

**Overview of the Approach to Develop the Requirements of Proposed International Standard on Sustainability Assurance™ (ISSA) 5000, General Requirements for Sustainability Assurance Engagements**

**Objective**

1. The purpose of **Agenda Items 4–D and 4–D.1** are to:
  - (a) Explain the Sustainability Assurance Working Group’s (SAWG) approach undertaken thus far in developing requirements for Proposed ISSA 5000 (**Agenda Item 4-D**).
  - (b) Present an outline of the preliminary draft requirements for Parts 1 to 3 of Proposed ISSA 5000, based on ISAE 3000 (Revised)<sup>1</sup> and ISAE 3410<sup>2</sup>, and, as appropriate the International Standards on Auditing (ISAs) (**Agenda Item 4-D.1**).

**The SAWG’s Approach in Developing Requirements for Proposed ISSA 5000**

2. Section F of the Draft Project Proposal (**Agenda Item 4–A**) sets out the actions underlying the approach to developing an overarching standard for assurance on sustainability reporting. The SAWG has actioned some of the items, as explained below.

Action Item from the Draft Project Proposal	What has Been Actioned by the SAWG for the September 2022 Meeting	Future Work to be Done
<p>1. Identify defined terms (i.e., terms and their related definition) in ISAE 3000 (Revised) and ISAE 3410. In doing so, identify similar or related terms in the ISAs and <i>Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements (EER Guidance)</i>. Determine whether the defined terms are appropriate “as is,” or need to be adapted to be more relevant and suitable to</p>	<p><b>Agenda Item 4–C</b></p> <ul style="list-style-type: none"> <li>• Identified defined terms in ISAE 3000 (Revised) and ISAE 3410, including similar and related definitions and terms in the ISAs and EER guidance.</li> <li>• Determined appropriateness of terms or adapted as necessary.</li> </ul>	<ul style="list-style-type: none"> <li>• Identify the need for additional defined terms as the standard is developed, including defined terms associated with requirements from the ISAs, which have been included in Proposed ISSA 5000.</li> </ul>

<sup>1</sup> International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

<sup>2</sup> ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

Action Item from the Draft Project Proposal	What has Been Actioned by the SAWG for the September 2022 Meeting	Future Work to be Done
<p>assurance on sustainability reporting.</p> <p><i>(Note that further defined terms may be necessary as the standard is developed, for example, if new requirements are introduced).</i></p>		
<p>2. Identify relevant requirements and application material in ISAE 3000 (Revised) and ISAE 3410 (this includes identifying whether to use the ISAE 3000 (Revised) requirement, ISAE 3410 requirement or a combination of both).</p> <p>The IAASB will also consider whether basic principles, essential procedures or guidance material in ISAE 3400 is relevant and useful to the new standard.</p>	<p><b>Agenda Item 4–D.1</b></p> <ul style="list-style-type: none"> <li>The SAWG has identified relevant requirements in ISAE 3000 (Revised) and ISAE 3410. However, only Parts 1 to 3 of Proposed ISSA 5000 have been provided to the IAASB for discussion in September 2022 as a basis for soliciting input on the direction and approach.</li> </ul>	<ul style="list-style-type: none"> <li>Further refine the relevant requirements, in response to the IAASB’s feedback.</li> <li>Identify relevant application material in ISAE 3000 (Revised) and ISAE 3410 for inclusion as application material in Proposed ISSA 5000.</li> <li>Identify whether any application material in ISAE 3000 (Revised) and ISAE 3410 should be elevated to requirements.</li> <li>Consider requirements or application material in ISAE 3400<sup>3</sup>.</li> </ul>
<p>3. Develop criteria to use as a basis for identifying which ISAs may be considered in determining whether there are concepts (requirements and application material) that are appropriate for including in the new standard.</p> <p>Use the criteria to identify which ISAs to consider.</p> <p>Review the ISAs identified to consider whether there are concepts (requirements or</p>	<p><b>Agenda Item 4–D and 4–D.1</b></p> <ul style="list-style-type: none"> <li>Developed criteria to use as a basis for identifying which ISAs may be considered in determining whether there are concepts that are appropriate for including in the overarching standard.</li> <li>Analyzed the ISAs to identify which ISAs meet the criteria (see</li> </ul>	<ul style="list-style-type: none"> <li>Further refine the relevant requirements for Parts 1 to 3 of Proposed ISSA 5000, in response to the IAASB’s feedback.</li> <li>For remaining parts of Proposed ISSA 5000, review the identified ISAs to consider whether there are relevant requirements appropriate for the new standard.</li> <li>Review the ISAs identified to consider application material</li> </ul>

