

RESPONSE TEMPLATE FOR EXPOSURE DRAFT OF PROPOSED ISSA 5000, *GENERAL REQUIREMENTS FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS*

Guide for Respondents

Comments are requested by **December 1, 2023**. *Note that requests for extensions of time cannot be accommodated due to the accelerated timeline for finalization of this proposed standard.*

This template is for providing comments on the Exposure Draft of proposed International Standard on Sustainability Assurance Engagements™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* (ED-5000), in response to the questions set out in the Explanatory Memorandum to ED-5000. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
 - Respond directly to the questions.
 - Provide the rationale for your answers. If you disagree with the proposals in ED-5000, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
 - Identify the specific aspects of ED-5000 that your response relates to, for example, by reference to sections, headings or specific paragraphs in ED-5000.
 - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the “**Submit Comment**” button on the [ED-5000 webpage](#) to upload the completed template.

Responses to IAASB’s Request for Comments in the Explanatory Memorandum for ED-5000, General Requirements for Sustainability Assurance Engagements

PART A: Respondent Details and Demographic information

Your organization’s name (or your name if you are making a submission in your personal capacity)	Chartered Accountants Ireland
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Assurance and Audit Technical Committee
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Anne Sykes
E-mail address(es) of contact(s)	anne.sykes@charteredaccountants.ie
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on ED-5000). Select the most appropriate option.	Europe
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.	Member body and other professional organization
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to ED-5000).

Information, if any, not already included in responding to the questions in Parts B and C:

PART B: Responses to Questions in in the Explanatory Memorandum for ED-5000

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Overall Questions

1. Do you agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 to which your detailed comments, if any, relate (use a heading for each relevant item).

(See Explanatory Memorandum Section 1-A, paragraph 14)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

We are highly supportive of the development of a global overarching standard, in particular, we believe it is in the public interest to have a single international standard (adopted locally) to aid consistency for both assurance providers and the intended users of the reports. We believe that close co-operation going forward, with a wide range of stakeholders including the EU, would further enhance this standard and subsequent standards in the suite.

We have a number of concerns with the proposed standard as outlined in our detailed comments in this response.

Clarity over limited versus reasonable assurance

Overall, we have concerns that the standard as drafted does not fully deal with the differences between limited assurance (“LA”) and reasonable assurance (“RA”), both for the practitioner and the intended user. The lines between the two engagements (and reports) are too blurred and they require further enhancements.

Guidance is needed for the non-accounting assurance practitioner

While we are supportive of the intention to provide a standard that is profession-agnostic as detailed below (see questions 4 and 13), we do not feel that the current draft provides sufficient guidance for non-accountant assurance practitioners. As accountants we are familiar with the terminology used throughout the draft standard on matters such as materiality, risk identification etc., but we recognise that not all assurance practitioners will be in this position. We would suggest that additional non-authoritative guidance be developed to assist with implementation for these practitioners.

Public Interest Responsiveness

2. Do you agree that the proposals in ED-5000 are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal? If not, why not?

(See Explanatory Memorandum Sections 1-B, and Appendix)

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

As noted in question 1 we believe that it is imperative that we have a single overarching standard which can be adopted across the globe and implemented consistently to provide high quality assurance engagement in relation to sustainability reporting. Absent this there is a real risk of fragmentation and inconsistency which may lead to inconsistent quality assurance being provided over sustainability reporting. We believe that this draft overarching standard provides an excellent starting point and provides a foundation for adoption of subsequent standards in the suite.

While the proposed standard is not without flaws, we believe it goes a significant way towards fulfilling the public interest. However, we have some significant concerns which we address in our responses to the questions below. Addressing these concerns will, we believe, lead to a high-quality sustainability standard which can be consistently applied in practice.

Implementation

We do not believe that the standard is capable of being implemented consistently by all practitioners and we believe that it will need significant changes and additional guidance to meet the public interest objective of providing consistent assurance on sustainability subject matters.

In particular, and as detailed further down this response, we believe the following key areas of ED-5000 need revision to enable consistent implementation that will support high-quality assurance reporting in the public interest:

- Determination of materiality – refer to comments in Question 9.
- Required understanding of internal controls and the distinction between the level of work effort required for limited vs reasonable assurance - refer to comments in Question 13
- Distinction in the level of work effort required on estimates and forward-looking information for limited vs reasonable assurance - refer to comments in Question 16
- Evaluation of misstatements and how a conclusion is formed, particularly where several materiality thresholds have been determined - refer to comments in Question 12
- Performing assurance over consolidated sustainability information- refer to comments in Question 18
- Use by non-accountant assurance practitioners.

