

20 November 2023

Ms Marje Russ  
Chair, New Zealand Auditing and Assurance Standards Board  
PO Box 11250  
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Wellington 6142

Via email: [assurance@xrb.govt.nz](mailto:assurance@xrb.govt.nz)

Dear Marje

## Consultation Paper – Sustainability Assurance

CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ) represent over 300,000 professional accountants who work in diverse roles across public practice, commerce, industry, government, and academia throughout Australia, New Zealand, and internationally. We welcome the opportunity to provide feedback on the above Consultation Paper (the CP) and make this submission on behalf of our members and in the public interest.

CPA Australia and CA ANZ reiterate comments made in previous submissions to the Board that we support a global approach to the development of overarching sustainability assurance standards and are supportive of the International Auditing and Assurance Standards Board (IAASB) as the global body to develop and issue these standards. We believe the goal should be a globally consistent, comparable, and reliable assurance framework for sustainability reporting. We recommend a coordinated approach to the development of sustainability assurance standards to avoid fragmentation and duplicative efforts, undermining consistency and comparability which are critical to the success of global efforts on sustainability matters.

In our view, the IAASB's proposed profession-agnostic overarching standard for assurance on sustainability reporting; ISSA 5000 *General Requirements for Sustainability Assurance Engagements* (ISSA 5000), is the critical next step towards a global baseline for assurance on sustainability reporting.

This work is also complemented by the International Ethics Standards Board for Accountants (IESBA) project to develop "ethics and independence standards for use and implementation by all sustainability assurance practitioners (i.e., professional accountants and other professionals performing sustainability assurance engagements)".

We believe that the External Reporting Board (XRB) should adopt ISSA 5000 for use in New Zealand along with any future additions to the ISSA suite, subject to consultation and due process in New Zealand. Amendments to ISSA 5000, any future ISSAs and further assurance standards that are responsive to local jurisdictional issues could also be developed to supplement the ISSAs if needs are identified.

CPA Australia and CA ANZ are in the process of developing our respective submissions to the IAASB at the date of this letter and therefore we are unable to provide detailed comments relating to Question 6 of the CP (questions on the International Auditing and Assurance Standards Board (IAASB) proposals relating to ISSA 5000).

Our responses to the specific questions raised in the CP are included in the **Attachment** to this letter. Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact either Tiffany Tan (CPA Australia) at [tiffany.tan@cpaaustralia.com.au](mailto:tiffany.tan@cpaaustralia.com.au) or Melanie Scott (CA ANZ) at [melanie.scott@charteredaccountantsanz.com](mailto:melanie.scott@charteredaccountantsanz.com).

Yours sincerely

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## Attachment

### Question 1

#### What sustainability assurance engagements do you currently perform?

Our members perform a range of sustainability assurance engagements, including climate-related disclosures.

### Question 2

#### What sustainability engagements have you been requested to perform?

No comment.

### Question 3

#### What assurance standards do you currently use to perform each type of sustainability engagement?

Our members primarily perform sustainability assurance engagements in accordance with ISAE (NZ) 3000 (revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE (NZ) 3000) and ISAE (NZ) 3410 *Assurance Engagements on Greenhouse Gas Statements* (ISAE (NZ) 3410). This is reflected in the recent IFAC study [The State of Play Beyond the G20](#) which reviewed the environmental, social and governance reporting and assurance practices in New Zealand, on p.37. In addition, it is our understanding that our members are also preparing to implement NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures* (NZ SAE 1).

### Question 4

#### What are the key challenges in assuring sustainability information in accordance with these standards?

Since both ISAE (NZ) 3000 and ISAE (NZ) 3410 are well established assurance standards, we have not heard any specific challenges with the application of these standards. As noted in paragraph BC7 of the Basis for Conclusions to NZ SAE 1, this is intended as a temporary standard whilst a more permanent solution to sustainability assurance is sought. We believe ISSA 5000 is the first step to that permanent solution and we have framed our responses to the below remaining questions accordingly. These responses also highlight some of the key challenges associated with ISSA 5000 and related matters.

### Question 5

#### What assurance activities do you think are most suited to sustainability reporting in New Zealand and why?

We believe that the XRB should focus on adopting and/or developing and issuing appropriate sustainability assurance standards for providing assurance on general purpose sustainability reporting as a first priority. We support a global approach to the development of overarching sustainability assurance standards and are supportive of the IAASB as the global body to issue these standards. We believe the goal should be a globally consistent, comparable, and reliable assurance framework for sustainability reporting. We recommend a globally coordinated approach to the development of sustainability assurance standards to avoid fragmentation and duplicative efforts.

In our view, the IAASB's proposed profession-agnostic overarching standard for assurance on sustainability reporting; ISSA 5000 *General Requirements for Sustainability Assurance Engagements* (ISSA 5000), is the critical next step towards a global baseline for assurance on sustainability reporting.

