

October 2022

Purpose of this publication

This publication has been prepared by AUASB Staff to provide an update as to standards and other resources available for sustainability assurance and recent activities being considered internationally as part of the development of an overarching standard for assurance on sustainability reporting.

Background

The momentum and demand for sustainability-related reporting, has increased significantly in the last three years. This has primarily been driven by the voice of investor groups around the world with support from regulators. Investors and other key stakeholders, such as employees, community, customers, partners, suppliers, industry and professional bodies, interest groups, academia and government, seek high quality non-financial information more than ever before. To be able to trust this information, they are also looking for consistency and comparability in disclosures on material risks to entities, including what is discussed and prioritised by the entities Board.

Assurance over sustainability reporting is a critical part of the reporting eco-system that provides credibility and trust over what is reported. Boards are increasingly asking assurance practitioners to provide assurance over various forms of sustainability reporting in Australia. While both reporting and assurance have typically been undertaken voluntarily to date, there is also an increasing drive for assurance to be mandated by law or regulation in specific areas.

Current state of play with regards to sustainability assurance

In June 2021 the International Federation of Accountants (IFAC) issued a Benchmarking Global Practice publication on the State of Play in Sustainability Assurance. The study was designed to understand current market practice for the assurance of environmental, social and governance (ESG or sustainability) information globally. The survey highlighted the following in relation to sustainability assurance in Australia:

Refer to the [IFAC State of Play in Sustainability Assurance](#)

- Of the companies that disclosed ESG data, 56% obtained assurance (global 51%)
- 100% of the assurance engagements resulted in a Limited Assurance Report (global 83%)
- 100% of assurance was provided by the audit firm (global 63%)
- 96% of assurance provided using ISAE 3000/ISAE 3410 (global 88%)

Current AUASB Sustainability Assurance Standards

The AUASB has been active in assurance of non-financial information for many years. In 2014 the AUASB released Assurance Standards ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* which apply to assurance engagements in the areas of sustainability and Extended External Reporting (EER). More recently in April 2021, the IAASB issued non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements. Existing ASAE 3000 and ASAE 3410 are widely accepted and currently used to perform sustainability assurance engagements and remain robust and appropriate.

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Quality management within firms that perform assurance engagements, and compliance with ethical requirements[#], including independence requirements, are widely recognised as being in the public interest and an integral part of high-quality assurance engagements. Assurance practitioners using the AUASB's suite of standards are required to comply with Quality Management suite of standards and Ethical Requirements.

Refer to the IAASB's [draft structure for the proposed sustainability assurance standard](#)

Recent International Assurance Developments

Development of an overarching standard for assurance on sustainability

Acknowledging the 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; in September 2022, the IAASB approved a project proposal to develop an **overarching standard for assurance on sustainability** (sustainability standard) for use by **all assurance practitioners** (i.e., professional accountants and other professionals performing assurance engagements).

Refer to:

- ASAE 3000 [Assurance Engagements Other than Audits or Reviews of Historical Financial Information \(Revised\)](#)
- ASAE 3410 [Assurance Engagements on Greenhouse Gas Statements \(Revised\)](#)
- Non-Authoritative guidance on Sustainability and Other Extended External Reporting Assurance Engagements ([EER Guidance](#))
- [AUASB Bulletin: EER Assurance](#)

Similar to the approach in the International Standards on Auditing (ISAs), the sustainability standard will be **framework-neutral**, i.e., suitable for assurance of sustainability information irrespective of the underlying criteria used to prepare the sustainability information. Additionally, the sustainability standard will be **standalone** (i.e., the practitioner would not be expected to apply both ISAE 3000 (Revised) and the standard for assurance on sustainability reporting).

[#] Applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, issued by the Accounting Professional & Ethical Standards Board Limited in November 2018, the applicable provisions of the *Corporations Act 2001* and other applicable law or regulation.



The sustainability standard will address:

- both limited assurance and reasonable assurance.
- the conduct of an assurance engagement in its entirety by addressing all elements of the engagement, from engagement acceptance through to reporting.

