



National Association of State Boards of Accountancy

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November 28, 2023

International Auditing and Assurance Standards Board (IAASB)
529 Fifth Avenue
New York, NY 10017

Via website: www.iaasb.org

Re: Exposure Draft: Proposed International Standard on Sustainability Assurance 5000 – General Requirements for Sustainability Assurance Engagements and Proposed Conforming and Consequential Amendments to Other IAASB Standards

Dear Members and Staff of the IAASB:

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the *Proposed International Standard on Sustainability Assurance 5000 – General Requirements for Sustainability Assurance Engagements and Proposed Conforming and Consequential Amendments to Other IAASB Standards* (the Exposure Draft). NASBA's mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. Our comments on the Exposure Draft are made in consideration of the State Boards' of Accountancy charge as regulators to protect the public interest.

In furtherance of that objective, NASBA supports the IAASB in this initiative. NASBA offers the following comments.

Enforceability

NASBA commends the IAASB's efforts on developing the foundational standards for sustainability assurance engagements and establishing some level of standards with accountability and consistency. It provides a relatable framework for CPAs providing those services. However, since the framework is open to all, including non-CPAs, the concern is enforceability of the International Standard on Sustainability Assurance (ISSA).

The Exposure Draft addresses the fact that the public accounting profession has professional standards, systems of quality management and independence requirements that are in the public interest and an integral part of high-quality assurance engagements. Paragraph 5 of the proposed ISSA states that members of the non-CPA service provider engagement team and the engagement quality reviewer are subject to the International Ethics Standards Board for Accountants'

International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) related to assurance engagements or other requirements that are **at least as demanding** [Emphasis added]. Similarly, the non-CPA service provider is subject to International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, regarding the responsibility for its system of quality management or requirements that are **at least as demanding** [Emphasis added]. This language mirrors the premise outlined in ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

A 2021 joint benchmarking study sponsored by the International Federation of Accountants (IFAC) and the American Institute of Certified Public Accountants (AICPA) titled “The State of Play in Sustainability Assurance” considered a range of subjects including the use of the ISAE 3000 standards by non-CPA service providers. The report indicated that over 50% of the reports by other non-CPA service providers utilized alternative language to reference their use of the ISAE 3000 standards. In other words, less than 50% directly stated that their work was “in accordance with” ISAE 3000. The others utilized language such as “based on”, “commensurate”, “including” and “utilized the same verification principles”. While the motives of those utilizing the alternative language are not fully known it can be assumed that in a number of cases it serves as an admission that they do not or were not otherwise able to meet the “at least as demanding” thresholds related to independence or quality management. That behavior does not appear to meet the spirit or the substance of the requirements of ISSA 5000 and would not be in the public interest.

We recommend the IAASB consider making it a requirement that the IESBA Code and ISQM 1 be followed in order to perform a sustainability assurance engagement under the proposed ISSA. There is risk to the public that practitioners are not adhering to the requirements set forth in the proposed ISSA and then it would be left up to the individual jurisdiction to determine if those other requirements are at least as demanding as the IESBA Code and ISQM 1 in enforcing the proposed ISSA.

In addition, we recommend the IAASB add language to the proposed ISSA that the practitioner cannot refer to the proposed ISSA unless the requirements of the proposed ISSA are followed. It would not be in the public interest for a practitioner to refer to a set of standards and not comply with its specific requirements.

Direct Engagements

Paragraph 9 of the Exposure Draft states:

“The International Framework for Assurance Engagements notes that an assurance engagement may be either an attestation engagement or a direct engagement. This ISSA [International Standard of Sustainability Assurance 5000] deals only with attestation engagements. Therefore, references in this ISSA to “assurance engagement” or “engagement” mean attestation engagement.”

This appears to indicate that sustainability assurance cannot be done as a direct engagement. It is highly likely that there will be a demand for direct engagements for such services.

Footnote 10 on page 192 of the Exposure Draft states:

“This ISAE [3410 Assurance Engagement on Greenhouse Gas Statements] contains requirements and application and other explanatory material specific to reasonable and limited assurance attestation engagements. This ISAE may also be applied to reasonable and limited assurance direct engagements, adapted and supplemented as necessary in the engagement circumstances.”

NASBA suggests that the IAASB consider a similar footnote to Paragraph 9 of the Exposure Draft:

“This ISSA may also be applied to reasonable and limited assurance direct engagements. Adapted and supplemented as necessary in the engagement circumstances.”

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We appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,



Stephanie M. Saunders, CPA
NASBA Chair



Ken L. Bishop
NASBA President and CEO