

Proposed International Standard on Sustainability Assurance (ISSA) 5000™, *General Requirements for Sustainability Assurance Engagements*

Part 6 Risks of Material Misstatement

Please see Agenda Item 7-E for an explanation of the SATF's key considerations in developing Part 6.

Requirements and Application Material

Color coding for requirements and application material		<p>If a requirement or application material only applies to either limited or reasonable assurance:</p> <ul style="list-style-type: none"> • The letter "L" is used in the paragraph number for limited assurance. • The letter "R" is used in the paragraph number for reasonable assurance.
Green	Reasonable and limited assurance	
Blue	Reasonable assurance only	
Orange	Limited assurance only	
Red	Requirements	
Dark Green	Application material	

Please note that the table below has limited assurance on the left, and reasonable assurance on the right. Each requirement is presented first, with related application material following that requirement.

	Par #	Limited Assurance	Par #	Reasonable Assurance
		Part 6: Risks of Material Misstatement		
		<i>6.1 Obtaining an Understanding to Identify Disclosures where Material Misstatements are Likely to Arise (Limited Assurance) or Identify and Assess Risks of Material Misstatement (Reasonable Assurance)</i>		
Req	1L.	<p>The practitioner shall design and perform risk procedures to obtain an understanding of:</p> <p>(a) The underlying subject matter and the sustainability information;</p> <p>(b) The entity and its environment; and</p> <p>(c) The applicable criteria,</p> <p>sufficient to identify disclosures where material misstatements are likely to arise and thereby provide a basis for designing procedures to focus on those disclosures.</p> <p>[ISRE 2400 (Revised)¹ Para. 45 and ISAE 3000 (Revised)² Para. 46L]</p>	1R.	<p>The practitioner shall design and perform risk procedures to obtain an understanding of:</p> <p>(a) The underlying subject matter and the sustainability information;</p> <p>(b) The entity and its environment; and</p> <p>(c) The applicable criteria,</p> <p>sufficient to provide an appropriate basis for:</p> <p>(i) The identification and assessment of risks of material misstatement, whether due to fraud or error, at the assertion level for each disclosure; and</p> <p>(ii) The design of further procedures.</p> <p>[ISA 315 (Revised 2019)³ Para.13 and ISAE 3000 (Revised) Para. 46R]</p>

¹ International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

² ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

³ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

		6.1 Obtaining an Understanding to Identify Disclosures where Material Misstatements are Likely to Arise (Limited Assurance) or Identify and Assess Risks of Material Misstatement (Reasonable Assurance)		
App	A1L.	WHY: Identifying the disclosures where a material misstatement is likely to arise enables the practitioner to focus procedures on those disclosures. The practitioner may design and perform procedures over the entire sustainability information when it consists of only a single disclosure or when obtaining assurance over all disclosures is necessary to obtain meaningful assurance. [ISAE 3000 (Revised) Para. A105]	A1R.	WHY: Understanding the underlying subject matter and the sustainability information, the entity and its environment and the applicable criteria helps the practitioner to identify the susceptibility of the sustainability information to misstatement. For example, as further described in paragraphs A14R and A15R, the aspects of the topics comprising the underlying subject matter and the disclosures may be affected by complexity, judgment, change, uncertainty, or susceptibility to misstatement due to management bias or fraud, thus resulting in a risk of material misstatement, whether due to fraud or error. [ISA 315 (Revised 2019) Para.19 (c) (modified)]
App		Procedures to Obtain an Understanding		
App	A2.	WHAT: The practitioner uses professional judgment to determine the extent of the understanding and the nature, timing and extent of risk procedures that are required to obtain reasonable or limited assurance as appropriate. The depth of understanding that is required by the practitioner is less than that possessed by management in managing the entity. [ISAE 3410 ⁴ Para. A52]		
App	A3L.	WHAT: The depth of the understanding and the nature, timing, and extent of risk procedures sufficient to achieve the objective of that understanding required in a limited assurance engagement are less than those required in a reasonable assurance engagement. [ISAE 3000.A104]		
App	A4.	HOW: The type of risk procedures performed by the practitioner may include the following: (a) Inquiries of management, of appropriate individuals within the internal audit function (if the function exists), and of others within the entity who, in the practitioner's judgment, may have information that is likely to assist in identifying disclosures where material misstatements are likely to arise (limited assurance) or identifying risks of material misstatement (reasonable assurance), whether due to fraud or error; (b) Analytical procedures;		

⁴ ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

		(c) Observation and inspection. [ISA 315 (Revised 2019) Para. 14]	
App	A5.	<p>HOW: Designing and performing risk procedures to obtain evidence in an unbiased manner may involve obtaining evidence from multiple sources including:</p> <p>(a) Interactions with management, those charged with governance, and other key entity personnel, such as internal auditors.</p> <p>(b) Certain external parties such as regulators, whether obtained directly or indirectly.</p> <p>(c) Publicly available information about the entity and its industry, for example, entity-issued press releases, materials for analysts or investor group meetings, analysts' reports, or information about sustainability impact.</p> <p>[ISA 315 (Revised 2019) Para. A15]</p>	
App	A6L.	<p>WHAT: In rare circumstances, in performing risk procedures, the practitioner may not identify any disclosures where a material misstatement of the sustainability information is likely to arise. In these circumstances, the practitioner may consider whether procedures in addition to risk procedures are necessary to obtain a meaningful level of assurance.</p>	<p>A6R.</p> <p>WHAT: Risk procedures by themselves do not provide sufficient appropriate evidence on which to base the assurance conclusion. The practitioner may perform procedures to respond to the risks of material misstatement concurrently with risk procedures when it is efficient to do so. For example, evidence obtained that supports the identification and assessment of risks of material misstatement may also support the evaluation of the operating effectiveness of controls. [ISA 315 (Revised 2019) Para. A19]</p>
App	A7.	<p>WHAT: Risk procedures are part of an iterative and dynamic process. In obtaining an understanding, initial expectations about disclosures where material misstatements are likely to arise (in a limited assurance engagement) or risks of material misstatement (in a reasonable assurance engagement) may be developed, which may be further refined as the practitioner progresses through the engagement process, or if new information is obtained. [ISAE 3410 Para. A53 and ISA 315 (Revised 2019) Para. A19]</p>	
App	A8.	<p>HOW: Information obtained by the practitioner through inquiries of an appropriate party(ies), or others may provide important evidence to support the required understanding; however, inquiry alone ordinarily does not provide sufficient evidence to meet the objective stated in this standard. [ISA 315 (Revised 2019) Para. A22]</p>	
App	A9.	<p>HOW: To obtain the required understanding of the entity and its environment, the practitioner may supplement the initial understanding of the underlying subject matter and the sustainability information, the entity and its environment and the applicable criteria obtained in the</p>	

