

Sustainability Project Issues Register

Topic: Sustainability Assurance and Reporting

Issue no	Issue	Key considerations	Resolution	Change to Standard?
1	Scope of Part 5			
1a	<p>Questions have been raised about whether Part 5 applies to all NGERs assurance engagements.</p> <p>One Taskforce member noted that under the current NGERs legislation, the assurance opinion will remain under ASAE 3000, so they queried which Independence standard applies and will it be possible that two almost identical opinions over the same subject matter e.g., Scope 1 Emissions will be subject to different independence requirements.</p>	<p>The relevant independence provisions will depend on the services that the Firm is providing to the client.</p> <p>The first consideration is whether the client is a Group 1 to 3 entity under ASSA 5010 for which the firm is the external auditor. For these entities the firms will need to apply Part 5 to the sustainability assurance engagement for the Corporations Act engagement. While the greenhouse gas engagement may not fall within the scope of Part 5 (see criteria below) the audit firm is already applying the Part 5 requirements of the Code.</p> <p>To be within the scope of the Independence requirements in Part 5, the engagement needs to meet the criteria in paragraph 5400.3b:</p> <ul style="list-style-type: none"> • reported in accordance with a general purpose framework; and • required in accordance with laws and regulations or publicly disclosed for decision-making by investors or other users <p>The greenhouse gas statements are prepared in accordance with legislation but the question is whether the requirements would be considered a general purpose framework. The NGERs report set out specific metrics that are required to meet the information needs of the government. This may not meet the definition of a general purpose framework as it has been developed for one user (i.e. the Government).</p>	<p>While there is a plan at IESBA to either update part 4B for Sustainability or develop a new Part 5B, in the interim, for engagements that are not within the scope of 5400.3b, assurance practitioners will have to continue to use part 4B (assuming you are not the FS auditor).</p> <p>Unless other issues noted by Taskforce Members, no further action required.</p>	<p>No.</p> <p>An FAQ could be developed to clarify the application of the standard for NGERs engagements.</p>
1b	<p>Would Part 5 apply to assurance provided internally or privately to a company – e.g. an assurance report provided to management or directors – which will be common in the lead up to the first mandatory reporting. Perhaps again this depends on the standard being used.</p>	<p>In terms of application of the Independence requirements in Part 5, you need to consider the scope in paragraph 5400.3b. As the suggested engagement relates to private or internal reports and the reporting is not yet required under laws and regulations then it would not fall within the scope of Part 5. It would fall under Part 4B (unless it was performed by the financial statement auditor when Part 4A would be applicable).</p> <p>This situation may create a self-review threat or other threats to independence if the same firm needs to subsequently be the assurance provider on mandated sustainability reports.</p>	<p>No other issues were noted by Taskforce Members. No further action required.</p>	<p>No.</p> <p>Possible Australian FAQ.</p>

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1c	<p>APESB Technical Staff have adopted the drafting approach in Part 5 of replacing the IESBA term of 'Professional Accountant' with the term 'Member' and retaining the term 'Sustainability Assurance Practitioner' (rather than change this to Member). Consideration needs to be given as to whether this approach is appropriate in the Australian context.</p>	<p>Technical Staff have considered the following matters:</p> <ul style="list-style-type: none"> • When the IESBA drafted Part 5 they did it to be professionally agnostic and have used a unique phrase for the practitioners to the rest of the Code. • The different phrases provide a distinction between the requirements of a financial statement auditor and a sustainability assurance practitioner. <p>In Australia, currently, only the financial statement auditor can provide the opinion on assurance over Corporations Act mandated sustainability information, meaning the different terms may not impact its application.</p> <ul style="list-style-type: none"> • The term 'Sustainability Assurance Practitioner' may be useful as it talks to non-accountants who work at firms but are not members of a professional accounting body. • The term aligns with ASSA 5000 and will assist users in understanding the interaction between the two standards. <p>This matter has been considered by the Taskforce at their meeting held on 17 February 2025 and the Board at their meeting held on 6 March 2025. Both the Taskforce and Board were supportive of retaining the term Sustainability Assurance Practitioner in the proposed Part 5 of the Code.</p> <p>Technical Staff note that one respondent (a professional body) raised a concern about the broader application of the standard, however, other respondents noted the position but did not request any changes. Technical Staff therefore propose to maintain the same drafting position as in the IESBA Code.</p>	No further action required.	No