Specific Questions

Applicability of ED-5000 and the Relationship with ISAE 3410

3. Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?

(See Explanatory Memorandum Section 1-C)

Overall response: [No, with comments below](#)

Detailed comments (if any):

We believe further clarification is needed on how this standard operates in conjunction with other relevant assurance standards, in particular in relation to the relationship between ED-5000 and ISAE 3410.

In respect to the relationship with ISAE 3410, based on our reading of paragraph 2 of ED-5000, we understand that unless there is a separate assurance conclusion being provided on a GHG statement, the practitioner would apply ISSA 5000 to the entirety of the sustainability information as relevant.

As ISAE 3410 is the only other standard at present, it would be helpful if there was clear guidance on when the practitioner is expected to provide a separate conclusion on the GHG statement in accordance with ISAE 3410 and when it may be included in an overall single assurance conclusion.

We note that paragraphs 10 and 11 clarify the relationship of ISSA 5000 with both ISAE 3000 (Revised) and the audited financial statements and we believe it would be helpful for practitioners to include a similar paragraph to confirm the relationship with ISAE 3410 consistent with paragraph 2.

In addition, it is unclear whether there will be an overall conclusion as well as (potentially) individual conclusions on topics covered by future standards in the series.

Relevant Ethical Requirements and Quality Management Standards

4. Is ED-5000 sufficiently clear about the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management? If not, what suggestions do you have for additional application material to make it clearer?

(See Explanatory Memorandum Section 1-D)

Overall response: [No, with comments below](#)

Detailed comments (if any):

The concept of whether ethical requirements are “at least as demanding” as the IESBA Code and whether the firm’s system of quality management is at least as demanding as ISQM1 is not sufficiently clear. We believe making this determination without a framework or further implementation guidance would be particularly difficult for non-accountant assurance practitioners who have limited knowledge of the requirements of ISQM 1.

The proposed requirement is very subjective as currently set out in the standard and risks major inconsistency in practice. It is unclear who has the responsibility to make this assessment and who will monitor this in execution of the engagement. It is critical that there is a level playing field between all assurance practitioners such that high quality assurance engagements are provided regardless of the profession of the assurance provider. We believe inconsistent application of the standard would be damaging to the acceptance of the standard globally. We believe that the application of the standard in this regard would be improved by including a requirement that the assurance provider’s system of quality management addresses the eight components set out in paragraph 6 of ISQM 1, and a specific requirement regarding relevant ethical requirements.

For ISSA 5000 to be stand alone and profession-agnostic we believe that it may fall to local regulatory bodies to ensure that any local frameworks that are viewed as acceptable meet the standards required. However, guidance from the IAASB as to how they interpret this requirement would be helpful.

Definitions of Sustainability Information and Sustainability Matters

5. Do you support the definitions of sustainability information and sustainability matters in ED-5000? If not, what suggestions do you have to make the definitions clearer?

(See Explanatory Memorandum Section 1-E, paras. 27-32)

Overall response: [No, with comments below](#)

Detailed comments (if any):

The definition of Sustainability Information in Paragraph 17 (uu) is not sufficiently clear that it relates only to sustainability information resulting from measuring or evaluating against the applicable criteria.

We suggest the following edit:

“Sustainability information – Sustainability information results from measuring or evaluating sustainability matters against the applicable criteria. i.e., the information about sustainability matters that results from applying the criteria to the underlying sustainability matters. For purposes of the ISSAs, sustainability information is the equivalent of “subject matter information” in other IAASB assurance standards. (Ref: Para. A32).”

Also, it is unclear whether reference to “measuring or evaluating sustainability matters” is from the entity’s perspective or the practitioner’s perspective, or both? We understand this should be from the perspective of the party responsible for carrying out the “measurement or evaluation of sustainability matters” however, we believe the standard should state this to provide clarity.

We note the following additional matters in the definitions (paragraph 17) which we believe require clarification:

Definition (vv)

‘including’ – does this mean this is not definitive, we suggest:” including, but not restricted to.”

(vv)(i) we suggest that the definition should cross refer to the reporting entity’s “double materiality assessment”.

6. Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?

(See Explanatory Memorandum Section 1-E, paras. 35-36)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

We believe the relationship between sustainability matters, sustainability information and disclosure is clear. However, we have some drafting suggestions to improve clarity.

We believe the diagram and the information set out in Appendix 1 to ED-5000 is of significant importance to a reader’s understanding of the relationship between sustainability matters, information and disclosures and therefore we believe it would be beneficial to include this material in the standard itself to give it more prominence.

