



AUASB Agenda Paper

AUASB Action list - From previous meetings

Action	Target Meeting	Comments
The Office of the AUASB to send outstanding minutes to AUASB members for comment and approval.	Out of session	In progress
The Office of the AUASB to prepare exposure draft on the proposed assurance phasing model.	6 August 2024	Agenda item 2
The Office of the AUASB will continue to progress the other matters for possible inclusion in a separate ED.	6 August 2024	Agenda item 8
The Office of the AUASB will prepare a paper on whether to re-expose the final ISSA 5000 <i>General Requirements for Sustainability Assurance Engagement</i> , subject to seeing the final ISSA 5000.	September 2024	To be developed
The Office of the AUASB to prepare environmental scan for future full day Board meetings.	From September 2024 meeting	In progress
AUASB Bulletin Audit Implications of the Consolidated Entity Disclosure Statement to be sent to the AUASB for consideration Out-of-Session.	17 July 2024	Completed



AUASB Agenda Paper

Title:	Proposed ASSA 5010 <i>Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001</i>	Date:	6 August 2024
Office of the AUASB:	Anne Waters, Rebecca Mattocks	Agenda Item:	3.1

Objectives of this Agenda Paper

1. This Agenda Item seeks AUASB approval to issue Exposure Draft 02/24 of a Proposed Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits or Reviews of Information in Sustainability Reports Under the Corporations Act 2001* for a 90-day comment period.

Questions for AUASB members

No.	Question
1	Do AUASB members have any comments on the draft ED 02/24 (see Agenda Item 3.2)?
2	Do AUASB members approve the issuing of ED 02/24 for a 90-day comment period after it is updated for the AASB's final disclosure requirements (see paragraphs 7 to 13 of this paper)?

Background and previous discussions on the topic

2. Schedule 4 of the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (Cth)* (the Bill) proposes a new mandatory climate disclosure framework for larger entities that prepare financial reports under Chapter 2M of the *Corporations Act 2001* (the Act). The Bill is yet to be passed.
3. Under the draft Bill, the AUASB would be responsible for specifying the extent to which sustainability reports under the Act for financial years commencing on or before 30 June 2030 must be audited and/or reviewed (assurance phasing). The draft ED 02/24 outlines a proposed assurance phasing model.
4. At its meeting on 17 July 2024, the AUASB decided that the proposed assurance phasing model should be exposed soon to provide clarity on the possible timing and extent of assurance over mandatory climate-related financial disclosures and allow preparers and auditors sufficient time to prepare and build capacity.

Key proposals in ED 02/24

5. Paragraph 9 of the Explanatory Material at the start of the draft ED 02/24 explains the assurance phasing model in the ED and a diagrammatic representation of the phasing model appears in the Appendix to the draft ED 02/24.
6. Draft ED 02/24 would seek stakeholder feedback on the appropriateness and feasibility of the proposed audit and review requirements to assess whether any adjustments should be made (Questions 1 to 3). Other questions cover the approach to entities moving into a reporting Group

after the first year of reporting (Question 4) and the approach to assurance over comparative information (Question 5).

Release date

7. The Australian Accounting Standards Board (AASB) is in the process of aligning its proposed sustainability reporting standards to the ISSB's IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. The AASB is still to determine what provisions in IFRS S1 will be made mandatory for climate reporting through an appendix to the equivalent of IFRS S2. The work on identifying the paragraphs from S1 to be made mandatory will take about 2 to 3 weeks.
8. The assurance phasing in the draft ED 02/24 necessarily refers to provisions in the sustainability reporting standards. The draft ED 02/24 (see Agenda Paper 3.2) currently includes references to disclosure paragraphs in ASRS 2 in the exposure draft of the AASB sustainability reporting standards issued in October 2023. The final AASB will be more closely aligned to ISSB standards. As a result, the paragraph references in draft ED 02/24 will need to be replaced with references to the final AASB standard aligned to the ISSB's IFRS S2 (including the paragraphs from IFRS S1 still to be identified by the AASB).
9. Provisions that apply across all disclosures under the final AASB version of IFRS S2 may also need to be covered in the assurance phasing requirements in ED 02/24 (e.g. provisions on comparative information). These provisions have not yet been identified or confirmed by AASB staff.
10. It is proposed to issue the exposure draft after the AASB has finalised its disclosure requirements.

Comment period

11. Paragraph 75 of the AUASB *Due Process Framework for Developing, Issuing and Maintaining Pronouncements*¹ generally requires a 90-day comment period for new, and comprehensively revised, domestic standards but allows for the AUASB to approve a shorter period in certain circumstances, for example, where the standards are narrow in scope or urgent.
12. The Office of the AUASB considers a 90-day comment period to be appropriate. A final standard could not be issued until late December 2024 after the international sustainability assurance standard is finalised.
13. The reasons for a 90-day comment period include:
 - (a) A final standard cannot be issued until after the legislation before Parliament passes. The timing of the legislation can affect the start date for reporting by Group 1 entities;
 - (b) The standard refers to paragraphs in the proposed AASB standards and the AASB is aiming to issue voluntary standards in August 2024 and final standard after the legislation is passed;
 - (c) The proposed assurance phasing standard refers to the Australian equivalent of the proposed ISSA 5000 *General Requirements on Sustainability Assurance Engagements*. The AUASB will not decide whether to re-expose ISSA 5000 in Australia until after it is issued by the IAASB in September 2024;
 - (d) ISSA 5000 will not be final until after it is cleared by the Public Interest Oversight Board at its meeting scheduled for 9 to 12 December 2024 in New York;
 - (e) A 90-day period may enable combined consultation roundtables and outreach on ED 02/24 and:
 - (i) the proposed exposure draft on a local pronouncement to supplement ASSA 5000 (see Agenda Paper 8); and
 - (ii) the proposed approach to direct assistance by internal auditors (see Agenda Paper 4), which might affect the availability of resources supporting the external auditor; and
 - (f) Issues proposed to be covered in the local pronouncement exposure draft (see Agenda Paper 8) may also be relevant to the assurance phasing model (e.g. the ability of two different partners in a firm to give audit reports on the financial report and the sustainability report; the

¹ See [AUASB Due Process Framework](#), paragraph 75.

AUASB Agenda Paper

application of materiality under ISSA 5000 vs ISSB standards; and the assurance approach where entities decide that climate-related risks and opportunities are not material).

Next steps

14. Update draft ED 02/24 for any AUASB member feedback. After the AASB disclosures are finalised, it is proposed that the draft 02/24 be updated and released with the approval of the AUASB Chair.
15. Seek approval of the AUASB to issue the final ASSA 5010 in late December 2024 AUASB meeting. This is subject to the feedback received from stakeholders on ED 02/24 and the finalisation of the legislation, AASB standards and ISSA 5000.

Other materials

Agenda paper no.	Description
3.2	[Draft] Exposure Draft – ED 02/24 <i>Timeline for Audits or Reviews of Information in Sustainability Reports under the Corporations Act 2001</i>

EXPOSURE DRAFT

ED 02/24
(August 2024)

**Proposed Australian Standard on
Sustainability Assurance ASSA 5010
*Timeline for Audits and Reviews of
Information in Sustainability Reports under
the Corporations Act 2001***

Comments Due: **XX 2024 (90-day comment period)**

Issued for Comment by the Auditing and Assurance Standards Board



Australian Government
Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than **XX** 2024.

