

ASSA 5000

(January 2025)

Explanatory Statement

ASSA 5000 General Requirements for Sustainability Assurance Engagements and ASA 2025-2 Amendments to Australian Auditing Standards

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

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www.auasb.gov.au

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Reasons for Issuing ASSA 5000 and ASA 2025-2

The Auditing and Assurance Standards Board (AUASB) issues Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) and ASA 2025-2 *Amendments to Australian Auditing Standards* (ASA 2025-2) pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*. Under section 336 of the *Corporations Act 2001* (the Act), the AUASB may make Standards on Sustainability Assurance for the purposes of the corporations legislation. These Standards on Sustainability Assurance are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council, the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

ASSA 5000 is consistent with ISSA 5000 *General Requirements for Sustainability Assurance Engagements* issued by the International Auditing and Assurance Standards Board (IAASB). ASA 2025-2 is consistent with the IAASB's conforming and consequential amendments to other IAASB standards arising from ISSA 5000.

The AUASB is required by s1707E(2)(c) of the Act to make standard for the audit and review of information in sustainability reports prepared pursuant to Chapter 2M of the Act.

Purpose of ASSA 5000

The purpose of ASSA 5000 is to provide requirements for the audit and review of information in sustainability reports prepared pursuant to Chapter 2M of the Act and for assurance over sustainability information prepared for other purposes. ASA 2025-2 makes consequential and conforming amendments to other AUASB standards arising from ASSA 5000.

Main Features

ASSA 5000 is a new overarching standard for assurance on sustainability reporting that is:

- Responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements;
- Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and
- Implementable by all assurance practitioners.

Operative Date

ASSA 5000 is effective for assurance engagements on sustainability information reported:

- (a) For periods beginning on or after 1 January 2025; or
- (b) As at a specific date on or after 1 January 2025.

Earlier application of this ASSA is permitted, except where ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* is required to be applied.

For assurance engagements on sustainability information in a sustainability report under Chapter 2M of the Act for a financial year commencing from 1 January 2025 to 30 June 2030, ASSA 5000 applies as specified in Australian Sustainability Assurance Standard ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*.

Process of making Australian Auditing Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- use the standards issued by the IAASB as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

Consultation Process prior to issuing the Standard

The AUASB has consulted publicly as part of its due process in developing ASSA 5000, by exposing the IAASB's proposed ISSA 5000, along with an associated Australian Explanatory Memorandum for a 90-day comment period. The AUASB also issued a Consultation Paper seeking public comment on the proposed prohibition of direct assistance provided by internal auditors for sustainability assurance engagements.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of ASSA 5000.

Impact Analysis

A Preliminary Assessment form has been prepared in connection with the preparation of ASSA 5000 and lodged with the Office of Impact Analysis (OIA). The OIA advised that an Impact Analysis is not required. A Policy Impact Analysis that was submitted by the Treasury for the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024* covering the adoption of ISSA 5000 in Australia had already been cleared by the OIA.

Exemption from Sunsetting

Standards promulgated by the AUASB that are legislative instruments are exempt from the sunseting provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemption and Other Matters) Regulation 2015* (Item 18(a)).

The AUASB's Standards incorporate Standards set by the International Auditing and Assurance Standards Board. The AUASB's Standards are exempt from sunseting because a more stringent review process than sunseting applies to the Standards. This review process ensures Australia's Auditing Standards regime remains consistent with international standards. Typically, the AUASB Standards are revised at least once within a ten-year period, with most of the Standards subject to revisions much more frequently than that. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AUASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunseting regime would have very limited practical application to AUASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

Commencement of ASSA 5000 and ASA 2025-2

The instruments were made on 28 January 2025.

ASSA 5000 and is operative for assurance engagements on sustainability information reported for periods beginning on or after 1 January 2025; or as at a specific date on or after 1 January 2025,

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subject to ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*.

The amendments made by ASA 2025-2 are operative as follows:

- (a) Amendments to ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* (Issued March 2021 and amended to April 2022) (ASQM 1) apply from 1 January 2025; and
- (b) Amendments to the following standards apply for periods beginning on or after 1 January 2025:
 - (i) ASQM 2 *Engagement Quality Reviews* (Issued March 2021 and amended to April 2022); and
 - (ii) ASA 720 *The Auditor's Responsibilities Relating to Other Information* (Issued December 2015 and amended to April 2022) (ASA 720).

In practice, most assurance engagements on sustainability information covered by ASSA 5000 and ASQM 2 and ASA 720 will be for twelve month reporting periods and the first engagements will be for 31 December 2025 year ends, and the majority of the assurance work will commence post 28 January 2025. It is unlikely that there will be assurance engagements on sustainability information reported for periods that commenced on 1 January 2025 and ended before 28 January 2025, or that assurance work would be concluded during that period. For those periods, ASSA 5010 has the effect of only requiring limited assurance (not reasonable assurance) over a small number of disclosures in sustainability reports. Further, ASA 720 applies to auditor's reports that are issued after the end of the reporting period.

ASQM 1 refers to quality management processes that can be dealt with after 28 January 2025. The auditor of the financial report reviews information in the sustainability report under the *Corporations Act 2001*. The auditor of the financial report is already subject to ASQM 1. Further, compliance with ASQM 1 is required by the standard that is replaced by ASSA 5000 for assurance on sustainability information.

Therefore, the commencement periods are not expected to disadvantage any person.

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Legislative Instrument: **Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* and ASA 2025-2 *Amendments to Australian Auditing Standards***

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

Background

The Auditing and Assurance Standards Board (AUASB) is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Under section 336 of the *Corporations Act 2001* (the Act), the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Purpose of ASSA 5000 and ASA 2025-2

The purpose of ASSA 5000 is to provide requirements for the audit and review of information in sustainability reports prepared pursuant to Chapter 2M of the Act and for assurance over sustainability information prepared for other purposes. ASA 2025-2 *Amendments to Australian Auditing Standards* makes consequential and conforming amendments to other AUASB Standards arising from ASSA 5000.

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Human Rights Implications

ASSA and ASA 2025-2 are issued by the AUASB in furtherance of the objective of facilitating the Australian economy. The standards do not diminish or limit any of the applicable human rights or freedoms, and thus do not raise any human rights issues.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.