<sup>3</sup> ISAE 3400, *The Examination of Prospective Financial Information*

Action Item from the Draft Project Proposal	What has Been Actioned by the SAWG for the September 2022 Meeting	Future Work to be Done
application material) that are relevant and appropriate for including in the new standard.	paragraphs 5–8, and Appendix 1). <ul style="list-style-type: none"> <li>For Parts 1 to 3 of Proposed ISSA 5000, reviewed the identified ISAs to consider whether there are relevant requirements appropriate for the overarching standard (see <b>Agenda Item 4–D.1</b>).</li> </ul>	for inclusion in Proposed ISSA 5000.
4. Review the EER Guidance to identify material that should be included in the standard, either as a requirement or application material.	<b>Agenda Item 4–D.1</b> <ul style="list-style-type: none"> <li>Identified which parts of the EER Guidance relate to which requirements of the proposed new standard (however, the SAWG has not yet considered whether the material includes concepts that should be introduced as requirements or application material).</li> </ul>	<ul style="list-style-type: none"> <li>Review the EER Guidance to identify material that should be included in the overarching standard, either as a requirement or application material.</li> </ul>
5. For priority areas, understand the specific issues, consider whether the material identified through actions 1–4 appropriately address the issue and if not, develop further material for inclusion in the standard.	No action yet.	<ul style="list-style-type: none"> <li>Understand the specific issues, consider whether the material identified through actions 1–4 appropriately address the issue and if not, develop further material for inclusion in the standard.</li> </ul>

3. **Agenda Item 4–D.1** contains:

- (a) The preliminary draft requirements for Parts 1 to 3 of Proposed ISSA 5000, as a result of undertaking the actions indicated above to demonstrate how the approach to drafting is practically applied.
- (b) Questions for the Board’s consideration regarding the approach to developing the requirements in Parts 1 to 3 of Proposed ISSA 5000.

Given these are preliminary draft requirements and represent a work in progress, the Board is asked to focus on the approach undertaken by the SAWG, and directional decisions made by the SAWG, rather than specific details of the drafting itself.

4. Although the SAWG has commenced the actions indicated above on Parts 4 to 9 of Proposed ISSA 5000, these have not been presented in September 2022 since the SAWG is seeking the Board's feedback on the approach and directional decisions. The Board's feedback will assist the SAWG in following a consistent and systematic approach to developing the standard.

### **The Criteria for Identifying which ISAs may be Considered in Determining Whether there are Concepts Appropriate for Proposed ISSA 5000**

5. As explained in paragraph 2, the SAWG has identified relevant requirements in ISAE 3000 (Revised) and ISAE 3410 for Proposed ISSA 5000. In some cases, these requirements may not be sufficiently specific and may require enhancement to support the consistent performance of quality sustainability assurance engagements. Accordingly, the SAWG is proposing considering the ISAs in circumstances when the requirements from ISAE 3000 (Revised) or ISAE 3410 lack specificity, which may provide appropriate concepts (adapted as necessary) for sustainability assurance engagements. Since Proposed ISSA 5000 is intended to be an overarching standard, it would not be appropriate to introduce all concepts from the ISAs. Furthermore, some aspects of the ISAs may not be relevant to sustainability assurance engagements. Therefore, the SAWG believes that a systematic and disciplined approach is needed in considering the ISAs, to ensure Proposed ISSA 5000 remains appropriately balanced as an overarching standard. On this basis, the SAWG is proposing the following approach to considering the ISAs, which would build upon the requirements from ISAE 3000 (Revised) and ISAE 3410 and assist in providing appropriate specificity that promotes consistency and quality:
  - (a) Step 1: Identify which ISAs to consider. This involves:
    - (i) Developing criteria to use as a basis for identifying which ISAs may be considered in determining whether there are concepts that are appropriate for including in the overarching standard; and
    - (ii) Using the criteria to identify which ISAs should be considered.
  - (b) Step 2: Review the ISAs identified from Step 1 to consider whether there are concepts that are relevant and appropriate for including in the overarching standard. In some cases, in reviewing the ISA, it may be determined that there are no concepts that are appropriate (e.g., the concepts may already be appropriately addressed by the requirements from ISAE 3000 (Revised) and ISAE 3410, they may not be relevant to sustainability assurance engagements, or they may be too specific for an overarching standard).
6. In undertaking this exercise, the SAWG is conscious that the ISAs have been developed for reasonable assurance engagements (i.e., an audit of financial statements). Accordingly, in considering whether there are concepts in the ISAs that may be appropriate for including in Proposed ISSA 5000, consideration needs to be given to whether it is appropriate to apply such concepts to limited and reasonable assurance engagements, and if not, whether introducing the concept only for reasonable assurance engagements will result in a standard that is appropriately balanced for both limited and reasonable assurance.
7. In applying Step 1 above, the SAWG has developed the criteria as set out in paragraph 8 and, based on the criteria, identified which ISAs should be further considered as summarized in Appendix 1.
8. The criteria are as follows:

- (a) Addresses one of the priority areas that will be more specifically considered (see paragraph 25 of **Agenda Item 4–A**).

*Priority Areas:*

- The difference in work effort between limited and reasonable assurance, including sufficiency of evidence.
- The suitability of the reporting criteria, including addressing concepts such as double materiality.
- The scope of the assurance engagement.
- Evidence, including the reliability of information and what comprises sufficient appropriate evidence.
- 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.
- Materiality in the context of the assurance engagement, including materiality in the context of narrative and qualitative information.

- (b) Updated since ISAE 3000 (Revised) or ISAE 3410 were finalized.

- (c) Addresses an area at a greater depth of specificity than ISAE 3000 (Revised) or ISAE 3410 that may be appropriate for the overarching standard.

9. The SAWG has also applied Step 2 above for Parts 1 to 3 of Proposed ISSA 5000. **Agenda Item 4–D.1** includes the concepts from the relevant ISAs that the SAWG has proposed including in Proposed ISSA 5000, and the SAWG's considerations in undertaking this exercise.

**Matters for IAASB Consideration:**

6. Does the IAASB support the criteria in paragraph 8 to use as a basis for identifying which ISAs may be considered in determining whether there are concepts that are appropriate for including in Proposed ISSA 5000?
7. Does the IAASB agree with the ISAs identified by the SAWG in applying Step 1 as described in this Agenda Item (see **Appendix 1**)?

*Note, matters for IAASB consideration on the results of applying Step 2 for Parts 1 to 3 of Proposed ISSA 5000 are addressed in **Agenda Item 4-D.1**.*

**Appendix 1**

**Analysis of the ISAs Against the Criteria for Identifying which ISAs may be Considered in Determining Whether There are Concepts that are Appropriate for Including in Proposed ISSA 5000**

International Standard on Auditing	Effective Date	Relevant	A. Priority Area	B. Updated recently	C. Greater specificity than ISAE 3000 (Revised) or ISAE 3410 that may be appropriate for the overarching standard	Conclusion (2 or more criteria are met) <sup>4</sup>
ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing	December 15, 2009	Yes	No	No	No	No further consideration
ISA 210, Agreeing the Terms of Audit Engagements	December 15, 2009	Yes	Yes Scope of engagement, suitability of criteria	No	Yes	Consider

<sup>4</sup> The SAWG judged that generally it would be appropriate to consider the ISAs which meet two or more of the identified criteria, but occasionally SAWG judgement was used to consider an ISA when only one criterion is met (see notes under conclusion in the table). SAWG did not require all three criteria to be met as it may preclude consideration of ISAs relevant to the overarching standard.

