



AUASB Agenda Paper

Title:	IAASB Matters – December 2024 meeting	Date:	2 December 2024
Office of AUASB Staff:	Rene Herman	Agenda Item:	3

Objectives of Agenda Item

1. To update the AUASB members on the nature and progress of IAASB projects that will inform the AUASB domestic agenda and to seek member views as appropriate.
2. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues (if any) may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair.

Questions for AUASB members

No.	Question
1	Do AUASB members agree that the approach where clearly trivial fraud is identified should be raised with the IAASB (see item 2 in the table in paragraph 5)?
2	Are there any other matters on other topics to be covered at the December 2024 IASB meeting (e.g. concerns on aspects of the Going Concern, Fraud or PIE Track 2 changes) that have not previously been raised in AUASB submissions or AUASB meetings?
3	Do AUASB members have any other matters for possible feedback to the IAASB (e.g. any concerns relating to the content of the final ISSA 5000 that have not previously been identified)?

Background

3. The IAASB's projects are being finalised, just commencing or have not yet started:
 - a) **Sustainability assurance standard** - Recently issued with [IOSCO statement of support](#). Work is underway on implementation guidance to be released in January 2025 with ongoing guidance, as necessary.
 - b) **Fraud** – The IAASB will discuss final Task Force proposals at its December 2024 meeting, and vote on a final revised standard at its March 2025 meeting (see below).
 - c) **Going Concern and PIE track 2** – The IAASB will vote on issuing final standards at its December 2024 meeting (see below).
 - d) **Technology, integrated audit evidence/risk response, etc** – At an early stage (see below). Revisions to ISA 320 Materiality and Post implementation reviews of ISA 540 and ISA 315 are expected to commence in the first half of 2025 and 2026 respectively.
 - e) **Revised ISRE 2410 (interim reviews)** - At information gathering stage.

AUASB Agenda Paper

- f) **Experts** - The IAASB’s Strategy and Work Plan for 2024-2027 includes planned narrow-scope amendments to ISA 620 arising from IESBA’s project on using external experts.
4. The revised going concern standard, the revised fraud standard and the PIE Track 2 changes are proposed to apply from periods commencing 15 December 2026.

Matters to be considered at IAASB’s December 2024 meeting

Fraud

5. The table below outlines the more substantive proposals to be discussed at the December IAASB meeting. The full IAASB meeting papers can be found at [IAASB Quarterly Board Meeting - December 9-12, 2024](#). The IAASB is aiming to approve the final pronouncement in March 2025.

No.	AUASB comments on ED 240	Proposals being discussed at the December 2024 IAASB meeting	Do proposals address AUASB comments?
1	<p><i>Professional scepticism</i></p> <p>The IAASB should consider:</p> <ul style="list-style-type: none"> Adding application material to clarify the requirement in paragraph 21 of ED-240 for the auditor to ‘remain alert’ to information throughout the audit that may indicate a risk of fraud. The auditor should be more proactive and challenging but the auditor should not be required to consider fraud in relation to all information as this would create an unduly burdensome documentation requirement. Limiting ED-240 paragraph 21 to events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud to clarify that the auditor is not required to always undertake extensive fraud related procedures throughout the audit. 	<ul style="list-style-type: none"> Paragraph 21 will be revised to: ‘remaining alert throughout the audit for information <u>that indicates that one or more fraud risk factors are present and circumstances that may be</u> indicative of fraud or suspected fraud’. The IAASB’s Fraud Task Force considers references to the auditor’s past experience regarding the honesty and integrity of management are unnecessary, as they shift focus from the current audit to prior audits. 	Yes