The sustainability standard will be developed in a manner consistent with ISAE 3000 (Revised), with enhancements and specificity to address assurance on sustainability reporting in a manner commensurate with the overarching nature of the standard. The IAASB will also use the principles of ISAE 3410, applied to sustainability information more broadly, when appropriate, in developing a baseline of definitions, requirements and application material. The sustainability standard will provide **more specificity than ISAE 3000 (Revised) and ISAE 3410 for determined priority areas***, recognising that the degree of specificity needs to be commensurate with the overarching nature of the standard. The proposed draft structure of the sustainability standard is attached at Appendix 1 to this document.

Refer to Financial Stability Board Roadmap for Addressing Financial Risks from Climate Change 2022 progress report [\[here\]](#).

The IAASB expects to approve an Exposure Draft in September 2023, with a final standard expected to be approved late 2024/early 2025.

Support from other institutions

Financial Stability Board

In July 2021, the Financial Stability Board (FSB) published a comprehensive Roadmap to address climate-related financial risks. The Roadmap was endorsed by G20 Finance Ministers and Central Bank Governors and subsequently by G20 Leaders at the Rome Summit. It addressed the need for coordinated action with the large and growing number of international initiatives underway by outlining key actions to be taken by Standard Setting Boards and other international organisations over a multi-year period.

Included in the Roadmap’s objectives is for the IAASB to develop, under robust governance and public interest oversight, baseline global standards for assurance on sustainability reporting, to enhance the confidence of users about mainstream, general-purpose reporting of sustainability information. Such a principles-based global solution would serve to improve consistency, comparability and transparency.

* (a) The difference in work effort between limited and reasonable assurance, including sufficiency of evidence. (b) The suitability of the reporting criteria, including addressing concepts such as “double materiality.” (c) The scope of the assurance engagement Evidence, including the reliability of information and what comprises sufficient appropriate evidence. (d) Evidence, including the reliability of information and what comprises sufficient appropriate evidence. (e) The entity’s system of internal control and its impact on the ability of the practitioner to obtain sufficient appropriate evidence. (f) Materiality in the context of the assurance engagement, including materiality in the context of narrative and qualitative information.



IOSCO

In September 2022 the International Organization of Securities Commission (IOSCO) announced its support and encouragement for the International Auditing and Assurance Standards Board’s (IAASB) work on developing standards relating to assurance of sustainability-related information. IOSCO’s statement endorses the need for a globally consistent approach to this issue being led by the IAASB, which then the AUASB are likely to review and adopt (subject to any local conforming amendments) as is the case with other IAASB standards.

Refer to [IOSCO Statement](#):
IOSCO encourages standard-setters’ work on assurance of sustainability-related corporate reporting

Next Steps

Acknowledging that many assurance practitioners are already using existing AUASB standards to perform a wide array of sustainability assurance work in Australia, the AUASB are engaging with various stakeholders, including assurance providers, non-accountants and other standard-setting bodies (e.g., ISO) and regulators, to review what additional guidance can be developed to support audit and assurance practitioners immediately whilst the IAASB develops the sustainability standard.

Stakeholders are encouraged to share with the AUASB current challenges or suggestions relating to the use of the existing AUASB Assurance Standards on sustainability assurance engagements. Contact us via email at enquiries@uasb.gov.au or on 03 8080 7400 with any suggestions or comments.

Appendix 1: Draft Structure of the Requirements for Proposed ISSA 5000

Introduction

Scope

Effective Date

Objectives

Definitions

Requirements

Part 1: Conduct of an Assurance Engagement in Accordance with ISSA

- 1.1 Complying with this ISSA
- 1.2 Text of an ISSA
- 1.3 Complying with Relevant Requirements
- 1.4 Failure to Achieve an Objective