Comments should be addressed to:

The Chair
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Projects-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website ([auasb.gov.au/projects/Open-for-comment](https://www.auasb.gov.au/projects/Open-for-comment)) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 02/24

The AUASB issues exposure draft ED 02/24 of proposed Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* as required by s1707E(2) of the *Corporations Act 2001* (the Act).

The AUASB is an independent non-corporate Commonwealth entity of the Australian Government, established under section 227A of the *Australian Securities and Investments Commission Act 2001*.

Proposal

This Australian Standard on Sustainability Assurance (ASSA) specifies the timeline for information in a sustainability report for a financial year prepared in accordance with Chapter 2M the Act to be subject to audit and/or review.

Proposed Operative Date

It is intended that this proposed standard be operative for annual financial reporting periods commencing between 1 January 2025 and 30 June 2030.

New Standard on Assurance over Sustainability Information

This proposed standard is a new pronouncement of the AUASB and does not supersede a pre-existing standard.

Request for Comments

Comments are invited on this Exposure Draft by no later than **XX** 2024.

Important Note and Disclaimer

This Exposure Draft, in itself, does not establish or extend the requirements under existing AUASB Standards and is not intended to be a substitute for compliance with the relevant AUASB Standards with which auditors are required to comply when conducting an audit. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this document or for any errors or omissions in it.

EXPLANATORY MATERIAL

Introduction

1. Schedule 4 of the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (Cth)* (the Bill) proposes a new mandatory climate disclosure framework for larger entities that prepare financial reports under Chapter 2M of the *Corporations Act 2001* (the Act). The Bill had not been passed at the date of releasing ED 02/24 Proposed Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (ED 02/24). ED 02/24 has been developed based on the draft Bill and accordingly the included proposals will be amended if necessary, following the passing of the legislation. ED 02/24 may also need to be amended when the final sustainability reporting standards are issued by the Australian Accounting Standards Board.
2. Among other matters, the draft Bill:
 - (a) requires certain entities that prepare annual financial reports under Chapter 2M of the Act to prepare an annual sustainability report to accompany the financial report; and
 - (b) requires the AUASB to specify the extent to which sustainability reports prepared in accordance with the Act for financial years commencing on or before 30 June 2030 must be audited and/or reviewed (assurance phasing).

Background

Australia's Mandatory Climate Disclosure Regime

3. Under the Bill:
 - (a) Entities that that prepare financial reports under Chapter 2M of the *Corporations Act 2001* and meet certain minimum size thresholds and/or have emissions reporting obligations under the National Greenhouse and Energy Reporting (NGER) Scheme, will be required to prepare annual Sustainability Reports containing climate-related disclosures.
 - (b) Reporting will be phased in over time, beginning with the largest entities:
 - (i) For Group 1 entities – the first financial year commencing on or after 1 January 2025 (1 July 2025 if the legislation commences between 3 December 2024 and 1 June 2025; the first 1 January or 1 July to occur 29 days or more after commencement if the legislation commences on or after 2 June 2025);
 - (ii) For Group 2 entities – the first financial year commencing on or after 1 July 2026;
 - (iii) For Group 3 entities – the first financial year commencing on or after 1 July 2027.

Assurance over Sustainability Information

4. Under the Bill:
 - (a) Sustainability reports for reporting periods ending on or after 30 June 2030 must be audited.¹
 - (b) For financial years commencing before 30 June 2030, the AUASB is to make auditing standards that specify:

¹ section 301A of the Act

- (i) The extent to which the sustainability report must be audited, or
- (ii) The extent to which the sustainability report must be reviewed.²

Information Gathering and Consultation Process

5. In developing the proposed timeline for an audit or review of Sustainability Reports, the AUASB endeavoured to obtain an understanding of the likely future demand for assurance and the expected ability of auditors and their experts to meet that demand. This involved:
- (a) Obtaining information informally from larger auditing firms on the likely future demand for assurance for Group 1 and Group 2 entities and the expected ability to meet that demand;
 - (b) Obtaining data from several external sources on the population of entities in Groups 1, 2 and 3;
 - (c) Reviewing submissions to Treasury's [First](#) and [Second](#) Consultation Papers on climate-related financial disclosures;
 - (d) Considering academic research on the current level of assurance over climate-related financial disclosures in Australia;³ and
 - (e) Considering responses to AUASB Consultation Paper *Assurance over Climate and Other Sustainability Information* (Consultation Paper) which was issued on 20 March 2024 and sought high-level information and feedback from auditors, experts, directors, preparers and users on the following:⁴
 - (i) The likely demand from users and directors for assurance over climate-related financial information in annual reports of entities in each of Groups 1, 2 and 3;
 - (ii) The likely maturity of entity systems, process and information sources, including the availability of any necessary assurance over information from value chains; and
 - (iii) The likely ability of auditors and their experts to meet that demand.
6. The Office of the AUASB held roundtables in Sydney, Melbourne, and Perth, as well as online, to facilitate discussion on the Consultation Paper. Twenty-nine formal written submissions (including 2 confidential) were received from various stakeholders representing audit firms, non-accounting assurance practitioners, preparers, professional accounting bodies, investors, users, regulators and academics.
7. The overall feedback was as follows:
- (a) Assurance should begin with limited assurance for a period of time before progressing to reasonable assurance.
 - (b) Some considered the possible model in the Consultation Paper was too ambitious.

Key Proposals

8. The proposed ASSA 5010⁵ specifies the extent to which the information in sustainability reports for financial years commencing between 1 January 2025 and 30 June 2030 must be audited and / or reviewed.
9. Taking into account the feedback from the consultation process, ED 02/24 proposes (see also diagrammatic representation in the Appendix to ED 02/24):

² section 1707E of the Act

³ See [AUASB Research Report 10: Deakin-AUASB Sustainability Assurance Research Workshop](#)

⁴ The Consultation Paper was updated on 4 April 2024 following the announcement on 27 March 2024 of a revised proposed first year for mandatory climate reporting by Group 1 entities, to 1 January 2025 (previously 1 July 2024).

⁵ ASSA 5010, *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*

- (a) Limited assurance over Scope 1 and 2 emissions from the first year of reporting consistent with the Government’s Policy Position Statement,⁶ progressing to reasonable assurance in the second year of reporting.
 - (b) Limited assurance over governance and strategy (risks and opportunities) from the first year of reporting, progressing to reasonable assurance in the fourth year of reporting; and
 - (c) Limited assurance over other disclosures in a Sustainability Report to be phased in from the second year of reporting, progressing to reasonable assurance in the fourth year of reporting.
10. The AUASB anticipates that the final standard would be approved in December 2024. This timeline is subject to the passage of legislation and the finalisation of both the AASB’s mandatory climate reporting standards and the IAASB’s ISSA 5000.⁷

Request for Comments

11. The AUASB requests comments on all matters covered in ED 02/24, but specifically on the questions in the ‘Exposure Draft Questions’ section below. In this regard:
- (a) Comments should be sufficiently detailed and include whether or not stakeholders agree with the proposed amendments.
 - (b) Stakeholders may address only specific questions relevant to them or raise matters not specifically addressed by a question.
 - (c) The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Standard.
 - (d) Comments will be most helpful when they refer to specific paragraphs, include the reasons for the comments and, when appropriate, make specific suggestions for any proposed changes to wording.