AUASB Agenda Paper

No.	AUASB comments on ED 240	Proposals being discussed at the December 2024 IAASB meeting	Do proposals address AUASB comments?
	<ul style="list-style-type: none"> Reinstating the text from extant ISA 240 paragraph 13 'notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance' to remind the auditor to set aside any potential biases and encourage the exercise of professional scepticism. 		
2	<p><i>Clearly trivial matters</i></p> <p>The AUASB submission raised concerns with the proposed work effort in ED 240 where clearly trivial fraud has been identified. There could be a stand-back provision to address the possibility of an accumulation of matters that alone might be considered clearly trivial.</p>	<p>The IAASB's Fraud Task Force does not propose to address the AUASB's concerns.</p> <p>The IAASB Fraud Task force is reaffirming its position that a separate stand-back requirement is not needed given existing stand-back requirements in other ISAs to consider, among other things, whether the audit evidence obtained adequately supports the auditor's risk identification and assessment and responds to assessed risks. An integrated and coherent approach to stand-back requirements across the suite of ISAs is proposed to be considered in the Audit Evidence and Risk Response project.</p>	No
3	<p><i>Management override of controls</i></p> <p>ED 240 paragraph 42 would require that management override is always treated as a significant risk, while paragraph 48 seems to indicate that this is not always the case (i.e. 'irrespective of the auditor's assessment of the risks of management override...').</p>	<p>The Fraud Task Force considers that the two paragraphs are consistent and that the words 'Irrespective of the auditor's assessment of the risks of management override of controls' is an important reminder that ROMMs due to fraud related to management override of controls are to be treated as significant risks in all cases.</p>	Not a substantive issue and the Task Force position is acceptable.
4	<p><i>Documentation</i></p> <p>The documentation requirements in paragraph 70 of ED 240 are not</p>	<p>The Fraud Task Force believes that the IAASB has achieved its objective of enhancing clarity around what needs to be documented for fraud-related</p>	Not a substantive issue and the Task Force

AUASB Agenda Paper

No.	AUASB comments on ED 240	Proposals being discussed at the December 2024 IAASB meeting	Do proposals address AUASB comments?
	complete. For example, paragraph 70(c) does not require documentation on the responses to identified and assessed risks. The IAASB should consider whether listing many detailed documentation requirements but excluding some others might imply that the excluded matters do not apply in the case of fraud.	procedures. The requirements in paragraph 70 build on the requirements in ISA 230.	position is acceptable.
	<i>Fraud reporting program</i> Guidance should be provided as to what evidence the auditor needs to obtain on how management identifies fraud risks for smaller entities.	The IAASB supported requiring the auditor to obtain an understanding an entity's fraud reporting program when the entity has such a program. The Fraud Task Force proposes application material to clarify what a fraud reporting program is and how it could differ based on the nature and complexity of the entity and the entity's exposure to fraud risks.	Partially and not a substantive issue.

Going Concern

6. The IAASB proposes to approve the revised ISA 570 at the December 2024 meeting. PIOB certification is expected in April 2025.
7. **Close call scenarios:** Paragraph 32 now explicitly requires the auditor to determine whether the financial statements adequately disclosure the significant judgements made by management in concluding that there is no material uncertainty. At its 10 September 2024 AUASB meeting (Agenda Item 5.2.1), the AUASB was considered a summary of how AUASB feedback on ED 570 had been addressed in the draft revised ISA 570 and had no further comments to be raised with the IAASB.

PIE track 2

8. At its September 2024 meeting, the IAASB decided:
 - a) To replace 'listed entity' in the ISQMs and ISAs with the term 'publicly traded entity' (PTE) from the Code of Ethics for the purpose of differential requirements;
 - b) Not to adopt the term 'public interest entities' (PIEs) from the Code of Ethics as a basis for some differential audit requirements because the term 'PIEs' had not been adopted for ethics requirements in many jurisdictions; and

- c) Adopt an overarching objective and purpose for differential requirements in the ISQMs and ISAs, including the framework for when it may be appropriate to apply a differential requirement to an entity other than a PTE.
9. A final standard will be voted on at the December 2024 IAASB meeting. The final pronouncement will be published in early April 2025 after PIOB certification.

