to require the use of ASSA 5000. |
| B. Relevant Ethical Requirements and Quality Management Standards | |
| <ul style="list-style-type: none"> The AUASB did not support imposing firm quality management and ethical requirements through an assurance standard. Firm quality management should be dealt with through a separate dedicated project of the IAASB: <ul style="list-style-type: none"> National standards setters may not be able to make ISSA 5000 compliant standards For assurance over a narrow piece of information requiring highly specialised technical expertise, it may be appropriate to apply different quality management and ethical requirements; and A lack of clarity on the ethics and quality Management “at least as demanding” at IESBA Code and ISQM 1 could result in inconsistency. | <ul style="list-style-type: none"> Imposing firm quality management and ethical requirements is not considered an impediment to issuing an Australian equivalent of ISSA 5000. The <i>Corporations Act 2001</i> requires that the financial report auditor give assurance over information in sustainability reports under the Act and will already apply ASQM 1 and APES 110. A recent IFAC publication showed that the vast majority of sustainability assurance is being undertaken by audit firms in Australia using ASAE 3000 which requires compliance with ASQM 1. The AUASB can provide guidance on the use of experts and quality management for specialized areas. The IAASB’s Sustainability Assurance Task Force (SATF) acknowledged that third-party quality management requirements exist. However, aside from some limited references to ISO standards in the responses to ED-5000, feedback from stakeholders was that they were not aware of any requirements that may be considered at least as demanding as ISQM 1. The SATF was 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 ISQM 1 and to make a statement to that effect within the standard. Such an exercise would also require cooperation with external bodies responsible for establishing alternative requirements, as both parties would likely wish to be involved in making any such determination. Determination of ‘at least as demanding’ requirements was changed to remove the discretion of practitioners. The determination is restricted to an ‘appropriate authority’. |
| C. Acceptance and Continuance | |
| <ul style="list-style-type: none"> Concern with the potential extent of pre-engagement work Understanding the entity’s processes and the sustainability information to be disclosed and assured is fundamental to the initial planning of the engagement and may require additional guidance. | <ul style="list-style-type: none"> Revised the application material to emphasize that the practitioner uses professional judgment to determine the nature and extent of the preliminary knowledge, and that the preliminary knowledge the practitioner obtains ordinarily differs in nature, and is less in extent, than the understanding obtained when performing the engagement. |

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|--|---|
| | <ul style="list-style-type: none"> Added a new requirement and application material in the Risk Assessment Procedures section to differentiate the work effort in determining the suitability of the applicable criteria at this stage of the engagement from the work effort in evaluating the suitability of the criteria at the acceptance and continuance stage. Added requirements for the practitioner to consider whether the entity has a process to identify sustainability information to be reported and to understand that process as part of the risk assessment procedures. Developed the diagram in Appendix 2 to illustrate the various points throughout the engagement when the practitioner considers the entity's process to identify sustainability information to be reported. |
| D. Definitions | |
| <ul style="list-style-type: none"> There may be confusion around the terms 'sustainability information' and 'sustainability information subject to assurance'. | <ul style="list-style-type: none"> Clarity in the introduction that the scope of the assurance engagement may extend to all of the sustainability information to be reported by the entity or only part of that information. ISSA 5000 requires the assurance report to identify or describe the information that is subject to the assurance engagement. Added application material that references to "sustainability information to be reported" are intended to relate to the entirety of the sustainability information to be reported by the entity and are used primarily in the context of the practitioner's preliminary knowledge of the engagement circumstances. If the assurance engagement does not cover the entirety of the sustainability information reported by the entity, the term 'sustainability information' is to be read as the information that is subject to assurance. |
| E. Limited and Reasonable Assurance | |
| <i>Overall Differentiation between Limited and Reasonable Assurance Engagements</i> | |
| <ul style="list-style-type: none"> There is a need to further differentiate the requirements for limited assurance and reasonable assurance. 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. Application material or guidance in this area to increase user and practitioner understanding. Education material should cover the difference between limited and | <ul style="list-style-type: none"> Further differentiation for requirements and application material applicable to one or both levels of assurance. Emphasized the difference between the 'deep dive' in a limited assurance engagement and the need to obtain evidence to enable the expression of a reasonable assurance conclusion in a reasonable assurance engagement. For reasonable assurance engagements, irrespective of the assessed risks of material misstatement, requires the practitioner to consider the need to design and perform |

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|---|--|
| <p>reasonable assurance, and the trust and confidence that intended users could place on each level of assurance.</p> <ul style="list-style-type: none"> 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 | <p>substantive procedures for disclosures that, in the practitioner's judgment, are material. This recognizes that while the practitioner may determine that the risks of material misstatement for certain disclosures (or groups of disclosures) are at an acceptably low level, there may be a need to design and perform substantive procedures on those disclosures if they include information that is likely to be of particular importance to intended users.</p> <ul style="list-style-type: none"> The AUASB may provide guidance materials where required. Implementation support materials are being developed by the IAASB but the scope is not known. |
| <i>Differentiation in the Approach to Understanding the System of Internal Control</i> | |
| <ul style="list-style-type: none"> 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. | <ul style="list-style-type: none"> Greater differentiation between the requirements for limited assurance and reasonable assurance recognizing that for limited assurance engagements, the practitioner is required to obtain an understanding of and evaluate the design and determine the implementation of only those controls for which the practitioner plans to obtain evidence by testing their operating effectiveness, including related general IT controls that address risks arising from the use of IT. |
| <i>Approach to Risk Procedures for Limited Assurance Engagements</i> | |
| <ul style="list-style-type: none"> The AUASB considers that a risk-based approach is required for limited assurance (the same as for reasonable assurance) | <ul style="list-style-type: none"> Aligned the risk-based approach with ISAE 3410 and added requirements and application material for the practitioner, in a limited assurance engagement, to identify and assess the risks of material misstatement at the disclosure level as a basis for designing and performing further procedures. |
| F. Materiality | |
| <i>The Entity's "Materiality Process"</i> | |
| <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Revised the application material to emphasize that the practitioner uses professional judgment to determine the nature and extent of the preliminary knowledge, and that the preliminary knowledge the practitioner obtains ordinarily differs in nature, and is less in extent, than the understanding obtained when performing the engagement. Developed the diagram in Appendix 2 to illustrate the various points throughout the engagement when the practitioner considers the entity's process to identify sustainability information to be reported. |

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|--|---|
| <ul style="list-style-type: none"> Clarification needed about what constitutes sufficient knowledge about the entity's processes, considerations when evaluating an entity's process and how to obtain such knowledge. | <ul style="list-style-type: none"> Added requirements for the practitioner to consider whether the entity has a process to identify sustainability information to be reported and to understand that process as part of the risk assessment procedures. |
| <ul style="list-style-type: none"> Understanding the entity's processes and the sustainability information to be disclosed and assured is fundamental to the initial planning of the engagement. | <ul style="list-style-type: none"> As above |
| <i>Practitioner's Approach to Materiality</i> | |
| <ul style="list-style-type: none"> To aid in consistency between assurance engagements, encouragement for 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. | <ul style="list-style-type: none"> The AUASB may provide guidance materials where required. Implementation support materials are being developed by the IAASB but the scope is not known. |
| G. Engagement Team and Using the Work of Others | |
| <ul style="list-style-type: none"> The practical implementation of the requirements of ISSA 5000 for assurance by others on entities outside of the entity's organisational boundaries. Strengthening requirements and guidance in relation to the use of experts. Requiring the practitioner to understand whether the expert has sufficient understanding of the assurance process. 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. Requiring assurance providers to report on the use of their own experts as a means to promote the use of experts. Strengthening the expectation of the engagement leader and team member competencies and the strong need to use experts throughout the conduct of these engagements beginning at the pre-conditions stage of the engagement | <ul style="list-style-type: none"> Clarified that the work of another practitioner is performed in the context of a separate engagement, and that individuals from another practitioner who perform the work are neither members of the engagement team nor practitioner's experts. Revised application material which indicates that, in circumstances in which there may be limitations on management's ability to obtain information from value chain entities outside of the entity's control, the applicable criteria may provide certain relief provisions for management (e.g., the ability to develop estimates using sector-average data after making reasonable efforts to obtain the information). However, regardless of any such limitations, the practitioner is required to obtain sufficient appropriate evidence about the value chain information reported by management. Revised the application material to further clarify the concept of sufficiency of involvement, drawing on ISA 220 (Revised) <i>Quality Management for An Audit of Financial Statements</i>. Introduced a conditional requirement related to obtaining evidence from 'one-to-many' reports of another practitioner. To provide sufficient focus on the evaluation of the adequacy of an expert's work for the |

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|--|--|
| | <p>practitioner's purposes, added a separate, more robust requirement.</p> <ul style="list-style-type: none"> The AUASB may provide guidance materials where required. Implementation support materials are being developed by the IAASB but the scope is not known. |
| H. Connectivity with the audited financial statements | |
| <ul style="list-style-type: none"> There should be a requirement for timely communication throughout the engagement. 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. | <ul style="list-style-type: none"> Clarified that ISSA 5000 does not address sustainability information that is required to be included in the entity's financial statements in accordance with the applicable financial reporting framework. Added a requirement and application material for the practitioner to communicate, unless prohibited by law or regulation, with the auditor of the entity's financial statements, when the practitioner identifies that a material inconsistency appears to exist between the audited financial statements and the sustainability information, or the audited financial statements appear to be materially misstated. Added application material clarifying that communication with the financial statements' auditors, unless prohibited by law and regulation, may be useful if the sustainability matters relate to matters disclosed in the financial statements. This communication may take place at appropriate times throughout the assurance engagement. The AUASB may provide additional guidance on communication between assurance practitioners. |
| I. Estimates and Forward-Looking Information | |
| <ul style="list-style-type: none"> The IAASB should highlight the importance of disclosures about estimation uncertainty and key assumptions, as well as reporting on significant limitations on scope 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. The AUASB suggests the IAASB develop support materials including examples and considerations for the practitioner, particularly in understanding what would be | <ul style="list-style-type: none"> Added application material leveraged from ISA 540 (Revised) and the EER guidance to provide additional clarity and differentiation in the work effort. Included a requirement for the practitioner to obtain an understanding, for estimates and forward-looking information, of how the entity identifies the relevant methods, assumptions or sources of data, and the need for changes in them, that are appropriate in the context of the applicable criteria. Included application material which explains that the practitioner cannot determine whether the results of outcome forecast or projects will be achieved. However the practitioner may obtain evidence on the reasonableness of assumptions used in forecasts or whether hypothetical |

AUASB Agenda Paper

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|---|--|
| <p>considered sufficient appropriate evidence to assure such information.</p> | <p>assumptions in projections are consistent with the purpose of the information.</p> <ul style="list-style-type: none">• To specifically state that the 'Inherent Limitations in Preparing the Sustainability Information' in the assurance report may refer to limitations relating to forward looking information included in the sustainability information. |



AUASB Agenda Paper

| | | | |
|-----------------------------------|---|---------------------|-----------------|
| Title: | Australian Changes to ISSA 5000 | Date: | 28 January 2025 |
| Office of the AUASB Staff: | Rene Herman Anne Waters See Wen Ewe | Agenda Item: | 4.3 |

Objective of Agenda Item

1. The objective of this agenda item is to discuss the proposed Australian modifications to ISSA 5000 *General Requirements for Sustainability Assurance Engagements*. This is relevant to the approval of the proposed ASSA *General Requirements for Sustainability Assurance Engagements* (see Agenda Paper 4.0).

Background and Previous Discussions on Topic

2. See Agenda Paper 4.0 for more information.

Matters for Discussion

3. According to the *AUASB Policy and Process for International Conformance and Harmonisation of Standards*, the compelling reason test is met for modifications to an international standard being considered for adoption in Australia when the international standard does not reflect, or is not consistent with:
 - (a) Australian legal and regulatory arrangements (Trigger 1); or
 - (b) principles and practices that are appropriate having regard to the public interest in Australia (including in the use of different terminology) (Trigger 2).
4. Trigger 1 applies where, any new or modified requirement will:
 - (a) ensure effective and efficient compliance with the legal and/or regulatory framework in Australia; and
 - (b) not result in a requirement that is lesser than or in conflict with the international standard.
5. Trigger 2 applies where, any modification to the standard:
 - (a) ensures compliance with principles and practices that the AUASB considers appropriate and in the public interest in Australia;
 - (b) is clear and promote consistent application by all practitioners in Australia;
 - (c) promotes significant improvement in audit/assurance quality (as described by the IAASB's Framework for Audit Quality) in the Australian environment;
 - (d) does not result in a standard that conflicts with, or results in lesser requirements than the international standard;

- (e) is not overly complex and confusing; and
- (f) does not change the meaning or intent of the international standard by imposing more onerous requirements on practitioners in Australia than are necessary.

6. The triggers that apply to the proposed modifications of ISSA 5000 (see Agenda Paper 4.1) and the consequential amendments to ASAE 3000 and ASAE 3410 (see Agenda Papers 4.6 to 4.6.2) are as follows:

- (a) **Application and effective date** (paragraphs Aus 0.1 to 0.4 of ASSA 5000, paragraphs Aus 0.1 and 0.2 of ASAE 3000, and paragraphs Aus 0.1 and 0.2 of ASAE 3410) (see Agenda Paper 5):
 - i. Changes to application and dates to reflect requirements of the *Corporations Act 2001* (Trigger 1)
 - ii. Applying commencement date in the Act to assurance over other sustainability – ensures consistency across engagements under the Act and other engagements (Trigger 2)
 - iii. Not applying to assurance under NGERs to the extent that ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* is required to be applied by a determination of the Clean Energy Regulator under legislation, which is consistent with the decision of the IAASB at its December 2024 meeting to allow ISAE 3410 to continue to be applied until the commencement date of ISSA 5000 (i.e. reporting periods commencing 15 December 2026 or reports as at 15 December 2026) (Trigger 1)
 - iv. Excluding internal assurance from the application of ASSA 5000 consistent with the exclusion in ISAE 3000/ASAE 3000. The inclusion of internal assurance appears to be the result of an unintended change to the definition of ‘assurance engagement’ by the IAASB (Trigger 2).

The definition of ‘assurance engagement’ in paragraph 18 of ISSA 5000 commences with the following words:

‘An engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users about the sustainability information. Each assurance engagement is either a: ...’

This definition omits the words underlined below in the equivalent part of the definition of ‘assurance engagement’ in ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* below:

‘An engagement in which an assurance practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria). Each assurance engagement is classified on two dimensions: ...’

The new definition appeared in the August 2023 IAASB exposure draft of a proposed ISSA 5000. We have looked at IAASB board papers and are unable to ascertain any reason for the change. We will enquire of IAASB staff and ASSA 5000 can be amended later if necessary. Given that ASSA 5000 applies much earlier than ISSA 5000, this will not be an issue.

- (b) **Definition of ‘Relevant ethical requirements’** (modified in table in paragraph 18 of ISSA 5000) and ‘the Code’ (added to table in paragraph 18 of ISSA 5000) – as decided by the AUASB at its 16 December 2024 meeting, to adopt Parts 1 to 3 of APES 110 Code of Ethics for Professional Accountants (including Independence Standards), Part 5 of the International Ethics Standards for Sustainability Assurance (including International Independence

Standards) and legislative (i.e. requirements of the Act) result in consistency with the ethical requirements that will apply internationally under ISSA 5000 and the IESBA Code and are considered appropriate in Australia (Trigger 2). Considerations are:

- (i) Part 5 of the IESBA Code was exposed internationally and by the APESB in Australia;
 - (ii) Part 5 of the IESBA Code and ISSA 5000 were intended to be applied together internationally;
 - (iii) Part 5 of the IESBA Code was certified by the Public Interest Oversight Board on 16 January 2025;
 - (iv) The APESB will expose the new Part 5 in Australia with a view to amending APES 110 in mid-2025. It is expected that APES 110 will be aligned with the IESBA Code, well before the end of the first 12 month financial year to which ASSA 5000 applies (i.e. 31 December 2025);
 - (v) Applying Part 5 in ASSA 5000 from commencement provides certainty to practitioners using ASSA 5000;
 - (vi) While the IESBA has made some amendments to Parts 1 to 3 of the Code relating to sustainability, these are examples and other changes that are not essential for the period until APES 110 is updated;
 - (vii) Other than for independence through value chains, Part 5 of the IESBA Code is based on Part 4A for audits of financial reports which already applies to auditors of financial reports. Auditors of financial reports are the only practitioners who can audit/review sustainability information in sustainability reports under the Act;
 - (viii) Reporting and assurance on Scope 3 emissions is not mandated to commence until after years commencing 1 January 2025 and so the new provisions on independence through value chains would only apply for voluntary assurance; and
 - (ix) There is no disciplinary mechanism to support the application of ASSA 5000 to practitioners who are not members of the three largest Australian accounting bodies.
- (c) **Prohibition use of direct assistance by internal auditors** (see Agenda Paper 3) – to reflect principles and practices that are consistent with those for audits of financial reports under ASA 610 *Using the Work of Internal Auditors* and considered appropriate in Australia (Trigger 2).

7. The proposed modifications will ensure:

- (a) effective and efficient compliance with the legal and regulatory framework in Australia; and
- (b) ensure compliance with principles and practices that the AUASB considers appropriate and in the public interest in Australia.

The proposed modifications do not change the meaning or intent of ISSA 5000 by imposing more onerous requirements on Australian practitioners than necessary. Also, the proposed modifications do not conflict with or have lesser requirements than ISSA 5000.

Do the proposed modifications require re-exposure of the standard?

8. Proposed changes to the application and effective date do not require re-exposure. They are consistent with the Act and have already been exposed with any changes responsive to stakeholder feedback (see Agenda Paper 5).
9. Proposed modifications to relevant ethical requirements result in consistency with the ethical requirements that will apply internationally under ISSA 5000 and the IESBA Code.
10. The proposed prohibition of direct assistance has been consulted on for a 75-day comment period with the majority of the written submissions supportive of the proposed modifications (see Agenda Paper 3).

February 2025

Basis for Conclusions ***ASSA 5000 General Requirements for*** ***Sustainability Assurance Engagements***

Prepared by the **Auditing and Assurance Standards Board**

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Basis for Conclusions

This Basis for Conclusions is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Basis for Conclusions ASSA 5000 *General Requirements for Sustainability Assurance Engagements* has been developed by the Auditing and Assurance Standards Board (AUASB) to provide a background to, and rationale for the development and approval of the Standard by the AUASB. The Basis for Conclusions relates to, but does not form part of, ASSA 5000.

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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BASIS FOR CONCLUSIONS

ASSA 5000 General Requirements for Sustainability Assurance Engagements

This Basis for Conclusions is issued by the Auditing and Assurance Standards Board (AUASB). It provides a background to, and rationale for the development and approval of the Standard by the AUASB. The Basis of Conclusions relates to, but does not form part of, Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000), and is not a substitute for reading the Standard.

Background

1. In accordance with its mandates under section 227 of the *Australian Securities and Investments Commission Act 2001* and the Financial Reporting Council's Strategic Direction, the AUASB's policy is to adopt the International Auditing and Assurance Standards Board (IAASB) standards, unless there is a compelling reason not to do so. In addition, the AUASB makes amendments to the IAASB Standards to ensure the AUASB Standards both exhibit and conform to the Australian regulatory environment and statutory requirements. Changes are made where there are compelling reasons to do so and are made with a public interest focus (refer paragraphs 15-19).
2. The AUASB has issued ASSA 5000. ASSA 5000 is consistent with International Standard on Sustainability Assurance ISSA 5000 *General Requirements for Sustainability Assurance Engagements* other than the necessary changes outlined in paragraphs 15-19.
3. The IAASB issued *Explanatory Memorandum for Proposed International Standard on Sustainability Assurance (ISSA) 5000 General Requirements for Sustainability Assurance Engagements* (IAASB EM) in August 2023.
4. In August 2023, the AUASB issued a [Consultation Paper](#) seeking feedback on the IAASB priority areas and other challenging areas identified in the IAASB EM, Australian specific questions focusing on jurisdictional issues and the need for further guidance to assist with the implementation of the standard in the Australian context.
5. The AUASB sought input from stakeholders on its Consultation Paper in three principal ways:
 - (a) An open invitation for written submissions;
 - (b) Hosting a series of in-person and virtual roundtables with stakeholders representing financial statement audit firms, public sector auditors, non-accountant assurance providers, sustainability consultants, preparers, directors, regulators, professional bodies, and academics; and
 - (c) Convening informal meetings with various stakeholder groups.
6. The comment period closed on 10 November 2023. The AUASB received written comment letters, from the following stakeholders:
 - Pitcher Partners
 - CA ANZ
 - Deakin
 - Leon Olsen (personal submission)
 - AICD
 - Deloitte
7. The AUASB considered all submissions received to the proposed ISSA 5000 and made a written [submission](#) to the IAASB on 1 December 2023.

8. Respondents to the AUASB's March 2024 consultation paper [Consultation Paper- Assurance Over Climate and Other Sustainability Information](#) were overwhelmingly supportive of adopting ISSA 5000 in Australia, subject to the final standard. The IAASB has since changed the proposed ISSA 5000 in response to feedback it received from stakeholders.
9. ISSA 5000 was approved by the IAASB at its September 2024 meeting and issued in November 2024 after certification by the Public Interest Oversight Board. The IAASB voted unanimously that the changes made to ISSA 5000 since the IAASB EM did not require ISSA 5000 to be re-exposed. Refer [here](#) for the IAASB's Basis of Conclusions which outlines how the reasons for changes to ISSA 5000 since the IAASB EM and how the IAASB responded to the feedback it received on the IAASB EM.
10. The AUASB approved ASSA 5000 on **28 January 2025**.

Application

11. ASSA 5000 applies to all assurance engagements on sustainability information, except where:
 - (a) ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* is required to be applied; or
 - (b) the engagement is not for the purpose of giving an opinion or conclusion to any person other than the party(ies) responsible for the underlying subject matter.

IAASB changes

12. As noted above, the IAASB's Basis of Conclusions outlines the changes to ISSA 5000 since the IAASB EM and the reasons for those changes. The IAASB's changes were in response to the feedback it received on the IAASB EM. The AUASB concluded that it was not necessary to re-expose the final ISSA 5000 in Australia.

Substantive comments raised in AUASB submission on IAASB EM

13. The majority of the substantive comments in the AUASB submission have been addressed by the IAASB in ISSA 5000. Those which have not been addressed are not significant enough to warrant amendment in ASSA 5000. Some matters may be addressed through additional AUASB guidance or future amendments to ISSA 5000.
14. The following table outlines substantive comments raised by the AUASB in its submission on the IAASB EM and how the IAASB addressed those issues in the final ISSA 5000.

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|--|--|
| Scope and Applicability | |
| <ul style="list-style-type: none"> There may be confusion where a practitioner undertakes an engagement under both ISAE 3410 <i>Assurance Engagements on Greenhouse Gas Statements</i> and ISSA 5000 Update ISAE 3410 to reflect the principles of ISSA 5000 so that ISAE 3410 can sit under the umbrella of ISSA 5000 | <ul style="list-style-type: none"> ISSA 5000 applies to all assurance engagements on sustainability information Having concluded that there are no significant gaps in the requirements between ISSA 5000 and ISAE 3410, the IAASB has decided that ISAE 3410 be withdrawn once ISSA 5000 becomes effective for years commencing 15 December 2026 (subject to due process) |

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|---|--|
| | <ul style="list-style-type: none"> The AUASB has excluded engagements required to be conducted in accordance with ASAE 3410 from the scope of ASSA 5000 until years commencing 15 December 2026 or earlier where the Clean Energy Regulator’s determination requiring the use of ASAE 3410 is amended to require the use of ASSA 5000. |
| Relevant Ethical Requirements and Quality Management Standards | |
| <ul style="list-style-type: none"> The AUASB did not support imposing firm quality management and ethical requirements through an assurance standard. Firm quality management should be dealt with through a separate dedicated project of the IAASB: <ul style="list-style-type: none"> National standards setters may not be able to make ISSA 5000 compliant standards For assurance over a narrow piece of information requiring highly specialised technical expertise, it may be appropriate to apply different quality management and ethical requirements; and A lack of clarity on the ethics and quality Management “at least as demanding” as the <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> Code and ISQM 1 <i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i> could result in inconsistency. | <ul style="list-style-type: none"> Imposing firm quality management and ethical requirements is not considered an impediment to issuing an Australian equivalent of ISSA 5000. The <i>Corporations Act 2001</i> requires that the financial report auditor give assurance over information in sustainability reports under the Act and will already apply ASQM 1 <i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i> and APES 110 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i> (APES 110). A recent IFAC publication showed that the vast majority of sustainability assurance is being undertaken by audit firms in Australia using ASAE 3000 <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i> which requires compliance with ASQM 1. The AUASB can provide guidance on the use of experts and quality management for specialized areas. The IAASB’s Sustainability Assurance Task Force (SATF) acknowledged that third-party quality management requirements exist. However, aside from some limited references to ISO standards in the responses to the IAASB EM, feedback from stakeholders was that they were not aware of any requirements that may be considered at least as demanding as ISQM 1. The SATF was 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 |

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|---|---|
| | <p>requirements deemed to be equivalent to ISQM 1 and to make a statement to that effect within the standard. Such an exercise would also require cooperation with external bodies responsible for establishing alternative requirements, as both parties would likely wish to be involved in making any such determination.</p> <ul style="list-style-type: none"> • Determination of ‘at least as demanding’ requirements was changed to remove the discretion of practitioners. The determination is restricted to an ‘appropriate authority’. |
| Acceptance and Continuance | |
| <ul style="list-style-type: none"> • Concern with the potential extent of pre-engagement work • Understanding the entity’s processes and the sustainability information to be disclosed and assured is fundamental to the initial planning of the engagement and may require additional guidance. | <ul style="list-style-type: none"> • Revised the application material to emphasize that the practitioner uses professional judgment to determine the nature and extent of the preliminary knowledge, and that the preliminary knowledge the practitioner obtains ordinarily differs in nature, and is less in extent, than the understanding obtained when performing the engagement. • Added a new requirement and application material in the Risk Assessment Procedures section to differentiate the work effort in determining the suitability of the applicable criteria at this stage of the engagement from the work effort in evaluating the suitability of the criteria at the acceptance and continuance stage. • Added requirements for the practitioner to consider whether the entity has a process to identify sustainability information to be reported and to understand that process as part of the risk assessment procedures. • Developed Appendix 2 of ISSA 5000 to illustrate the various points throughout the engagement when the practitioner considers the entity’s process to identify sustainability information to be reported. |
| Definitions | |
| <ul style="list-style-type: none"> • There may be confusion around the term sustainability information and | <ul style="list-style-type: none"> • Clarity in the introduction that the scope of the assurance engagement may extend to all of the sustainability information to be reported by the entity or only part of that information. |

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|--|---|
| <p>sustainability information subject to assurance.</p> | <p>ISSA 5000 requires the assurance report to identify or describe the information that is subject to the assurance engagement.</p> <ul style="list-style-type: none"> Added application material that references to “sustainability information to be reported” are intended to relate to the entirety of the sustainability information to be reported by the entity and are used primarily in the context of the practitioner’s preliminary knowledge of the engagement circumstances. If the assurance engagement does not cover the entirety of the sustainability information reported by the entity, the term ‘sustainability information’ is to be read as the information that is subject to assurance. |
| Limited and Reasonable Assurance | |
| <i>Overall Differentiation between Limited and Reasonable Assurance Engagements</i> | |
| <ul style="list-style-type: none"> There is a need to further differentiate the requirements for limited assurance and reasonable assurance. 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. 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. 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 | <ul style="list-style-type: none"> Further differentiation added for requirements and application material applicable to one or both levels of assurance. Emphasized the difference between the ‘deep dive’ in a limited assurance engagement and the need to obtain evidence to enable the expression of a reasonable assurance conclusion in a reasonable assurance engagement. For reasonable assurance engagements, irrespective of the assessed risks of material misstatement, requires the practitioner to consider the need to design and perform substantive procedures for disclosures that, in the practitioner’s judgment, are material. This recognizes that while the practitioner may determine that the risks of material misstatement for certain disclosures (or groups of disclosures) are at an acceptably low level, there may be a need to design and perform substantive procedures on those disclosures if they include information that is likely to be of particular importance to intended users. The AUASB may provide guidance materials where required. Implementation support materials are being developed by the IAASB but the scope is not known. |

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|---|---|
| <i>Differentiation in the Approach to Understanding the System of Internal Control</i> | |
| <ul style="list-style-type: none"> 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. | <ul style="list-style-type: none"> Greater differentiation between the requirements for limited assurance and reasonable assurance recognising that for limited assurance engagements, the practitioner is required to obtain an understanding of and evaluate the design and determine the implementation of only those controls for which the practitioner plans to obtain evidence by testing their operating effectiveness, including related general IT controls that address risks arising from the use of IT. |
| <i>Approach to Risk Procedures for Limited Assurance Engagements</i> | |
| <ul style="list-style-type: none"> The AUASB considers that a risk-based approach is required for limited assurance (the same as for reasonable assurance) | <ul style="list-style-type: none"> Aligned the risk-based approach with ISAE 3410 and added requirements and application material for the practitioner, in a limited assurance engagement, to identify and assess the risks of material misstatement at the disclosure level as a basis for designing and performing further procedures. |
| Materiality | |
| <i>The Entity's "Materiality Process"</i> | |
| <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Revised the application material to emphasise that the practitioner uses professional judgment to determine the nature and extent of the preliminary knowledge, and that the preliminary knowledge the practitioner obtains ordinarily differs in nature, and is less in extent, than the understanding obtained when performing the engagement. Developed Appendix 2 to illustrate the various points throughout the engagement when the practitioner considers the entity's process to identify sustainability information to be reported. |
| <ul style="list-style-type: none"> Clarification needed about what constitutes sufficient knowledge about the entity's processes, considerations when | <ul style="list-style-type: none"> Added requirements for the practitioner to consider whether the entity has a process to identify sustainability information to be |

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|--|--|
| evaluating an entity's process and how to obtain such knowledge | reported and to understand that process as part of the risk assessment procedures. |
| <ul style="list-style-type: none"> Understanding the entity's processes and the sustainability information to be disclosed and assured is fundamental to the initial planning of the engagement | <ul style="list-style-type: none"> As above. |
| <i>Practitioner's Approach to Materiality</i> | |
| <ul style="list-style-type: none"> To aid in consistency between assurance engagements, encouragement for 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. | <ul style="list-style-type: none"> The AUASB may provide guidance materials where required. Implementation support materials are being developed by the IAASB but the scope is not known. |
| Engagement Team and Using the Work of Others | |
| <ul style="list-style-type: none"> The practical implementation of the requirements of ISSA 5000 for assurance by others on entities outside of the entity's organisational boundaries. Strengthening requirements and guidance in relation to the use of experts. Requiring the practitioner to understand whether the expert has sufficient understanding of the assurance process. 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. Requiring assurance providers to report on the use of their own experts as a means to promote the use of experts. Strengthening the expectation of the engagement leader and team member competencies and the strong need to use | <ul style="list-style-type: none"> Clarified that the work of another practitioner is performed in the context of a separate engagement, and that individuals from another practitioner who perform the work are neither members of the engagement team nor practitioner's experts. Revised application material which indicates that, in circumstances in which there may be limitations on management's ability to obtain information from value chain entities outside of the entity's control, the applicable criteria may provide certain relief provisions for management (e.g., the ability to develop estimates using sector-average data after making reasonable efforts to obtain the information). However, regardless of any such limitations, the practitioner is required to obtain sufficient appropriate evidence about the value chain information reported by management. Revised the application material to further clarify the concept of sufficiency of involvement, drawing on ISA 220 (Revised) <i>Quality Management for an Audit of Financial Statements</i>. |

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|--|--|
| experts throughout the conduct of these engagements beginning at the pre-conditions stage of the engagement | <ul style="list-style-type: none"> • Introduced a conditional requirement related to obtaining evidence from “one-to-many” reports of another practitioner. • To provide sufficient focus on the evaluation of the adequacy of an expert’s work for the practitioner’s purposes, added a separate, more robust requirement. • The AUASB may provide guidance materials where required. Implementation support materials are being developed by the IAASB but the scope is not known. |
| Connectivity with the audited financial statements | |
| <ul style="list-style-type: none"> • There should be a requirement for timely communication throughout the engagement • 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. | <ul style="list-style-type: none"> • Clarified that ISSA 5000 does not address sustainability information that is required to be included in the entity’s financial statements in accordance with the applicable financial reporting framework. • Added a requirement and application material for the practitioner to communicate, unless prohibited by law or regulation, with the auditor of the entity’s financial statements, when the practitioner identifies that a material inconsistency appears to exist between the audited financial statements and the sustainability information, or the audited financial statements appear to be materially misstated. • Added application material clarifying that communication with the financial statements’ auditors, unless prohibited by law and regulation, may be useful if the sustainability matters relate to matters disclosed in the financial statements. This communication may take place at appropriate times throughout the assurance engagement. • The AUASB may provide additional guidance on communication between assurance practitioners. |
| Estimates and Forward-Looking Information | |
| <ul style="list-style-type: none"> • The IAASB should highlight the importance of disclosures about estimation uncertainty and key | <ul style="list-style-type: none"> • Added application material leveraged from ISA 540 (Revised) and the EER guidance to |

| Substantive comments in the AUASB submission | How addressed by the IAASB in final ISSA 5000 or why not an impediment to an Australian standard |
|--|--|
| <p>assumptions, as well as reporting on significant limitations on scope.</p> <ul style="list-style-type: none"> 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. 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. | <p>provide additional clarity and differentiation in the work effort.</p> <ul style="list-style-type: none"> Included a requirement for the practitioner to obtain an understanding, for estimates and forward-looking information, of how the entity identifies the relevant methods, assumptions or sources of data, and the need for changes in them, that are appropriate in the context of the applicable criteria. Included application material which explains that the practitioner cannot determine whether the results of outcome forecast or projects will be achieved. However, the practitioner may obtain evidence on the reasonableness of assumptions used in forecasts or whether hypothetical assumptions in projections are consistent with the purpose of the information. To specifically state that the ‘Inherent Limitations in Preparing the Sustainability Information’ in the assurance report may refer to limitations relating to forward looking information included in the sustainability information. |

AUASB changes to ISSA 5000

15. The [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#) outlines how the AUASB approaches changes to IAASB standards for adoption in Australia. Changes are made when the AUASB is satisfied that there are ‘compelling reasons’ to do so. Compelling reasons fall broadly into two categories: legal and regulatory; and principles and practices considered appropriate having regard to the public interest in Australia.
16. The substantive changes to ISSA 5000 made by the AUASB are outlined below with the reasons for those changes. Substantive changes are shown as Aus paragraphs in ASSA 5000.

