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Submitted electronically at www.iaasb.org, and to MattWaldron@iaasb.org

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Dear Matt

SAICA COMMENT LETTER ON THE IAASB'S DISCUSSION PAPER: SUPPORTING CREDIBILITY AND TRUST IN EMERGING FORMS OF EXTERNAL REPORTING – TEN KEY CHALLENGES FOR ASSURANCE ENGAGEMENTS

The South African Institute of Chartered Accountants (SAICA) is the home of chartered accountants in South Africa – we currently have over 41,000 members from various constituencies, including members in public practice ($\pm 30\%$), members in business ($\pm 50\%$), in the public sector ($\pm 5\%$), education ($\pm 2\%$) and other members ($\pm 13\%$). Being a membership organisation, SAICA's primary role is to serve, represent and promote the interests of its members and associates. In meeting this objective, our long-term professional interests are always in line with the public interest and responsible leadership. SAICA is currently the only professional accountancy organisation that has been accredited by the audit regulator in South Africa, the Independent Regularity Board for Auditors (IRBA).

In response to your request for comments on the **Discussion Paper, Supporting credibility and trust in Emerging Forms of External Reporting (EER) – Ten key challenges for assurance engagements (the Discussion Paper)**, please find included the comments prepared by SAICA.

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments. You are welcome to contact Willie Botha (willieb@saica.co.za) or Hayley Barker Hoogwerf (hayleyb@saica.co.za).

Yours sincerely

Signed electronically

Willie Botha
Senior Executive – Assurance and Practice

INTRODUCTION

1. Emerging forms of external reporting (EER) continue to evolve amid demands from investors, shareholders and other stakeholders for more transparent and more relevant information in the context that financial reporting alone does not provide the broader picture and more holistic information that users may be looking for.
2. EER refers to reporting practices in terms of which an entity reports more holistically on the broader impact of its activities and its future prospects and performance (both financial and otherwise).
3. The International Auditing and Assurance Standards Board (IAASB) has responded to the calls from investors, shareholders and other stakeholders and in-line with its objective of serving the public interest, recognises that there is a demand for action to support credibility and trust in EER.
4. In addition to exploring the factors that inherently contribute to the credibility of a particular EER report, there is also the question whether the intended users of such report require the enhancement of the credibility of the reported information through the involvement of an independent external professional that provides a service(s) in relation to that information. With this comes the recognition that the demand for enhanced credibility could be met by different types of external professional services, which could include assurance engagements within the meaning of the IAASB International Standards, but could also refer to other or different types of professional services.
5. SAICA believes it is appropriate that the IAASB consider its potential role with respect to supporting credibility and trust in EER, whether it be by way of standard-setting, or providing guidance to support practitioners, or collaborating with and influencing others in the regard (or a combination of all of these initiatives).
6. Guidance on the scope of available engagements and clarity on the responsibilities of an assurance practitioner when accepting an assurance engagement or related services engagement under the IAASB's International Standards is of particular relevance in aligning the work of assurance practitioners with the public interest objective of the IAASB, and the continued relevance and value of the services rendered in accordance with its International Standards.

SAICA'S APPROACH TO RESPOND

7. The King IV Report on Corporate Governance for South Africa, 2016 (King IV Report) and its predecessor, the King Code of Governance Principles and the King Report on Governance (King III Report), and the JSE Limited Listings Requirements (JSE LRs) contain governance principles and recommended practices, and requirements relating to integrated reporting. As a result, Integrated reporting which is a widely recognised subset of EER has developed in South Africa and, as such, this IAASB Discussion Paper is of particular relevance in the South African environment.
8. SAICA's approach to gather information to inform our comment letter can be summarised as follows:
 - A SAICA internal working group studied and debated the Discussion Paper and prepared initial thoughts and input pertaining to the questions that have been

posed (questions 1 to 9). Areas where additional information-gathering was required were identified, including approaching specific organisations or individuals, where appropriate.

- SAICA, in collaboration with the IRBA hosted a consultation forum on the Discussion Paper.

The consultation forum was attended by 22 delegates including representatives from the IRBA, SAICA, the Institute of Internal Auditors South Africa (IIASA), various audit firms, assurance service providers other than traditional auditors, independent consultants and training providers, and commerce and industry.

- SAICA participated in the IRBA Integrated Reporting Task Group Meeting (task group) where interested parties were invited to provide their views and comments in finalising the IRBA and SAICA comment letters.

The task group comprised representatives from the IRBA, SAICA, academia, audit firms, assurance service providers other than traditional auditors and independent consultants and training providers.