Technology

10. This technology project update is provided for information only, no specific actions are requested of AUASB members. There are no significant changes since the AUASB's September 2024 meeting.
11. The technology project team has identified technology related issues and proposed actions to guide the IAASB's standard-setting and related activities.
12. The high priority matters include (items highlighted are the only ones NOT already included in the evidence/risk response draft project proposal):
 - Clarity on technology related terminology
 - Firm level and engagement level considerations of technological resources used
 - Technological resources deployed by service organisations
 - Consideration of introducing requirements and application material regarding technology enabled procedures that are required to achieve engagement objectives (i.e. some engagements can't be done without technology)
 - Barriers to using technology enabled procedures because of how data is produced and maintained by entities
 - Consideration of introducing requirements and application material about considerations for the appropriate use of technology enabled procedures (i.e. inputs, outputs)
 - Explaining how technology enabled procedures arrive at outputs (is it appropriate to always understand the black box – or should focus be on output)
 - Categorisation of technology enabled procedures
 - How technology enabled substantive analytical procedures map to ISA 520
 - Testing outliers and exceptions
 - Appropriate use of technology for confirmations, inventory counts
 - Documentation requirements when performing technology enabled procedures
 - Impact of technology on exercise of professional scepticism

Evidence/Risk response

13. This evidence/risk response project update is for information only, no specific actions are requested of AUASB members.
14. The IAASB's *Strategy and Work Plan for 2024–2027* covered pursuing an integrated approach to audit evidence and risk response, including a focus on technology and internal control.

15. The project will consider:
 - a) The 'reference framework' aspects relating to judgments about the sufficiency and appropriateness of audit evidence in ISA 500; and
 - b) The 'performance' aspects relating to the design and performance of audit procedures in ISA 330 and ISA 520.
16. The technology related matters referred to above include matters relating to ISA 330, ISA 500 and ISA 520. The high priority areas have been included in the evidence/risk response project proposal. The project will also have a strong focus on strengthening auditors' work on internal controls.
17. The IAASB expects to approve exposure drafts of revised ISA 300, ISA 500 and ISA 520 in December 2025. AUASB views and input will be sought throughout the development of these exposure drafts.



AUASB Agenda Paper

Title:	Feedback received on ED 02/24 – Proposed assurance phasing model	Date:	2 December 2024
Office of the AUASB:	Anne Waters / Rebecca Mattocks	Agenda Item:	4.0

Objectives of this Agenda Item

- This Agenda Item provides AUASB members with:
 - a summary of feedback received on [Exposure Draft on Proposed Australian Sustainability Assurance Standard ASSA 5010 Timeline for Audits or Reviews of Information in Sustainability Reports Under the Corporations Act 2001 \(ED 02/24\)](#); and
 - an opportunity to provide preliminary views and feedback on key questions and possible amendments to ED 02/24 to inform a paper for the 16 December 2024 meeting.
- This paper focuses on stakeholder feedback received and is not intended to provide a full analysis of the matters raised or the pros and cons of possible amendments to the phasing model.

Questions for AUASB members

No.	Question
1	Do AUASB members have any preliminary responses to questions Q1 to Q6 that appear in boxes later in this paper?
2	Do AUASB members have any other comments on the feedback received in relation to ED 02/24?
3	Do AUASB members agree with the next steps outlined in the last section of this paper?

Background and previous discussions on the topic

- The AUASB issued ED 02/24 on 17 September 2024 seeking feedback on a proposed timeline for when information in a Sustainability Report prepared in accordance with Chapter 2M of the *Corporations Act 2001* (the Act) would be subject to audit and/or review. Comments closed on 16 November 2024.
- ED 02/24 proposed the following levels of assurance:
 - Limited assurance over Scope 1 and 2 emissions from the first year of reporting, progressing to reasonable assurance in the second year of reporting;
 - 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
 - Limited assurance over all other disclosures from the second year of reporting, progressing to reasonable assurance in the fourth year of reporting.

5. At its meeting on 19 November 2024, AUASB members received a very high-level summary of some preliminary themes evident in the feedback received from stakeholders. Since this meeting, four more written comments have been received.

