Thursday, 1 May 2025

Doug Niven
Chair, Australian Auditing and Assurance Standards Board
Level 20
500 Collins Street
Melbourne 3000

Via website: www.auasb.gov.au/projects/open-for-comment/

Dear Doug

Proposed amendments to ASSA 5000 *General Requirements for Sustainability Assurance Engagements* and ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*

As the representatives of over 310,000 professional accountants globally, Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia welcome the opportunity to provide a submission on the AUASB's Exposure Draft (ED) 01/25 on Proposed amendments to ASSA 5000 *General Requirements for Sustainability Assurance Engagements* and ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* ("the ED"). We make this submission on behalf of our members and in the public interest.

We acknowledge and support the AUASB's intent to align with international developments in sustainability assurance, particularly the issuance of ISSA 5000 *General Requirements for Sustainability Assurance Engagements* by the IAASB. We recognise the challenging legislative timing and context that has led to the AUASB's approach in issuing ASSA 5000 without local consultation, and we appreciate the Board's willingness to revisit and address issues arising. In saying that, we would emphasise going forward the importance of due process and adequate consultation.

The lack of consultation, the retrospective effective date, and reference to the International Ethics Standards for Sustainability Assurance (IESSA) issued by the IESBA ("Part 5 of the IESBA Code") has caused uncertainty, leaving assurance practitioners, preparers and other key stakeholders with inadequate time to appropriately prepare for the operational and ethical implications of ASSA 5000. This is exacerbated by the complexity and breadth of sustainability assurance engagements and the novelty of subject matter and engagement structures that must be covered by the standard.

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While we appreciate that the ED attempts to retrospectively address some of the practical concerns raised by firms, this highlights the importance of robust due process and early, inclusive consultation with stakeholders, especially when adopting international standards with wide-ranging implications, as highlighted in our previous joint submission.

With respect to the proposals in the ED, we have the following key points:

- For sustainability assurance engagements over information in sustainability reports under Chapter 2M of the Corporations Act 2001, we support not changing the operative date of ASSA 5000, being periods beginning on or after 1 January 2025, so that it aligns with the regime's legislative start date. We also support removing the "as at a specific date on or after 1 January 2025" part of the operative date.
- We support deferring the operative date of ASSA 5000 for other sustainability assurance engagements (i.e., sustainability assurance engagements other than those on information in sustainability reports under Chapter 2M of the Corporations Act 2001). However, we recommend aligning the operative date with that of ISSA 5000 – periods beginning on or after 15 December 2026, or as at a specific date on or after 15 December 2026.
- We recommend that all references to Part 5 of the IESBA Code are removed from ASSA 5000. References to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (APES 110) issued by the Accounting Professional & Ethical Standards Board Limited (APESB) suffice and will include the Australian Ethics Standards for Sustainability Assurance (AESSA) ("Part 5 of the APESB Code") when this is properly consulted on and issued by the APESB, which is expected in the coming months.
- If the AUASB proceeds with references to Part 5 of the IESBA Code, we make the following recommendations for further refinements to the proposals in the ED:
    - Remove the "inadvertently contracted" aspect from the non-assurance services transitional provisions.
    - Revise the wording of the illustrative assurance reports.
    - Clarify the effective date of the value chain provisions.

We would welcome the opportunity to discuss these matters further and continue to support the AUASB in developing high-quality assurance standards that serve the public interest and are fit for purpose in the Australian context.

Our responses to the specific questions raised in the ED are included in the **Attachment**. Should you have any questions about the matters raised in this submission, please contact Tiffany Tan (CPA Australia) at tiffany.tan@cpaaustralia.com.au or Amir Ghandar (CA ANZ) at amir.ghandar@charteredaccountantsanz.com.