Relevant Ethical Requirements

17. ISSA 5000 contains several provisions that require compliance with “relevant ethical requirements” that include Part 5 of the *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* (IESSA). At the time of issuing ASSA 5000, the Accounting Professional & Ethical Standards Board (APESB) had not yet adopted Part 5 of IESSA. The APESB plans to expose Part 5 of the IESSA in Australia with a view to amending APES 110 in mid-2025. ASSA 5000 applies to certain entities from years commencing 1 January 2025. To ensure consistency between ASSA 5000 and ISSA 5000, the AUASB decided to include Part 5 of IESSA in the definition of “relevant ethical requirements” in ASSA 5000.

Prohibition of Direct Assistance by Internal Audit

18. The AUASB issued [Consultation Paper: Prohibiting Sustainability Assurance Practitioners from Using Direct Assistance by Internal Auditors](#) in September 2024 for a 75-day comment period to inform the AUASB as to stakeholders views on a possible prohibition on the use of direct assistance by internal audit in sustainability assurance engagements in Australia. The AUASB discussed stakeholder feedback received.
19. The AUASB decided to prohibit the use direct assistance by internal audit for sustainability assurance engagements for the following reasons:
 - (a) Consistency with the prohibition for audits of financial reports in Auditing Standard ASA 610 *Using the Work of Internal Auditors* and APES 110;
 - (b) Most respondents to the AUASB consultation paper supported a prohibition;
 - (c) APES 110 already contains a prohibition on direct assistance that applies to sustainability assurance engagements and the APESB is not expected to consider a change in its position; and
 - (d) Internal audit work may be used by external assurance practitioners provided it is not direct assistance (i.e. not requested by the external assurance practitioner) and is subject to appropriate review by the external assurance practitioner, etc. Together with the phasing in of assurance, this may assist with concerns about capacity of external auditors to provide sustainability assurance for the purposes of reporting under the *Corporations Act 2001*.

Monitoring

20. The AUASB will monitor the implementation of ASSA 5000 on an ongoing basis and will consider supplementary guidance to support the implementation of the standard.

Conclusion

21. The AUASB voted to approve and issue ASSA 5000 on **28 January 2025**.
22. In reaching its conclusions the AUASB considered:
 - (a) all stakeholder feedback;
 - (b) the IAASB's due process and consideration as to whether ISSA 5000 should be re-exposed;
 - (c) that the amendments made to the standard by the IAASB since exposure were in response to submissions from stakeholders on the exposure draft, have not changed the fundamental approach and principles on which the standard is based, and did not require the re-exposure of the standard.

* * *

Basis for Conclusions
Prepared by the Staff of the IAASB
November 2024

*International Standard on Sustainability Assurance
(ISSA) 5000*

ISSA 5000
General Requirements for
Sustainability Assurance Engagements

and

Conforming and Consequential
Amendments to Other IAASB
Standards Arising from ISSA 5000

About the IAASB

This document has been prepared by the Staff of the International Auditing and Assurance Standards Board (IAASB). It does not constitute an authoritative pronouncement of the IAASB, nor does it amend, extend or override the International Standards on Sustainability Assurance (ISSAs) or other of the IAASB's International Standards.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related services standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Stakeholder Advisory Council, which provides public interest input into the development of the standards and guidance.

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BASIS FOR CONCLUSIONS: INTERNATIONAL STANDARD ON SUSTAINABILITY ASSURANCE (ISSA) 5000

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The Staff of the IAASB has prepared this Basis for Conclusions. It relates to, but does not form part of, ISSA 5000, *General Requirements for Sustainability Assurance Engagements*, or the conforming and consequential amendments to other IAASB Standards.

ISSA 5000 and the conforming and consequential amendments to other IAASB Standards were approved with affirmative votes of 18 out of 18 IAASB members.

Section A – Introduction

Background

1. Reporting on sustainability information has quickly become a matter of global importance. The reliability of such reporting is a key issue for many stakeholders, in particular investors and other users of an entity's general purpose external reporting, regulators, and non-governmental organizations (NGOs). Stakeholders are increasingly demanding assurance on sustainability information, and mandatory assurance requirements have been promulgated or proposed in the European Union and other jurisdictions.
2. In 2022, the IAASB engaged with key stakeholders, who are a driving force behind promoting reliable sustainability information and assurance thereon. Key stakeholders included the International Organization of Securities Commissions (IOSCO), the International Forum of Independent Audit Regulators (IFIAR), the Financial Stability Board (FSB), the European Commission (EC), the United States Securities Exchange Commission (SEC), the Committee of European Auditing Oversight Bodies (CEAOB), the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI), the Forum of Firms (FOF) and the Global Public Policy Committee of the largest international network firms (GPPC), and Jurisdictional / National Standard Setters (NSS).
3. Engagement with these key stakeholders clearly indicated demand for international standards for assurance on sustainability reporting to reduce the risk of fragmentation in assurance standards globally and drive consistent, high-quality assurance engagements that enhance the degree of confidence of intended users about sustainability reporting.
4. In September 2022, the IAASB approved a [project proposal](#) to develop an overarching standard for assurance on sustainability reporting. The project proposal stated that the project objective is to develop a new overarching standard for assurance on sustainability reporting, that is:
 - a) Responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements;
 - b) Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and
 - c) Implementable by all assurance practitioners.

Exposure Draft of Proposed ISSA 5000

5. The [Exposure Draft](#) of proposed ISSA 5000 (ED-5000) was approved at the [June 2023 Board meeting](#) and published on August 2, 2023, and closed for comment on December 1, 2023. ED-5000 was accompanied by an [Explanatory Memorandum](#) that highlighted the public interest issues and significant matters addressed by the IAASB in developing the exposure draft.

6. 143 responses were received from a broad range of stakeholders from all geographical regions. Responses were received from four Monitoring Group members.¹ The IAASB also developed a stakeholder survey targeted at stakeholders who may not ordinarily respond to IAASB consultations. 36 respondents completed the survey.
7. During the exposure period, the IAASB engaged in a [comprehensive outreach campaign](#), including four global roundtables and four regional roundtables, targeted outreach with key global stakeholders, webinars, and presentations at various conferences and forums.

Section B – Public Interest

8. In developing the project proposal, the IAASB leveraged the Public Interest Framework (PIF)² to articulate the public interest responsiveness of the project. The **Appendix** to this Basis for Conclusions maps the key aspects of ISSA 5000 to the objectives and standard-setting action in the project proposal that support the public interest (see the project proposal paragraphs 13, 18 and 27). The **Appendix** also highlights the following qualitative standard-setting characteristics that were at the forefront, or of most relevance, in developing proposed ISSA 5000 (see the project proposal paragraph 32):
 - a) *Timeliness* – focuses on timely standard-setting action to address identified needs without sacrificing quality.
 - b) *Relevance* – focuses on responding to emerging issues, evolving stakeholder needs and perceptions and changes in business environments relating to sustainability reporting and assurance thereon; and, for sustainability assurance engagements, developing principles-based requirements that enable the objectives of those requirements to be achieved in differing circumstances (i.e., in the context of external reporting that provides information about the impacts of sustainability matters on the entity and the entity's actual or potential impacts, positive or negative, on the environment, society or economy).
 - c) *Comprehensiveness* – addresses limiting the extent to which there are exceptions to the principles set out in the proposed standard.
 - d) *Implementability* – focuses on the proposed standard being able to be consistently applied and globally operable across entities of all sizes and regions, respectively, as well as being adaptable to the different conditions prevalent in different jurisdictions.
 - e) *Enforceability* – focuses on clearly stated responsibilities of the practitioner or the engagement leader, as applicable, and an appropriate balance of requirements and application material in the proposed standard.

¹ The Monitoring Group comprises the Basel Committee on Banking Supervision (BIS), the European Commission (EC), the Financial Stability Board (FSB), the International Association of Insurance Supervisors (IAIS), the International Forum of Independent Audit Regulators (IFIAR), the International Organization of Securities Commissions (IOSCO) and the World Bank (WB). Responses to ED-5000 were received from BIS, IAIS, IFIAR and IOSCO.

² See the PIF published by the Monitoring Group in July 2020 (as part of their report "[Strengthening the International Audit and Ethics Standard-Setting System](#)"). The PIF sets out a framework for the development of high-quality international standards by the IAASB that are responsive to the public interest. Among other matters, the PIF explains for whom standards are developed, what interests need to be served and what characteristics standards should exhibit.

- f) *Scalability* – including the proportionality of the proposed standard's relative impact on different stakeholders by including requirements that can be applied to all entities, regardless of size and complexity (i.e., addressing both less and more complex circumstances commensurate to the nature and circumstances of the entity).

Section C – Coordination with the International Ethics Standards Board for Accountants (IESBA)

- 9. Respondents to ED-5000 and IESBA's two exposure drafts [*Proposed International Ethics Standards for Sustainability Assurance \(including International Independence Standards\) \(IESSA\) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting*](#) and [*Using the Work of an External Expert*](#) highlighted the importance of coordination between the two Boards on key concepts and terminology and certain specific matters.
- 10. Both Boards were fully committed to alignment on the identified coordination matters and ongoing coordination among the respective Task Forces and staff of the Boards took place throughout the Boards' respective projects. This included a meeting in July 2024 of the Chairs, Task Force Chairs, project team leaders and senior staff of the Boards to discuss the status of the coordination matters and any further actions needed to achieve alignment. The status of the identified coordination matters was also discussed during a joint plenary session of the two Boards in September 2024, where there was concurrence on the coordinated positions reached on those matters and emphasis on the importance of ongoing coordination as IESBA continues its work to finalize its standards (targeted for December 2024).

Section D – Scope and Applicability

Background

- 11. ED-5000 applied to all assurance engagements on sustainability information, except when the practitioner is providing a separate conclusion on a greenhouse gas (GHG) statement, in which case ISAE 3410³ applied.
- 12. The IAASB noted the need for a clear and straightforward approach regarding the relationship of ED-5000 and ISAE 3410. The IAASB recognized that in many cases a GHG statement may be included with other sustainability information, and the practitioner may or may not be providing a separate conclusion on the GHG statement.

Summary of Comments Received on Exposure

- 13. Respondents across all stakeholder groups indicated that additional clarity was needed about the scope and applicability of ED-5000, particularly when the sustainability information includes GHG information that does not comprise a "GHG statement." Respondents found paragraph 2 of ED-5000 inherently inconsistent and confusing. It was noted that paragraph 2 could be interpreted to mean that ISAE 3410 applies whenever a conclusion is provided on a GHG statement, even if it is part of broader sustainability disclosures, leading to uncertainty about when ISSA 5000 would apply.
- 14. Respondents also commented that a limited assurance engagement on a GHG statement under ISAE 3410 requires a different level of work effort than under ED-5000 due to differing approaches to risk assessment. ISAE 3410 focuses on identifying and assessing risks at the GHG statement level

³ International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*

and for material types of emissions and disclosures, while ED-5000 required practitioners to design and perform risk procedures to identify disclosures where material misstatements are likely to arise. It was noted that this could lead to varying procedures for limited assurance engagements depending on whether a separate conclusion is provided on the GHG statement, which could confuse practitioners and be unclear to users of sustainability information.

15. Various suggestions were provided regarding the future of ISAE 3410, recognizing that any decisions would be made in connection with the IAASB's future strategy and work plans. Options noted by respondents included either integrating ISAE 3410 into the ISSA suite of standards, or incorporating relevant requirements from ISAE 3410 into proposed ISSA 5000 along with additional guidance as necessary. Respondents noted that either of those options could lead the IAASB to withdraw ISAE 3410 in accordance with due process.

IAASB Decisions

16. The IAASB acknowledged the views of respondents that the scope and applicability of ED-5000 were not clear. The IAASB noted that sustainability information is defined as information about sustainability matters, and matters relating to climate, including GHG emissions, are a topic that may be covered as part of the sustainability information reported. Therefore, information about GHG emissions is sustainability information as defined in ED-5000. The IAASB was also of the view that, based on current sustainability reporting practices and the requirements of sustainability reporting frameworks, GHG "emissions information" would meet the definition of a "GHG statement." Therefore, in essence there is no longer a distinction between the two.
17. The IAASB also discussed respondents' comments about the different level of work effort for a limited assurance engagement between ISAE 3410 and ED-5000. The IAASB was of the view that the differences between the two standards would be further narrowed if proposed ISSA 5000 followed the same approach to risk assessment for limited assurance engagements as ISAE 3410. See the further discussion in Section K – Risk Assessment Procedures below.
18. In view of the above, and respondents' suggestions to incorporate relevant requirements from ISAE 3410 into proposed ISSA 5000, the IAASB agreed that the simplest approach would be for ISSA 5000 to apply to all assurance engagements on sustainability information, regardless of the form of that information (see paragraph 8 of ISSA 5000).

Future of ISAE 3410

19. As a result of the decision to make ISSA 5000 applicable for all assurance engagements on sustainability information, the IAASB reassessed the requirements of ISAE 3410 and concluded that they were appropriately addressed in ISSA 5000. Therefore, the IAASB agreed that ISAE 3410 could be withdrawn in accordance with due process (i.e., proposed that ISAE 3410 be withdrawn once ISSA 5000 becomes effective). The IAASB also concluded that relevant application material from ISAE 3410 not included in ISSA 5000 could be repurposed as implementation guidance.

Section E – Sustainability Matters and Sustainability Information

Background

20. In developing ED-5000, the IAASB acknowledged the importance of having clear and understandable definitions of sustainability information and sustainability matters that maintain framework neutrality

yet are reflective of the concepts embedded in various sustainability reporting frameworks. The alignment of definitions in ED-5000 with the corresponding concepts and definitions developed by IESBA in its sustainability project was also an important consideration.

21. In simplest terms, sustainability information is information about sustainability matters. The IAASB recognized however, that matters to be reported ordinarily are driven by the sustainability reporting framework or other applicable criteria, and that the term “sustainability matters” is described or used differently in various reporting frameworks and other sources. Therefore, the IAASB concluded that the best approach in ED-5000 was to define the term “sustainability matters,” which would then serve as the foundation for the definition of “sustainability information.”
22. Regarding the definition of sustainability matters, the IAASB considered input from stakeholders that environmental, social and governance matters, or the acronym “ESG,” while still widely used, may not be consistent with the current environment and evolving views about the nature and scope of sustainability matters. Therefore, the IAASB broadened the definition to include environmental, social, economic and cultural matters, and to also include a reference to the impacts of an entity’s activities, products and services on the environment, society, economy or culture, or the impacts on the entity.
23. The IAASB discussed whether governance was an overarching topic similar to environmental, social, economic and cultural matters. Although an important consideration for the entity when deciding on the matters to report and the related disclosures about those matters, the IAASB was of the view that governance is related to the actions taken by the entity to address sustainability matters, and therefore can apply to all topics being disclosed.
24. The IAASB also recognized the importance of coherence and the need to remain consistent with foundational concepts and related terminology in its other assurance standards, in particular the concepts of “underlying subject matter” and “subject matter information.” Therefore, the IAASB expanded the definitions to note that, 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.
 - Sustainability information results from measuring or evaluating sustainability matters against the applicable criteria, and therefore is the equivalent of “subject matter information” in other IAASB assurance standards.

Summary of Comments Received on Exposure

25. Respondents expressed support for the definitions of sustainability information and sustainability matters, as well as the clarity of the relationship among the terms sustainability matters, sustainability information, and disclosures, as depicted in Appendix 1 of ED-5000. However, respondents provided specific comments about the definitions and suggestions to improve their clarity, including:
 - Support for including “governance” as one of the core elements of the definition of sustainability matters, which would make the definition more consistent with the commonly understood reference to environment, social and governance (ESG) matters, which is widely used and accepted globally.
 - Confusion about the inclusion of “cultural” and “economic” matters in the definition of sustainability matters.

- Concerns that the term “sustainability information” was used inconsistently in ED-5000, with suggestions to use “sustainability information” when referring to the reported sustainability information as a whole and to use a different term when referring to the information that is within the scope of the assurance engagement.

IAASB Decisions

Sustainability Matters

26. The IAASB agreed with the views of respondents that targeted revisions were needed to the definition of sustainability matters. The IAASB considered that an appropriate way to address the mixed views of respondents, and lessen the debate about which specific points should be included in the definition, would be to include a more straightforward definition limited to the core notion of environmental, social and governance matters. The IAASB concluded that adding “governance” as a core element of the definition, and deleting the references to “economic” and “cultural” matters, was responsive to comments that the definition should be more reflective of the common understanding of “ESG.” A more straightforward definition also enabled additional relevant detail to be provided in application material.

Sustainability Information

27. The IAASB retained the definition from ED-5000 that sustainability information is information about sustainability matters.
28. After discussing various approaches to address respondents’ comments about whether the term “sustainability information” refers to the reported sustainability information as a whole or the information that is the subject of the assurance engagement, the IAASB:
- Noted in paragraph 5 of ISSA 5000 that the scope of the assurance engagement may extend to all of the sustainability information to be reported by the entity or only part of that information. The requirements for the assurance report in ISSA 5000 require the practitioner to identify or describe the information that is subject to the assurance engagement.
 - Added essential application material to the definition of sustainability information in paragraph 18 of ISSA 5000 indicating that references to “sustainability information to be reported” are intended to relate to the entirety of the sustainability information to be reported by the entity and are used primarily in the context of the practitioner’s preliminary knowledge of the engagement circumstances. If the assurance engagement does not cover the entirety of the sustainability information reported by the entity, the term “sustainability information” is to be read as the information that is subject to assurance.

Alignment with IESBA

29. The IAASB had extensive coordination discussions with IESBA on the definitions of sustainability matters and sustainability information. Both Boards agreed to provide the same core definitions of these terms, supplemented with application material that provides specific context for their respective purposes. As a result, the IAASB and IESBA are fully aligned on these definitions.

Section F – Relevant Ethical Requirements and Quality Management Standards

Background

30. Paragraph 5 of ED-5000 explained that the proposed standard was based on the fundamental premises that:
- The members of the engagement team and the engagement quality reviewer (for those engagements where one has been appointed) are subject to the provisions of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding; and
 - The practitioner who is performing the engagement is a member of a firm that is subject to ISQM 1, or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality management, that are at least as demanding as ISQM 1.
31. The IAASB recognized the importance of these fundamental premises in ED-5000 and the need for a consistent understanding of the related requirements and the concept of "at least as demanding" to underpin the performance of quality sustainability assurance engagements in the public interest.
32. The Explanatory Memorandum to ED-5000 noted that the concept of "at least as demanding" is not new. It exists currently in ISAE 3000 (Revised),⁴ as amended based on the issuance of the IAASB's quality management standards in December 2020. However, the IAASB discussed that regulators and NSS share the responsibility for determining what may be considered "at least as demanding" in their respective jurisdictions. Paragraph A3 of ED-5000 was added to acknowledge this point.
33. The IAASB also recognized the importance of coordination with IESBA on matters related to relevant ethical requirements.

Summary of Comments Received on Exposure

34. Respondents expressed strong support for the fundamental premises in ED-5000 but noted that the concept and assessment of "at least as demanding" is a matter of judgment and subject to interpretation. Concerns were raised about the existence of standards equivalent to ISQM 1 or the IESBA Code that may be used by non-accountant assurance practitioners. Therefore, respondents called for more guidance on the concept of "at least as demanding," including how the assessment can be done on a consistent basis and by whom.
35. Many respondents noted the important role of jurisdictional/national regulators and standard setters in determining whether requirements were "at least as demanding" as ISQM 1 or the IESBA Code, with many citing that ultimate responsibility rests at this level.
36. Respondents across stakeholder groups suggested requiring outright compliance with ISQM 1 and the IESBA Code to eliminate the risk of inconsistencies in practice when making a determination of "at least as demanding." This was suggested as a necessary outcome if it was determined that no other requirements exist that are at least as demanding, or if the IAASB was unable to clarify how to evaluate whether alternative requirements are at least as demanding.

⁴ ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

37. Some respondents called for additional transparency in the assurance report regarding the ethical and quality management requirements that have been applied. ED-5000 required identification in the assurance report of the quality management requirements applied on the engagement, but only required disclosure in the assurance report of the jurisdiction of origin of the relevant ethical requirements applied.

IAASB Decisions

38. The IAASB noted the calls from respondents to require direct compliance with the IESBA Code and ISQM 1 by all assurance practitioners using ISSA 5000. However, the IAASB concluded that this is not a viable option, as it would contravene the objective of developing a standard that provides sufficient flexibility and is capable of being implemented by all assurance practitioners. Doing so would also be inconsistent with auditing standards, as some jurisdictions have not adopted the IESBA Code or ISQM 1 for all auditors of financial statements.
39. The IAASB reaffirmed its view that the fundamental premises in ED-5000 were appropriate, but considered whether the requirements could better illustrate the options available to practitioners, while also directly acknowledging the important role of regulators and standard setters.
40. Paragraph 29 of ED-5000 required the engagement leader to be a member of a firm that applies the ISQMs or other professional requirements, or requirements in law or regulation, that are at least as demanding as the ISQMs. In response to comments, the IAASB retained this two-tiered approach in paragraph 30 of ISSA 5000 but revised subpart (b) of the requirement to refer to professional requirements, or requirements in law or regulation, that an “appropriate authority” has determined to be at least as demanding as ISQM 1. The reference to an “appropriate authority” was added to acknowledge the important role of jurisdictional/national regulators and standard setters. Application material was added to clarify that an appropriate authority could be a national standard setter, regulator, or oversight body with responsibility for audit, assurance or related relevant ethical requirements, or a designated accreditation organization recognized by a public authority (see paragraph A74 of ISSA 5000).
41. The IAASB discussed that this two-tiered approach for quality management standards would also be appropriate for relevant ethical requirements, but noted that adding such a requirement would require consultation with IESBA. Those coordination discussions indicated support for such a requirement and therefore the IAASB added paragraph 34 of ISSA 5000 related to compliance with relevant ethical requirements, including independence.
42. Prior to concluding on the two-tiered approach, the IAASB considered a third tier to the requirements in paragraphs 30 and 34 of ISSA 5000. The third tier would have included an option for the firm to determine whether the quality management standards and relevant ethical requirements applied on the engagement were at least as demanding as ISQM 1 or the IESBA Code, respectively. However, after further discussion, and considering input from IESBA and from outreach with stakeholders, the IAASB ultimately decided to remove the firm determination option due to concerns about the consistency with which it would be applied in practice.

Guidance on “At Least as Demanding”

43. Regarding respondents’ comments asking for further guidance on the concept of “at least as demanding,” the IAASB noted that the wording in the application material in ED-5000 may have given

rise to questions or confusion by implying that each requirement of ISQM 1 and the IESBA Code needed to have an equivalent that is “at least as demanding.”

44. The IAASB concluded that the application material from ISAE 3000 (Revised) (prior to the conforming and consequential amendments arising from the quality management standards) would provide greater clarity about what is expected to be addressed in an assessment of “at least as demanding” related to quality management standards. Therefore, the IAASB revised paragraph A73 of ISSA 5000 to note that professional requirements, or requirements in law or regulation, that deal with the firm’s responsibilities to design, implement, and operate a system of quality management are at least as demanding as ISQM 1 when they address all the matters referred to in paragraphs A69-A71 of ISSA 5000 and impose obligations on the firm that achieve the aims of the objectives and requirements of ISQM 1.
45. The IAASB similarly revised the application material in paragraph A62 of ISSA 5000 to indicate that professional requirements, or requirements in law or regulation, addressing compliance with relevant ethical requirements are at least as demanding as the provisions of the IESBA Code related to sustainability assurance engagements when they address all the matters referred to in paragraphs A58-A61 of ISSA 5000 and impose obligations that achieve the aims of the requirements set out in the IESBA Code related to such engagements.

Transparency in the Assurance Report

46. See Section L – Reporting below for a discussion about transparency in the assurance report with respect to quality management standards and relevant ethical requirements applied on the sustainability assurance engagement.

Section G - Materiality

Background

47. The Explanatory Memorandum to ED-5000 noted that materiality considerations are important in planning and performing an assurance engagement on sustainability information and in evaluating whether the sustainability information is free from material misstatement. Throughout the course of developing ED-5000, the IAASB received input from stakeholders about the importance of materiality considerations for both the entity and the practitioner.

The Entity’s Process to Identify Sustainability Information to be Reported

48. In developing ED-5000, the IAASB recognized that understanding the entity’s process to identify topics and aspects of topics to be reported, and the reporting boundary, is critical to determining whether the sustainability information complies with the reporting framework or entity-developed criteria. The IAASB debated whether understanding that process would form part of the practitioner’s preliminary knowledge of the engagement circumstances.
49. Because the work effort to understand the entity’s process to select sustainability matters to be reported may be straightforward (e.g., when the reporting topics are specified by the criteria, such as under law or regulation), the IAASB concluded that the entity’s process could be addressed in the application material in ED-5000 (see paragraphs A156-A157 of ED-5000). This application material noted that the entity’s process may often be referred to as the “process to identify reporting topics,” “materiality assessment,” or “materiality process,” among other terms.

The Notion of Double Materiality

50. The IAASB recognized that some reporting frameworks require “double materiality” to be applied in preparing the sustainability information (e.g., European Sustainability Reporting Standards (ESRS)). Paragraph A180 of ED-5000 explained that the information needs of the intended users of sustainability information may relate to the impact of sustainability matters on the entity, and the impacts of the entity on sustainability matters. When the needs of the intended users relate to both the impacts on the entity and the entity’s impacts, this may be referred to as double materiality. ED-5000 also explained that the needs of intended users will not always include both perspectives, so double materiality is not always relevant to every engagement.

The Practitioner’s Approach to Materiality

51. The IAASB discussed whether the practitioner should be required to “consider” or “determine” materiality for purposes of planning and performing the engagement, and concluded on a “bifurcated” approach to materiality for purposes of planning and performing the engagement (i.e., determining materiality for quantitative disclosures and considering materiality for qualitative disclosures (paragraph 91 of ED-5000)). This approach was based on feedback that it is impracticable for practitioners to determine materiality for qualitative disclosures and to determine materiality for sustainability information as a whole, given the nature of the disclosures, i.e., qualitative and quantitative disclosures about a number of different topics and aspects of topics. Paragraph 93 of ED-5000 required documentation of the factors relevant to the practitioner’s consideration or determination of materiality. These factors were described in the application material (see paragraphs A278-A281 of ED-5000).
52. The IAASB also discussed the need to clarify the relationship between the practitioner’s materiality for the engagement and the entity’s “materiality process.” The application material in ED-5000 explained that materiality is a matter of professional judgment and is affected by the practitioner’s perception of the information needs of intended users of the sustainability information. The applicable criteria may also include principles to assist the entity in identifying information relevant to users, which may include terms that refer to materiality. ED-5000 further explained that while such principles or terms, if present in the applicable criteria, may provide a frame of reference for the practitioner in considering or determining materiality for the engagement, the practitioner’s materiality for the engagement differs from the entity’s “materiality process” (see paragraphs A272 and A273 of ED-5000).

Summary of Comments Received on Exposure

The Entity’s Process to Identify Sustainability Information to be Reported

53. Overall, respondents sought clarification of the term used for the entity’s materiality process and called for a requirement for the practitioner to explicitly consider the entity’s materiality process at the acceptance and continuance stage.
54. Respondents also called for the practitioner’s procedures on the entity’s materiality process to build on the preliminary knowledge obtained as part of engagement acceptance and continuance, including further guidance about how the entity’s materiality process is considered by the practitioner through the different stages of the engagement.

The Notion of Double Materiality

55. A number of respondents proposed that conditional requirements were needed for the circumstances when the reporting framework requires application of double materiality, noting that this would drive consistency in practice. Many of these respondents were of the view that double materiality will have an impact on the materiality considerations of the practitioner, especially when evaluating the completeness of the material sustainability information reported in accordance with the applicable reporting framework and determining whether uncorrected misstatements are material, individually or in the aggregate.
56. Respondents also suggested that additional application material or guidance was needed to clarify how double materiality would impact the materiality applied by the practitioner for the engagement, to reduce varying interpretations among practitioners, stakeholders, and regulators.

The Practitioner's Approach to Materiality

57. While expressing overall support for the bifurcated approach to consider or determine materiality, respondents indicated that further clarity was needed about the practitioner's work effort and called for additional guidance or examples in the final standard or implementation support materials.

IAASB Decisions

The Entity's Process to Identify Sustainability Information to be Reported

58. The IAASB agreed that a consistent term needs to be used throughout the standard regarding the entity's process to identify reporting topics and that the term should not include the word "materiality" to avoid confusion with the practitioner's consideration or determination of materiality for purposes of planning and performing the assurance engagement.
59. The IAASB discussed several terms and concluded that the term "entity's process to identify sustainability information to be reported" was appropriate, as the meaning is clear and relatively simple to understand. Therefore, the IAASB added paragraph 4 to the introduction of ISSA 5000, which indicates that this term refers to the process applied by the entity to determine the sustainability matters to be reported in the sustainability information and the reporting boundary. Application material (see paragraph A3) indicates that other terms may be used in some reporting frameworks to describe this process. This application material also refers to Appendix 2, which includes a diagram illustrating how the entity's process to identify sustainability information to be reported is considered by the practitioner throughout the engagement, with references to the relevant requirements and application material in ISSA 5000.
60. The IAASB also recognized the importance of providing clarity in the standard regarding the practitioner's consideration of the entity's process to identify sustainability information to be reported. This was of particular importance for certain standard-setters and regulators. In that regard, the IAASB:
- Added a requirement (paragraph 76(a) of ISSA 5000) 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. The IAASB discussed whether this requirement would be necessary or appropriate for all sustainability assurance engagements or would need to be conditional to accommodate other engagement circumstances (for example, in a narrow-scope

engagement). The IAASB concluded that this requirement does not need to be conditional as it is scalable.

- Introduced a new requirement in paragraph 117 of ISSA 5000 for the practitioner to obtain, as part of understanding the entity's information system and communication, an understanding of the entity's process to identify the sustainability information to be reported. Such understanding also informs the practitioner's identification and assessment of the risks of material misstatement, and the design of further procedures in response to assessed risks (see also Appendix 2 of ISSA 5000).

61. The IAASB considered whether requirements and application material were necessary for instances when an assurance conclusion on an entity's process to identify sustainability information to be reported is required. While acknowledging various circumstances in which the practitioner might need to report on other matters required by the reporting framework or by law or regulation, the IAASB viewed these as separate reporting responsibilities. The IAASB discussed the potential inclusion of a conditional requirement in the assurance report but determined that the global diversity in reporting frameworks makes it inappropriate for an overarching standard.

The Notion of Double Materiality

62. The IAASB agreed that, if the applicable criteria require the entity to apply both financial materiality and impact materiality in preparing the sustainability information, then the practitioner should take into account both perspectives when considering or determining materiality. Accordingly, a conditional requirement was added (see paragraph 99 of ISSA 5000) and referenced to application material from ED-5000 that explains the notion of double materiality.

The Practitioner's Approach to Materiality

63. The IAASB retained the bifurcated approach to determine materiality for quantitative disclosures and consider materiality for qualitative disclosures (see paragraph 98 of ISSA 5000). Various revisions were made to the application material to:

- Further clarify the practitioner's work effort, including factors that may be relevant for the practitioner's consideration or determination of materiality.
- More clearly separate the entity's process to identify sustainability information to be reported from the practitioner's approach to materiality in planning and performing the assurance engagement, and evaluating whether the sustainability information is free from material misstatement. The application material indicates that the practitioner considers disclosures that may be important to intended users, and that the practitioner's risk assessment procedures are designed and performed to identify and assess risks of material misstatement at the disclosure level (for limited assurance) or at the assertion level for the disclosures (for reasonable assurance). Therefore, judgments about materiality and the nature and likelihood of potential misstatements are relevant to the practitioner's approach, including the way in which the sustainability information is grouped for planning and performing the engagement. See paragraph A294 of ISSA 5000.

64. The IAASB also added a requirement in paragraph 101 of ISSA 5000 for the practitioner to revise materiality for a disclosure(s) in the event of becoming aware of information during the assurance engagement that would have caused the practitioner to have considered or determined a different

materiality initially. Paragraph 102 requires documentation of the factors relevant to the practitioner's consideration of materiality for qualitative disclosures and the basis for the determination of materiality for quantitative disclosures.

Section H – Acceptance and Continuance of the Engagement, Including Preconditions

Background

65. Consistent with the requirements in ISAE 3000 (Revised), ED-5000 paragraph 69 required the practitioner to obtain a preliminary knowledge of the engagement circumstances as a basis for determining whether the preconditions for an assurance engagement are present in order to accept or continue the assurance engagement. The IAASB agreed that the practitioner's preliminary knowledge needs to encompass both the sustainability information expected to be reported and whether the scope of the proposed assurance engagement extends to all or part of that sustainability information.
66. As sustainability reporting frameworks and other criteria are evolving, suitable criteria may not be available for measuring or evaluating all of the sustainability matters that the entity intends to report. Accordingly, the IAASB included requirements to evaluate whether there are criteria for all of the sustainability information expected to be subject to the assurance engagement and to identify the sources of those criteria (paragraphs 72(a) and (b) and related application material in ED-5000).
67. The IAASB acknowledged that framework criteria that are embodied in law or regulation or are issued by authorized or recognized bodies that follow a transparent due process are presumed to be suitable in the absence of indications to the contrary, but may need to be supplemented by additional entity-developed criteria, if the framework criteria do not provide sufficient detail to measure or evaluate the sustainability matters (paragraph A170 of ED-5000).

Summary of Comments Received on Exposure

Preliminary Knowledge of Engagement Circumstances

68. Overall, respondents expressed strong support for the requirement to obtain a preliminary knowledge of the engagement circumstances, including the sustainability information to be reported and the scope of the proposed assurance engagement.
69. Some respondents were of the view that the extent of the knowledge required may be too onerous prior to acceptance or continuance of the engagement. In particular, respondents noted that the nature and extent of the requirements or application material in ED-5000 implied a level of understanding that is more appropriate in the planning or risk assessment phase. It was suggested that the nature and extent of work effort on the preconditions at the acceptance and continuance stage could be clarified by defining "preliminary knowledge" or limiting it to the knowledge that is sufficient to determine whether or not the practitioner is able to accept or continue the engagement. Respondents also suggested clarifying that a more extensive understanding of the preconditions would be necessary after engagement acceptance that builds on the preliminary knowledge.

Suitability and Availability of Criteria

70. Overall, a significant majority of respondents agreed that ED-5000 appropriately addressed the practitioner's evaluation of the suitability and availability of criteria used by the entity in preparing the sustainability information.

71. Some respondents suggested that an “evaluation” of the suitability of the criteria prior to making an engagement acceptance decision implied a more in-depth understanding of the criteria that would be more appropriate in the planning and performance phase of the engagement. In particular, respondents noted that ISSA 5000 should recognize more clearly that framework criteria embodied in law, regulation, or issued by recognized bodies following due process are presumed to be suitable unless evidence suggests otherwise, and that there would be little work effort regarding the criteria in these circumstances. It was suggested that this could be done by elevating the presumption that the criteria are suitable from application material (paragraph A170 of ED-5000) to a requirement.