This work is also underpinned by the International Ethics Standards Board for Accountants (IESBA) project to develop "ethics and independence standards for use and implementation by all sustainability assurance practitioners (i.e., professional accountants and other professionals performing sustainability assurance engagements)".

We believe that the XRB should adopt ISSA 5000 for use in New Zealand along with any future additions to the ISSA suite, subject to consultation and due process in New Zealand. New Zealand specific amendments to ISSA 5000 and other ISSAs may need to be considered, along with the development of further standards that are responsive to local jurisdictional issues to supplement the ISSAs if needs are identified.

### Question 6

#### **Do you have any comments on the IAASB's ED 5000 to inform the External Reporting Board's submission?**

CPA Australia and CA ANZ are in the process of developing our respective submissions to the IAASB at the date of this letter and therefore we are unable to provide detailed comments relating to the ED.

However as stated in our response to question 5, we support a global approach to the development of overarching sustainability assurance standards and are supportive of the IAASB as the global body to issue these standards. We believe the goal should be a globally consistent, comparable, and reliable assurance framework for sustainability reporting. We recommend a coordinated approach to the development of sustainability assurance standards to avoid fragmentation and duplicative efforts. We believe that the XRB should adopt ISSA 5000 for use in New Zealand when it is finalised and align internationally to safeguard the public interest in relation to sustainability assurance. We provide the following overall observations and recommendations in respect of ISSA 5000:

- The significant effort by the IAASB and stakeholders in developing the ISSA 5000 proposals within a very short space of time is highly commendable. We strongly support the development and publication of this standard in September 2024 as scheduled. It is, however, important to recognise that the proposed standard is a "minimum viable product" that will require further refinement and detail added to it for it to be a useful and reliable source of requirements and guidance on sustainability assurance. In the short term, there is a need for additional implementation guidance, transitional considerations, and further clarity on aspects of the standard. In the long term, there will be a need to develop further requirements on specific assurance aspects, some of which may need to be developed as separate standards under the sustainability assurance suite of standards.
- There is a need for the XRB to consider appropriate scoping of ISSA 5000, including the development of New Zealand-specific implementation guidance, to support adoption of the standard for both the mandatory climate-related disclosures regime and broader voluntary sustainability assurance in New Zealand.
- There is some concern that in some instances the proposed requirements in ED ISSA 5000 could be perceived as a shifting of some of the responsibilities that should rest with management and those charged with governance to the assurance practitioner. These matters may need to be considered in a New Zealand context.
- The sustainability assurance standard will form part of a broader ecosystem that includes, amongst others, sustainability reporting standards, legislative requirements, quality management standards, ethical and independence requirements, and suitably qualified and competent

professionals. Many of these elements of the broader ecosystem are likely to be tailored to meet New Zealand-specific requirements. The XRB will need to engage with other stakeholders responsible for other aspects of the broader ecosystem to ensure the New Zealand variant of ISSA 5000 remains fit for purpose for use in New Zealand.

### Question 7 and 8

#### **What standards do you apply for Ethics, independence and quality management for sustainability assurance engagements?**

Our members are required to apply PES 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*, PES 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and PES 4 *Engagement Quality Reviews* issued by the XRB. As we are supportive of the adoption of ISSA 5000 in New Zealand, we support the approach proposed by the IAASB in relation to that standard which allows a practitioner to apply ethical, independence and quality management standards that are as least as demanding as the IESBA's Code of Ethics and the IAASB's Quality Management suite of standards.

In order to safeguard the public interest and assure consistent, high quality sustainability assurance, we recommend that the assessment of frameworks as meeting the requirement to be "at least as demanding" should be undertaken by regulators and/or the XRB in New Zealand. If practitioners are allowed to self-assess, there is a risk of inconsistent ethical, independence and quality management standards being applied which would be detrimental to the quality of sustainability assurance.

### Question 9

#### **What could be some key pillars for Ethical and Independence standards for sustainability assurance?**

As we support the adoption of ISSA 5000, we believe that ethical and independence standards other than PES 1 should set out the same level of ethical and independence requirements as set out in PES 1 to be "at least as demanding" and ensure that practitioners applying those standards other than PES 1 act in the public interest.

Therefore, at a minimum the standards would need to address key aspects such as:

1. The five fundamental principles of ethics for assurance practitioners as set out in PES1,
2. A conceptual approach to assist practitioners in dealing with ethical matters,
3. The practitioner's responsibilities in relation to Non-Compliance with Laws and Regulations, and
4. Independence requirements for assurance practitioners that cover the same threats and mitigation approaches to independence as PES 1.

### Question 10

#### **What issues could Ethical and Independence standards for sustainability assurance address?**

See our response to Question 9.