- We requested members of the SAICA Assurance Guidance Committee (AGC) to provide additional inputs on selected questions in the Discussion Paper.

SAICA’s COMMENTS

Our comments are presented in the sequence of the questions as they have been included in the Discussion Paper. We have responded to all nine questions. Appropriate sub-headings are used under individual questions, where required, for example in the case of question 7, where the ten key challenges are dealt with separately.

QUESTION 1

Credibility and trust	
Q1. Section III describes factors that enhance the credibility of EER Reports and engender trust.	<ul style="list-style-type: none"> a. Are there any other factors that need to be considered by the IAASB? b. If so, what are they?

9. The four key factors identified in the Discussion Paper are:
 - Sound reporting framework;
 - Strong governance;
 - Consistent wider information; and
 - External professional services and other reports.
10. The first three factors in the preceding paragraph relate to the process for the preparation and presentation of the EER report, the EER report as a whole, including its content elements, and the user’s own context in terms of how he/she receives, understands, interprets and uses the information.
11. Any reported information, or any EER report, *inherently* already possesses a level of credibility, linked to the nature and presence of, or the extent to which the factors,

namely sound reporting framework, strong governance and consistent wider information, are present (i.e. how “strong” these factors are or are perceived to be).

12. The next question is whether such *inherent level* (or internal level) of credibility is adequate to result in the user trusting the information; i.e. does it engender sufficient trust in the mind of the user, or does the user require the enhancement of the credibility of the reported information by *external* professional services and other reports. This may not be required in all instances. Stakeholders (or certain stakeholders) may be satisfied with the inherent level of credibility of the EER report without obtaining independent external assurance (or using other external professional services).
13. Encapsulated within the four key factors are also considerations relating to the intended users of EER reports as follows: Internal users versus external users; general purpose reports versus special purpose reports and how an EER report is made available to users, including whether it forms part of an entity’s annual report, or whether it is a report separate from an entity’s annual report.
14. The consultations and discussions we have participated in, have raised a number of conceptual issues around, amongst others matters:
 - The characteristics of reporting frameworks;
 - The characteristics of EER information and its source(s);
 - Reporting processes and related internal control; and
 - The difference between users “deriving assurance” from certain internal (within the organisation) assurance services and functions, as well as certain external professional services, and users being “provided with assurance” by an independent external assurance service provider.

It was possible to link such discussions back to the four key factors identified in the Discussion Paper.

15. Although no key or overall factors other than those identified in the Discussion Paper were noted, it was clear that these factors encapsulate numerous concepts and details that may need to be elucidated in order to provide a comprehensive framework; especially if it is going to be used as a common reference framework to evaluate credibility and trust attaching to EER reports (that may come from various sources, and that could possibly involve different external professionals).
16. We agree with the notion that “credibility and trust” is broader than external assurance and can be delivered in a variety of ways that does not necessarily involve an assurance engagement in accordance with the IAASB International Standards. “Assurance” as such may also have a wider meaning than how it is defined within the IAASB International Standards. In order to explore this further, it is important to recognise the distinction between *assurance being derived* from certain sources (various internal and external functions and services) and *assurance being provided* by an independent external assurance service provider expressing an assurance conclusion on the basis of sufficient appropriate evidence.
17. There are questions that remain around whether there is a need for a conceptual framework for enhancing credibility and trust of reported information. Alternatively, whether the Framework for Assurance Engagements may have to be expanded to include the broader concept of *credibility and trust* that also encapsulates *assurance* as contemplated in the IAASB International Standards.

We elaborate in the following two sub-sections on **EER reporting frameworks** and the concept of **combined assurance**. We believe that these have specific relevance to the debate around EER assurance engagements and provide a further reference point for our comments to the other questions in the Discussion Paper.

