STRUCTURE FOR THE REQUIREMENTS OF PROPOSED INTERNATIONAL STANDARD ON SUSTAINABILITY ASSURANCE™ (ISSA) 5000, GENERAL REQUIREMENTS FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS

Objective of this Document

1. The purpose of the discussion with the IAASB is to solicit input on the overall draft structure of the requirements for Proposed ISSA 5000. The draft structure for the requirements will assist in:

    (a) Organizing the requirements in a logical and structured manner; and

    (b) Managing the project, by bifurcating the requirements into areas, and using the areas as a roadmap to addressing elements of the standard in a structured and coordinated manner.

2. Given the standard has yet to be developed, the structure is a working document and will continue to evolve over the life of the project. In some sections, the sub-headings are at a more specific level than other sections. The sub-headings have been included for illustrative and tracking purposes, and were largely based on existing content in ISAE 3000 (Revised)[1] and ISAE 3410,[2] or have already identified by the Sustainability Assurance Working Group (SAWG) as requiring further elaboration (e.g., because it addresses a priority area). As a result, the sub-headings are incomplete and will need to be elaborated or adjusted as the standard is developed.

3. Within the structure, the SAWG has highlighted the areas most likely impacted by the priority areas (in turquoise), which are as follows:

    (a) The difference in work effort between limited and reasonable assurance, including sufficiency of evidence.

    (b) The suitability of the reporting criteria, including addressing concepts such as double materiality.

    (c) The scope of the assurance engagement.

    (d) Evidence, including the reliability of information and what comprises sufficient appropriate evidence.

    (e) The entity's system of internal control and its impact on the ability of the practitioner to obtain sufficient appropriate evidence, including the reliability of the information to be used as evidence.

    (f) Materiality in the context of the assurance engagement, including materiality in the context of narrative and qualitative information.

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[1] International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

[2] ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

The SAWG's Approach in Developing a Draft Structure for the Requirements for Proposed ISSA 5000

4. The SAWG used the following approach in developing the structure of the requirements for Proposed ISSA 5000:

    (a) The SAWG considered the existing headings used in ISAE 3000 (Revised) and ISAE 3410 and the structure of the headings.

    (b) The SAWG considered the structure of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities. Specifically, the SAWG noted that Proposed ISSA 5000 also will be developed as a stand-alone standard that addresses all the elements of the engagement in a single standard.

    (c) The SAWG considered content elements that would need to be added or emphasized in Proposed ISSA 5000 (e.g., the priority areas for which more specificity will be provided as the development of the standard is progressed).

Matters for IAASB Consideration:

4. The IAASB is asked to share their views on the draft structure of the requirements of Proposed ISSA 5000. In particular, the IAASB is asked to share their views on:

    (a) The SAWG's proposal to follow a similar approach as the ISA for LCEs, by separating the content into Parts; and

    (b) Whether the draft structure and sequence of the requirements of Proposed ISSA 5000 appears logical and follows the flow of the engagement.

Draft Structure of the Requirements for Proposed ISSA 5000

Introduction

Scope

Effective Date

Objectives

Definitions

Requirements

Part 1: Conduct of an Assurance Engagement in Accordance with ISSA

1.1 Complying with this ISSA

1.2 Text of an ISSA

1.3 Complying with Relevant Requirements

1.4 Failure to Achieve an Objective

Part 2: Fundamental Concepts, General Principles and Overarching Requirements

2.1 Relevant Ethical Requirements, Including Those Related to Independence

2.2 Firm-level Quality Management

2.3 Engagement-level Quality Management

    2.3.1 Characteristics of the Engagement Partner

    2.3.2 Responsibilities of the Engagement Partner

2.4 Work Performed by Others

    2.4.1 Work Performed by a Practitioner's Expert

    2.4.2 Work Performed by Another Practitioner

    2.4.3 Work Performed by the Internal Auditor Function

2.5 Professional Skepticism, Professional Judgment, and Assurance Competence

2.6 Fraud

2.7 Law or Regulation

2.8 Communication with Management and Those Charged with Governance

Part 3: Engagement Scope and Other Preconditions for a Sustainability Assurance Engagement

3.1 Engagement Scope and Other Preconditions for the Engagement

    3.1.1 Appropriate Sustainability Subject Matter

    3.1.2 Suitability and Availability of Criteria

    3.1.3 Rational Purpose

3.1.4 The Scope of the Engagement

3.1.5 Other Matters Related to the Preconditions for the Engagement

3.2 Additional Considerations in Assurance Engagement Acceptance and Continuance

3.2.1 The Firm's Policies or Procedures

3.2.2 Limitation on Scope Prior to Acceptance of the Assurance Engagement

3.2.3 Assurance Report Prescribed by Law or Regulation

3.3 Terms of the Assurance Engagement

3.3.1 Agreeing the Terms of the Assurance Engagement

3.3.2 Changing the Terms of the Assurance Engagement

Part 4: Evidence and Documentation

4.1 Designing and Performing Procedures to Obtain Sufficient Appropriate Evidence

4.1.1 Work Performed by the Practitioner on Other Engagements for the Entity

4.2 Information Intended to be Used as Evidence

4.2.1 Information Intended to be Used as Evidence Prepared by the Entity's Expert

4.2.2 Doubts About the Relevance and Reliability of Evidence

4.3 Documentation Requirements

4.4 Assembly of the Final Engagement File

Part 5: Planning

5.1 Planning Activities

5.2 Materiality

5.2.1 Revision as the Assurance Engagement Progresses

Part 6: Risk Identification and Assessment

6.1 Procedures for Identifying and Assessing Risks of Material Misstatement

6.1.1 Understanding the Entity and Its Environment

6.1.2 Understanding the Entity's Internal Control

6.2 Identifying and Assessing Risks of Material Misstatement

6.3 Revision of Risk Assessment in a Reasonable Assurance Engagement

Part 7: Responding to Assessed Risks of Material Misstatement

7.1 Procedures Responsive to the Assessed Risks of Material Misstatement

7.1.1 Test of Controls

7.1.2 Substantive Procedures

7.1.3 Substantive Analytical Procedures

7.1.4 Selection of Items for Testing

7.2   Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement

7.3   Specific Focus Areas

7.3.1 Estimates, Including Forward-looking Information

7.3.2 Procedures Regarding the Entity's Aggregation Process for the Sustainability Information

7.4   Accumulating Identified Misstatements

Part 8: Concluding

8.1   Consideration of Identified Misstatements

8.1.1 Communicating and Correcting Misstatements

8.1.2 Evaluating the Effect of Uncorrected Misstatements

8.2   Evaluating the Description of Applicable Criteria

8.3   Subsequent Events

8.4   Written Representations from Management and Those Charged with Governance

Part 9: Forming a Conclusion and Reporting

9.1   Forming the Assurance Conclusion

9.2   The Assurance Report

9.2.1 Reference to the Practitioner's Expert in the Assurance Report

9.2.2 Assurance Report Prescribed by Law or Regulation

9.2.3 Other Paragraphs in the Assurance Report

9.3   Modifications to the Conclusion

9.4   Other Communication Responsibilities

9.5   Comparative Information

9.6   Other Information