

Agenda Item 2: Sustainability Assurance

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SATF and Drafting Team

IAASB Board Meeting

June 18-19, 2024



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Agenda

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Stakeholder Advisory Council's Feedback

April 2024 Inaugural Meeting

Supportive of proposed ISSA 5000:

- Sole standard for assurance on sustainability information, including addressing the key requirements in ISAE 3410.
- A risk assessment being required for limited assurance engagements.
- Allowing for requirements that are “at least as demanding” as ISQM 1 for QM and the IESBA Code for ethics, applying a hierarchy, with the firm’s determination being a last resort.
- Double materiality being addressed.
- Connectivity with the auditor of the financial statements, through requirements for communication.

Considerations in finalizing proposed ISSA 5000:

- Understandability for all practitioners.
- Completeness of the sustainability matters to be reported.
- Coordination with other standards-setters.

Implementation Guidance

Conduct of an Assurance Engagement in Accordance with ISSA 5000	<ul style="list-style-type: none"> Quality management Ethics 	<ul style="list-style-type: none"> Resources, competence and capabilities Fraud 	<ul style="list-style-type: none"> Documentation Communication
Acceptance and continuance	<ul style="list-style-type: none"> Preconditions 	<ul style="list-style-type: none"> Terms of engagement 	
Using the work of Others	<ul style="list-style-type: none"> Another practitioner 	<ul style="list-style-type: none"> Groups 	<ul style="list-style-type: none"> Value chain
Planning	<ul style="list-style-type: none"> Evidence 	<ul style="list-style-type: none"> Strategy and plan 	<ul style="list-style-type: none"> Materiality
Risk Assessment	<ul style="list-style-type: none"> Designing and performing procedures 	<ul style="list-style-type: none"> Understanding: Sustainability matters, sustainability information, criteria, entity and its environment, components of internal control 	
Risk Response	<ul style="list-style-type: none"> Designing procedures Overall responses Tests of controls 	<ul style="list-style-type: none"> Substantive procedures Analytical procedures Sampling 	<ul style="list-style-type: none"> Estimates Forward-looking information
Concluding	<ul style="list-style-type: none"> Accumulation and consideration of identified misstatements Evaluating the description of applicable criteria 	<ul style="list-style-type: none"> Subsequent events Written representations 	<ul style="list-style-type: none"> Other information Forming the assurance conclusion
Reporting	<ul style="list-style-type: none"> Other reporting responsibilities Unmodified/ EOM, OM, modified conclusions 	<ul style="list-style-type: none"> Other information Comparatives 	
Supplements	<ul style="list-style-type: none"> GHG guidance and examples 		

Overarching Themes from the Responses

March 2024 meeting

-  Scope and applicability of proposed ISSA 5000
-  Sustainability matters, Sustainability information & Disclosures
-  Relevant ethical requirements & quality management standards
-  Materiality
-  Engagement team, using the work of others & group engagements
-  Limited Assurance vs. Reasonable Assurance



Educational Materials

June 2024 meeting

-  Preconditions
-  Estimates & forward-looking information
-  Fraud (including “Greenwashing”)
-  Communications
-  Reporting

Effective Date: To be discussed at the September 2024 meeting

Walkthrough of Proposed ISSA 5000



Follow the order outlined in
Appendix 3 of Agenda Item 2



Comments on the requirements and
related application material



Refer to Agenda Items for responses
to **EM questions** in relevant sections

The IAASB is asked for its views on proposed ISSA 5000, as presented in **Agenda Items 2–A.1 and 2-A.2**, including with respect to the matters discussed in Appendix 6 to **Agenda Item 2 and Agenda items 2-C to 2-G**.

General questions across Agenda items 2-C to 2-G:

- Does the IAASB agree with the SATF summary of respondents' feedback presented?
- Are there any other significant issues raised by respondents that should be discussed?

Walkthrough of Proposed ISSA 5000 – Introduction and Scope

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
1 – 13	A1 – A10	3A - 6A

Related EM Question Analysis



Agenda Item 2-C: *Preconditions*

Question 8

Question 10

Walkthrough of Proposed ISSA 5000 – Objectives and Definitions

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
15 – 16, 17	A13 – A32B, Appendix 1	Various for paragraph 17

Related EM Question Analysis



Agenda Item 2-E: *Fraud*

Question 19

Definitions – IESBA Coordination

Sustainability
matters

Sustainability
information

- Ongoing “journey”
- Proposal for shorter, simpler “core” definitions with additional wording for purposes of IAASB and IESBA, respectively
- Direction supported by IESBA Board last week

Definition – Sustainability Matters

Sustainability matters – Environmental, social, governance or other sustainability-related factors as defined or described in law or regulation or relevant sustainability reporting frameworks, or as determined by the entity for purposes of reporting sustainability information.