IAASB Decisions

Preliminary Knowledge of Engagement Circumstances

72. In considering respondents’ views that the work effort for establishing whether the preconditions are present prior to acceptance is too onerous, the IAASB noted the following:
- To establish whether the preconditions for an assurance engagement are present, the practitioner is required to “evaluate” the suitability of the roles and responsibilities and whether the engagement exhibits all of the characteristics in paragraphs 77-80 of ISSA 5000. The [CUSP Drafting Principles and Guidelines](#) state that “evaluate” requires the practitioner “to identify and analyze the relevant issues or matters, to come to a specific conclusion.”
 - As the requirement to establish whether the preconditions are present is limited to “preliminary knowledge and discussion,” the procedures required to evaluate whether the engagement exhibits all of the characteristics in paragraphs 77-80 are likewise limited.
73. However, to address comments about the nature and extent of the procedures that would be sufficient for obtaining the preliminary knowledge, the IAASB:
- Considered a definition of “preliminary knowledge,” but concluded that the term may be difficult to define and unlikely to be able to adequately reflect the wide range of engagement circumstances.
 - Considered replacing “evaluate” with “consider” in the requirement to reflect the level of certainty that the practitioner is likely to reach at the acceptance and continuance stage, given there may be incomplete information available. However, ISAE 3000 (Revised) requires the practitioner to “determine” these matters, which has a similar outcome to “evaluate” in terms of work effort and documentation. As it would not be appropriate to lessen the robustness of the requirements in comparison to ISAE 3000 (Revised), the IAASB concluded that the verbs should not be changed.
 - Revised the application material to emphasize that the practitioner uses professional judgment to determine the nature and extent of the preliminary knowledge, and that the preliminary knowledge the practitioner obtains ordinarily differs in nature, and is less in extent, than the understanding obtained when performing the engagement (see paragraph A184 of ISSA 5000). Certain application material that implied a level of detailed understanding or work effort that is not commensurate with what is reasonable as part of a preliminary understanding was deleted.
 - Added a new requirement and application material in the Risk Assessment Procedures section (see paragraphs 107 and A326 of ISSA 5000) to differentiate the work effort in determining the suitability of the applicable criteria at this stage of the engagement from the work effort in

evaluating the suitability of the criteria at the acceptance and continuance stage. The work effort at the risk assessment stage builds on the preliminary knowledge of the engagement circumstances.

Suitability of Framework Criteria

74. The IAASB noted that ISSA 5000 should not impose unnecessary work effort, and that the requirement to evaluate the suitability of the criteria in paragraph 78 can be satisfied in a straightforward way, particularly if the criteria is set by law or regulation or issued by an authorized or recognized body.
75. However, to highlight this point, which was of particular interest to certain stakeholders, the IAASB revised paragraph 3 of ISSA 5000 to indicate that, in the absence of indications to the contrary, framework criteria that are embodied in law or regulation or are established by authorized or recognized organizations that follow a transparent due process may be presumed to be suitable. Application material (paragraph A197) further indicates that the entity may select and apply reporting policies to apply the framework criteria (see further discussion about reporting policies in Section K – Risk Assessment Procedures below). Paragraph A198 describes circumstances in which the framework criteria may need to be supplemented by additional framework criteria or entity-developed criteria.

Section I – Using the Work of Another Practitioner or Practitioner’s Expert

Background

76. The Explanatory Memorandum to ED-5000 noted that sustainability assurance engagements may be performed on a wide range of sustainability matters that require specialized skills and knowledge beyond those possessed by the engagement leader and other members of the engagement team, which may necessitate using the work of a practitioner’s expert. A practitioner’s expert may be either a practitioner’s internal expert, or a practitioner’s external expert.
77. If the practitioner intends to use the work of a practitioner’s external expert or a firm other than the practitioner’s firm, paragraph 42 of ED-5000 required the engagement leader to determine whether the practitioner will be able to be sufficiently and appropriately involved in such work (see also paragraph 30 of ED-5000).
78. When the practitioner considers that the work of a firm other than the practitioner’s firm is relevant to the practitioner’s engagement, and the practitioner is able to be sufficiently and appropriately involved in such work, the requirements in ED-5000 applicable to the engagement team applied. When the practitioner is unable to be sufficiently and appropriately involved, such firms and the individuals from those firms who performed that assurance work are not members of the engagement team and are referred to as “another practitioner” and the requirements in paragraphs 51-54 of ED-5000 applied.
79. Paragraph 87 of the Explanatory Memorandum to ED-5000 included a diagram that provided a visual illustration of the individuals that may be involved in a sustainability assurance engagement and the requirements in ED-5000 that are applicable to the work of such individuals.

Summary of Comments Received on Exposure

80. A significant majority of respondents, across stakeholder groups, agreed that ED-5000 was clear about when firm(s) and the individuals from those firm(s) are members of the engagement team, or

are “another practitioner.” In addition, respondents found the diagram depicting different individuals involved in an engagement to be very useful and suggested that it be included directly within the standard.

81. Many respondents called for a definition of “another practitioner” and sought further clarity on the concept of “sufficient involvement.” Respondents also suggested that paragraph 42 of ED-5000 provide a clearer “roadmap” for practitioners as to which requirements in the standard are applicable in the circumstances, which would involve elevating elements of the application material to become part of the requirement.
82. Additional themes emerging from respondents’ comments relating to the requirements applicable to using the work of another practitioner included:
 - Guidance on communications with another practitioner;
 - Additional clarity on the expected work effort, including any difference between limited and reasonable assurance engagements, and how to address information incorporated from the value chain;
 - Practical implementation challenges when working with another practitioner, particularly related to the work of another practitioner at a value chain entity.
83. With respect to using the work of a practitioner’s expert, respondents noted that the requirements should also apply to practitioner’s internal experts, consistent with ISAE 3000 (Revised) and ISA 620.⁵ Respondents also suggested including more requirements and guidance from ISA 620 to help promote consistency in application by professional accountant and non-accountant assurance practitioners.

IAASB Decisions

84. The IAASB added a definition of another practitioner (see paragraph 18 of ISSA 5000). To clarify why another practitioner is not part of the engagement team, the essential application material to the definition explains that:
 - The work of another practitioner that the practitioner may intend to use for purposes of the sustainability assurance engagement is performed in the context of a separate engagement, and
 - Individuals from another practitioner who perform the work are not members of the engagement team as they are not performing procedures on the sustainability assurance engagement. Such individuals also are not practitioner’s experts.
85. Other changes in response to comments received on using the work of others included:
 - Revising paragraph 43 of ISSA 5000 to clearly indicate the requirements that apply if the practitioner intends to obtain evidence from using the work of a firm other than the practitioner’s firm, based on the engagement leader’s ability to be sufficiently and appropriately involved in such work.

⁵ ISA 620, *Using the Work of an Auditor’s Expert*

- Revising the application material to further clarify the concept of sufficiency of involvement, drawing on ISA 220 (Revised).⁶
- Broadening the requirements for using the work of a practitioner's expert to include both internal and external experts, unless the requirement specifically addresses external experts (e.g., paragraph 56(b) of ISSA 5000 regarding evaluating the objectivity of a practitioner's external expert).
- To provide sufficient focus on the evaluation of the adequacy of an expert's work for the practitioner's purposes, adding a separate, more robust requirement (paragraph 57 of ISSA 5000), consistent with ISA 620.

One-to-Many Reports

86. To address comments about the practical challenges of using the work of another practitioner, particularly at a value chain entity, the IAASB developed a new conditional requirement (see paragraph 51 of ISSA 5000) that is based on a similar requirement in ISA 402.⁷
87. The premise of this requirement is that, due to the relationship between entities in a value chain, it is expected that assurance engagements undertaken by practitioners to provide an assurance report designed for user entities and their assurance practitioners across a value chain, similar to service organization assurance reports, may evolve as a necessary solution to address reporting entities' information needs when complying with relevant sustainability reporting frameworks. If the practitioner plans to use such a report (referred to in ISSA 5000 as a one-to-many report), paragraph 51 requires the practitioner to determine whether that assurance report provides sufficient appropriate evidence for the practitioner's purposes. The IAASB was of the view that including this requirement in ISSA 5000 would help to future-proof the standard and provide a way forward if the ecosystem evolves as some stakeholders predict.
88. If the practitioner intends to obtain evidence about the operating effectiveness of controls, paragraph 52 of ISSA 5000 requires the practitioner to determine whether any complementary user entity controls identified in a one-to-many or other assurance report of another practitioner are relevant to the user entity.

Coordination with IESBA

89. The IAASB had extensive discussions with IESBA on matters related to using the work of another practitioner and a practitioner's external expert to maintain alignment of key concepts and requirements between ISSA 5000 and the Code, including IESBA's proposed revisions as part of its sustainability and using the work of an external expert projects. The specific matters of coordination are explained in more detail in paragraphs 90-94 below.

Another Practitioner

90. If the practitioner intends to use the work of another practitioner, paragraph 51 of ED-5000 required the practitioner to evaluate whether that practitioner is independent and has the necessary competence and capabilities for the practitioner's purposes. In the course of coordination discussions

⁶ ISA 220 (Revised), *Quality Management for An Audit of Financial Statements*

⁷ ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*, paragraph 17

with IESBA, it was noted that the work performed by another practitioner could be either assurance or non-assurance work.

91. Because relevant ethical requirements may have different provisions depending on the nature of the work performed, the IAASB deemed it necessary to revise the requirement to refer more generally to the practitioner's compliance with relevant ethical requirements that apply to using the work of another practitioner (see paragraph 50(a) of ISSA 5000). To provide an appropriate bridge to the IESBA Code, the IAASB also:
- Revised the application material to indicate that using the work of another practitioner may include work that has already been completed, or that is yet to be performed but will be completed prior to completion of the practitioner's engagement. Such work may specifically relate to sustainability matters or may be other assurance or non-assurance work that, in the practitioner's judgment, is relevant to the sustainability assurance engagement (paragraph A123 of ISSA 5000).
 - Added application material indicating that relevant ethical requirements may include provisions addressing the fulfillment of the practitioner's ethical responsibilities related to using the work of another practitioner, and that these responsibilities may vary depending on whether the work performed by another practitioner is assurance or non-assurance work (paragraph A125 of ISSA 5000).
 - Added application material to provide guidance for practitioners to differentiate between assurance and non-assurance engagements (paragraph A126 of ISSA 5000). The IAASB was of the view that a few high-level principles, focused on the nature of the engagement and the wording of the report of another practitioner, would provide the necessary steer for practitioners.

Practitioner's External Expert

92. ISSA 5000 does not explicitly indicate what the practitioner does if the practitioner is unable to evaluate whether, or determines that, a practitioner's external expert does not have the necessary competence, capabilities and objectivity for the practitioner's purposes in accordance with paragraph 56(a). The IAASB noted that it is implicit in the requirements (paragraphs 56-57 of ISSA 5000) that the practitioner would be unable to use the work of that expert in those circumstances. It also was noted that this implicit presumption is consistent with ISA 620.
93. As part of the coordination discussions with IESBA, the IAASB was asked to add application material to ISSA 5000 to provide a bridge to the relevant ethical requirements that may address this matter. The IAASB agreed and added paragraph A145 of ISSA 5000.
94. The IAASB's Strategy and Work Plan for 2024-2027 includes a planned narrow-scope project to consider amendments to IAASB standards, including ISA 620, arising from IESBA's Using the Work of an External Expert project. The IESBA's explicit introduction of ethical requirements in relation to using the work of an external expert in the preparation of financial and non-financial information and in audit, assurance and non-assurance engagements, may necessitate amendments to IAASB standards to ensure that the two Boards' standards can continue to be effectively applied together. This would include consideration of IESBA's introduction and revision of certain definitions and terminology.

Section J – Group Sustainability Assurance Engagements

Background

95. The IAASB considered the manner and extent to which ED-5000 should address “consolidated” sustainability information or sustainability assurance engagements for groups. As an overarching standard, the IAASB was of the view that it would be inappropriate for ED-5000 to include all the detailed requirements and guidance set out in ISA 600 (Revised)⁸ for group circumstances. The IAASB therefore concluded that, on balance, the principles-based requirements in the proposed standard are capable of being applied for all sustainability assurance engagements, including when other practitioners (whether from within the practitioner’s firm or network, or outside of the practitioner firm’s network) are needed to perform procedures and obtain evidence.

Summary of Comments Received on Exposure

96. Respondents had mixed views about whether the principles-based requirements in ED-5000 would be sufficient for group sustainability assurance engagements. Some respondents were of the view that the principles-based approach could be applied in theory, but additional requirements or guidance would be needed, and could be provided as application material in the standard, implementation guidance outside of the standard, or in a separate ISSA in the future.
97. Other respondents across stakeholder groups suggested that additional requirements and guidance specific to group engagements were needed in the final standard to address the complexities and challenges of group engagements. These respondents commented that, as an overarching standard, ED-5000 should include requirements and guidance needed to perform a group sustainability assurance engagement. It was unclear to them how ED-5000 could be practically applied in a group context, particularly given the unique risks that arise from information aggregated from multiple entities, including the value chain (see also the discussion on information from the value chain in Section M – Other Matters below).
98. Other respondents noted that, in some jurisdictions (e.g., the European Union), many of the first entities that will be in scope for the first wave of mandatory sustainability reporting and assurance are likely to be groups. Therefore, there is a greater need for ED-5000 to address group sustainability assurance engagements to avoid inconsistencies in approaches.
99. Respondents also noted the importance of coordination with IESBA, including alignment of key concepts, terminology and requirements between ED-5000 and IESBA’s proposed revisions to the Code for group sustainability assurance engagements.

IAASB Decisions

100. Given the principles-based nature of ISSA 5000, the IAASB discussed the importance of striking a balance between including additional group-specific requirements and application material in an overarching standard, versus providing guidance outside of the final standard to supplement the principles-based requirements.
101. The IAASB noted that the same foundational concepts and principles (i.e., determining the resources needed to perform the engagement, identifying the sources of information and where and how evidence will need to be obtained) apply to all engagements. However, the IAASB also recognized

⁸ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

the many calls for specific requirements and guidance for group engagements to address the complexities and challenges of such engagements, and to drive more consistent performance by practitioners.

102. The IAASB concluded that the most appropriate way to address respondent comments was to add selected requirements for group engagements, along with group-specific terminology. In this regard, the IAASB considered the matters cited most often by respondents as needing additional requirements and guidance in ISSA 5000. Accordingly, the IAASB added:

- Relevant definitions for groups and components (see paragraph 18), based on similar terms for group audits in ISA 600 (Revised).
- A conditional requirement (paragraph 96), based on paragraph 22 of ISA 600 (Revised), for the practitioner to determine the overall strategy and engagement plan, along with related application material.
- A requirement (paragraph 60) applicable to all engagements for the engagement leader to take responsibility for determining that communications take place at appropriate times throughout the engagement among the engagement team (including any component practitioners) and, as applicable, practitioner's external experts and the internal audit function. The IAASB did not include another practitioner(s) in this overarching requirement because communications may not always be possible when the practitioner is unable to direct, supervise and review the work of another practitioner. However, in determining whether the evidence obtained from another practitioner's work is adequate for the practitioner's purposes, the practitioner is required, to the extent necessary in the circumstances, to communicate with that other practitioner about the findings from that practitioner's work (see paragraph 53 of ISSA 5000).
- Conditional requirements (paragraphs 151L and 151R) to design and perform further procedures to respond to the assessed risks of material misstatement arising from the aggregation process for group sustainability information. The IAASB noted that sustainability reporting frameworks may require "consolidated" or aggregated sustainability information, but ordinarily do not provide detailed guidance for how the entity would aggregate information from multiple entities in preparing the disclosures.

103. The IAASB acknowledged the calls from respondents for requirements and guidance about materiality in a group context. However, the IAASB was of the view that additional guidance on materiality, including for groups, is best addressed in implementation guidance.

Coordination with IESBA

104. The IAASB acknowledged the importance of coordination with IESBA on key concepts, terminology and requirements related to group sustainability assurance engagements. Following extensive coordination discussions, the two Boards achieved alignment on the approach to groups, including:

- Definitions of group-related terminology, with each Board having flexibility to supplement the definitions with application material to provide specific context for their respective purposes.
- The approach to components, including that the determination of components is a practitioner-driven concept for purposes of planning and performing the engagement, and that components can be either group components or value chain components (i.e., within the reporting

boundary). See the definition of component in paragraph 18 and related application material in paragraph A17 of ISSA 5000.

- References to “assurance work” to emphasize the practitioner’s focus when developing the overall strategy and engagement plan for a group sustainability assurance engagement, but also to distinguish assurance work from non-assurance work, for example, when obtaining evidence from using the work of another practitioner. This recognizes that relevant ethical requirements, including independence requirements, may differ based on whether work performed is assurance or non-assurance work.

Involvement of Another Practitioner in a Group Component

105. The IAASB addressed concerns raised by a Monitoring Group member about circumstances in which another practitioner may have performed work at a group component (i.e., the practitioner is unable to be sufficiently and appropriately involved in such work). This was deemed to be inconsistent with the expectation that the practitioner would be sufficiently and appropriately involved in work performed at a group component.
106. Given the evolving sustainability reporting landscape and wide variety of types of engagements that may be performed, the IAASB was of the view that it would be possible for another firm (including another office of the practitioner’s firm or a network firm) to have performed a separate engagement at a group component (e.g., a subsidiary) of which the practitioner was unaware. The IAASB noted that such circumstances already existed in practice, and therefore needed to be recognized in ISSA 5000. Accordingly, the IAASB:
- Strengthened the expectation to a presumption that the practitioner would ordinarily be sufficiently and appropriately involved in work performed in relation to sustainability information of a group component (see paragraph A104 of ISSA 5000).
 - Revised the application material (see paragraph A105 of ISSA 5000) to acknowledge the circumstances in which a separate engagement has been performed and the practitioner was unable to be sufficiently and appropriately involved. In these circumstances, the requirements related to another practitioner in paragraphs 50-55 of ISSA 5000 apply. The IAASB concluded that the robust requirements for using the work of another practitioner would be appropriate in these circumstances, including determining whether the evidence obtained from that other practitioner’s work is adequate for the practitioner’s purposes.
 - Further recognized in the application material that if a similar separate engagement is expected to be performed in subsequent years relating to that group component, there would be the opportunity for appropriate planning and communication between the practitioners such that the involvement of that other firm could evolve to be that of a component practitioner. Accordingly, the application material notes that the practitioner would be able to consider this in developing the overall strategy and engagement plan for the group engagement, including the involvement of that other firm as a component practitioner (i.e., the presumption of sufficient and appropriate involvement in that work applies).

Section K – Risk Assessment Procedures

Risk Assessment for Limited Assurance Engagements

107. For a limited assurance engagement, ED-5000 required the practitioner to design and perform risk procedures “sufficient to identify disclosures where material misstatements are likely to arise” and thereby provide a basis for designing further procedures to focus on those disclosures. This approach was consistent with the requirements of ISAE 3000 (Revised) for all limited assurance engagements. The IAASB noted that ISAE 3410 requires, for limited assurance engagements, the identification and assessment of risks of material misstatement at the GHG statement level and for material types of emissions and disclosures. However, the IAASB was of the view that the approach in ISAE 3000 (Revised) provided an appropriate framework for the practitioner’s consideration of disclosures where material misstatements are likely to arise for a sustainability assurance engagement. See paragraphs 98-101 of the Explanatory Memorandum to ED-5000.
108. A majority of respondents to ED-5000 supported a requirement for an explicit risk assessment for limited assurance engagements, noting that risks of material misstatement should always be identified and assessed regardless of the type of assurance engagement. However, there were differing views as to whether the risk assessment should occur at the level of the disclosure, similar to ISAE 3410, or at the assertion level. Respondents also indicated that there should be a clear distinction in the work effort required for risk procedures for limited and reasonable assurance engagements.
109. In considering the differing views from respondents, the IAASB noted that the approaches to limited assurance engagements in ED-5000 and ISAE 3410 are both risk-based. This is the case for all of the IAASB’s standards, when undertaking audits, reviews, and other assurance engagements (see also the IAASB’s International Framework for Assurance Engagements).⁹ The difference is in the nature and application of the risk-based approach.
110. The IAASB agreed with those respondents that noted that, due to the nature of sustainability information, the approach in ISAE 3410 would provide a more appropriate basis for designing and performing further procedures for limited assurance engagements. Therefore, ISSA 5000 (paragraph 122L) requires the practitioner to identify and assess the risks of material misstatement at the disclosure level for limited assurance engagements. The IAASB was of the view that this approach:
- Provides a basis for designing and performing further procedures to obtain a meaningful level of assurance.
 - Addresses concerns from respondents about the difference in the work effort for risk identification and assessment between ED-5000 and ISAE 3410 (see also paragraph 14 above).
 - Drives consistency and quality in sustainability assurance engagements.
 - Better facilitates the transition from limited assurance to reasonable assurance in the future.

⁹ Refer to the [IAASB Handbook 2023-2024](#), Volume IV.

Understanding the Entity's Reporting Policies

111. In connection with its discussions about the suitability of criteria, the IAASB also discussed the difference between criteria and the entity's reporting policies. To provide clarity in ISSA 5000 about the difference between the two, the IAASB:

- Explained in paragraph A2 of ISSA 5000 that, while a sustainability reporting framework may not specify how to measure or evaluate all sustainability matters, it ordinarily embodies sufficient broad principles that can serve as a basis for the entity to select and apply reporting policies that are consistent with the underlying concepts in, and meet the objectives of, the requirements of the framework. This is consistent with financial reporting frameworks, as explained in paragraph A6 of ISA 200.¹⁰
- Added requirements (paragraphs 108 and 109 of ISSA 5000) for the practitioner to obtain an understanding of the entity's reporting policies and the reason for any changes thereto, and to evaluate whether the entity's reporting policies are appropriate and consistent with the applicable criteria and criteria used in the relevant industry. These requirements are consistent with the approach to understanding an entity's accounting policies in accordance with ISA 315 (Revised 2019).¹¹
- To provide further clarification about how the entity's reporting policies relate to the applicable criteria, added application material to explain that the entity's reporting policies are not criteria, but those policies assist the entity in complying with the applicable criteria. The application material includes matters to consider when obtaining an understanding of the entity's selection and application of reporting policies (paragraph A343), and an example to illustrate how the entity's reporting policies are used to apply the criteria (paragraph A344).

Identifying and Assessing the Risks of Material Misstatement

112. In the course of its deliberations, the IAASB had mixed views about the practitioner's approach to identifying and assessing risks of material misstatement, including how materiality is applied in doing so. Two different positions were expressed:

- The first position was that the entity's process to identify sustainability information to be reported (see also paragraph 59 above) leads to the disclosures that management has determined are material based on the information needs of intended users. Therefore, the practitioner should view all disclosures as being material and accordingly identify, assess and respond to the risks of material misstatement of all disclosures.
- The second position was that, in planning and performing the engagement, while management's disclosures provide a starting point for the practitioner's approach to the engagement, the practitioner may decide that grouping the sustainability information differently may provide for a more effective approach (as acknowledged in paragraph A267 of ED-5000).

113. The approach taken in ISSA 5000 ultimately recognized that the practitioner's identification and assessment of the risks of material misstatement, which is an iterative process, is based on the practitioner's understanding obtained from performing risk assessment procedures and applying the

¹⁰ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

¹¹ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

practitioner's materiality. In doing so, the practitioner will group the disclosures in a logical way that takes into account, among other matters, the practitioner's consideration of the information needs of intended users. The practitioner then identifies and assesses the risks of material misstatement at the disclosure level (for limited assurance) or at the assertion level for the disclosures (for reasonable assurance) and plans and performs further procedures to respond to the assessed risks.

114. Based on its discussions and to further clarify its position, the IAASB made several revisions to the application material, including to:
- Paragraphs A284-A287, which discuss the practitioner's approach to planning and performing procedures, including considerations that may affect the practitioner's decision about grouping the entity's disclosures for purposes of planning and performing the engagement.
 - Paragraphs A404-A414, which discuss, among other matters, that the manner in which the practitioner groups the disclosures for purposes of planning and performing the engagement affects how the practitioner identifies and assesses the risks of material misstatement and that the identification and assessment of the risks of material misstatement at the disclosure level in a limited assurance engagement is less extensive than for a reasonable assurance engagement. This application material also draws attention to circumstances in which a sustainability reporting framework may require disclosure of a large number of individual metrics for different sustainability matters.

Section L – Reporting

115. Overall, the IAASB developed the reporting requirements in ED-5000 based on the requirements in ISAE 3000 (Revised) and ISAE 3410, but consideration was given to relevant requirements in ISA 700 (Revised),¹² ISA 710,¹³ ISA 720 (Revised)¹⁴ and ISA 800 (Revised).¹⁵ Given the expected evolution of entities' general purpose external reporting to incorporate both sustainability and financial reporting, the IAASB decided that ISA 700 (Revised) should be used as a guide for the elements of the assurance report on sustainability information. The IAASB also noted that ISA 700 (Revised) reflects the latest thinking about the form and content of the auditor's report, including the ordering of the report elements.
116. Respondents were broadly supportive of the form and content of the assurance report in ED-5000 but provided comments and suggestions on various aspects of the report. Respondents recommended including a requirement for the assurance report to identify the relevant ethical requirements applied by the assurance practitioner in addition to the identification of the jurisdiction of origin of those requirements (see also paragraph 37 above). Suggestions also included providing additional application material and examples of reports that include an "Inherent Limitations" section, in order to provide more clarity and guidance on the challenges related to estimates and forward-looking information, and obtaining evidence for disclosures related to the value chain.

¹² ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

¹³ ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*

¹⁴ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

¹⁵ ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

Transparency about Relevant Ethical Requirements and Quality Management Standards

117. ED-5000 required that the practitioner's report identify the jurisdiction of origin of the relevant ethical requirements or refer to the IESBA Code. The IAASB agreed with those respondents that noted that this was not as robust as the requirement in ISAE 3000 (Revised), and therefore enhanced the requirement to include identification of the ethical requirements applied (see paragraph 190(d)(iv) of ISSA 5000). In addition to being consistent with ISAE 3000 (Revised), this aligned the requirement with the similar requirement to identify the quality management requirements applied (see paragraph 190(d)(vi)).
118. The IAASB also concluded that, if applicable, the assurance report should require identification of the appropriate authority that made the determination that the relevant ethical requirements or quality management requirements applied on the engagement are at least as demanding as the provisions of the IESBA Code related to sustainability assurance engagements or ISQM 1. Accordingly, the IAASB added this to the requirements in paragraphs 190(d)(iv) and (vi).
119. Following coordination with IESBA, the IAASB added a conditional requirement (paragraph 190(d)(v) of ISSA 5000) to include a statement in the assurance report if relevant ethical requirements require the practitioner to publicly disclose when the practitioner applied independence requirements specific to sustainability assurance engagements of certain entities, such as public interest entities (PIE) in the case of the IESBA Code. The IAASB adapted this requirement from ISA 700 (Revised),¹⁶ as revised for amendments arising from the IAASB's [PIE Track 1 project](#).

Limited Assurance – Basis for Conclusion

120. In developing ED-5000, the IAASB considered it important to make clear to users of the assurance report that, in a limited assurance engagement, the procedures performed vary from, and are less in extent than for, a reasonable assurance engagement and that the level of assurance obtained is substantially lower. To give these statements sufficient prominence and bring them to users' attention, the IAASB decided that they should be located in the Basis for Conclusion section of the limited assurance report.
121. The majority of respondents agreed that the placement in the Basis for Conclusion section of the assurance report gives sufficient prominence to the statements about the difference between the procedures performed, and the level of assurance obtained, in a limited assurance engagement versus a reasonable assurance engagement. Nonetheless, respondents suggested a need for additional guidance or educational materials to help users better understand limited assurance engagements and to minimize the expectations gap.
122. The IAASB did not propose any further changes to the placement of the statements in the limited assurance Basis for Conclusion section of the assurance report. The IAASB noted the importance of intended users reading the entire assurance report, including the Summary of Work Performed for a limited assurance engagement.

Key Audit Matters (KAM)

123. The IAASB acknowledged the potential public interest benefits of communicating KAM and considered the outcome of the Auditor Reporting Post-Implementation Review that explored demand

¹⁶ ISA 700 (Revised), paragraph 28(c)

for extending the concept of KAM to other assurance reports. However, due to a number of factors as described in the Explanatory Memorandum to ED-5000, the IAASB agreed it was not appropriate to require communication of KAM or equivalent (e.g., “key sustainability assurance matters”) in ED-5000 as an overarching standard and instead noted that the IAASB will consider addressing KAM in the future.

124. Respondents strongly supported not requiring the practitioner to communicate KAM, noting that such a requirement would not be relevant to all sustainability assurance engagements. In particular, respondents noted that communicating KAM in a limited assurance engagement could be confusing to users of the assurance reports given that such reports are required to include a Summary of Work Performed section. Respondents supported addressing KAM in the future after a post-implementation review of the application of ISSA 5000.
125. Given the views of respondents, the IAASB reaffirmed its position that ISSA 5000 should not require communication of KAM in the assurance report. The IAASB remained of the view that it is more appropriate to consider the communication of KAM after ISSA 5000 has been applied for a period of time, given the evolving nature of sustainability assurance. The IAASB also noted the views expressed by some respondents that ISSA 5000 does not preclude a practitioner from reporting KAM on a voluntary basis or if required by law or regulation.

Inherent Limitations

126. The IAASB noted respondents’ general support for the assurance report to include, when applicable, an “Inherent Limitations in Preparing the Sustainability Information” section. Therefore, the IAASB retained the requirement from ED-5000, but expanded it to include limitations relating to forward-looking information included in the sustainability information (see paragraph 190(g) of ISSA 5000).
127. In response to comments from respondents about limitations on management’s ability to obtain information from value chain entities, the IAASB added paragraph A559 in ISSA 5000 to acknowledge that management may choose to explain such limitations in the sustainability information. The practitioner may also choose to describe the effects on the practitioner’s procedures in the assurance report provided any such description does not imply that the practitioner’s responsibility for obtaining sufficient appropriate evidence to support the assurance conclusion is reduced with respect to such information.
128. Regarding requests from respondents to provide examples of reports that include an “Inherent Limitations” section, the IAASB concluded that doing so in ISSA 5000 would not be appropriate as this section should be tailored to the facts and circumstance of the assurance engagement. Therefore, providing examples in the standard may lead to boilerplate wording by practitioners. The IAASB was of the view that any additional guidance or examples are best considered in connection with implementation guidance or other non-authoritative support materials.

Section M – Other Matters

Communication with the Auditor of the Financial Statements

129. Respondents to ED-5000 highlighted the connectivity between the sustainability information being reported and the audited financial statements, and the importance of communication between the sustainability assurance practitioner and the auditor of the financial statements. This was reinforced

to the IAASB through feedback from stakeholders in the roundtables and other outreach throughout the course of the project.

130. The IAASB noted that as reporting requirements continue to evolve at the global level, financial and sustainability reporting are becoming more integrated. Therefore, communication between practitioners and the auditors of the financial statements is essential to achieve consistency between the different reporting requirements. The IAASB also noted that the issue of connectivity between the practitioner and the auditor of the financial statements was mentioned most often by respondents in the context of the practitioner's responsibilities for "other information."
131. In response to the comments received and other stakeholder input, the IAASB added the following in ISSA 5000:
- A requirement in paragraph 174 related to the practitioner's responsibilities for other information (as defined in paragraph 18 of ISSA 5000). If the other information includes the entity's financial statements subject to audit and the practitioner identifies that a material inconsistency appears to exist between those financial statements and the sustainability information, or becomes aware that the financial statements appear to be materially misstated, the practitioner is required to also communicate the matter to the auditor of the entity's financial statements, unless prohibited by law or regulation, or professional requirements.
 - Application material (paragraph A279) to the planning section to encourage communication between the sustainability assurance practitioner and the auditor of the financial statements on matters that may be of mutual interest between the two engagements. This application material indicates that such communication, if not prohibited by law or regulation, may be useful for planning the assurance engagement and may take place at appropriate times throughout the engagement.
 - Application material (paragraph A14) that recognizes that, in some circumstances, the sustainability reporting framework may permit sustainability information to be incorporated by reference from other sources, such as the audited financial statements or another section of a management report. If such information is within the scope of the sustainability assurance engagement, the practitioner responsible for the sustainability assurance engagement may intend to obtain evidence from the work performed by the financial statement auditor or another assurance practitioner. In these circumstances, the requirements in ISSA 5000 addressing using the work of another practitioner apply, including communication, to the extent necessary in the circumstances, about the findings from the other practitioner's work.

Fraud and Non-Compliance with Laws and Regulations (NOCLAR)

132. The reporting of sustainability information, and the system of internal control related to sustainability matters and preparation of the sustainability information, are continuing to develop and in many cases are less mature than for historical financial information. This may increase the susceptibility of the sustainability information to misstatements due to fraud, particularly when there are pressures for management to meet publicly announced targets or goals.
133. The IAASB recognized the importance of the practitioner's consideration of the risks of material misstatement due to fraud and responding appropriately to actual or suspected fraud identified during the engagement. Therefore, ED-5000 had numerous references to fraud throughout the requirements

and application material. The IAASB also discussed the importance of continued coordination with IESBA on the topics of fraud and non-compliance with laws and regulations.

Fraud

134. Respondents to ED-5000 generally agreed that ED-5000 appropriately addressed the topic of fraud. While there were suggestions that the term “greenwashing” be defined, respondents generally supported the fact that the term was not used in ED-5000. Respondents had various comments on the need for more specific guidance and examples on the topic of fraud in the context of sustainability reporting, including with respect to management override of controls and management bias. It was also suggested that the IAASB consider aligning ED-5000 with the [current project](#) to revise ISA 240.¹⁷
135. With respect to fraud, the IAASB:
- Noted that, given the maturity of internal controls for sustainability reporting is behind that of financial reporting, the risk of management override of controls is elevated in sustainability assurance engagements. Accordingly, the IAASB added requirements in the risk assessment and response sections of ISSA 5000 (paragraphs 123R and 150R, respectively) to address the risk of management override of controls. The IAASB concluded that these requirements should only be applicable for reasonable assurance engagements as extending them to limited assurance engagements would imply a deeper understanding of control activities than is required in ISSA 5000 for limited assurance engagements.
 - Reaffirmed its view that the definition of fraud in ED-5000 was appropriate and no changes were needed. The IAASB noted that fraud is defined in ISSA 5000 in the same way as in ISA 240 and ISAE 3410, and is not exclusively a financial reporting concept. The definition is broad enough to encompass all intentional actions by management and those charged with governance to obtain an unjust or illegal advantage and clear enough not to include unintentional management bias.
 - Also reaffirmed its view not to define or describe “greenwashing” in ISSA 5000. Terms such as “greenwashing,” “greenhushing,” “social washing” and their relationship with fraud and management bias are better explained in implementation guidance.