Exposure Draft Questions

12. The AUASB is seeking comments from stakeholders on the following questions:

1. Do you agree that the audit and review requirements in ED 02/24 are appropriate, taking into account:
 - a. The relative importance of each type of disclosure included in the sustainability report and the cost of assurance over that information;
 - b. If you are an auditor, whether your audit firm could adequately resource the proposals for entities whose financial reports are audited by your firm; and
 - c. The readiness of Groups 1, 2 and 3 entity’s systems and processes for audit or review.
2. Do you consider that governance disclosures and risks and opportunities should be subject to review in year 1?
3. Do you agree that assurance requirements for Groups 2 and 3 entities should commence with the same settings and progress at the same pace as for Group 1?

⁶ See [Mandatory Climate-Related Financial Disclosures Policy Position Statement](#)

⁷ ISSA 5000, *General Requirements for Sustainability Assurance Engagements*

4. Do you agree that entities that enter a Group after the first reporting year for that Group due to an increase in their size should be subject to the same assurance requirements as other entities in the Group for the relevant reporting year (i.e. they would not be subject to the assurance levels for the first reporting year)?
5. Do you agree with the approach to assurance over comparative information outlined in ED 02/24?
6. Have applicable laws and regulations been appropriately addressed in the proposed Standard?
7. Unless already provided in response to specific matters for comment above, what are the costs and benefits of the proposals, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AUASB is particularly seeking to know the nature(s) and estimated amount(s) of an expected incremental costs of the proposals.
8. Are there any other significant public interest matters that stakeholders wish to raise in relation to ED 02/24?

* * *

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CONFORMITY WITH INTERNATIONAL STANDARDS

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* as an auditing standard pursuant to section 227B(1)(a) of the *Australian Securities and Investments Commission Act 2001* and subsection 1707E(2) of the *Corporations Act 2001* (the Act) for the purposes of s336 of the Act.

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Conformity with International Standards

This standard has been made to specify the timing of audits and reviews of information in sustainability reports as required by Australian legislation and there is no equivalent standard issued by the International Auditing and Assurance Standards Board (IAASB).

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**AUSTRALIAN STANDARD ON SUSTAINABILITY ASSURANCE
ASSA 5010**

***Timeline for Audits and Reviews of Information in Sustainability Reports
under the Corporations Act 2001***

Application

1. This standard applies where an entity prepares a sustainability report for a financial year under Chapter 2M of the *Corporations Act 2001* (the Act).

Operative Dates

2. This standard is operative for annual financial reporting periods commencing between 1 January 2025 and 30 June 2030.

Introduction

Contents of Sustainability Report

3. The Act requires certain entities that prepare annual financial reports under Chapter 2M of the Act to also prepare an annual sustainability report to accompany the financial report.
4. The sustainability report for a financial year consists of:
 - (a) the climate statement for the year required by the Sustainability Standards;
 - (b) any notes to the climate statements required by the Sustainability Standards or a legislative instrument made by the Minister under subsection 296A(4);
 - (c) any statements and notes relating to other financial matters concerning environmental sustainability required by a legislative instrument made by the Minister under subsection 296A(5); and
 - (d) the directors' declaration about the statements and the notes.⁸
5. Paragraph C3 in Appendix 3 of the exposure draft of Sustainability Standard ASRS 2 *Climate-related Financial Disclosures* (ED ASRS 2) provides that an entity is not required to provide comparative information in the first annual reporting period that it applies that standard.

Audit/review of information in Sustainability Report

6. The Act requires:
 - (a) Sustainability reports for financial years ending on or after 30 June 2030 to be audited.⁹
 - (b) For financial years commencing before 1 July 2030 the AUASB is required to make auditing standards that specify:
 - (i) The extent to which information in the sustainability report must be audited, and / or

⁸ subsection 296A(1) of the Act

⁹ section 301A of the Act

ED 02/24 Proposed Australian Standard on Sustainability Assurance ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001

- (ii) The extent to which information in the sustainability report must be reviewed.¹⁰
7. Section 307AB requires the audit or review of the sustainability report to be conducted in accordance with the auditing standards made by the AUASB. These auditing standards are ASSA 5000¹¹ and any other relevant ASSAs.
8. This standard uses the terms auditor, audit and review which are consistent with the Act. For the avoidance of doubt, the following terms used in ASSA 5000 are to be read as having the same meaning as the terms used in the Act shown in the table below when conducting an audit or review of information in a sustainability report:

ASSA 5000 term	Term in the Act
Engagement leader	Lead auditor (for the sustainability report)
Firm	Auditor
Limited assurance engagement	Review (noun)
Practitioner	Usually the lead auditor (for the sustainability report) or other professional members of the audit team conducting the audit or review, or, as applicable, the auditor.
Reasonable assurance engagement	Audit (noun)
Sustainability assurance engagement	Audit (noun) or review (noun), as applicable.

9. For the purposes of paragraph 15 of ASSA 5000, an audit involves obtaining reasonable assurance and a review involves obtaining limited assurance about whether the relevant sustainability information is free from material misstatement.

Objective

10. The objective of the auditor is to conduct an audit and/or review of information in the sustainability report as specified in this standard.

Definitions

11. Unless otherwise stated, terms used in this standard have the same meaning as those terms have for the purposes of Chapter 2M of the Act. The following terms have the meanings attributed below:
- (a) Auditor – the audit firm, audit company or individual auditor of the entity for the purposes of Chapter 2M of the Act.
- (b) Group of Entities – entities to which one of the relevant respective provisions below applies:
- (i) Paragraph 1707B(1)(a) of the Act (Group 1 entities);
- (ii) Paragraph 1707B(1)(b) of the Act (Group 2 entities); or
- (iii) Paragraph 1707B(1)(c) of the Act (Group 3 entities).

¹⁰ section 1707E of the Act

¹¹ ASSA 5000 *General Requirements for Sustainability Assurance Engagements*. [ISSA 5000 *General Requirements for Sustainability Assurance Engagements* is yet to be approved by the IAASB and be considered by the PIOB before the Australian equivalent is released in Australia.

- (c) First year of reporting – means:
 - (i) For Group 1 entities – the first financial year commencing on or after 1 January 2025;¹²
 - (ii) For Group 2 entities – the first financial year commencing on or after 1 July 2026;
 - (iii) For Group 3 entities – the first financial year commencing on or after 1 July 2027.
- (d) Second year of reporting – means:
 - (i) For Group 1 entities – the second financial year commencing on or after 1 January 2025;
 - (ii) For Group 2 entities – the second financial year commencing on or after 1 July 2026;
 - (iii) For Group 3 entities – the second financial year commencing on or after 1 July 2027.
- (e) Third year of reporting – means:
 - (i) For Group 1 entities – the third financial year commencing on or after 1 January 2025;
 - (ii) For Group 2 entities – the third financial year commencing on or after 1 July 2026;
 - (iii) For Group 3 entities – the third financial year commencing on or after 1 July 2027.
- (f) Sustainability Report – A sustainability report required under section 292A of the Act (see section 9 of the Act).
- (g) Sustainability Standards – those standards made for the purposes of the Act pursuant to section 336A of the Act.

