

2024

Consultation Paper

Proposal to Adopt a Sustainability Assurance Standard in Ireland

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Vision

Public trust and confidence in quality auditing and accounting



Mission

Upholding quality corporate reporting and an accountable profession

Our Values



Excellence

Striving to be the best we can be

Independence

Regulating impartially and objectively

Integrity

Being trustworthy and respectful

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1. Summary

The purpose of this consultation is to obtain stakeholders' views on the appropriate standard for sustainability assurance in Ireland.

The effective date of the standard will be for the assurance of sustainability reporting for financial years starting on or after 1 January 2024, as required by the European Corporate Sustainability Directive (CSRD). As required by the CSRD, the European Commission has indicated that it intends to adopt a European assurance standard by October 2026, at which time that standard will apply in Ireland.

2. Background

The CSRD sets out European Union (EU) wide rules for annual reporting of sustainability matters by large companies, large public interest entities (PIEs) and listed SMEs (excluding micro-entities). The required disclosures must be provided in the management report (in Ireland, the directors' report). The reporting requirements are underpinned by mandatory European Sustainability Reporting Standards (ESRSs). Member States must transpose the CSRD into domestic law by July 2024 and the disclosure requirements will apply to within-scope entities incrementally from 2024 to 2028. The Department of Enterprise, Trade and Employment (the Department) is currently working on the transposition of the CSRD into Irish law.

Sustainability reporting will be subject to assurance which, in Ireland, will be undertaken by statutory auditors that have also been approved to perform sustainability assurance engagements (assurance providers). The CSRD provides that the European Commission shall adopt limited assurance standards that shall apply in all EU member states by 1 October 2026. In the interim, member states may, but are not required to, set their own national assurance standards. The Department intends to provide IAASA with the statutory power to set sustainability assurance standards in Ireland as long as the European Commission has not done so.

2.1 Adoption of an interim sustainability assurance standard in Ireland

In the absence of a mandatory standard in Ireland, assurance providers could voluntarily perform their work in accordance with an assurance standard such as ISSA 5000 or ISAE 3000 to provide confidence to their clients and minimise their engagement risk. However, IAASA considers that it is in the public interest that it adopts a single sustainability assurance standard, to promote consistency in approach by assurance providers, provide clarity to users as to the level of assurance being provided, ensure an adequate standard of assurance work and assist IAASA and the recognised accountancy bodies in their regulatory approaches. .

3. Overview of possible options

IAASA has identified three possible options for a sustainability assurance standard in Ireland. These are: the proposed International Standard on Sustainability Assurance 5000 (ISSA 5000), the extant International Standard on Assurance Engagements 3000 (ISAE 3000) or a local standard. Each of these options is set out in more detail in sections 3.1 to 3.3 below, including a summary of the key benefits and drawbacks of each of the two international standards. For the reasons set out in section 3.3 below, IAASA does not consider the adoption of a local standard to be a practical option.

If IAASA adopts either ISSA 5000 or ISAE 3000, it is IAASA's intention that the standard adopted will be that issued by the International Auditing and Assurance Standards Board (IAASB) with no local additional material.

3.1 ISSA 5000

The IAASB issued an exposure draft of its proposed International Standard on Sustainability Assurance 5000 (ISSA 5000), General Requirements for Sustainability Assurance Engagements, for consultation in August 2023, which is available [here](#). IAASA submitted a response to the consultation, which is available [here](#).

The IAASB plans to approve the final version of ISSA 5000 at its September 2024 meeting. The European Commission has indicated that it is likely to adopt ISSA 5000 for use in the EU with appropriate amendments to reflect the requirements of the CSRD. The Commission has until October 2026 to do this.

The key benefits of adopting ISSA 5000 in Ireland are that it will represent international best practice and is tailored to sustainability assurance, thus assisting assurance providers to undertake high-quality engagements. Additionally, ISSA 5000 is expected to be adopted by the European Commission so there will be consistency and minimal changes to methodology and training should be needed by assurance providers in 2026.