Yours sincerely

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Attachment

Responses to ED questions

1. **Do you agree that the proposed amendments to introduce new transitional provisions in ASSA 5000 for certain requirements of Part 5 of the IESBA Code are appropriate, taking into account:**

   (a) the AUASB's objective of issuing assurance standards that are consistent with IAASB standards;

   (b) the importance of ethical requirements in Part 5 of the IESBA Code for sustainability assurance engagements; and

   (c) the possible practical implications of adopting Part 5 of the IESBA Code from 1 January 2025.

We do not believe that referencing Part 5 of the IESBA Code in ASSA 5000 is necessary or appropriate, and accordingly nor are the proposed transitional provisions necessary. In our view, references to APES 110 suffice for the short interim period expected prior to the APESB issuing Part 5 of the APESB Code (an exposure draft is currently open for consultation), which is expected in the coming months.

We recommend that all references to Part 5 of the IESBA Code are removed from ASSA 5000. Our rationale is on the basis that:

- It is not appropriate for an Australian assurance standard to refer to an international standard that has not been adopted, or subject to any consultation or due process in Australia.
- Under the Corporations Act 2001, the financial statement auditor must conduct the sustainability assurance engagement, therefore the profession-agnostic feature of Part 5 of the IESBA Code is not relevant – sustainability assurance practitioners are already applying Parts 4A and 4B of APES 110.
- Part 5 of the IESBA Code is modelled on Part 4A of the IESBA Code (equivalent to Part 4A of APES 110).
- Most prohibitions on non-audit services in Part 5 of the IESBA Code already apply to auditors of Public Interest Entity (PIE) financial reports under Part 4A of APES 110 (i.e., the Group 1 sustainability reports relevant to the interim period).
- Provisions relating to value chains, which has a notionally higher requirement in Part 5 of the IESBA Code compared to Part 4B of APES 110, does not come into effect until 2028.
- The remaining difference which might be interpreted as a higher requirement relates to the independence of external experts. Notably, this is addressed in ASSA 5000 which requires the assurance practitioner to inquire as to the objectivity of external experts, with additional application material relating to this aspect. Given the inclusion of Part 5 of the

IESBA Code is only a temporary stop gap until the APESB issues its Part 5 equivalent, this aspect in our view does not justify the complexity, uncertainty and disruption caused by referring to Part 5 of the IESBA Code in ASSA 5000.

- The main concern of firms is the application of Part 5 of the IESBA Code for mandatory assurance for Group 1 entities under the Corporations Act 2001.
- Our proposed approach negates the need for complex transitional provisions.
- Our proposed approach avoids the need for another update to ASSA 5000 once Part 5 of the APESB Code is issued.
- The assurance report resulting from the inclusion of Part 5 of the IESBA Code is overly complex, which could be confusing and ambiguous for users (see also our comments under Question 7).
- It is not appropriate for the AUASB to be setting ethical and independence requirements; this is the remit of the APESB.

If the AUASB proceeds with references to Part 5 of the IESBA Code, then we have the following recommendations for further refinement to the proposals in the ED:

- In relation to the proposed non-assurance services transitional provision, the term "inadvertently" introduces unnecessary ambiguity and subjectivity. It is not clear how a non-assurance services engagement would be "inadvertently" contracted, or how this would be enforced in practice. This gives rise to the risk of differing interpretations, leading to inconsistent application across the market. We recommend that this aspect of the proposals is removed to avoid confusion and unintended consequences, and the language is more closely aligned to the equivalent transitional provision in Part 5 of the IESBA Code.
- Changes to the wording of the illustrative assurance reports (see our response to question 7).
- Clarity on the effective date of the value chain provisions. We note that Part 5 of the IESBA Code sets the effective date for the value chain provisions of 1 July 2028, whereas the APESB's current consultation proposes bringing this forward to 1 July 2027.

2. Do you agree with the proposal to change the start date for applying ASSA 5000 to engagements other than engagements for assurance over information in sustainability reports under Chapter 2M?

While we support deferring the start date for applying ASSA 5000 to engagements other than engagements for assurance over information in sustainability reports under Chapter 2M, we recommend that the start date is aligned with that of ISSA 5000, being periods beginning on or after 15 December 2026, or as at a specific date on or after 15 December 2026. This would support international consistency, provide such sustainability assurance practitioners with more implementation time and avoid the complexity of having excessive different dates. We support continuing to permit earlier application.