NOCLAR

136. The IAASB considered respondents’ comments on NOCLAR and concluded that ISSA 5000 appropriately addressed those matters. However, based on its discussions the IAASB added a requirement (paragraph 67 of ISSA 5000) for the practitioner to determine whether law, regulation or relevant ethical requirements require reporting fraud or NOCLAR to an appropriate authority outside the entity, or establish responsibilities under which such reporting may be appropriate in the circumstances. This requirement, which was elevated from application material, was adapted from ISA 240 (paragraph 69) and ISA 250 (Revised)¹⁸ (paragraph 29).
137. The IAASB also coordinated with IESBA to maintain alignment with provisions in relevant ethical requirements related to NOCLAR, and concluded that ISSA 5000 is consistent, or does not conflict, with relevant ethical requirements regarding communication with the financial statement auditor.

¹⁷ ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

¹⁸ ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

Estimates and Forward-looking Information

138. The IAASB acknowledged the importance for ED-5000 to address the unique considerations related to estimates and forward-looking information, including estimation uncertainty, the use of judgment by management, the use of professional judgment by the practitioner and, obtaining sufficient appropriate evidence about the estimates or forward-looking information.
139. The IAASB was of the view that, regardless of the source or degree of estimation uncertainty, or the extent of judgment involved, it is necessary for management to appropriately apply the applicable criteria when developing estimates and forward-looking information and the related disclosures, including selecting and using appropriate methods, assumptions and data. Therefore, the IAASB concluded that the most appropriate approach was to address estimates and forward-looking information together in the “Responding to Risks of Material Misstatement” section of ED-5000.
140. The majority of respondents across stakeholder groups supported the approach to the requirements in ED-5000 related to estimates and forward-looking information, including addressing them in the same section of the standard, but asked for additional clarification and examples to be included in the application material or non-authoritative implementation guidance.
141. In response to comments, the IAASB added:
- A requirement for the practitioner to obtain an understanding, for estimates and forward-looking information, of how the entity identifies the relevant methods, assumptions or sources of data, and the need for changes in them, that are appropriate in the context of the applicable criteria (paragraph 117(c) of ISSA 5000).
 - Application material to provide further clarification and examples on various matters, including with respect to the practitioner’s development of a point estimate or range to evaluate management’s estimate or forward-looking information. The application material also explains that the practitioner is not required to obtain evidence about whether the entity’s intended future strategy, targets or other intentions disclosed as part of forward-looking information will be achieved, or to come to a conclusion to that effect.

Information from the Value Chain

142. Respondents to ED-5000 expressed various comments and concerns about the potential challenges, for both the entity and the practitioner, related to information from the value chain. Some of these practical implementation challenges related to using the work of another practitioner, and concerns about the ability for the practitioner to be sufficiently and appropriately involved in the work of another practitioner, particularly several steps up and down the entity’s value chain.
143. The IAASB was of the view that the fundamental principles in ISSA 5000 with respect to obtaining and evaluating evidence apply regardless of the source of the information (i.e., whether information is from entities within or outside of the entity’s control). However, to acknowledge the comments from respondents regarding these potential challenges, the IAASB added application material in several places throughout ISSA 5000, including:
- Paragraph A238, which indicates that limitations on access to information from entities outside of the entity’s control, or to the work of another practitioner that may have provided an assurance report on such information, may also affect the practitioner’s evaluation of the relevance and reliability of this information intended to be used as evidence.

- Paragraphs A252 and A255, which indicate that, in circumstances in which there may be limitations on management's ability to obtain information from value chain entities outside of the entity's control, the applicable criteria may provide certain relief provisions for management (e.g., the ability to develop estimates using sector-average data after making reasonable efforts to obtain the information). However, regardless of any such limitations, the practitioner is required to obtain sufficient appropriate evidence about the value chain information reported by management.
- Paragraphs A289-A290, which describe procedures that may be considered by the practitioner when such limitations exist, including testing management's process for obtaining such information.
- Paragraph A559, which addresses the disclosure of inherent limitations in the assurance report (see also paragraph 128 above).

Section N – Conforming and Consequential Amendments

144. The IAASB proposed a limited number of conforming and consequential amendments to the Preface to the *International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements* (the Preface), the IAASB standards, and the International Framework for Assurance Engagements arising from ISSA 5000. The IAASB responded to the limited number of comments received and aligned the final conforming and consequential amendments with the final changes to ISSA 5000.
145. Substantive changes to the proposed conforming and consequential amendments from those presented in ED-5000 included the following:
- Changes were proposed in ED-5000 to several paragraphs in the Preface to replace the reference to "professional accountant" with "auditor or practitioner" to reflect that the standard is intended for use by all assurance practitioners. In hindsight, the IAASB noted that the use of the term "professional accountant(s)" is consistent with the IAASB's other standards, including ISQM 1, ISA 220 (Revised), and ISAE 3000 (Revised), as well as being consistent with the IESBA Code. Therefore, the IAASB reverted to the phrase "professional accountant or practitioner" throughout the Preface.
 - The definitions of a firm in paragraph 16(i) and relevant ethical requirements in paragraph 16(t) of ISQM 1 were amended to include a reference to practitioners, consistent with the changes to the Preface as described above.
 - The conforming amendments proposed to ISAE 3410 were deleted given the IAASB's decision to withdraw ISAE 3410, as explained in paragraph 20 above.
 - Paragraphs A3 and A5 of ISA 720 (Revised) were amended to clarify that, for audits of financial statements, sustainability reports or other sustainability-related information may form part of the annual report and are therefore other information within the scope of ISA 720 (Revised), unless these are special purpose reports addressing certain kinds of sustainability information. The IAASB was of the view that this amendment is appropriate as circumstances have changed since the issuance of ISA 720 (Revised) with respect to sustainability information.

Section O – Effective Date

Background and Summary of Comments Received on Exposure

146. In developing ED-5000, the IAASB acknowledged the urgent need for a global sustainability assurance standard to address the increasing number of jurisdictions with regulatory requirements being introduced for sustainability reporting, with assurance required on some or all of the sustainability information reported. The IAASB also recognized the need for national due process and translation, as applicable, relating to the adoption of the standard, and incorporating the changes into firm methodologies, tools and training materials.
147. To balance the need for urgency with allowing sufficient time to implement the standard, the IAASB proposed an implementation period of approximately 18 months after approval of the final standard.
148. The vast majority of respondents agreed with the proposed implementation period of approximately 18 months after approval of the standard, and indicated that this would provide sufficient time for jurisdictions and practitioners to prepare for the implementation of ISSA 5000. Some respondents, however, were of the view that a longer implementation period (e.g., 24 months) would be appropriate given that ISSA 5000 is a significant new standard, also citing the lack of resources in some jurisdictions and the need for training for practitioners and regulators. Respondents generally also supported early implementation of the standard.
149. Respondents also encouraged the IAASB to align the effective date for ISSA 5000 with the effective date of the sustainability provisions in the IESBA Code.

IAASB Decisions

150. Taking into account the date of approval of the standard and expected timing of certification by the Public Interest Oversight Board, and given the vast majority of respondents supported an implementation period of approximately 18 months, the IAASB agreed that ISSA 5000 should be effective for assurance engagements on sustainability information reported:
- For periods beginning on or after December 15, 2026, or
 - As at a specific date on or after December 15, 2026.
- Earlier application of the standard is permitted and encouraged.
151. The IAASB considered this effective date to be in the public interest because it would provide an implementation period of approximately 18 months for engagements on sustainability information reported as at December 15, 2026, and approximately 27 months for engagements for periods beginning or after December 15, 2026.
152. The IAASB also was of the view that jurisdictions will have the flexibility to adopt ISSA 5000 early. Such flexibility may be particularly relevant in jurisdictions that are following an accelerated path to mandating assurance of sustainability information, for example, by adopting ISSA 5000 or using ISSA 5000 as the global baseline for their local equivalent standards. ISSA 5000 may also be adopted or may inform interim arrangements in jurisdictions where there is a timing difference between reporting periods for which sustainability assurance is required and when jurisdiction-specific standards may be finalized.
153. The effective dates of ISSA 5000 and the revisions to the IESBA Code were aligned.

Early application

154. Paragraph 15 of ISSA 5000 states that earlier application of the standard is permitted. Other IAASB standards generally have not explicitly stated that earlier application is permitted because paragraph 18 of the Preface indicates that, unless otherwise stated in the International Standard, the professional accountant or practitioner is permitted to apply an International Standard before the effective date specified therein. However, the IAASB concluded that it is appropriate to include such a statement in this instance, as ISSA 5000 is a significant new standard intended to be used by all practitioners, including non-accountant assurance practitioners who might not be familiar with the IAASB's standards.

Period vs. "As At" Engagements

155. The IAASB noted that sustainability information reported for a period (e.g., for the year ending December 31) frequently includes both information for the period then ended and "as at" that date. This is the same as for a set of financial statements. Accordingly, the IAASB was of the view that assurance engagements on sustainability information reported in accordance with many recognized sustainability reporting frameworks would include information for both the period and an "as at" date, and therefore the appropriate effective date for such engagements would be for periods beginning on or after December 15, 2026.
156. The IAASB was also of the view that assurance engagements on sustainability information as at a specific date generally may be more narrow-scope engagements.

Appendix – Mapping the Key Proposals in Developing ISSA 5000 to the Objectives and Standard-Setting Action in the Project Proposal that Support the Public Interest

| The objectives and standard-setting action in the <u>project proposal</u> (PP) | Paragraphs in final ISSA 5000 | Description | Qualitative standard-setting characteristics considered ¹⁹ |
|--|-------------------------------|--|---|
| Project Objective (a): Develop a new overarching standard for assurance on sustainability reporting that is responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements (see PP, paragraph 13). | | | |
| Undertake timely standard-setting action in response to the demand to address the public interest need for a global baseline standard for assurance on sustainability reporting for use by all assurance practitioners. | Overall approach | The preliminary timetable included in Section G of the PP was aimed at addressing the need for timely standard-setting action. The Board agreed at the March 2023 IAASB meeting to accelerate the development of proposed ISSA 5000, while remaining committed to developing an appropriately robust standard. The approval of the final pronouncement was moved up from December 2024 to September 2024. Subject to certification by the Public Interest Oversight Board, ISSA 5000 will be effective for assurance engagements on sustainability information reported for periods beginning on or after December 15, 2026, and as at a specific date on or after December 15, 2026. Early application will be permitted. | <ul style="list-style-type: none"> <i>Timeliness</i> |
| Project Objectives (b) and (c): Develop a new overarching standard for assurance on sustainability reporting that is (see PP, paragraph 13): | | | |
| (b) Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and | | | |
| (c) Implementable by all assurance practitioners. | | | |

¹⁹ The qualitative standard-setting characteristics listed are those that were at the forefront, or of most relevance, in developing the relevant proposals (see **Section B** of this Basis for Conclusions).

| The objectives and standard-setting action in the <u>project proposal</u> (PP) | Paragraphs in final ISSA 5000 | Description | Qualitative standard-setting characteristics considered ¹⁹ |
|--|--|---|--|
| Developing a standard that addresses the conduct of an assurance engagement in its entirety by addressing all elements of the engagement, from engagement acceptance through to reporting (see PP, paragraph 18(a)). | All the requirements and related application material | ISSA 5000 covers the entire engagement from acceptance or continuance to reporting and is applicable to assurance on sustainability information reported under any suitable criteria. The requirements and application material are organized under appropriate headings and sub-headings that address all the elements of an assurance engagement. | <ul style="list-style-type: none"> • <i>Comprehensiveness</i> • <i>Enforceability</i> |
| Developing a standard that provides more specificity than ISAE 3000 (Revised) and ISAE 3410 for the priority areas identified in the PP, recognizing that the degree of specificity needs to be commensurate with the overarching nature of the standard (see PP, paragraph 18(b)). | Overall approach <u>Requirements</u> Paras. 8 - 14 | <p>The priority areas are identified in paragraph 27 of the PP. The rows in this table below describe how each of the priority areas has been addressed in the proposed standard and are identified as PA.1 to PA.6.</p> <p>The requirements and application material in ISSA 5000 have been drafted following the CUSP Drafting Principles and Guidelines to help provide for more consistent understanding and application.</p> <p>ISSA 5000 is applicable to all types of sustainability information, including greenhouse gas emissions, regardless of how that information is presented. Accordingly, the Board has proposed for ISAE 3410 to be withdrawn in accordance with due process when ISSA 5000 becomes effective.</p> <p>Furthermore, ISSA 5000 is an overarching standard that includes requirements and application material for all elements of a sustainability assurance engagement. Accordingly, the practitioner is not required to apply ISAE 3000 (Revised) when performing the engagement.</p> | <p><i>As indicated for each of the priority areas in the rows below</i></p> <ul style="list-style-type: none"> • <i>Relevance</i> • <i>Implementability</i> |

| The objectives and standard-setting action in the <u>project proposal</u> (PP) | Paragraphs in final ISSA 5000 | Description | Qualitative standard-setting characteristics considered ¹⁹ |
|---|---|---|--|
| <p>PA.1: The difference in work effort between limited and reasonable assurance, including sufficiency of evidence</p> | <p>The differentiation is noted throughout the proposed standard as applicable. Key sections of the standard that highlight the differentiation include those noted below.</p> <p><u>Requirements</u></p> <p>Paras. 103L/R – 152, 190, 198L/R</p> <p><u>Application</u></p> <p><u>Material</u></p> <p>Paras. A313 – A469R</p> <p>Appendix 3</p> | <ul style="list-style-type: none"> Although most of the requirements and application material apply to both reasonable and limited assurance engagements, ISSA 5000 uses a columnar format to distinguish requirements that differ between limited and reasonable assurance. Uses letters (R) and (L) as paragraph number suffixes to indicate which material applies to the respective engagements. Presents the requirements to understand the components of internal control for limited and reasonable assurance side-by-side in the columnar format, with separate requirements for each component to clarify the differences in the understanding required and the work effort necessary to obtain the understanding. Emphasizes the difference between the “deep dive” in a limited assurance engagement if the practitioner becomes aware of a matter that causes the practitioner to believe the sustainability information may be materially misstated, and the need to obtain evidence to enable the expression of a reasonable assurance conclusion in a reasonable assurance engagement. For reasonable assurance engagements, irrespective of the assessed risks of material misstatement, requires the practitioner to consider the need to design and perform substantive procedures for disclosures that, in the practitioner’s judgment, are material. This recognizes | <ul style="list-style-type: none"> <i>Relevance</i> <i>Comprehensiveness</i> <i>Implementability</i> <i>Enforceability</i> |

| The objectives and standard-setting action in the <u>project proposal</u> (PP) | Paragraphs in final ISSA 5000 | Description | Qualitative standard-setting characteristics considered ¹⁹ |
|---|--|--|--|
| | | <p>that while the practitioner may determine that the risks of material misstatement for certain disclosures (or groups of disclosures) are at an acceptably low level, there may be a need to design and perform substantive procedures on those disclosures if they include information that is likely to be of particular importance to intended users. Application material provides further guidance on this requirement.</p> <ul style="list-style-type: none"> Includes illustrative assurance reports for each type of assurance engagement (reasonable, limited, or combined) to assist practitioners in understanding how the reporting requirements apply to the respective engagements. | |
| <p>PA.2: The suitability of the reporting criteria, including addressing concepts such as “double materiality”</p> | <p><u>Requirements</u> Paras. 78, 107</p> <p><u>Application Material</u> Paras. A194 – A202, A326 – A337</p> | <ul style="list-style-type: none"> Requires the practitioner, as part of establishing whether the preconditions for an assurance engagement exist, to evaluate the suitability of the reporting criteria and its availability to the intended users. Recognizes that, in the absence of indications to the contrary, framework criteria that are embodied in law or regulation or are established by authorized or recognized organizations that follow a transparent due process are presumed to be suitable. Requires the practitioner to evaluate whether there are criteria for all of the sustainability information expected to be subject to the assurance engagement. | <ul style="list-style-type: none"> <i>Relevance</i> <i>Implementability</i> <i>Enforceability</i> |

| The objectives and standard-setting action in the <u>project proposal</u> (PP) | Paragraphs in final ISSA 5000 | Description | Qualitative standard-setting characteristics considered ¹⁹ |
|--|-------------------------------|---|---|
| | | <ul style="list-style-type: none"> Requires the practitioner to identify the sources of the criteria, and recognizes that the criteria may be framework criteria, entity-developed criteria, or a combination of both. Requires the practitioner to evaluate whether the criteria exhibit the following five characteristics: relevance, completeness, reliability, neutrality, and understandability. Provides detailed application material on each characteristic of suitable criteria. Application material provides guidance for the practitioner when determining the suitability of criteria for qualitative and forward-looking sustainability information. Application material explains that, in meeting the information needs of the intended users that assists their decision-making, relevant criteria may relate to both the material impacts of environmental, social and governance matters on the entity's strategy, business model and performance (which may be referred to as "financial materiality"), and the material impacts of the entity's activities, products and services on the environment, society, or economy (which may be referred to as "impact materiality"). Applicable criteria may refer to both impacts as "double materiality." | |
| PA.3: The scope of the assurance engagement | <u>Requirements</u> | <ul style="list-style-type: none"> Clarifies that ISSA 5000 does not address sustainability information that is required to be included in the entity's | <ul style="list-style-type: none"> <i>Relevance</i> |

| The objectives and standard-setting action in the <u>project proposal</u> (PP) | Paragraphs in final ISSA 5000 | Description | Qualitative standard-setting characteristics considered ¹⁹ |
|--|--|--|---|
| | <p>Paras. 1, 8 – 14, 75 – 76, 80, 190</p> <p><u>Application Material</u></p> <p>Paras. A12 – A15, A43 – A46, A184 – A191, A207 – A217, A543 – A544</p> <p>Appendix 2</p> | <p>financial statements in accordance with the applicable financial reporting framework.</p> <ul style="list-style-type: none"> Requires the practitioner to obtain a preliminary knowledge of the sustainability information to be reported and whether the scope of the proposed assurance engagement encompasses all or part of that sustainability information. Requires the practitioner to consider whether the entity has a process to identify sustainability information to be reported, which includes the sustainability matters to be reported in the sustainability information and the reporting boundary. Requires the practitioner to determine whether the engagement exhibits a rational purpose, including whether the scope of the assurance engagement is appropriate, including when the scope of the assurance engagement excludes part of the sustainability information to be reported. Requires the practitioner to identify or describe in the assurance report the sustainability information subject to the assurance engagement, including, if appropriate, the sustainability matters and how that information is reported. | <ul style="list-style-type: none"> <i>Implementability</i> <i>Scalability</i> |
| PA.4: Evidence, including the relevance and reliability of information and what | <u>Requirements</u> | <ul style="list-style-type: none"> Uses a principles-based approach for evaluating the relevance and reliability of information intended to be used as evidence, including information obtained from | <ul style="list-style-type: none"> <i>Relevance</i> <i>Comprehensiveness</i> |

| The objectives and standard-setting action in the <u>project proposal</u> (PP) | Paragraphs in final ISSA 5000 | Description | Qualitative standard-setting characteristics considered ¹⁹ |
|--|--|--|--|
| comprises sufficient appropriate evidence | <p>Paras. 50-59, 89 – 94, 103L/R – 152</p> <p><u>Application Material</u></p> <p>Paras. A123 – A154, A225 – A276</p> | <p>sources external to the entity. The application material includes guidance on the attributes of relevance and reliability, as well as the factors that might affect the practitioner's judgment regarding these attributes.</p> <ul style="list-style-type: none"> • Includes overarching requirements for the practitioner to design and perform procedures to obtain sufficient appropriate evidence, in a manner that is not biased. • Requires an evaluation of whether information produced by the entity is sufficiently reliable for the practitioner's purposes. • Includes requirements related to information intended to be used as evidence that has been prepared by a management's expert. • Application material includes detailed guidance for the practitioner to evaluate the relevance and reliability of information intended to be used as evidence and for information that has been prepared by a management's expert. • Application material discusses in detail the characteristics of sufficiency and appropriateness of evidence, including the challenges in obtaining sufficient and appropriate evidence related to qualitative and forward-looking information. • Includes requirements regarding the actions to be taken when the practitioner has doubts about the relevance and reliability of the information intended to be used as | <ul style="list-style-type: none"> • <i>Implementability</i> • <i>Enforceability</i> • <i>Scalability</i> |

| The objectives and standard-setting action in the <u>project proposal</u> (PP) | Paragraphs in final ISSA 5000 | Description | Qualitative standard-setting characteristics considered ¹⁹ |
|--|--|--|---|
| | | <p>evidence, and application material describing factors or circumstances that may give rise to such doubts.</p> <ul style="list-style-type: none"> Includes requirements and application material for obtaining evidence from using the work of others, including another practitioner, a practitioner's expert, and the internal audit function. Application material addresses challenges related to the relevance and reliability of information obtained from value chain entities outside of the entity's control, and the impact on the practitioner's procedures. Includes requirements and application material for designing and performing risk assessment procedures and responses to assessed the risks of material misstatement, including procedures for estimates and forward-looking information. Requires the practitioner to evaluate the sufficiency and appropriateness of evidence obtained, and the engagement leader to determine that sufficient appropriate evidence has been obtained to support the conclusions reached and for the assurance report to be issued, and to document the basis for that determination. | |
| PA.5: The entity's system of internal control and its impact on the ability of the practitioner to obtain sufficient appropriate evidence | <u>Requirements</u> Paras. 113L/R – 121 | <ul style="list-style-type: none"> Addresses the differentiation in work effort for limited and reasonable assurance engagements by presenting the requirements to understand the components of internal control for limited and reasonable assurance side-by-side in the columnar format, with separate requirements for | <ul style="list-style-type: none"> <i>Comprehensiveness</i> <i>Enforceability</i> <i>Scalability</i> |

| The objectives and standard-setting action in the <u>project proposal</u> (PP) | Paragraphs in final ISSA 5000 | Description | Qualitative standard-setting characteristics considered ¹⁹ |
|--|--|---|---|
| | <u>Application Material</u> Paras. A354 – A403 (and A256) | <p>each component to clarify the differences in the understanding required and the work effort necessary to obtain the understanding.</p> <ul style="list-style-type: none"> For limited assurance engagements, requires the practitioner to obtain an understanding of and evaluate the design and determine the implementation of only those controls for which the practitioner plans to obtain evidence by testing their operating effectiveness, including related general IT controls that address risks arising from the use of IT. For reasonable assurance engagements, the practitioner is required to obtain an understanding of control activities by identifying controls for which the practitioner plans to obtain evidence by testing their operating effectiveness, including the related general IT controls that address risks arising from the use of IT, and other controls that the practitioner considers are appropriate to identify and assess the risks of material misstatement at the assertion level for disclosures. In addition, the practitioner is required to evaluate whether these controls have been designed effectively and have been implemented. Application material highlights that the level of formality of the entity's system of internal control, including the control environment, the entity's risk assessment process, and process to monitor the system of internal control, may vary by size and complexity of the entity, | |

| The objectives and standard-setting action in the <u>project proposal</u> (PP) | Paragraphs in final ISSA 5000 | Description | Qualitative standard-setting characteristics considered ¹⁹ |
|---|--|--|---|
| | | <p>and the nature and complexity of the sustainability matters and the applicable criteria.</p> <ul style="list-style-type: none"> Includes detailed application material about understanding the different components of the entity's system of internal controls, evaluating the design and determining the implementation of controls, and determining the extent of testing the operating effectiveness of controls. The application material clarifies that the practitioner's understanding of the entity and its environment, the applicable criteria and the entity's system of internal control may assist the practitioner in identifying appropriate sources of information to be used as evidence. | |
| <p>PA.6: Materiality in the context of the assurance engagement, including materiality in the context of narrative and qualitative information</p> | <p><u>Requirements</u> Paras. 98 – 102, 159 – 160</p> <p><u>Application Material</u> Paras. A292 – A312, A484 – A498</p> | <ul style="list-style-type: none"> For purposes of planning and performing the assurance engagement, and evaluating whether the sustainability information is free from material misstatement, requires the practitioner to: <ul style="list-style-type: none"> Consider materiality for qualitative disclosures; and Determine materiality for quantitative disclosures. Requires the practitioner to determine performance materiality for quantitative disclosures. Requires the practitioner to take into account both financial materiality and impact materiality perspectives when considering or determining materiality for purposes | <ul style="list-style-type: none"> <i>Relevance</i> <i>Comprehensiveness</i> <i>Implementability</i> |

| The objectives and standard-setting action in the <u>project proposal</u> (PP) | Paragraphs in final ISSA 5000 | Description | Qualitative standard-setting characteristics considered ¹⁹ |
|--|-------------------------------|--|---|
| | | <p>of planning and performing the assurance engagement and evaluating whether the sustainability information is free from material misstatement. This is conditional on the applicable criteria requiring the entity to apply both financial materiality and impact materiality in preparing the sustainability information.</p> <ul style="list-style-type: none"> • Application material indicates that materiality for a reasonable assurance engagement is the same as for a limited assurance engagement because materiality is based on the information needs of intended users. • Application material addresses in detail the factors relevant to the practitioner's consideration (qualitative disclosures) or determination (quantitative disclosures) of materiality, as well as the basis for the practitioner's determination of performance materiality (quantitative disclosures). • The application material explains that materiality is a matter of professional judgment and is affected by the practitioner's perception of the common information needs of intended users as a group. Therefore, materiality is ordinarily considered or determined for different disclosures. • Requires the practitioner to determine whether materiality remains appropriate, prior to evaluating the effect of uncorrected misstatements. | |

| The objectives and standard-setting action in the <u>project proposal</u> (PP) | Paragraphs in final ISSA 5000 | Description | Qualitative standard-setting characteristics considered ¹⁹ |
|--|-------------------------------|--|---|
| | | <ul style="list-style-type: none"> Requires the practitioner to determine whether uncorrected misstatements are material, individually or in the aggregate, with detailed application material that provides further guidance for fulfilling the requirement. | |

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AUASB Agenda Paper

| | | | |
|-----------------------------|---------------------------------|---------------------|-----------------|
| Title: | ASSA 5000 Basis for Conclusions | Date: | 28 January 2025 |
| Office of the AUASB: | Marina Michaelides | Agenda Item: | 4.4 |

Objectives of Agenda Item

1. The objectives of this agenda item is:
 - (a) to give AUASB members an opportunity to provide feedback on the draft ASSA 5000 Basis for Conclusions; and
 - (b) To inform AUASB members of the changes made by the IAASB to the proposed ISSA 5000 that was exposed by the IAASB.

Questions for the Board

| No. | Questions for AUASB members |
|-----|--|
| 1 | Do AUASB members have any feedback on the draft ASSA 5000 Basis for Conclusions (4.4.1)? |

Matters for discussion

2. In accordance with the [Due Process Framework for Developing, Issuing, and Maintaining AUASB Pronouncements and Other Publications](#), a Basis for Conclusions has been prepared detailing how decisions were reached on ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (see Agenda Paper 4.1), including:
 - (a) How comments raised in the AUASB's submission on the IAASB's exposure draft of the proposed ISSA 5000 were addressed by the IAASB (see also Agenda Paper 4.2);
 - (b) How the IAASB responded to comments received in submissions on its exposure draft of the proposed ISSA 5000. This is achieved by referring to the IAASB's Basis for Conclusions (see Agenda Paper 4.4.2); and
 - (c) Explain the reasons for the Australian amendments to ISSA 5000 (see Agenda Paper 4.3).
3. While the Due Process Framework does not require the AUASB to approve the Basis for Conclusions, feedback is welcome.

Next steps

4. If ASSA 5000 is approved for issue, the Basis for Conclusions will be issued with ASSA 5000.

Materials Presented

| Agenda paper | Description |
|--------------|--|
| 4.4.1 | Draft AUASB Basis for Conclusions on ASSA 5000 |
| 4.4.2 | IAASB Basis for Conclusions on ISSA 5000 |



AUASB Agenda Paper

| | | | |
|-------------------------------|-----------------------|---------------------|-----------------|
| Title: | ISSA 5000 re-exposure | Date: | 28 January 2025 |
| Office of AUASB Staff: | Rene Herman | Agenda Item: | 4.5 |

Objective of Agenda Item:

1. The objective of this Agenda Item is to seek a decision from AUASB members as to whether ISSA 5000 *General Requirements for Sustainability Assurance Engagements* should be re-exposed in Australia.

Question for AUASB members

| Question for AUASB members |
|--|
| Do AUASB members agree that the final ISSA 5000 should not be re-exposed in Australia? |

Background

1. At its meeting on 16 December 2024 the AUASB discussed a paper on the consideration for re-exposure of ISSA 5000 in Australia. While AUASB members indicated they are not anticipating re-exposing ISSA 5000, the final decision would be made after reviewing the draft ASSA 5000, the Basis of Conclusions covering the significant changes to the exposure draft, and whether matters raised in the AUASB submission on the exposure draft have been adequately addressed.

Considerations for re-exposure

2. The matters detailed above have been addressed in Agenda Papers 4.2, 4.3 and 4.4.
3. The following is an extract from the 16 December 2024 paper for the AUASB's convenience. The [AUASB Due Process Framework](#) contains criteria for re-exposure of standards. The criteria and how they apply for the final ISSA 5000 are summarised in the table below:

| Paragraph reference | Criterion | Comments | Supports re-exposure? |
|---------------------|--|--|-----------------------|
| 72(a), 73 | <p>The nature and extent of changes to the original proposals in the ED, and whether the substance of the proposed standard has changed.</p> <p>To determine whether proposed standard changed substantially from the ED, the Board considers whether the objectives of the project have changed or if significant new requirements or recommended practices, that would cause a major change in practice, have been introduced. Additionally:</p> | <p>In relation to these criteria:</p> <ul style="list-style-type: none">• The objective of the project as outlined in paragraph 4 of this Agenda Paper has not changed.• The changes proposed to requirements and recommended practices since the ISSA 5000 ED are not so significant as to cause a major change in practice. See paragraph 5 of this agenda paper regarding the changes. | No |

AUASB Agenda Paper

| Paragraph reference | Criterion | Comments | Supports re-exposure? |
|---------------------|--|--|-----------------------|
| | <p>a) changes impacting on potential compelling reasons modifications to international standards adopted in Australia, are generally considered to be significant changes;</p> <p>b) where key elements of the exposed standard have been modified in response to comments received on exposure to clarify and enhance understanding, re-exposure is generally not required as long as the Board considers the key elements of the ED have been retained;</p> <p>c) matters relating to the structure or presentation of a standard will typically not warrant re-exposure.</p> <p>The more extensive and/or fundamental the changes to the original ED and current practice are, the more likely it is that the revisions to the ED will have a significant impact on Australian stakeholders and that the proposals therefore should be exposed for a second time.</p> | <ul style="list-style-type: none"> The key elements of the ED have been retained. Respondents to the March 2024 AUASB Consultation Paper – Assurance over Climate and Other Sustainability Information gave overwhelming support for ISSA 5000 to be adopted in Australia for assurance over climate disclosures under the Australian reporting framework, and for voluntary assurance over any other climate and sustainability information. <p>All of the areas of change proposed by the IAASB were public at the time of the AUASB Consultation Paper.</p> | |
| 72(b) | The nature and extent of new substantive issues not considered during the initial consultation; | See above. | No |
| 72(c) | For international equivalent standards, whether there are unique factors in Australia driving re-exposure (ensuring that any re-exposure does not conflict with the AUASB's policy of convergence to international standards). | | No |
| 72(e) | <p>The nature and extent of input from stakeholders and whether:</p> <p>i. further consultation with those stakeholders is required; or</p> <p>ii. additional consultation is necessary with key stakeholders who have not had the opportunity to provide feedback on the proposed standard</p> | | No |
| 72(d) | Whether any persuasive or significant new evidence has been identified which may impact recommended changes to the proposed standard. | We are not aware of any such evidence. | No |
| 74 | The impact of delaying implementation due to re-exposure against the relative urgency and importance of any additional changes to a proposed standard. The Board considers the additional steps it has taken to consult with stakeholders since | The Australian equivalent of ISSA 5000 is needed as close to the end of December 2024 as possible for assurance on reporting by Group 1 entities from years commencing 1 January 2025 and voluntary | No |

AUASB Agenda Paper

| Paragraph reference | Criterion | Comments | Supports re-exposure? |
|---------------------|---|--|-----------------------|
| | issuing the ED and whether using committees or targeted consultation could provide the Board with information to support a decision to finalise a revised draft without re-exposure. The Board considers whether any implementation support, for example, the issuance of additional non-authoritative implementation guidance material or staff FAQs would address concerns. | assurance. This would not be achievable if the final ISSA 5000 were to be re-exposed in Australia. It would also delay any guidance supplementing the equivalent of ISSA 5000. | |

4. Stakeholder feedback indicated strong support for ED-ISSA 5000, in particular with reference to the rapid speed of development, the broad global baseline, the underpinning by ethics and quality management and covering the entire sustainability assurance engagement.
5. The main areas of change from ED ISAA 5000 were:

| |
|--|
| <i>Relevant ethical requirements and quality management standards</i> |
| <ul style="list-style-type: none"> An appropriate authority determines whether requirements are at least as demanding as ISQM 1 and the IESBA Code of Ethics. |
| <i>Entity's 'materiality process' (i.e. identification of required disclosures)</i> |
| <ul style="list-style-type: none"> The requirements for the entity's 'materiality process'. Guidance to clarify concept of materiality. |
| <i>Practitioners' materiality</i> |
| <ul style="list-style-type: none"> Guidance on multiple materialities, performance materiality, qualitative disclosures and aggregation of misstatements. |
| <i>Group engagements</i> |
| <ul style="list-style-type: none"> Requirements for timely and ongoing communication. Leverage more from ISA 600 (Revised). |
| <i>Relationship with ISAE 3410</i> |
| <ul style="list-style-type: none"> ISSA 5000 to cover assurance on emissions, replacing ISAE 3410 which will be withdrawn once ISSA 5000 becomes effective for years commencing 15 December 2026. |
| <i>Limited Assurance work effort</i> |
| <ul style="list-style-type: none"> Risk assessment for limited assurance. Greater differentiation in work effort between limited and reasonable assurance. Extent of understanding of the system of internal control for limited assurance. |
| <i>Engagement Team and using the work of others</i> |
| <ul style="list-style-type: none"> Defined and clarified use of another practitioner. Leveraged more from ISA 220. |
| <i>Connectivity with the financial statements</i> |
| <ul style="list-style-type: none"> Requirements and application material in relation to communication with the financial statement auditor. |
| <i>Estimates and forward-looking information</i> |
| <ul style="list-style-type: none"> Leveraged more from ISA 540 and the EER guidance. |

Recommendation

6. Based on the above and papers 4.2, 4.3 and 4.4, it is recommended that ISSA 5000 is not re-exposed in Australia.



AUASB Agenda Paper

| | | | |
|-----------------------------|-----------------------|---------------------|-----------------|
| Title: | Conforming Amendments | Date: | 28 January 2025 |
| Office of the AUASB: | See Wen Ewe | Agenda Item: | 4.6 |

Objective of Agenda Item

1. The objective of this agenda item is to discuss conforming and consequential amendments to other AUASB standards arising from ASSA 5000 *General Requirements for Sustainability Assurance Engagements*.

