

February 2023

Purpose of this publication

This publication, prepared by AUASB staff, is the second in a series, with the [first one](#) issued in October 2022 and provides an update as to key advancements and timings as it relates to sustainability assurance developments. Additionally, this publication highlights the interplay of the various International Standard Setters and Others in so far as the sustainability eco-system is concerned.

Assurance Developments

AUASB

In January 2023, AUASB Chair and IAASB member, Mr Bill Edge commenced his appointment on the IAASB's Sustainability Task Force, driving the progression of the Proposed International Standard on Sustainability Assurance ISSA 5000. Through Mr Edge, the AUASB will continue to influence the IAASB's standard setting process to achieve public interest outcomes and also serve as the most effective base possible for a future Australian sustainability assurance standard.

At the upcoming March 2023 AUASB meeting, extensive time will be allocated to the discussion of the Proposed ISSA 5000 where the AUASB will provide feedback to Mr Edge on the draft proposed standard.

IAASB development of an overarching standard for assurance on sustainability

The IAASB continues to work at pace to have a Proposed International Standard on Sustainability Assurance **ISSA 5000, out for exposure in September 2023**. At the upcoming March 2023 IAASB meeting, the IAASB will be presented with a substantially completed first draft of the proposed ISSA 5000.

Some of the key areas to be discussed at this meeting include:

- preconditions for acceptance of the engagement including suitability of criteria and meaningful level of assurance;
- the responsibilities of the engagement leader;
- evidence including the use of experts and other practitioners;
- materiality considerations with a strong focus on qualitative considerations;
- risk identification and assessment and the differential between limited and reasonable assurance;
- response to risk of material misstatement and the differential in work effort between limited and reasonable assurance;
- the evaluation of uncorrected misstatements;
- requirements in relation to other information;
- the information to be disclosed in the assurance report.

The Sustainability Task Force and IAASB will continue to draft and refine ISSA 5000 in the lead up to the September 2023 IAASB meeting where the proposed standard is expected to be voted for exposure. The IAASB has indicated and is working towards issuing a **final standard at the end of Quarter 4, 2024**.

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Developments by Other Bodies and Regulators

International Ethics Standards Board for Accountants (IESBA)

The IESBA has also demonstrated its commitment to being part of the rapidly progressing developments regarding sustainability reporting and assurance and has approved a sustainability project to produce profession agnostic independence standard for use by all sustainability assurance practitioners and specific ethics provisions relevant to sustainability reporting and assurance. The IESBA is conducting a series of global roundtables to inform the development of their exposure draft.

Refer to IESBA's December 2022 update on sustainability [\[here\]](#).

International Federation of Accountants (IFAC)

In February 2023 the International Federation of Accountants (IFAC) issued their third annual benchmarking study of global practice in sustainability disclosure and its assurance.

The study indicated that:

- the rate of assurance has increased significantly from 51% in 2019 to 64% 2021;
- most engagements remain narrowly focused on greenhouse gas metrics. Little more than half (53%) of engagements encompassed a range of ESG disclosures;
- the International Auditing and Assurance Standards Board's (IAASB) International Standard on Assurance Engagements 3000 (Revised) remained the most widely used assurance standard (70%).

Refer to the [IFAC The State of Play: Sustainability Disclosure & Assurance \(2019-2021 Trends and Analysis\)](#)

The survey highlighted the following in relation to sustainability assurance in **Australia**:

- 69% of the companies that disclosed ESG data obtained assurance (global 64%)
- 91% of the assurance engagements resulted in a Limited Assurance Report (global 83%)
- 94% of assurance engagements were performed by audit firms (global 57%)
- 64% of assurance engagements were performed by statutory auditor (global 70%)
- 96% of assurance engagements were performed using ISAE 3000/ISAE 3410 (global 70%)

International Sustainability Standards Board (ISSB)

The ISSB at its meeting on 16 February 2023 in Montreal, has taken its final decisions on all the technical content of its initial standards. The standards are expected to be issued at the end of Quarter 2, 2023 and IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* will become **effective starting January 2024**.

Refer to the ISSB's 17 February 2023 announcement [here](#).

IOSCO

Following the ISSB's Statement, IOSCO continues to recognise the importance of a set of globally consistent standards and while focussed on ISSB, makes clear the expectations for the IAASB's Sustainability standard to be ready for implementation to support the ISSBs effective date of reporting.

Refer to the [IOSCO Statement](#).



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IAASB/IESBA

The IAASB and IESBA have issued a joint statement in support of both the ISSB and IOSCO recent announcement.

Refer to the joint statement [\[here\]](#).

European Union (EU)

The Corporate Sustainability Reporting Directive (CSRD) requires in scope companies to report in line with mandatory EU sustainability reporting standards, in their company’s management report, all material information on their sustainability-related impacts, risks and opportunities. The reporting dates will be phased in with the first reporting date being for financial periods beginning on or after 1 January 2024.

There is an EU-wide requirement for limited assurance over CSRD disclosures with the end goal to move to reasonable assurance in the longer term after assessing whether reasonable assurance is feasible for both statutory auditors and undertakings. While the European Commission has not yet prescribed legislation specifying which assurance standards are to be used, the EU is one of the largest jurisdictions to adopt the IAASB’s current suite of standards with ISAE 3000 currently the most widely used standard. Proposed ISSA 5000 will be finalised and ready for use in time for the EU’s reporting timeframes.

Sustainability Assurance Support Materials

The AUASB has a Sustainability and Other Extended External Reporting Assurance webpage with sustainability assurance support materials which can be found at <https://auasb.gov.au/implementation-support/sustainability-other-extended-external-reporting-eer-assurance/>

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