Proposed phasing model

6. For convenience, the assurance phasing model proposed in ED 02/24 is shown in the table below.

Reporting Year (years commencing)	1st	2nd	3rd	4th*	5th	6th
Group 1	1 January 2025 to 30 June 2026	1 July 2026 to 30 June 2027	1 July 2027 to 30 June 2028	1 July 2028 to 30 June 2029	1 July 2029 to 30 June 2030	1 July 2030 to 30 June 2031
Group 2	1 July 2026 to 30 June 2027	1 July 2027 to 30 June 2028	1 July 2028 to 30 June 2029	1 July 2029 to 30 June 2030	1 July 2030 to 30 June 2031	1 July 2031 to 30 June 2032
Group 3	1 July 2027 to 30 June 2028	1 July 2028 to 30 June 2029	1 July 2029 to 30 June 2030	1 July 2030 to 30 June 2031	1 July 2031 to 30 June 2032	1 July 2032 to 30 June 2033
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

* Years commencing from 1 July 2030 to 30 June 2031 for Group 3 entities. From that time reasonable assurance is required by the Act for all mandatory climate disclosures.

** The phasing for assurance on statements that there are no material climate-related risks and opportunities would be the same as for 'Strategy – Risks and Opportunities'.

Overview of feedback

Roundtables

7. The AUASB held roundtables in Sydney, Melbourne, Perth and online to obtain stakeholder feedback and input on matters contained in ED 02/24. Over 90 Australian stakeholders attended these events, representing financial statement audit firms (small, medium and large), public sector auditors, non-accountant assurance providers, sustainability consultants, preparers, directors, regulators, professional bodies, and academics.
8. The themes from the different groups of stakeholders at these roundtables were consistent with the written submissions received. Accordingly, this paper largely focuses on the written feedback.

Written Comment Letters

9. The AUASB received 29 submissions from a broad range of stakeholder groups, including 28 public submissions, which are available at the links in the table below:

AUASB Agenda Paper

Category	Organisation
Academics	Curtin University Deakin Integrated Reporting Centre Monash University Climateworks Centre Mukesh Garg and Luisa Unda
Audit Practitioners	BDO Deloitte Touche Tohmatsu Ernst and Young Australia Grant Thornton KPMG Pitcher Partners PwC
Auditors General	Australasian Council of Auditors General
Consultant	Basford Consulting
Industry Bodies	Australian Council of Superannuation Investors CPA Australia/CA ANZ Institute of Public Accountants Property Council of Australia
Investor / User	IMPAX Asset Management
Non Accountant Assurance Provider	GHD
Preparers	Australian Food and Grocery Council Australian Institute of Company Directors Customer Owned Banking Association Financial Services Council Grain Growers
Australian subsidiary of UK standard setter (ISO)	BSI Group ANZ Pty Limited
Superannuation funds	Australian Super Aware Super Uni Super

7. An Excel Spreadsheet summarising the responses from these submissions is available as Agenda Paper 4.1.
8. There was one confidential submission, which is available on the Board members' area of the AUASB website.
9. We also:
 - (a) met with, and received feedback from, a group of large wholly-owned subsidiaries of a foreign company that would be Group 1 reporters with December year ends; and
 - (b) have contacted a preparer group to ask whether they have any feedback in addition to the submission they made to our March 2024 Consultation Paper.

Summary of written feedback received

10. There were varied views on the proposed assurance phasing model in ED 02/24:
 - (a) Six respondents support the proposed phasing timeline with no changes¹;
 - (b) The majority of respondents agree with the proposed assurance phasing timeline with some amendments, such as requiring limited assurance rather than reasonable assurance over Scope 1 and 2 emissions in the second and third years²;
 - (c) The majority of respondents support consistent phasing across Groups 1, 2 and 3;

¹ Six comment letters – one investor/user, one academic, one industry body, one standard setter, one preparer and one Big 4 firm.

² Only four respondents clearly disagreed with the proposals, including one consultant (who supported reasonable assurance from the outset), one superfund, one preparer and one non-accountant assurance provider.