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International Standard on Auditing	Effective Date	Relevant	A. Priority Area	B. Updated recently	C. Greater specificity than ISAE 3000 (Revised) or ISAE 3410 that may be appropriate for the overarching standard	Conclusion (2 or more criteria are met) <sup>4</sup>
ISA 220 (Revised), Quality Management for An Audit of Financial Statements	December 15, 2022	Yes	No	Yes	Yes	Consider
ISA 230, Audit Documentation	December 15, 2009	Yes	No	No	Yes	Consider  The SAWG is of the view that this ISA should be considered because documentation is a key public interest issue. Specifically, documentation needs to provide a sufficient and appropriate record of the basis for the practitioner's conclusion, and evidence that the engagement was planned and performed in accordance with professional standards.
ISA 240, The Auditor's Responsibilities Relating to Fraud in	December 15, 2009	Yes	No	No, but currently under revision	Yes	No further consideration.  The topic of fraud may necessitate separate focus as part of future standard-setting work. However,

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International Standard on Auditing	Effective Date	Relevant	A. Priority Area	B. Updated recently	C. Greater specificity than ISAE 3000 (Revised) or ISAE 3410 that may be appropriate for the overarching standard	Conclusion (2 or more criteria are met) <sup>4</sup>
an Audit of Financial Statements						the SAWG will continue to follow the current project and consider any possible impact on the overarching standard.
ISA 250 (Revised), Consideration of Laws and Regulations in an Audit of Financial Statements	December 15, 2017	Yes	No	Yes	Yes	Consider
ISA 260 (Revised), Communication with Those Charged with Governance	December 15, 2016	Yes	No	Yes	Yes	Consider
ISA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	December 15, 2009	Yes	Yes Internal control	No	Yes	Consider

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International Standard on Auditing	Effective Date	Relevant	A. Priority Area	B. Updated recently	C. Greater specificity than ISAE 3000 (Revised) or ISAE 3410 that may be appropriate for the overarching standard	Conclusion (2 or more criteria are met) <sup>4</sup>
ISA 300, Planning an Audit of Financial Statements	December 15, 2009	Yes	No	No	Yes	No further consideration
ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement	December 15, 2021	Yes	No	Yes	Yes	Consider, but cautious regarding level of granularity for an overarching standard
ISA 320, Materiality in Planning and Performing an Audit	December 15, 2009	Yes	Yes Materiality	No	No	Consider  Since this addresses a priority area, the SAWG believes this standard should be considered
ISA 330, The Auditor's Responses to Assessed Risks	December 15, 2009	Yes	No	No	Yes	Consider  Identifying and assessing the risks of material misstatement, and responding to assessed risks, are interrelated and fundamental to the risk-based approach in designing and performing procedures to obtain sufficient

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International Standard on Auditing	Effective Date	Relevant	A. Priority Area	B. Updated recently	C. Greater specificity than ISAE 3000 (Revised) or ISAE 3410 that may be appropriate for the overarching standard	Conclusion (2 or more criteria are met) <sup>4</sup>
						appropriate evidence as a basis for the practitioner’s assurance conclusion. Therefore, the SAWG is of the view that both ISA 315 (Revised 2019) and ISA 330 need to be considered together. In doing so, the SAWG will be cautious regarding the level of granularity in view of an overarching standard.
ISA 402, Audit Considerations Relating to an Entity Using a Service Organization	December 15, 2009	Yes	No	No	No (too specific for an overarching standard)	No further consideration
ISA 450, Evaluation of Misstatements Identified during the Audit	December 15, 2009	Yes	Yes Materiality	No	Yes	Consider
ISA 500, Audit Evidence	December 15, 2009	Yes	Yes Evidence	No, but currently under revision	Yes	Consider (given the Exposure Draft is imminent, consider proposed ED)

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ISA 501, Audit Evidence—Specific Considerations for Selected Items	December 15, 2009	No				
ISA 505, External Confirmations	December 15, 2009	Yes	No	No	No (too specific for an overarching standard)	No further consideration
ISA 510, Initial Audit Engagements—Opening Balances	December 15, 2009	No				
ISA 520, Analytical Procedures	December 15, 2009	Yes	No	No	Yes	No further consideration <sup>5</sup>
ISA 530, Audit Sampling	December 15, 2009	Yes	No	No	Yes	No further consideration <sup>5</sup>

<sup>5</sup> The SAWG recognizes that there are a number of ISAs that were not identified for further consideration based on the criteria applied, but where the topic has proximity to “evidence”. These are ISA 520, ISA 530, ISA 540 (Revised) and ISA 620. As the SAWG is considering ISA 500 (the Proposed Exposure Draft), if the SAWG identifies that the concepts addressing evidence do not sufficiently cover the elements needed for the overarching standard in the context of matters addressed in ISA 520, ISA 530, ISA 540 (Revised) and ISA 620, the SAWG will then consider these ISAs.