3. **In the alternative, are you of the view that the AUASB should not make the amendments referred to in Questions 1 and 2 above?**

Refer to our response to questions 1 and 2.

4. **Are there any other options that should be considered by the AUASB?**

Refer to our response to question 1.

5. **If you agree with amending ASSA 5000, do you agree that the AUASB should amend ASSA 5000 as soon as possible to provide certainty to assurance practitioners and assured entities? In the alternative, should the AUASB wait for the APESB to issue a revised APES 110 before making any amendments to ASSA 5000?**

We agree that the proposed amendments to change the effective date of ASSA 5000, along with our recommendation to remove all references to Part 5 of the IESBA Code, should be made as soon as possible by the AUASB to provide certainty to assurance practitioners.

6. **Do you agree with the proposal to clarify the application of AUASB standards for assurance engagements on information reported to the Clean Energy Regulator?**

Yes, we agree with this proposal.

7. **Do you have any comments on the proposed amendments to the illustrative assurance reports in ASSA 5000, taking into account the requirements of subparagraphs 190(d)(iv) and (v) of that standard?**

As per our response to question 1, we recommend removing all references in ASSA 5000 to Part 5 of the IESBA Code—these references are not necessary and the impact on assurance reports is one example of the unnecessary complexity and potential confusion this approach causes. As currently drafted, the wording *"except that"* in the illustrative assurance reports is confusing and potentially misleading for users of assurance reports. This phrasing may give the impression that the assurance practitioner has breached or failed to comply with the ethical requirements, when in fact they are operating within the permitted scope of ASSA 5000 by making use of the transitional provisions. The complexity and undesirable implications of the wording are indicative of the issues caused by including references to Part 5 of the IESBA Code.

If the AUASB proceeds with references to Part 5 of the IESBA Code, to avoid unnecessary confusion for users of the assurance report, and uphold clarity and transparency, we recommend revising the language in the illustrative assurance reports to avoid the misleading implication of non-compliance, clarifying that auditors are fully compliant with the standard and transitional provisions, rather than presenting them as exceptions.

8. **Are there any matters that the AUASB should be aware of in connection with the proposal to amend ASA 102 to adopt the proposed revised APES 110 for non-**

sustainability assurance engagements with effect from financial reporting periods commencing on or after 1 January 2026?

In our view, ASA 102 should not need to be amended every time a new APES 110 Amending Standard is issued. We recommend the AUASB establishes a way to refer to the version of APES 110 that is applicable at any particular time.

9. **What are the costs and benefits of the proposals, whether quantitative or qualitative and whether financial or non-financial?**

Australia is one of the first jurisdictions globally that has introduced mandatory sustainability reporting with assurance and adopted ISSA 5000. While this positions Australia as a leader in sustainability assurance, it also means that global assurance methodologies for ISSA 5000 are not yet available. As a result, Australian firms are having to develop assurance methodologies to support the implementation of ASSA 5000. This is a significant resource investment, both financial and non-financial, particularly for smaller practices. The proposal in the ED to defer the start date for applying ASSA 5000 to other sustainability assurance engagements would spread this cost over a longer implementation period.

10. **Are there any other significant public interest matters that you wish to raise on the proposals in this exposure draft?**

We appreciate a timely resolution is needed for the issues that the ED is seeking to address but note the short 30-day comment period for the ED, exacerbated by it coinciding with a major holiday period in Australia (Easter holidays, ANZAC Day and school holidays). On this basis, we are concerned that the lack of time allowed for consultation could mean important perspectives and impacts are missed.

We acknowledge the AUASB's efforts to coordinate with the APESB due to the interoperability between ASSA 5000 and the exposure drafts on Part 5 of the APESB Code and use of experts. We recommend that the AUASB continues to work closely with APESB on this area.