- (d) Some respondents seek a delay in assurance over Scope 3 emissions³; and
 - (e) Three respondents disagree with the legislative requirement for reasonable assurance over all disclosures from 2030/1.
11. There are different views of different types of stakeholders:
- (a) The largest four audit firms are broadly supportive of the assurance phasing model with minor amendments. They also indicated that they are building capacity and will be able to meet the assurance requirements;
 - (b) Some smaller audit firms indicated they are building capacity but expressed concerns about their client's readiness and capacity and requested that the phasing model be "slowed down";
 - (c) CPA Australia and CA ANZ raised concern about Group 2 and 3 auditors having sufficient capacity and are concerned that the assurance phasing is too fast;
 - (d) The AICD supports the phasing model;
 - (e) Some preparers expressed concern that the assurance phasing model is too fast and question whether reasonable assurance should be required over all disclosures from 2030/1, in particular Scope 3 Greenhouse Gas emissions; and
 - (f) Superannuation Funds are concerned that the assurance phasing model is too fast and are concerned about requiring assurance over Scope 3 Greenhouse Gas emissions.

Assurance requirements for the first year of reporting

12. The feedback received for the first year of reporting was:
- (a) Sixteen respondents supported limited assurance over Scope 1 and Scope 2 Greenhouse Gas emissions and Governance disclosures⁴.
 - (b) There was mixed feedback on requiring limited assurance over strategy (risks and opportunities), with the following options suggested:
 - (i) While there was support for limited assurance over Strategy (risks and opportunities) because these are foundational, some other respondents supported covering the disclosure of the risks and opportunities only (paragraph 9(a) of AASB S2 *Climate-related Disclosures*) and not the impact on results and future prospects (paragraphs 9(b) to (d) or 10 to 21 of AASB S2)⁵;
 - (ii) Requiring reasonable assurance over Governance and/or Strategy (Risks and opportunities) instead of limited assurance (two respondents);
 - (iii) Not requiring assurance over any Strategy (risks and opportunities) disclosures⁶;
 - (iv) Not requiring assurance over Governance or Strategy (risks and opportunities)⁷; and
 - (v) Requiring limited assurance over Risk Management⁸ as auditors will need to consider the entity's processes when providing limited assurance over Strategy (risks and opportunities) regardless (three respondents).
13. Under the model proposed in ED 02/24, Group 1 entities with reporting periods commencing between 1 January and 30 June 2025 have two first years of reporting (e.g. for entities with 31 December year ends – the years ending 31 December 2025 and 31 December 2026). This gives these entities more time to prepare for assurance.

³ Nine comment letters – three non-big 4 audit firms, four preparers, one industry body, and the Auditors General.

⁴ Sixteen comment letters – two preparers, six audit practitioners, two academics, one consultant, one standard setter, two industry bodies, one investor/user and the Auditors General.

⁵ Four comment letters – one industry body, one non-Big 4 audit firm and two Big 4 audit firms.

⁶ Five comment letters – one academic, one industry body, two preparers and one superfund.

⁷ Three comment letters – two preparers and one superfund.

⁸ Three comment letters – one Big 4 audit firm and two non-Big 4 audit firms.

14. The Office of the AUASB recommends the following changes to the phasing model in ED 02/24:
- (a) The paragraph references included in ED 02/04 for Strategy (risks and opportunities) may be wider than the AUASB had intended and assurance should be limited to the risks and opportunities themselves (paragraph 9(a) of AASB S2); and
 - (b) Risk Management disclosures should not be subject to limited assurance given the additional assurance effort, except for the processes and related policies to identify risks and opportunities under paragraphs 25 and 26 of AASB S2.
15. Questions for preliminary AUASB member discussion:

- Q1. Do you agree that for the first year of reporting limited assurance should be required over:
- (a) Governance disclosures?
 - (b) Risks and opportunities themselves (paragraph 9(a) of AASB S2)?
 - (c) Processes and related policies to identify risks and opportunities?
- Q2. Do you agree that entities with reporting periods commencing between 1 January and 30 June 2025 should have two first years of reporting?