Part 2: Fundamental Concepts, General Principles and Overarching Requirements

- 2.1 Relevant Ethical Requirements, Including Those Related to Independence
- 2.2 Firm-level Quality Management
- 2.3 Engagement-level Quality Management
 - 2.3.1 Characteristics of the Engagement Partner
 - 2.3.2 Responsibilities of the Engagement Partner
- 2.4 Work Performed by Others
 - 2.4.1 Work Performed by a Practitioner's Expert
 - 2.4.2 Work Performed by Another Practitioner
 - 2.4.3 Work Performed by the Internal Auditor Function
- 2.5 Professional Skepticism, Professional Judgment, and Assurance Competence
- 2.6 Fraud
- 2.7 Law or Regulation
- 2.8 Communication with Management and Those Charged with Governance

Part 3: Engagement Scope and Other Preconditions for a Sustainability Assurance Engagement

- 3.1 Engagement Scope and Other Preconditions for the Engagement
 - 3.1.1 Appropriate Sustainability Subject Matter
 - 3.1.2 Suitability and Availability of Criteria
 - 3.1.3 Rational Purpose
 - 3.1.4 The Scope of the Engagement
 - 3.1.5 Other Matters Related to the Preconditions for the Engagement
- 3.2 Additional Considerations in Assurance Engagement Acceptance and Continuance
 - 3.2.1 The Firm's Policies or Procedures
 - 3.2.2 Limitation on Scope Prior to Acceptance of the Assurance Engagement
 - 3.2.3 Assurance Report Prescribed by Law or Regulation
- 3.3 Terms of the Assurance Engagement
 - 3.3.1 Agreeing the Terms of the Assurance Engagement
 - 3.3.2 Changing the Terms of the Assurance Engagement

Part 4: Evidence and Documentation

- 4.1 Designing and Performing Procedures to Obtain Sufficient Appropriate Evidence
 - 4.1.1 Work Performed by the Practitioner on Other Engagements for the Entity
- 4.2 Information Intended to be Used as Evidence
 - 4.2.1 Information Intended to be Used as Evidence Prepared by the Entity's Expert
 - 4.2.2 Doubts About the Relevance and Reliability of Evidence
- 4.3 Documentation Requirements
- 4.4 Assembly of the Final Engagement File

Part 5: Planning

- 5.1 Planning Activities
- 5.2 Materiality
 - 5.2.1 Revision as the Assurance Engagement Progresses

Part 6: Risk Identification and Assessment

- 6.1 Procedures for Identifying and Assessing Risks of Material Misstatement
 - 6.1.1 Understanding the Entity and Its Environment
 - 6.1.2 Understanding the Entity's Internal Control
- 6.2 Identifying and Assessing Risks of Material Misstatement
- 6.3 Revision of Risk Assessment in a Reasonable Assurance Engagement

Part 7: Responding to Assessed Risks of Material Misstatement

- 7.1 Procedures Responsive to the Assessed Risks of Material Misstatement
 - 7.1.1 Test of Controls
 - 7.1.2 Substantive Procedures
 - 7.1.3 Substantive Analytical Procedures
 - 7.1.4 Selection of Items for Testing
- 7.2 Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement
- 7.3 Specific Focus Areas
 - 7.3.1 Estimates, Including Forward-looking Information
 - 7.3.2 Procedures Regarding the Entity's Aggregation Process for the Sustainability Information
- 7.4 Accumulating Identified Misstatements

Part 8: Concluding

- 8.1 Consideration of Identified Misstatements
 - 8.1.1 Communicating and Correcting Misstatements
 - 8.1.2 Evaluating the Effect of Uncorrected Misstatements
- 8.2 Evaluating the Description of Applicable Criteria
- 8.3 Subsequent Events
- 8.4 Written Representations from Management and Those Charged with Governance

Part 9: Forming a Conclusion and Reporting

- 9.1 Forming the Assurance Conclusion
- 9.2 The Assurance Report
 - 9.2.1 Reference to the Practitioner's Expert in the Assurance Report
 - 9.2.2 Assurance Report Prescribed by Law or Regulation
 - 9.2.3 Other Paragraphs in the Assurance Report
- 9.3 Modifications to the Conclusion
- 9.4 Other Communication Responsibilities
- 9.5 Comparative Information
- 9.6 Other Information