		<p>engagement acceptance and continuance process. For example, one of the preconditions for accepting the engagement is determining the suitability of the criteria. The practitioner may have already obtained an extensive understanding of the applicable criteria in accepting the engagement and may supplement this understanding for the purpose of performing risk procedures. Information the practitioner may also consider in obtaining an understanding include:</p> <p>(a) When applicable, other engagements performed by the engagement leader for the entity, such as the audit of financial statements or verification of specific matters (e.g., verification of water consumption for a significant operation within the entity).</p> <p>(b) Previous experience with the entity, if such information remains relevant and reliable as evidence for the current engagement.</p> <p>[ISA 315 (Revised 2019) Para. 15-16]</p>
App	A10.	<p>SCALABILITY: The nature and extent of risk procedures will vary based on the nature and circumstances of the entity (e.g., the formality of the entity's policies and procedures, and processes and systems). The practitioner uses professional judgment to determine the nature and extent of the risk procedures to be performed to meet the requirements of this ISSA as appropriate to the level of assurance to be obtained.</p> <p>[ISA 315 (Revised 2019) Para. A16]</p>
Req		<p><i>6.2 Inquiries and Discussion with Appropriate Parties, the Engagement Team and the Practitioner's External Experts</i></p>
Req	2.	<p>The practitioner shall make inquiries of appropriate parties and, when appropriate, others within the entity regarding:</p> <p>(a) Whether they have knowledge of any actual, suspected, or alleged fraud or non-compliance with laws and regulations affecting the sustainability information;</p> <p>(b) Whether the entity has an internal audit function and, if so, make further inquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the sustainability information; and</p> <p>(c) Whether the entity has used any experts in the preparation of the sustainability information.</p> <p>[ISAE 3000 (Revised) Para. 45]</p>
App		<p><i>6.2 Inquiries and Discussion with Appropriate Parties, the Engagement Team and the Practitioner's External Experts</i></p>
App	A11.	<p>WHY: Inquiries of appropriate parties and, when appropriate, others within the entity may offer the practitioner varying perspectives in performing risk procedures. For example:</p> <p>(a) Inquiries directed towards those charged with governance may help the practitioner understand the extent of oversight by those charged with governance over the preparation of the sustainability information.</p>

		<p>(b) Inquiries of management may help the practitioner to evaluate the appropriateness of the selection and application of the applicable criteria.</p> <p>(c) Inquiries directed towards in-house legal counsel may provide information about matters such as litigation, compliance with laws and regulations, knowledge of fraud or suspected fraud affecting the sustainability information.</p> <p>(d) Inquiries directed towards the risk management function (or inquiries of those performing such roles) may provide information about operational and regulatory risks that may affect the sustainability information.</p> <p>(e) Inquiries directed towards IT personnel may provide information about system changes, system or control failures, or other IT-related risks.</p> <p>[ISA 315 (Revised 2019) Para. A23]</p>
App	A12.	If an entity has an internal audit function, inquiries of the appropriate individuals within the function may assist the practitioner in understanding the entity and its environment and the entity's system of internal control, in identifying disclosures where material misstatements are likely to arise (limited assurance) or identifying and assessing risks of material misstatement (reasonable assurance). [ISA 315 (Revised 2019) Para. A25]
Req	3.	The engagement leader and other key members of the engagement team, and any key practitioner's external experts, shall discuss the susceptibility of the disclosures to material misstatement whether due to fraud or error, and the application of the applicable criteria to the entity's facts and circumstances. The engagement leader shall determine which matters are to be communicated to members of the engagement team, and to any practitioner's external experts not involved in the discussion. [ISAE 3410 Para. 29]
App	A13.	WHY: Discussions between the engagement leader and other key members of the engagement team, and any key practitioner's external experts may assist the engagement team in planning and performing the engagement. It is also useful to communicate relevant matters to members of the engagement team, and to any practitioner's external experts not involved in the discussion. [ISAE 3000 (Revised) Para. A101]
Req		<i>6.3 Understanding the Underlying Subject Matter and the Sustainability Information</i>
Req	4.	<p>In obtaining an understanding of the underlying subject matter and the sustainability information, the practitioner shall obtain an understanding of:</p> <p>(a) The topics;</p> <p>(b) The aspects of the topics;</p>

		<p>(c) The disclosures;</p> <p>(d) The characteristics of the disclosures; and</p> <p>(e) The extent to which the aspects of the topics or the disclosures are affected by complexity, judgment, change, uncertainty, or susceptibility to misstatement due to management bias or fraud.</p>	
App		<p><i>6.3 Understanding the Underlying Subject Matter and the Sustainability Information</i></p>	
App	A14L.	<p>WHY: Understanding the underlying subject matter and the sustainability information assists the practitioner in identifying disclosures where material misstatements are likely to arise and enables the practitioner to focus procedures on those disclosures.</p>	<p>A14R.</p> <p>WHY: The conditions, events, circumstances, actions, or inactions that could give rise to risks of material misstatement may be different for different topics, aspects of the topics or disclosures. For example:</p> <p>(a) The risks of material misstatement related to climate-related information may be different from the risks of material misstatement for labor-related information.</p> <p>(b) The risks of material misstatement in historical quantitative information may be different from the risks of material misstatement in forward-looking qualitative information.</p>
App			<p>A15R.</p> <p>EXAMPLE: Because of the nature of the underlying subject matter described in paragraph A1R, it may be complex to measure or evaluate or subject to uncertainties. For example, potential climate-related risks, the likelihood of their occurrence, and their expected short, medium, and long-term impacts on an entity and its supply chain may be both complex to measure and evaluate and subject to a high degree of uncertainty. As a result of the inherent uncertainties, the risk of material misstatement of the sustainability information may be higher, or it may be difficult to identify and assess the risks of material misstatement of the sustainability information. [EER⁵ Para. 51, 363, 365 (modified)]</p>