Requirements

12. Subject to paragraph 13, information in the sustainability report shall be subject to audit and / or review as follows:
- (a) For the First Year of Reporting for a group of entities that includes the entity, the auditor shall conduct an audit or review over the disclosures relating to:¹³
 - (i) Governance as specified in paragraph Aus7.1 of ED ASRS 2;
 - (ii) Strategy (risks and opportunities) as specified in paragraphs Aus9.1, Aus10.1, Aus10.2, Aus13.1, 14 and Aus21.1 of ED ASRS 2;
 - (iii) Any statement that there are no material financial risks or opportunities relating to climate and how that applies to the entity under s.296B(1)(c) and (d) of the Act or any similar statement otherwise made in the sustainability report; and
 - (iv) Scope 1 and Scope 2 greenhouse gas emissions as specified in paragraph Aus31.1 of ED ASRS 2.

¹² 1 July 2025 if the legislation commences between 3 December 2024 and 1 June 2025; the first 1 January or 1 July to occur 29 days or more after commencement if the legislation commences on or after 2 June 2025.

¹³ The paragraph references to AASB ED ASRS 2 will need to be updated to the final AASB standards before ED 02/24 is issued. Consideration will also need to be given to any provisions that apply across all of the categories of disclosure. See paragraphs 7 to 10 of covering Agenda Paper 3.1 for more information.

- (v) For the Second and Third Year of Reporting, the auditor shall conduct an audit of Scope 1 and Scope 2 emissions disclosures, and review or audit all other disclosures in the sustainability report.
 - (b) From the fourth year of reporting onwards the auditor shall conduct an audit over all disclosures in the sustainability report.
 - (c) The auditor is not prevented by (a) and (b) from conducting an audit or review of any information in the sustainability report for a reporting year in which assurance is not required.
13. Where the sustainability report is required to, or does, include comparative information and, subject to the provisions of ASSA 5000 on comparative information:
- (a) That information was not required to be, and was not, subject to assurance for the purposes of a publicly available report for the previous financial year, that comparative information is not required to be subject to assurance in the current year; and
 - (b) That information was required to be, or was, subject to limited assurance for the purposes of a publicly available report for the previous financial year, that comparative information is not required to be subject to reasonable assurance in the current year.

* * *

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Appendix

(Ref: Para. 12)

Diagrammatic Representation of Assurance Phasing

Reporting Year ->	1st*	2nd	3rd	4 th	5th	6th**
Governance	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Strategy – Risks and Opportunities ***	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate Resilience Assessments / Scenario Analysis	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Transition Plans	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Risk Management	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 1 and 2 Emissions	Limited	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
Scope 3 Emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate-related Metrics and Targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable

* Group 1 – Years commencing 1 January 2025. Group 2 – Years commencing 1 July 2026. Group 3 – Years commencing 1 July 2027.

** Group 3 is to be subject to reasonable assurance across all disclosures by years commencing 1 July 2030.

*** The phasing for assurance on Statements where there are no material climate-related financial risks and opportunities is the same as for ‘Strategy – Risks and Opportunities’.



AUASB Agenda Paper

Title:	Sustainability assurance - Direct Assistance by Internal Audit	Date:	6 August 2024
Office of AUASB Staff:	Rene Herman	Agenda Item:	4

Objective of Agenda Item

1. The objective of this Agenda Item is to seek approval from AUASB members to include a proposed prohibition on the auditor/assurance practitioner for sustainability information from using direct assistance by an internal auditor in an exposure draft.

Question for AUASB members

2. Do AUASB members support including a proposed prohibition on the use of internal auditors to provide direct assistance in a sustainability assurance engagement conducted in accordance with the Australian Standards on Sustainability Assurance in an exposure draft? The exposure draft would be presented to the AUASB members for approval.

Background

3. ASA 610 *Using the Work of Internal Auditors* conforms with the equivalent International Standard on Auditing (ISA 610) except that ASA 610 prohibits the use of internal auditors to provide direct assistance in an independent audit or review conducted in accordance with the Australian Auditing Standards.
4. Where internal audit is used (i.e. not direct assistance), ASA 610 requires the auditor to:
 - (a) Determine the adequacy of the internal audit work for the purposes of the audit.
 - (b) If planning to use the work of the internal audit function, to:
 - (i) Evaluate whether using the work of the internal audit function would still result in the external auditor being sufficiently involved in the audit;
 - (ii) Communicate with those charged with governance the planned use of the work of the internal audit function;
 - (iii) Communicate with the internal audit function, to co-ordinate the relevant activities of the internal and external auditors; and
 - (iv) Re-perform some of the work of the internal audit function that is planned to be used.
5. Direct assistance is defined in ISA 610 as “The use of internal auditors to perform audit procedures under the direction, supervision and review of the external auditor”.
6. The AUASB’s justification for the prohibition as per the Basis for Conclusions to ASA 610 was:

“In considering whether or not to prohibit direct assistance, the AUASB considered the views of all stakeholders and concluded that a prohibition on direct assistance is justified as it reinforces the principle of auditor independence, which is critical to overall audit quality and the integrity of the external audit process. The AUASB is of the view that internal auditors are not independent of the audit client and are not subject to the same independence requirements as external auditors. A prohibition on the use of internal auditors to provide direct assistance creates a clearer division of

responsibility between internal and external audit teams to safeguard against conflicts of interest and supports stakeholders' expectations that external auditors should be free from threats to their independence. This prohibition on direct assistance does not represent a divergence from ISA 610, as the IAASB makes it clear that its requirements and guidance in this area will not be applicable in jurisdictions where the use of internal auditors to provide direct assistance is prohibited."

APESB prohibition

7. Furthermore, APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110) requires auditors and audit firms to be independent when undertaking audit and review engagements. Audit engagement teams in Australia specifically exclude individuals within the client's internal audit function, as direct assistance by the internal audit function to the external auditor is prohibited.
8. We understand that the APESB is yet to consider the matter of direct assistance by internal auditors for sustainability assurance but it is expected that the APESB will prohibit direct assistance.

Issue

9. The latest draft of ISSA 5000 *General Requirements for Sustainability Assurance Engagements* does not prohibit the use of direct assistance of internal auditors. Draft ISSA 5000 defines an engagement team as excluding internal auditors who provide direct assistance on an engagement and includes the consideration of such work as part of the consideration of collective team competency.
10. ISSA 5000 includes the following application material specific to direct assistance:

"Internal auditors who provide direct assistance refers to the use of internal auditors to perform procedures under the direction, supervision and review of the practitioner. Although they may perform procedures similar to those performed by the practitioner, such internal auditors are not independent of the entity as is required of the practitioner. They are therefore not members of the engagement team. In some jurisdictions, the practitioners may be prohibited, or restricted to some extent, by law or regulation from using the work of the internal audit function or using internal auditors to provide direct assistance."