In relation to the definition of "Sustainability matters - Environmental, social, economic and cultural matters, including..." in paragraph 17(vv) subparagraph (i)'s clarity could be enhanced by replacing the words "or the impact on the entity," with "or those same impacts on the entity".

The table in paragraph A32 adds to the clarity of understanding of the relationship between sustainability matters, topics and aspects of topics and we believe the table could be improved by adding some examples of cultural matters to the list of topics in the table.

Differentiation of Limited Assurance and Reasonable Assurance

7. Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 45-48)

Overall response: [No, with comments below](#)

Detailed comments (if any):

The draft standard clearly outlines the types of assurance conclusions covered within ED-5000. Paragraph 7 outlines that these are for reasonable assurance and limited assurance conclusions. The procedures outlined within the draft standard apply to both limited and reasonable assurance unless specifically indicated with an 'L' for limited assurance or 'R' for reasonable assurance. This is essential for users of the standard given the diverse nature of the practitioners who will be using the standard, and we welcome this drafting style.

However, the distinction in the level of work effort required between a limited assurance and a reasonable assurance engagement is not sufficiently clear and as such the ED does not provide an appropriate basis for performing limited assurance engagements.

Furthermore, with regard to risk assessment procedures for limited assurance we do not believe that it is sufficiently clear in relation to the extent of risk assessment procedures required. The draft standard highlights the importance of differentiating between the level of effort required to express a limited assurance opinion versus a reasonable assurance opinion, but we have concerns about some aspects in relation to the work effort required which we have set out in our response to questions 13, 16, 17 and 20.

Overall, there is a differentiation in work effort, and while it is somewhat in line with ISAE 3000 (Revised) and 3410, it is not sufficiently clear. The standard appears to set a higher level of work effort compared to the work effort required by ISAE 3000 (Revised) or ISAE 3410 for a limited assurance engagement and it is not clear when an appropriate level of work effort for limited assurance has been achieved. Furthermore, in places the differences between the procedures for limited and reasonable assurance appear artificial. Finally, the illustrative reports are of similar length and we are uncertain that users will understand the difference between Limited Assurance and Reasonable Assurance reports.

Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement

8. Is ED-5000 sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement? If not, how could the requirements be made clearer?

(See Explanatory Memorandum Section 1-F, para. 51)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

We believe that the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported, and the scope of the proposed assurance engagement is clear subject to the inclusion of the following amendment. We note the inclusion of the requirement to determine whether the engagement exhibits a rational purpose under paragraph 74 and believe that this determination is fundamental. We believe it would be helpful for practitioners to include 'Rational Purpose' under the initial determination in paragraph 69 as an additional point with reference to paragraph 74 to clarify the practitioner's expectation on determining whether preconditions are present.

With regard to preconditions listed in ED-5000 it would seem to us that in a general-purpose framework, in some circumstances, (e.g., under the CSRD) the work effort would be a lot less in respect of the evaluation of the preconditions. The standard should acknowledge that in circumstances where there will be legal or regulatory requirements in place rather than entity-developed criteria, the practitioner's review and assessment of the preconditions will not be as in-depth as it would be for an engagement which has entity-developed criteria to consider.

9. Does ED-5000 appropriately address the practitioner's consideration of the entity's "materiality process" to identify topics and aspects of topics to be reported? If not, what approach do you suggest and why?

(See Explanatory Memorandum Section 1-F, paras. 52-55)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

The requirement for the practitioner to consider the entity's materiality process as part of the pre-conditions is relatively clear in the application guidance but we feel it should also be referred to in the standard itself in paragraph 69.

In addition, we would welcome additional guidance on how to perform an assessment of the entity's materiality process, including the assessment of both quantitative and qualitative materiality considerations. In certain types of engagement, the entity's materiality process will determine the sustainability information to be reported under the applicable sustainability framework. The materiality process should be subject to procedures during the engagement not just at the acceptance stage.

Following an assessment of the entity's materiality process, it is unclear what the practitioner should do and report in the situation where they have disagreements on the entity's materiality process or identified weaknesses (i.e., when an error is identified, how do you accumulate and what additional considerations are required from the practitioner).

We would suggest that perhaps guidance from the recently issued FAQ (“*Proposed ISSA 5000: The Application of Materiality by the Entity and the Assurance Practitioner*”) be imbedded in the standard itself, as it addresses the assurance practitioner’s consideration of the entity’s materiality process throughout the engagement.

Suitability and Availability of Criteria

10. Does ED-5000 appropriately address the practitioner’s evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information? If not, what do you propose and why?

