

Brussels, November 30, 2023

International Auditing and Assurance Standards Board

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NEW YORK, NEW YORK 10017

Submitted via ED-5000 Webpage

**Subject: ECIIA views on the IAASB Exposure Draft consultation on ISSA 5000**

Dear IASB Professional Standards Team,

We welcome the draft on International Standard on “Sustainability Assurance Engagements” (ISSA 5000) and thank you for the opportunity to react on the consultation.

The European Confederation of Institutes of Internal Auditing (ECIIA) agrees that standards related to the assurance process on ESG reporting are important, especially in the context of the European Regulations that will be implemented soon (e.g., CSRD, ESRS,..). The proposed ISSA 5000 standard are an important first step focused on sustainability assurance engagements and reporting that eventually leads toward an overhaul of sustainability standards where ESG principles are embedded throughout the organization as part of the business transformation

We believe that ESG reporting must be seen in the broader context of an ESG journey and focus should not just be on the reporting and compliance. An ESG journey includes the business transformation, the set up of an ESG prove strategy, the review of the governance, embedding ESG in the enterprise-wide risk management framework, and the implementation of ESG aspects in the operations and culture of the organisations. We recommend to not just look at data quality, but also at the governance, internal control and risk management of sustainability processes and information. All domains where Internal Audit can play an important role.

ISSA 5000 identifies Internal Audit as an engagement resource whose work may be relied upon by the external assessor, and we appreciate this positive positioning. It is Internal Audit’s role to provide independent and objective reasonable assurance and insight to the board and management, on all aspects of governance, risk management and internal control, and Internal Audit can be an important part of the “assurance chain”.

Many actors are involved in this chain, both internally and externally, so we advocate the coordination role that Internal Audit may play and the need for a strong collaboration to deliver combined assurance to the board.

The professional principle of Internal Audit already provides their independence and professional diligence. Even now already, many internal auditors are involved in auditing the non-financial information in the annual reporting, and sustainability should not be an exception to that. Also even now, many internal auditors report on observations adverse to sustainability goals and/or to the ESG strategy, and – in less advanced situations – drive the initiatives to change (together with risk management).

Internal audit work is performed in conformance with the most current global internal auditing Standards, as promulgated by The IIA, mandatory requirements that not only call for objectivity and independence but request that internal auditors have or obtain the skills they need to properly conduct audits. They use experts when necessary, for the skills needed when not available in the team. The Standards also require that internal auditors share information, coordinate the activities (assurance map concept as an example), and consider relying on the work of other assurance providers to ensure full coverage and avoid duplications.

In this context, we recommend that the section related to the “work of Internal Audit function” includes the need to be in conformance with the Standards. It will guarantee the quality of the Internal Audit work as the Standards also define quality conditions, including the need for an external quality assessment at least every 5 years.

We also recommend being more explicit on the topics to be considered for exchanges with the appropriate parties.

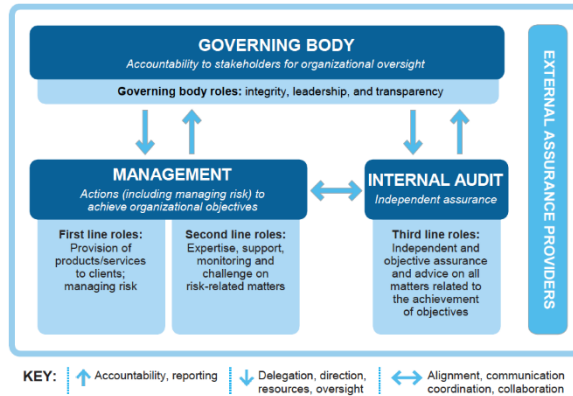
The various Stakeholders (including boards) are looking for trust and confidence in the data published, but even more in the reported ESG strategy, the longer-term goals, the related roadmap, the desired culture change to succeed, and the periodical status reporting. This urges the need for reliable, transparent, complete, correct, timely and comparable reporting, which needs to be the result of a strong governance and internal control system (efficient and effective), as part of integrated enterprise-wide risk management (e.g., COSO model that integrates the sustainability dimension, or ERM model that also includes sustainability issues).

Like all risks an organisation is facing, reliability of reporting follows from risk analysis, risk appetite setting, risk responses, and risk monitoring. An integrated approach is key, and organisations need a strong governance over ESG, with clear roles and responsibilities, and effective coordination to effectively execute the strategy. It is important that the assurance process includes these key elements about the need for a strong governance over ESG. We suggest integrating this dimension in the Standards.

The IIA has published a [Three Lines Model](#) that articulates the core components of effective governance:

- Accountability by a governing body to stakeholders for organisational oversight;
- Actions, including risk management, by management to achieve the objectives of the organisation through risk based approach;
- Assurance and advice by an independent internal audit function to provide clarity and confidence, and to promote and facilitate continuous improvement.

### The IIA's Three Lines Model



Each organisation must adapt the model to its own environment, but it is important to define the accountability of each party involved to ensure the reliability, coherence, and transparency of the information needed for risk-based decision making.

Internal Audit, in this context, can and may play a significant role in an organisation's sustainability journey, as it provides assurance and insight on such important areas of the organisation like the achievement of the organisation's strategic objectives, culture and behavior, reliability and integrity of financial and non-financial information, effectiveness and efficiency of operations and programs, as well as compliance with laws, regulations, policies, and procedures. It can add value in an advisory capacity by helping to identify and establish a sustainability control and risk environment and can provide insight to the governing body and management.

We recommend including this element as well in the description of the work of Internal Audit.

We would like to conclude by thanking IAASB for the inclusion of the role of Internal Audit and we recommend to further extend the role and potential collaboration and coordination with the independent external assurance provider in the ESG assurance process.

We remain at your disposal for any further discussion and thank you in advance for considering our comments.

Sincerely

John Bendermacher

ECIIA President

### *About ECIIA*

The European Confederation of Institutes of Internal Auditing (ECIIA) is the professional representative body of 34 national institutes of internal audit in the wider geographic area of Europe and the Mediterranean basin. We represent 55.000 internal auditors.

The mission of ECIIA is to be the consolidated voice for the profession of internal auditing in Europe by dealing with the European Union, its Parliament and Commission and any other appropriate institutions of influence. The primary objective is to further the development of corporate governance and internal audit through knowledge sharing, key relationships, and regulatory environment oversight.

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