'Compelling reasons' test

11. The Office of the AUASB considers that to permit direct assistance in the Australian equivalent to ISSA 5000, would not be in the public interest. A prohibition would meet the 'compelling reasons' test (see paragraphs 12 to 15 of the [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#)) in that:
 - (a) The approach in draft ISSA 5000 would be inconsistent with principles and practices that are appropriate having regard to the public interest in Australia – this is underscored by the approach taken in ASA 610 and APES 110 for audits of financial reports and the standard of auditor independence that is considered appropriate within Australia (i.e. internal auditors may be employees of an entity and not seen to be sufficiently independent).
 - (b) The proposed prohibition will:
 - (i) be clear and promote consistent application by all practitioners in Australia;
 - (ii) promote significant improvement in audit/assurance quality in the Australian environment;
 - (iii) not result in a standard that conflicts with, or results in lesser requirements than the international standard;
 - (iv) not be overly complex and confusing; and
 - (v) not change the meaning or intent of the international standard by imposing more onerous requirements on practitioners in Australia than are necessary.

12. Practitioners are likely to plan on the basis that direct assistance will not be permitted, consistent with the approach to auditors of financial reports. The proposed ED will seek feedback on the cost of any prohibition vs the benefits. Confidence in the quality of the sustainability information is supported by the quality of the independent audit.
13. The Australian equivalent of ISSA 5000 would still be compliant with the international standard. The application material to ISSA 5000 specifically acknowledges that in some jurisdictions, direct assistance may be prohibited (see paragraph 10 above).

Other Jurisdictions

14. The approach taken in other jurisdictions to financial report auditors using direct assistance by internal auditors is as following:
 - a) *United States* - allows direct assistance on the basis of efficiency and effectiveness of the audit due to internal auditors' knowledge of the entity's controls;
 - b) *Canada, New Zealand, Hong Kong and Singapore* - allow direct assistance on the basis of no known issues; and
 - c) *UK, Germany, France, Spain, Netherlands, and Nordic countries* - prohibit direct assistance on the same basis as the AUASB's decision in 2013.

Next steps

15. If AUASB members agree to exposing the proposed prohibition on auditors/assurance practitioners for sustainability information using direct assistance by internal auditors, a draft exposure draft will be prepared for review by AUASB members.

AUASB Agenda Paper

Title:	Exposure Draft <i>Assurance on Australian Sustainability Information</i>	Date:	6 August 2024
Office of the AUASB:	Marina Michaelides	Agenda Item:	8.0

Objective of this Agenda Paper

1. The objectives of this Agenda Paper are to seek views from AUASB members on the following aspects of matters proposed to be covered in an exposure draft of a local assurance pronouncement under the local sustainability reporting framework:
 - (a) the inclusion of the matters in an exposure draft; and
 - (b) whether the ‘compelling reasons’ test is met for each of the matters proposed to be covered in the exposure draft; and
 - (c) any additional matters identified by members that should be covered.

Questions for AUASB members

No.	Question
1	Do AUASB members agree with the matters listed in Table 3 in the Attachment to this paper for inclusion in an exposure draft of a local pronouncement, subject to feedback from the advisory individuals?
2	Do AUASB members have any comments on the application of the ‘compelling reasons’ test under the <i>AUASB Policy and Process for International Conformance and Harmonisation of Standards</i> (see paragraphs 8 to 10)?
3	Do AUASB members believe there are any matters in addition to those listed in Table 3 in the Attachment to this paper that should be considered for inclusion in an exposure draft of a local pronouncement?

Background and previous discussion on topic

2. At the May 2024 Board meeting the AUASB were provided with the detailed analysis of feedback from consultation on the need for a local pronouncement and the matters that may be covered in such a pronouncement (*AUASB Consultation Paper Assurance over Climate and Other Sustainability Information*). We received 29 written submissions.
3. The feedback was overwhelmingly supportive of developing a pronouncement to supplement the final ISSA 5000 dealing with assurance matters under the local reporting framework.
4. Respondents were also supportive of covering the matters detailed in the consultation paper and provided some additional suggestions. The matters detailed in the consultation paper are listed in Table 3 in the Attachment to this paper. Other than as noted in subparagraph 5(b), the additional suggestions received through the consultation process where already covered, related to reporting matters or concerned assurance under the NGERs regime.

Updated table of matters

5. The Office of the AUASB updated the table of matters in Agenda Item 8 for the 17 July 2024 meeting (see Table 3 in the Attachment), as follows:
 - (a) Matter 1 on effectiveness of governance, etc - Simplifying the requirements;
 - (b) Matter 5 ‘Competency of lead auditor’ - Making part of the guidance a requirement;

- (c) Matter 8 ‘Information and assurance through value chains’ - Adding three suggestions received through the consultation process to the proposed guidance;
 - (d) Matter 16 - Adding the inconsistent reporting materiality matter covered separately at the 17 July 2024 into the table; and
 - (e) Adding a column after reconfirming that none of the matters are addressed in the latest draft of proposed ISSA 5000 *General Requirements for Sustainability Assurance Engagements*.
6. We have reviewed the IESBA sustainability exposure draft on competency and expertise of auditors, experts or others and have not identified any additional material that should be covered in the sustainability assurance standards

Location

7. For any proposed requirements ensuring that one or both of the triggers for the compelling reasons test was met (i.e. all three criteria for Trigger 1 and/or all seven criteria for Trigger 2), including ensuring that no matters would be ISSA 5000 minus (see Table 4 in the Attachment to this paper).

Table 1: Pros and cons of separate pronouncement from ASSA 5000

No.	Pros	Cons
1	Deals with climate reporting under the Australian reporting framework whereas ASSA 5000 is for general sustainability.	Practitioners would need to refer to two standards (three including the assurance phasing standard) instead of one.
2	Structured by issue and not every step in the assurance process is covered for each issue.	-
3	Makes it clear that there are no departures from ISSA 5000 (i.e. not ISSA 5000 minus).	-
4	Smaller pronouncement and easier to amend as new issues are found compared to reissuing the whole of ASSA 5000.	-

Compelling reasons test

8. While the compelling reasons test would only apply for amendments to ISSA 5000, and not a separate pronouncement under the local reporting framework, it was considered best practice to ensure that the test would be met.
9. Consistent with the Consultation Paper, it continues to be proposed to cover the local matters in a separate pronouncement from the Australian equivalent to ISSA 5000 (ASSA 5000) rather than in ‘Aus’ paragraphs in ASSA 5000 itself. It is considered that the advantages outweigh the disadvantages (see table below).
10. There is no need for the Board to make a final decision on the compelling reasons test. Feedback on the proposed exposure draft may provide relevant information, including on cost vs benefit considerations. However, consultation feedback to date has been supportive (see paragraphs 3 and 4).

