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Sub 2 ED 01/25

The Chair
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
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<https://auasb.gov.au/projects/open-for-comment/submit-comment-letter/>

ED 01/25 Proposed amendments to ASSA 5000 General Requirements for Sustainability Assurance Engagements and ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements

EY Australia (EY) welcomes the opportunity to respond to the Auditing and Assurance Standards Board (AUASB) Exposure Draft ED 01/25 Proposed amendments to ASSA 5000 *General Requirements for Sustainability Assurance Engagements* and ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

General comments

EY is supportive of the AUASB's overarching objectives of timely adoption and alignment to international standards issued by the International Auditing and Assurance Standards Board (IAASB). At the same time, we believe that due process must be appropriately followed for issuance of new standards and Australia specific modifications.

The AUASB Due Process Framework¹ places a strong emphasis on stakeholder consultation at all stages of the standard setting process to ensure that:

- all interested parties are given ample opportunity to express their views; and
- pronouncements and other materials issued by the AUASB are relevant, consistent and logically derived.

While we recognise the AUASB had concurrently consulted on the ISSB Exposure Draft (ED) of ISSA 5000 in 2023, that consultation paper made no reference to the *International Ethics Standards for Sustainability Assurance (Including International Independence Standards)*, nor did it indicate potential early adoption in Australia, as the International Ethics Standards Board for Accountants (IESBA) did not release its ED for Part 5 of the IESBA Code until 2024.

The AUASB's 16 December 2024 Board Meeting Paper stated: "It would not be necessary for the AUASB to expose the IESBA Code before adopting ISSA 5000 in Australia. This is consistent with the AUASB not exposing APES 110 or considering its contents before adopting APES 110 in ASA 102.". However, there is a fundamental difference in that APES 110 requirements would have undergone public consultation by the Accounting Professional & Ethical Standards Board (APESB) whereas the final Part 5 of the IESBA Code had not yet been exposed in Australia.

Accordingly, in our view there should have been a public consultation on ASSA 5000 given the atypical modifications which included the AUASB directly adopting Part 5 of the IESBA Code ahead of the APESB and the retrospective application of the standard. The practical issues that the current ED 01/25 seeks to now resolve in hindsight would most likely have been identified and addressed

¹ [AUASB Due Process Framework - September 2021](#)



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with fewer complications if ASSA 5000 had been exposed for public feedback. Our preference would have been alignment with the IESBA effective date for Part 5.

We also wish to caution against retrospective application of standards, especially in situations where stakeholders have not had the opportunity to express their views. Such practice could create adverse legal implications for individual practitioners and their firms. Additionally, firms are not provided with any transition period to implement the new requirements effectively, which would often also have implications on the firms' clients.

We encourage the AUASB to further enhance its coordination with the APESB on all matters related to the IESBA Code, including alignment on operative dates and giving due consideration to practical challenges that firms may encounter in implementing new ethical and independence requirements.

Consultation questions

In the current context, where firms have already started to implement ASSA 5000, we agree with the AUASB's approach to introduce new transitional provisions to address the practical issues and challenges that have been raised by the firms.

We have recommended further refinements to some of the proposed amendments for the AUASB's due consideration. The basis for our recommendations is to provide certainty and clarity to practitioners and stakeholders, including clients and users of the sustainability report.

Our detailed responses to the consultation questions on which the AUASB is seeking feedback are set out below. We have only responded to selected questions where we have a specific point of view on based on our experience.

Should you wish to discuss our comments further, please contact me at ryan.fisk@au.ey.com or on 02 9248 4481.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ryan Fisk', with a stylized flourish at the end.

Ryan Fisk
Partner
EY Oceania Assurance Leader

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1. Do you agree that the proposed amendments to introduce new transitional provisions in ASSA 5000 for certain requirements of Part 5 of the IESBA Code are appropriate, taking into account:
 - a. the AUASB's objective of issuing assurance standards that are consistent with IAASB standards;
 - b. the importance of ethical requirements in Part 5 of the IESBA Code for sustainability assurance engagements; and
 - c. the possible practical implications of adopting Part 5 of the IESBA Code from 1 January 2025.

Notwithstanding our general comments above, we broadly agree with the proposed transitional provisions for ASSA 5000 to address the practical issues and challenges that firms have raised in relation to Part 5 of the IESBA Code.

With reference to Table 2 in ED 01/25, we recommend the following refinements to the proposed amendments:

Prohibited non-assurance services

The transitional provision permitting a firm to continue non-assurance engagements, otherwise prohibited under Section 5600 of Part 5 of the IESBA Code, for one reporting period should apply to all engagements contracted and work commenced before 1 July 2025. This would provide firms with adequate transitional relief and simplify the proposed amendment by eliminating potential interpretation differences of what 'inadvertently' means in practice.

