

3 December 2025

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

Sub10 ED03-2025

Dear Mr Niven

Comments to Exposure Draft 'Proposed Australian Standard on Sustainability Assurance ASSA 2025-11 Amendments to ASSA 5000 General Requirements for Sustainability Assurance Engagements'.

The Australasian Council of Auditors-General (ACAG/we/our) welcomes the opportunity to comment on Exposure Draft 'Proposed Australian Standard on Sustainability Assurance ASSA 2025-11 Amendments to ASSA 5000 *General Requirements for Sustainability Assurance Engagements*' (ED03/25). The views expressed in this submission represent those of all Australian members of ACAG, unless specifically identified. ACAG's comments are primarily in the context of the public sector, which reflects ACAG's significant experience and involvement in the sector.

The attachment to this letter addresses the AUASB's question for comment outlined in the ED.

Overarching feedback

ACAG support the majority of the positions put forward in the exposure draft. However, there are two areas where there are divergent views and complexity that need further consideration, and clear explanations on the final positions the AUASB will adopt.

ACAG recognise there are differing views on whether the Year 1 review should be based on the entity reporting against a compliance framework or a fair presentation framework, as well as on whether the auditor's report should use *Corporations Act 2001* (Corporations Act) terminology.

One view supports a compliance framework because ASSA 5010 limits assurance to specified disclosures, so the auditor cannot conclude on the fair presentation of the entire report. Fair presentation conclusions would only be appropriate from Year 2 when the full report is covered. The alternative view is that the reporting framework remains fair presentation even in Year 1, and the limited assurance on selected disclosures does not change the fact that the overall framework is fair presentation.

On terminology, one view supports using the language in the *Corporations Act 2001* because the opinion relates to compliance with the Corporations Act, while the other view highlights that the terminology in ASSA 5000 helps avoid confusion with financial statement audits by clearly distinguishing sustainability assurance from the existing auditing and assurance standards.

Accordingly, we would appreciate clarity from the AUASB on these matters.

ACAG thanks you for the opportunity to comment to this ED. I hope you will find ACAG's comments helpful as you move to progress the changes.

Yours sincerely



Andrew Greaves
Chair, Audit Standards Committee
The Australasian Council of Auditors-General

ACAG Response

Question 1

Do you agree that the wording of the auditor's conclusion/opinion should combine wording from the Corporations Act and paragraph 190(c)(vi) of ASSA 5000 as proposed in the Exposure Draft? Please provide your reasons?

Yes.

We agree that the auditor's conclusion/opinion should combine the wording from the Corporations Act and ASSA 5000 General Requirements for Sustainability Assurance Engagements (ASSA 5000) as proposed in the Exposure Draft.

The conclusions should address both the Corporations Act's requirements of section 1707F and ASSA 5000.190(c)(vi)(b). Combining these requirements produces a single, clear conclusion that satisfies both the legislative and auditing standards requirements, thus providing users with a concise and meaningful assurance statement. It will also promote consistency in practice, which reduces confusion.

Question 2

Do you agree with the proposal that in Year 2 onwards, the review/audit is based on a fair presentation framework rather than a compliance framework?

Yes.

Section 336A of the Corporations Act states that the Australian Accounting Standard Board (AASB) may by legislative instrument, make sustainability standards for the purposes of the Corporations Act.

The AASB has developed the below two standards for sustainability reporting:

1. AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (AASB S1) (voluntary) and
2. AASB S2 *Climate-related Disclosures* (AASB S2) (mandatory).

If an entity prepares its sustainability report in compliance with AASB S2, then consistent with paragraphs 11-16 of Appendix D 'General requirements for disclosures of climate-related financial information' of the Standard, it is presumed to achieve fair presentation.

AASB S2 requires disclosure of all relevant climate-related risks and opportunities, their faithful representation, and the provision of any additional information needed for users to understand their effects.

The entities are required to prepare sustainability reports based on all the requirements of AASB S2 irrespective of level and scope of assurance, otherwise compliance with the standard cannot be claimed.

In line with the phasing requirements of ASSA 5010, from Year 2 onwards the assurance is provided over full compliance with AASB S2. Therefore, we agree with the proposal that the review or audit is over a report prepared using a fair presentation framework.