Advisory individuals

11. A version of Table 3 in the Attachment (excluding the last three columns) was provided to the advisory ‘group’ on 25 July 2024 for initial feedback by 2 August 2024. We will provide a verbal update at the AUASB meeting on 6 August 2024 on any feedback received.

Monitoring developments

12. Table 3 in the Attachment may need to be updated for any changes in the final versions of:
- (a) The Climate Disclosure Bill currently before Parliament;
 - (b) The AASB’s sustainability reporting standards; and
 - (c) ISSA 5000 and related implementation material.
13. Areas that may be covered in the IAASB implementation guidance are shown in the diagram below. No further details are available at this time.

Table 2: Possible IAASB implementation guidance

Conduct of an Assurance Engagement in Accordance with ISSA 5000	<ul style="list-style-type: none"> Quality management Ethics 	<ul style="list-style-type: none"> Resources, competence and capabilities Fraud 	<ul style="list-style-type: none"> Documentation Communication
Acceptance and continuance	<ul style="list-style-type: none"> Preconditions 	<ul style="list-style-type: none"> Terms of engagement 	
Using the work of Others	<ul style="list-style-type: none"> Another practitioner 	<ul style="list-style-type: none"> Groups 	<ul style="list-style-type: none"> Value chain
Planning	<ul style="list-style-type: none"> Evidence 	<ul style="list-style-type: none"> Strategy and plan 	<ul style="list-style-type: none"> Materiality
Risk Assessment	<ul style="list-style-type: none"> Designing and performing procedures 	<ul style="list-style-type: none"> Understanding: Sustainability matters, sustainability information, criteria, entity and its environment, components of internal control 	
Risk Response	<ul style="list-style-type: none"> Designing procedures Overall responses Tests of controls 	<ul style="list-style-type: none"> Substantive procedures Analytical procedures Sampling 	<ul style="list-style-type: none"> Estimates Forward-looking information
Concluding	<ul style="list-style-type: none"> Accumulation and consideration of identified misstatements Evaluating the description of applicable criteria 	<ul style="list-style-type: none"> Subsequent events Written representations 	<ul style="list-style-type: none"> Other information Forming the assurance conclusion
Reporting	<ul style="list-style-type: none"> Other reporting responsibilities Unmodified/ EOM, OM, modified conclusions 	<ul style="list-style-type: none"> Other information Comparatives 	
Supplements	<ul style="list-style-type: none"> GHG guidance and examples 		

Next Steps

- Having regard to the comments from AUASB members and advisory individuals, an exposure draft will be prepared for consideration at or before the 10 September 2024 Board meeting. The work required for limited assurance will also be added for relevant matters in Table 3 in the Attachment.

POSSIBLE MATTERS FOR INCLUSION IN A LOCAL AUASB PRONOUNCEMENT TO SUPPLEMENT ISSA 5000

Background

1. The AUASB proposes to adopt the final ISSA 5000 *General Requirements for Sustainability Assurance Engagements* (ISSA 5000) in full. It would apply to assurance over information in mandatory sustainability reports under the *Corporations Act 2001* and voluntary assurance on any other sustainability information.
2. ISSA 5000 is framework neutral. The table below lists matters that are being considered for inclusion in a local AUASB pronouncement to supplement the Australian equivalent of the final ISSA 5000 under the local reporting framework. No matters will be in conflict with ISSA 5000 or cause non-compliance with ISSA 5000.
3. The possible local pronouncement would be designed to assist practitioners in a developing area of assurance. It may promote consistent approaches across audit firms.
4. Table 3 below was developed in response to practitioner feedback, including feedback on [AUASB Consultation Paper Assurance Over Climate and Other Sustainability Information](#) (Consultation Paper). Further background information can be found in that consultation paper.
5. The matters listed in the table below would be subject to further consultation through an AUASB exposure draft. There will also be an exposure draft on the AUASB's proposed assurance phasing model.
6. None of the matters in the table below are addressed in the June 2024 draft of ISSA 5000.
7. The AUASB will review how the matters in Table 3 below are affected by the final climate legislation, the final AASB sustainability reporting standards, the final ISSA 5000, any IAASB implementation guidance or other relevant developments.
8. Any final pronouncement issued will be reviewed with regard to relevant international developments and pronouncements subsequently developed in other countries.
9. Additional matters may be included in a local pronouncement in response to future consultation feedback, including issues identified as auditors undertake assurance work under the new reporting and assurance frameworks. The possible withdrawal of ASAE 3410 and the impact on assurance under NGRS to be addressed separately.

Table 3: Possible matters for a local pronouncement supplementing Australian equivalent of ISSA 5000

No.	Topic	Introduction paragraphs	Standard paragraphs (Reasonable assurance only)	Application material, guidance and/or education material	Relevant paragraphs from proposed ISSA 5000	Reason for standard under due process framework	Meets compelling reasons test (if that test were relevant) (see Table 4)?
1	Disclosures under local reporting requirements: (a) Identification of required disclosures; and- (b) Whether to assess effectiveness of governance, strategy and appropriateness for metrics, etc	None.	The auditor shall test the completeness and accuracy of the disclosures required by AASB standards and the Act	The auditor tests the completeness and accuracy of disclosures about the entity's governance concerning climate-related risks and opportunities. The auditor is not required to evaluate the effectiveness of the governance processes. In contrast, the auditor tests the completeness and accuracy of disclosures about the entity's strategy to manage climate-related risks and opportunities. In addition, the auditor would consider whether the strategy is likely to be effective because the strategy affects the scenario analysis and transition plan. The auditor considers whether: (a) the scenarios disclosed are reasonable and appropriate; and (b) the climate-related metrics and targets are appropriate. In evaluating the appropriateness of metrics and targets, the auditor may have regard to: (a) their understanding of the business; (b) metrics used internally by the entity, published by other entities in the same industry, and example metrics published by the ISSB; and (c) the appropriateness of changes to metrics from prior years. Continued education on preparedness and upskilling for entities and auditors. <i>Possible amendment to ASA 720 application material</i> – The financial report auditor is only required to apply ASA 720 in relation to information in the Operating and Financial Review of a listed entity, and any other sustainability information disclosed voluntarily by the entity that is not subject to assurance by the auditor.	None.	A permanent solution is needed to address an ongoing auditing/or assurance issue.	Yes – See Table 2.
2	Can two different partners within a firm sign off on the financial report and the sustainability report under the Act? What are some practical considerations?	The auditor (whether a firm, audit company or individual auditor) appointed under Division 6 of Part 2M.4 of the Act both audits the Financial Report for a financial year and performs any audit and/or review of the Sustainability Report. In the case of an audit firm or audit	Where there are different lead auditors for the financial report and sustainability report, they must: (a) Communicate at appropriate times in their audits to identify any material inconsistencies and misstatements; and (b) Consider consistency of financial report assumptions and sustainability report disclosures	Practical considerations in having different lead auditors for the financial report and sustainability report may include: (a) The lead auditor for the sustainability report may have the expertise to directly cover particular disclosures without using another expert; (b) The lead auditor for the financial report may be better placed than the lead auditor for the sustainability report to audit/ review certain disclosures in the sustainability report, such as impacts on future performance;	None.	A permanent solution is needed to address an ongoing auditing/or assurance issue.	Yes – See Table 2.

