

IAASB, 2019b

Consultation Paper
February 2019

Comments due: June 21, 2019

Extended External Reporting (EER)
Assurance

IAASB Consultation Paper
(February 2019)

IAASB

International Auditing
and Assurance
Standards Board



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Acknowledgements

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About the IAASB

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related services standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC). Visit iaasb.org.

About WBCSD

WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world. It helps make its member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

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Together, WBCSD is the leading voice of business for sustainability: united by its vision of a world where more than 9 billion people are all living well and within the boundaries of the planet, by 2050. Visit wbcSD.org.

About the Gordon and Betty Moore Foundation

The Gordon and Betty Moore Foundation fosters path-breaking scientific discovery, environmental conservation, patient care improvements and preservation of the special character of the Bay Area.

Visit Moore.org or follow @MooreFound.

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REQUEST FOR INPUT

This Consultation Paper was developed by the International Auditing and Assurance Standards Board® (IAASB®).

Comments are requested by June 21, 2019.

Respondents are asked to submit their comments electronically through the IAASB website, using the "Submit a Comment" link. First-time users must register to use this feature. Please submit comments in both a PDF and Word file. Respondents are asked not to use tables in their responses as these create difficulties for analysis. All comments will be considered a matter of public record and will ultimately be posted on the website.

This publication may be downloaded from the IAASB website (www.iaasb.org).

EXTENDED EXTERNAL REPORTING (EER) ASSURANCE – IAASB CONSULTATION PAPER (FEBRUARY 2019)

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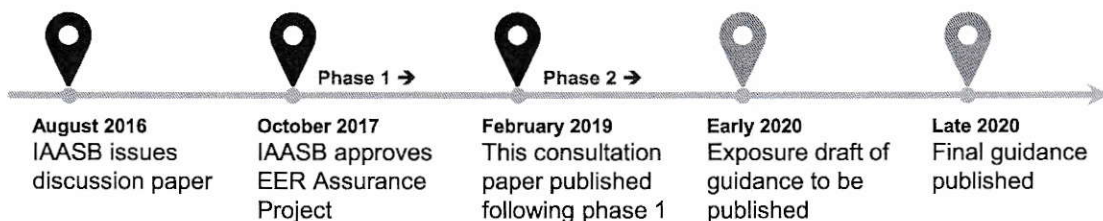
EXPLANATORY MEMORANDUM

Section 1 Introduction

1. This memorandum provides background to this consultation and the IAASB's EER Assurance project.

Section 1-1 Background

2. EER encapsulates many different forms of reporting, including, but not limited to, integrated reporting, sustainability reporting and other reporting by entities about environmental, social and governance (ESG) matters. The IAASB is responding to EER becoming increasingly common and growing demand for assurance engagements in relation to it. Assurance engagements on EER are similar in concept to an audit (a specific type of assurance engagements) but they are performed on EER reports rather than on financial statements.
3. This project aims to enable more consistent and appropriate application of ISAE 3000 (Revised)¹ such that users of EER reports will have greater trust in the resulting assurance reports. The IAASB plans to achieve this primarily through the development of a document containing non-authoritative (non-mandatory) guidance ("the non-authoritative guidance document") in applying ISAE 3000 (Revised) to EER.
4. Consistent with the project proposal, the non-authoritative guidance document is being developed in two phases. Having completed phase 1, preliminary drafting of approximately half of the guidance has been developed ("the draft guidance" included in this consultation paper) and the IAASB is now seeking initial feedback from stakeholders on its work to date through this consultation paper.
5. This consultation paper does not include an exposure draft of the non-authoritative guidance document. It is an interim consultation on the draft guidance, and its purpose is to assist the IAASB in updating the draft guidance, and completing the non-authoritative guidance document, in phase 2. The final form of the complete non-authoritative guidance document following phase 2 is due to be determined by the IAASB during phase 2. During phase 2, an exposure draft of the complete non-authoritative guidance document (including the guidance developed in both phases) will be published for public comment, in accordance with the IAASB's normal due process.



6. In addition to the draft guidance, this consultation paper includes two additional papers on which respondents to this consultation paper are also invited to comment:
 - a) Background and Contextual Information on Understanding How Subject Matter Information Results from Measuring or Evaluating Subject Matter Elements Against the Criteria; and
 - b) Four Key Factor Model for Credibility and Trust in Relation to EER.