(See *Explanatory Memorandum Section 1-F, paras. 56-58*)

Overall response: [No, with comments below](#)

Detailed comments (if any):

We note the expectation for the practitioner to evaluate the suitability and availability of the criteria (which include framework criteria, entity-developed criteria, or both) in paragraph 72. We also note in paragraph 72 (c) that the practitioner is expected to evaluate whether the criteria exhibit certain characteristics (further detailed in paragraph A169 and paragraph A183). We note under the listed characteristics in paragraph 72(c) ‘neutrality’ should be evaluated for ‘entity-developed criteria’ to determine if there is management bias present. We do not believe that there is sufficient guidance for the practitioner to perform this evaluation and it would be helpful to include further guidance on how to perform this neutrality assessment for ‘entity-developed’ criteria.

Where entity-developed criteria are used, the expectation on the practitioner to assess and challenge the criteria appears to be more onerous than in the case of framework criteria.

It is not clear how criteria, which are not available in a published framework, would be evaluated by the practitioner. For example, an evaluation of criteria developed using internationally recognised due process procedures should be subject to significantly less evaluation, however, the standard does not make this clear.

We note that a framework is assumed to be suitable in the absence of indications to the contrary but may need to be supplemented by additional entity developed criteria.

In the case of entity developed supplementary criteria, the practitioner can assess whether it is appropriate in the circumstances and that it is not intended to mislead users. The issue arises where one is dealing with a framework and every entity is supplementing this with their own criteria which are of course going to be different. The outcome will be a multiplicity of interpretations with the result that sustainability reports will not be comparable. On an international level this could escalate very quickly. For example, regarding paragraph A186 in respect of a general-purpose framework we do not believe it would be an appropriate response by an entity to develop criteria to interpret the framework such as the ESRs or the ISSBs and as such we disagree with paragraph A186 as drafted. We believe that it would be more appropriate for an interpretative body to perform this, similar to IFRIC in terms of IFRS interpretation. By way of contrast there is no concept of entity developed criteria in the audit of general-purpose financial statements so why would there be such a concept in respect of a general-purpose sustainability framework?

It appears the intention in A176 is that the practitioner is going to give assurance on the suitability of the design of sustainability controls, we feel this should be removed as it would be more appropriate for a

performance standard in itself similar to ISAE 3402. ISSA 5000 only needs to encompass process and controls in the context of providing assurance on the sustainability information.

11. Does ED-5000 appropriately address the notion of “double materiality” in a framework-neutral way, including how this differs from the practitioner’s consideration or determination of materiality? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 59-60 and 68)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

ED-5000 appropriately addresses the notion of "double materiality" in a framework-neutral way. It is appropriate that the standard explains that the "double materiality" assessment is different from the practitioner's consideration or determination of materiality. However, we believe it would be helpful if the standard also included an acknowledgement that an entity having carried out a "double materiality" assessment may also set their own materiality thresholds for determining whether material sustainability information is materially misstated.

Also, we believe that paragraph A278 provides a helpful list of qualitative materiality considerations however, in relation to bullet two of that paragraph we believe the words "such as when a report includes numerous performance indicators" should be removed as we believe performance indicators will be quantitative.

Materiality

12. Do you agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 65-74)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

We believe the ED contains a fatal flaw, being that it requires the practitioner to set many materiality thresholds, however the drafting in the standard is in terms of a singular materiality.

The standard needs to recognise (starting in paragraph 91) that there is more than one materiality threshold for the assurance provider.

Clarification is also needed regarding materiality at the entity or sustainability report level vs materiality at a sustainability information disclosure level (i.e., is the same level of materiality used for all evaluations or is materiality to be determined for different areas on a financial and impact basis?) in particular when the assurance practitioner is required to report on the sustainability reports compliance/achieving a fair presentation in accordance with a general-purpose sustainability reporting framework such as the ISSBs or ERSs.

When setting the requirements for the evaluation of errors in paragraphs 143/144 the standard refers to materiality in the singular as if it was set for the sustainability report as a whole, but there is a distinct difference between an audit of financial statements and a sustainability assurance engagement.

Therefore, it is unclear to us how a practitioner will determine whether a qualified conclusion is to be issued. For example, paragraph 144 discusses the aggregation of misstatements, but this may not be possible across different units of measurement. Forming a conclusion about a sustainability report being free from material misstatement is not possible without an overall materiality. Furthermore, if you evaluate sustainability information included within a sustainability report at an information level e.g., carbon disclosures and human resource matters, how do you evaluate the impact on the overall sustainability report when all sustainability information within the report does not carry the same relative importance.

