

ASSIREVI
Associazione Italiana Revisori Contabili

Al Presidente

IAASB
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, NY 10017
USA

2 February 2017

IAASB Discussion Paper – Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements

Dear Sirs,

Assirevi is the association of Italian audit firms. Its member firms represent the majority of the audit firms under the oversight of CONSOB (*Commissione Nazionale per le Società e la Borsa*) and are responsible for the audit of almost all of the companies listed on the Italian stock exchange. Assirevi promotes technical research in the field of auditing and accounting and publishes technical guidelines for its members. It collaborates with Governmental bodies, CONSOB, the Italian accounting profession and other bodies in the development of auditing and accounting standards.

Assirevi is pleased to submit its comments on the Discussion Paper “Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements” issued by IAASB in August 2016.

Our detailed comments to the questions are set out in the attached document.

Should you wish to discuss our comments, please do not hesitate to contact us.

Yours faithfully,


Mario Boella
Chairman of Assirevi

COMMENTS ON THE IAASB DISCUSSION PAPER**Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements***(August 2016)***Q1: Section III describes factors that enhance the credibility of EER reports and engender user trust.***a. Are there any other factors that need to be considered by the IAASB?**b. If so, what are they?*

Yes, there are other factors that enhance credibility of EER and we think should be considered by IAASB:

- Technology as an enabler of EER.
Technology plays an important role in enhancing credibility and trust of EER as it is significantly changing the way that EER is prepared and the way that it is delivered to its audience. Technology, in fact, allows entities not only to produce more information, but also to provide information that is more relevant and timely and to a wider audience. Moreover, with strong information technology systems, companies can better manage the flow of information, deliver the contents in a more effective manner and, as long as the proper controls are in place, companies can enhance the reliability and accuracy of information presented to users.
- The definition of one standard setter framework.
It is important not only that a “Sound reporting framework” is in place, but that one framework is set, in order to give reporting preparers and users a unique set of standards and meet their needs of effective communication.
- The need of comparability among time and companies.
Credibility and trust of EER is enhanced also by the capacity of reporting users to compare information included in EER among companies and time. Comparability is allowed by a sound and unique reporting framework.

Q2: Sections II and IV describe different types of professional services that are either currently performed or could be useful in enhancing credibility and trust.*a. Are there other types of professional services the IAASB needs to consider, that are, or may in future be, relevant in enhancing credibility and trust?*

No, it is considered that the list of indicated professional services is complete in enhancing credibility and trust.

b. If so, what are they?

N/A

Q3: Paragraphs 23–26 of Section II describe the responsibilities of the auditor of the financial statements under ISA 720 (Revised) with respect to the other information included in the annual report.

- a. Is this sufficient when EER information is included in the annual report; or*
- b. Is there a need for assurance or other professional services, or for further enhancement of the responsibilities of the financial statement auditor, to enhance credibility and trust when EER information is in the annual report?*

Yes, there is a need for assurance on non-financial information to enhance credibility and trust when EER information is in the annual report, therefore there is a potential overlap between EER assurance guidance and the requirements and application guidance in ISA 720. We expect that an important benefit of the IAASB addressing EER assurance will be greater understanding of the range of assurance options available to users of the other information that go beyond the scope of ISA 720. It is important to limit the expectation gap of the stakeholder as this might lead to an extension of the auditor's responsibilities for other information under the scope of a revised ISA 720, but at this stage we believe EER assurance should be market-led, and should not be imposed on companies whose reporting content and systems may not be sufficient to support a greater level of assurance.

This particular aspect is also considered as part of the EU Directive on disclosure of non-financial and diversity information. In Italy (with D.Lgs. 254/2016 which implement the EU Directive) and in other European countries, for example, is requested that an Independent Audit Firm assures the Declaration of non-financial information (included within a specific section of the Management Report or in a Separate Report), in a specific Assurance Report. The aim is to assure the compliance of the information provided with respect to the requirements of the Directive and the standards used. Furthermore, the existence of an adequate internal control system that enables to preparation of reliable NFI is essential for an auditor to express an opinion.

In addition, for the assurance on non-financial information (limited and reasonable assurance engagement) the standard used is the "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the IAASB. Specifically, ISAE 3000 provides the professional with indications for the preparation and acceptance of the engagement, as well as clarifications concerning the applicable procedures to conduct the engagement and obtain adequate evidence, the ethical requirements of the professional, control quality standards, the use of experts and the structure of the assurance report.

Nowadays, the limited assurance approach is most commonly in force, however, the adoption of a reasonable assurance approach is becoming more widespread.