EER reporting frameworks

18. As stated in the Discussion Paper, EER reports are used by a broader and more diverse group of intended users for a more diverse range of purposes. EER reports also include a wide range of forms of reporting on a wide range of subject matters. The following are a few examples of EER reports in South Africa:
 - Integrated reports / annual integrated reports;
 - Sustainability reports;
 - Voluntary reporting that companies participate in, including Carbon Disclosure Project (CDP) and the UN Global Compact;
 - An entity's Broad-Based Black Economic Empowerment (B-BBEE) status level as reported in its B-BBEE verification certificate supported by a B-BBEE scorecard;
 - For public sector entities, an annual performance report where an entity reports on its performance against predetermined objectives; and
 - There are a number of regulators that require entities within their industries to report "other" financial and non-financial information (sometimes in the form of standard statutory returns).
19. One could probably not approach EER reporting from a perspective of a single reporting framework. "Reporting framework" as such is required to be considered in conceptual terms, with an appropriate link to assurance in the context of how an applicable reporting framework contributes to the preconditions for an assurance engagement being met. In certain instances, it may not be appropriate to refer to an *EER report as a whole*, but rather to refer to identified /selected elements or components of an entire EER report (that could also potentially be prepared in accordance with different criteria).
20. Despite attempts by various organisations around the world to establish reporting frameworks for (certain) EER reports (e.g. the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC)), a significant hurdle remains from an external assurance perspective, namely that these frameworks are not sufficiently detailed in their requirements relating to the recognition and measurement of the EER elements concerned, and their presentation and disclosure in the EER report.
21. Credibility emanates, amongst other factors, from a sound reporting framework. Although we agree with the key factors that enhance credibility and trust as presented in the Discussion Paper, the question is whether the lack of an established reporting framework that exhibit the characteristics of suitable criteria is the main cause of the challenges currently being faced in providing assurance on EER (in particular in the context of *general purpose* EER reports).
22. To expand on this, fundamental principles that are often lacking in EER reports currently being prepared are, *neutrality and balance*.

23. An option that has been deliberated is for entities to prepare an internal reporting framework (i.e. entity developed criteria). However, this will not achieve the other fundamental principle of *consistency*. Furthermore, entity-developed criteria need to be made available to the intended users in a transparent manner. Again, these challenges are exacerbated in the context of *general purpose* EER reports.
24. Other fundamental principles that need to be adequately encapsulated in an applicable reporting framework are *completeness* and *understandability*.
25. The auditing and assurance profession should be cautious in not trying to compensate, in its standards or other guidance to practitioners, for the lack of elements that are preconditions to the acceptance of any assurance engagement, including a sound reporting framework. There are business risks to the practitioner when accepting EER assurance engagements. There exists a broader reputational risk to the auditing and assurance profession if these engagements are not performed to the levels of consistency and quality that have come to be expected of the profession.
26. The focus of organisations that are advancing certain EER (e.g. GRI and IIRC) must be on the development of comprehensive and robust reporting frameworks that meet the characteristics of suitable criteria. Such *established criteria* will provide a better foundation for the IAASB to pursue the development of assurance standards, including the development of a subject-matter specific International Standard on Assurance Engagements (ISAE) in relation to certain types of EER reports, or elements of such reports.
27. The concept of an “EER report as a whole” should be explored further. As a primary consideration, it links back to:
 - The soundness of the applicable reporting framework including its specificity in terms of intended users and the information needs of such users;
 - The objectives of the framework;
 - The content elements of the report in achieving the objectives;
 - The determination of reportable items (including materiality decisions); and
 - The recognition and measurement of reportable items, and the framework’s presentation and disclosure requirements.

An analogy with “financial statements as a whole” may be appropriate; i.e. why can financial statements be considered “as a whole”, and is this possible for any particular EER report?

28. The maturity of EER frameworks and the maturity of systems, controls and reporting processes for EER related information, as well as the nature of the various subject matters or elements of subject matters that may be reported in a single EER report (i.e. what and how different messages linked to different matters /elements are received and interpreted by the intended user) may dictate that it may not be possible or desirable to express a single assurance conclusion on the “EER report as a whole”. Based on our information-gathering, if EER assurance engagements are performed, assurance is provided with respect to identified /selected elements within an EER report.

Concept of combined assurance

29. As has been noted already, we agree that “credibility and trust” is broader than external assurance and that credibility and trust can come from various sources that extend beyond those that may be provided as contemplated in the International Standards of the IAASB that address audit, review and other assurance engagements. What should also be incorporated is the conceptual distinction between users (internal users or external users) *deriving assurance* from various sources (whether internal sources or external sources, including in the case of the latter, certain professional services), and an independent external assurance practitioner *providing assurance* to users *by way of expressing an assurance conclusion*.
30. In South Africa, the inclusion of the concept of *combined assurance* in the King III and King IV Reports have advanced the above thinking; i.e. a broader concept of assurance; which is comparable to *supporting credibility and trust* as presented in the Discussion Paper. The IAASB may find it useful to refer to the King IV Report for additional input and perspective in developing some of the concepts and principles that will necessarily have to form part of a conceptual framework for enhancing credibility and trust in EER.
31. The King IV Report was launched on 1 November 2016 and it replaces the King III Report in its entirety. Disclosure on the application of King IV is effective in respect of financial years starting 1 April 2017, but immediate transition is encouraged.
32. An assurance engagement as contemplated in the IAASB’s Framework for Assurance Engagements, and in ISAE 3000 (Revised), *Assurance engagements other than audits and reviews of historical financial information*, may not be required in all instances for all types of EER reports. Independent external assurance will be indicated, in the circumstances, by the demand for enhanced credibility in accordance with the information needs of the primary users of the reported information.
33. A combined assurance model incorporates and optimises all assurance services and functions so that, taken as a whole these enable an effective control environment; support the integrity of information used for internal decision-making by management, the governing body and its committees; and support the integrity of the organisation’s external reports¹.

