



The Chair
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
Melbourne VIC 8007

10 November 2023

Dear Mr Niven,

Consultation Paper – Exposure of the IAASB’s Proposed ISSA 5000 General Requirements for Sustainability Assurance Engagements; and Proposed Conforming and Consequential Amendments to Other IAASB Standards

We appreciate the opportunity to comment on the above mentioned AUASB’s Consultation Paper.

We support the proposed standard and have included our responses to the specific questions included in the Request for Comments in the Appendix to this letter.

We would be pleased to discuss our comments with you. Please contact me on +61 7 3257 8286 should you require any further information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. G. Smith', written in a cursive style.

Debbie Smith
Assurance Quality Leader

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331 MELBOURNE VIC 3001
T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au



Appendix

Aus 1 When conducting GHG assurance engagements, are you currently using ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* along with ASAE 3000 *Assurance Engagements Other than Audits or reviews of Historical Financial Information*? If not, which assurance standards are you currently using? At a more granular level:

a. Which assurance standards are you currently using for National Greenhouse Energy Reporting (NGER) and climate active assurance? Are you currently conducting a limited or reasonable level assurance engagement?

For NGER reporting and climate active assurance, we conduct our engagements in accordance with the National Greenhouse and Energy Reporting (Audit) Determination 2009 and the following standards on assurance engagements:

- Standard on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*; and
- Standard on Assurance Engagements ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*.

Both limited and reasonable assurance engagements have been provided over these engagements depending on our client's needs and sustainability reporting maturity.

b. Which assurance standards are you currently using for Emissions Reduction Fund and Safeguard audits?

For Emissions Reduction Fund and Safeguard engagements, the following standards on assurance engagements are used:

- Standard on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*; and
- Standard on Assurance Engagements ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*.

Aus 2 When conducting wider sustainability engagements, are you currently using ASAE 3000 *Assurance Engagements Other than Audits or reviews of Historical Financial Information*? If not, which assurance standards are you currently using?

ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* is used to address sustainability subject matters. ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* is also used in conjunction with ASAE 3000 for assurance engagements on greenhouse gas statements.



Aus 3 Proposed ISSA 5000 is neutral as to the disclosure framework. Should the AUASB develop guidance on applying the proposed assurance standard in the context of the upcoming Australian Accounting Standards Board climate disclosure framework? Are there any other topics, aspects of topics or elements of an assurance engagement that stakeholders would like the AUASB to issue guidance on? If yes, please provide specific details.

The following areas may be subject to judgement and potential inconsistencies which may require further consideration and guidance from AUASB:

a. The concept of “at least as demanding as the IESBA Code and ISQM 1”

This will be a significant area of professional judgement by practitioners in firms that do not comply with the IESBA Code and ISQM 1 and would also be challenging and cause inconsistencies for practitioners when evaluating other practitioners’ compliance with ethical requirements. Further guidance on which standards are “at least as demanding as the IESBA Code and ISQM 1” is needed to address this and the IAASB in Paragraph 25 of the Explanatory Memorandum acknowledges that regulators and national standard setters share the responsibility for this determination. We strongly encourage that any determination includes compliance with all elements of ISQM 1.

b. Sufficiency and appropriateness of evidence for qualitative information and forward-looking information

Sustainability information may comprise disclosures about a wide range of topics and aspects of topics, and the underlying characteristics of the disclosures may vary (e.g., may be qualitative or quantitative, may relate to historical or forward-looking information, or may be factual or involve the use of judgement). Qualitative and prospective information in relation to Sustainability subject matter have not traditionally been subject to assurance. Significant professional judgement will be required in evaluating what constitutes sufficient appropriate evidence for these areas.

Practitioners may have to consider:

- Whether substantive testing alone will provide sufficient appropriate evidence (in the case of a reasonable assurance engagement). If not, practitioners 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; and
- Source of information intended to be used as assurance 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.

In addition, challenges posed by estimates and forward-looking information may include a high degree of estimation uncertainty and significant judgement involved, including management’s selection and use of appropriate methods, assumptions and data. Evidence to support the assumptions on which the forward-looking sustainability information is based may also be forward looking and, therefore, speculative in nature. The nature and availability of evidence for forward looking sustainability information, and what constitutes sufficient appropriate evidence, will vary depending on the nature. In some circumstances, the evidence available may support a range of possible outcomes with the disclosure falling within that range.

c. Sufficiency and appropriateness of evidence for third party information

Third party providers' reports or evidence may not be sufficient or appropriate for the practitioner to draw a conclusion. When the engagement team cannot be sufficiently involved in understanding the methods or assumptions used or validate those details, it will be difficult to form a conclusion. As such, further guidance on this area would be critical as the implications of not obtaining sufficient appropriate audit evidence are significant.

