



17 November 2024

Mr Doug Niven
Chair
Australian Auditing and Assurance Standards Board
PO Box 204
Collins Street West VICTORIA 8007

Lodged online via: <https://auasb.gov.au/projects/open-for-comment/submit-comment-letter/>

Dear Doug

AUASB Consultation Paper: *Prohibiting Sustainability Assurance Practitioners from Using Direct Assistance by Internal Auditors*

The Institute of Public Accountants (IPA) welcomes the opportunity to provide comments on the above Consultation Paper (CP).

General comment

IPA supports the proposal in the CP of prohibiting assurance practitioners from using direct assistance by internal auditors in a sustainability assurance engagement conducted in accordance with Australian Standards on Sustainability Assurance. The proposal aligns the prohibition of using internal auditors to provide direct assistance in an independent review or audit a financial report, as per ASA 610 *Using the Work of internal Auditors*, with those for sustainability assurance. The proposal therefore ensures consistency of auditor independence, and thereby confidence in the quality of sustainability information.

Specific comment

Our responses to the specific questions in the CP are in Attachment 1.

For any questions relating to this submission, please contact Vicki Stylianou, Group Executive Advocacy and Professional Standards, Institute of Public Accountants at vicki.stylianou@publicaccountants.org.au.

Yours sincerely

Vicki Stylianou
Group Executive, Advocacy & Professional Standards
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Attachment 1 – IPA’s responses to CP specific questions

Question 1. Should assurance practitioners be prohibited from using direct assistance by internal auditors in a sustainability assurance engagement conducted in accordance with the Australian Standards on Sustainability Assurance? If not, why not?

IPA supports the proposal in the CP of prohibiting assurance practitioners from using direct assistance by internal auditors in a sustainability assurance engagement conducted in accordance with Australian Standards on Sustainability Assurance.

The proposal essentially aligns the prohibition of using internal auditors to provide direct assistance in an independent review or audit a financial report, as per ASA 610 *Using the Work of internal Auditors*, with those for sustainability assurance. This approach is necessary for:

- Consistency with auditor independence of the *Corporations Act 2001* and APESB 110 *Code of Ethics for Professional Accountants (including Independence Standards)* and
- Ensuring confidence in the quality of sustainability information that is supported by quality of the independent audit.

We acknowledge that our support would be consistent with similar prohibitions in jurisdictions such as the UK and Germany but not New Zealand, which does not have such a prohibition.

Question 2. Do you think the AUASB should consider the approach in Australian Standards on Sustainability Assurance separately from the approach in ASA 610? If so, why?

IPA does not think the AUASB should consider the approach in Australian Standards on Sustainability Assurance separately from the approach in ASA 610. We are of the view that if the principles and justifications (as outlined in the Basis of Conclusions) in ASA 610 are sound, which we believe they are, then the same principles should, where possible, also be extended to sustainability assurance.

Question 3. Would you like to see the AUASB reconsider the prohibition on the use of internal auditors to provide direct assistance in ASA 610? If so, what are your reasons?

For the reasons stated in Questions 1 and 2, IPA thinks the prohibition in ASA 610 is the correct approach and does not need to be reconsidered. Instead, the prohibition in ASA 610 should be extended to sustainability assurance engagements.

Question 4. Have applicable laws and regulations been appropriately addressed in the proposal?

IPA believes applicable laws and regulations have been appropriately addressed in the proposal.

Question 5. Are there any laws or regulations that may, or do, prevent or impede the application of the proposal, or may conflict with the proposal?

IPA is not aware of any laws or regulations that that may, or do, prevent or impede the application of the proposal, or may conflict with the proposal.

Question 6. Are there any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposal, or may conflict with the proposal?

IPA is not aware of any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposal, or may conflict with the proposal.

Question 7. What, if any, are the additional significant costs to/benefits for auditors and assurance practitioners and the business community arising from compliance with the requirements of this proposal? If significant costs are expected, the AUASB would like to understand:

(i) Where those costs are likely to occur;

(ii) The estimated extent of costs, in percentage terms (relative to audit fees); and

(iii) Whether expected costs outweigh the benefits to the users of sustainability assurance services?

Consistent with our previous submissions relating to sustainability assurance, IPA recognises that audit firms will incur numerous costs, including initial audit methodology development, training and developing audit staff, and ongoing refinement of policies and procedures throughout the assurance phases of limited and reasonable assurance.

We also reiterate that this cost maybe disproportionately higher for the smaller firms, such as those of IPA members, who operate in the small-to-medium enterprise (SME) sectors. This is because, the smaller firms are unlikely to currently be involved in the assurance of climate reports. However, the phase-in approach of sustainability reports and their assurance would provide time for the profession and the standard-setters (the AASB and AUASB) to monitor the implementation of the requirements and modify the requirements so they are proportionate to the complexities of the Group 3 entities. For example, the AASB may simplify the reporting requirements for Group 3 and the AUASB may consider a less onerous review and audit framework.

Question 8. Are there any other significant public interest matters that stakeholders wish to raise?

IPA are not aware of any other significant public interest matters related to the proposals in the Consultation Paper.