⁵ The Non-Authoritative guidance on Sustainability and Other Extended External Reporting Assurance Engagements (EER Guidance, or “EER”)

Req		6.3.1 Understanding the Entity and Its Environment
Req	5	<p>In obtaining an understanding of entity and its environment, the practitioner shall obtain an understanding of:</p> <ul style="list-style-type: none"> (a) The nature of the entity's operations, the entity's legal and organizational structure, ownership and governance, and business model; (b) The reporting boundary and activities within the reporting boundary; (c) Relevant industry, regulatory, and other external factors related to the entity and activities within the reporting boundary; and (d) Goals, targets, or strategic objectives related to the sustainability information and measures used to assess the entity's performance against these matters.
App		6.3.1 Understanding the Entity and Its Environment
App	A16.	<p>WHAT: The practitioner uses professional judgment to determine the characteristics of the entity and its environment that are relevant to the sustainability information and therefore are necessary to understand. The practitioner's primary consideration is whether the understanding that has been obtained is sufficient to meet the objective of the risk procedures. The practitioner may be required to understand fewer attributes of the entity and its environment in the case when the scope of the assurance engagement is limited to certain sustainability information (e.g., discrete metrics). On the other hand, an understanding across a broader range of the attributes of the entity and its environment may be necessary if the scope of the assurance engagement addresses multiple topics or aspects of the topics.</p>
App	A17.	<p>WHAT: The practitioner's understanding of the entity and its environment may include an understanding of the following</p> <ul style="list-style-type: none"> (c) The nature of the entity, and its business risks, including: <ul style="list-style-type: none"> (i) The nature of the operations included in the reporting boundary, including: <ul style="list-style-type: none"> a. Whether the activities or operations within the reporting boundary are internal or external to the entity; b. The contribution of each activity or operation to the sustainability information disclosed, including entities or operations within the value chain, if material to the sustainability information; and c. The uncertainties associated with the quantities reported in the sustainability information. (ii) Changes from the prior period in the nature of the entity, its business risks, or the reporting boundary, including whether there have been any mergers, acquisitions, sales, or outsourcing of functions. (iii) The frequency and nature of interruptions to operations.

		<p>(d) The entity's governance and oversight, strategy, goals, and targets with respect to topics, and changes from the prior period (e.g., new commitments to goals and targets).</p> <p>(e) The maturity of the systems, processes and controls over sustainability information and the extent to which they integrate the use of IT.</p> <p>(f) The measures used, internally and externally, to assess the entity's performance with respect to topics and aspects of topics.</p> <p>[ISA 315 (Revised 2019) Para.19 (a) and (b) and ISAE 3410 Para 23]</p>
App	A18.	<p>WHAT: Understanding the reporting boundary may require the analysis of complex organizational structures (e.g., joint ventures, partnerships, and trusts), complex or unusual contractual relationships and activities within the entity's value chain. For example, a facility may be owned by one party, operated by another, and process materials solely for another party.</p>
App	A19.	<p>WHAT: The entity's organizational boundary is different from the reporting boundary. The organizational boundary relates to operations owned or controlled by the entity. The reporting boundary relates to the activities, operations, relationships, or resources covered by the sustainability information.</p>
Req		6.3.2 Understanding the Applicable Criteria
Req	6	<p>In obtaining an understanding of the applicable criteria, the practitioner shall obtain an understanding of:</p> <p>(a) The entity's process for identifying the applicable criteria, evaluating the suitability of the applicable criteria, and determining how the applicable criteria will be applied to the underlying subject matter;</p> <p>(b) The entity's reason for using the applicable criteria; and</p> <p>(c) Reasons for changes to the applicable criteria from previous periods, if applicable.</p>
App		6.3.2 Understanding the Applicable Criteria
App	A20.	<p>WHY: Understanding the applicable criteria assists the practitioner to identify the susceptibility of the disclosures to misstatement. For example, the practitioner may:</p> <p>(a) Identify elements of the applicable criteria that may be more susceptible to incorrect interpretation and application by the entity in preparing the sustainability information.</p> <p>(b) Identify where the entity has the ability to exercise judgment in applying the applicable criteria, and therefore may give rise to risks of material misstatement due to inappropriate judgments in the circumstances of the entity.</p>