d. Using the work of "other practitioner" (OP)

As other reporting entities' Scope 1 and 2 emissions may form inputs for an entity's Scope 3 emissions, some of the challenges we anticipate in this area include:

- There may be country restrictions (for OPs based in a foreign jurisdiction) which may pose challenges in the local assurance practitioner obtaining access to the OPs' work;
- As the proposed ISSA 5000 is a global baseline for sustainability assurance, it may not be adopted by every jurisdiction in the same manner and therefore, OPs (especially foreign OPs) may perform their work based on a different standard such as AccountAbility's AA1000 Assurance Standards or International Organisation for Standardisation (ISO) Standards. This may pose challenges and inconsistencies in evaluating foreign OPs independence, compliance with ethical requirements, scope and adequacy of foreign OPs' work;
- Reconciling the levels of assurance required where a practitioner may be engaged to perform a reasonable assurance engagement, but the OP is engaged to perform a limited assurance engagement;
- Reconciling reporting periods where an OPs' work is based on a different period/financial year end than the entity; and
- Managing conflicting timeframes, for example where an OPs' work may be performed at a different time and may not coincide with the practitioner's timeline despite entities and those in its value chain having a similar period/financial year end. Reasons for this may include local statutory filing timeline of the other reporting entities, resources of the OPs, preparedness of the entities, among others.

e. Using the work of an external expert

Whilst Paragraphs 49 - 50 of the Proposed ISSA 5000 prescribe assurance requirements if a practitioner plans to use the work of an external expert, there may be challenges in evaluating the adequacy of the external expert's work, especially where the external expert's work involves significant assumptions and/or where proprietary methodology and tools are utilised (for example, a proprietary input-output modelling). Further guidance is needed in line with c) above. Consideration of the requirements in ASA 620 in relation to auditor's experts may be a useful reference.

Aus 4 While Appendix 2 of Proposed ISSA 5000 provides illustrations of assurance reports on sustainability information, should an Australian specific assurance opinion be developed?

As the proposed ISSA 5000 is expected to be used by professional accountants and non-professional accountants, Australian specific examples of assurance opinions mirroring the proposed assurance requirements outlined in Treasury's June 2023 Consultation (e.g. reasonable assurance over governance disclosures, Scope 1 and 2 greenhouse gas emissions, limited assurance for Scope 3 greenhouse gas emissions, scenario analysis and transition plans) would be beneficial to the development of sustainability assurance ecosystem in Australia.



Aus 5 Do stakeholders foresee any implementation issues regarding Proposed ISSA 5000 in the context of the proposed assurance requirements as being discussed through the recent Treasury Consultation Paper?

Please refer to our response to “Aus 3”. More specifically the implementation issues relevant to the stakeholders may be with respect to providing assurance with respect to qualitative and forward-looking statements.

Aus 6 Have applicable laws and regulations been appropriately addressed in the proposed standard?

The proposed ISSA 5000 excludes detailed requirements targeted at jurisdictional requirements. However, we would suggest updates to Clean Energy Regulators’ guidance or references to reflect the adoption of ISSA 5000 when effective and replace ISAE 3000 (Revised). We would expect ISSA 5000 to be applied to all assurance engagements that address sustainability subject matters, except when the practitioner is providing a separate conclusion on a GHG statement, in which case ISAE 3410 applies.

Aus 7 Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard? Stakeholder feedback will directly inform AUASB compelling reason discussions (refer paragraphs 19-20 of this Consultation Paper).

We are unaware of any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard.

Aus 8 Are there any principles and practices considered appropriate in maintaining or improving assurance quality in Australia that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard? Stakeholder feedback will directly inform AUASB compelling reason discussions (refer paragraphs 19-20 of this Consultation Paper).

We are unaware of any principles and practices that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard.

Aus 9 If you are an assurance provider, do you expect to have sufficient qualified and experienced staff and access to suitable experts to undertake assurance engagements under the Proposed ISSA 5000 under the proposals outlined in the June 2023 Treasury Consultation paper – *Climate-related financial disclosure: Second consultation?*

We have anticipated our resource requirements based on the proposals outlined in the Treasury’s June 2023 Consultation. We are anticipating a number of options in relation to building capability and resources to meet the requirements proposed, including ensuring suitable skill and capability in both technical ESG knowledge and also assurance skill.



Questions particularly targeted at non-accountant practitioners

We have not answered these questions given PwC would be considered an 'accountant practitioner'.