Question 3

Do you agree with the proposal that in Year 1, where only specified disclosures are subject to assurance, the review is based on a compliance framework rather than a fair presentation framework?

ACAG has differing views on whether the Year 1 review should be based on a compliance framework or a fair presentation framework. Accordingly, we would appreciate the AUASB providing clarity on the matter. If the auditor is to conclude against a fair presentation framework, we recommend the AUASB provide implementation guidance to help the auditor undertake sufficient procedures for a limited assurance engagement, without over-auditing.

View supporting the proposal in the ED (compliance framework in Year 1)

Under ASSA 5000.18, fair presentation criteria refer to a sustainability reporting framework that requires entities to comply with all requirements of the framework but also recognises that management may need to provide additional information, or in very rare cases depart from a requirement, to achieve fair presentation. In contrast, compliance criteria refer to a framework that requires entities to comply with specified requirements without the need to consider additional information beyond those requirements.

In Year 1, ASSA 5010 requires the auditor to provide assurance only on specified disclosures within the sustainability report. Because assurance is not provided over the report as a whole, the auditor cannot conclude on whether the entire report achieves fair presentation. The assurance work in Year 1 is therefore directed at determining compliance of the specified disclosures with the requirements set out in ASSA 5010, AASB S2 and the Corporations Act.

Alternative view (the framework remains fair presentation even in Year 1)

Under subsections 1707E(2) and 1707F of the Corporations Act, the AUASB must set auditing standards that specify the extent to which sustainability information must be audited or reviewed. ASSA 5000 and ASSA 5010 together establish both (a) the applicable assurance requirements and (b) the scope of disclosures subject to assurance in each year.

ASSA 5000 requires the auditor's conclusion to be formed against 'applicable criteria'. For entities reporting under the Corporations Act, the applicable criteria are the framework criteria in AASB S2. Framework criteria may be either fair presentation or compliance criteria. AASB S2 is a fair presentation framework. This classification does not change because the Year 1 assurance scope is narrower. The auditor still reviews the entire report as 'other information' and this helps form the conclusion that the report is fairly presented – i.e. not a compliance framework.

ASSA 5010 specifies that in Year 1, only governance, selected Strategy-risks and opportunities (paragraphs 9(a), 10(a) and 10(b)), and Scope 1 and 2 emissions are subject to assurance. This narrower assurance scope does not convert AASB S2 into a compliance-only framework; rather, it means that limited assurance in Year 1 is provided on selected disclosures within an underlying fair presentation framework.

Question 4

Should the conclusion/opinion refer specifically to AASB S2 in addition to referring to compliance with the Act?

Yes

The Corporations Act does not specifically refer to the applicable accounting standards they have to be reported in or comply with. There are two Australian Sustainability Reporting Standards AASB S1 (voluntary) and AASB S2 (mandatory). Referring to AASB S2 in the conclusion/opinion will give clarity to the scope of the conclusion/opinion. This can be subsequently updated in the future if the Corporations Act is updated to refer to more sustainability standards.

Question 5

Should the audit opinion refer to disclosure provisions under the Act where there are no current requirements (e.g. Ministerial legislative instrument)

The audit opinion should not refer to provisions that are not currently required or applicable. Reference to a legislative instrument that does not currently exist is superfluous and would create confusion for the users. This can be subsequently amended if a legislative instrument was added.

Question 6

Do you consider that in Year 4 onwards, the opinion should omit the from 'including' onwards in s309A(1) of the Act?

Yes.

The conclusion / opinion states compliance with Division 1 of Part 2M.3 of the Corporations Act. Hence, we do not consider it necessary to call out the subsections (296A-296D) in the opinion. Compliance with specific subsections is not called out in the opinion of the financial statements, for instance illustrative example 1A and 2A in ASA 700, and a similar approach for sustainability assurance will maintain consistency across the two opinions.

Question 7

Do you agree that the auditor's report should use the same terminology as the Act rather than the terminology used in ASSA 5000 (for example, 'review' instead of 'limited assurance engagement')?

There are differing views on whether the auditor's report should use terminology consistent with the Corporations Act rather than ASSA 5000. We recommend the AUASB clarify this matter and explain to users how they made their decision. The view supporting the use of Corporations Act terminology:

It is acknowledged that ASSA 5000 uses the same terminology as ASAE 3000. However, the conclusion/ opinion is for compliance with the Corporations Act and hence using the terminology of the Corporations Act is considered more appropriate. We recommend that ASSA 5000 be amended to use the same language as that of the Corporations Act; notwithstanding that it may appear to deviate from ASSA 5000.