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2	Consideration of Public Interest Entities for Australian purposes			
2a	Should Entities who are National Greenhouse and Energy Reporting (NGER) Reporters apply Part 5, especially as some of these may not be PIEs under the Code, but they are significant due to their high emissions.	<p>As noted in the considerations for Issue 1a above, NGERs assurance engagements may not all fall within the scope of Part 5.</p> <p>In relation to the determination of PIEs, the Code notes in extant paragraphs 400.13 to 400.15 that entities are PIEs when there is significant public interest in the financial condition of the entity due to the potential impact of their financial well-being on stakeholders.</p> <p>In paragraph 68 of the IESBA Basis for Conclusions on the IESSA, the IESBA states '...there would be a potential for confusion if an entity was determined to be a PIE solely on the basis of its sustainability information when it is not a PIE for the purposes of an audit of its financial statements.' Therefore, the IESBA determined the IESSA would deem an entity to be a PIE if it was determined as such under the provisions of Part 4A.</p>	<p>This matter was considered by the Taskforce Members at their 17 February 2025 Meeting. The Taskforce were supportive of the determination of PIEs as suggested by the IESBA, where an entity would not be regarded as a PIE solely based on sustainability information, unless specified by local regulations. Based on the discussions, no additional PIEs have been identified in the Australian context for Part 5. The identified PIEs remain consistent with the determination under Part 4A.</p> <p>No further action required.</p>	No
3	Use of Internal Auditors			
3a	Will the prohibition on the use of internal auditor's work for financial reporting in Australia would apply to sustainability assurance.	The AUASB has determined that the work of an internal auditor cannot be used by the sustainability assurance practitioners. This ensures consistency across both financial statement audits and sustainability assurance engagements.	<p>Position determined by the AUASB.</p> <p>No further consideration required by the Taskforce.</p>	Yes. Footnotes will be included in Part 5 advising of the prohibition in ASSA 5000 on using the work of an internal auditor.

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4	Value Chain			
4a	Clarity around the value chain requirements and understanding the transitional provisions	<p>The Taskforce Chair provided an update to the Taskforce on value chain at the Taskforce meeting on 17 February 2025. The Taskforce considered the diagram in Appendix 3 of the IESBA's Basis for Conclusions and noted that the independence requirements for Value Chain entities applies to who performs the assurance work at the value chain component.</p> <p>Refer to issue 5 for the consideration of the transitional provisions for value chain components.</p>	No other issues were noted by Taskforce Members. No further action required.	No
4b	If a Value Chain Entity is offshore in a jurisdiction which is not yet mandating the IESSA, how could an Australian auditor request an overseas network firm or non-network firm be independent of the Value Chain Entity?	<p>The IESSA includes transitional relief and guidance on independence for value chain entities before the provisions become effective.</p> <p>APESB Technical Staff are of the view that similar transitional provisions should be included in the proposed AESSA. Refer to issue 5 for the consideration of the effective date for the value chain provisions.</p>	The consideration of transitional provisions have been considered as part of the consideration of the effective date for this standard. No further action proposed.	No
4c	Given the delayed application of the Value Chain Entity rules, what guidance should be used in the interim – would this require independence from the subject matter only?	Note the response to Issue 4b above in relation to the transitional relief and guidance for value chain entities and the need for additional guidance.	The consideration of transitional provisions have been considered as part of the consideration of the effective date for this standard. No further action proposed.	No
4d	A Taskforce member suggested clarity was needed regarding the independence requirements when a SAP is using the work performed for a Value Chain Component when the assurance work was performed by another partner of the same firm.	<p>Technical Staff note that paragraph 5405.2 A3 of the IESSA addresses this situation where you may access VCC information as per the third dot point in the paragraph:</p> <p>"If the group sustainability assurance firm obtains evidence about a value chain component's sustainability information without performing procedures on the underlying data or information maintained by the component, the group sustainability assurance firm is not subject to the independence requirements in this section with respect to that component."</p>	No further action unless further issues noted by the Taskforce.	No

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5	Effective Date and Transitional Provisions			
5a	<p>The IESSA has a range of application dates – it should be clear when this standard applies in Australia – is it for any ASSA 5000 opinion?</p>	<p>In terms of application dates, APESB generally sets a future date to allow members and firms to implement the changes. APESB has never set a retrospective date for an APESB pronouncement.</p> <p>The current date being considered by APESB Technical Staff is 1 January 2026 with early adoption permitted for the AESSA in general and 1 January 2027 for the Value Chain components. Technical Staff are also considering the transitional relief provisions for value chain components and whether this should match the timeframe in the International Standard.</p> <p>The proposed date factors in the commencement date for mandatory reporting and assurance of sustainability information required in laws and regulations, and the effective date of the ASSA 5000 and 5010.</p> <p>APESB Technical Staff are of the view that due to these Australian factors, we can not wait for the effective date specified by the IESBA in their standard.</p> <p>The Taskforce considered this matter at their 17 February 2025 meeting. The Taskforce discussed the mandatory reporting commencement date and the effective date of the ASSAs. The Taskforce agreed with the views of Technical Staff and were of the view that transitional relief is required for value chain components to match the IESBA Standard.</p> <p>The Board also considered this matter at their Board Meeting on 6 March 2025, and approved the issue of the ED with the dates proposed by Technical Staff.</p> <p>Based on feedback received in the submissions and the potential challenges with a different effective date, APESB Technical Staff and the Sustainability Taskforce agreed the proposed effective date for the value chain components should be amended to align with the international date.</p>	No further action unless further issues noted by the Board.	Yes - Technical Staff propose revisions to the effective date of the value chain provisions.
5b	<p>What happens with the transition in Australia, given we are already in the first reporting period for group one companies? (Australian law has group one defined companies large PIEs must report for periods commencing on or after 1 January 2025 so before the global applicability of Part 5) Conceivably advisory and assurance in the same year. It is very conceivable that supply and value chain entities of group one companies may require advisory and assurance in 2025.</p>	<p>Refer to the comments for issue 5a above.</p>	No further action unless further issues noted by the Board.	Yes - Technical Staff propose revisions to the effective date of the value chain provisions.