Assurance requirements for the second and third years of reporting:

16. The feedback received for the second year of reporting was:
- (a) Three respondents supported reducing the assurance requirements in the second year of reporting due to the significant incremental uplift in capacity required from the first year⁹. Limited assurance over more subjective disclosures such as climate resilience/scenario analysis and transition plans should be delayed;
 - (b) Delay requiring reasonable assurance over Scope 1 and 2 Greenhouse Gas emissions¹⁰ to give preparers and auditors more time to prepare. In addition, requiring reasonable assurance may result in some smaller entities (and their auditors) receiving requests for emissions data before they are required to report this information themselves;
 - (c) Delay requiring limited assurance over Scope 3 Greenhouse Gas emissions¹¹ noting that this will be the first year of reporting this information, and there is uncertainty about availability of data and assurance thereon; and
 - (d) Have the same assurance levels across all disclosures for simplicity and understandability of the assurance report, and given the interconnectivity of the disclosures.
17. The Office of the AUASB recommends the following changes to the phasing model for the second year of reporting:
- (a) Only require Scope 1 and 2 emissions at limited assurance to alleviate some of the concern about the increase in audit effort in year 2 and have a consistent assurance over all disclosures; and
 - (b) Not require assurance on Scope 3 emissions, given this is the first year of reporting those emissions¹².
18. The third year of reporting should be subject to consistent assurance to the second year, except that Scope 3 emissions would be subject to limited assurance.
19. Questions for preliminary AUASB member discussion:

⁹ Three comment letters – one preparer, one non-Big 4 and the Auditors General.

¹⁰ Five comment letters – one industry body, one non-Big 4 audit firm, two preparers and the Auditors General.

¹¹ Nine comment letters – three non-Big 4 audit firms, four preparers, one industry body and the Auditors General. Most of these consider that assurance over scope 3 greenhouse gas emissions should be delayed until at least year 3 or 4, with one non-Big 4 audit firm in favour of delaying limited assurance until the fifth year of reporting.

¹² AASB S2 paragraph C4(b)

- Q3. Do you agree that for the second year of reporting all disclosures should be subject to limited assurance (including Scope 1 and 2 emissions) except Scope 3 emissions which should be subject to no assurance?
- Q4. Do you agree that for the third year of reporting all disclosures should be subject to limited assurance, including Scope 3 emissions?

Assurance requirements for the fourth year of reporting

20. The feedback received for the fourth year of reporting was:
- (a) Most respondents supported for requiring reasonable assurance over all disclosures from the fourth year of reporting¹³. There was strong support for consistent phasing in across Groups 1, 2 and 3.
 - (b) Other respondents raised concerns over:
 - (i) Reasonable assurance over Scope 3 emission disclosures will be difficult given their nature and reliance on third parties to provide information¹⁴;
 - (ii) Four years may not be sufficient to build capacity and more time may be needed¹⁵;
 - (iii) Some respondents comment that whilst Group 1 may be ready there is concern about smaller entities and audit firms¹⁶;
 - (iv) There may be a high level of modified reports, which may impact market confidence;
 - (v) Cost may be significant¹⁷; and
 - (vi) Strong support for consistent models across Groups 1, 2 and 3¹⁸.
 - (c) Four respondents called for the AUASB to reconsider the proposed end state of assurance in the legislation from 2030/1¹⁹, noting that it is too ambitious and does not align with international arrangements²⁰.
21. The Office of the AUASB recommends no changes to the phasing model for the fourth year of reporting.

Ongoing review

22. It is proposed to reiterate in the explanatory material to the final phasing standard that:
- (a) The AUASB will monitor implementation experience on an ongoing basis (see also paragraph 27 of [AUASB Consultation Paper Assurance Over Climate and Other Sustainability Information](#), March 2024); and
 - (b) Under section 1707G of the Act, the Minister must cause a review of the operation of the legislation to be conducted as soon as practical after 1 July 2028.
23. The AUASB could consider amending the phasing requirements in ASSA 5010, if necessary. However, the expectation should be that auditors, experts and entities will work on the basis of the phasing in the standard.
24. While an option would be not to mandate reasonable assurance until after we can observe the market in the first three years of reporting and limited assurance:

¹³ Sixteen comment letters indicated support for phasing from limited assurance to reasonable assurance, including two preparers, three academics, one superfund, one standard setter, four Big 4 audit firms, two non-Big 4 audit firms, one industry body, one investor/user and Auditors General. Three comment letters disagreed with the proposal, including one academic and two superfund representatives.