Questions for AUASB members

| No. | Question for AUASB members |
|-----|--|
| 1 | Do AUASB members have any comments on the following: (a) the proposed ASA 2025-2 Amendments to Australian Auditing Standards (Agenda Paper 4.6.1) (b) the proposed consequential amendments to non-legislative standards (Agenda Paper 4.6.2) (c) the proposed revised ASA 101 <i>Preamble to AUASB Standards</i> (Agenda Paper 4.6.3) (d) the explanatory statement to the proposed revised ASA 101 (Agenda Paper 4.6.4)? |

Background and Previous Discussions on Topics

2. See Agenda Paper 4.0 for more information.

Matters for Discussion

3. In December 2024, the IAASB approved the conforming and consequential amendments to the following IAASB Standards and documents relating to ISSA 5000 *General Requirements for Sustainability Assurance Engagements* (see *ISSA 5000 General Requirements for Sustainability Assurance Engagements and Conforming and Consequential Amendments to Other IAASB Standards Arising from ISSA 5000*):
 - (a) *Preface to the International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements*
 - (b) *ISQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
 - (c) *ISQM 2 Engagement Quality Reviews*
 - (d) *ISA 720 The Auditor's Responsibilities Relating to Other Information*

- (e) ISA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- (f) ISRE 2400 (Revised) *Engagements to Review Historical Financial Statements*
- (g) ISAE 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*
- (h) ISRS 4400 (Revised) *Compilation Engagements*
- (i) *International Framework for Assurance Engagements*

Standards made under the *Corporations Act 2001*

4. The Australian equivalent standards of 3(b), (c) and (d) are made under section 336 of the *Corporations Act 2001*. They are legislative instruments and can only be amended by another legislative instrument. See Agenda Item 4.6.1 for the draft amending standard ASA 2025-2 *Amendments to Australian Auditing Standards*. The following IAASB amendments have been excluded from ASA 2025-2:

| IAASB amendments excluded from ASA 2025-2 | Rationale for the exclusion |
|--|--|
| ISQM opening paragraph | There is no equivalent paragraph in ASQM 1. |
| ISQM paragraph 16(i) included “or practitioners” | Extant ASQM 1 paragraph 16(i) already included practitioners; therefore, no change is required. |
| ISQM paragraph 16(p) | This paragraph has been deleted in ASQM 1. |
| ISQM paragraph 16(t) included “or practitioners” | Extant ASQM 1 paragraph 16(t) already included practitioners; therefore, no change is required. |
| ISQM paragraph A9 | This paragraph has been deleted in ASQM 1 and replaced with paragraph Aus A9; therefore no change is required. |
| ISQM 2 paragraph 13 | This paragraph has been deleted in ASQM 2 and replaced with paragraph Aus 13.1; therefore no change is required. |

5. Agenda Paper 4.6.1 also proposes Australian-specific conforming amendments to ASQM 1 and ASQM 2 for the following:
- (a) Under ASSA 5000 ‘relevant ethical requirements’ for sustainability assurance engagements are proposed to include Part 5 of the IESBA Code as well as APES 110 (see also Agenda Paper 4.3);
 - (b) The application paragraphs in ASQM 1 and ASQM 2 do not appear in the equivalent international standards and need to be updated to cover assurance over sustainability information; and
 - (c) To align operative dates for the consequential amendments with the introduction of ASSA 5000.

6. The existing ASQM 2 uses the undefined term 'individual member' in connection with the application of relevant ethical requirements. ISQM 2 uses the term 'individual professional accountant'. The consequential amendments add the term 'practitioner' without limiting that term to assurance on sustainability information. We will review the use of the term 'individual member' and bring proposed amendments (if any) to the Board for consideration at a later date.

Amendments to other standards

7. Because the Australian equivalent standards of 3(e), (f) and (g) are not legislative instruments, proposed minor consequential amendments are presented in a table format in Agenda Paper 4.6.2 (rather than in an amending standard). The table compares the IAASB amendments and the equivalent proposed amendments to AUASB standards.

Other IAASB changes

8. There is no Australian equivalent standard of 3(h).
9. The changes in 3(a) and (i) update the IAASB framework pronouncements. The *Foreword to AUASB Pronouncements*, and *Framework for Assurance Engagements* will be reviewed as a separate project.

Australian Specific Standard – ASA 101

10. ASA 101 *Preamble to AUASB Standards* sets out how AUASB Standards are to be understood, interpreted and applied. It is proposed to reissue ASA 101 for the following matters:
 - (a) Introductory, definitions and application and other explanatory material paragraphs to include sustainability assurance engagements and, where applicable, refer to ASSA 5000 and ASSA 5010;
 - (b) Application and other explanatory material paragraphs concerning the enforceability of AUASB standards are amended to exclude ASQMs from the enforceability of AUASB Standards.

Approval

10. Because the proposed ASSA 5000, ASSA 5010 (Agenda Paper 5.0), ASA 2025-2 and revised ASA 101 refer to each other, the Board will be asked to approve ASSA 5000, ASSA 5010, ASA 2025-2, revised ASA 101 and the related Explanatory Statements together. It would be problematic to issue a standard that refers to another standard that does not yet exist.
11. Paragraph 204 of the AUASB's *Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications* says that proposed conforming and/or consequential amendments are usually exposed for public comment in conjunction with the new or revised standard it relates to. However, where they are being proposed separately, the AUASB may consider the conforming and/or consequential amendments do not require public exposure.
12. The amendments covered by this Agenda Item do not require re-exposure or exposure in Australia because:
 - (a) The IAASB consequential amendments were included in the IAASB's Exposure of a proposed ISSA 5000, which was subject to public consultation by the AUASB in 2023; and

AUASB Agenda Paper

- (b) The Australian-specific changes to ASA 101 and other standards are a direct consequence of adopting ASSA 5000. It is also proposed not to re-expose ISSA 5000 (see Agenda Paper 4.5).

Next steps

12. Subject to the approval of the standards and related explanatory statements, the Office of the AUASB will lodge ASA 101 and ASA 2025-2, the revised ASA 101 and the related explanatory statements with the Federal Register of Legislation and commence compilation work.

| No. | Question for AUASB members |
|-----|---|
| 2 | Do AUASB members approve the revised ASA 101 and the accompanying Explanatory Statement in Agenda Papers 4.6.3 and 4.6.4? |

Materials Presented

| Agenda Paper | Description |
|--------------|--|
| 4.6.1 | <i>Proposed ASA 2025-2</i> |
| 4.6.2 | Conforming Amendments to non-legislative AUASB Standards due to ASSA 5000 <i>General Requirements for Sustainability Assurance Engagements</i> |
| 4.6.3 | <i>Proposed ASA 101 Preamble to Australian Auditing Standards</i> |
| 4.6.4 | <i>Explanatory Statement ASA 101 Preamble to Australian Auditing Standards</i> |

ASA 2025-2
(January 2025)

Auditing Standard ASA 2025-2 *Amendments to Australian Auditing Standards*

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



Australian Government

Auditing and Assurance Standards Board

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CONFORMITY WITH INTERNATIONAL STANDARDS

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PREFACE

Reasons for Issuing ASA 2025-2

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 2025-2 *Amendments to Australian Auditing Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Under section 336 of the *Corporations Act 2001* (the Act), the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council, the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Auditing Standard makes amendments to the requirements and application & other explanatory material and appendices of the following Auditing Standards for minor updates on the issue of Australian Standard on Sustainability Assurance ASSA 5000 *General requirements for Sustainability Assurance Engagements*:

- | | |
|---------|---|
| ASQM 1 | <i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i> (Issued March 21 and amended to April 2022) |
| ASQM 2 | <i>Engagement Quality Reviews</i> (Issued March 2021 and amended to April 2022) |
| ASA 720 | <i>The Auditor's Responsibilities Relating to Other Information</i> (Issued December 2015 and amended to April 2022) |

The amendments are consistent with changes made by the International Auditing and Assurance Standards Board (IAASB) on the issuing of International Standard on Sustainability Assurance ISSA 5000 *General Requirements for Sustainability Assurance Engagements*. Under the Strategic Direction given to the AUASB by the Financial Reporting Council, the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the standards issued by the IAASB and to make appropriate consequential amendments to the Australian standards.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2025-2 *Amendments to Australian Auditing Standards* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: <TypeHere>

D Niven
Chair - AUASB

Conformity with International Standards

This standard has been made for Australian legislative purposes and accordingly there is no equivalent standard issued by the International Auditing and Assurance Standards Board (IAASB).

AUDITING STANDARD ASA 2025-2

Amendments to Australian Auditing Standards

Application

1. The amendments in this Standard apply in accordance with the application paragraphs (as amended by this Standard) of each amended standard.

Operative Date

2. The amendments made by this Standard are operative as follows:
 - (a) Amendments to ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* (Issued March 2021 and amended to April 2022) (ASQM 1) apply from 28 January 2025; and
 - (b) Amendments to the following standards apply for periods beginning on or after 1 January 2025:
 - (i) ASQM 2 *Engagement Quality Reviews* (Issued March 2021 and amended to April 2022) (ASQM 2); and
 - (ii) ASA 720 *The Auditor's Responsibilities Relating to Other Information* (Issued December 2015 and amended to April 2022) .

Introduction

Scope of this Standard

3. This Standard amends ASQM 1, ASQM 2 and ASA 720.

Objective

4. The objective of this Standard is to amend ASQM 1, ASQM 2 and ASA 720 on the issue of Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000), consistent with changes made to the corresponding standards issued by the International Auditing and Assurance Standards Board on the issue of International Standard on Sustainability Assurance ISSA 5000 *General Requirements for Sustainability Assurance Engagements*.

Definition

5. For the purposes of this Standard, terms have the meanings set out in each amended standard and in the *AUASB Glossary*, unless otherwise stated.

Amendments to Standards

6. Where relevant, this Standard uses underlining, striking out and other typographical material to identify the amendments to a Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined..
7. Where this amending standard inserts or deletes a footnote, subsequent footnotes and references thereto are updated throughout the amended standard.

Amendments to ASQM 1

8. Paragraph Aus 0.1 of ASQM 1 is amended as follows:

- (a) Subparagraph (e) becomes subparagraph (g);
- (b) Subparagraph (f) becomes subparagraph (h);
- (c) Insert the following new subparagraphs:
 - (d) assurance over information in sustainability reports for the purposes of Chapter 2M of the *Corporations Act 2001*;
 - (e) assurance over other sustainability information for other purposes;

9. Paragraph Aus 4.1 of ASQM 1 is amended as follows and footnote ‘*’ removed:

This ASQM is to be read in conjunction with relevant ethical requirements. Relevant ethical requirements are defined in paragraph Aus 16.8~~ASA 102~~.^{*} Law, regulation or relevant ethical requirements may establish responsibilities for the firm’s management of quality beyond those described in this ASQM (Ref: Para. A2).

10. Paragraph Aus 16.8 of ASQM 1 is amended as follows:

Relevant ethical requirements means:

- (i) for sustainability assurance engagements, ‘relevant ethical requirements’ as defined in ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000); and
- (ii) for engagements other than sustainability assurance engagements, ‘relevant ethical requirements’ as defined in ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*. (Ref: Para. A22-A24; A62)

11. Insert new paragraph Aus 16.9 after paragraph Aus 16.8 of ASQM 1 as follows:

The Code means:

- (a) (for sustainability assurance engagements, ‘the Code’ as defined in ASSA 5000; and
- (b) for engagements other than sustainability assurance engagements, APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

As a result of the insertion, ‘APESB Code’ will be replaced with ‘the Code’ throughout ASQM 1.

12. Paragraph A1 of ASQM 1 is amended to read as follows and footnotes 7 and 8 are inserted:

Other pronouncements of the AUASB, ~~including ASRE 2400⁵ and ASAE 3000,⁶~~ also establish requirements for the engagement partner or engagement leader, as applicable, for the management of quality at the engagement level, including ASRE 2400⁵ and ASAE 3000⁶ for the engagement partner, and ASSA 5000⁷ for the engagement leader. ~~for the management of quality at the engagement level.~~

⁷ Australian Standard on Sustainability Assurance (ASSA) 5000, *General Requirements for Sustainability Assurance Engagements*

⁸ ASSA 5000, paragraph A25, states that the term engagement leader in ASSA 5000 is the equivalent of “engagement partner” in ASQM 1.

13. As a result of the footnotes insertion above, subsequent footnotes of this ASQM 1 are re-numbered and references to these footnotes are updated accordingly.
14. Paragraph A2 of ASQM 1 is amended to read as follows:
- The ~~APESB~~ Code⁹ contains requirements and application material for members or practitioners that enable members and practitioners to meet their responsibility to act in the public interest. As indicated in paragraph 15, in the context of engagement performance as described in this ASQM, the consistent performance of quality engagements forms part of the member's or practitioner's responsibility to act in the public interest.
15. Paragraph A22 of ASQM 1 is amended to read as follows:
- The relevant ethical requirements that are applicable in the context of a system of quality management may vary, depending on the nature and circumstances of the firm and its engagements. The term “member” may be defined in relevant ethical requirements. For example, the ~~APESB~~ Code defines the term “member” and further explains the scope of provisions in the ~~APESB~~ Code that apply to individual members in public practice or practitioners and their firms.
16. Paragraph A23 of ASQM 1 is amended to read as follows:
- The ~~APESB~~ Code addresses circumstances when law or regulation precludes the member from complying with certain parts of the ~~APESB~~ Code. It further acknowledges that some jurisdictions might have provisions in law or regulation that differ from or go beyond those set out in the ~~APESB~~ Code and that members or practitioners in those jurisdictions need to be aware of those differences and comply with the more stringent provisions, unless prohibited by law or regulation.
17. Paragraph A62 of ASQM 1 is amended to read as follows:
- The ~~APESB~~ Code sets out the fundamental principles of ethics that establish the standards of behaviour expected of a member or practitioner and establishes the Australian Independence Standards. The fundamental principles are integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The ~~APESB~~ Code also specifies the approach that a member or practitioner is required to apply to comply with the fundamental principles and, when applicable, the Australian Independence Standards. In addition, the ~~APESB~~ Code addresses specific topics relevant to complying with the fundamental principles. Law or regulation in a jurisdiction may also contain provisions addressing ethical requirements, including independence, such as privacy laws affecting the confidentiality of information.
18. Paragraph A83 of ASQM 1 is amended to read as follows:
- Law, regulation or AUASB standards may prescribe the time limits by which the assembly of final engagement files for specific types of engagements are to be completed. Where no such time limits are prescribed in law or regulation, the time limit may be determined by the firm. In the case of engagements conducted under the ASAs, ASSAs or ASAEs, an appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the engagement report.
19. Paragraph A85 of ASQM 1 is amended to read as follows:
- Law, regulation or AUASB standards may prescribe the retention periods for engagement documentation. If the retention periods are not prescribed, the firm may consider the nature of the engagements performed by the firm and the firm's circumstances, including whether the engagement documentation is needed to provide a record of matters of continuing significance to future engagements. In the case of engagements conducted under the ASAs, ASSAs or

ASAEs, the retention period is ordinarily no shorter than five years from the date of the engagement report, or, if later, the date of the auditor's report on the group financial report, when applicable.

Amendments to ASQM 2

20. Paragraph Aus 0.1 of ASQM 2 is amended as follows:

- (a) Subparagraph (e) becomes subparagraph (g);
- (b) Subparagraph (f) becomes subparagraph (h);
- (c) Insert the following new subparagraphs:
 - '(d) assurance over information in sustainability reports for the purposes of Chapter 2M of the *Corporations Act 2001*;
 - (e) assurance over other sustainability information for other purposes;'

21. Paragraph Aus 0.2 of ASQM 2 is amended as follows:

- (a) Audits and reviews of a financial report for periods beginning on or after 15 December 2022; ~~and~~
- (b) Audits and reviews of sustainability information that are not the purpose of giving an opinion or conclusion to any person other than the party(ies) responsible for the underlying subject matter for periods beginning on or after 1 January 2025; and
- ~~(b)~~ (c) Address the engagement quality reviewer's responsibility for determining the nature, timing and extent of the direction and supervision of the individuals assisting in the review, and the review of their work. (Ref: Para. A22)

22. Paragraph Aus 2.1 of ASQM 2 is amended as follows and footnote '*' removed:

This ASQM applies to all engagements for which an engagement quality review is required to be performed in accordance with ASQM 1.1 This ASQM is premised on the basis that the firm is subject to ASQM 1 or to national requirements that are at least as demanding. This ASQM is to be read in conjunction with relevant ethical requirements. Relevant ethical requirements are defined in paragraph Aus 16.8~~ASA 102~~.^{*} Law, regulation or relevant ethical requirements may establish responsibilities for the firm's management of quality beyond those described in this ASQM (Ref: Para. A2).

23. Paragraph Aus 13.1 of ASQM 2 is amended as follows:

- ~~(d)~~ 'Relevant ethical requirements' means:
 - (i) for sustainability assurance engagements, 'relevant ethical requirements' as defined in ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000); and
 - (ii) for engagements other than sustainability assurance engagements, 'relevant ethical requirements' as defined in ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

(Ref: Para. A22-A24; A62)

24. Replace 'APESB Code' throughout ASQM 2 with 'the Code'.

25. Insert new paragraph Aus 13.2 after paragraph Aus 13.1 of ASQM 2 as follows:

(e) ‘the Code’ means:

- (i) for sustainability assurance engagements, ‘the Code’ as defined in ASSA 5000; and
- (ii) for engagements other than sustainability assurance engagements, APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

26. Paragraph A12 of ASQM 2 is amended to read as follows:

The relevant ethical requirements that are applicable when undertaking an engagement quality review may vary, depending on the nature and circumstances of the engagement or the entity. Various provisions of relevant ethical requirements may apply only to individual members or practitioners, such as an engagement quality reviewer, and not the firm itself.

27. Paragraph A13 of ASQM 2 is amended to read as follows:

Relevant ethical requirements may include specific independence requirements that would apply to individual members or practitioners, such as an engagement quality reviewer. Relevant ethical requirements may also include provisions that address threats to independence created by long association with an audit or assurance client. The application of any such provisions dealing with long association is distinct from, but may need to be taken into consideration in applying, the required cooling-off period in accordance with paragraph 19.

28. Paragraph A15 of ASQM 2 is amended to read as follows:

Relevant ethical requirements may include requirements and guidance to identify, evaluate and address threats to objectivity. For example, the ~~APESB~~ Code provides specific guidance, including examples of:

- Circumstances where threats to objectivity may be created when a member or practitioner is appointed as an engagement quality reviewer;
- Factors that are relevant in evaluating the level of such threats; and
- Actions, including safeguards, that might address such threats.

29. Paragraph A26 of ASQM 2 is amended to read as follows and footnotes 11 and 12 are inserted:

ASAE 3000¹⁰ and ASSA 5000¹¹ also establishes requirements for the engagement partner and engagement leader, respectively, in relation to the engagement quality review.¹²

30. As a result of the footnotes insertion above, subsequent footnotes of ASQM 1 are re-numbered and references to these footnotes are updated accordingly.

Amendments to ASA 720

31. The following is added to the end of paragraph A3 of ASA 720:

¹¹ Australian Standard on Sustainability Assurance (ASSA) 5000, *General Requirements for Sustainability Assurance Engagements*

¹² ASSA 5000 paragraph A25, states that the term engagement leader in ASSA 5000 is the equivalent of “engagement partner” in ASQM 1

- Sustainability reports or other sustainability-related information.

32. Paragraph A5 of ASA 720 is amended to read as follows:

An annual report is different in nature, purpose and content from other reports, such as a report prepared to meet the information needs of a specific stakeholder group or a report prepared to comply with a specific regulatory reporting objective (even when such a report is required to be publicly available). Examples of reports that, when issued as standalone documents, are not typically part of the combination of documents that comprise an annual report (subject to law, regulation or custom), and that, therefore, are not other information within the scope of this Auditing Standard, include:

- ~~Separate industry or regulatory reports (for example, capital adequacy reports), such as may be prepared in the banking, insurance, and superannuation industries, or special purpose reports addressing certain kinds of sustainability information.~~
- ~~Corporate social responsibility reports.~~
- ~~Sustainability reports.~~
- ~~Diversity and equal opportunity reports.~~
- ~~Product responsibility reports.~~
- ~~Labour practices and working conditions reports.~~
- ~~Human rights reports.~~

* * *

Conforming Amendments to non-legislative AUASB Standards due to ASSA 5000 *General Requirements for Sustainability Assurance Engagements*

Amendments to non-legislative AUASB standards do not require an amending standard. The standards are revised and replaced.

Where this document inserts or deletes a paragraph or footnote, as a result of that insertion or deletion relevant paragraph numbers, cross-references and footnotes are updated. Where this document inserts, deletes or amends a heading or a sub-heading, as a result of that insertion, deletion or amendment, the heading or sub-heading on the Table of Contents are updated.

| AUASB Standard | Reference | Amendments made to IAASB standards | Proposed amendments to AUASB standards |
|---|-------------------------|--|--|
| ASA 805 <i>Special Considerations- Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i> | Para A4 and footnote 19 | <p>A reasonable assurance engagement other than an audit of historical financial information is performed in accordance with International Standard on Assurance Engagements (ISAE) 3000¹² (Revised) <u>or ISSA 5000,¹³ as applicable.</u></p> <p>¹² ISAE 3000 (Revised), <i>Assurance Engagements other than Audits or Reviews of Historical Financial Information</i></p> <p>¹³ <u>International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements</u></p> | <p>A reasonable assurance engagement other than an audit of historical financial information is performed in accordance with Australian Standard on Assurance Engagements (ASAE) 3000¹⁸ <u>or ASSA 5000,¹⁹ as applicable.</u></p> <p>¹⁸ ASAE 3000 <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information.</i></p> <p>¹⁹ <u>Australian Standard on Sustainability Assurance (ASSA) 5000, General Requirements for Sustainability Assurance Engagements</u></p> |
| ASRE 2400 <i>Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity</i> | Para 16, footnote 5 | <p>The Handbook's Glossary of Terms⁹ (the Glossary) includes the terms defined in this ISRE as well as descriptions of other terms used in this ISRE, to assist in consistent application and interpretation. For example, the terms "management" and "those charged with governance" used throughout this ISRE are as defined in the Glossary.</p> <p>⁹ The Glossary of Terms relating to International Standards issued by the IAASB in the Handbook of International Quality Management, Auditing, Review, <u>Sustainability and Other Assurance</u>, and Related Services Pronouncements (the Handbook), published by IFAC</p> | <p>No change from extant where the corresponding footnote is to 'The AUASB Glossary' and is '⁵The AUASB Glossary issued by the AUASB'.</p> |
| ASAE 3000 <i>Assurance Engagements</i> | Para Aus 0.1 | Not applicable – Australian specific amendment | This Standard on Assurance Engagements (ASAE) applies to assurance engagements other than; |

| AUASB Standard | Reference | Amendments made to IAASB standards | Proposed amendments to AUASB standards |
|---|-----------|--|--|
| <i>Other than Audits or Reviews of Historical Financial Information</i> | | | <p>(a) audits or reviews of historical financial information; and</p> <p>(b) <u>assurance engagements on sustainability information to which ASSA 5000 General Requirements for Sustainability Assurance Engagements applies.</u></p> |
| | Para 1 | This International Standard on Assurance Engagements (ISAE) deals with assurance engagements other than audits or reviews of historical financial information <u>or assurance engagements on sustainability information</u> , which are dealt with in International Standards on Auditing (ISAs) and International Standards on Review Engagements (ISREs), <u>and International Standards on Sustainability Assurance (ISSAs)</u> , respectively. (Ref: Para. A21–A22) | This ASAE deals with assurance engagements other than audits or reviews of historical financial information <u>or assurance engagements on sustainability information</u> , which are dealt with in the Australian Auditing Standards and Auditing Standards on Review Engagements, <u>and Australian Standards on Sustainability Assurance</u> , respectively. (Ref: Para. A21–A22) |
| | Para 5 | This ISAE covers assurance engagements other than audits or reviews of historical financial information <u>or assurance engagements on sustainability information</u> , as described in the International Framework for Assurance Engagements (Assurance Framework). Where a subject-matter specific ISAE is relevant to the subject matter of a particular engagement, that ISAE applies in addition to this ISAE. (Ref: Para. A21–A22) | This ASAE covers assurance engagements other than audits or reviews of historical financial information <u>or assurance engagements on sustainability information</u> , as described in the Framework for Assurance Engagements (Assurance Framework). Where a subject-matter specific ASAE is relevant to the subject matter of a particular engagement, that ASAE applies in addition to this ASAE. (Ref: Para. A21–A22) |
| | Para A21 | This ISAE includes requirements that apply to assurance engagements ¹⁰ (other than audits or reviews of historical financial information <u>or assurance engagements on sustainability information</u>), including engagements in accordance with a subject matter-specific ISAE. In some cases, a subject matter specific ISAE is also relevant to the engagement. A subject matter-specific ISAE is relevant to the engagement when the ISAE is in effect, the subject matter of | This ASAE includes requirements that apply to assurance engagements ⁴ (other than audits or reviews of historical financial information <u>or assurance engagements on sustainability information</u>), including engagements in accordance with a subject matter-specific ASAE. In some cases, a subject matter-specific ASAE is also relevant to the engagement. A subject matter-specific ASAE is relevant to the engagement when the ASAE is in effect, the subject matter of the ASAE is relevant to the engagement, and the circumstances addressed by the ASAE exist. |

| AUASB Standard | Reference | Amendments made to IAASB standards | Proposed amendments to AUASB standards |
|--|--------------|---|--|
| | | the ISAE is relevant to the engagement, and the circumstances addressed by the ISAE exist. | |
| ASAE 3410 <i>Assurance Engagements on Greenhouse Gas Statements</i> | Para Aus 0.1 | The IAASB are not making any amendments to ISAE 3410 and will withdraw when ISSA 5000 is effective for reporting periods commencing on or after 15 December 2026. | This Standard on Assurance Engagements applies to an assurance engagement to provide either a reasonable assurance or limited assurance report on a greenhouse gas statement <u>for the purposes of the <i>National Greenhouse and Energy Reporting (NGER) Act 2007</i>.</u> |
| | Para Aus 0.2 | Not applicable – Australian specific amendment | This Standard on Assurance Engagements is operative for reporting periods commencing from <u>on or after</u> 15 December 2022 to 14 December 2026 . |

ASA 101
(January 2025)

Auditing Standard ASA 101

Preamble to AUASB Standards

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



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

This Auditing Standard is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ASA 101

The AUASB issues Auditing Standard ASA 101 *Preamble to AUASB Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council, the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Auditing Standard sets out how AUASB Standards are to be understood, interpreted and applied. AUASB Standards are to be read and applied in conjunction with this Auditing Standard.

This Auditing Standard replaces existing ASA 101 *Preamble to Australian Auditing Standards* issued by the AUASB in September 2021 (as amended to November 2021).

The revised Auditing Standard:

- (a) expands the scope of ASA 101 to include Australian Standards on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* and ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*; and
- (b) clarifies that Australian Standards on Quality Management are not legally enforceable under the *Corporations Act 2001*.

AUTHORITY STATEMENT

Auditing Standard ASA 101 *Preamble to AUASB Standards* is set out in paragraphs 1 to A55.

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: <TypeHere>

D Niven
Chair - AUASB

Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and accordingly there is no equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB).

Where relevant, the AUASB has aligned the wording of this Auditing Standard with the IAASB's *Preface to the International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements*.

AUDITING STANDARD ASA 101

Preamble to AUASB Standards

Application

1. This Auditing Standard applies to:
 - (a) an audit of a financial report for a financial year, or an audit or review of a financial report for a half-year, in accordance with the *Corporations Act 2001* (Corporations Act);
 - (b) an audit or review of a financial report, or a complete set of financial statements, for any other purpose;
 - (c) an audit or review of other financial information;
 - (d) an audit or review of sustainability information in a sustainability report for a financial year, in accordance with the Corporations Act;
 - (e) an audit or review of sustainability information for other purposes;
 - ~~(d)~~(f) other assurance engagements;
 - ~~(e)~~(g) related services engagements; and
 - ~~(f)~~(h) a firm required to comply with ASQM 1.¹

Operative Date

2. This Auditing Standard is operative for:
 - ~~(a)~~ audits or reviews of financial reports and sustainability reports, for financial reporting periods commencing on or after 1 ~~October 2021~~January 2025; and
 - ~~(a)~~(b) other assurance or related services engagements commencing on or after 1 ~~October 2021~~. [Note: For operative dates of paragraphs changed or added by an Amending Standard, see Compilation Details.] January 2025.

Early adoption of this Auditing Standard is permitted prior to this date.

Introduction

Scope of this Auditing Standard

3. This Auditing Standard sets out how AUASB Standards are to be understood, interpreted and applied.
4. AUASB Standards are to be read and applied in conjunction with this Auditing Standard. (Ref: Para. A1-A2)

¹ Or ASQC 1, as applicable. Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, issued in March 2021, replaces Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* from 15 December 2022.

Standards issued by the AUASB (Ref: Para. A3-A25)

5. The AUASB derives its functions and powers under section 227B of the *Australian Securities and Investments Commission Act 2001*. The AUASB:
- (a) makes Auditing Standards under section 336 of the *Corporations Act 2001 (the Act)* for the purposes of the corporations legislation;² and
 - (b) formulates auditing and assurance standards for [sustainability and](#) other purposes.³
6. ‘Auditing and assurance standards for [sustainability and](#) other purposes’ consists of standards that are designed for subject-specific areas. They include, for example, assurance engagements that relate to:
- reviews (other than a review by the independent auditor of the entity, of interim financial information, including interim financial reports, prepared for other purposes);
 - [sustainability information reported voluntarily or not subject to mandatory assurance under the Act](#);
 - evaluating the efficiency and/or effectiveness of an entity’s activities;
 - information other than historical financial information;
 - prospective financial information; and
 - the effectiveness of internal controls.
7. The AUASB issues the following types of standards (AUASB Standards) pursuant to its mandate under section 227B of the ASIC Act:
- (a) Australian Standards on Quality Management (ASQMs);⁴
 - (b) Australian Auditing Standards (ASAs);⁵
 - (c) [Australian](#) Standards on Review Engagements (ASREs);⁶
 - ~~(d)~~ [Australian Standards on Sustainability Assurance \(ASSAs\)](#);
 - ~~(d)(e)~~ [Australian](#) Standards on Assurance Engagements (ASAEs); and
 - ~~(e)(f)~~ [Australian](#) Standards on Related Services (ASRSs).
8. AUASB Standards do not address all the responsibilities of the assurance practitioner⁷ that may exist in legislation, regulation or otherwise in connection with engagements that fall within the scope of AUASB Standards.

² Pursuant to section 227B(1)(a) of the ASIC Act.

³ Pursuant to section 227B(1)(b) of the ASIC Act.

⁴ For legislative purposes, ASQM 1 and ASQM 2 *Engagement Quality Reviews* are included in legislation as “Auditing Standards” – see paragraph 10(d) of this Preamble.

⁵ “Australian Auditing Standards” is defined in paragraph 10(c) of this Preamble.

⁶ For legislative purposes, ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* and ASRE 2415 *Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other*

⁷ Applicable Legislation or Regulation, are included in legislation as “Auditing Standards” – see paragraph 10(d) of this Preamble. The term “assurance practitioner” is defined in paragraph 10(a) of this Preamble.

Objective

9. The objective of the assurance practitioner is to use this Auditing Standard in order to understand, interpret and apply AUASB Standards.

Definitions

10. For the purposes of this Auditing Standard, the following terms have the meanings attributed below:
- (a) Assurance practitioner means an individual, firm⁸, or other organisation, whether in public practice, industry and commerce, or the public sector, conducting assurance engagements or related services engagements⁹.
 - (b) AUASB Standards means standards issued by the AUASB, comprising:
 - (i) Australian Auditing Standards (ASAs) – as defined in paragraph 10(c);
 - (ii) [Australian Standards on Review Engagements \(ASREs\)](#);
 - (iii) [Australian Standards on Assurance Engagements \(ASAEs\)](#); ~~and~~
 - (iv) [Australian Standards on Sustainability Assurance \(ASSAs\)](#).
 - ~~(iv)(v)~~ (v) [Australian Standards on Related Services \(ASRSs\)](#); ~~and~~
 - (vi) [Australian Standards on Quality Management \(ASQMs\)](#)
 - (c) Australian Auditing Standards (ASAs) means the suite of auditing standards issued by the AUASB, comprising:
 - (i) Auditing Standards made under section 336 of the Corporations Act—~~as defined in paragraph 10(d);~~
 - (ii) *ASA 805 Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*; and
 - (iii) *ASA 810 Engagements to Report on Summary Financial Statements*.
 - (d) ~~Auditing~~[In addition to the ASAs, AUASB Standards](#) ~~means auditing standards~~ made under section 336 of the Corporations Act, ~~and~~ include:
 - (i) *ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*;
 - (ii) *ASQM 2 Engagement Quality Reviews*;
 - (iii) *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*; ~~and~~

⁸ Firm means a sole practitioner, partnership, corporation or other entity of assurance practitioners, or public sector equivalent. The definition of “firm” in relevant ethical requirements may differ from the definition set out in this Auditing Standard.

⁹ Related services engagements include engagements to perform agreed-upon procedures. The term ‘assurance practitioner’ is referred to in ASRS 4400 *Agreed-Upon Procedures Engagements* as ‘practitioner’.

- (iv) *ASRE 2415 Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation;*
- (v) [ASSA 5000 General Requirements for Sustainability Assurance Engagements; and](#)
- (vi) [ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001.](#)

Requirements

11. The assurance practitioner shall apply AUASB Standards in conjunction with paragraphs 12 and 13 of this Auditing Standard.

Authority of the Paragraphs in AUASB Standards (Ref: Para. A26-A55)

Mandatory Components (Ref: Para. A28-A44, A55)

12. The assurance practitioner shall apply the mandatory components of AUASB Standards relevant to the engagement. The mandatory components are included in each AUASB Standard under the headings listed below:
- (a) Application. (Ref: Para. A28-A32)
 - (b) Operative Date. (Ref: Para. A33-A35)
 - (c) Objective(s). (Ref: Para. A36)
 - (d) Definition(s). (Ref: Para. A37)
 - (e) Requirements. (Ref: Para. A38-A44)

Explanatory Material (Ref: Para. A45-A55)

13. The assurance practitioner shall have an understanding of the entire text of an AUASB Standard, including its application and other explanatory material, to understand its objectives and to apply the mandatory components of the standard properly. The explanatory material is included in each standard under the headings listed below (where applicable):
- (a) Conformity with International Standards. (Ref: Para. A45-A49)
 - (b) Application. (Ref: Para. A28, A32).
 - (c) Introduction. (Ref: Para. A50)
 - (d) Application and Other Explanatory Material. (Ref: Para. A51-A53)
 - (e) Appendices. (Ref: Para. A54)

Explanatory material does not create or extend mandatory components.