		<p>(c) Identify aspects of the applicable criteria that may be more susceptible to manipulation, for example, when the entity is permitted to prepare the information on a comply or explain basis, provided the entity has a reasonable basis for doing so.</p> <p>(a) Determine that the entity's process for identifying and evaluating the applicable criteria, and determining how they will be applied is lacking, which may give rise to a heightened risk that the applicable criteria are not appropriately applied by the entity.</p>
App	A21.	<p>HOW: The understanding of the applicable criteria may include:</p> <p>(a) The source of the applicable criteria and whether it is a framework criteria or entity-developed criteria.</p> <p>(b) The uncertainties and complexities associated with identifying the framework criteria, and the entity-developed criteria used to interpret the framework.</p> <p>(c) The criteria for identifying the relevant topics and aspects of the topics to be presented and disclosed in the sustainability information.</p> <p>(d) The criteria for identifying the reporting boundary, and whether this differs for each disclosure.</p> <p>(e) How the entity develops its own criteria, including criteria used to interpret the framework criteria (e.g., the selection and application of quantification methods and reporting policies), and controls over the entity's process.</p> <p>[ISA 315 (Revised 2019) Para. 19 (a) and (b) and ISAE 3410 Para. 23]</p>
App	A22.	<p>HOW: The practitioner may supplement the preliminary understanding of the applicable criteria that the practitioner obtained during the process of engagement acceptance and continuance and planning the engagement.</p>
Req	7	<p>The practitioner shall evaluate whether the applicable criteria, including the criteria for:</p> <p>(a) Identifying the topics and aspects of the topics;</p> <p>(b) The reporting boundary; and</p> <p>(c) Interpreting framework criteria (i.e., the entity's policies for measuring or evaluating the underlying subject matter in accordance with the framework criteria, including quantification methods and reporting policies),</p> <p>are appropriate for the circumstances of the entity and are consistent with the applicable framework criteria and the criteria used in the relevant industry and in prior periods. [ISA 315 (Revised 2019) Para. 20 and ISAE 3410 Para. 30]</p>
App	A23.	<p>WHY: Framework criteria on their own may be incomplete or subject to interpretation in application. Therefore, the entity may supplement the framework criteria so that the applicable criteria are suitable. The process of developing the applicable criteria and applying it to the underlying subject matter may be complex, require judgment, and may be susceptible to bias. The evaluation required in paragraph 7 may</p>

		result in the practitioner identifying disclosures where there is an increased susceptibility to misstatement or cause the practitioner to re-evaluate the suitability of the applicable criteria.	
Req		6.3.3 Understanding the Entity's Internal Control	
Req	8L.	<p>The practitioner shall obtain an understanding of the following components of the entity's internal control relevant to the preparation of the sustainability information through inquiries about:</p> <ul style="list-style-type: none"> (a) The control environment; (b) The information system, which includes communication; and (c) The results of the entity's risk assessment process. <p>[ISAE 3410 Para. 25L]</p>	<p>8R.</p> <p>The practitioner shall obtain an understanding of the following components of internal control relevant to the preparation of the sustainability information:</p> <ul style="list-style-type: none"> (a) The control environment; (b) The information system, which includes communication; (c) The entity's risk assessment process; (d) Control activities that the practitioner judges it necessary to understand in order to assess the risks of material misstatement at the assertion level and design further procedures responsive to assessed risks. An assurance engagement does not require an understanding of all the control activities related to each disclosure or to every assertion relevant to them; and (e) The entity's process to monitor the system of internal control. <p>[ISAE 3000 (Revised) Para. 47R conceptually and ISAE 3410 Para. 25R Modified]</p>
App		6.3.3 Understanding the Entity's Internal Control	
App	A24.	<p>WHY: Understanding internal control relevant to the preparation of the sustainability information assists the practitioner in identifying the types of misstatements that may occur and factors that affect disclosures where material misstatements are likely to arise (limited assurance) or risks of material misstatement in the disclosures (reasonable assurance).</p>	
App	A25.	<p>WHY: The practitioner's understanding of relevant components of internal control may raise doubts about the practitioner's ability to obtain sufficient appropriate evidence on which to base the assurance conclusion or may indicate a need to withdraw from the engagement when withdrawal is possible under applicable law or regulation. For example:</p>	

		<p>(a) Concerns about the integrity of those preparing the sustainability information may be so serious as to cause the practitioner to conclude that the risk of management misrepresentation in the sustainability information is such that an engagement cannot be conducted.</p> <p>(b) Concerns about the condition and reliability of an entity's records may cause the practitioner to conclude that it is unlikely that sufficient appropriate evidence will be available to support an unmodified conclusion on the sustainability information.</p> <p>[ISAE 3410 Para. A70 and ISA 315 (Revised 2019) Para. A198]</p>		
App	A26L.	<p>WHAT: In a limited assurance engagement, the practitioner is not required to obtain an understanding of all the components of internal control relevant to the preparation of the sustainability information as is required in a reasonable assurance engagement. Therefore, in a limited assurance engagement, while it may often be appropriate to inquire of the entity about control activities and monitoring of controls relevant to the preparation of the sustainability information, it will often not be necessary to obtain a detailed understanding of these components of the entity's internal control. [ISAE 3410 Para. A69]</p>		
App	A27.	<p>WHAT: In some circumstances, the underlying subject matter may be related to controls (i.e., the controls are the aspects of the topics), and the sustainability information may comprise a description of the design, implementation, or effectiveness of those controls. Paragraph 4 requires the practitioner to understand the underlying subject matter and the sustainability information (i.e., when the underlying subject matter is controls, this involves understanding the controls that are the underlying subject matter). Understanding the components of internal control in accordance with paragraph 8R includes understanding elements of internal control related to the controls that are the underlying subject matter (e.g., the processes used to design, implement, or operate and prepare information about the controls that are the underlying subject matter).</p>		
App	A28.	<p>SCALABILITY: The level of formality of the entity's internal control, including the control environment, the entity's risk assessment process and process to monitor the system of internal control, may vary by size and complexity of the entity, and the nature and complexity of the underlying subject matter and the applicable criteria. [EER Para. 234]</p>		
App	A29.	<p>SCALABILITY: The nature and extent of the practitioner's understanding of the elements of internal control may vary depending on the complexity of the assurance engagement and the nature and complexity of the topics and aspects of the topics comprising the underlying</p>		