In paragraph 91 the standard refers to the practitioner having to consider qualitative materiality and to determine materiality for quantitative disclosures. It is unclear why different levels of work are required here and we believe that the practitioner should be determining both qualitative and quantitative materiality factors at the planning stage and reassessing them as needed throughout the engagement.

We note paragraph 92 of ED-5000 states "...the practitioner shall determine performance materiality as applicable in the circumstances". This suggests that a single performance materiality is set. Further, it is unclear what circumstances paragraph 92 is referring to and it would be helpful for practitioners to add further detail to this paragraph.

We note that the IAASB have recently published a staff paper on materiality and feel that this is indicative of the need for further guidance.

Understanding the Entity's System of Internal Control

13. Do you agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements? If not, what suggestions do you have for making the differentiation clearer and why?

(See Explanatory Memorandum Section 1-F, paras. 75-81)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

We believe that there are some practical difficulties with how the differentiation in the approach for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements is drafted. These practical difficulties include the following matters:

Clarity in relation to the level of internal control testing required and the requirements

Under a limited assurance engagement, there is no requirement to evaluate internal controls and instead there is a need to obtain an understanding. This is not made clear in paragraph 102.

Furthermore, paragraph 102L/R does not differentiate between LA and RA with respect to the information systems and communications component of the entity's system of internal control. It is likely that in a LA engagement, the practitioner may need a less in-depth understanding of the information systems and communications component than in a RA engagement. Bearing in mind that for a LA engagement, this understanding should be sufficient to assist the practitioner in identifying the types of misstatements that

may occur and factors that affect disclosures where material misstatements are likely to arise. We believe that there should be a differentiation on the extent of understanding required with respect to information systems and communications.

If a practitioner decides to obtain evidence by testing the operating effectiveness of the controls, then there are conditional requirements set out in para 107 and 108. A cross-reference from paragraph 102 to 107/108 would be helpful in this instance.

Similarly, the references in paragraphs 107 and 108 that a practitioner may be performing operating effectiveness testing on a LA engagement may create an unrealistic expectation that these are required. To provide clarity in relation to this, it may be appropriate to include an additional paragraph as follows;

“In a limited assurance engagement, the practitioner is not required to evaluate the design of controls and determine whether they have been implemented unless the practitioner plans to test the operating effectiveness of controls. If, based on professional judgement, the practitioner plans to obtain evidence by testing the operating effectiveness of controls, additional requirements are needed in paragraph 107L and paragraph 108L.”

Clarity between the levels of understanding required in a LA and RA engagement

We believe that there is a lack of distinction between the levels of understanding required under a LA and RA engagement. This lack of distinction could cause an unnecessarily large amount of work to be performed on a LA engagement. We believe that there is scope to categorise these separately based on the engagement type and that two levels of understanding could be recognised in the standard. For example, this could recognise that;

- For a LA engagement, an understanding should be obtained to identify areas of potential material misstatement.
- For an RA engagement, a greater level of understanding should be obtained, including by evaluating the design and implementation of the controls.

Addressing control deficiencies

There is a lack of guidance within the standard regarding what practitioners should do with identified deficiencies. For example, the standard does not discuss the impact on scope of work or potential report qualifications.

Inconsistencies with ISA 330 The Auditor’s Responses to Assessed Risks

Paragraph 123R, which appears to be taken from ISA 330 The Auditor’s Responses to Assessed Risks (ISA 330), speaks about testing controls for all risks at the upper end of the spectrum of risk. This compares to ISA 330 which speaks about “significant risks”. The language in paragraph 123R could create the impression that there is a need to go above the requirements of ISA 330.

Similarly, paragraph 121 discusses the update of testing between interim and final. These requirements appear to reach further than the requirements set out in ISA 330. While recognising that this standard is intended to be profession agnostic, we believe that auditors will be reasonably well positioned to interpret and use these standards, given that their work is aligned to existing audit standards. Given the lack of understanding highlighted above, we believe that this may cause difficulties for use by non-audit practitioners.

Using the Work of Practitioner's Experts or Other Practitioners

14. When the practitioner decides that it is necessary to use the work of a firm other than the practitioner's firm, is ED-5000 clear about when such firm(s) and the individuals from that firm(s) are members of the engagement team, or are "another practitioner" and not members of the engagement team? If not, what suggestions do you have for making this clearer?

(See Explanatory Memorandum Section 1-G, paras. 82-87)

Overall response: [No, with comments below](#)

Detailed comments (if any):

We note that there is a fundamental difference between the context in which this matter occurs in a "traditional" assurance engagement and a sustainability assurance engagement. The reasons for this are that the reporting boundary in a traditional engagement is a legal entity whereas this is often wider in a sustainability assurance engagement. There is also a wider range of skillsets required (including engineers for certain aspects for example).

