

ISSA (UK) 5000 consultation

A submission by:
The Chartered Institute of Public Finance and Accountancy

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CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org.

Any questions arising from this submission should be directed to:

Amit Verma

Sustainability Policy Manager

The Chartered Institute of Public Finance and Accountancy

77 Mansell Street

London E1 8AN

Tel: +44 20 7543 5600

amit.verma@cipfa.org

1. Introduction

The Chartered Institute of Public Finance and Accountancy (CIPFA) welcomes the opportunity to comment on the proposed International Standard on Sustainability Assurance (ISSA) (UK) 5000 consultation [General Requirements for Sustainability Assurance Engagement](#).

2. Consultation questions

1. Do you agree that the FRC should issue ISSA (UK) 5000 for voluntary use in the UK?

CIPFA agrees in principle that assurance engagements conducted in accordance with ISSA (UK) 5000 will strengthen the credibility of UK sustainability reporting. CIPFA also believes that issuing sustainability assurance standards for voluntary use is the most appropriate approach, as it allows entities to build capability and align with the gradual adoption of sustainability reporting standards, which themselves are not yet universally mandatory.

2. Do you agree with the proposed modification to ISSA 5000? If not, what material would you suggest we include?

Sustainability reporting and sustainability assurance engagements are areas of development, particularly within the UK public sector. While CIPFA understands the Financial Reporting Council (FRC) is keen to see alignment with the audits of financial statements in the UK, there is a risk of unintended consequences from introducing this modification at this early stage. Unlike financial statement audits, which are long established and mandatory, sustainability assurance is only voluntary at this stage. Although both are subject to reasonable assurance, the underlying nature, maturity and regulatory expectations of sustainability and financial audits differ significantly.

We anticipate the nature and scope of sustainability engagements might evolve over time and that during this period assurance providers will need to consider what level of assurance they are able to provide. Against this backdrop, we think that it might be reasonable for any direct use of internal audit to be clearly stated in assurance reports.

CIPFA feels it is vital that both internal and external assurance communities develop their understanding and expertise in providing assurance over sustainability and sustainability reporting matters. During this period of development, there should be opportunities for all assurance providers to co-operate and learn from each other. The successful delivery of sustainability assurance is likely to require multi-disciplinary teams with skills and experiences beyond those of teams used to assuring financial matters. A prohibition on direct assistance could prevent users from obtaining fuller and more useful assurance on sustainability reporting for an entity by using expertise available to both internal and external assurance providers.

We think that the provision of direct assistance, which is allowed in other jurisdictions, should also be considered for the UK. We would therefore encourage the FRC to reconsider this modification, at least for this period of development. As the expertise

and practice develops, there will be opportunities to review whether cooperation is constructive and whether the modification is required to manage risks to audit quality and independence.

3. Do you believe any further adaptations should be made? If you do, please explain them.

CIPFA has no specific comments on this matter at this time and would typically seek any necessary adaptations for the local government context through other mechanisms.

4. Do you agree with the proposed effective date? If not, please explain what date would be appropriate.

CIPFA has no specific comments on this matter.