* * *

Application and Other Explanatory Material

Scope of this Auditing Standard (Ref: Para. 3-4)

“Authority Statement” included in AUASB Standards

- A1. This Auditing Standard forms an important part of the legal and regulatory framework of AUASB Standards. AUASB Standards are to be read in conjunction with this Auditing Standard.
- A2. All AUASB Standards contain an “Authority Statement”. The purposes of the Authority Statement are to:
- (a) link the issuance of each individual AUASB Standard to the mandating legislation;
 - (b) identify the paragraphs that comprise the AUASB Standard; and
 - (c) set out the requirement to read the AUASB Standard in conjunction with this Auditing Standard.

Standards issued by the AUASB (Ref: Para. 5-8)

- A3. The AUASB issues the following types of standards pursuant to its mandate under section 227B of the ASIC Act:
- (a) Australian Standards on Quality Management (ASQMs)

ASQMs¹⁰ apply to firms in respect of all engagements to which AUASB Standards apply.

The authority of ASQMs is set out in the introduction to each ASQM.
 - (b) Australian Auditing Standards (ASAs)

ASAs, whilst developed in the context of financial report audits, are to be applied also, as appropriate, to audits of other historical financial information.

The authority of the suite of ASAs is set out in ASA 200¹¹. ASA 200 deals with the auditor’s overall responsibilities when conducting an audit of a financial report in accordance with ASAs. Specifically, it sets out the overall objectives of the auditor, and explains the nature and scope of an audit designed to enable the auditor to meet those objectives. It also explains the scope, authority and structure of the ASAs, and includes requirements establishing the general responsibilities of the auditor applicable in all audits, including the obligation to comply with the ASAs.

The ASAs, taken together, provide the standards for the auditor’s work in fulfilling the overall objectives of the auditor. The ASAs deal with the general responsibilities of the auditor, as well as the auditor’s further considerations relevant to the application of those responsibilities to specific topics.

¹⁰ For legislative purposes, ASQM 1 and ASQM 2 are included in legislation as “Auditing Standards”.

¹¹ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

(c) Standards on Review Engagements (ASREs)

ASREs¹² are to be applied to the review of a financial report and the review of other historical financial information.

The authority of ASREs is set out in the introduction to each ASRE.¹³

(d) Standards on Sustainability Assurance (ASSAs)

ASSAs are to be applied to assurance engagements dealing with sustainability information.

ASSA 5000 includes requirements regarding the conduct of a sustainability assurance engagement. ASSA 5010 specifies the information in a sustainability report under the Act that is required to be audited and/or reviewed in accordance with ASSA 5000 for each relevant year.

~~(d)~~(e) Standards on Assurance Engagements (ASAEs)

ASAEs are to be applied to assurance engagements dealing with subject matters other than historical financial information.¹⁴

ASAE 3000¹⁵ explains the scope, authority and structure of the ASAEs, and includes requirements regarding the conduct of an assurance engagement in accordance with ASAEs.¹⁶

Where a subject-matter specific ASAE is relevant to the subject matter of a particular engagement, that ASAE applies in addition to ASAE 3000. The introduction to each subject-matter specific ASAE sets out the relationship of the ASAE with ASAE 3000.

~~(e)~~(f) Standards on Related Services (ASRSs)

ASRSs are to be applied when an assurance practitioner is engaged to undertake engagements other than assurance engagements covered by ASAs, ASREs or ASAEs.¹⁷

The authority of ASRSs is set out in the introduction to each ASRS.¹⁸

- A4. The scope, operative date and any specific limitation of the applicability of a specific AUASB Standard, is made clear in each standard.

Auditing Standards made under Section 336 of the Corporations Act

- A5. Auditing Standards made under section 336 of the Corporations Act apply to:

¹² For legislative purposes, ASRE 2410 and ASRE 2415 are included in legislation as “Auditing Standards”.

¹³ For example, see ASRE 2400 *Review of a financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*, paragraphs 9-12.

¹⁴ Examples of such subject matters include the efficiency and/or effectiveness of an entity’s activities, prospective financial information and the effectiveness of internal controls. The AUASB’s *Framework for Assurance Engagements*, which defines and describes the elements and objectives of an assurance engagement, provides the context for understanding ASAEs.

¹⁵ See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

¹⁶ See ASAE 3000, “Introduction” (paragraphs 1-8) and “Conduct of an Assurance Engagement in Accordance with ASAEs” (paragraphs 14-20).

¹⁷ Examples of financial and non-financial subject matters on which Standards on Related Services may be applied include: Agreeing the eligibility of expenditures claimed from a funding program; Recalculating revenues for determining royalties, rent or franchise fees based on a percentage of revenues; Confirming the calculation of capital adequacy ratios for regulatory authorities; Observation of the destruction of fake or defective goods reported to a regulatory authority; and Tracing data generating processes for lottery draws reported to a regulatory authority.

¹⁸ For example, see ASRS 4400, paragraphs 7-10. Where this information is not included in the introduction of an ASRS, for example ASRS 4450 *Comfort Letter Engagements*, relevant terms are to be interpreted in a directly analogous way to how they are explained in the context of ASRS 4400.

- (a) an audit of a financial report for a financial year, or an audit or review¹⁹ of a financial report for a half-year, prepared in accordance with Part 2M.3 of the Act;
- (b) an audit conducted under Part 7.8 of the Act;
- (c) an audit of a financial report, or a complete set of financial statements, prepared for any other purpose;
- (d) a review, by the independent auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose; ~~and~~
- (e) an audit or review of information in a sustainability report for a financial year, prepared in accordance with Part 2M.3 of the Act;
- (f) an audit or review of sustainability information for other purposes; and
- ~~(e)(g)~~ a firm required to comply with ASQM 1.

A6. Although Auditing Standards and Sustainability Assurance Standards are written mainly in the context of an external audit of a financial report²⁰, or an external audit/review of information in a sustainability report, they apply ~~also, adapted,~~ as necessary appropriate, to ~~the audit of assurance over~~ other historical financial information or sustainability information.

Compliance and Enforcement

A7. AUASB Standards are not legally binding in all contexts. However:

- Standards made and issued under section 336 of the ~~Corporations~~-Act for the purposes of the corporations legislation have the status of law.²¹ Where engagements covered by these standards are undertaken for the purposes of complying with the ~~Corporations~~ Act, full compliance is required as a matter of law: (except for the firm level quality management standards).²²
- Auditing and assurance standards may also be issued or used for other purposes. Where auditing and assurance standards are used for purposes other than complying with the ~~Corporations~~-Act, compliance with those standards may not be required as a matter of law. However, there are circumstances in which compliance is required by other legislation, regulatory or contractual arrangements.

A8. Auditing Standards issued by the AUASB under s336 of the ~~Corporations~~-Act, (other than the firm level quality management standards) are legally enforceable by the Australian ~~regulator—the Australian~~ Securities and Investments Commission (ASIC) for the conduct of audits or reviews of financial reports and sustainability reports required by the Act. ASIC conducts regular inspection programmes as an integral part of its enforcement responsibilities.

¹⁹ For legislative purposes, ASRE 2410 and ASRE 2415 are included in legislation as “Auditing Standards”.

²⁰ Reference to a ‘financial report’ includes not only a financial report as defined under Part 2M.3 of the Act, but also a financial report prepared for other purposes. Financial reports required by Part 2M.3 of the Corporations Act are:

- the annual financial report; and
- the half-year financial report (for certain entities).

²¹ These standards are classified as disallowable legislative instruments under the *Legislation Act 2003*. The AUASB has adopted certain drafting principles in making Auditing Standards under the Australian regulatory environment, wherein the Auditing Standards are legally enforceable and registered as legislative instruments under the *Legislation Act 2003*.

²² Section 307A of the Corporations Act requires auditors to conduct audits and reviews of financial reports prepared under Part 2M.3 of the Act in accordance with Auditing Standards.

- A9. Through the standards issued by the Accounting Professional & Ethical Standards Board (APESB), members of the Australian Professional Accounting Bodies are compelled to comply with the requirements of AUASB Standards.²³
- A10. Member compliance is ~~enforced through~~ [subject to](#) the inspection programmes of the Professional Accounting Bodies, which are also responsible for member disciplinary action.

Type of Entity

- A11. AUASB Standards are:
- (a) neutral with respect to the sector and size of the entity subject to the engagement; and
 - (b) intended to be applied, as appropriate, to all audit, review, assurance and related service engagements conducted by an external firm in both the public and private sectors.
- A12. The AUASB generally does not set industry or sector specific standards but may from time to time produce industry or sector specific guidance materials. Where necessary, entity sector and size considerations are included, and identified, in the body of the relevant AUASB Standard.
- A13. AUASB Standards do not take into account any specific circumstances affecting entities that are subject to the engagement.

Public Sector Engagements

- A14. AUASB Standards are relevant to engagements in the public sector. When appropriate, additional considerations specific to public sector entities are included within the “Application and Other Explanatory Material” section of each standard.
- A15. The responsibilities of public sector assurance practitioners may be affected by the mandate applying to the engagement, or by obligations on public sector entities arising from law, regulation or other authority (such as ministerial directives, government policy requirements, or resolutions of the legislature), which may encompass a broader scope than an engagement in accordance with the AUASB Standards. These additional responsibilities are not dealt with in the AUASB Standards. They may be dealt with in guidance developed by government audit agencies²⁴.

Applying AUASB Standards

Professional Judgement

- A16. Professional judgement is essential to the proper conduct of engagements that fall within the scope of AUASB Standards. This is because interpretation of relevant ethical requirements and relevant AUASB Standards and the informed decisions required throughout the engagement cannot be made without the application of relevant training, knowledge and experience to the facts and circumstances.²⁵

Ethical Principles and Quality Management Standards

- A17. Compliance with ethical principles, including independence requirements, and quality management within firms that perform engagements to which AUASB Standards apply, are

²³ See APES 210 *Conformity with Auditing and Assurance Standards*, issued by the APESB.

²⁴ In Australia the term “government audit agencies” refers to State, Territory or Commonwealth Auditors-General.

²⁵ The term “professional judgement” is defined in the AUASB Glossary in the context of different types of AUASB Standards. For assurance engagements, see *Framework for Assurance Engagements*, paragraphs 56-60. For related services engagements, see ASRS 4400, paragraphs 13(j) and 18.

widely recognised as being in the public interest and an integral part of a high-quality engagement.²⁶

Relevant Ethical Requirements

- A18. References to compliance with relevant ethical requirements are included in certain requirements and explanatory material paragraphs in AUASB Standards. AUASB Standards are to be read in conjunction with relevant ethical requirements, as defined in ASA 102²⁷ or ASSA 5000. Law, regulation or relevant ethical requirements may establish responsibilities for the assurance practitioner beyond those described in AUASB Standards.

Quality Management Standards

- A19. ASQM 1 deals with a firm's responsibilities to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements.
- A20. Engagement quality reviews form part of the firm's system of quality management and:
- (c) ASQM 1 deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews.
 - (d) ASQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.
- A21. AUASB Standards are premised on the basis that a firm is subject to the ASQMs, and include requirements regarding quality management at the engagement level.²⁸

Amendments to AUASB Standards

- A22. AUASB Standards may require amendment for a variety of reasons, such as consequential and conforming amendments required as a result of changes made to other AUASB Standards.

Amendment of Standards made under Section 336 of the Corporations Act

- A23. As standards made under section 336 of the Corporations Act are legislative instruments, they can only be amended by another legislative instrument. An "Amending Standard" is a legislative instrument made by the AUASB for the sole purpose of amending another legislative instrument (referred to as the "principal standard"). Amending Standards provide an efficient way of processing amendments which affect a number of standards without reissuing all the standards affected.

Compilations

- A24. The compiled version of a standard reflects the content of a standard, considering all amendments that have become effective since the principal standard was originally made.²⁹ Compilations are a requirement of the *Legislation Act 2003* and are required to be lodged with the Office of Parliamentary Counsel for registration on the Federal Register of Legislation. A compilation is not a legislative instrument.

²⁶ For further details, refer to *Framework for Assurance Engagements*, paragraphs 5-9.

²⁷ See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

²⁸ For example, see ASA 220 *Quality Management for an Audit of Financial Statements*.

²⁹ For example, a standard might have a principal version issued in 2015 amended by Amending Standards (legislative instruments) that become effective, one each year, from 2016. Therefore, in 2020 the compiled version of the standard will reflect the amendments effective from 2016 through to 2020.

A25. Where the AUASB issues a compiled version of a standard:

- (a) the title page of the standard indicates that it is a compiled version of the standard and shows the date of the compilation and the relevant Amending Standards that have been taken into account;
- (b) a “Compilation Details” section is included in the standard which includes the following information:
 - (i) a “Table of Standards”, which sets out details of both the principal standard and subsequent Amending Standards, including the dates of both the principal and Amending Standards (date made, operative date and date registered on the Federal Register of Legislation);
 - (ii) a “Table of Amendments”, which provides details of amendments to the principal standard (paragraph of standard affected, how affected and a paragraph reference to the relevant Amending Standard); and
 - (iii) a statement that the compilation is not a separate Auditing Standard made by the AUASB but a representation of the relevant Standard which incorporates the original standard and subsequent amendments.
- (c) the Operative Date paragraph in the standard includes a reference to the Compilations Details section of the standard, for details about the operative dates of paragraphs changed or added by an Amending Standard. (Ref: Para. A33(a))

Authority of the Paragraphs in AUASB Standards (Ref: Para. 12-13)

A26. The paragraphs in AUASB Standards do not have equal authority. AUASB Standards consist of paragraphs that are either:

- (e) mandatory components; or
- (f) explanatory material.

A27. Where an AUASB Standard does not include specific information to explain the status and authority of the paragraphs included within the standard, the terms explained below (for example, “Objectives”, “Requirements”, “Application and Other Explanatory Material”), are to be interpreted in a directly analogous way to how they are explained in the context of financial report audits in ASA 200.

Mandatory Components (Ref: Para. 12)

“Application” Paragraphs (Ref: Para. 12(a), 13(b))

A28. Each AUASB Standard contains a mandatory “Application” paragraph. The standard may also include an additional “Application” paragraph that forms part of the explanatory material of the standard, to describe other engagements the standard may be applied to, adapted as necessary.

A29. The “Application” paragraph or paragraphs of a standard identify the scope of the standard.

Engagements under the Corporations Act

A30. Auditing Standards made under section 336 of the Corporations Act³⁰ contain a mandatory “Application” paragraph (shown as paragraph “Aus 0.1”) relating to for example:

³⁰ With the exception of ASA 101, ASA 102, ASQM 1, ASQM 2, ASRE 2410 and ASRE 2415.

- (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the Corporations Act; ~~and~~

(b) an audit or review of a sustainability report for a financial year, in accordance with the Corporations Act; and

~~(b)(c)~~ an audit of a financial report, or a complete set of financial statements, for any other purpose.

A31. The “Application” paragraph in each Auditing Standard that refers to audits or reviews conducted in accordance with the Corporations Act applies specifically to:

- (a) an audit or a review conducted under Part 2M.3 of the Act; and
- (b) an audit conducted under Part 7.8 of the Act.

A32. Auditing Standards may also include an additional “Application” paragraph (shown as paragraph “Aus 0.2”) that forms part of the explanatory material of the standard to explain that, although the Auditing Standards are written mainly in the context of an audit of a financial report, they apply also, adapted as necessary, to the audit of other historical financial information.

Operative Date (Ref: Para. 12(b))

A33. The operative date stipulates the date from which the AUASB Standard is to be applied. For audits or reviews of financial reports and sustainability reports, the operative date is stated in relation to a financial reporting period. The requirements of an AUASB Standard remain in force until:

- (a) the operative date of any amendment to those requirements (Ref: Para. A22-A25));
- (b) in relevant circumstances, the early adoption of such amendments; or
- (c) the AUASB Standard is withdrawn by the AUASB.

A34. Unless otherwise stated in an AUASB Standard, the assurance practitioner is permitted to apply a standard before the operative date specified therein. Where an AUASB Standard is early adopted, all relevant conforming and consequential amendments must also be early adopted.

A35. Where an assurance practitioner is conducting an audit of a financial report and elects to early adopt an auditing standard made under section 336 of the Corporations Act, in accordance with section 336(4), that election must be recorded in the audit report.

Objective(s) (Ref: Para. 12(c))

A36. Each AUASB Standard contains an objective or objectives which provide the context in which the requirements of the standard are set and establishes the desired outcome to be achieved by the assurance practitioner. The proper application of the requirements in the standard is expected to provide a sufficient basis for the practitioner’s achievement of the objective(s).

Definitions (Ref: Para. 12(d))

A37. Definitions contained within AUASB Standards, and/or contained within the *AUASB Glossary* (as issued from time to time), provide a description of the meanings attributed to certain terms for the purposes of the AUASB Standards. These definitions are provided for consistent application and interpretation of standards, and are not intended to override definitions that may be established for other purposes, whether in law, regulation or

otherwise. The *AUASB Glossary* contains a complete listing of terms defined in AUASB Standards.

Requirements (Ref: Para. 12(e))

A38. Paragraphs that impose obligations on the assurance practitioner are contained in a separate “Requirements” section of each standard and expressed using the word “shall”. Requirements are designed to enable the assurance practitioner to meet the stated objective(s) of an AUASB Standard. In certain circumstances, requirements are legally binding and enforceable.

A39. The assurance practitioner applies the requirements in the context of the other material included in the AUASB Standard (for example, introductory material, definitions and application and other explanatory material). The entire text of an AUASB Standard, therefore, is relevant to an understanding of the objectives stated in an AUASB Standard and the proper application of the requirements of the standard. Although the assurance practitioner has a responsibility to consider the entire text of the standard in carrying out the engagement, application and explanatory material does not in itself impose a requirement.

A40. For information on how the requirements in AUASB Standards are to be applied for:

- (a) audits and reviews of historical financial reports and information – see ASA 200;³¹
- (b) assurance engagements other than audits or reviews of historical financial information – see ASAE 3000 [and ASSA 5000](#).³²

These standards also include requirements and explanatory material on the limited circumstances where the assurance practitioner may judge it necessary to depart from a relevant requirement in a standard.

A41. The assurance practitioner is required to comply with all AUASB Standards relevant to an engagement. Furthermore, AUASB Standards require compliance with each requirement of a relevant standard unless, in the circumstances of the engagement, the requirement is not relevant because it is conditional and the condition does not exist.³³

A42. When, in the circumstances of an engagement:

- (a) an entire AUASB Standard is not relevant; or
 - (b) a requirement is not relevant because it is conditional and the condition does not exist,
- there is no requirement to document the reason(s) why the requirement is not relevant.

A43. However, for audits or reviews conducted in accordance with the ~~Corporations~~ Act, where in rare and exceptional circumstances, factors outside the assurance practitioner’s control prevent the practitioner from complying with an essential procedure contained within a relevant requirement, the practitioner is required:

- (a) if possible, to perform appropriate alternative audit procedures; and
- (b) under ASA 230³⁴ ~~or~~, ASRE 2410³⁵ [or ASSA 5000](#)³⁶, as applicable, to document:

³¹ See ASA 200, paragraphs 18-24.

³² See ASAE 3000, paragraphs 14-19. See ASSA 5000, paragraphs 19-25.

³³ See ASA 200, paragraph 22 and ASAE 3000, paragraph 17.

³⁴ See ASA 230 *Audit Documentation*, paragraph Aus 12.1.

³⁵ See ASRE 2410, paragraph 7.

³⁶ See ASSA 5000, paragraph 24.

- (i) the circumstances surrounding the inability to comply;
- (ii) the reasons for the inability to comply; and
- (iii) justification of how alternative procedures achieve the objectives of the requirement.³⁷

A44. In the case of a review and related services engagement, the assurance practitioner is required to apply the requirements contained only in the specified standard applicable to that engagement, in conjunction with this Preamble to AUASB Standards. There is no requirement to apply the requirements of other AUASB Standards. However, reference to ASAs may be helpful to provide guidance.

Explanatory Material (Ref: Para. 13)

Conformity with International Standards (Ref: Para. 13(a))

A45. The Conformity paragraphs explain the relationship of an AUASB Standard with its equivalent international standard issued by the IAASB. An AUASB Standard conforms to the equivalent international standard when:

- (a) the requirements of the AUASB Standard correspond with those in the equivalent international standard or the AUASB Standard contains additional requirements; and
- (b) the explanatory material is substantially the same as the equivalent international standard or the AUASB Standard contains additional explanatory material.

A46. The Conformity paragraphs in AUASB Standards include necessary differences from the equivalent international standard relating to terminology, referencing and Australian regulatory requirements.³⁸

A47. When an AUASB Standard and the equivalent international standard conform, the Conformity paragraphs contain a statement to this effect.

A48. When an AUASB Standard and the equivalent international standard are not equivalent, the Conformity paragraphs detail the main differences.

A49. The Conformity paragraphs in each AUASB Standard assist the assurance practitioner to determine to what extent (if any) compliance with AUASB Standards might enable also the engagement to be conducted in compliance with international standards. It is the responsibility of the assurance practitioner to determine which standards apply to the particular engagement and circumstances. Furthermore, where appropriate, the Conformity paragraphs contain the following sentence:

“Compliance with this Standard enables compliance with the equivalent international standard”.

Introduction (Ref: Para. 13(c))

A50. Introductory material provides context relevant to a proper understanding of an AUASB Standard. Introductory material may include, as needed, such matters as explanation of the:

³⁷ See ASA 200, paragraph Aus 23.1.

³⁸ Refer to the [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#) for details of the principles and process the AUASB applies in considering modifications to IAASB Standards.

- purpose and scope of the Standard, including how the Standard relates to other AUASB Standards;
- subject matter of the Standard; and
- respective responsibilities of the assurance practitioner and others in relation to the subject matter of the Standard.

Application and Other Explanatory Material (Ref: Para. 13(d))

- A51. Included within the requirements section of a standard are references to paragraphs in the “Application and Other Explanatory Material” section of the standard. Such references do not extend or create requirements.
- A52. Where necessary, the application and other explanatory material provides further explanation of the requirements and guidance for carrying the requirements out. In particular, it may:
- explain more precisely what a requirement means or is intended to cover; and
 - include examples that illustrate how the requirements might be applied and/or provide examples of procedures that may be appropriate in the circumstances.

While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in an AUASB Standard.

- A53. Where appropriate, additional considerations specific to public sector and smaller entity engagements are included within the “Application and Other Explanatory Material” section of the standard. These additional considerations assist in the application of the requirements of the standards in conducting such engagements. However, they do not limit or reduce the responsibility of the assurance practitioner to apply and comply with the requirements of AUASB Standards.

Appendices (Ref: Para. 13(e))

- A54. Appendices form part of the application and other explanatory material. The purpose and intended use of an appendix are explained in the body of the related standard or within the title and introduction of the appendix itself.

AUASB Drafting Conventions (Ref: Para. 12-13)

- A55. The following drafting principles and conventions apply to AUASB Standards:
- (a) The requirements of each AUASB Standard are contained in a separate “Requirements” section of a standard. The requirements of an AUASB Standard are expressed using the word “shall” to denote the obligations an assurance practitioner is required to comply with in achieving the objective or objectives stated in the standard.
 - (b) Paragraphs containing application and other explanatory material are designated with the letter “A”.
 - (c) The present tense of verbs is used in explanatory material when it is the best form of expression. Use of the present tense does not create or imply requirements. The present tense is used in examples and other explanatory material that relate to professional judgement and professional scepticism.
 - (d) Requirements that exist in another AUASB Standard are anchored back to the original requirement (for example, using the phrase “in accordance with”) when repetition or a cross reference is considered necessary for understanding and context.

- (e) Australian additions or modifications to an equivalent IAASB Standard are marked as Australian paragraphs or additional appendices commencing with an “Aus” prefix.
- (f) Deletions from an equivalent IAASB Standard are clearly noted as “Deleted by the AUASB. Refer Aus ...”.
- (g) The extent of differences between an AUASB Standard and its equivalent international standard are detailed in the “Conformity with International Standards” section of the standard.

The word “including”, as used in AUASB Standards, means a list of items or examples is provided but the list does not purport to contain all relevant items or examples and intentionally is not exhaustive.

ASA 101
(January 2025)

Explanatory Statement

ASA 101 Preamble to AUASB Standards

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



Australian Government
Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

This Explanatory Statement is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Reasons for Issuing ASA 101

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 101 *Preamble to AUASB Standards* (ASA 101) pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, *inter alia*, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Purpose of ~~Error! Reference source not found.~~Auditing Standard ASA 101

The purpose of ASA 101 is to set out how other AUASB Standards are to be understood, interpreted and applied. AUASB Standards are to be read and applied in conjunction with this Auditing Standard.

Main Features

This ~~Error! Reference source not found.~~Auditing Standard replaces ASA 101 *Preamble to Australian Auditing Standards* issued by the AUASB in September 2021 (as amended to November 2021).

The revised ASA 101:

- (a) expands the scope of ASA 101 to include Australian Standards on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* and ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*; and
- (b) clarify that Australian Standards on firm level Quality Management are not legally enforceable under the *Corporations Act 2001*.

Operative Date

ASA 101 is operative for:

- (a) audits or reviews of financial reports and sustainability reports, for financial reporting periods commencing on or after 1 January 2025; and
- (b) other assurance or related services engagements commencing on or after 1 January 2025.

Early adoption of this Auditing Standard is permitted prior to this date.

Process of making Australian Auditing and Assurance Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian auditing and assurance standards that:

- have a clear public interest focus and are of the highest quality;
- use the international standards of the International Auditing and Assurance Standards Board (IAASB) as the underlying standards;
- conform with the Australian regulatory environment; and

- are capable of enforcement.

Consultation Process prior to issuing the ~~Error! Reference source not found.~~~~Auditing Standard~~

This Standard is revised as a result of the issuance of ASSA 5000 (Australian equivalent of the International Standard on Sustainability Assurance ISSA 5000 *General Requirements for Sustainability Assurance Engagements*). The AUASB has consulted publicly as part of its due process in developing ASSA 5000, by exposing the IAASB's proposed ISSA 5000, along with an associated Australian Explanatory Memorandum for a 90-day comment period. Submissions were received by the AUASB and these were considered as part of the development and finalisation of ASSA 5000. It is the view of the AUASB that ASA 101 does not require public exposure as the amendments arising from ASSA 5000 are sufficiently narrow in scope.

Impact Analysis

A Preliminary Assessment form has been prepared in connection with the preparation of ASA 101 and lodged with the Office of Impact Analysis (OIA). The OIA has advised that an Impact Analysis (IA) is not required in relation to this standard.

Exemption from Sunsetting

Standards promulgated by the AUASB that are legislative instruments are exempt from the sunseting provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemption and Other Matters) Regulation 2015* (Item 18(a)).

The AUASB's Standards incorporate Standards set by the IAASB. The AUASB's Standards are exempt from sunseting because a more stringent review process than sunseting applies to the Standards. This review process ensures Australia's Auditing Standards regime remains consistent with international standards. Typically, the AUASB Standards are revised at least once within a ten-year period, with most of the Standards subject to revisions much more frequently than that. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AUASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunseting regime would have very limited practical application to AUASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

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STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Legislative Instrument: ~~Error! Reference source not found.~~~~Auditing Standard ASA 101~~
~~Preamble to AUASB Standards~~~~Preamble to AUASB Standards~~

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This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

Background

The Auditing and Assurance Standards Board (AUASB) is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Purpose of ~~ASA~~~~ASA 101~~

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The purpose of ASA 101 is to set out how AUASB Standards are to be understood, interpreted and applied. AUASB Standards are to be read and applied in conjunction with this Auditing Standard.

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Main Features

ASA 101 replaces existing ASA 101 *Preamble to Australian Auditing Standards* issued by the AUASB in September 2021 (as amended to November 2021).

The revised ASA 101:

- (a) expands the scope of ASA 101 to include Australian Standards on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* and ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*; and
- (b) clarify that Australian Standards on firm level Quality Management are not legally enforceable under the *Corporations Act 2001*.

Human Rights Implications

ASA 101 is issued by the AUASB in furtherance of the objective of facilitating the Australian economy. The standards do not diminish or limit any of the applicable human rights or freedoms, and thus do not raise any human rights issues.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.

ASSA 5000

(February 2025)

Explanatory Statement

ASSA 5000 General Requirements for Sustainability Assurance Engagements and ASA 2025-2 Amendments to Australian Auditing Standards

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

This Explanatory Statement is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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AUSTRALIA

Reasons for Issuing ASSA 5000 and ASA 2025-2

The Auditing and Assurance Standards Board (AUASB) issues Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) and ASA 2025-2 *Amendments to Australian Auditing Standards* (ASA 2025-2) pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Under section 336 of the *Corporations Act 2001* (the Act), the AUASB may make Standards on Sustainability Assurance for the purposes of the corporations legislation. These Standards on Sustainability Assurance are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council, the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

ASSA 5000 is consistent with ISSA 5000 *General Requirements for Sustainability Assurance Engagements* issued by the International Auditing and Assurance Standards Board (IAASB). ASA 2025-2 is consistent with the IAASB's conforming and consequential amendments to other IAASB standards arising from ISSA 5000.

The AUASB is required by s1707E(2)(c) of the Act to make standard for the audit and review of information in sustainability reports prepared pursuant to Chapter 2M of the Act.

Purpose of Error! Reference source not found. ASSA 5000

The purpose of ASSA 5000 is to provide requirements for the audit and review of information in sustainability reports prepared pursuant to Chapter 2M of the Act and for assurance over sustainability information prepared for other purposes. ASA 2025-2 makes consequential and conforming amendments to other AUASB standards arising from ASSA 5000.

Main Features

ASSA 5000 is a new overarching standard for assurance on sustainability reporting that is:

- Responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements;
- Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and
- Implementable by all assurance practitioners.

Operative Date

ASSA 5000 is effective for assurance engagements on sustainability information reported:

- (a) For periods beginning on or after 1 January 2025; or
- (b) As at a specific date on or after 1 January 2025.

Earlier application of this ASSA is permitted, except where ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* is required to be applied.

For assurance engagements on sustainability information in a sustainability report under Chapter 2M of the Act for a financial year commencing from 1 January 2025 to 30 June 2030, ASSA 5000 applies as specified in Australian Sustainability Assurance Standard ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*.

Process of making Australian Auditing Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- use the standards issued by the IAASB as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

Consultation Process prior to issuing the Error! Reference source not found.

The AUASB has consulted publicly as part of its due process in developing the **Error! Reference source not found.**, by exposing the IAASB's proposed ISSA 5000, along with an associated Australian Explanatory Memorandum for a 90-day comment period. The AUASB also issued a Consultation Paper seeking public comment on the proposed prohibition of direct assistance provided by internal auditors for sustainability assurance engagements.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of ASSA 5000.

Impact Analysis

A Preliminary Assessment form has been prepared in connection with the preparation of ASSA 5000 and lodged with the Office of Impact Analysis (OIA). The OIA advised that an Impact Analysis (IA) is not required. A Policy Impact Analysis that was submitted by the Treasury for the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024* covering the adoption of ISSA 5000 in Australia had already been cleared by the OIA.

Exemption from Sunsetting

Standards promulgated by the AUASB that are legislative instruments are exempt from the sunseting provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemption and Other Matters) Regulation 2015* (Item 18(a)).

The AUASB's Standards incorporate Standards set by the International Auditing and Assurance Standards Board. The AUASB's Standards are exempt from sunseting because a more stringent review process than sunseting applies to the Standards. This review process ensures Australia's Auditing Standards regime remains consistent with international standards. Typically, the AUASB Standards are revised at least once within a ten-year period, with most of the Standards subject to revisions much more frequently than that. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AUASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunseting regime would have very limited practical application to AUASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Legislative Instrument: Error! Reference source not found. **on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* and ASA 2025-2 *Amendments to Australian Auditing Standards***

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

Background

The Auditing and Assurance Standards Board (AUASB) is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Under section 336 of the *Corporations Act 2001* (the Act), the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Purpose of ASSA 5000 and ASA 2025-2

The purpose of ASSA 5000 is to provide requirements for the audit and review of information in sustainability reports prepared pursuant to Chapter 2M of the Act and for assurance over sustainability information prepared for other purposes. ASA 2025-2 *Amendments to Australian Auditing Standards* makes consequential and conforming amendments to other AUASB Standards arising from ASSA 5000.

The AUASB is required by s1707E(2)(c) of the Act to make standard for the audit and review of information in sustainability reports prepared pursuant to Chapter 2M of the Act.

Main Features

ASSA 5000 is a new overarching standard for assurance on sustainability reporting that is:

- Responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements;
- Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and
- Implementable by all assurance practitioners.

Human Rights Implications

ASSA and ASA 2025-2 are issued by the AUASB in furtherance of the objective of facilitating the Australian economy. The standards do not diminish or limit any of the applicable human rights or freedoms, and thus do not raise any human rights issues.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.



AUASB Agenda Paper

| | | | |
|-----------------------------|--|---------------------|-----------------|
| Title: | ASSA 5010 <i>Timeline for Audit or Reviews of Information in Sustainability Reports Prepared under the Corporations Act 2001</i> | Date: | 28 January 2025 |
| Office of the AUASB: | Anne Waters | Agenda Item: | 5 |

Objective

- The objective of this Agenda Item is for the AUASB to:
 - Consider whether to re-expose ASSA 5010;
 - Provide feedback on the draft Basis for Conclusions ASSA 5010 *Timeline for Audit or Reviews of information in Sustainability Reports Prepared under the Corporations Act 2001* (Agenda Paper 5.3); and
 - Approve ASSA 5010 *Timeline for Audit or Reviews of information in Sustainability Reports Prepared under the Corporations Act 2001* (Agenda Paper 5.1) and accompanying Explanatory Statement (Agenda Paper 5.2).

Questions for Board Members

| Question No. | Question for the Board |
|--------------|---|
| 1 | Do Board members agree not to re-expose ASSA 5010 (see paragraphs 3 and 4 below)? |
| 2 | Do Board members have any feedback on the draft Basis for Conclusions (Agenda Paper 5.3)? |
| 3 | Do Board members approve ASSA 5010 (Agenda Paper 5.1) and the Explanatory Statement (Agenda Paper 5.2)? |

Background and Previous Discussions on Topic

- At its 16 December 2024 meeting, the AUASB agreed on the final sustainability assurance phasing timeline. Refer to Agenda Item 5 in the [public papers](#) and meeting [Highlights](#). This is reflected in the revised ASSA 5010 (Agenda Paper 5.1).