For purposes of the ISSAs, sustainability matters being measured or evaluated in accordance with the criteria are the equivalent of “underlying subject matter” in other IAASB assurance standards.

Definition – Sustainability Information

Sustainability information – Information about sustainability matters.

For purposes of the ISSAs:

- (i) Sustainability information results from measuring or evaluating sustainability matters against the criteria.
- (ii) Sustainability information that is the subject of the assurance engagement is the equivalent of “subject matter information” in other IAASB assurance standards.
- (iii) When the assurance engagement does not cover the entirety of the sustainability information reported by the entity, the term “sustainability information” is to be read as the information that is subject to assurance.

Walkthrough of Proposed ISSA 5000 – Objectives and Definitions

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
15 – 16, 17*	A13 – A32B, Appendix 1	Various for paragraph 17

Related EM Question Analysis



Agenda Item 2-E: *Fraud*

Question 19

* Including matters highlighted arising from coordination with IESBA

Walkthrough of Proposed ISSA 5000 – Conduct of an Assurance Engagement in Accordance with the ISSAs

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
18 – 24	A33 – A43	-

Walkthrough of Proposed ISSA 5000 – Acceptance and Continuance of the Assurance Engagement

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
25 – 28	A44 – A52	-

Quality Management

Para. 29 and 33 – Concerns about “firm” determination

PIOB:

- Option for a firm determination may create potential public interest risks relating to a level playing field for practitioners and transparency for users.
- “At least as demanding” should be a determination at the jurisdictional level (i.e., not at the firm level).

IESBA:

- Questioned firm determination as the IESSAs are profession-agnostic, and (a) and (b) appropriately address market needs and public interest expectations.
- Also, (c) is not sufficiently narrow vis-à-vis (a) and (b).

Proposal for paragraphs 29 and 33

29. The engagement leader shall be a member of a firm that applies: (Ref: Para. A53-A58)
- (a) ISQM 1; or
 - (b) Professional requirements, or requirements in law or regulation, that an appropriate authority has determined to be at least as demanding as ISQM 1; ~~or~~ (Ref: Para: A58A-A58B)
 - ~~(c) If (a) or (b) are not relevant in the circumstances, professional requirements, or requirements in law or regulation, that the firm has determined to be at least as demanding as ISQM 1. (Ref: Para A58C)~~
33. The practitioner shall comply with relevant ethical requirements, including those related to independence, that comprise: (Ref: Para. A53-A58)
- (a) The provisions of the IESBA Code related to sustainability assurance engagements and, when relevant, national requirements that are more restrictive; or
 - (b) Professional requirements, or requirements in law or regulation, that an appropriate authority has determined to be at least as demanding as the provisions of the IESBA Code related to sustainability assurance engagements; ~~or~~ (Ref: Para: A48-A48A)
 - ~~(c) If (a) or (b) are not relevant in the circumstances, professional requirements, or requirements in law or regulation that the firm has determined to be at least as demanding as the provisions of the IESBA Code related to sustainability assurance engagements. (Ref: Para A48B)~~

Proposal for paragraphs A58B and A48A

A58B. An appropriate authority could be a national standard setter, regulator, oversight body with responsibility for audit or assurance, or a designated accreditation organization recognized by a public authority. Such organizations may have undertaken an assessment to determine that jurisdictional requirements are at least as demanding as ISQM 1.

A48A. An appropriate authority could be a national standard setter, regulator, oversight body with responsibility for audit or assurance, or a designated accreditation organization recognized by a public authority. Such organizations may have undertaken an assessment to determine that jurisdictional requirements are at least as demanding as the IESBA Code.

Note: Paragraphs A58C and A48B also would be deleted.

Walkthrough of Proposed ISSA 5000 – Quality Management

Matters for IAASB Consideration*		
Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
29 – 44	A53 – A95	33, 42, 43

* Including matters highlighted arising from IESBA coordination and other concerns raised

Walkthrough of Proposed ISSA 5000 – Quality Management

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
45 – 58	A96 – A130	47, 51, 51A, 51B, 54, 55A

Walkthrough of Proposed ISSA 5000 – Fraud and Non-Compliance with Law or Regulation

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
59 – 61	A131 – A136	-

Related EM Question Analysis



Agenda Item 2-E: *Fraud*

Question 19

The Board is asked for its views on the SATF's recommendations and proposed revisions to ED 5000 with respect to the matters described in **Agenda Item 2-E**.