The standard is unclear on requirements regarding how to exercise supervision and review when experts and other third-parties are involved in the assurance assessment.

It is not clear to us how paragraph 51 can apply to practitioners that are assuring sustainability information on entities within another entity's reporting boundary where those practitioners are not independent of the reporting entity and not required to be currently as they don't perform an assurance engagement for that entity. This requirement needs careful assessment as it may lead to an inability to report on sustainability information outside the reporting entity but within its reporting boundary, it may adversely impact on assurance quality and reduce assurance practitioner choice in the marketplace.

Although it is acknowledged in paragraph A91, there is a lack of guidance in the standard as to situations where the entity has engaged a party/expert to support with the implementation of aspects of the sustainability reporting, and where the practitioner is engaged afterwards for the assurance engagement. It is unclear what the requirement will be regarding the involvement of the practitioner in the work of management's experts. It is expected that a larger range of providers/experts will be involved in the preparation (entity's side) and assurance (practitioner's side) of the reporting and the standard is relatively light on this aspect (merely mirroring requirement on financial statements information at the moment).

Paragraph 26 contains a possible issue relating to an engaging party imposing a limitation of scope on the practitioners' work and states that the practitioner should not accept the engagement unless required by law. There are some practical difficulties relating to this;

- There is no distinction as to whether the limitation of scope is in the reporting entity and when it is in the value chain.
- It is likely, given the nature of the entity and its supply chain, that any limitations of scope will not be identified until after acceptance, and the standard is unclear in this regard.
- The paragraph should be enhanced by including some application guidance.

15. Are the requirements in ED-5000 for using the work of a practitioner's external expert or another practitioner clear and capable of consistent implementation? If not, how could the requirements be made clearer?

(See *Explanatory Memorandum Section 1-G, paras. 88-93*)

Overall response: [No, with comments below](#)

Detailed comments (if any):

See comments above at Q14.

Estimates and Forward-Looking Information

16. Do you agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information? If not, what do you propose and why?

(See *Explanatory Memorandum Section 1-G, paras. 94-97*)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

Paragraph 134L (a)(i) and (ii) requires an evaluation of the appropriateness of the application of the requirements of the applicable criteria relevant to estimates/forward looking information. We believe that the reference to evaluating appropriateness brings the assurance provider into procedures akin to a reasonable assurance engagement. Therefore, further clarity is required in relation to the level of work effort required in a limited assurance engagement.

Paragraph 134L (b) requires a practitioner to "Consider whether other procedures are necessary in the circumstances.". We believe that this could be seen as an open-ended instruction to carry out additional work and suggest that it is supplemented with additional application material and specifically linked to paragraph 133L.

Professional accountants and auditors have a level of experience and practical application of estimates and how to address them when they arise. Therefore, the industry has accumulated experience of how to stress test and challenge estimates. There is a distinct lack of application guidance relating to estimates in the draft ED which could make this subject very difficult for other providers who don't have the same experience. We would recommend supporting paragraph 134 with significantly more application guidance to address this issue.

Risk Procedures for a Limited Assurance Engagement

17. Do you support the approach in ED-5000 to require the practitioner to design and perform risk procedures in a limited assurance engagement sufficient to identify disclosures where material misstatements are likely to arise, rather than to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement? If not, what approach would you suggest and why?

(See Explanatory Memorandum Section 1-G, paras. 98-101)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

The approach to risk assessment for limited assurance and reasonable assurance is unclear. There needs to be a clear distinction in relation to the level of work effort required. There is currently a lack of clarity which may lead to significant practical difficulties for practitioners. For example, paragraph A354L states that practitioners are not required to identify and assess risks of material misstatements at an assertion level but may find it useful to do so. We believe that this is unhelpful and will lead to inconsistency in the performance of limited assurance engagements which is not in the public interest. Furthermore, many practitioners from an accounting/auditing background may default to this approach of identifying risks of material misstatements but not all will. When such risks are addressed voluntarily, whether a further assurance response is required under the draft standard is unclear.

Groups and “Consolidated” Sustainability Information

18. Recognizing that ED-5000 is an overarching standard, do you agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when “consolidated” sustainability information is presented by the entity? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 102-107)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

We believe that ED-5000 does not address how to perform a group engagement. This includes how to perform an engagement across the larger reporting boundary in the context of a sustainability reporting engagement when the framework defines the reporting boundary outside the reporting entity's organizational boundary.

We note that the explanatory memorandum notes that a separate standard for groups will be considered and we would support this. However, in the meantime, guidance is needed to address this, particularly the area of materiality thresholds and how this should be considered in a group engagement.