The principal drawback of adopting ISSA 5000 is that it is still under development, with the final version expected to be approved by the IAASB in September 2024. Consequently, there is uncertainty regarding the full requirements and Irish firms will have limited time to finalise their methodology and provide the necessary training for December 2024 sustainability assurance engagements. Such time constraints may lead to inconsistent approaches and cause potential reporting delays. Firms could mitigate some of these challenges by using the IAASB's exposure draft to start preparing their methodology and training materials given the expectation that the broad framework set out in the exposure standard will remain largely unchanged. Moreover, the IAASB intends to issue regular updates on planned changes during the finalisation process. Nonetheless, it is acknowledged that navigating this process may pose significant challenges for firms.

A further drawback associated with adopting ISSA 5000 pertains to potential disparities in application across the EU. Other EU member states may not apply it until adopted by the European Commission or the IAASB's effective date, resulting in divergent approaches.

3.2 ISAE 3000

In December 2013, the IAASB issued International Standard on Assurance Engagements 3000 (ISAE 3000), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, which sets out general requirements for assurance engagements and is available [here](#). The IAASB also issued "Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting Assurance Engagements" in April 2021, which is available [here](#). To date, IAASA has not adopted this standard for use in Ireland.

The main benefit of adopting ISAE 3000 in Ireland is that this is a well-established standard with which stakeholders are familiar. Consequently, firms could start planning and providing training for its implementation and may be able to leverage their existing ISAE 3000 methodologies. It is also expected that a number of other EU countries will either permit or mandate the use of ISAE 3000 for

initial assurance engagements under the CSRD prior to the expected adoption of ISSA 5000 by the European Commission. In addition, adoption of ISAE 3000 would not preclude Irish assurance providers from starting to implement the provisions of the final ISSA 5000, particularly where it provides additional clarity in relation to the work required when performing a sustainability assurance engagement, prior to its anticipated adoption by the EU in 2026.

However, the key drawback is that ISAE 3000 is a general assurance standard and therefore, does not address the specific issues which arise with sustainability assurance, posing challenges for assurance providers in performing such engagements. Consequently, firms' training and methodologies would need to be designed to address sustainability matters which, in addition to the work involved, could result in inconsistencies in approach. It is noted that assurance practitioners could apply the provisions of ISAE 3410, Assurance Engagements on Greenhouse Gas Statements (available in the [IAASB handbook](#)), where relevant. The IAASB's guidance on ISAE 3000, while useful, relates to EER in general rather than being tailored to sustainability assurance engagements.

Further, it would represent a short-term solution only, until such time as the EU adopts a sustainability-specific standard, which is expected to be based on ISSA 5000.

3.3 Local standard or CEAOB guidelines

IAASA does not consider development of its own assurance standard to be an appropriate option. In addition to requiring significant time and resources to develop, such a standard would only apply for a limited time until the European Commission adopts a standard for application EU-wide.

The recital to the CSRD states that the Committee of European Auditing Oversight Bodies (CEAOB) "should be encouraged to adopt non-binding guidelines to set out the procedures to be performed when expressing an assurance opinion on sustainability reporting, pending the adoption by the Commission of an assurance standard". However, it is not yet clear if the CEAOB will issue any guidelines relating to this topic. Further, any CEAOB guidelines will not be mandatory for use by assurance providers, would not be enforceable by IAASA and may not specify the appropriate assurance standard to be applied and referred to in the assurance report.

It should be noted that the adoption of a sustainability assurance standard in Ireland is not expected to preclude assurance providers from referring to guidelines issued by the CEAOB or other appropriate authorities to support their application of the Irish assurance standard should they consider them useful.

4. Ethics and quality management

Assurance providers will be required to have an appropriate system of quality management in place and to comply with appropriate ethical standards.