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

Section 2 Guide for Respondents

7. The IAASB welcomes comments on all matters addressed in this consultation paper, but especially those identified in the Request for Comments section below. Respondents are free to address only some of the questions from the Request for Comments section if they wish.
8. Comments are most helpful when they refer to specific chapters or paragraphs (where appropriate), include the reasons for the comments, and make specific suggestions for any proposed changes to wording. When a respondent agrees with the approach suggested in the draft guidance, it will be helpful for the IAASB to be made aware of this view as this cannot always be inferred when not stated.

Section 3 Significant Matters

Section 3-1 Scope of the Draft Guidance

9. The scope of the non-authoritative guidance document is only specific aspects of applying ISAE 3000 (Revised). These areas were decided as a result of responses to a discussion paper² issued by the IAASB in 2016 ("the 2016 discussion paper") that identified ten areas (challenges) where a practitioner may find guidance useful. These are listed in Appendix 1 of the draft guidance.
10. Draft guidance has now been developed for the following areas, wholly allocated to phase 1:
 - a) Evaluating the suitability of criteria in a consistent manner
 - b) Addressing materiality for diverse information with little guidance in EER frameworks
 - c) Building assertions for subject matter information of a diverse nature
 - d) Lack of maturity in governance and internal control over EER reporting processes

In addition, draft guidance has been developed for two other areas, obtaining assurance over 'narrative' and 'future-oriented' information, allocated to phase 1 insofar as they relate to areas (a) to (d) above.
11. Respondents are encouraged to comment on whether the draft guidance adequately addresses the challenges identified in the areas allocated to phase 1, based on the practical issues encountered by practitioners today (see Question 1 in section 4).
12. The draft guidance in this consultation paper is presented in a format that illustrates how the fully completed non-authoritative guidance document could be structured in phase 2. However, this means that, in this consultation paper, the chapters (and sections of chapters) intended to include guidance related to areas allocated to phase 2 have not yet been fully developed, as shown below:

Chapter	Status of development
1 Introduction	■ Drafted in phase 1.
2 Overview of an EER Assurance Engagement	■ Drafted in phase 1.

² Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements

Chapter	Status of development
3 Determining Preconditions and Agreeing the Scope	■ Guidance relating to the preconditions has been drafted in phase 1. 'Agreeing the Scope' is allocated to phase 2, although some initial guidance has been developed.
4 Applying Appropriate Skills	■ Not developed – allocated to phase 2.
5 Exercising Professional Skepticism and Professional Judgment	■ Not developed – allocated to phase 2.
6 Considering the System of Internal Control	■ Drafted in phase 1.
7 <u>Determining the Suitability of Criteria</u>	■ Drafted in phase 1.
8 <u>Considering the Entity's 'Materiality Process'</u>	■ Drafted in phase 1.
9 Performing Procedures and Using Assertions	■ Guidance on using assertions is developed. Guidance on performance materiality is to be developed in phase 2.
10 <u>Assuring Narrative Information</u>	■ Chapter is only partially developed as guidance relating to 'obtaining evidence' is allocated to phase 2.
11 <u>Assuring Future-Oriented Information</u>	■ Chapter is only partially developed as guidance relating to 'obtaining evidence' is allocated to phase 2.
12 <u>Considering the Materiality of Misstatements</u>	■ Drafted in phase 1.
13 Preparing the Assurance Report	■ Not developed – allocated to phase 2.

13. Please refer to Appendix 1 of the draft guidance to see how the chapters in the draft guidance can be mapped to the ten areas identified in the 2016 discussion paper. Chapter 2 of the draft guidance shows how the scope of the non-authoritative guidance document relates to the requirement paragraphs of ISAE 3000 (Revised).
14. The majority of respondents to the 2016 discussion paper supported the development of non-authoritative guidance but not a new assurance standard introducing mandatory requirements at this time, although the IAASB recognizes that the latter may be appropriate in the future.
15. The draft guidance is intended to be 'framework-neutral' such that it can be applied to assurance engagements over EER reports that are prepared using any EER framework, or entity-developed criteria. The draft guidance is therefore principles-based, however examples are included to illustrate how principles can be applied in the context of specific types of EER reports.