



Update to APESB

November 2023

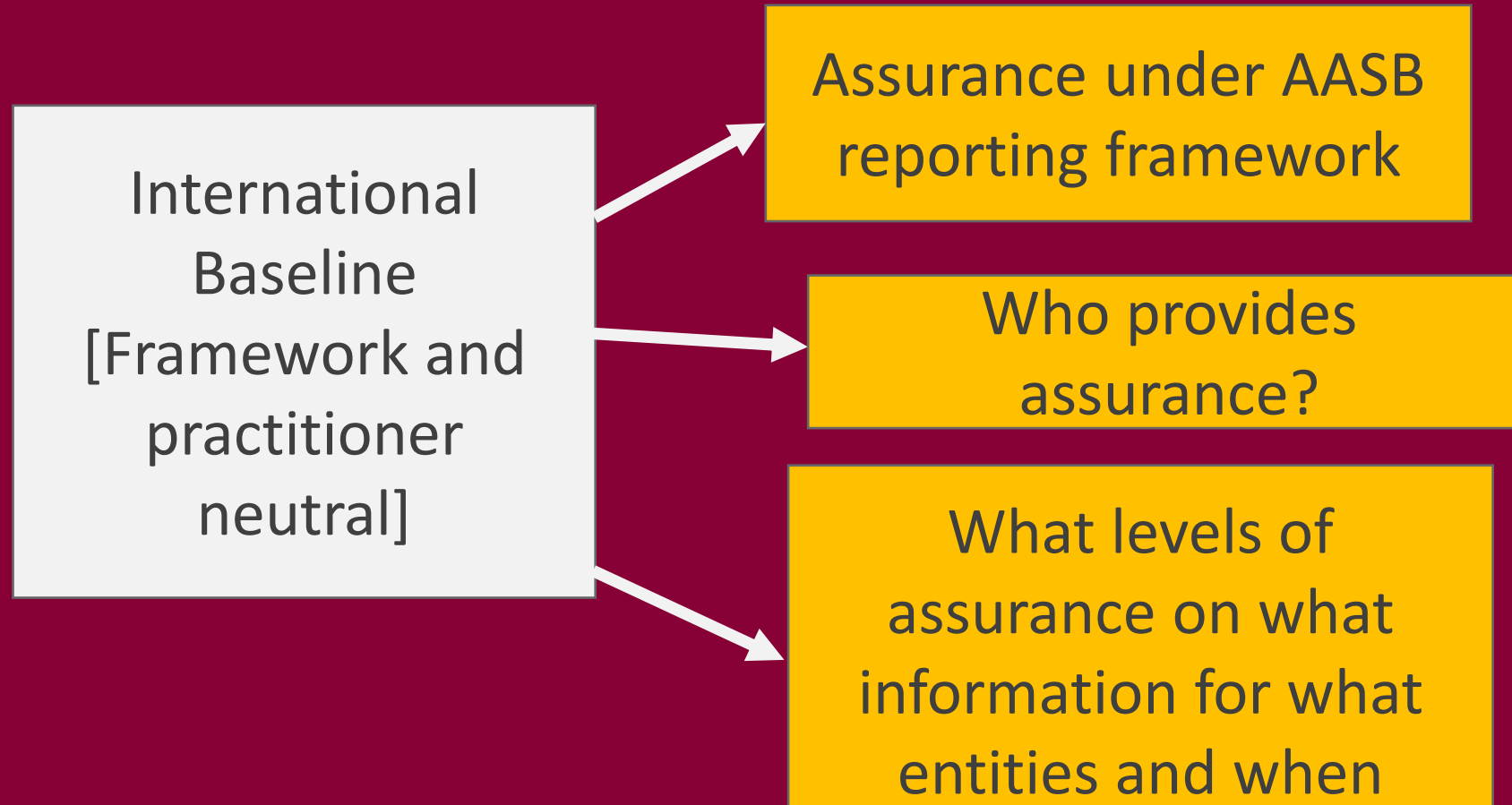


Outline

- Sustainability assurance
- AUASB ability to make standards
- Other areas of common interest



Sustainability assurance framework



ISSA 5000 ED – Quality Management & Code

- ISQM 1/Code or ‘at least as demanding’ requirement
 - Engagement leader obligations
 - Statement that comply in assurance report
 - Who determines ‘at least as demanding’?
 - Are high level principles ‘at least as demanding’?
- Remit of national assurance standard setters
- Disconnect on exposure periods for ISSA 5000 ED and changes to Code of Ethics



Assurance vs ethics

Area	Assurance	Ethics
Increased use of own experts	<ul style="list-style-type: none"> • Competency • Objectivity, interests & relationships • Communication – scope, coordination, gaps/overlaps, etc • Auditor & expert to understand each other’s work • Expert’s methodology • Consistent assumptions • Reviewing work • Transparency 	<ul style="list-style-type: none"> • Competency • Independence and objectivity
Greenwashing, green-hushing, etc	<ul style="list-style-type: none"> • Scope and definition • Material misstatements • Those charged with governance • Opinion 	<ul style="list-style-type: none"> • Scope and definition • NOCLAR • Those charged with governance

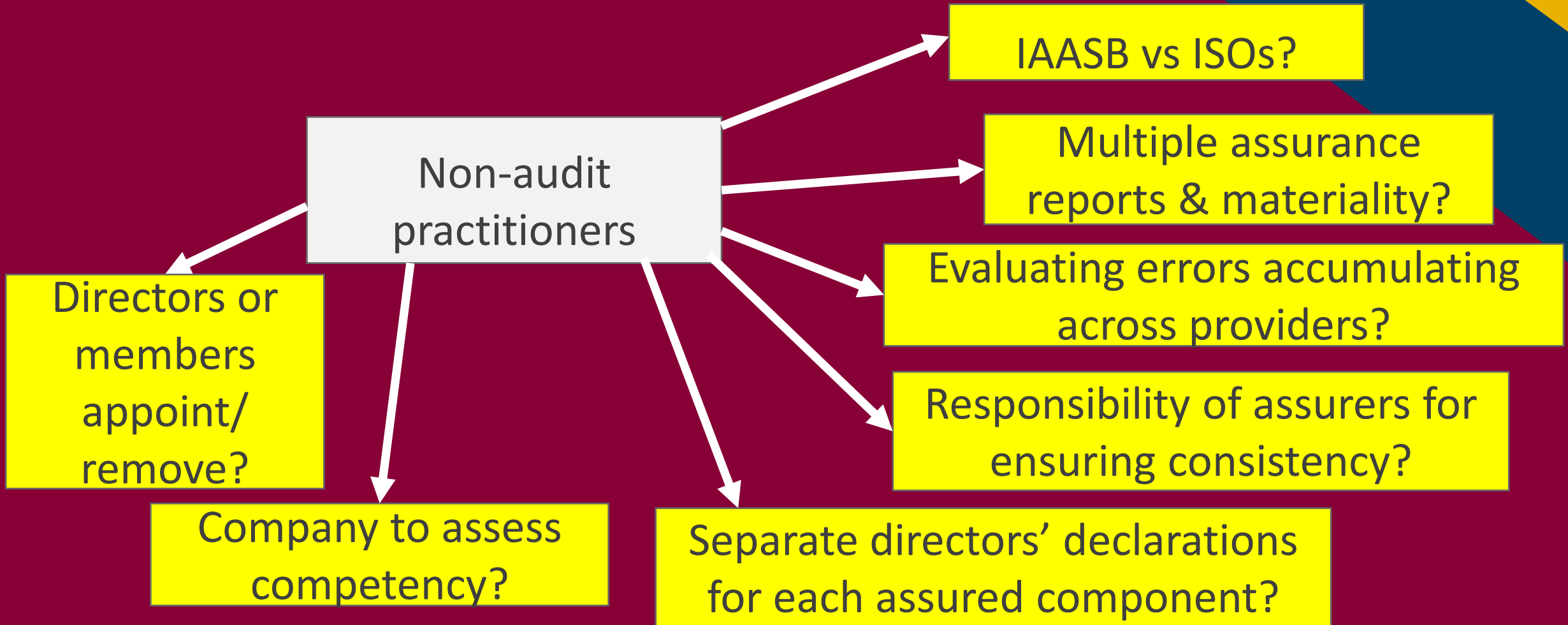


Assurance under AASB framework

- Demand from firms
- Possible areas:
 - Areas of AASB framework – governance, strategy, emissions, other metrics, scenario analysis, transition plans
 - Voluntary reporting, including GRI
 - Use of experts
 - Materiality
- Possible considerations:
 - AASB materiality vs expanded reporting
 - Risk of assurance driving disclosure
 - Other national standard setters
 - Revise if future international standards



Assurance framework – non-audit practitioners



Pros and cons of reporting by non-audit practitioners

Pros	Cons
Expertise and competence. Auditor may not be able to develop sufficient knowledge to understand or challenge work of experts.	Non-auditor may not be able to cover entirety of reporting – e.g. business strategy impacts, scenario analysis, transition plans.
Competition/supply of experts.	If only auditors are appointed, they will need to use their own experts which will support supply.
Experts may have quality management tailored to their specific area of expertise.	Potential lack of a level playing field and consistent quality across providers. Potential inadequacies in quality management, independence, understanding of assurance and evidence requirements, other competencies.
There have been deficiencies in the use of experts by auditors. There have been pressures for auditors not to use their own experts but rely on the company's experts.	Auditors using their own experts should ensure appropriate expertise and quality of work.



Pros and cons of reporting by non-audit practitioners

Pros	Cons
Direct reporting to investors and greater focus on work of experts.	Multiple assurance reports could be confusing and add to length and complexity of reports. Increases with new sustainability areas in future.
Promotes greater focus by assurance providers in specialist areas.	Duplication due to need for multiple assurers to ensure consistent information & assumptions are used. Potential gaps.
Providers may report matters that would not be reported in the context of the overall general purpose report.	Materiality assessments and evaluation of errors accumulating across providers more difficult.
Guidance could be provided to directors and experts to support assurance quality.	Cost of developing regime, educating non-audit providers and ongoing operation when both large and small companies may choose to appoint auditor only. Guidance could be given to directors to support assurance quality and challenge auditors on adequate use of experts.



Assurance levels on what information for which entities and when

- Supporting Treasury
- Data on entities reporting
- Preparedness of entities and assurance providers



AUASB ability to make standards

Current provisions	Auditing Standards	Sustainability and Other Assurance Standards	Firm Quality Management	Ethics
Remit re auditing and assurance standards (ASIC Act s227B(1))	Yes	Yes	No	No
Ability to make auditing standards for Corps Act (Corps Act s336)	Yes	No	No	No
Requirement to comply with auditing standards – lead auditor in the conduct of an audit (Corps Act s307B)	Yes	No	No	No

[Work in progress, including review of application of APES 210]