No.	Topic	Introduction paragraphs	Standard paragraphs (Reasonable assurance only)	Application material, guidance and/or education material	Relevant paragraphs from proposed ISSA 5000	Reason for standard under due process framework	Meets compelling reasons test (if that test were relevant) (see Table 4)?
		company, the individual lead auditor signing the auditor's report on the Financial Report need not be the lead auditor signing the assurance report on the Sustainability Report. However, both lead auditors must both be registered company auditors and partners of the audit firm or directors of the audit company (see s324AF(1) of the Act).	where inconsistencies could have a material impact. <i>Possible amendments to ASA 720</i> - To clarify that ASA 720 must be applied by the lead auditor of the financial report in relation to the sustainability report where there is another lead auditor.	(c) If the financial report auditor were to cover the sustainability report, they may be able to use the other partner as an expert; (d) Both lead auditors must be registered company auditors; (e) Each lead auditor will need to provide the directors with separate auditor's independence declaration for inclusion in the directors' report; (f) The rotation requirements for lead and review auditors of listed entities would apply to all lead and review auditors; (g) Both partners may need to report the same suspected contraventions of the Act to ASIC; and (h) Given that no one partner oversees both assurance engagements, there is increased importance of communications and other means to identify material inconsistencies and misstatements (see proposed standards paragraphs).			
3	Implications of: <ul style="list-style-type: none"> Reporting both mandatory and voluntary climate/sustainability information; and Mandatory assurance over some information and voluntary assurance over other information. Reporting may include the financial report, climate statements under AASB standards, Operating and Financial Review (OFR) and voluntary GRI/European reporting.	Where the practitioner is engaged to provide assurance on the Sustainability Report and other sustainability information in the annual report, the practitioner is required to form separate opinions/conclusions on the Sustainability Report and the other sustainability information. Reasons include: <p>(a) The Sustainability Report consists of the mandatory climate disclosures and does not include the other sustainability information (s296A(1) of the Act);</p> <p>(b) The sustainability information required by the sustainability reporting standards must be clearly identifiable and not obscured by other information (paragraph 62 of AASB ASRS 1); and</p> <p>(c) A separate opinion is required on whether the sustainability report complies with the Act (s307AA of the Act).</p>	Where there is reporting under different frameworks (e.g. AASB and GRI), the auditor/practitioner must consider whether: <p>(a) Any non-AASB information can be included in the sustainability report under the Act;</p> <p>(b) Whether material AASB information has been obscured, the information needs to be separated and whether assurance can be given only over information requiring assurance;</p> <p>(c) Different frameworks may provide the same information but for different users and the lower materiality must be applied;</p> <p>(d) It is clearly disclosed as to the information under each framework; and</p> <p>(e) The need to identify information in the assurance report that is subject to assurance, not subject to assurance, subject to different levels of assurance, or otherwise subject to different opinions.</p> The auditor shall determine if a modified opinion is required, where material information on which they are to opine is obscured.	Provide an example assurance report.	None.	A permanent solution is needed to address an ongoing auditing/or assurance issue.	Yes – See Table 2.
4	ISSA 5000 will only require a sustainability assurance practitioner to communicate with the financial report auditor or another sustainability assurance practitioner only where a material misstatement has been identified.	None.	The sustainability assurance practitioner shall communicate with any assurance practitioner for other sustainability information and the financial report auditor to identify material inconsistencies and misstatements (unless they are the same individual). [Note: AUASB members supported seeking a change to the draft ISSA 5000. A local requirement would be ISSA 5000 plus.]	None.	None.	A permanent solution is needed to address an ongoing auditing/or assurance issue.	Yes – See Table 2.
5	Competency of lead auditor	None.	The lead auditor needs to have enhanced competency specific to entity's circumstances that may affect climate disclosures (e.g. businesses, geographical locations, laws and regulations) compared to that required for the audit of the financial report.	For example: <p>(a) Disclosures may be required where there is no impact on the financial report, such as disclosures about the impact on future performance of the entity; and</p> <p>(b) The lead auditor will need to identify the need to use experts, select experts and challenge the assumptions and conclusions of those experts.</p>	None.	Not applicable	Not applicable
6	Use of practitioner's own experts (internal and external)	None.	Consider exposing: <p>(a) whether for a particularly significant use of an expert, the quality management systems and</p>	(a) Given the partner who signs off on the financial report may also sign off on the sustainability report, there may be a heightened need to use experts;	None.	A permanent solution is needed to address an	Yes – See Table 2.

No.	Topic	Introduction paragraphs	Standard paragraphs (Reasonable assurance only)	Application material, guidance and/or education material	Relevant paragraphs from proposed ISSA 5000	Reason for standard under due process framework	Meets compelling reasons test (if that test were relevant) (see Table 4)?
			<p>ethical requirements for external experts need to be assessed;</p> <p>(b) requiring the practitioner to understand whether the expert has sufficient understanding of the assurance process; and</p> <p>(c) whether quality management requirements should apply for specialist areas other than those 'at least as demanding as' ASQM 1.</p>	<p>(b) Possibly encourage transparency on use (not name) of experts to promote use, being clear that the auditor takes responsibility; and</p> <p>(c) Not relying on qualifications and competency of experts as a substitute to reviewing and challenging the work and conclusions of experts.</p> <p>An example in relation to (c) in the standards to be considered for exposure (see column to the left) is:</p> <ul style="list-style-type: none"> Assurance over the entity's assessment of soil quality requires an understanding of chemical and other properties relevant to the current and future use of soil by the entity or entities in its value chain, and the use and replacement of minerals consumed in use of the land and current levels and expected trends in salinity. The approaches to review and re-testing are not contemplated by ASQM 1 while some elements of ASQM 1 may not be as important or relevant. 		ongoing auditing/or assurance issue.	
7	Forward looking information (e.g. resilience, scenario analysis, transition plans, impact on future performance)	None.	<p>The auditor shall:</p> <p>(a) Undertake procedures as to whether assumptions are reasonable, realistic, supportable, consistent with management plans, consistent with the auditor's knowledge of the entity, its business model and value chains; and</p> <p>(b) Assess the adequacy of disclosure of assumptions, uncertainties, scenarios and ranges.</p>	<p>(a) An unmodified opinion may be assisted by reporting materiality being in the context of overall GPFR (albeit that might not be the case under ISSA 5000 – see item 16 below);</p> <p>(b) While there might be some limitations on scope or significant uncertainties in the early reporting, this should not be considered the default and auditors should work to obtain sufficient evidence, etc.; and</p> <p>(c) The use of carbon credits and offsets.</p>	Para, 134R of proposed ISSA 5000 covers appropriateness of assumptions with no further detail.	A permanent solution is needed to address an ongoing auditing/or assurance issue.	Yes – See Table 2.
8	Information and assurance through value chains	None.	None.	<p>(a) Practical challenges for assurance by others on entities outside of the entity's organisational boundaries in areas such as:</p> <ul style="list-style-type: none"> (i) determining whether the work is adequate for the practitioner's purposes, particularly when there are no contractual rights to access information; (ii) knowledge of sustainability subject matters and underlying context; (iii) unaligned reporting timeframes of entities up/down stream; (iv) challenges in obtaining reliable information in early years may represent limitations on scope; (v) information on Australian reporting basis not available for foreign components and foreign entities in value chain; (vi) knowledge of Australian reporting requirements of component auditors; and (vii) possible limitations due to confidentiality requirements. <p>(b) Encourage audited entities to consider information and assurance requirements when entering into arrangements with significant new suppliers and customers.</p>	None.	Not applicable	Not applicable
9	Strategy (risks and opportunities)	None.	<p>The auditor shall test the completeness and accuracy of climate-related financial risks and opportunities, including:</p> <p>(a) obtaining an understanding of the processes and controls implemented by the entity/Group to identify, assess, prioritise and monitor climate-related risks and opportunities;</p> <p>(b) obtaining an understanding of risks and opportunities for businesses throughout the value chain;</p> <p>(c) assessing the appropriateness of the entity's definitions of 'short term', 'medium term' and 'long term' and how they link to planning horizons, and whether they are adequately disclosed; and</p> <p>(d) assessing whether all material risks and opportunities have been completely and accurately disclosed, and how they could be reasonably expected to affect the entity's business</p>	None.	None.	A permanent solution is needed to address an ongoing auditing/or assurance issue.	Yes – See Table 2.