Consideration of whether re-exposure is required

- The AUASB's [Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications \(September 2021\)](#) (Due Process Framework) outline the following criteria to consider whether there is a need to re-expose a proposed standard (paragraph 72):

- (a) the nature and extent of changes to the original proposals in the ED, and whether the substance of the proposed standard has changed (see paragraph 73);
 - (b) the nature and extent of new substantive issues not considered during the initial consultation;
 - (c) the nature and extent of input from stakeholders and whether:
 - (i) further consultation with those stakeholders is required; or
 - (ii) additional consultation is necessary with key stakeholders who have not had the opportunity to provide feedback on the proposed standard; and
 - (d) whether any persuasive or significant new evidence has been identified which may impact recommended changes to the proposed standard the more extensive and/or fundamental the changes to the original ED and current practice are, the more likely it is that the revisions to the ED should be exposed for a second time.
4. The Office of the AUASB recommends that re-exposure is not required as:
- (a) the changes from ED 02/24 Proposed Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* are not substantial and are in response to stakeholder feedback; and
 - (b) feedback was received by a wide range of stakeholders on ED 02/24 and no further consultation is required.

Basis for Conclusions

5. In accordance with the Due Process Framework, a Basis for Conclusions has been prepared detailing how decisions were reached and how public comments were responded to (Agenda Paper 5.3). Member feedback would be welcome.

Final Draft Standard and Explanatory Statement

6. The final draft ASSA 5010 (Agenda Paper 5.1) and accompanying Explanatory Statement (Agenda Paper 5.2) are provided for the AUASB's consideration and approval. A final draft ASSA 5010 marked up from ED is also provided (Agenda Paper 5.1.1).
7. Because ASSA 5000 (Agenda Paper 4.0), ASSA 5010, ASA 2025-2 on consequential amendments to other standards arising from ASSA 5000 (Agenda Paper 4.7) refer to each other, the Board will be asked to approve ASSA 5010, ASSA 5000, ASA 2025-2 and the related Explanatory Statements together. It would be problematic to issue a standard that refers to another standard that does not yet exist.

Next steps

8. Subject to AUASB comments and approval, ASSA 5010, the Explanatory Statement and Basis for Conclusions will be issued.

Materials Presented

| Agenda Paper | Description |
|--------------|--|
| 5.1 | Final draft ASSA 5010 <i>Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act</i> |
| 5.1.1 | Final draft ASSA 5010 <i>Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act</i> [Marked-up from ED] |
| 5.2 | Explanatory Statement ASSA 5010 <i>Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act</i> |
| 5.3 | Basis for Conclusions ASSA 5010 <i>Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act</i> |

ASSA 5010

(January 2025)

**Australian Standard on Sustainability
Assurance ASSA 5010**
*Timeline for Audits and Reviews of
Information in Sustainability Reports under
the Corporations Act 2001*

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

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This Standard is available on the Auditing and Assurance Standards Board (AUASB) website:
www.auasb.gov.au

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PREFACE

Reasons for Issuing ASSA 5010

The AUASB issues Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* as required by s1707E(2) of the *Corporations Act 2001* (the Act).

The AUASB is a non-corporate Commonwealth entity of the Australian Government, established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under paragraph 227B(1)(a) of the ASIC Act and section 336 of the Act, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Australian Standard on Sustainability Assurance (ASSA) specifies the timeline for information in a sustainability report for a financial year prepared in accordance with Chapter 2M of the Act to be subject to audit and/or review for financial years commencing before 1 July 2030.

New Standard on Assurance over Sustainability Information

This Standard is a new pronouncement of the AUASB and does not supersede a pre-existing Standard.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* as an auditing standard pursuant to section 227B(1)(a) of the *Australian Securities and Investments Commission Act 2001* and subsection 1707E(2) of the *Corporations Act 2001* (the Act) for the purposes of section 336 of the Act.

This Standard on Sustainability Assurance is to be read in conjunction with ASA 101 *Preamble to AUASB Standards*, which sets out how AUASB Standards are to be understood, interpreted and applied.

Dated: <TypeHere>

D Niven
Chair - AUASB

Conformity with International Sustainability Assurance Standards

This standard has been made to specify the extent and timing of audits and reviews of information in sustainability reports as required by Australian legislation. There is no equivalent International Auditing and Assurance Standards Board (IAASB) standard.

AUSTRALIAN STANDARD ON SUSTAINABILITY ASSURANCE ASSA 5010

Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001

Application

1. This standard applies to assurance engagements on sustainability information in a sustainability report for a financial year under Chapter 2M of the *Corporations Act 2001* (the Act).

Effective Date

2. This standard is operative for financial years commencing from 1 January 2025 to 30 June 2030.

Introduction

Contents of Sustainability Report

3. The Act requires certain entities that prepare annual financial reports under Chapter 2M of the Act to also prepare an annual sustainability report to accompany the financial report.
4. The sustainability report for a financial year consists of:
 - (a) the climate statement for the year required by the Sustainability Standards;
 - (b) any notes to the climate statements required by the Sustainability Standards or a legislative instrument made by the Minister under subsection 296A(4);
 - (c) any statements and notes relating to other financial matters concerning environmental sustainability required by a legislative instrument made by the Minister under subsection 296A(5); and
 - (d) the directors' declaration about the statements and the notes.¹
5. Paragraph C3 in Appendix C of the Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures* (AASB S2) provides that an entity is not required to provide comparative information in the first annual reporting period that it applies that standard.

Audit/review of Information in the Sustainability Report

6. The Act requires:
 - (a) Sustainability reports for financial years commencing on or after 1 July 2030 to be audited.²
 - (b) The Auditing and Assurance Standards Board (AUASB) to make auditing standards for financial years commencing 1 January 2025 to 30 June 2030 that specify the extent to which information in the sustainability report must be audited and/or reviewed.³

¹ Subsection 296A(1) of the Act.

² Section 301A of the Act.

³ Subsection 1707E(2) of the Act.

7. This standard uses the terms auditor, audit and review which are consistent with the Act. For the avoidance of doubt, the following terms used in the AUASB's Standards are to be read as having the same meaning as the terms used in the Act shown in the table below when conducting an audit or review of information in a sustainability report:

| Term(s) in the Act | Term(s) in AUASB standards |
|--|-------------------------------------|
| Review (noun) | Limited assurance engagement |
| Audit (noun) | Reasonable assurance engagement |
| Audit (noun) or review (noun), as applicable | Sustainability assurance engagement |

Objective

8. The objective of this standard is to specify the information in a sustainability report that is required to be audited and/or reviewed in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* for each relevant financial year.

Definitions

9. Unless otherwise stated, terms used in this standard have the same meaning as those terms have for the purposes of Chapter 2M of the Act. The following terms have the meanings attributed below:
- (a) AASB S2 – Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures*.
 - (b) Auditor – the audit firm, audit company or individual auditor of the entity for the purposes of Chapter 2M of the Act.
 - (c) Group 1 entities – entities to which paragraph 1707B(1)(a) of the Act applies.
 - (d) Group 2 entities – entities to which paragraph 1707B(1)(b) of the Act applies.
 - (e) Group 3 entities – entities to which paragraph 1707B(1)(c) of the Act applies.
 - (f) First year of reporting – the first financial year commencing:
 - (i) For Group 1 entities – from 1 January 2025 to 30 June 2026;
 - (ii) For Group 2 entities – 1 July 2026 to 30 June 2027;
 - (iii) For Group 3 entities – 1 July 2027 to 30 June 2028.
 - (g) Second year of reporting – the first financial year commencing:
 - (i) For Group 1 entities – 1 July 2026 to 30 June 2027;
 - (ii) For Group 2 entities – 1 July 2027 to 30 June 2028;
 - (iii) For Group 3 entities – 1 July 2028 to 30 June 2029.
 - (h) Third year of reporting – the first financial year commencing:
 - (i) For Group 1 entities – 1 July 2027 to 30 June 2028;

- (ii) For Group 2 entities – 1 July 2028 to 30 June 2029;
 - (iii) For Group 3 entities – 1 July 2029 to 30 June 2030.
- (i) Fourth year of reporting – the first financial year commencing on or after:
 - (i) For Group 1 entities – 1 July 2028;
 - (ii) For Group 2 entities – 1 July 2029;
 - (iii) For Group 3 entities – 1 July 2030.
- (j) Sustainability Report – A sustainability report required under section 292A of the Act (see section 9 of the Act).
- (k) Sustainability Standards – those standards made for the purposes of the Act pursuant to section 336A of the Act.

Requirements

10. Subject to paragraph 11, information in the sustainability report shall be subject to audit and / or review as follows:
 - (a) For the First Year of Reporting the auditor shall conduct a review over the disclosures (including related general disclosures in Appendix D to AASB S2) relating to:
 - (i) Governance in accordance with paragraph 6 of AASB S2;
 - (ii) Strategy (risks and opportunities) in accordance with subparagraphs 9(a), 10(a) and 10(b) of AASB S2;
 - (iii) Scope 1 and Scope 2 greenhouse gas emissions in accordance with subparagraphs 29(a)(i)(1) to (2) and 29(a)(ii) to (v) of AASB S2; and
 - (iv) Any statement that there are no material risks or opportunities relating to climate and how that applies to the entity under s296B(1)(c) and (d) of the Act or any similar statement otherwise made in the sustainability report.
 - (b) For the Second and Third Years of Reporting, the auditor shall conduct a review of all disclosures in the sustainability report (including related general disclosures in Appendix D to AASB S2).
 - (c) From the Fourth Year of Reporting onwards the auditor shall conduct an audit over all disclosures in the sustainability report.
 - (d) The auditor is not prevented by (a) and (b) from:
 - (i) conducting an audit of any information in the sustainability report for a financial year in which a review of that information is otherwise required; and/or
 - (ii) conducting an audit or review of any information in the sustainability report for a financial year in which an audit or review of that information is not required.
11. Where the sustainability report is required to, or does, include comparative information and, subject to the provisions of other ASSAs on comparative information:
 - (a) That information was not required to be, and was not, subject to assurance for the purposes of a publicly available report for the previous financial year, that

comparative information is not required to be subject to assurance in the current year;
and

- (b) That information was required to be, or was, subject to limited assurance for the purposes of a publicly available report for the previous financial year, that comparative information is not required to be subject to reasonable assurance in the current year.

* * *

Appendix - Diagrammatic representation of assurance phasing

(Ref: Para. 10)

| Years commencing | Year 1* | Year 2 | Year 3 | Year 4** | Year 5 | Year 6 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Group 1 | 1/1/25 to 30/6/26 | 1/7/26 to 30/6/27 | 1/7/27 to 30/6/28 | 1/7/28 to 30/6/29 | 1/7/29 to 30/6/30 | 1/7/30 to 30/6/31 |
| Group 2 | 1/7/26 to 30/6/27 | 1/7/27 to 30/6/28 | 1/7/28 to 30/6/29 | 1/7/29 to 30/6/30 | 1/7/30 to 30/6/31 | 1/7/31 to 30/6/32 |
| Group 3 | 1/7/27 to 30/6/28 | 1/7/28 to 30/6/29 | 1/7/29 to 30/6/30 | 1/7/30 to 30/6/31 | 1/7/31 to 30/6/32 | 1/7/32 to 30/6/33 |
| Governance | Limited | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Strategy – Risks and Opportunities *** | Limited**** | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Climate Resilience Assessments/ Scenario Analysis | None | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Transition Plans | None | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Risk Management | None | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Scope 1 and 2 Emissions | Limited | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Scope 3 Emissions | N/A | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Climate-related Metrics and Targets | None | Limited | Limited | Reasonable | Reasonable | Reasonable |

* Group 1 entities with years commencing 1 January to 30 June will have two Year 1s.

** Years commencing from 1/7/30 to 30/6/31 for Group 3 entities. From that time reasonable assurance is required by the Act for all mandatory climate disclosures.

*** The phasing for assurance on statements that there are no material climate-related risks and opportunities would be the same as for 'Strategy – Risks and Opportunities'.

**** Only subparagraphs 9(a), 10(a) and 10(b) of AASB S2 *Climate-related Disclosures*.

ASSA 5010

(January 2025)

**~~Proposed~~ Australian Standard on
Sustainability Assurance ASSA 5010
*Timeline for Audits and Reviews of
Information in Sustainability Reports under
the Corporations Act 2001***

~~Comments Due: 16 November 2024 (60-day comment period)~~

Issued ~~for Comment~~ by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

| Commenting on



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Exposure Draft Standard

Comments on this Exposure Draft should be received by no later than 16 November 2024.

Comments should be addressed to:

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Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

~~Submissions should be lodged online via the “Projects Open for Comment” page of the This Standard is available on the Auditing and Assurance Standards Board (AUASB) website ~~() as a PDF document and Word document~~.: www.auasb.gov.au~~

~~A copy of all non-confidential submissions will be placed on public record on the AUASB website:~~

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PREFACE

Reasons for Issuing ASSA 5010~~ED~~

The AUASB issues Australian Standard ~~exposure draft ED of proposed Australian Standard~~ on Sustainability Assurance ASSA 5010 ~~Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001~~ ~~ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001~~ as required by s1707E(2) of the Corporations Act 2001 (the Act).

The AUASB is ~~an independent~~ a non-corporate Commonwealth entity of the Australian Government, established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under paragraph 227B(1)(a) of the ASIC Act and section 336 of the Act, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Proposal

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Australian Standard on Sustainability Assurance (ASSA) specifies the timeline for information in a sustainability report for a financial year prepared in accordance with Chapter 2M of the Act to be subject to audit and/or review.

~~Proposed Operative Date~~

~~It is intended that this proposed standard be operative~~ for financial years commencing ~~from before~~ 1 January 2025 to 30 June July 2030.

New Standard on Assurance over Sustainability Information

This ~~proposed standard Standard~~ is a new pronouncement of the AUASB and does not supersede a pre-existing Standard ~~standard~~.

~~Request for Comments~~

~~Comments are invited on this Exposure Draft by no later than 16 November 2024.~~

~~Important Note and Disclaimer~~

~~This Exposure Draft, in 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 are required to comply when conducting an audit. 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.~~

EXPLANATORY MEMORANDUM

Introduction

1. ~~Schedule 4 of the (the Bill) proposes a new mandatory climate disclosure framework for larger entities that prepare financial reports under Chapter 2M of the *Corporations Act 2001* (the Act).~~
2. ~~Among other matters, the draft Bill proposes to require that:~~
 - (a) ~~certain entities that prepare annual financial reports under Chapter 2M of the Act must prepare an annual sustainability report to accompany the financial report; and~~
 - (b) ~~the AUASB must specify the extent to which sustainability reports prepared in accordance with the Act for financial years commencing on or before 30 June 2030 must be audited and/or reviewed (assurance phasing).~~

Legislation and other standards

3. ~~This exposure draft was issued on 17 September 2024 and refers to a working draft of the Australian Accounting Standards Board's (AASB's) Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures* (AASB S2), which was discussed at an AASB meeting on 26 August 2024.¹ ASSA 5010 is subject to the final standard and will be updated as necessary for any changes in the final versions of:~~
 - (a) ~~The legislation. At the time of issuing this exposure draft, the Bill had been passed by both Houses of Parliament and was awaiting Royal Assent; and~~
 - (b) ~~AASB S2.~~

Background

Australia's Mandatory Climate Disclosure Regime

4. ~~Under the Bill:~~
 - (a) ~~Entities that prepare financial reports under Chapter 2M of the Act and meet certain minimum size thresholds and/or have emissions reporting obligations under the National Greenhouse and Energy Reporting (NGER) Scheme, will be required to prepare annual sustainability reports containing climate-related disclosures.~~
 - (b) ~~Reporting will be phased in over time, beginning with the largest entities:~~
 - (i) ~~For Group 1 entities—the first financial year commencing on or after 1 January 2025 (if the Bill receives Royal Assent before 1 December 2024);~~
 - (ii) ~~For Group 2 entities—the first financial year commencing on or after 1 July 2026;~~

¹ See [Working draft of AASB S2 Climate-related Disclosures \(Agenda paper 3.2.4 M207\)](#).

- ~~(iii) For Group 3 entities the first financial year commencing on or after 1 July 2027.~~

~~Assurance over Sustainability Information~~

~~5. Under the Bill:~~

- ~~(a) Sustainability reports for financial years commencing on or after 1 July 2030 must be audited.²~~
- ~~(b) For financial years commencing before 30 June 2030, the AUASB is to make auditing standards that specify:~~
- ~~(i) The extent to which the sustainability report must be audited, or~~
- ~~(ii) The extent to which the sustainability report must be reviewed.³~~

Information Gathering and Consultation Process

6. In developing the proposed timeline for an audit or review of sustainability reports, the AUASB endeavoured to obtain an understanding of the likely future demand for assurance and the expected ability of auditors and their experts to meet that demand. This involved:
- (a) Obtaining 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) Obtaining data from several external sources on the population of entities in Groups 1, 2 and 3;
- (c) Reviewing submissions to Treasury's and Consultation Papers on climate-related financial disclosures; and
- (d) Considering academic research on the current level of assurance over climate-related financial disclosures in Australia.⁴
7. The AUASB issued Consultation Paper *Assurance over Climate and Other Sustainability Information* (Consultation Paper) on 20 March 2024 which sought feedback from auditors, experts, directors, preparers and users on the following:⁵
- (a) 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;
- (b) The likely maturity of entity systems, processes and information sources, including the availability of any necessary assurance over information from value chains; and
- (c) The likely ability of auditors and their experts to meet that demand.
8. The Office of the AUASB held roundtables in Sydney, Melbourne, and Perth, as well as online, to facilitate discussion on the Consultation Paper. Twenty-nine written submissions (including two confidential submissions) were received from various stakeholders representing audit firms, non-accounting assurance practitioners, preparers, professional accounting bodies, investors, users, regulators and academics.

² section 301A of the Act

³ section 1707E of the Act

⁴ See [AUASB Research Report 10: Deakin-AUASB Sustainability Assurance Research Workshop](#)

⁵ The Consultation Paper was updated on 4 April 2024 following the announcement on 27 March 2024 of a revised proposed first year for mandatory climate reporting by Group 1 entities, to 1 January 2025 (previously 1 July 2024).

9. ~~The overall feedback was:~~
- ~~(a) Assurance should begin with limited assurance for a period of time before progressing to reasonable assurance.~~
 - ~~(b) Some considered the possible model in the Consultation Paper too ambitious.~~
10. ~~In light of the feedback received, the AUASB has developed an assurance phasing model for public exposure, taking into account the likely:~~
- ~~(a) maturity of entity systems and processes;~~
 - ~~(b) demand for assurance over climate disclosures; and~~
 - ~~(c) capacity and capabilities of auditors and their experts during the initial years of reporting.~~

Key Proposals

11. ~~The proposed ASSA 5010⁶ specifies the extent to which the information in sustainability reports for financial years commencing between 1 January 2025 and 30 June 2030 must be audited and / or reviewed.~~
12. ~~ED 02/24 proposes the following levels of assurance (see also diagrammatic representation in the Appendix to ED 02/24):~~
- ~~(a) Limited assurance over Scope 1 and 2 emissions from the first year of reporting, progressing to reasonable assurance in the second year of reporting;~~
 - ~~(b) Limited assurance over governance and strategy (risks and opportunities) from the first year of reporting, progressing to reasonable assurance in the fourth year of reporting; and~~
 - ~~(c) Limited assurance over all other disclosures from the second year of reporting, progressing to reasonable assurance in the fourth year of reporting.~~
13. ~~Considerations in developing the proposed model in this exposure draft include:~~
- ~~(a) Commencing with limited assurance only over scope 1 and scope 2 emissions in the first reporting year would reflect the existing experience in assurance over such emissions under the National Greenhouse and Energy Reporting Scheme and would be consistent with policy outlined in the Government's Policy Position Statement⁷;~~
 - ~~(b) Subject to paragraph 14 below, requiring limited assurance over disclosures on governance and climate related risks and opportunities would have regard to feedback from some stakeholders that:~~
 - ~~(i) Assurance over governance disclosures would encourage entities to establish robust governance processes to support the matters covered by other disclosures; and~~
 - ~~(ii) Identifying climate related risks and opportunities is fundamental to an entity's strategy and other disclosures;~~

⁶ ASSA 5010, *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*

⁷ See [Mandatory climate-related financial disclosures - Policy position statement \(treasury.gov.au\)](https://www.treasury.gov.au/policy-position-statement)

- ~~(c) — A statement that there are no material risks or opportunities would be subject to the same level of assurance as identified climate related risks and opportunities;~~
 - ~~(d) — Having consistent levels of assurance over disclosures would recognise the interconnectivity of disclosures, and simplify the audit report for users;~~
 - ~~(e) — Commencing limited assurance over other disclosures from the second year of reporting would give entities and auditors more time to prepare;~~
 - ~~(f) — It would seem appropriate to adopt a consistent phasing in of assurance for Groups 1, 2 and 3;~~
 - ~~(g) — Commencing reasonable assurance over all disclosures from the fourth reporting year, noting that the fourth reporting year for Group 3 entities is the first year commencing on or after 1 July 2030 when the Act would mandate reasonable assurance over all disclosures; and~~
 - ~~(h) — Where an entity joins a Group part way through the assurance phasing timeline, it would be subject to the same assurance requirements as other entities in the Group for the relevant reporting year. This would be analogous to the situation in which a proprietary company becomes a large proprietary company and is subject to the financial reporting requirements of the Act without any transition relief.~~
- ~~14. — Most AUASB members supported the approach in subparagraph 13(b) above. Other members were of the view that there should only be assurance in the first year for scope 1 and scope 2 emission information having regard to the cost of assurance and the preparedness of entities for assurance.~~
- ~~15. — The AUASB anticipates that the final standard will be approved in December 2024. This timeline is subject to the passage of legislation and the finalisation of both the AASB’s mandatory climate reporting standards and the IAASB’s ISSA 5000.⁸~~

Request for Comments

- ~~16. — The AUASB requests comments on all matters covered in ED-02/24, but specifically on the questions in the ‘Exposure Draft Questions’ section below. In this regard:~~
- ~~(a) — Comments should be sufficiently detailed and include whether or not stakeholders agree with the proposals.~~
 - ~~(b) — Stakeholders may address only specific questions relevant to them or raise matters not specifically addressed by a question.~~
 - ~~(c) — The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Standard.~~
 - ~~(d) — Comments will be most helpful when they refer to specific paragraphs, include the reasons for the comments and, when appropriate, make specific suggestions for any proposed changes to wording.~~

⁸ ISSA 5000, *General Requirements for Sustainability Assurance Engagements*

Exposure Draft Questions

~~17. The AUASB is seeking comments from stakeholders on the following questions:~~

~~CONTENTS~~

~~AUTHORITY STATEMENT~~

~~CONFORMITY WITH INTERNATIONAL STANDARDS~~

| | <i>Paragraphs</i> |
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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Standard on Sustainability Assurance ASSA-~~5010~~ 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* ~~*Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*~~ as an auditing standard pursuant to section 227B(1)(a) of the *Australian Securities and Investments Commission Act 2001* and subsection 1707E(2) of the *Corporations Act 2001* (the Act) for the purposes of ~~s336~~section 336 of the Act.

Dated: <TypeHere>

D Niven
Chair - AUASB

Conformity with International Sustainability Assurance Standards

This sstandard has been made to specify the extent and timing of audits and reviews of information in sustainability reports as required by Australian legislation. There is no equivalent International Auditing and Assurance Standards Board (IAASB) standard.

| AUSTRALIAN Standard

~~AUSTRALIAN STANDARD ON SUSTAINABILITY ASSURANCE 5010~~

~~*Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*~~

ON SUSTAINABILITY ASSURANCE ASSA 5010

Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001

Application

1. This standard applies ~~where an entity prepares~~ to assurance engagements on sustainability information in a sustainability report for a financial year under Chapter 2M of the *Corporations Act 2001* (the Act).

~~Operative Dates~~

Effective Date

2. This standard is operative for ~~annual financial years commencing from 1 January 2025~~ to 30 June 2030.

Introduction

Contents of Sustainability Report

3. The Act requires certain entities that prepare annual financial reports under Chapter 2M of the Act to also prepare an annual sustainability report to accompany the financial report.
4. The sustainability report for a financial year consists of:
 - (a) the climate statement for the year required by the Sustainability Standards;
 - (b) any notes to the climate statements required by the Sustainability Standards or a legislative instrument made by the Minister under subsection 296A(4);
 - (c) any statements and notes relating to other financial matters concerning environmental sustainability required by a legislative instrument made by the Minister under subsection 296A(5); and
 - (d) the directors' declaration about the statements and the notes.⁹
5. Paragraph C3 in Appendix C of the Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures* (AASB S2) provides that an entity is not required to provide comparative information in the first annual reporting period that it applies that standard.

Audit/review of Information in the Sustainability Report

6. The Act requires:
 - (a) Sustainability reports for financial years commencing on or after 1 July 2030 to be audited.¹⁰

⁹ Subsection 296A(1) of the Act.
¹⁰ Section 301A of the Act.

- (b) The Auditing and Assurance Standards Board (AUASB) to make auditing standards for financial years commencing ~~before 1 July 2025~~ January 2025 to 30 June 2030 that specify the extent to which information in the sustainability report must be audited and/or reviewed.¹¹
7. This standard uses the terms auditor, audit and review which are consistent with the Act. For the avoidance of doubt, the following terms used in the AUASB's Standards are to be read as having the same meaning as the terms used in the Act shown in the table below when conducting an audit or review of information in a sustainability report:

| Term(s) in the Act | Term(s) in AUASB standards |
|--|-------------------------------------|
| Review (noun) | Limited assurance engagement |
| Audit (noun) | Reasonable assurance engagement |
| Audit (noun) or review (noun), as applicable | Sustainability assurance engagement |

Objective

8. The objective of ~~the auditor~~ this standard is to ~~conduct an audit and/or review of~~ specify the information in the sustainability report as specified that is required to be audited and/or reviewed in this standard in accordance with Australian Standard on Sustainability Assurance ASSA 5000 General Requirements for Sustainability Assurance Engagements for each relevant financial year.

Definitions

9. Unless otherwise stated, terms used in this standard have the same meaning as those terms have for the purposes of Chapter 2M of the Act. The following terms have the meanings attributed below:
- (a) AASB S2 ~~—~~ Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures*.
- (b) Auditor – the audit firm, audit company or individual auditor of the entity for the purposes of Chapter 2M of the Act.
- (c) Group 1 entities – entities to which paragraph 1707B(1)(a) of the Act applies.
- (d) Group 2 entities ~~—~~ entities to which paragraph 1707B(1)(b) of the Act applies.
- (e) Group 3 entities ~~—~~ entities to which paragraph 1707B(1)(c) of the Act applies.
- (f) First year of reporting – the first financial year commencing:
- (i) For Group 1 entities – from 1 January 2025 to 30 June 2026;
- (ii) For Group 2 entities – 1 July 2026 to 30 June 2027;
- (iii) For Group 3 entities – 1 July 2027 to 30 June 2028.
- (g) Second year of reporting – the first financial year commencing:
- (i) For Group 1 entities – 1 July 2026 to 30 June 2027;

¹¹ Subsection 1707E(2) of the Act.

- (ii) For Group 2 entities – 1 July 2027 to 30 June 2028;
 - (iii) For Group 3 entities – 1 July 2028 to 30 June 2029.
- (h) Third year of reporting – the first financial year commencing:
 - (i) For Group 1 entities – 1 July 2027 to 30 June 2028;
 - (ii) For Group 2 entities – 1 July 2028 to 30 June 2029;
 - (iii) For Group 3 entities – 1 July 2029 to 30 June 2030.
- (i) Fourth year of reporting – the first financial year commencing on or after:
 - (i) For Group 1 entities – 1 July 2028;
 - (ii) For Group 2 entities – 1 July 2029;
 - (iii) For Group 3 entities – 1 July 2030.
- (j) Sustainability Report – A sustainability report required under section 292A of the Act (see section 9 of the Act).
- (k) Sustainability Standards – those standards made for the purposes of the Act pursuant to section 336A of the Act.

Requirements

10. Subject to paragraph 11, information in the sustainability report shall be subject to audit and / or review as follows:
- (a) For the First Year of Reporting the auditor shall conduct a review over the disclosures (including related general disclosures in Appendix D to AASB S2) relating to:
 - (i) Governance in accordance with paragraph 6 of ~~Draft~~ AASB S2;
 - (ii) Strategy (risks and opportunities) in accordance with subparagraphs 9(a) ~~to (d)~~, 10(a) and ~~paragraphs 10 to 21(b)~~ of AASB S2;
 - (iii) Scope 1 and Scope 2 greenhouse gas emissions in accordance with subparagraphs 29(a)(i)(1) to (2) and 29(a)(ii) to (v) of AASB S2; and
 - (iv) Any statement that there are no material risks or opportunities relating to climate and how that applies to the entity under s296B(1)(c) and (d) of the Act or any similar statement otherwise made in the sustainability report.
 - (b) For the Second and Third Year~~s~~ of Reporting, the auditor shall conduct ~~an audit~~ review of ~~Scope 1 and Scope 2 greenhouse gas emission disclosures in accordance with subparagraphs 29(a)(i)(1) to (2) and 29(a)(ii) to (v) all disclosures in the sustainability report~~ (including related general disclosures in Appendix D to AASB S2), ~~and review all other disclosures in the sustainability report.~~
 - (c) From the Fourth year of reporting onwards the auditor shall conduct an audit over all disclosures in the sustainability report.
 - (d) The auditor is not prevented by (a) and (b) from:
 - (i) conducting an audit of any information in the sustainability report for a financial year in which a review of that information is otherwise required; and/or

- (ii) conducting an audit or review of any information in the sustainability report for a financial year in which an audit or review of that information is not required.
- 11. Where the sustainability report is required to, or does, include comparative information and, subject to the provisions of other ASSAs on comparative information:
 - (a) That information was not required to be, and was not, subject to assurance for the purposes of a publicly available report for the previous financial year, that comparative information is not required to be subject to assurance in the current year; and
 - (b) That information was required to be, or was, subject to limited assurance for the purposes of a publicly available report for the previous financial year, that comparative information is not required to be subject to reasonable assurance in the current year.

* * *

Appendix

Appendix - Diagrammatic representation of assurance phasing

(Ref: Para. 10)

| Years commencing | Year 1* | Year 2 | Year 3 | Year 4** | Year 5 | Year 6 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Group 1 | 1/1/25 to 30/6/26 | 1/7/26 to 30/6/27 | 1/7/27 to 30/6/28 | 1/7/28 to 30/6/29 | 1/7/29 to 30/6/30 | 1/7/30 to 30/6/31 |
| Group 2 | 1/7/26 to 30/6/27 | 1/7/27 to 30/6/28 | 1/7/28 to 30/6/29 | 1/7/29 to 30/6/30 | 1/7/30 to 30/6/31 | 1/7/31 to 30/6/32 |
| Group 3 | 1/7/27 to 30/6/28 | 1/7/28 to 30/6/29 | 1/7/29 to 30/6/30 | 1/7/30 to 30/6/31 | 1/7/31 to 30/6/32 | 1/7/32 to 30/6/33 |
| Governance | Limited | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Strategy – Risks and Opportunities *** | Limited**** | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Climate Resilience Assessments/ Scenario Analysis | None | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Transition Plans | None | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Risk Management | None | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Scope 1 and 2 Emissions | Limited | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Scope 3 Emissions | N/A | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Climate-related Metrics and Targets | None | Limited | Limited | Reasonable | Reasonable | Reasonable |

Diagrammatic Representation of Assurance Phasing

* ~~Group 1 – Years~~ ~~Group 1 entities with years~~ commencing 1 January ~~2025~~. ~~Group 2 – Years commencing 1 July 2026~~. ~~Group 3 – to 30 June will have two Year 1s.~~

** ~~Years commencing from 1 July 2027.~~

*** ~~/7/30 to 30/6/31 for Group 3~~ ~~is to be subject to~~ ~~entities. From that time~~ reasonable assurance ~~across~~ ~~is required by the Act for all mandatory climate disclosures~~ ~~by years commencing 1 July 2030.~~

*** The phasing for assurance on ~~Statements where~~ ~~statements that~~ there are no material climate-related ~~financial~~ risks and opportunities ~~is would be~~ the same as for ‘Strategy – Risks and Opportunities’.

**** ~~Only subparagraphs 9(a), 10(a) and 10(b) of AASB S2 Climate-related Disclosures.~~

ASSA 5010

(January 2025)

Explanatory Statement

ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

This Explanatory Statement is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Reasons for Issuing ASSA 5010

The Auditing and Assurance Standards Board (AUASB) issues Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (ASSA 5010) as required by s1707E(2) of the *Corporations Act 2001* (the Act).

The AUASB is a non-corporate Commonwealth entity of the Australian Government, established under section 227A of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Under paragraph 227B(1)(a) of the ASIC Act and section 336 of the Act, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, *inter alia*, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Purpose of ASSA 5010

The purpose of ASSA 5010 is to specify the information in sustainability reports prepared in accordance with Chapter 2M of the Act that is to be subject to audit and/or review for each financial year commencing before 1 July 2030.

Main Features

ASSA 5010 specifies the information in a sustainability report that is to be audited and/or reviewed in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) for each financial year commencing before 1 July 2030.

New Standard on Assurance over Sustainability Information

This Standard is a new pronouncement of the AUASB and does not supersede a pre-existing Standard. It applies in conjunction with ASSA 5000, which was approved and issued at the same time as ASSA 5010.

Operative Date

ASSA 5010 is operative for financial years commencing 1 January 2025 to 30 June 2030.

Process of making Australian Auditing Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- use the International Standards on Auditing of the International Auditing and Assurance Standards Board (IAASB) as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

Consultation Process prior to issuing the Australian Standard

The AUASB has consulted publicly as part of its due process in developing ASSA 5010. Exposure Draft ED 02/24 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* was issued on 17 September 2024 with a 60-day comment period.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the **Error! Reference source not found.**

Impact Analysis

An Impact Analysis (IA) has been prepared in connection with the preparation of ASSA 5010. The IA has been cleared by the Office of Impact Analysis (OIA).

Exemption from Sunsetting

Auditing Standards promulgated by the AUASB that are legislative instruments are exempt from the sunset provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemption and Other Matters) Regulation 2015* (Item 18(a)).

The AUASB's Standards incorporate Standards set by the International Auditing and Assurance Standards Board. The AUASB's Standards are exempt from sunset because a more stringent review process than sunset applies to the Standards. This review process ensures Australia's Auditing Standards regime remains consistent with international standards. Typically, the AUASB Standards are revised at least once within a ten-year period, with most of the Standards subject to revisions much more frequently than that. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AUASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunset regime would have very limited practical application to AUASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Legislative Instrument: Error! Reference source not found. **on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (ASSA 5010)**

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

Background

The Auditing and Assurance Standards Board (AUASB) is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001* (the Act), the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Purpose of ASSA 5010

The purpose of ASSA 5010 is to specify the information in sustainability reports prepared in accordance with Chapter 2M of the Act that is to be subject to audit and/or review for each financial year commencing before 1 July 2030. The AUASB is required by s1707E(2) of the Act to make an auditing standard that meets this purpose.

Main Features

ASSA 5010 specifies the information in a sustainability report that is to be audited and/or reviewed in accordance with Australian Standard for Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) for each financial year commencing before 1 July 2030.

Human Rights Implications

ASSA 5010 is issued by the AUASB in furtherance of the objective of facilitating the Australian economy. The standard does not diminish or limit any of the applicable human rights or freedoms, and thus do not raise any human rights issues.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.