¹⁴ Three comment letters – two preparers and one non-Big 4 audit firm.

¹⁵ Two comment letters – two preparers.

¹⁶ Two comment letters – two industry bodies.

¹⁷ One comment letter – superfund.

¹⁸ Thirteen comment letters – one academic, four Big 4 audit firms, two non-Big 4 audit firms, Auditors General, two industry bodies, one investor/user, one preparer and one standard setter.

¹⁹ This view was expressed in four comment letters, including three superfund representatives and one preparer.

²⁰ Refer to Appendix A for a summary of the reporting and assurance requirements in some other jurisdictions.

- (a) that may not provide sufficient certainty for auditors and experts in planning resources and capability; and
- (b) For Group 3, reasonable assurance would commence 2030/1 as mandated in legislation. The first year of phasing proposed for Groups 1 and 2 is consistent with feedback from most respondents that the phasing should be consistent across Groups 1, 2 and 3.
- (c) Many are concerned that reasonable assurance over Scope 3 disclosures will be difficult given their nature and reliance on third parties to provide information²¹.

25. Question for preliminary AUASB member discussion:

Q5. Do you agree that there should be reasonable assurance over all disclosures in the fourth year of reporting?

Other matters

No material risks or opportunities

26. All who responded to the question about assurance over statements that there are no material risks or opportunities, except one, agreed that the statement should be subject to the same level as assurance for a given year as would apply if the entity had identified material risks and opportunities. One respondent considered that limited assurance would be sufficient as it would be difficult to gather sufficient and appropriate audit evidence to support these statements.

Groups 1, 2 and 3 commence with the same settings and progress at the same pace

27. All who responded were in agreement however a few requested that the assurance requirements for Group 3 entities should be monitored.

When entities enter a Group after the first reporting year for that Group

28. The majority of respondents agreed that entities entering a Group after the first reporting year should be subject to the same assurance requirements as other entities in that Group.

Comparatives

29. The majority of respondents supported the approach to assurance over comparative information in ED 02/24.

Director's declaration

30. The Sustainability Report includes a directors' declaration. Under ED 02/24 the directors' declaration would be subject to assurance when all disclosures are subject to assurance. It would be problematic to require assurance over the statement about compliance in the directors' declaration with all of the reporting requirements where the auditor is not otherwise required to provide assurance on certain disclosures. In the first year of reporting only some disclosures would be subject to assurance and ED 02/04 would not require the directors' declaration to be subject to assurance. If Scope 3 emissions were not subject to assurance in the second year of reporting, the directors' declaration should not be subject to assurance. Where assurance is required over the directors' declaration, the lowest level of assurance applying to the other required disclosures should apply.

31. Question for preliminary AUASB member discussion:

Q6. Do you agree that the directors' declaration in the Sustainability Report should only be subject to assurance when all disclosures are subject to assurance, and that the lowest level of assurance applying to other required disclosures should then apply?

²¹ Three comment letters – two preparers and one non-Big 4 audit firm.

Next steps

32. Proposed next steps are:

- (a) For the next AUASB meeting on 16 December 2024, members will be provided with Board papers that include:
 - (i) An analysis of pros and cons will be provided for each proposed change to the model in ED 02/24;
 - (ii) An update on any further feedback from stakeholders;
 - (iii) A revised draft assurance phasing standard will be presented based on preliminary feedback from AUASB members at the 2 December 2024 meeting; and
 - (iv) If necessary, an analysis of options to address any possibility that issuing ASSA 5010 after 31 December 2024 could be considered to be retrospective given that the first year for reporting for Group 1 entities commences 1 January 2025.
- (b) The following matters will be addressed before a standard is approved:
 - (i) The need for a Regulatory Impact Assessment and, if one is needed, a cost/benefit analysis will be prepared;
 - (ii) If necessary, an analysis of whether the Act allows the phasing standard to be issued before any standard based on ISSA 5000 and, if so, any options to address any disconnect in timing; and
 - (iii) Subject to a vote on the Australian equivalent of ISSA 5000 and the nature of any IAASB guidance, what guidance should be given priority to assist auditors, preparers and others in understanding the nature and extent of work required by the auditor on the disclosures in the Sustainability Report for limited assurance and reasonable assurance.
- (c) Ongoing monitoring of the preparedness of auditors, their experts and reporting entities, as well as any emerging assurance issues requiring guidance. We would note this monitoring in explanatory material to the final phasing standard.