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International Standard on Auditing	Effective Date	Relevant	A. Priority Area	B. Updated recently	C. Greater specificity than ISAE 3000 (Revised) or ISAE 3410 that may be appropriate for the overarching standard	Conclusion (2 or more criteria are met) <sup>4</sup>
ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures	December 15, 2019	Yes <sup>6</sup>	No	Yes	No (too specific for an overarching standard)	No further consideration <sup>5</sup> However, consider as part of future standard-setting work, for example, if forward-looking information is specifically addressed in the future.
ISA 550, Related Parties	December 15, 2009	Yes	No	No	No (too specific for an overarching standard)	No further consideration
ISA 560, Subsequent Events	December 15, 2009	Yes	No	No	No (too specific for an overarching standard)	No further consideration
ISA 570 (Revised), Going Concern	December 15, 2016	No				
ISA 580, Written Representations	December 15, 2009	Yes	No	No	Yes	No further consideration

<sup>6</sup> Although ISA 540 (Revised) relates to accounting estimates, the concepts addressing how to audit estimates may be relevant to addressing estimates in sustainability assurance engagements.

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International Standard on Auditing	Effective Date	Relevant	A. Priority Area	B. Updated recently	C. Greater specificity than ISAE 3000 (Revised) or ISAE 3410 that may be appropriate for the overarching standard	Conclusion (2 or more criteria are met) <sup>4</sup>
ISA 600 (Revised), Special Considerations— Audits of Group Financial Statements (Including the Work of Component Auditors)	December 15, 2023	Yes <sup>7</sup>	No	Yes	Yes	Consider, but in the context of broad concepts and applying them to working with other practitioners (i.e., not introducing notion of “group” and “component”)
ISA 610 (Revised 2013), Using the Work of Internal Auditors	December 15, 2014	Yes	No	Yes	No (too specific for an overarching standard)	No further consideration
ISA 620, Using the Work of an Auditor’s Expert	December 15, 2009	Yes	No	No	Yes	No further consideration <sup>5</sup>
ISA 700 (Revised), Forming an Opinion	December 15, 2016	Yes	No	Yes	No	No further consideration

<sup>7</sup> Although ISA 600 (Revised) relates to group audit engagements, the concepts addressed in this standard could be relevant to circumstances when the practitioner relies on the work of other practitioners, including when the sustainability information comprises consolidation of information from across the entity or its value chain.

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International Standard on Auditing	Effective Date	Relevant	A. Priority Area	B. Updated recently	C. Greater specificity than ISAE 3000 (Revised) or ISAE 3410 that may be appropriate for the overarching standard	Conclusion (2 or more criteria are met) <sup>4</sup>
and Reporting on Financial Statements						
ISA 701, Communicating Key Audit Matters in the Independent Auditor’s Report	December 15, 2016	No				
ISA 705 (Revised), Modifications to the Opinion in the Independent Auditor’s Report	December 15, 2016	Yes	No	Yes	No	No further consideration
ISA 706 (Revised), Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report	December 15, 2016	Yes	No	Yes	No	No further consideration
ISA 710, Comparative Information—Corresponding	December 15, 2009	Yes	No	No	Yes	No further consideration

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International Standard on Auditing	Effective Date	Relevant	A. Priority Area	B. Updated recently	C. Greater specificity than ISAE 3000 (Revised) or ISAE 3410 that may be appropriate for the overarching standard	Conclusion (2 or more criteria are met) <sup>4</sup>
Figures and Comparative Financial Statements						
ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information	December 15, 2016	Yes	No	Yes	No (too specific for an overarching standard)	No further consideration
ISA 800 (Revised), Special Considerations— Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks	December 15, 2016	No				
ISA 805 (Revised), Special Considerations— Audits of Single Financial Statements	December 15, 2016	No				

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International Standard on Auditing	Effective Date	Relevant	A. Priority Area	B. Updated recently	C. Greater specificity than ISAE 3000 (Revised) or ISAE 3410 that may be appropriate for the overarching standard	Conclusion (2 or more criteria are met) <sup>4</sup>
and Specific Elements, Accounts or Items of a Financial Statement						
ISA 810 (Revised), Engagements to Report on Summary Financial Statements	December 15, 2016	No				