Fraud

19. Do you agree that ED-5000 appropriately addresses the topic of fraud (including “greenwashing”) by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error? If not, what suggestions do you have for increasing the focus on fraud and why?

(See Explanatory Memorandum Section 1-G, paras. 108-110)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any):

Need for fraud considerations to be more tailored to a sustainability assurance engagement

While there are some relevant comments in the explanatory memo relevant to greenwashing etc (for example, in the explanatory memo it is stated that “Stakeholders encouraged the IAASB to give appropriate consideration to the topic of fraud (including “greenwashing”) in ED-5000”), the fraud considerations documented in paragraph. 59 – 61 are generically worded (professional scepticism, remaining alert etc.) and not sufficiently tailored to a sustainability assurance engagement.

We would recommend adding a sentence under paragraph 59 referring to ‘Examples of misstatements due to fraud...’ in paragraph A406.

The draft standard does not make it clear what is required in a limited assurance engagement in relation to fraud compared to a reasonable assurance engagement.

Referencing and linkage

There are various sections in the draft standard which make reference to fraud, without linkage back to paragraph 59. We would recommend adding a separate paragraph as follows “In documenting fraud considerations, the practitioner shall also consider paragraphs 87, 94L, 94R, 96, 114L, 114R, 117, 118, 138, 161, A295, A296, A406.”

Management bias considerations

While there seems to be appropriate focus on intentional management bias (fraud), sustainability information is susceptible to management bias where the intentionality of such bias may not be evident. Examples may be anchoring bias, availability bias, attention bias and confirmation bias. The standard should provide more guidance to practitioners in identifying and responding to management bias, whether or not intentionality has been determined.

Communication with Those Charged with Governance

20. Do you support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 111-112)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

While we support the high-level requirement regarding communication with management, those charged with governance and others, we believe that there is a lack of clarity and detail to allow a practitioner to fully understand the expected communication cycle. Areas where we believe there could be improvements made include:

- The required communications when performing a limited assurance vs. reasonable assurance engagement.
- Paragraph A137 references “material misstatements that management has refused to correct” as a matter for communication to those charged with governance. We believe that there is an omission here by not including “uncorrected misstatements identified during the engagement”.
- Paragraph 62 and the associated application guidance on A137 to A140 address communication with those charged with governance in a manner akin to an audit management letter. We note that there will be several other instances where management will be communicated with, and it may be beneficial to collate the required communication points in one section of the standard.

Reporting Requirements and the Assurance Report

21. Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users? If not, please be specific about any matters that should not be required to be included in the assurance report, or any additional matters that should be included.

(See Explanatory Memorandum Section 1-G, paras. 116-120, 124-130)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

In relation to the information listed that may be included in the assurance report, we have concerns over the following areas which may cause inconsistency and confusion for users of assurance reports:

- Paragraph 169 – in the absence of key audit matter reporting it is not clear what the purposes of paragraphs c, d and e are. In this context we believe these paragraphs would not be needed in an assurance report (without clarifying what is meant by recommendations and additional information). Including recommendations could lead to misinterpretation and confusion with the concept of a qualification. It would appear that this is information which should be communicated to the client rather than listing it in an assurance report.
- There is no definition included for “finding” in the standard- without this, this could lead to misinterpretation and confusion with the concept of a qualification.

- Paragraph 170(i) - we believe that this should be removed as it duplicates the basis for conclusion paragraph (170(d)). Furthermore, don't believe paragraph A486L is appropriate in suggesting that a limited assurance report include a description of procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement – this would cause confusion for readers of the assurance report.
- Paragraph A469- makes reference to naming other entities in the value chain in the assurance report- this would not be appropriate for the assurance report. Practitioners should not originate information.

22. Do you agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability assurance engagement, and instead having the IAASB consider addressing this in a future ISSA? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 121-123)

Overall response: [Agree \(with no further comments\)](#)

Detailed comments (if any):

We agree with this approach in line with the reasons set out in the Explanatory Memorandum.

23. For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, para. 131)

Overall response: [No, with comments below](#)

Detailed comments (if any):

We don't believe the paragraph is sufficiently prominent given that it is the second paragraph in a six-paragraph section. We would suggest the second paragraph is made more prominent by including it in a separate paragraph and given its own clear heading, e.g., "limitations of conclusion".

Other Matters

24. Are there any public sector considerations that need to be addressed in ED-5000?

(See Explanatory Memorandum Section 1-I, para. 135)

Overall response: [Yes, with comments below](#)

Detailed comments (if any):

We note that many public sector entities may not be as advanced in their sustainability reporting journey and therefore this issue may become more prominent at a point in the future.