A non-assurance engagement otherwise prohibited under Section 5600 of Part 5 of the IESBA Code by a firm or network firm entered into with a sustainability assurance client may continue for one more reporting period provided that:

- the provisions of Parts 1 to 4B of APES 110 as applicable continue to be complied with; and
- the engagement was contracted and work commenced ~~before 1 January 2025 or inadvertently contracted and work commenced~~ before 1 July 2025;

Value chain provisions

For clarity, we suggest that the value chain provisions are explicitly excluded from the 1 January 2025 operative date of ASSA 5000. While ASSA 5000 adopts the transitional provisions of Part 5 of the IESBA Code, the delayed value chain effective date is described under the "Effective Date" section, not the "Transitional Provisions" section of IESBA's Final Pronouncement².

² [IESSA - Final Pronouncement.pdf](#)

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2. Do you agree with the proposal to change the start date for applying ASSA 5000 to engagements other than engagements for assurance over information in sustainability reports under Chapter 2M?

We do not agree with the proposed start date of 31 December 2025. In our view, the start date for applying ASSA 5000 to assurance engagements not required under Chapter 2M of the *Corporations Act 2001* should be aligned with the ISSA 5000 effective date of 15 December 2026.

As acknowledged by the AUASB, the main imperative for adopting ASSA 5000 from 1 January 2025 is mandatory assurance on information contained in sustainability reports under Chapter 2M of the *Corporations Act 2001*. For all other engagements, there is no such urgency and need for early adoption, hence we suggest that the AUASB adopts the same effective date as ISSA 5000 instead of imposing another different start date. Early application could still be permitted for firms that prefer to apply ASSA 5000 across all their engagements.

4. Are there any other options that should be considered by the AUASB?

In our view, an option that the AUASB could have considered prior to adopting ASSA 5000 is for practitioners to continue applying ASAE 3000 and ASAE 3410 together with the extant APES 110 as an interim measure for mandatory sustainability reporting as required under Chapter 2M of the *Corporations Act 2001*.

This option would have allowed sufficient time for the APESB to publicly consult on and adopt Part 5 of the IESBA Code into APES 110. In so doing, ASSA 5000 would then only need to reference APES 110 and it would have also eliminated the complications associated with retrospective application of the standard.

5. If you agree with amending ASSA 5000, do you agree that the AUASB should amend ASSA 5000 as soon as possible to provide certainty to assurance practitioners and assured entities? In the alternative, should the AUASB wait for the APESB to issue a revised APES 110 before making any amendments to ASSA 5000?

Subject to the recommendations provided in our response to other questions, we agree that ASSA 5000 should be amended as soon as possible to provide clarity and certainty to the firms, and their clients, that are already obligated to apply Part 5 of the IESBA Code. Further delays could exacerbate the risk of adverse legal implications on the impacted firms.

6. Do you agree with the proposal to clarify the application of AUASB standards for assurance engagements on information reported to the Clean Energy Regulator?

Yes, we agree with the proposed clarification that specifies ASSA 5000 does not apply to assurance on sustainability information reported to the Clean Energy Regulator.

7. Do you have any comments on the proposed amendments to the illustrative assurance reports in ASSA 5000, taking into account the requirements of subparagraphs 190(d)(iv) and (v) of that standard?

We strongly disagree with the illustrative assurance reports in the proposed form. In our view, if a practitioner is compliant with the transitional provisions permitted under ASSA 5000, then there should not be any exceptions that require disclosure. This is also consistent with other transitional provisions for adoption of changes to the Code, for example, the December 2022 amendments to APES 110 in relation to non-assurance services.

The proposed wording with respect to the transitional provisions in the illustrative assurance reports would cause unnecessary confusion among investors and other users of the sustainability reports. The disclosures could be easily misinterpreted as the firm failing to comply with ethical and independence requirements under the Code.

We recommend that the AUASB adopts similar wording that firms currently use in the Basis for Opinion section of the Auditor's Report for audits of financial statements, as illustrated in the AUASB Bulletin³.

We are independent of the Company in accordance with the applicable auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Code as defined by Section Aus 18.1 of ASSA 5000. being:

- ~~a) APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (APES 110); and~~
- ~~b) the provisions in Part 5 of the International Ethics Standards for Sustainability Assurance (Including International Independence Standards) issued by the International Ethics Standards Board for Accountants (Part 5 of the IESBA Code), except that as permitted by ASSA 5000:~~
 - ~~(i) The [firm/network firm] provided [describe service] to [the entity/a controlled entity]; and~~
 - ~~(ii) The [firm/network firm] did not apply provisions on the use of the work of an external expert used in relation to [describe area].~~

³ [AUASB Bulletin: The Revised Code of Ethics and the Auditor's Report](#)