January 2025

Basis for Conclusions

ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001

Prepared by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Basis for Conclusions

This Basis for Conclusions is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Basis for Conclusions ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* has been developed by the Auditing and Assurance Standards Board (AUASB) to provide a background to, and rationale for the development and approval of the Standard by the AUASB. The Basis for Conclusions relates to, but does not form part of, ASSA 5010.

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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BASIS FOR CONCLUSIONS

ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001

This Basis for Conclusions is issued by the Auditing and Assurance Standards Board (AUASB). It provides a background to, and rationale for the development and approval of the Standard by the AUASB. The Basis of Conclusions relates to, but does not form part of, *ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*, and is not a substitute for reading the Standard.

Background

1. The AUASB has issued an Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports*. ASSA 5010 specifies the information in a sustainability report for a financial year prepared in accordance with Chapter 2M of the *Corporations Act 2001* (the Act) to be subject to audit and/or review for each financial year commencing before 1 July 2030. ASSA 5010 is operative for assurance engagements commencing on or after 1 January 2025 and ending on or before 1 July 2030.
2. While there is no equivalent standard issued by the International Auditing and Assurance Standards Board (IAASB), ASSA 5010 operates in conjunction with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) which is consistent with an equivalent IAASB standard.
3. ASSA 5010 responds to the requirement in s1707E(2) of the Act for the AUASB to specify the information in sustainability reports prepared in accordance with Chapter 2M of the Act that is to be subject to audit and/or review for each financial year commencing before 1 July 2030. From years commencing 1 July 2030 the Act requires reasonable assurance on all information in sustainability reports.
4. Reporting applies for the largest entities (Group 1 entities) from years commencing 1 January 2025. Reporting commences for the next largest entities (Group 2 entities) from years commencing 1 July 2026 and for other entities that exceed specified thresholds (Group 3 entities) from years commencing 1 July 2027.

Public Consultation

5. On 20 March 2024, the AUASB issued a Consultation Paper¹ seeking feedback on, among other matters - the demand for assurance, the ability of auditors and their experts to meet that demand, and the preparedness of companies to assist in developing a proposed assurance phasing model.
6. The AUASB sought input from stakeholders on its Consultation Paper in three principal ways:
 - (a) An open invitation for written submissions;
 - (b) Hosting a series of in-person and virtual roundtables with stakeholders representing audit firms, public sector auditors, non-accountant assurance providers, sustainability consultants, preparers, directors, regulators, professional bodies, and academics; and
 - (c) Convening informal meetings with various stakeholder groups.

¹ The Consultation Paper was re-issued with minor amendments on 4 April 2024 following the announcement that mandatory climate reporting by Group 1 entities was being delayed and will start from years commencing 1 January 2025.

7. This feedback informed the development of an Exposure Draft of a proposed ASSA 5010.
8. On 17 September 2024, the AUASB released an Exposure Draft of a Proposed Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (ED 02/24) that proposed the following timeline for when information in a sustainability report prepared in accordance with Chapter 2M of the Act would be subject to audit and/or review:
 - (a) Limited assurance over Scope 1 and 2 emission disclosures from the first year of reporting, progressing to reasonable assurance in the second year of reporting;
 - (b) Limited assurance over governance and strategy (risks and opportunities) from the first year of reporting, progressing to reasonable assurance in the fourth year of reporting; and
 - (c) Limited assurance over all other disclosures from the second year of reporting, progressing to reasonable assurance in the fourth year.
9. The comment period closed on 16 November 2024. The AUASB received 29 written comment letters, including 28 public submissions from the following stakeholders:

| Category | Organisation |
|---|---|
| Academics | Curtin University Deakin Integrated Reporting Centre Monash University Climateworks Centre Mukesh Garg and Luisa Unda |
| Audit Practitioners | BDO Deloitte Touche Tohmatsu Ernst and Young Australia Grant Thornton KPMG Pitcher Partners PricewaterhouseCoopers |
| Auditors General | Australasian Council of Auditors General |
| Consultant | Basford Consulting |
| Industry Bodies | Australian Council of Superannuation Investors CPA Australia/Chartered Accountants Australia and New Zealand Institute of Public Accountants Property Council of Australia |
| Investor / User | IMPAX Asset Management |
| Non Accountant Assurance Provider | GHD |
| Preparers | Australian Food and Grocery Council Australian Institute of Company Directors Customer Owned Banking Association Financial Services Council Grain Growers |
| Australian subsidiary of UK standard setter (ISO) | BSI Group ANZ Pty Limited |
| Superannuation funds | Australian Super Aware Super Uni Super |

10. The AUASB considered all submissions received and, in response, made several amendments to the proposed ASSA 5010.
11. The AUASB approved ASSA 5010 on **28 January 2025**.

Scope

12. ASSA 5010 applies where an entity prepares a sustainability report for a financial year under Chapter 2M of the Act.

Major Issues raised by Respondents on Exposure

13. The following summarises the major issues raised by respondents to ED 02/24 and how the AUASB addressed those issues.

Issue 1 – Assurance requirements for the first year of reporting

14. While there was support for limited assurance over Strategy (risks and opportunities) because these disclosures are foundational, some other respondents supported covering the disclosure of the risks and opportunities only (paragraph 9(a) of AASB S2 *Climate-related Disclosures*) and not the impact on results and future prospects (paragraphs 9(b) to (d) or 10 to 21 of AASB S2).
15. The AUASB considered that the paragraph references included in ED 02/24 for Strategy (risks and opportunities) may be wider than the AUASB had intended, and assurance should be limited to the risks and opportunities themselves. The AUASB decided that assurance should be required over paragraphs 9(a), 10(a) and 10(b) of AASB S2 for the following reasons:
- (a) It is likely to be less onerous, require less audit resources and be less costly than what was originally proposed in ED 02/24;
 - (b) It may be difficult to specify the time horizons (subparagraphs 9(c) and 9(d)) without considering the impacts; and
 - (c) Describing the risks and opportunities and explaining whether risks are considered to be physical risks or transition risks (subparagraphs 10(a) and 10(b)) is important to understanding the nature of the risks and opportunities.
16. The AUASB considered it appropriate to retain the requirement for limited assurance over governance and scope 1 and 2 emissions in the first year of reporting on the basis that:
- (a) limited assurance over governance disclosures will promote a focus on good governance by entities; and
 - (b) limited assurance over scope 1 and 2 emissions is consistent with the Government's Policy Position Statement; and
 - (c) the National Greenhouse Energy Reporting (NGERS) regime already provides some assurance experience in the market over Scope 1 and 2 emission information.

Issue 2 – Assurance requirements for the second and third year of reporting

17. While feedback from larger audit firms generally supported the approach for Years 2 and 3, preparers and some smaller audit firms largely supported reducing the assurance requirements for Years 2 and 3 due to the significant incremental uplift in capacity that would otherwise be required compared to Year 1. In particular, several stakeholders suggested delaying the requirement for reasonable assurance over Scope 1 and 2 emissions to give preparers and auditors more time to prepare.
18. The AUASB considered it appropriate to only require limited assurance over Scope 1 and 2 emission disclosures in the second and third year of reporting as this would be less onerous for preparers and auditors. It would also keep assurance levels across disclosures consistent in any given year for simplicity and understandability of the assurance report.

19. Some stakeholders suggested delaying the requirement for limited assurance over Scope 3 emission disclosures in the second year of reporting, noting that it is the first year of reporting this information, and there is uncertainty about data availability. The AUASB deliberated on this matter and ultimately considered it appropriate to retain this requirement on the basis that:
- (a) scope 3 emissions may be much larger than Scope 1 and 2 emissions and may be important for other information disclosed; and
 - (b) requiring limited assurance over these disclosures earlier on will reduce the uplift in assurance when moving to reasonable assurance over all disclosures in the fourth year of reporting.

Issue 3 – Assurance requirements for the fourth year of reporting

20. While there was broad support for requiring reasonable assurance over all disclosures from the fourth year of reporting, some respondents raised concerns over the ability to provide reasonable assurance over scope 3 emissions, the preparedness of smaller entities and audit firms, the likelihood of modified assurance reports and the impact on market confidence, and the cost of obtaining assurance. The AUASB considered it appropriate to retain this requirement for the following reasons:
- (a) Reasonable assurance should enhance user confidence in the reliability of the information in the sustainability report;
 - (b) The level of assurance provided can affect the entity's focus on the disclosures and their quality;
 - (c) The assumptions used for the financial report and sustainability report are interconnected, and there will be consistent assurance across the sustainability report and financial report; and
 - (d) The legislation requires reasonable assurance over all disclosures for 2030/1, which is Year 4 for Group 3 entities. Requiring reasonable assurance over all disclosures from the fourth year of reporting allows for consistent phasing in of assurance across all three groups.

Other Amendments

21. Under the model proposed in ED 02/24, Group 1 entities with reporting periods commencing between 1 January and 30 June 2025 have two first years of reporting (e.g. for entities with 31 December year ends – the years ending 31 December 2025 and 31 December 2026). This matter was not highlighted in ED 02/24 or raised in any stakeholder submission. The AUASB confirmed that this was appropriate as these entities will be the first to report and be subject to assurance. Entities with 30 June 2026 year ends have more time to prepare for the first year of mandatory reporting and assurance.
22. Feedback supported the approach in ED 02/24 on the following matters and therefore no changes have been made to:
- (a) The phasing for assurance for entities with no material risks or opportunities being the same as the phasing for entities with material risks and opportunities;
 - (b) Groups 1, 2, and 3 commence with the same settings and progress at the same pace;
 - (c) Entities that enter a Group after the first year for that Group being subject to the same requirements as for entities already in that Group; and
 - (d) The approach to assurance over comparative information disclosures.

Conclusion

23. Taking into account the feedback received on exposure, the AUASB made several amendments to ASSA 5010, resulting in the following final assurance phasing model:

| Years commencing | Year 1* | Year 2 | Year 3 | Year 4** | Year 5 | Year 6 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Group 1 | 1/1/25 to 30/6/26 | 1/7/26 to 30/6/27 | 1/7/27 to 30/6/28 | 1/7/28 to 30/6/29 | 1/7/29 to 30/6/30 | 1/7/30 to 30/6/31 |
| Group 2 | 1/7/26 to 30/6/27 | 1/7/27 to 30/6/28 | 1/7/28 to 30/6/29 | 1/7/29 to 30/6/30 | 1/7/30 to 30/6/31 | 1/7/31 to 30/6/32 |
| Group 3 | 1/7/27 to 30/6/28 | 1/7/28 to 30/6/29 | 1/7/29 to 30/6/30 | 1/7/30 to 30/6/31 | 1/7/31 to 30/6/32 | 1/7/32 to 30/6/33 |
| Governance | Limited | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Strategy – Risks and Opportunities *** | Limited**** | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Climate Resilience Assessments/ Scenario Analysis | None | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Transition Plans | None | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Risk Management | None | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Scope 1 and 2 Emissions | Limited | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Scope 3 Emissions | N/A | Limited | Limited | Reasonable | Reasonable | Reasonable |
| Climate-related Metrics and Targets | None | Limited | Limited | Reasonable | Reasonable | Reasonable |

* Group 1 entities with years commencing 1 January to 30 June will have two Year 1s.

** Years commencing from 1/7/30 to 30/6/31 for Group 3 entities. From that time reasonable assurance is required by the Act for all mandatory climate disclosures.

*** The phasing for assurance on statements that there are no material climate-related risks and opportunities would be the same as for 'Strategy – Risks and Opportunities'.

**** Only subparagraphs 9(a), 10(a) and 10(b) of AASB S2 *Climate-related Disclosures*.

24. The AUASB considers the amendments made to the standard since exposure are not substantial. The AUASB concluded that it was not necessary to re-expose the standard, as the changes made were in response to stakeholder feedback and the AUASB deliberations. Feedback was received from a wide range of stakeholders and no further consultation is required.
25. The AUASB voted to approve and issue ASSA 5010 on **28 January 2025**.
26. The AUASB will monitor implementation experience on an ongoing basis and will consider amending the phasing requirements in ASSA 5010, if necessary.

* * *



AUASB Agenda Paper

| | | | |
|-----------------------------------|---|---------------------|-----------------|
| Title: | IAASB PIE Track 1 proposed Narrow Scope Amendments to ISA 700 & ISA 260 | Date: | 28 January 2025 |
| Office of the AUASB Staff: | See Wen Ewe | Agenda Item: | 6.0 |

Overview

1. This paper asks AUASB members to approve proposed ASA 2025-1 which would make the ~~the~~ following amendments to existing standards:
 - (a) ASA 700 *Forming an Opinion and Reporting on Financial Statements* (ASA 700) – to require audit reports for entities such as public interest entities to disclose information on the application of the independence requirements in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code); and
 - (b) ASA 260 *Communication with Those Charged with Governance* – to require the auditor to communicate on the application of independence requirements in the Code to those charge with governance (TCWG).

Question for the Board

| Question No. | Question for the Board | Recommendation |
|--------------|---|--|
| 1 | Do AUASB members approve the Amending Standard ASA 2025-1 (Agenda paper 6.1) and the accompanying Explanatory Statement (Agenda paper 6.2)? | The Office of the AUASB recommends the AUASB approve ASA 2025-1 and the accompanying Explanatory Statement. This will align ASA 700 and ASA 260 with the equivalent international standards. |
| 2 | Do AUASB members have any comments on the draft Basis for Conclusions (Agenda paper 6.3)? | - |

Background and Previous Discussions on Topic

2. The AUASB issued a 'wrap around' [Consultation Paper](#) on IAASB proposed amendments to ISA 700 *Forming an Opinion and Reporting on Financial Statements* and ISA 260 *Communication with Those Charged with Governance* on 21 July 2022. The IAASB proposed that:
 - (a) the auditor's report be required to disclose the ethical requirements applied for Public Interest Entities (PIEs) and other entities determined under the IESBA Code;
 - (b) The auditor be required to communicate on application of independence requirements to TCWG.
3. The AUASB considered a draft submission to the IAASB at its [September 2022](#) meeting (Agenda Item 10). Several Board members did not support the IAASB's proposal for disclosures in the auditor's report. These Board members considered that this disclosure would not contribute to transparency and confidence in the audit, could confuse users and may have unintended consequences.
4. The AUASB's final submission to the IAASB ([here](#)) did not support the proposed requirement for disclosure in the auditor's report and suggested that voluntary disclosure be considered. If disclosure were to be required, the IAASB should consider a location in the auditor's report other than the Basis of Opinion.

5. As noted in the [International Update](#) to the March 2023 AUASB meeting, the IAASB decided to proceed with changes having regard to overwhelming stakeholder support. The IAASB received little stakeholder concern about adding to the length of the auditor's report or the usefulness of the information.
6. The AUASB received a further update at its [June 2023](#) meeting (Agenda Item 7.2).

Subsequent developments

7. The IAASB approved the amendments to ISA 700 and ISA 260 at its June 2023 meeting, including relevant application material and updates to illustrative auditor's reports 1 and 2 in ISA 700. The [final pronouncement](#) was issued in October 2023 following Public Interest Oversight Board certification. The amended standards are effective for audits of financial statements for **periods beginning on or after 15 December 2024**.
8. The Accounting Professional & Ethical Standards Board (APESB) approved changes to the definition of 'public interest entity' (PIE) in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) at its May 2023 meeting. These changes are reflected in a compiled version of [APES 110](#) to 30 June 2024 and followed changes made by IESBA.
9. There was only one difference between the APESB and IESBA definitions of PIE. Paragraph 400.19 A1 in the IESBA Code states that "a firm is **encouraged to** determine whether to treat other entities as public interest entities for the purposes of this Part. When making this determination, the firm **might** consider the factors set out ...". The APESB set a higher standard, with the paragraph AUST R400.24 in APES 110 stating that "a firm **shall** determine whether to treat additional entities, or certain categories of entities, as Public Interest Entities for the purposes of this Part. When making this determination, the firm **shall** consider the factors set out ...".
10. New application paragraphs in ISA 260 para A29 and ISA 700 para A35 say "relevant ethical requirements may ... **require or encourage** the auditor to determine whether it is appropriate to apply independence requirements that are specific to audits of financial statements of certain entities to audits of financial statements of other entities not specified in the relevant ethical requirements ...". Consistent with the matters outlined in the previous paragraph, the words 'or encourage' would be omitted from ASA 260 para A29 and ASA 700 para A35.
11. The proposed amendments to ASA 700 and ASA 260 are consistent with the [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#).

Recommendation

12. It is recommended that the AUASB approve ASA 2025-1 *Amendments to Australian Auditing Standards* which would amend ASA 700 and ASA 260 (see Agenda paper 6.1) and the accompanying explanatory statement (see Agenda paper 6.2). The amendments will ensure consistency with the IAASB standards.

Collaboration with NZAuASB and other standard setters

13. At its August 2023 meeting, the NZAuASB approved the amendments to ISAs (NZ).

Next steps

14. Subject to the AUASB's approval, ASA 2025-1 and the accompanying Explanatory Statement will be lodged with the Federal Register of Legislation and posted (with the basis for conclusions and compiled versions of ASA 700 and ASA 260) on the AUASB website.

Materials Presented

| Agenda Item | Description |
|-------------|--|
| 6.1 | Proposed ASA 2025-1 <i>Amendments to Australian Auditing Standards</i> |
| 6.2 | Proposed ASA 2025-1 Explanatory Statement |
| 6.3 | Draft ASA 2025-1 Basis for Conclusions |

ASA 2025-1

(January 2025)

Auditing Standard ASA 2025-1
Amendments to Australian Auditing
Standards

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



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

This Auditing Standard is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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CONFORMITY WITH INTERNATIONAL STANDARDS ON AUDITING

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PREFACE

Reasons for Issuing ASA 2025-1

The AUASB issues Auditing Standard ASA 2025-1 *Amendments to Australian Auditing Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Auditing Standard amends the requirements and application and other explanatory material and appendices of the following Auditing Standards:

- | | |
|---------|--|
| ASA 700 | <i>Forming an Opinion and Reporting on a Financial Report</i> (Issued December 2015 and amended to March 2023) |
| ASA 260 | <i>Communication With Those Charged With Governance</i> (Issued December 2015 and amended to March 2021) |

The amendments arise from changes made by the International Auditing and Assurance Standards Board (IAASB) to ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements* and ISA 260 (Revised), *Communication with Those Charged with Governance* as a result of the revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) that require an auditor to publicly disclose when the auditor has applied the independence requirements for Public Interest Entities (PIEs). Under the Strategic Direction given to the AUASB by the FRC, the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the International Standards on Auditing (ISAs) and to make appropriate consequential amendments to the Australian Auditing Standards.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2025-1 *Amendments to Australian Auditing Standards* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: <TypeHere> 2025

D Niven
Chair - AUASB

Conformity with International Standards on Auditing

This Auditing Standard makes amendments to other auditing standards that are consistent with changes made by the International Auditing and Assurance Standards Board to the equivalent International Standard on Auditing.

AUDITING STANDARD ASA 2025-1

Amendments to Australian Auditing Standards

Application

1. This Auditing Standard applies to:
 - (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.
2. This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

3. This Auditing Standard is operative for financial reporting periods commencing on or after 15 December 2024.

Introduction

Scope of this Auditing Standard

4. This Auditing Standard amends Australian Auditing Standards ASA 700 *Forming an Opinion and Reporting on Financial Statements* and ASA 260 *Communication with Those Charged with Governance* in relation to disclosing publicly the application of the independence requirements for certain entities, including Public Interest Entities (PIEs) and communicating on those matters to those charged with governance.

Objective

5. The objective of this Auditing Standard is to amend the following Auditing Standards in connection with disclosure concerning auditor independence in audit reports following changes made by the Accounting Professional & Ethical Standards Board (APESB) to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) and communication to those charged with governance:
 - (a) ASA 700 *Forming an Opinion and Reporting on a Financial Report* (Issued 1 December 2015 and amended to 31 March 2023); and
 - (b) ASA 260 *Communication With Those Charged With Governance* (Issued 1 December 2015 and amended to 27 April 2022).

Definitions

6. For the purposes of this Auditing Standard, the meanings of terms are set out in each Auditing Standard and in the *AUASB Glossary*. This Auditing Standard does not introduce new definitions.

Amendments to Auditing Standards

7. Where relevant, this Standard uses underlining, striking out and other typographical material to identify the amendments to a Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.
8. Where this amending standard inserts or deletes a paragraph or footnote, as a result of that insertion or deletion relevant paragraph numbers, cross-references and footnotes are updated.

Amendments to ASA 700

9. Renumber the existing subparagraph 'Aus 28.1(c)' as '28(c)' and amend it to read as follows:

Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.

- (i) The statement shall identify the relevant ethical requirements applicable within Australia; ~~and~~ (Ref: Para. Aus A34.1–A389)
- (ii) If the relevant ethical requirements require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial reports of certain entities, the statement shall indicate that the auditor is independent of the entity in accordance with the independence requirements applicable to the audits of those entities; and (Ref: Para. A36)

10. Existing subparagraph Aus 50.1(e) is renumbered 50(e) and amended to read as follows:

A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities ~~requirements~~ in accordance with these requirements.

- (i) The statement shall identify the relevant ethical requirements applicable within Australia.
- (ii) If the relevant ethical requirements require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial reports of certain entities, the statement shall indicate that the auditor is independent of the entity in accordance with the independence requirements applicable to the audits of those entities.

11. Each of the existing paragraphs A36 to A84 are renumbered as paragraphs A37 to A85 respectively. All cross-references to those paragraphs are updated accordingly.

12. The following paragraph A36 is inserted following existing paragraph A35:

Relevant ethical requirements may:

- (a) Establish independence requirements that are specific to audits of financial reports of certain entities specified in the relevant ethical requirements, such as the independence requirements for audits of financial reports of public interest entities in the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). Relevant ethical requirements may also require the auditor to determine whether it is appropriate to apply such independence requirements to audits of financial reports of entities other than those entities specified in the relevant ethical requirements.

- (b) Require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial reports of certain entities. For example, the Code requires that when a firm has applied the independence requirements for public interest entities in performing an audit of the financial reports of an entity, the firm publicly disclose that fact, unless making such disclosure would result in disclosing confidential future plans of the entity.²⁹

ASA 260 sets out requirements and guidance about the auditor's communication with those charged with governance, which includes communications for these cases.³⁰

13. Existing paragraph A36 is amended to read as follows:

Law or regulation, Australian Auditing Standards or the terms of an audit engagement may also require the auditor to provide in the auditor's report more specific information about the sources of the relevant ethical requirements, including those related to independence, that applied to the audit of the financial report.

Amendments to ASA 700 Appendix 1: [Aus] Illustration 1A and [Aus] Illustration 2A

14. The fifth point of [Aus] Illustration 1A and [Aus] Illustration 2A are amended as follows:

- The relevant ethical requirements that apply to the audit are the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). The Code includes independence requirements that are applicable to audits of financial reports of public interest entities. The Code also requires the auditor to publicly disclose that the independence requirements applicable to audits of financial reports of public interest entities were applied.

15. [Aus] Illustration 1A: Example Auditor's Report for Single Company – *Corporations Act 2001* (Fair Presentation Framework), is amended as follows:

INDEPENDENT AUDITOR'S REPORT

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to ~~our~~ audits of the financial report of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

...

16. [Aus] Illustration 2A: Example Auditor's Report for Group Entity – *Corporations Act 2001* (Fair Presentation Framework), is amended as follows:

INDEPENDENT AUDITOR'S REPORT

...

²⁹ See the Code, paragraphs R400.25-R400.26.

³⁰ See ASA 260, paragraphs 17 and A29.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to ~~our~~ audits of the financial report of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

...

Amendments to ASA 260

17. Each of the existing paragraphs 17 to 23 are renumbered as paragraphs 18 to 24 respectively. All cross-references to those paragraphs are updated accordingly.
18. The following paragraph 17 is inserted following existing sub-heading “*Auditor Independence*”:

The auditor shall communicate with those charged with governance the relevant ethical requirements, including those related to independence, that the auditor applies for the audit engagement, including if applicable in the circumstances, any independence requirements specific to audits of financial reports of certain entities. (Ref: Para. A29)

19. In renumbered existing paragraph 18(a)(ii) ‘A29’ is replace by ‘A30’
20. Existing paragraph A29 and its heading are amended to read as follows:

Auditor Independence (Ref: Para. 17–18)

The auditor is required to comply with relevant ethical requirements, including those related to independence, relating to financial report audit engagements²⁵ and to communicate with those charged with governance about the requirements the auditor applies. Relevant ethical requirements may:

- (a) Establish independence requirements that are specific to audits of financial reports of certain entities specified in the relevant ethical requirements, such as the independence requirements for audits of financial reports of public interest entities in the Code. If applicable in the circumstances of the audit engagement, this ASA requires that the auditor also communicates with those charged with governance that the auditor applies such independence requirements.
- (b) Require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial reports of certain entities specified in the relevant ethical requirements.²⁶ ASA 700 addresses the requirements for the auditor's report relating to the auditor's independence and the relevant ethical requirements the auditor applied.²⁷
- (c) Require the auditor to determine whether it is appropriate to apply independence requirements that are specific to audits of financial reports of certain entities to audits

²⁵ For example, see paragraphs R400.25-R400.26 of the Code

²⁶ See for example, the public disclosure requirements in the Code, paragraphs R400.20-R400.21.

²⁷ See ASA 700, paragraph 28(c).

of financial reports of other entities not specified in the relevant ethical requirements.²⁸
If this is the case and the auditor is required to publicly disclose when the auditor
applied such independence requirements, the auditor may discuss with management or
those charged with governance whether there is a risk of misunderstanding the nature
of the entity and any need for additional disclosure.

21. Existing paragraph A30 is amended to read as follows:

The communication about relationships and other matters, and how threats to independence that are not at an acceptable level have been addressed varies with the circumstances of the engagement and generally addresses the threats to independence, safeguards to reduce the threats, and measures to eliminate the circumstances that created the threats.

22. Delete paragraph A31.

23. Renumber existing Aus A31.1 as 'A31' and amend it to read as follows:

Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. * For example, the Code requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take²⁹.

²⁸ See ASA 700, paragraph 28(c).
²⁹ See the Code, paragraphs R400.25-R400.26.

Commencement of the legislative instrument

For legal purposes, each provision of this instrument specified in column 1 of the table commences, or is taken to have commenced in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

| Commencement information | | |
|------------------------------|-------------------|-------------------|
| Column 1 | Column 2 | Column 3 |
| Provisions | Commencement | Date/Details |
| The whole of this instrument | 14 December 2024. | 14 December 2024. |

Note: This table relates only to the provisions of this instrument as originally made. It will not be amended to deal with any later amendments of this instrument.

ASA 2025-1
(January 2025)

Explanatory Statement

ASA 2025-1 Amendments to Australian Auditing Standards

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



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

This Explanatory Statement is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Reasons for Issuing Auditing Standard ASA 2025-1

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 2025-1 *Amendments to Australian Auditing Standards* pursuant to the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, *inter alia*, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Purpose of Auditing Standard ASA 2025-1

The purpose of ASA 2025-1 is to amend to the following Auditing Standards in connection with disclosure concerning auditor independence in audit reports following changes made by the Accounting Professional & Ethical Standards Board (APESB) to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) and communication to those charged with governance:

ASA 700 *Forming an Opinion and Reporting on a Financial Report* (Issued 1 December 2015 and amended to 31 March 2023)

ASA 260 *Communication With Those Charged With Governance* (Issued 1 December 2015 and amended to 27 April 2022)

Main Features

ASA 2025-1 amends ASA 700 and ASA 260 for changes made by the International Auditing and Assurance Standards Board to ISA 700 *Forming an Opinion and Reporting on Financial Statements* and ISA 260 *Communication with Those Charged with Governance* as a result of the revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* that require an audit firm to publicly disclose when the firm has applied the independence requirements for Public Interest Entities (PIEs).

Operative Date

ASA 2025-1 *Amendments to Australian Auditing Standards* is operative for financial reporting periods commencing on or after 15 December 2024.

Process of making Australian Auditing Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- use the International Standards on Auditing of the IAASB as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

Consultation Process prior to issuing the Auditing Standard

The AUASB has consulted publicly as part of its due process in developing ASA 2025-1. An AUASB Consultation Paper wrap-around the *Exposure of the IAASB's Proposed Narrow Scope Amendments to ISA 700 (Revised) and ISA 260 (Revised) as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for Public Interest Entities (PIEs)* was issued on 21 July 2022 with a 60-day comment period.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the Auditing Standard.

Impact Analysis

A Preliminary Assessment form has been prepared in connection with the preparation of ASA 2025-1 and lodged with the Office of Impact Analysis (OIA). The OIA advised that an Impact Analysis (IA) is not required in relation to this standard.

Exemption from Sunsetting

Auditing Standards promulgated by the AUASB that are legislative instruments are exempt from the sunset provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemption and Other Matters) Regulation 2015* (Item 18(a)).

The AUASB's Standards incorporate Standards set by the IAASB. The AUASB's Standards are exempt from sunset because a more stringent review process than sunset applies to the Standards. This review process ensures Australia's Auditing Standards regime remains consistent with international standards. Typically, the AUASB Standards are revised at least once within a ten-year period, with most of the Standards subject to revisions much more frequently than that. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AUASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunset regime would have very limited practical application to AUASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Legislative Instrument: **Auditing Standard ASA 2025-1 Amendments to Australian Auditing Standards**

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

Background

The Auditing and Assurance Standards Board (AUASB) is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Under section 336 of the *Corporations Act 2001* (the Act), the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Purpose of Auditing Standard ASA 2025-1

The purpose of ASA 2025-1 amend to the following Auditing Standards in connection with disclosure concerning auditor independence in audit reports following changes made by the Accounting Professional & Ethical Standards Board (APESB) to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) and communication to those charged with governance:

| | |
|---------|---|
| ASA 700 | <i>Forming an Opinion and Reporting on a Financial Report</i> (Issued 1 December 2015 and amended to 31 March 2023) |
| ASA 260 | <i>Communication With Those Charged With Governance</i> (Issued 1 December 2015 and amended to 27 April 2022) |

Main Features

ASA 2025-1 amends ASA 700 and ASA 260 for changes made by the International Auditing and Assurance Standards Board to ISA 700 *Forming an Opinion and Reporting on Financial Statements* and ISA 260 *Communication with Those Charged with Governance* as a result of the revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) that require an audit firm to publicly disclose when the firm has applied the independence requirements for Public Interest Entities).

Human Rights Implications

Australian Auditing Standards are issued by the AUASB in furtherance of the objective of facilitating the Australian economy. The standards do not diminish or limit any of the applicable human rights or freedoms, and thus do not raise any human rights issues.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.

January 2025

Basis for Conclusions

ASA 2025-1 Amendments to ASA 700 Forming an Opinion and Reporting on Financial Statements and ASA 260 Communication with Those Charged with Governance

Prepared by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Basis for Conclusions

This Basis for Conclusions is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Basis for Conclusions ASA 2025-1 *Amendments to ASA 700 Forming an Opinion and Reporting on Financial Statements and ASA 260 Communication with Those Charged with Governance* has been developed by the Auditing and Assurance Standards Board (AUASB) to provide a background to, and rationale for the development and approval of the Standard by the AUASB. The Basis for Conclusions relates to, but does not form part of, ASA 2025-1.

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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BASIS FOR CONCLUSIONS

ASA 2025-1 Amendments to ASA 700 Forming an Opinion and Reporting on Financial Statements and ASA 260 Communication with Those Charged with Governance

This Basis for Conclusions is issued by the Auditing and Assurance Standards Board (AUASB). It provides a background to, and rationale for the development and approval of the Standard by the AUASB. The Basis of Conclusions relates to, but does not form part of, ASA 2025-1 Amendments to ASA 700 Forming an Opinion and Reporting on Financial Statements and ASA 260 Communication with Those Charged with Governance, and is not a substitute for reading the Standard.

Background

1. The AUASB issued ASA 2025-1 to amend ASA 700 *Forming an Opinion and Reporting on Financial Statements* and ASA 260 *Communication with Those Charged with Governance* in connection with disclosure concerning the application of auditor independence requirements in audit reports following changes made by the Accounting Professional & Ethical Standards Board to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) and communication to those charged with governance (TCWG) of an audited entity.
2. The International Auditing and Assurance Standard Board (IAASB) reviewed whether the auditor's report is an appropriate mechanism to enhance transparency about the application of auditor independence requirements when performing an audit of financial reports of certain entities. This would operationalise a transparency requirement in the Code of Ethics issued by the International Ethics Standards Board for Accountants. That Code has been adopted in Australia by the Accounting Professional & Ethical Standard Board.
3. The AUASB issued a 'wrap around' [Consultation Paper](#) on IAASB proposed amendments to ISA 700 *Forming an Opinion and Reporting on Financial Statements* and ISA 260 *Communication with Those Charged with Governance* on 21 July 2022. The IAASB proposed that:
 - (a) The auditor's report be required to disclose the information on the application of ethical requirements applied for Public Interest Entities (PIEs) and other entities determined under the IESBA Code;
 - (b) The auditor be required to communicate on application of independence requirements to those charged with governance (TCWG) of the relevant entity.

Scope

4. ASA 2025-1 amends to ASA 700 and ASA 260 which apply to:
 - (a) an audit of a financial report for a financial year, or an audit or a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.

ASA 2025-1 is operative for financial reporting periods commencing on or after 15 December 2024.

Major Issues raised by Respondents on Exposure

5. The AUASB received written submissions from KPMG (Australia), Ernst & Young Global Limited, Institute of Public Accountants and Deloitte Touche Tohmatsu.
6. Having regard to feedback received, the AUASB's [written submission](#) to the IAASB did not support disclosure in the auditor's report, which would add to the size and complexity of the report. The AUASB suggested that voluntary disclosure be considered. If disclosures were to be required, the IAASB should consider a location in the auditor's report other than the 'Basis for Opinion' paragraph.
7. The IAASB received overwhelming support from other stakeholders for its proposed changes and little concern that the changes would negatively impact the length, complexity and utility of the auditor's report. Accordingly, the IAASB approved the amendments to ISA 700 and ISA 260 in June 2023. The amendments included a new requirement in ISA 260 to communicate with TCWG about the application of independence requirements for all audits (previously only for audits of listed entities).
8. Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality. In implementing the FRC's strategic direction, the AUASB has determined the following objectives¹:
 - (a) To adopt international auditing and assurance standards in Australia unless modifications are considered to be in the public interest and these do not conflict with, or result in lesser requirements to, the international standards; and
 - (b) To work with the New Zealand Auditing and Assurance Standards Board (NZAuASB) towards the establishment of harmonised standards based on international standards.

Conclusion

9. Whilst the amendments approved by the IAASB are not fully aligned to the AUASB's submission, the AUASB considers that the matter is not significant enough for any further deliberations on the topic and that the IAASB's amendments are in public interest. The AUASB voted to approve and issue ASA 2025-1 on 28 January 2025.

* * *

¹ Refer to [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#).