

Friday 25 July 2025

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Financial Reporting Council

Submitted via email to: [AAT@frc.org.uk](mailto:AAT@frc.org.uk)

Dear Ramana

Chartered Institute of Internal Auditors' Response to the Proposed International Standard on Sustainability Assurance (ISSA) (UK) 5000

The Chartered Institute of Internal Auditors (Chartered IIA) welcomes the opportunity to respond to the Financial Reporting Council's consultation on the proposed International Standard on Sustainability Assurance (ISSA) (UK) 5000.

As you will be aware, the Chartered IIA is the professional body for internal auditors in the UK and Ireland, representing over 10,000 members working across all sectors. We support effective governance, risk management and internal control, and promote the role of internal audit in contributing to these aims. This includes the role internal audit can play in providing high-quality independent sustainability assurance and in other non-financial matters.

ISSA (UK) 5000 is designed to support high-quality, consistent sustainability assurance by third-party/external providers, and we are pleased to see that the FRC is adopting it. While the standard applies specifically to external or third-party sustainability assurance providers, its implementation inevitably intersects with wider sustainability assurance activities, including those of internal audit. It is therefore helpful to clarify the distinct and complementary roles that different assurance providers play in this area. Internal audit provides independent and objective assurance to the board and senior management regarding internal controls and risk management, including support for the identification, management, and mitigation of sustainability-related risks. External/third-party sustainability assurance providers, by contrast, primarily serve the needs of investors by providing independent assurance over the sustainability information disclosed in the annual report and accounts.

The proposed modification to ISSA (UK) 5000 would prohibit external/third-party sustainability assurance providers from using internal audit to provide direct assistance as part of the assurance engagement. We understand the rationale is that the development of ISSA 5000 is predicated on the same standards that apply in an audit of financial statements. The UK modification is to ensure that the standard is consistent with ISA (UK) 610, which governs how external or statutory auditors may make appropriate use of internal audit work without receiving direct assistance. Furthermore, UK company law requires the external auditor and the external audit team to be independent of the audited entity, hence the ban on direct assistance by internal auditors. While ISSA (UK) 5000 does not apply to internal audit, this safeguard must be implemented in a way that does not lead to unintended consequences and unintentionally inhibit constructive engagement and interaction between internal audit and external/third-party sustainability assurance providers.

We are concerned that the wording of this modification could deter external/third-party providers of sustainability assurance from having an open, constructive and cooperative relationship with internal audit, which involves regular communication and sharing of information. Especially, where internal audit has already undertaken relevant work that could inform external/third-party sustainability assurance activities. Such an outcome risks unnecessary duplication of effort, reduced sharing of insights and potentially increased costs. It is therefore essential that the standard supports an

appropriate relationship between internal audit and external/third-party sustainability assurance providers, while maintaining clear boundaries to protect the independence and objectivity of both types of assurance providers.

Internal audit functions are already providing independent assurance over sustainability-related data and controls, including those underpinning climate-related targets, net-zero transition plans and compliance with evolving regulatory obligations. Our research report, *Risk in Focus 2025*,<sup>1</sup> found that one-third of Chief Audit Executives identified climate change, biodiversity and environmental sustainability among their top risks and in turn, their work and focus in this area continues to increase. In this context, it is worth noting that internal audit has many decades of experience in the provision of non-financial assurance as an independent and objective third-line assurance provider.

We are supportive of the FRC's broader direction of travel in adopting these international standards. However, further clarification is needed to ensure the proposed safeguard does not unintentionally deter appropriate engagement and interaction between internal audit and external/third-party sustainability assurance providers. The implementation of ISSA (UK) 5000 must support a well-integrated, joined-up, and coordinated sustainability assurance environment.

As was recommended by Sir Donald Brydon in December 2019, we would further urge the FRC to now undertake an urgent review of ISA (UK) 610 to encourage greater but still appropriate use of internal audit by external auditors. This would support efforts to increase the quality and effectiveness of audit across the board. This may not have been a formal recommendation of Sir Donald's final report, but it now needs to be prioritised as an urgent matter, as has been underscored as a result of this consultation.

We hope our comments are helpful and would be happy to discuss them further.

We are happy for our response to be published.

Yours sincerely,



Gavin Hayes  
Head of Policy and Public Affairs (and member of the FRC Stakeholder Insights Group)

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<sup>1</sup> **Risk in Focus 2025, Chartered IIA**

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

Yes, we support the introduction of ISSA (UK) 5000 on a voluntary basis. The development of a standard for external/third-party sustainability assurance is a positive step in promoting the quality, reliability and comparability of sustainability information, particularly considering new legal reporting requirements. In a UK context, such legal requirements include mandatory climate-related financial disclosures for companies with over 500 employees and a turnover exceeding £500m, which has increased demand for sustainability assurance. Making the standard available on a voluntary basis allows assurance providers and organisations to prepare and adapt in a proportionate and flexible way, depending on their size, complexity, risk profile, and their level of sustainability assurance maturity.