Walkthrough of Proposed ISSA 5000 – Communication with Management and Those Charged with Governance

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
62	A137 – A140	-

Related EM Question Analysis



Agenda Item 2-F: *Communication*

Question 20

The Board is asked for its views on the SATF's recommendations and proposed revisions to ED 5000 with respect to the matters described in **Agenda Item 2-F**.

Walkthrough of Proposed ISSA 5000 – Documentation

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
63 – 68	A141 – A153	-

Walkthrough of Proposed ISSA 5000 – Preconditions for an Assurance Engagement

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
69 – 77	A154 – A202	69, 70, 71, 72, 73, 74, 76, 76A

Related EM Question Analysis



Agenda Item 2-C: *Preconditions*

Question 8

Question 10

The Board is asked for its views on the SATF's recommendations and proposed revisions to ED 5000 with respect to the matters described below:

- Preliminary knowledge of the engagement circumstances, including the scope of the engagement
- Suitability and availability of criteria

Entity's Process to Identify Sustainability Information to be Reported

Appendix X: Requirements Relevant to the Practitioner's Consideration of the Entity's Process to Identify Sustainability Information to be Reported

The IAASB is asked for its views on the draft Appendix to clarify where the practitioner's consideration of entity's process to identify sustainability information to be reported is addressed in ISSA 5000.



Walkthrough of Proposed ISSA 5000 – Terms of the Assurance Engagement

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
78 – 81	A203 – A208	-

Walkthrough of Proposed ISSA 5000 – Evidence

Matters for IAASB Consideration

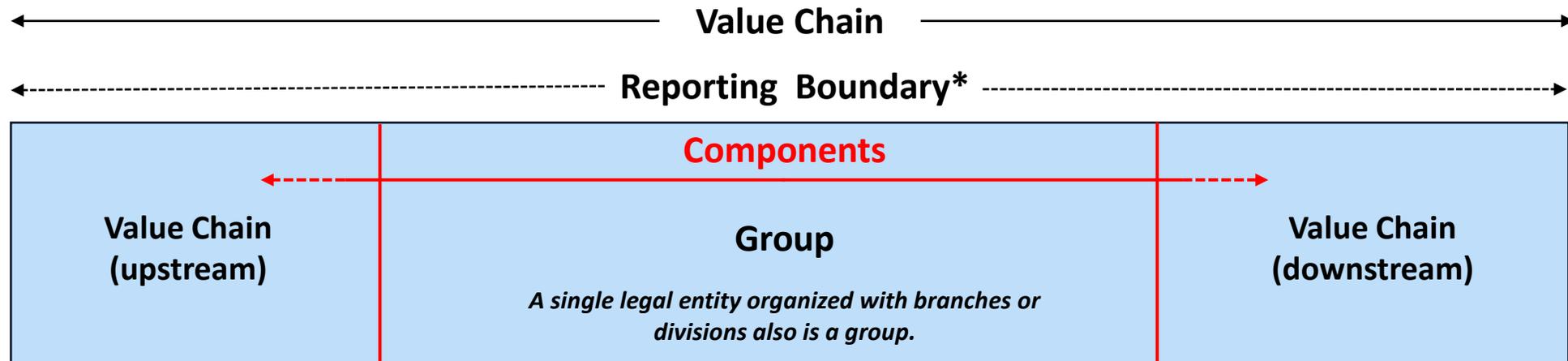
Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
82 – 87	A209 – A258	82(b), 83

Walkthrough of Proposed ISSA 5000 – Planning Activities

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
89 – 90	A259 – A269E	89, 89A

Walkthrough of Proposed ISSA 5000 – Planning



Component – An entity, business unit, function or business activity, or some combination thereof, within the reporting boundary, determined by the practitioner for purposes of planning and performing procedures on the sustainability assurance engagement.

There is an expectation that the practitioner will be able to be sufficiently and appropriately involved in the work performed by another firm at a component within the controlled group (i.e., a “component practitioner”). A component may also be identified in the value chain, but it is less likely that the practitioner would be able to be sufficiently and appropriately involved in the work performed by another firm at that component (in that case, considered to be “another practitioner” for purposes of this ISSA). The red dotted arrows illustrate that it is possible but less likely for a component to be identified more than one or two steps up or down the value chain.