Q4: Section IV describes the different types of engagements covered by the IAASB's International Standards and Section V suggests that the most effective way to begin to address these challenges would be to explore guidance to support practitioners in applying the existing International Standards for EER assurance engagements.

a. Do you agree?

Yes. There is a need for further guidance and support on many of the challenges covered by section V.

b. If so, should the IAASB also explore whether such guidance should be extended to assist practitioners in applying the requirements of any other International Standards (agreed-upon procedures or compilation engagements) and, if so, in what areas? (For assurance engagements, see Q6-7)

We consider additional guidance would be useful also for agreed-upon procedures and compilation engagements.

c. If you disagree, please provide the reasons why and describe what other action(s) you believe the IAASB should take.

N/A

Q5: The IAASB would like to understand the usefulness of subject-matter specific assurance standards. ISAE 3410, a subject matter specific standard for assurance engagements relating to Greenhouse Gas Statements, was issued in 2013.

a. Please indicate the extent to which assurance reports under ISAE 3410 engagements are being obtained, issued or used in practice by your organization.

The use of ISAE 3410 has been quite limited in recent years. However, subject-matter specific assurance standards are useful to provide practitioners with a more granular material for the conduction of the assurance process. The use of subject-matter assurance standards could lead to the diffusion of positive form of expression of the practitioner's conclusions on specific aspects and to the overall enhancement of EER's credibility.

b. If not to any great extent, why not and what other form of pronouncement from the IAASB might be useful?

N/A

Q6: Section V suggests it may be too early to develop a subject-matter specific assurance engagement standard on EER or particular EER frameworks due to the current stage of development of EER frameworks and related standards.

Do you agree or disagree and why?

Given that ISAE 3000 (Revised) was developed as an umbrella standard and, in its design, it anticipates application in a wide range of possible engagements, including in new and emerging areas such as EER, we believe the overall level of requirements and concepts in ISAE 3000 to be appropriate when performing a subject matter specific engagement.

We believe that the suggestion contained in Section V regarding the development of a subject-matter specific assurance engagement standard on EER or particular EER frameworks may be undesirable as it would require an extensive range of technical subject-matter based assurance standards; and it would not be consistent with the move away from silo-based reporting that many EER frameworks seek to address. The guidance would be better approached based on the different types of information subject to an assurance engagement.

Q7: Ten Key Challenges in Relation to EER Assurance Engagements

a. Do you agree with our analysis of the key challenges?

Yes, we agree.

b. For each key challenge in Section V, do you agree that guidance may be helpful in addressing the challenge?

Yes, we agree.

c. If so, what priority should the IAASB give to addressing each key challenge and why?

The IAASB priority should be to include in the guidance illustrative examples or benchmarks for each key challenge enhancing and explaining the auditor's work effort with respect to EER reports with particular reference to material issues.

d. If not, why and describe any other actions that you believe the IAASB should take.

N/A

e. Are there any other key challenges that need to be addressed by the IAASB's International Standards or new guidance and, if so, what are they, and why?

We consider appropriate the ten key challenges identified in the Document in relation to the performance of EER-related assurance engagements, as compared with an audit of financial statements.

Q8: Potential Demand for Assurance Engagements and Other Professional Services

a. Do you believe that there is likely to be substantial user demand for EER assurance engagements if the key challenges can be appropriately addressed?

Yes, we believe that there will be a substantial user demand for EER assurance engagements.

b. If so, do you believe such demand:

i. Will come from internal or external users or both?

ii. Will lead to more EER assurance engagements being obtained voluntarily or that this outcome would require legal or regulatory requirements?

The demand is already coming from external users while the internal users' demand is increasing.

The demand will come on a voluntary basis but the legal requirements that are being established are enhancing a better accountability and are involving those who are in

charge with governance (e.g. the European Directive 96/2014 about disclosure of non-financial information).

c. If not, is your reasoning that:

i. EER frameworks and governance will first need to mature further?

ii. Users would prefer other type(s) of professional services or external inputs?

iii. There are cost-benefit or other reasons (please explain)?

N/A

Q9: Other

For which actions would collaboration with, or actions by, other organizations also be needed?

We recommend an ongoing collaboration with those Organizations that are entitled of the preparation of reporting frameworks, reporting standards and processes guidelines (e.g. United Nations Global Compact, International Organization for Standardization (“ISO”), Organization for Economic Co-operation and Development (“OECD”), Integrated Reporting Council (“IIRC”), Global Reporting Initiative (“GRI”), etc.) in order to update and develop new assurance methodology and principles that are suitable to provide trust to stakeholders and, at the same time, consider and reflects the continuously evolving scenario as well as the underlying differences among different reporting areas.

Milan, 2 February 2017