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

The Chartered IIA welcomes the opportunity to respond to this consultation and supports the overall aim of enhancing the quality and consistency of sustainability assurance through the introduction of ISSA (UK) 5000. However, we are concerned that the proposed modification prohibiting direct assistance from internal auditors may replicate the same unintended consequences we have seen with ISA (UK) 610 by inadvertently discouraging an open, constructive and cooperative relationship between internal audit functions and external/third-party sustainability assurance providers.

Our concern is not with the principle of the safeguard itself in terms of protecting the independence of the different types of assurance providers, but with how the current wording may be interpreted in practice in a way that deters meaningful coordination and interaction. Rather than enabling appropriate communication and information sharing between internal audit and external/third-party assurance providers, the modification could discourage such engagement altogether. This risks undermining the quality and effectiveness of sustainability assurance, while potentially leading to unnecessary duplication of effort and costs.

It is therefore important to consider how the wording of the prohibition on direct assistance may affect coordination and the interaction between internal audit and external/third-party sustainability assurance providers. This relationship should be characterised by regular communication and appropriate information sharing, particularly where internal audit has already undertaken relevant work relating to sustainability. This is consistent with Principle H of our Internal Audit Code of Practice,<sup>2</sup> which states: ***“Internal audit has an open, constructive and cooperative relationship with regulators and external audit.”***

We are concerned that, without greater clarification, the safeguard could repeat the unintended consequences already observed with ISA (UK) 610. As Sir Donald Brydon noted in his 2019 report of the Independent Review into the Quality and Effectiveness of Audit<sup>3</sup>:

***“I heard frequently that ISA (UK) 610, which governs how auditors may make appropriate use of internal audit work without receiving direct assistance, is complex to adhere to. As a result, there is very limited use made of internal audit by external auditors. I suggest that the standard be reviewed with a view to encouraging greater but still appropriate use of internal audit by the external auditor.”***

***“Whilst there are limits to the reliance that external auditors may wish to place on the work of internal audit, the***

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<sup>2</sup> Internal Audit Code of Practice, Chartered IIA

<sup>3</sup> Report of the Independent Review into the Quality and Effectiveness of Audit, Sir Donald Brydon, 2019

*external and internal auditors should meet to share all relevant information at the start of setting the audit plan and assessing the environment in which an audit is to take place.”*

We believe the FRC should apply this clear recommendation in the context of ISSA (UK) 5000 and revisit the wording of the safeguard to avoid repeating the same unintended consequences, particularly as sustainability assurance evolves.

Our annual research supports the view that internal audit in real time is already contributing meaningfully to sustainability assurance activities in organisations. In Risk in Focus 2025<sup>4</sup>, around 33% of Chief Audit Executives identified climate change, biodiversity and environmental sustainability as a top risk, and this is forecast to rise to over 50% by 2028. In response, internal audit is increasingly providing assurance over sustainability data, reviewing reporting processes, and supporting management with design assurance prior to external verification.

An example of this can be seen in the financial services sector, where NatWest’s internal audit team supported the organisation’s participation in the Bank of England’s climate-related stress testing in 2021. Internal audit reviewed processes and controls related to data quality, assumptions underpinning models, and the aggregation of results. This example demonstrates internal audit’s practical role in providing independent assurance over complex sustainability and climate-change risks.

We therefore encourage the FRC to clarify that the safeguard does not obstruct open, constructive and cooperative engagement between internal audit and external/third-party assurance providers. To support proportionate and effective implementation of the standard, it would be helpful for the FRC to clarify the boundary between prohibited ‘direct assistance’ and the preparatory or advisory work internal audit may already be undertaking in the area of sustainability assurance. This could include examples of appropriate coordination alongside examples of activities that would not be permissible.

Our proposed wording to the modification, which aligns with our Internal Audit Code of Practice, would be as follows (applicable to page 10 ‘Engagement Team’, paragraph 42 and paragraph A29):

“The use of internal auditors to provide direct assistance is prohibited in an assurance engagement conducted in accordance with ISSA (UK) 5000. For a group assurance engagement this prohibition extends to the work of any component practitioner which is used by the group assurance practitioner. **Although direct assistance is prohibited, the engagement team and engagement leader should nevertheless maintain an open, constructive, and cooperative relationship with internal audit, ensuring appropriate communication and the regular sharing of information.”**

The addition of this sentence would help to address the concerns we have raised. Finally, we urge the FRC to review the UK version of ISA 610, as recommended by Sir Donald Brydon.

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

No. Beyond the clarification suggested above, we do not believe further UK-specific modifications are required. However, we encourage the FRC to ensure the final wording of the modification clearly distinguishes between prohibited “direct assistance” and the broader, constructive engagement that should remain possible between internal audit and external/third-party sustainability assurance providers.

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<sup>4</sup> Risk in Focus 2025, Chartered IIA

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

Yes. We agree with the proposed effective date of periods beginning on or after 15 December 2026. This provides an appropriate lead-in time and reflects the need for firms and assurance providers to become familiar with the standard.