* As explained in paragraphs A29A-A30, the reporting boundary is determined by the applicable criteria and may vary for different topics and aspects of topics.

Walkthrough of Proposed ISSA 5000 – Materiality

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
91 – 93	A270 – A285A	91, 91A, 92

Walkthrough of Proposed ISSA 5000 – Risk Assessment Procedures

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
94L – 101	A286 – A311	94L, 97A, 98, 99

Related EM Question Analysis



Agenda Item 2-C: *Preconditions*

Question 8

Question 10

Walkthrough of Proposed ISSA 5000 – Risk Assessment Procedures

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
102L – 106	A312 – A334D	102L/R, 104L/R, 105L/R, 105A,

Related EM Question Analysis



Agenda Item 2-D: *Estimates and FLI*

Question 16

The Board is asked for its views on the SATF's recommendations and proposed revisions to ED 5000 with respect to the matters described in **Agenda Item 2-D**.

Walkthrough of Proposed ISSA 5000 – Risk Assessment Procedures

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
107R – 113	A337 – A356	107R, 108L, 110L/R, 110AR, 111

Related EM Question Analysis



Agenda Item 2-E: *Fraud*

Question 19

Walkthrough of Proposed ISSA 5000 – Responding to Risks of Material Misstatement

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
114L – 132	A358 – A385	114L/R, 117A and A370A, 123, 126L/R, 127

Related EM Question Analysis



Agenda Item 2-E: *Fraud*

Question 19

Walkthrough of Proposed ISSA 5000 – Responding to Risks of Material Misstatement

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
133AR – 134R	A390 – A396BR	133AR, 134L/R

Related EM Question Analysis



Agenda Item 2-D: *Estimates and FLI*

Question 16

The Board is asked for its views on the SATF's recommendations and proposed revisions to ED 5000 with respect to the matters described in **Agenda Item 2-D**.

Walkthrough of Proposed ISSA 5000 – Responding to Risks of Material Misstatement

Related EM Question Analysis



Agenda Item 2-E: *Fraud*

Question 19

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
134BL – 136	A396C – A397AR	134BL, 134CL, 134BR, 135 AAR, 135AL/R

Walkthrough of Proposed ISSA 5000 – Accumulation and Consideration of Identified Misstatements; Evaluating the Description of Applicable Criteria

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
137 – 145	A398 – A426	137, 138, 145

Walkthrough of Proposed ISSA 5000 – Subsequent Events; Written Representations from Management and Those Charged with Governance

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
146 – 153	A427 – A432	146, 148

Walkthrough of Proposed ISSA 5000 – Other Information

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
154 – 159	A433 – A443	-

Related EM Question Analysis



Agenda Item 2-F: *Communication*

Question 20

Question 25 (March 2024 meeting)

The Board is asked for its views on the SATF's recommendations and proposed revisions to ED 5000 with respect to the matters described in **Agenda Item 2-F**.

Walkthrough of Proposed ISSA 5000 – Forming the Assurance Conclusion

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
160 – 167	A444 – A462	162, 163

Related EM Question Analysis



Agenda Item 2-E: *Fraud*

Question 19

Walkthrough of Proposed ISSA 5000 – Preparing the Assurance Report

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
168 – 170	A463 – A490, Appendix 2	168, 169, Various for paragraph 170

Related EM Question Analysis



Agenda Item 2-C: *Preconditions*

Question 8
Question 10



Agenda Item 2-G: *Reporting*

Question 21
Question 22
Question 23

The Board is asked for its views on the SATF's recommendations and proposed revisions to ED 5000 with respect to the matters described in **Agenda Item 2-G**.

Walkthrough of Proposed ISSA 5000 – Preparing the Assurance Report

Matters for IAASB Consideration

Requirements Paragraphs in Agenda Item 2-A.1	Application Material Paragraphs in Agenda Item 2-A.2	Significant Changes (Paras) Agenda Item 2-B
171 – 192	A491 – A521, Appendix 2	-

Next Steps

JUN	JUL	AUG	SEP	OCT	NOV	DEC
Coordination with IESBA						
Board meeting	ED-5000 revision					PIOB certification by latest Dec 2024
	Development of final pronouncement and continue drafting implementation guidance					ISSA 5000 certified and published
			Board meeting	Finalization of Implementation Guidance		
			Second full read and approval of ISSA 5000	Finalization of implementation guidance targeted at addressing key matters raised by respondents, mirroring the contents of ISSA 5000		



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