		subject matter. For a relatively less complex, small engagement, inquiries may be sufficient to perform risk procedures. As the entity, the topics and the aspects of the topics become more complex, more extensive procedures may be necessary to understand the elements of internal control, for example, by performing a walkthrough to confirm inquiries of personnel. A walkthrough involves selecting events or conditions and tracing them through the process in the information system. [EER Para. 247]	
Req		<i>The Control Environment</i>	
Req	9L.	The practitioner shall obtain an understanding of the control environment relevant to the preparation of the sustainability information. [ISA 315 (Revised 2019) Para. 21]	9R. The practitioner shall obtain an understanding of the control environment relevant to the preparation of the sustainability information and based on that understanding, evaluate whether: (a) Management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behavior; (b) The control environment provides an appropriate foundation for the other components of the system of internal control considering the nature and complexity of the entity; and (c) Control deficiencies identified in the control environment undermine the other components of the system of internal control. [ISA 315 (Revised 2019) Para. 21]
App		<i>The Control Environment</i>	
App	A30L.	WHY: The practitioner's understanding of the control environment, such as how the entity demonstrates behavior consistent with the entity's commitment to integrity and ethical values, may assist the practitioner in understanding risks faced by the entity and identifying disclosures where material misstatements are likely to arise. [ISA 315 (Revised 2019) Para. A103 modified]	A30R. WHY: The practitioner's evaluation of the control environment may assist the practitioner in identifying potential issues in the other components of the system of internal control. This is because the control environment is foundational to the other components of the system of internal control. This evaluation may also assist the practitioner in understanding risks faced by the entity and identifying and assessing the risks of material misstatement at the assertion level for the disclosures. [ISA 315 (Revised 2019) Para. A103]

App	A31.	<p>HOW: The practitioner may obtain an understanding of the control environment relevant to the preparation of the sustainability information by understanding the set of controls, processes and structures that address:</p> <p>(a) How management’s oversight responsibilities are carried out, such as the entity’s culture and management’s commitment to integrity and ethical values;</p> <p>(b) When those charged with governance are separate from management, the independence of, and oversight over the system of internal control by those charged with governance;</p> <p>(c) The entity’s assignment of authority and responsibility;</p> <p>(d) How the entity attracts, develops, and retains competent individuals; and</p> <p>(e) How the entity holds individuals accountable for their responsibilities in the pursuit of the objectives of the system of internal control.</p> <p>[ISA 315 (Revised 2019) Para. 21]</p>		
App	A32.	<p>SCALABILITY: Evidence about components of the control environment in less complex entities may not be available in documentary form, in particular when communication between management and other personnel is informal, but the evidence may still be appropriately relevant and reliable in the circumstances. [ISA 315 (Revised 2019) Para. A100]</p>		
Req		<p><i>The Information System</i></p>		
Req	10L.	<p>The practitioner shall obtain an understanding of the information system relevant to the preparation of the sustainability information. [ISA 315 (Revised 2019) Para. 25]</p>	10R.	<p>The practitioner shall obtain an understanding of the information system relevant to the preparation of the sustainability information, and based on that understanding, evaluate whether the entity’s information system appropriately supports the preparation of the sustainability information in accordance with the applicable criteria. [ISA 315 (Revised 2019) Para. 25]</p>
App		<p><i>The Information System</i></p>		
App	A33.	<p>WHY: The practitioner’s understanding of the information system includes the IT environment, IT applications and other aspects of the IT environment that are relevant to the flows and processing of sustainability information in the information system. The entity’s use of IT applications or other aspects of the IT environment may give rise to risks arising from the use of IT. For example, Changes in the flow of information within the information system may result from program changes to IT applications, or direct changes to data in databases involved in processing or storing that information. [ISA 315 (Revised 2019) Para. A140 and A142]</p>		

App	A34	<p>WHY: Obtaining an understanding of the information system relevant to the preparation of the sustainability information assists the practitioner in designing and performing procedures that address the disclosures where material misstatements are likely to arise (limited assurance) or identifying risks of material misstatement (reasonable assurance). The practitioner uses professional judgment to determine which aspects of the information system are relevant to the engagement and may make inquiries of the appropriate party about those aspects. [ISAE 3000 (Revised) Para. A107]</p>
App	A35.	<p>HOW: Obtaining an understanding of the following aspects of the information system relevant to the preparation of the sustainability information assists the practitioner in evaluating whether the entity’s information system appropriately supports the preparation of the sustainability information in accordance with the applicable criteria:</p> <p>(a) The entity’s information processing activities, including its data and information, the resources to be used in such activities and the policies that define, for the sustainability information:</p> <ul style="list-style-type: none"> (i) How information flows through the information system, including how: <ul style="list-style-type: none"> a. The entity identifies events and conditions that need to be measured or evaluated, and therefore for which information will be needed to prepare the sustainability information; b. Information about the phenomenon is recorded, processed, corrected as necessary, and incorporated in the information systems, including how the entity determines that information is reliable; and c. Information is collated and reported in the sustainability information; (ii) The records, specific information in the sustainability information reported and other supporting records relating to the flow of information in the information system; (iii) The processes used to prepare the entity’s sustainability information; and (iiii) The entity’s resources, including the IT environment, relevant to (a)(i) to (a)(iii) above. <p>(b) How the entity communicates significant matters that support the preparation of the sustainability information and related reporting responsibilities in the information system and other components of the system of internal control:</p> <ul style="list-style-type: none"> (i) Between people within the entity, including how sustainability information roles and responsibilities are communicated; (ii) Between management and those charged with governance; (iii) With intended users; and (iiii) With external parties, such as regulatory authorities.

		<p>(c) The entity's processes and controls that address the reliability of information, for example, for information from external sources, the process and controls may address:</p> <ul style="list-style-type: none"> (i) Monitoring information provided to, and received back from, the external source; (ii) Considering the reputation of the external source; and (iii) Considering whether there are other sources of similar information, and whether the information from such different available sources is aligned. <p>[ISA 315 (Revised 2019) Para. 25 and EER Para. 241-243]</p>
App	A36.	<p>HOW: The practitioner's understanding of the information system may be obtained in various ways and may include:</p> <ul style="list-style-type: none"> (a) Inquiries of relevant personnel about the procedures used to initiate, record, process and report events and conditions related to the topics and aspects of the topics; (b) Inspection of policy or process manuals or other documentation of the information system; (c) Observation of the performance of the policies or procedures by the entity's personnel; or (d) Selecting events or conditions and tracing them through the applicable process in the information system (i.e., performing a walk-through). <p>[ISA 315 (Revised 2019) Para. A136]</p>
App	A37.	<p>SCALABILITY: The information system and how the entity communicates in less complex entities are likely to be less sophisticated than in larger entities and are likely to involve a less complex IT environment; however, the role of the information system is just as important. Less complex entities with direct management involvement may not need extensive descriptions of procedures, sophisticated records, or written policies. Understanding the relevant aspects of the entity's information system may therefore require less effort in an engagement for a less complex entity and may involve a greater amount of inquiry than observation or inspection of documentation. The need to obtain an understanding, however, remains important to provide a basis for the design of further procedures and may further assist the practitioner in identifying disclosures where material misstatements are likely to arise (limited assurance) or identifying and assessing risks of material misstatement (reasonable assurance). [ISA 315 (Revised 2019) Para. A131]</p>

Req	<i>The Entity's Risk Assessment Process</i>		
Req	11L.	The practitioner shall obtain an understanding of the results of the entity's risk assessment process relevant to the preparation of the sustainability information. [ISA 315 (Revised 2019) Para. 22]	<p>11R.</p> <p>The practitioner shall obtain an understanding of the entity's risk assessment process relevant to the preparation of the sustainability information by:</p> <p>(a) Understanding the entity's process for:</p> <ul style="list-style-type: none"> (i) Identifying risks relevant to sustainability information reporting objectives; (ii) Assessing the significance of those risks, including the likelihood of their occurrence; and (iii) Addressing those risks; and <p>(b) Based on the understanding in (a), evaluating whether the entity's risk assessment process is appropriate to the entity's circumstances considering the nature and complexity of the entity.</p> <p>[ISA 315 (Revised 2019) Para. 22]</p>
App	<i>The Entity's Risk Assessment Process</i>		
App	A38.	<p>WHY: In both a reasonable assurance and a limited assurance engagement, the results of the entity's risk assessment process may assist the practitioner in</p> <p>(a) Identifying disclosures where material misstatements are likely to arise (limited assurance) or identifying and assessing risks of material misstatement in the disclosures (reasonable assurance); and</p> <p>(b) Obtaining an understanding of the underlying subject matter and other engagement circumstances.</p> <p>[ISAE 3000 (Revised) Para. A108]</p>	
App			<p>A39R.</p> <p>WHY: The practitioner's evaluation of the entity's risk assessment process allows the practitioner to understand where the entity has identified risks that may occur, and how the entity has responded to those risks. The practitioner's evaluation of how the entity</p>

				<p>identifies its risks, and how it assesses and addresses those risks assists the practitioner in understanding whether the risks faced by the entity have been identified, assessed, and addressed as appropriate to the nature and complexity of the entity. This evaluation may also assist the practitioner with identifying and assessing risks of material misstatement at the assertion level for the disclosures. [ISA 315 (Revised 2019) Para. A111]</p>
App			A40R.	<p>WHY: Under some applicable criteria, the entity is required to identify and provide information about sustainability-related risks and opportunities. Therefore, understanding and evaluating the entity's risk assessment process may also assist the practitioner in identifying and assessing risks of material misstatement related to the appropriate application of the applicable criteria by the entity. For example, if the practitioner identifies potential deficiencies in the entity's risk assessment process the practitioner may determine that there is a heightened risk that sustainability-related risks and opportunities may not have been identified by the entity and are therefore incomplete in the sustainability information.</p>
App			A41R.	<p>HOW: Not all risks identified by the entity give rise to risks of material misstatement. In understanding how management and those charged with governance have identified risks relevant to the preparation of the sustainability information, and decided about actions to address those risks, are matters the practitioner may consider include how management or, as appropriate, those charged with governance, have:</p> <ul style="list-style-type: none"> (a) Specified the entity's objectives with sufficient precision and clarity to enable the identification and assessment of the risks relating to the objectives; (b) Identified the risks to achieving the entity's objectives and analyzed the risks as a basis for determining how the risks should be managed; and

				(c) Considered the potential for fraud when considering the risks to achieving the entity's objectives. [ISA 315 (Revised 2019) Para. A109]
App			A42R.	WHAT: If the practitioner identifies risks of material misstatement that the entity failed to identify, and those risks are of a kind that the practitioner expects would have been identified by the entity's risk assessment process, it may be an indicator that the entity's risk assessment process is not appropriate to the entity's circumstances considering the nature and complexity of the entity. [ISA 315 (Revised 2019) Para. 23]
Req		<i>The Control Activities</i>		
Req			12R.	The practitioner shall obtain an understanding of the control activities by identifying: (a) Controls for which the practitioner plans to test operating effectiveness in determining the nature, timing and extent of procedures, which shall include controls that address risks for which substantive procedures alone do not provide sufficient appropriate evidence; (b) The entity's general IT controls that address risks arising from the use of IT related to the controls identified in (a); and (c) Other controls that the practitioner considers are appropriate to identify and assess the risks of material misstatement at the assertion level for disclosures and design further procedures responsive to assessed risks. For each control identified, the practitioner shall: (i) Evaluate whether the control is designed effectively to address the risk of material misstatement at the assertion level, or

				<p>effectively designed to support the operation of other controls; and</p> <p>(ii) Determine whether the control has been implemented by performing procedures in addition to inquiry of the entity's personnel.</p> <p>[ISA 315 (Revised 2019) Para. 26]</p>
App		<i>The Control Activities</i>		
App			A43R.	<p>If controls are not designed effectively or implemented, those control deficiencies may create an opportunity for misstatement due to fraud or error. Accordingly, understanding the control activities and evaluating the design and implementation of identified controls may assist the practitioner in identifying and assessing risks of material misstatement due to fraud or error at the assertion level for the disclosures.</p>
App			A44R.	<p>HOW: If deficiencies are identified related to the control environment, this may affect the practitioner's overall expectations about the operating effectiveness of control activities, and therefore the practitioner's plans to test the operating effectiveness of controls. [ISA 315 (Revised 2019) Para. A164]</p>
App			A45R.	<p>WHAT: The control activities include controls that are designed to ensure the proper application of policies (which are also controls) in all the other components of the entity's system of internal control and includes both direct and indirect controls. Examples of controls in the control activities component include authorizations and approvals, reconciliations, verifications (such as edit and validation checks or automated calculations), segregation of duties, and physical or logical controls. [ISA 315 (Revised 2019) Para. A147 and A153]</p>