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5c	A Taskforce member suggested that the Explanatory Memorandum should clarify why the effective date has been chosen, and why the standard is being issued after ASSA 5000 has become effective.	Refer to the comments for issue 5a above in relation to the proposed effective date and transitional provisions. Technical Staff will review the Explanatory Memorandum in the Exposure Draft to ensure the rationale for the proposed effective date is clear and outlines the connection to the ASSAs effective date.	Technical Staff have addressed these comments in the draft ED being presented to the Board. No further action required.	No.
5d	The transitional provisions in the IESSA contain relief for non-assurance engagements that would be prohibited under Part 5, by allowing them to continue for one more reporting period. A Taskforce Member questioned whether this need to communicated with stakeholders to avoid confusion.	Technical Staff will address this in the ED.	Technical Staff have addressed these comments in the draft ED being presented to the Board. No further action required.	No.
6	Long Association			
6a	Taskforce Members noted that clarity on the application of the Long Association provisions, including the 5-year limit rule in Corporations Act 2001, to both audit and sustainability assurance engagements for the same client, is required. This means a partner is not able to rotate off a financial report audit engagement in the 4th year and then perform the sustainability engagement for the same client for an additional 5 years.	APESB Technical Staff will address this matter in the explanatory memorandum to the draft exposure draft and in the covering agenda paper when presented to the Board for their consideration. APESB Technical Staff will subsequently consider whether to update the Staff Guidance publication on long association or to provide further guidance relating to this matter.	No further action unless further issues noted by the Taskforce.	Yes. Footnotes have been included in Part 5 advising of the prohibitions in the <i>Corporations Act 2001</i> relating to audit partner rotation.
7	Engagement with regulators (i.e. APRA & ASIC)			
7a	Technical Staff are to engage with the regulators ASIC and APRA.	Technical Staff will engage with ASIC and APRA during the due process for the exposure draft and will provide an update to the Taskforce and Board in due course.	In progress	Ongoing

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8	Additional Guidance			
8a	Is a FAQ required on voluntary reporting in Australia?	The consideration of whether an Australian specific FAQ is required will be performed post the exposure draft due process.	To be actioned.	No
8b	Taskforce Members asked whether guidance in the form of a flowchart or decision tree could help users determine which different types of engagements, effective dates and parts of the Code may apply.	The consideration of whether additional guidance is required will be performed post the exposure draft due process.	To be actioned.	No
9	Use of An External Expert			
9a	How to determine the Competency, Capabilities and Objectivity (CCO) of an External Expert if a joint venture has been formed between the Experts Company and the accounting Firm.	<p>Technical Staff have raised this scenario with IESBA.</p> <p>The IESBA noted that whether the Joint Venture is subject to Independence requirements under Part 5 or the external experts CCO provisions will depend on the specifics of the arrangement. It was noted that objectivity may be an issue if the joint venture is providing NAS services to a sustainability assurance client and then also assisting the audit firm with the assurance engagement for that client.</p> <p>The outcomes of the discussion have been communicated with the relevant sustainability taskforce member for their review and consideration.</p>	No further action required.	No
9b	A query was raised whether footnotes should be included in the new sections on Use of External Experts noting the Independence requirements in the <i>Corporations Act 2001</i> relating to loans, guarantees and holding Director or Officer positions for audit clients.	<p>Technical Staff have considered the following:</p> <ul style="list-style-type: none"> the definition of engagement team in the Code specifically excludes external experts. the requirements in the Corporations Act apply to the auditor or firm and are aimed at independence. the new Experts section focus on CCO and not on Independence. <p>Therefore, APESB Technical Staff are of the view that the Corporations Act Independence requirements should not be listed as a reference when considering the involvement of an external expert.</p>	The Taskforce considered this at their 17 February 2025 meeting. The Taskforce were supportive of the Technical Staff views. No further action required.	No

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10	Implementation and Education Assistance			
10a	The tight time frame for establishing the standards and informing members on their professional and ethical responsibilities for the new standards.	<p>APESB Technical Staff are cognisant of the tight time frame involved in this project which is primarily due to the enactment of climate legislation in Australia. Refer to issue 5a for APESB Technical Staff considerations on the proposed effective date of the standard.</p> <p>The professional bodies will have an important role in educating and assisting their members with implementation of the new standard.</p> <p>The IESBA has already released some guidance (e.g., factsheets). Further guidance for adoption and implementation of the IESBA is expected to be released during the 2025 year.</p>	To be actioned	No