No.	Topic	Introduction paragraphs	Standard paragraphs (Reasonable assurance only)	Application material, guidance and/or education material	Relevant paragraphs from proposed ISSA 5000	Reason for standard under due process framework	Meets compelling reasons test (if that test were relevant) (see Table 4)?
			model, prospects, financial position, performance, cash flows (in the short, medium and long term), strategy and decision-making, and value chain.				
10	Entity states climate risks and opportunities are not material	Required in proposed legislation for Group 3 entities only. Might also be disclosed by a Group 1 or 2 entity. The auditor also needs to consider obligations to report suspected contraventions of the <i>Corporations Act 2001</i> to ASIC.	As per item 9 above.	Clarify that an example assurance report would be similar to a report where there are material risks and opportunities.	None.	A permanent solution is needed to address an ongoing auditing/or assurance issue.	Yes – See Table 2.
11	Prior period errors vs change in assumptions or strategy	None.	The practitioner shall consider whether there was an error and challenge the appropriateness of using the impracticality exemption (i.e. comparatives are restated unless it is impracticable to do so).	None.	None.	A permanent solution is needed to address an ongoing auditing/or assurance issue.	Yes – See Table 2.
12	Disclosure exemptions <ul style="list-style-type: none"> Exemption from quantification of financial impact of strategy where current or anticipated effects not separately identifiable or measurement uncertainty so high that information not useful. Exemption based on the skills, capabilities and resources available to the entity. Proportionality exemption based on 'shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort'. 	None.	The practitioner shall apply professional scepticism when considering the appropriateness of using disclosure exemptions.	The practitioner should consider factors that may be relevant to the use of the exemptions from an understanding of the entity and considering matters such as the entity's size and resources, and practices of comparable entities.	None.	A permanent solution is needed to address an ongoing auditing/or assurance issue.	Yes – See Table 2.
13	Assurance report	None.	Opinions to be specified, similar to ASA 700.	Provide example modified reports and reports under two different reporting frameworks (e.g. AASB and GRI)	None.	Not applicable	Not applicable
14	Limited assurance	None.	None.	Education for auditors and audited entities: <ul style="list-style-type: none"> (a) Still modified opinion if material issue identified and not addressed; and (b) May not be less effort and cost (vs reasonable assurance) if a material issue is identified. 	None.	Not applicable	Not applicable
15	'Greenwashing' and 'green hushing'	None.	None.	Education for auditors: <ul style="list-style-type: none"> (a) Auditor obligations – false and misleading; and (b) Report suspected contraventions of <i>Corporations Act 2001</i> to ASIC (s311). 	None.	Not applicable	Not applicable

No.	Topic	Introduction paragraphs	Standard paragraphs (Reasonable assurance only)	Application material, guidance and/or education material	Relevant paragraphs from proposed ISSA 5000	Reason for standard under due process framework	Meets compelling reasons test (if that test were relevant) (see Table 4)?
16	The auditor is required to work to substantially lower reporting materiality than the entity	None.	None.	<p>Education for auditors and audited entities: Different reporting materialities apply in the sustainability reporting standards (ISSB and AASB draft standards) and the IAASB's proposed ISSA 5000 <i>General Requirements for Sustainability Assurance Engagements</i>.</p> <p>Reporting materiality for an entity has regard to the combination of the financial report and sustainability information (see paragraph 18 of ISSB IFRS 1 and proposed ASRS 1). Reporting materiality for the auditor only has regard to the sustainability information (see paragraph 15 of ISSA 5000). That is, reporting materiality can be substantially higher for the entity than for the auditor.</p> <p>The practical implications are unclear but there is potential for:</p> <p>(a) The cost of the audit to be higher if a lower reporting materiality is applied by the auditor; and (b) The entity to produce a sustainability report that complies with the reporting standards but for the auditor have an issue with the records and reporting based on a lower reporting materiality. In theory, this could lead to a modified opinion by the auditor.</p>	None.	Not applicable	Not applicable

Table 4: Compelling reasons test for matters in Table 3 for which a standard is proposed

Matters for which standard paragraphs proposed	Brief description	International standard does not reflect or not consistent with						Under both triggers	
		Trigger 1: Australian legal and regulatory arrangements Effective and efficient compliance with the legal/regulatory framework	Trigger 2: Principles and practices appropriate having regard to public interest					No conflict with, or lesser requirement than, international standard	Costs don't outweigh benefits
			Results in compliance with those principles and practices	Will be clear and promote consistent application by practitioners	Promotes significant improvement in audit/assurance quality	Not overly complex and confusing	Not impose more onerous requirements on Australian practitioners than necessary		
1	Test completeness of disclosures of Australian climate disclosures	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Lead auditors to communicate to identify material inconsistencies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3	Whether other information can be included in sustainability report and consequence	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	Communicate with other sustainability assurance practitioner to identify material inconsistencies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5	The lead auditor needs to have enhanced competency specific to entity's circumstances that may affect climate disclosures compared to that required for the audit of the financial report.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
6	Consider exposing: <ul style="list-style-type: none"> Particularly where significant use of expert, QMS and ethical requirements; Does expert have sufficient understanding of the assurance process; and Whether QM requirements should apply for specialist areas other than those 'at least as demanding as' ASQM 1. 	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7	<ul style="list-style-type: none"> Are assumptions reasonable, realistic, supportable, consistent with management plans, consistent with the auditor's knowledge of the entity, its business model and value chains Adequacy of disclosure of assumptions, uncertainties, scenarios and ranges. 	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
9	Test complete and accurate disclosure of risk and opportunities	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
10	Test no material risk or opportunities	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
11	Consider whether error and challenge impracticality exemption for restating comparatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
12	Apply professional scepticism when considering disclosure exemptions	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes