

November 30, 2023

Mr. Willie Botha, Technical Director  
International Auditing and Assurance Standards Board  
529 5th Avenue  
New York, New York 10017

**Re: Proposed International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements: Including Proposed Conforming and Consequential Amendments to Other IAASB Standards**

By website: <https://www.iaasb.org/publications/proposed-international-standard-sustainability-assurance-5000-general-requirements-sustainability>

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 19,000 CPAs in public practice, industry, government and education, welcomes the opportunity to respond to the above-captioned exposure draft.

The NYSSCPA's Auditing Standards, International Accounting and Auditing and Sustainability Accounting and Reporting committees deliberated the document and prepared the attached comments. If you would like additional discussion with us, please contact Sustainability Accounting and Reporting Committee Chair Timothy Coville at (516) 650-6028, or Keith Lazarus, NYSSCPA staff, at (212) 719-8378.

Sincerely,

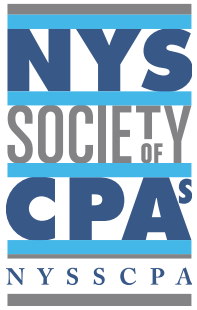
NYSSCPA

A handwritten signature in blue ink, appearing to read "Liren Wei".

NYSSCPA

Liren Wei  
President

Attachment



**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON**

**PROPOSED INTERNATIONAL STANDARD ON SUSTAINABILITY ASSURANCE  
5000, GENERAL REQUIREMENTS FOR SUSTAINABILITY ASSURANCE  
ENGAGEMENTS: INCLUDING PROPOSED CONFORMING AND CONSEQUENTIAL  
AMENDMENTS TO OTHER IAASB STANDARDS**

**November 30, 2023**

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Lisa F. Quint  
James R. White**

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Keith N. Lazarus

## **New York State Society of Certified Public Accountants**

### **Comments on**

#### **Proposed International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements: Including Proposed Conforming and Consequential Amendments to Other IAASB Standards**

The New York State Society of Certified Public Accountants appreciates the opportunity to respond to the International Auditing and Assurance Standards Board's (IAASB) invitation to comment on the above-mentioned Exposure Draft (ED).

#### **Executive Summary**

The ED and its Explanatory Memorandum (EM) for International Standard on Sustainability Assurance (ISSA) 5000 describes a suitable sustainability assurance standard that places professional accountants and non-accountants, e.g., engineers, scientists, and other non-accountant assurance practitioners, on a level playing field in terms of: using the same sustainability assurance standard, similar codes of ethics, and similar quality management standards. It significantly addresses greenwashing - misstatements of sustainability disclosures that are misleading investors and other stakeholders. In totality, we support ISSA 5000. At the same time, we believe ISSA 5000, and the practitioners expected to follow it, would benefit by changes for the following issues:

- Removal of its attempt to add culture and cultural matters as new distinct dimensions of sustainability information. (See response to question 5 below)
- Addition of the characteristic of Measurability to the criteria proposed. (See response to question 10 below)
- A more focused description of materiality and the use of the term material. (See response to question 11 below)
- Other question responses below also provide constructive suggestions.

Further background detailing our reasoning for the above comments and how you might choose to act on them is provided in our responses that follow.

#### **Responses to Questions 1 – 27 from the EM follow:**

##### **Question 1 – Global Baseline Standard for Sustainability Assurance**

Do you agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 to which your detailed comments, if any, relate (use a heading for each relevant item).

**Response:** Yes. ED-5000 sets a global baseline on sustainability assurance that can be adopted by any entity in any jurisdiction to report on the relevant sustainability standards in that jurisdiction. Since it is a principles-based standard, it has the flexibility to be adopted worldwide by any professional accountant or non-accountant.

### **Question 2 – Public Interest Responsiveness**

Do you agree that the proposals in ED-5000 are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal? If not, why not?

**Response:** Yes. We agree that the appendix to the EM maps out how the language in ED-5000 addresses objectives of the public interest. Specifically, the ED addresses the following qualitative standard-setting characteristics:

- Timeliness
- Relevance
- Comprehensiveness
- Implementability
- Enforceability
- Scalability

### **Question 3 – Applicability of ED-5000 and the Relationship with ISAE 3410**

Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?

**Response:** International Standard on Assurance Engagements (ISAE) 3410 pertains to an engagement where the practitioner is expressing an opinion on an entity’s greenhouse gas statement; this standard is over 10 years old and the practice of companies issuing Greenhouse Gas statements is outdated. During the past few years, companies have been complying with the Task Force on Climate-related Financial Disclosures (TCFD) climate disclosures, and in 2024, companies will be complying with the new International Financial Reporting Standards (IFRS) Sustainability Standard on Climate Disclosures (S2), which was issued in June 2023. Therefore, ISAE 3410 is irrelevant and all references to it in this ED should be deleted.

### **Question 4 – Relevant Ethical Requirements and Quality Management Standards**

Is ED-5000 sufficiently clear about the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management? If not, what suggestions do you have for additional application material to make it clearer?

**Response:** No. Although we agree that the concept of “at least as demanding” is not new, we recommend that the IAASB consider similar language that exists currently in ISAE 3000

(Revised). We believe our recommendation will more precisely achieve the IAASB’s objective for consistency with other existing standards and requirements.

**Question 5 – Definitions of Sustainability Information and Sustainability Matters**

Do you support the definitions of sustainability information and sustainability matters in ED-5000? If not, what suggestions do you have to make the definitions clearer?

**Response:** No, the ED should not create new definitions of what constitutes sustainability information and sustainability matters. This standard should instead direct practitioners to use the existing definitions provided by groups such as the International Sustainability Standards Board (ISSB), Global Reporting Initiative (GRI) and the European Union’s Corporate Sustainability Reporting Directive (CSRD). The IAASB has enough of a workload, without adding the challenge of improving on the work already done in this area. We also do not agree with adding a “cultural matters” dimension as culture may be viewed as a subset of social matters. Therefore, the IAASB should remove all mention of cultural matters and culture.

**Question 6 – Definitions of Sustainability Information and Sustainability Matters**

Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?

**Response:** Yes, this aspect of the proposal is clear. This does not reduce the importance of our response to question 5.

**Question 7 - Differentiation of Limited Assurance and Reasonable Assurance**

Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?

**Response:** Yes. ED-5000 clearly differentiates the work effort between limited and reasonable assurance in three ways. First, it clearly defines what is necessary in a reasonable assurance engagement, and then it describes limited assurance relative to reasonable assurance. It describes limited assurance as a reduced work effort relative to a reasonable assurance engagement. Secondly, it describes the additional procedures necessary so to shift from a limited to a reasonable assurance engagement. It shows this very clearly in a columnar format. The third way is that ED-5000 has “signposting” in which the letter “L” is used for limited assurance and “R” is used for reasonable assurance, and they follow each paragraph respectively (EM par. 47).

**Question 8 – Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement**

Is ED-5000 sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement? If not, how could the requirements be made clearer?

**Response:** No. The requirements can be made clearer and more consistent by incorporating the existing current guidance for practitioner’s responsibility from ISAE 3000 (Revised). We believe this change will not only create greater consistency with existing requirements, with which practitioners are already familiar, but it will also help avoid any potential doubt in the application by practitioners.

**Question 9 – Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement**

Does ED-5000 appropriately address the practitioner’s consideration of the entity’s “materiality process” to identify topics and aspects of topics to be reported? If not, what approach do you suggest and why?

**Response:** No. It does not appropriately address the practitioner’s consideration of the entity’s “materiality process” to identify topics and aspects of topics to be reported. Although we agree with the IAASB’s view on avoiding imposing requirements on the practitioner that may be unnecessarily onerous prior to acceptance or continuance of the engagement, we recommend incorporating the existing current guidance for materiality from ISAE 3000 (Revised) to make it clearer and more consistent. We believe this change will not only create consistency with existing requirements, with which practitioners are already familiar, but it will also help avoid any potential doubt or inconsistency in the application of the Standard by practitioners.

We further note that the conditional requirement in paragraph 107L is confusing. We understand that the IAASB’s intent is for practitioners to obtain an understanding of only relevant scope controls when performing limited assurance and recommend that the IAASB revise the wording accordingly to make this clearer.

**Question 10 – Suitability and Availability of Criteria**

Does ED-5000 appropriately address the practitioner’s evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information? If not, what do you propose and why?

**Response:** We believe it would be a meaningful improvement to add the characteristic of “Measurability” to paragraph 72 (c) of ED-5000, (i.e., 72 (c) vi Measurability), to permit consistent measurements, qualitative or quantitative, of subject matter. Beyond that one suggestion, we are satisfied that ED-5000 appropriately addresses the practitioner’s evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information expected to be the subject of the assurance engagement.

**Question 11 – Suitability and Availability of Criteria**

Does ED-5000 appropriately address the notion of “double materiality” in a framework-neutral way, including how this differs from the practitioner’s consideration or determination of materiality? If not, what do you propose and why?



**Response:** We are satisfied with the description of the concept of “double materiality” and how it is relevant to the client’s process for determining materiality, as opposed to the practitioner’s. We still believe the proposal needs to treat the term materiality with more care. The word materiality should be reserved for use only for the items the explanatory memorandum describes as “impact of the underlying subject matter on the entity (which may be referred to as financial materiality).” This would keep the word’s use consistent with both the ISSB’s definition of materiality and the United States Capital Market’s meaning. Practitioners should advise clients that other items reported, because of interest from stakeholders about the client’s impacts on the underlying subject matter, which do not qualify for financial materiality, should be described using a different term than material, i.e., general interest items. We suggest this to avoid confusion by readers of these reports as to why an item labelled as material in a sustainability report was not also reported in the financial statements, where material items are required.

### **Question 12 – Materiality**

Do you agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures? If not, what do you propose and why?

**Response:** Yes, this aspect of the proposal is clear.

### **Question 13 – Understanding the Entity’s System of Internal Control**

Do you agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity’s system of internal control for limited and reasonable assurance engagements? If not, what suggestions do you have for making the differentiation clearer and why?

**Response:** Yes, a requirement of the proposed standard is to obtain an understanding of components of the entity’s system of internal control relevant to sustainability matters and preparation of the sustainability information. The degree of procedures performed beyond understanding design and effectiveness should be subject to practitioner judgment and the specific importance to each entity; limited assurance is based on the absence of material modification, and reasonable assurance is based on the premise of being materially correct. Further, paragraph 102, page 27 of ED-5000 and its paragraph 170(h)(iv), page 47, illustrated detailed, yet succinct, practitioner guidance.

Criticisms of this comment would imply that the guidance is not sufficient, however, with judgment at the forefront of the profession, there are alternative avenues, which are also covered within paragraph A348 on page 129 of ED-5000.

### **Question 14 –Using the Work of Practitioner’s Experts or Other Practitioners**

When the practitioner decides that it is necessary to use the work of a firm other than the practitioner’s firm, is ED-5000 clear about when such firm(s) and the individuals from that firm(s) are members of the engagement team, or are “another practitioner” and not members of the engagement team? If not, what suggestions do you have for making this clearer?

**Response:** No. This concept is not clearly explained, and we recommend that the IAASB update paragraph 42.

**Question 15 – Using the Work of Practitioner’s Experts or Other Practitioners**

Are the requirements in ED-5000 for using the work of a practitioner’s external expert or another practitioner clear and capable of consistent implementation? If not, how could the requirements be made clearer?

**Response:** No, we recommend that the IAASB update paragraph 55 for the use of the work of the reporting entity’s internal audit function and incorporate the required procedures for evaluating the work performed by internal audit.

**Question 16 – Estimates and Forward-Looking Information**

Do you agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information? If not, what do you propose and why?

**Response:** No, the proposal needs to add the equivalent of what is referred to in the United States as “safe harbor” language. “Safe harbor” language utilizes the "safe harbor" provisions provided under the Private Securities Litigation Reform Act of 1995 (PSLRA). Those provisions offer companies, and their assurance practitioners, some protection from private securities litigation if they make forward-looking statements accompanied by meaningful cautionary statements.

By including meaningful cautionary statements that are obvious to the reader with each management forecast or estimate, companies shield themselves, and their assurance practitioner, from potential legal actions or investor claims if the actual results turn out differently from what was predicted. The intent is to provide the reports’ users with a fair warning that the forecasts and or estimates are inherently subject to risks and uncertainties.

**Question 17 – Risk Procedures for a Limited Assurance Engagement**

Do you support the approach in ED-5000 to require the practitioner to design and perform risk procedures in a limited assurance engagement sufficient to identify disclosures where material misstatements are likely to arise, rather than to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement? If not, what approach would you suggest and why?

**Response:** Yes, there is clear differentiation between limited and reasonable assurance engagements. However, the users of such financial statements must be the end-consideration of which the disclosures remain the backbone of the report being presented, and thus, not free from the considerations which are being outlined. The risk assessment should be different without consideration removed for the user of the disclosures at hand.

**Question 18 – Groups and “Consolidated” Sustainability Information**

Recognizing that ED-5000 is an overarching standard, do you agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when “consolidated” sustainability information is presented by the entity? If not, what do you propose and why?

**Response:** No. Although we agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on sustainability information, we do not agree that it can be applied as is for groups, or in other circumstances when “consolidated” sustainability information is presented by the entity. We recommend that the IAASB incorporate the existing current guidance for practitioner’s responsibility from ISA 600 (Revised) to make it clearer and more consistent. We believe this change will not only create consistency with existing requirements, with which practitioners are already familiar, but it will also help avoid any potential doubt or inconsistency in the application by practitioners.

### **Question 19 – Fraud**

Do you agree that ED-5000 appropriately addresses the topic of fraud (including “greenwashing”) by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error? If not, what suggestions do you have for increasing the focus on fraud and why?

**Response:** Yes. ED-5000 has numerous references to fraud throughout. It specifically requires practitioners to study the entity’s internal control system and to maintain professional skepticism. It describes how the practitioner should respond to suspected fraud or greenwashing.

### **Question 20 – Communication with Those Charged with Governance**

Do you support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate? If not, what do you propose and why?

**Response:** Yes. As with all material and important matters, there should be timely and effective communication with management, those charged with governance, and others, so that these issues can be addressed appropriately.

Although the IAASB decided not to prescribe a list of matters, so as not to limit the issues to be considered, the examples in paragraphs A137 to A140 of the exposure draft provide a good template of potential issues to be considered and addressed.

### **Question 21 – Reporting Requirements and the Assurance Report**

Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users? If not, please be specific about any matters that should not be required to be included in the assurance report, or any additional matters that should be included.

**Response:** Yes, the sustainability assurance report should be based on the standards used for other assurance reports, such as those illustrated in ISAE 3000 (Revised).

**Question 22 – Reporting Requirements and the Assurance Report**

Do you agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability assurance engagement, and instead having the IAASB consider addressing this in a future ISSA? If not, what do you propose and why?

**Response:** Yes, we agree with deferring the concept of “key audit matters” (KAM) for sustainability assurance engagements. We suggest that when KAMs are addressed, a distinction is made between publicly traded and privately held reporting entities.

**Question 23 – Reporting Requirements and the Assurance Report**

For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?

**Response:** Yes. Although we agree with the inclusion of the explanation in the Basis for Conclusion section of the assurance report, we recommend that the IAASB consider making the placements consistent with the current requirement for Review Engagements in existing limited assurance reports under both ISRE 2400 and ISRE 2410. We also recommend that the IAASB consider a more prominent placement of these explanations in the assurance report to give them sufficient prominence and, therefore, bring them to the attention of all users.

**Question 24 – Other Matters**

Are there any public sector considerations that need to be addressed in ED-5000?

**Response:** None

**Question 25 – Other Matters**

Are there any other matters you would like to raise in relation to ED-5000?

**Response:** None

**Question 26 – General Comments**

Translations—Recognizing that many respondents may intend to translate the final ISSA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-5000.

**Response:** It is desirable that interoperability with both the United States’ Public Company Accounting Oversight Board (PCAOB) Audit Standards and the American Institute of Certified

Public Accountants' (AICPA) Auditing Standards Board (ASB) be considered and addressed, where possible.

**Question 27 – General Comments**

**Effective Date**—As explained in paragraph 138 of Section 1-I – Other Matters, the IAASB believes that an appropriate effective date for the standard would be for assurance engagements on sustainability information reported for periods beginning or as at a specific date approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISA? If not, what do you propose and why?

**Response:** We are concerned that not enough assurance practitioners have received training in relevant sustainability reporting frameworks and emerging governmental standards to bring sufficient professional competence to these engagements, with just 18 months lead time. Please consider extending this to 24 months and providing information on available training courses and practice aids.