Whilst many public sector considerations will be met by ED-5000, there are certain nuances that may need to be addressed by additional guidance or standards. This includes for example paragraph 17 which references the engagement leader as someone “appointed by the firm”. In the public sector, there is often an engagement leader to be defined in statute or appointed by another public sector body.

25. Are there any other matters you would like to raise in relation to ED-5000?

Overall response: [Yes, as further explained below](#)

Detailed comments (if any):

Throughout the ED a number of terms are used which auditors would be familiar with in the context of their audit and assurance engagements (such as partner, engagement team etc.). However, they may well be interpreted differently in the context of an engagement under this ISSA and furthermore non-accountant assurance practitioners may not be as familiar with these terms. Appropriate extracts from the IAASB glossary for auditing and assurance standards should be included or cross-referenced. For example, paragraph 96- refers to “key members of the engagement team”- this is not defined in ED-5000 (should this include only those in senior positions, or does it include other members of the engagement team?).

Paragraph 47- ‘significant’ matters are not defined in the application material and a definition should be included.

Paragraph 83 appears to include all the proposed revisions to ISA 500 (Revised) Audit Evidence (ISA 500 (Revised)). However, all of the equivalent requirements of ISA 500 (Revised) (e.g., Application Guidance) have not been included in ED-5000. If the intention is for the evidence concept to apply similarly to ISA 500 (Revised) then the equivalent guidance should also be included in ED-5000.

We note the practitioner’s requirement in paragraph 122 of ED-5000 if the practitioner plans to use evidence from a previous sustainability assurance engagement. We also note the requirement in paragraph 122(a) where the practitioner shall test some controls in each engagement. We believe it is unclear to the practitioner what “some controls” in this paragraph are referring to and it would be helpful for the practitioner if paragraph 122(a) includes further clarification on this section. We also believe it would be helpful to the practitioner if paragraph 122 (a) refers to paragraph 123R in the case of reasonable assurance engagements.

We note in paragraph 123R the requirement to test controls in the current period is only specific to reasonable assurance engagements. We believe it would be helpful to the practitioner if a similar consideration was included for a limited assurance engagement where this is applicable.

We note paragraph 123R of ED-5000 refers to the “upper end of the spectrum of risk”. We believe further clarification is needed on this statement as it is unclear whether the “upper end of the spectrum of risk” refers to only significant risks or higher and significant risks.

The standard references reasonable assurance “opinion” and reasonable assurance “conclusion” in different places. We believe that the term assurance conclusion (be it reasonable or limited) should be used consistently.

Paragraph 171 requires the assurance report to include the name of the engagement leader when the entity is listed. Why does this not reference “Public Interest Entities”?

Paragraph 181 is open-ended in that it deals with the circumstance where “other information” may or may not be available at the time the sustainability report is signed. We believe that paragraph 181 could be

perceived to mean that if a practitioner does not receive the information, then they do not have to treat it as “other information”. We believe that it would be better to word this paragraph in a manner that states;

If there is other information included with the sustainability information at the date it is published, then the practitioner must read and review that information.

Paragraph 191 addresses material misstatements in the comparative information and sets out that this is addressed in an other matter paragraph. We believe that where the comparatives are materially misstated then this should result in a qualification (as is the case under the ISAs).

In paragraph A166, it is not clear what the practitioner should do with the remaining sustainability information that does not have appropriate criteria, e.g., in ISAE 3000 (Revised) it includes “In such cases, the assurance report may need to clarify that the report does not relate to the original underlying subject matter in its entirety.”

In paragraph A167 is the list of framework criteria intended to be an exhaustive list? E.g., “Framework criteria may be:”

In paragraph A170 we believe a reference should be added to the entity’s need to supplement the criteria, rather than being silent on this fact, as could be read as either’s responsibility e.g. In such cases, the entity may need to supplement the criteria with additional framework or entity-developed criteria in order to:

Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

26. Translations—Recognizing that many respondents may intend to translate the final ISSA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-5000.

Overall response: [No response](#)

Detailed comments (if any):

27. Effective Date—As explained in paragraph 138 of Section 1-I – Other Matters, the IAASB believes that an appropriate effective date for the standard would be for assurance engagements on sustainability information reported for periods beginning or as at a specific date approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISSA. If not, what do you propose and why?

Overall response: [Agree, with comments below](#)

Detailed comments (if any):

While we believe that the proposed timetable is challenging, we understand the pressure on the profession to have standards issued as soon as possible. This is critical from the perspective of the European Union, in particular to ensure no fragmentation of sustainability standards.