App			A46R.	<p>WHAT: The practitioner’s identification and evaluation of controls in the control activities component may focus on information processing controls, which are controls applied during the processing of information in the entity’s information system that directly address risks to the integrity of information (i.e., the completeness, accuracy, and validity of information). However, the practitioner is not required to identify and evaluate all information processing controls. [ISA 315 (Revised 2019) Para. A148]</p>
			A47R.	<p>HOW: Evaluating the design of an identified control involves the practitioner’s consideration of whether the control, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting, material misstatements (i.e., the control objective). [ISA 315 (Revised 2019) Para. A175]</p>
			A48R	<p>HOW: The practitioner determines the implementation of an identified control by establishing that the control exists and that the entity is using it. There is little point in the practitioner assessing the implementation of a control that is not designed effectively. Therefore, the practitioner evaluates the design of a control first. An improperly designed control may represent a control deficiency. [ISA 315 (Revised 2019) Para. A176]</p>
App			A49R.	<p>WHY: The practitioner may conclude that a control, which is effectively designed and implemented, may be appropriate to test in order to take its operating effectiveness into account in designing procedures to respond to the risk of material misstatement. However, when a control is not designed or implemented effectively, there is no benefit in testing it. When the practitioner plans to test a control, the information obtained about the extent to which the control addresses the risk(s) of material misstatement is an input to the practitioner’s risk assessment at the assertion level. [ISA 315 (Revised 2019) Para. A179]</p>

App			A50R.	<p>HOW: Evaluating the design and determining the implementation of control activities is not sufficient to test their operating effectiveness. However, for automated controls, the practitioner may plan to test the operating effectiveness of automated controls by identifying and testing general IT controls that provide for the consistent operation of an automated control instead of performing tests of operating effectiveness on the automated controls directly. [ISA 315 (Revised 2019) Para. A180]</p>
App			A51R.	<p>SCALABILITY: In the case of less complex entities or immature information systems, particular control activities are likely to be simpler, less well-documented, and may only exist informally. When this is the case, it is less likely the practitioner will judge it necessary to understand other controls that the practitioner considers are appropriate to identify and assess the risks of material misstatement at the assertion level for disclosures and design further procedures responsive to assessed risks. However, in some cases, the information system and control activities may need to be formally documented, because this may form part of the underlying subject matter (e.g., when the sustainability information is about the entity's controls). Even in some of these cases, however, not all relevant data flows and associated controls may be documented. For example, it may be more likely that control activities with respect to source data collection from continuous monitoring are sophisticated, well-documented, and more formal than control activities with respect to subsequent data processing and reporting. [ISAE 3410 Para. A72]</p>

Req	<i>The Entity's Process for Monitoring the System of Internal Control</i>		
Req		13R.	The practitioner shall obtain an understanding of the entity's process for monitoring the system of internal control relevant to the preparation of the sustainability information and based on that understanding, evaluate whether the entity's process is appropriate to the entity's circumstances considering the nature and complexity of the entity and the sustainability information. [ISA 315 (Revised 2019) Para. 24]
App	<i>The Entity's Process for Monitoring the System of Internal Control</i>		
App		A52R.	<p>Understanding the entity's process for monitoring the system of internal control relevant to the preparation of the sustainability information may involve understanding:</p> <p>(a) Those aspects of the entity's process that address:</p> <ul style="list-style-type: none"> (i) Ongoing and separate evaluations for monitoring the effectiveness of controls, and the identification and remediation of control deficiencies identified; (ii) The entity's internal audit function, if any, including its nature, responsibilities, and activities; and <p>(b) The sources of information used in the entity's process to monitor the system of internal control, and the basis upon which management considers the information to be sufficiently reliable for the purpose.</p> <p>[ISA 315 (Revised 2019) Para.24(a)]</p>
App		A53R.	WHY: The practitioner's evaluation of the entity's process for monitoring the system of internal control assists the practitioner in understanding whether the other components of the system of internal control are present and functioning, and therefore assists with understanding the other components of the system of internal

				control. This evaluation may also assist the practitioner with identifying and assessing risks of material misstatement at the assertion level for the disclosures. [ISA 315 (Revised 2019) Para. A121]
App			A54R.	<p>HOW: Matters that may be relevant for the practitioner to consider when understanding how the entity monitors its system of internal control include:</p> <ul style="list-style-type: none"> (a) The design of the monitoring activities, for example, whether it is periodic or ongoing monitoring; (b) The performance and frequency of the monitoring activities; (c) The evaluation of the results of the monitoring activities, on a timely basis, to determine whether the controls have been effective; and (d) How identified deficiencies have been addressed through appropriate remedial actions, including timely communication of such deficiencies to those responsible for taking remedial action. <p>[ISA 315 (Revised 2019) Para. A116]</p>
App			A55R.	<p>HOW: The practitioner may also consider how the entity's process to monitor the system of internal control addresses monitoring information processing controls that involve the use of IT. This may include, for example:</p> <ul style="list-style-type: none"> (a) Controls to monitor complex IT environments that: <ul style="list-style-type: none"> (i) Evaluate the continuing design effectiveness of information processing controls and modify them, as appropriate, for changes in conditions; or (ii) Evaluate the operating effectiveness of information processing controls.