The alternative view supporting the use of terminology in ASSA 5000:

The alternative recommendation is that the language aligns with ASSA 5000 rather than the Corporations Act. The inconsistent language between ASSA 5000 and the Corporations Act has already created significant confusion in parts of the market. Some users are:

- assuming the sustainability report is just another component of the financial statement audit because the language looks the same as the audit report (i.e. that the sustainability report can be relied upon with the same degree of confidence); and
- because of the above, they are also incorrectly assuming that ASSA 5000 is just another audit and assurance standard that the auditor complies with in addition to the existing suite of auditing and assurance standards, rather than instead of applying the full suite of auditing and assurance standards

Using different language is important because it creates a clear distinction from existing auditing and assurance standards and audit reports. Sustainability reports are not subject to the same assurance requirements as financial statements, but consistent terminology suggests they are.

Question 8

Do you support the inclusion of the example inherent limitation paragraph in the Illustrative Reports? Do you agree with the example provided? Please provide your reasons.

Yes.

Climate-related reporting is new, and highlighting the inherent limitations can help users understand the level of subjectivity and judgement involved. The reporting has also been subject to differing views among climate bodies and significant estimation uncertainty, particularly for Scope 3 emissions. Providing at least one example of inherent limitations would be useful, while noting that entities can prepare their own limitation paragraphs.

Question 9

Do you agree with the approach taken to auditor reporting in the narrow circumstance where an auditor gives early reasonable assurance on Scope 1 and 2 emissions in Year 1 (i.e. treatment as an opinion under the Act)? Do you believe that this situation will arise more than rarely in practice? Do you consider that a similar approach could be applied to information reported under the Act for which no assurance is required in Year 1 but the auditor gives assurance?

While we do not consider this situation to be common, we would still prefer providing an illustrative example. Even if uncommon, stakeholders are likely to have questions, and if the goal is to encourage early reasonable assurance, it is more helpful to show how it can be done rather than let the absence of guidance become a barrier.

However, there may be practical challenges if both a review conclusion and an audit opinion were required to be presented within the same auditor's report. Specifically, it could lead to disclosures that are difficult for users to read or follow, given the need to clearly distinguish which information was subject to review versus audit. It could also create confusion for users in understanding the two different levels of assurance and whether this dual reporting structure provides meaningful benefit or adds unnecessary complexity.

Question 10

Should the AUASB consider how to better distinguish the auditor's reports on the financial report and sustainability report. If so, how?

Yes.

The title of the opinion should clearly indicate that it is a review or audit of sustainability disclosures/report.

We agree with the illustrative headings where the title mentions whether it is review or audit and whether it relates to specified sustainability disclosures or sustainability report. However, we note that these are inconsistent with the illustrations in ASA 700 *Forming an Opinion and Reporting on a Financial Report* (ASA 700) where the title of the report is Independent Audit Report. While outside the scope of this project, there may be benefit in a consequential project to update the ASA 700 suite of standards to provide further clarity on what each independent auditor's report is addressing.

Question 11

Should the illustrative Corporations Act assurance reports be issued in an appendix to ASSA 5000 or in a separate document?

We recommend including the illustrative Corporations Act assurance reports as an appendix to ASSA 5000 for ease of reference, rather than a separate document. This approach is consistent with ASA 700.

Question 12

Are there other matters not addressed by this exposure draft that should be considered by the AUASB for the proposed illustrative reports?

Yes.

1. In Illustration 2: Year 1 mixed assurance report – Auditor's audit and review report on specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* (compliance framework), in the basis for conclusion, the sentence 'We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion' should also refer to 'opinion' as conclusion and opinion have been issued.

2. In Illustration 4: Year 4 – Audit report on a sustainability report prepared in accordance with the *Corporations Act 2001* (fair presentation framework):

(a) 'Basis for Conclusion' section should be 'Basis for Opinion. In addition, the sentence 'We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion' should be 'We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion'.

(b) In the 'Other information' section the second sentence contains two references to 'conclusion' but these should refer to 'opinion'.