In this regard, the draft ISSA 5000 released by the IAASB for consultation in 2023 proposes that sustainability assurance providers shall comply with provisions that are at least as demanding as the International Standard for Quality Management (ISQM 1) and the International Ethical Standards Boards For Accountants (IESBA) Code of Ethics. ISAE 3000 contains similar requirements. Copies of these documents are [here](#) available on IAASA's website.

IAASA is proposing that assurance providers will be obliged to comply with ISQM (Ireland) 1 and the relevant provisions of the Ethical Standard for Auditors (Ireland), which has been designed to reflect

the provisions of the IESBA Code and is periodically updated for revisions to the international code. To facilitate this, IAASA will review the provisions in both ISQM (Ireland) 1 and the Ethical Standard for Auditors (Ireland) that reflect the requirements of the EU Statutory Audit Directive (Directive 2006/43/EC, as amended) and Regulation (Regulation 537/2014) and, where necessary, amend them to reflect the CSRD requirements.

This approach will ensure that statutory audits and sustainability assurance engagements in Ireland are subject to the same quality management and ethical requirements, which is in the public interest and consistent with the principles set out in the CSRD. In addition, IAASA expects that ISQM (Ireland) 1 and the Ethical Standard for Auditors (Ireland) will be the applicable quality management and ethical standards for assurance providers in Ireland following the expected adoption of ISSA 5000 by the European Commission.

5. Matters on which IAASA is consulting

Set out below are several matters on which IAASA is seeking views by 5pm on Friday 19 April 2024.

No.	Matter on which views are sought
1.	<p>Do you agree that it is in the public interest that IAASA adopts a sustainability assurance standard (ISSA 5000 or ISAE 3000) to be used in Ireland until a European-wide standard is adopted by the European Commission?</p> <p>If not, please give your reasons and describe any alternatives that you wish IAASA to consider, including the reasons why you consider those approaches are preferable and how they will ensure the public interest is protected in Ireland.</p>
2.	<p>If you agree with IAASA's proposal to adopt a sustainability assurance standard, please state whether you would prefer ISSA 5000 or ISAE 3000.</p> <p>Please give your reasons for that choice, including the particular benefits that you believe apply to your preferred standard.</p>
3.	<p>Are there any additional benefits or drawbacks to the adoption of ISSA 5000 or ISAE 3000 that you wish to highlight to IAASA?</p> <p>If so, please:</p> <ul style="list-style-type: none">Identify the relevant standard (ISSA 5000 or ISAE 3000)Describe the benefits and drawbacks identified
4.	<p>Other than provisions derived from EU law, which IAASA intends to review for applicability (Section 4 refers), are there any provisions in the Ethical Standard for Auditors (Ireland) that, in your view, should not apply to sustainability assurance or would need amendment before they could be applied?</p> <p>If so, please:</p> <ul style="list-style-type: none">Identify the relevant provisionsGive reasons for your viewDescribe how you believe these matters should be addressed by IAASA

6. Making your submission

IAASA invites comments on the proposed sustainability assurance standard. In particular, comments are sought on the matters set out in section 5.

Comments are most helpful if they:

- Respond directly to the question asked
- Provide a clear rationale for your position
- Provide evidence supporting your views
- Describe in detail any alternative options you wish IAASA to consider

Please complete the response Template on MS Forms on this [link](#) or send your response (in both Word and PDF format) to **submissions@iaasa.ie** by **5pm on Friday 19 April 2024**.

IAASA will consider all responses from identifiable individuals and organisations that are received by this deadline. IAASA may publish a feedback statement summarising the content of the responses. Responses may also be published in full or in part and attributed to respondents.



**Irish Auditing & Accounting
Supervisory Authority**

Willow House
Millennium Park
Naas, Co. Kildare
W91 C6KT
Ireland

Phone: +353 (0) 45 983 600
Email: info@iaasa.ie

www.iaasa.ie