



# Sustainability assurance – Proposed standard

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Global IFRS Institute



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**“We welcome the extensive efforts of the IAASB to develop this proposed standard over an accelerated timeframe, which addresses both limited and reasonable assurance engagements from beginning to end. We fully support the development of this proposed standard as a global baseline, and we believe that it will be particularly welcomed by stakeholders in jurisdictions that have set ambitious timelines to implement sustainability reporting and to assure this information.”**

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Global Head of ESG Assurance  
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## Audit and assurance standard setter seeks views

The International Auditing and Assurance Standards Board (IAASB) invited comments on its proposed standard ISSA 5000, *General Requirements for Sustainability Assurance Engagements*.

The IAASB has developed this overarching standard to respond to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements, is suitable across all sustainability topics and frameworks, and can be implemented by all assurance practitioners.

Highlights from KPMG’s comments on the proposed standard are set out below.

## Support for the proposed standard

Overall, the proposed standard provides an appropriate global baseline for the performance of assurance engagements over sustainability information and is better placed than ISAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* to support practitioners in the performance of quality sustainability assurance engagements across different jurisdictions. The scope and applicability of the proposed standard are clear.

## Building on the baseline

Whilst the proposed standard provides an appropriate global baseline, the requirements and application material in this overarching standard are drafted at a relatively high level in certain areas and are likely to require expansion and clarification in the future. We therefore recommend that the IAASB monitor practice as it matures, explore the development of additional standards within the ISSA 5000 suite over time and develop non-authoritative guidance to better support practitioners.

## Materiality

The IAASB has struck an appropriate balance in terms of how ‘materiality’ is addressed and we welcome its approach to adapting this concept for sustainability assurance engagements. In particular, we support the bifurcated approach, where the practitioner is required to ‘consider’ materiality for qualitative disclosures and ‘determine’ materiality for quantitative disclosures.

## Differentiation of limited assurance and reasonable assurance

The proposed standard provides an appropriate basis for performing limited and reasonable assurance engagements with a differentiated work effort proportional to each type of engagement.

The concept of limited assurance remains challenging to understand and operationalise consistently, so we recommend that the proposed standard include further guidance and the IAASB consider developing educational materials to help explain the key differences between reasonable and limited assurance, which we believe would benefit all stakeholders.

## **Fraud**

The proposed standard appropriately addresses the topic of fraud and includes helpful guidance and examples specific to sustainability assurance engagements. To enhance it, we recommend the IAASB consider:

- identifying the risk of management override of controls as a fraud risk that is present in all entities, and requiring the practitioner to respond to the risk of management override of controls; and
- including a ‘stand back’ at the end of the engagement that requires the practitioner to consider whether there are any circumstances that indicate actual or suspected instances of fraud.

## **Forward-looking information**

It is helpful that the proposed standard addresses forward-looking information, as many assurance engagements are likely to include information of this nature and assuring forward-looking information may present significant challenges for the practitioner.

However, the proposed standard addresses forward-looking information and estimates together and we believe that forward-looking information is quite different in nature to estimates. Therefore, we recommend that they be addressed separately and that the requirements and guidance applicable to forward-looking information be reconsidered and expanded.

## **Groups and ‘consolidated’ sustainability information**

The proposed standard is not sufficiently clear and specific in addressing sustainability information of groups, even for an overarching standard.

We recommend that the IAASB expand requirements and guidance related to assurance on sustainability information of groups, which may include information from the wider value chain outside of the reporting entity’s legal boundary.

We also recommend that the IAASB explore further how the practitioner may obtain sufficient appropriate evidence over a company’s disclosures in respect of sustainability information from the wider value chain.

## **Forming conclusions and preparing the assurance report**

We support the reporting requirements in the proposed standard. We believe these will drive transparent assurance reports to help users understand the nature and scope of assurance provided, as well as the preparer’s and practitioner’s respective responsibilities.

We have made some recommendations to further enhance transparency in the assurance report to improve understanding of the practitioner’s responsibilities and the nature of the assurance provided. Additionally, we recommend enhanced guidance to help the practitioner appropriately determine the implications of certain matters on the assurance report.

## **Use of ISSA 5000 by practitioners other than professional accountants**

We fully support permitting practitioners other than professional accountants to apply the proposed standard, provided they are subject to the International Ethics Standards Board for Accountants (IESBA) Code and their firms are subject to ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, or requirements that are “at least as demanding”.

However, it is quite possible that such practitioners may not be subject to requirements that would meet this threshold. Consequently, these practitioners would be likely to need to identify any gaps between the requirements they currently apply and the IESBA Code/ISQM 1, and then ‘bridge’ these gaps with policies or procedures to enable them to assert compliance with the IESBA Code/ISQM 1. To mitigate the risk that these practitioners conclude this is too challenging or onerous, we recommend that the IAASB explore with regulators and others whether they can provide the tools to help practitioners to make this bridge. We also recommend that the IAASB develop educational materials that help parties responsible for determining whether requirements are ‘at least as demanding’ to make that determination with appropriate rigour and consistency.

## Effective date and early application

We support the proposed effective date of approximately 18 months after approval of the final standard, and earlier application being permitted and encouraged.

## Find out more

Read our [full response](#).

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