Appendix A - Reporting and assurance requirements over sustainability information (including climate) in other jurisdictions

	IFRS Sustainability Disclosure Standards	NZ Climate Statements	CSRD / ESRS	US / SEC Final Rule	California Climate Legislation	UK Sustainability Reporting Standards	Malaysia	Singapore
First mandatory reporting (assuming calendar year-end)	IFRS S1 and IFRS S2 are effective January 1, 2024, subject to jurisdictional mandate	From 1 January 2023	Starting with 2024 (due in 2025), depending on entity structure and size	Starting with 2025 (due in 2026), depending on filer status and disclosure requirement	SB-253: 2025 (due in 2026) SB-261: Due January 1, 2026	No earlier than January 2026 (consultation on draft standards due Q1 2025)	IFRS S1 and IFRS S2 are effective January 1, 2024, for Group 1 Large-listed issuers on the Main Market	Climate reporting is mandatory for all issuers on a 'comply or explain' basis from 31 December 2022 onwards
GHG emission disclosures	Scopes 1, 2, and 3, subject to materiality assessment	Scopes 1, 2 and 3	Scopes 1, 2, and 3, subject to materiality assessment	Scopes 1 and 2 are required if material for certain registrants	SB-253: Scopes 1, 2, and 3 required	TBD following the endorsement process.	Scopes 1, 2, and 3, subject to materiality assessment	Scope 1 and Scope 2 GHG emissions independent of a materiality assessment, and, if appropriate, Scope 3 GHG emissions and the related risks. All organizations should consider disclosing Scope 3 GHG emissions.
Climate-related risks and opportunities disclosure	Climate-related risks and opportunities required	Climate-related risks and opportunities required	Climate-related impacts, risks, and opportunities required	Climate-related risks required; opportunities optional	SB-261: Climate-related risks and opportunities required		Climate-related risks and opportunities required	Climate-related risks and opportunities required
Scenario analysis	Required	Required	Required	Not required	SB-261: Required		Required	Required
Assurance	Not mandated by the standards Subject to jurisdictional	Minimum of limited assurance for Scopes 1, 2 and 3 emissions	Limited assurance for reported sustainability information	Limited assurance for Scopes 1 and 2 GHG emissions, followed by	SB-253: Limited assurance, followed by reasonable	TBD The UK FRC is conducting a market study to	TBD	External limited assurance for Scope 1 and 2 GHG emissions

AUASB Agenda Paper

	authority discretion		(including GHG emissions) from the first year of reporting	reasonable assurance for certain registrants	assurance for Scopes 1 and 2 Scope 3 assurance to be determined	determine how well the UK sustainability assurance market is functioning, whether this market is delivering desirable outcomes including high quality assurance with minimal burdens and costs on business, and how the market may develop in the future. Initial feedback is available here .		
Timing of assurance	N/A	Reporting periods ending on or after 27 October 2024 There will be a 1-year delay on assurance over scope 3 emissions (periods ending on or after 31 December 2025)	Limited assurance from commencement of reporting (periods beginning on or after 1 January 2025) Reasonable assurance to be decided, but no later than 1 October 2028	<u>Large accelerated filers</u> LA by 31 December 2029 RA by 31 December 2031 <u>Accelerated filers</u> (excluding SDCs and EGCs) LA by 31 December 2031 RA not required <u>Nonaccelerated filers, SRCs and EGCs</u> Not required	There is a proposed 2-year delay on assurance for SB-253 (GHG emissions) from 2026 to 2028 No assurance requirement for SB-261 (climate-related risks and opportunities)	TBD	TBD	Limited assurance from 2027 onwards