				<p>(b) Controls that monitor the permissions applied in automated information processing controls that enforce the segregation of duties.</p> <p>(c) Controls that monitor how errors or control deficiencies related to the automation of sustainability reporting are identified and addressed.</p> <p>[ISA 315 (Revised 2019) Para. A117]</p>
App			A56R.	<p>SCALABILITY: In less complex entities, and in particular owner-manager entities, the practitioner's understanding of the entity's process to monitor the system of internal control is often focused on how management or the owner-manager is directly involved in operations, as there may not be any other monitoring activities.</p> <p>[ISA 315 (Revised 2019) Para. A114]</p>
App			A57R.	<p>SCALABILITY: For entities where there is no formal process for monitoring the system of internal control, understanding the process to monitor the system of internal control may include understanding periodic reviews of information that are designed to contribute to how the entity prevents or detects misstatements.</p> <p>[ISA 315 (Revised 2019) Para. A115]</p>
Req		<i>Identifying Control Deficiencies</i>		
Req			14R.	<p>Based on the practitioner's evaluation of each of the components of the entity's system of internal control, the practitioner shall determine whether one or more control deficiencies have been identified. [ISA 315 (Revised 2019) Para. 27]</p>
App		<i>Identifying Control Deficiencies</i>		
App			A58R.	<p>WHY: In performing the evaluations of each of the components of the entity's system of internal control, the practitioner may determine that certain of the entity's policies are not appropriate to</p>

				the nature and circumstances of the entity. Such a determination may be an indicator that assists the practitioner in identifying control deficiencies. If the practitioner has identified one or more control deficiencies, the practitioner may consider the effect of those control deficiencies on the design of further procedures. [ISA 315 (Revised 2019) Para. A182]
	A59.	The practitioner's understanding, including the related evaluations (in the case of a reasonable assurance engagement), of the control environment and other components of the system of internal control may raise doubts about the practitioner's ability to obtain evidence on which to base the assurance conclusion or be cause for withdrawal from the engagement when withdrawal is possible under applicable law or regulation. [ISA 315 (Revised 2019) Para. A198]		
Req		<i>6.4 Identifying Disclosures where Material Misstatements are Likely to Arise (Limited Assurance)</i>		<i>6.4 Identifying and Assessing the Risks of Material Misstatement (Reasonable Assurance)</i>
Req	15L.	The practitioner shall identify disclosures where material misstatements are likely to arise. [ISAE 3000 (Revised) Para. 48L and ISAE 3410 Para. 33L]	15R.	The practitioner shall identify and assess risks of material misstatement at the assertion level for each disclosure. [ISAE 3410 Para. 33R]
App		<i>6.4 Identifying Disclosures where Material Misstatements are Likely to Arise (Limited Assurance)</i>		<i>6.4 Identifying and Assessing the Risks of Material Misstatement (Reasonable Assurance)</i>
App	A60L.	WHAT: In a limited assurance engagement, the practitioner is not required to identify and assess risks of material misstatement at the assertion level for each disclosure. However, the practitioner may find it useful to use assertions to identify disclosures where material misstatements are likely to arise.	A60R.	WHAT: In identifying and assessing the risks of material misstatement, the practitioner uses assertions to consider the different types of potential misstatements that may occur. Assertions used by the practitioner in considering the different types of potential misstatements that may occur may fall into the following categories: [Placeholder for assertions about the sustainability information]
App	A61.	[Placeholder for application material and examples of the use of assertions]		
App			A62R.	The practitioner's understanding of the system of internal control, including:

				<p>(a) The outcome of the related evaluations required by paragraphs 9R, 10R, 11R, and 13R;</p> <p>(b) The understanding of control activities required by paragraph 12R and;</p> <p>(c) The control deficiencies identified in accordance with paragraph 14R,</p> <p>may:</p> <p>(i) Influence the identification and assessment of risks of material misstatement at the assertion level for each disclosure; and</p> <p>(ii) Indicate risks of material misstatement that may affect many assertions, and thus may be a risk of material misstatement for the disclosures as a whole (i.e., the disclosures that are aggregated for the purposes of expressing the conclusion(s) in the practitioner's report, as determined by the practitioner in accordance with paragraph 6 of Part 5).</p> <p>[ISA 315 (Revised 2019) Para. A196]</p>
App			A63R.	<p>PUBLIC SECTOR: When making assertions about the sustainability information of public sector entities, management may often assert that the entity is in compliance with law, regulation or other authority. Such assertions may fall within the scope of the engagement.</p> <p>[ISA 315 (Revised 2019) Para. A193]</p>
Req			16R.	<p>If the practitioner's understanding of internal control indicates risks of material misstatement of the disclosures as a whole (i.e., the disclosures that are aggregated for the purposes of expressing the conclusion(s) in the practitioner's report), the practitioner shall assess the risks and:</p>

				<p>(a) Determine whether such risks affect the assessment of risks at the assertion level for the disclosures; and</p> <p>(b) Evaluate the nature and extent of their pervasive effect on the disclosures.</p> <p>[ISA 315 (Revised 2019) Para. 30]</p>
Req	<i>6.5 Evaluating the Evidence Obtained from the Risk Procedures</i>			
Req			17R.	<p>The practitioner shall evaluate whether the evidence obtained from the risk procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement. If not, the practitioner shall perform additional risk procedures until evidence has been obtained to provide such a basis. [ISA 315 (Revised 2019) Para. 35]</p>
Req			18R.	<p>For disclosures in which no risk of material misstatement has been identified, the practitioner shall evaluate whether the practitioner's determination remains appropriate. [ISA 315 (Revised 2019) Para. 36]</p>
Req	19L.	<p>If the practitioner obtains new information that is inconsistent with the information upon which the practitioner originally based the identification of the disclosures where material misstatements are likely to arise, the practitioner shall revise the identification of disclosures where material misstatements are likely to arise.</p>	19R.	<p>If the practitioner obtains new information which is inconsistent with the evidence on which the practitioner originally based the identification and assessments of the risks of material misstatement, the practitioner shall revise the identification or assessment. [ISA 315 (Revised 2019) Para. 37]</p>