The following are the recommended practices for combined assurance in the King IV Report

[Extract from the report]

34. The governing body² should assume responsibility for assurance by setting the direction concerning the arrangements for assurance services and functions. The governing body should delegate to the audit committee, if in place, the responsibility for overseeing that those arrangements are effective in achieving the following objectives:
 - a. Enabling an effective internal control environment.

¹ Glossary of terms, King IV Report

² Defined in the glossary of terms, King IV Report as the structure that has the primary accountability for the governance and performance of the organisation. Depending on context, it includes, among others, the board of directors of a company, the board of a retirement fund, the accounting authority of a state-owned entity and a municipal council.

- b. Supporting the integrity of information used for internal decision-making by management, the governing body and its committees.
 - c. Supporting the integrity of external reports³.
35. The governing body should satisfy itself that a combined assurance model is applied which incorporates and optimises the various assurance services and functions so that, taken as a whole, these support the objectives for assurance.⁴
36. The governing body should oversee that the combined assurance model is designed and implemented to cover effectively the organisation's significant risks and material matters through a combination of the following assurance service providers and functions as is appropriate for the organisation:
- a. The organisation's line functions that own and manage risk.
 - b. The organisation's specialist functions that facilitate and oversee risk management and compliance.
 - c. Internal auditors, internal forensic fraud examiners and auditors, safety and process assessors, and statutory actuaries.
 - d. Independent external assurance service providers such as external auditors.
 - e. Other external assurance providers such as sustainability and environmental auditors, external actuaries, and external forensic fraud examiners and auditors.
 - f. Regulatory inspectors⁵.
37. The governing body and its committees should assess the output of the organisation's combined assurance with objectivity and professional skepticism and by applying an enquiring mind, form their own opinion on the integrity of information and reports, and the degree to which an effective control environment has been achieved⁶.
38. The governing body should assume responsibility for the integrity of external reports issued by the organisation by setting the direction for how assurance of these should be approached and addressed⁷.
39. The governing body's direction in this regard should take into account legal requirements in relation to assurance, with the following additional considerations:
- a. Whether assurance should be applied to the underlying data used to prepare a report, or to the process for preparing and presenting a report, or both.
 - b. Whether the nature, scope and extent of assurance are suited to the intended audience and purpose of a report.
 - c. The specification of applicable criteria for the measurement or evaluation of the underlying subject matter of the report⁸.
40. The governing body should satisfy itself that the combined assurance model is effective and sufficiently robust for the governing body to be able to place reliance on the

³ King IV, Part 5.4, paragraph 40

⁴ King IV, Part 5.4, paragraph 41

⁵ King IV, Part 5.4, paragraph 42

⁶ King IV, Part 5.4, paragraph 43

⁷ King IV, Part 5.4, paragraph 44

⁸ King IV, Part 5.4, paragraph 45

combined assurance underlying the statements that the governing body makes concerning the integrity of the organisation’s external reports⁹.

41. External reports should disclose information about the type of assurance process applied to each report, in addition to the independent, external audit opinions provided in terms of legal requirements. This information should include:
- a. a brief description of the nature, scope and extent of the assurance functions, services and processes underlying the preparation and presentation of the report; and
 - b. a statement by the governing body on the integrity of the report and the basis for this statement, with reference to the assurance applied¹⁰.

[End of extract from the King IV Report]

42. With the requirement for the governing body to sign off a statement on the integrity of each external report, including reference to the assurance applied, the King IV Report is explicitly making the governing body accountable for the integrity of external reports. For the governing body to be in a position to make such a statement, they have to be comfortable with the assurance maps that have been implemented, in ensuring the credibility of each external report (which will include EER reports). The intended users of an external report will *derive* a level of credibility from such statement by the governing body, and may or may not also demand *assurance to be provided* by an independent external assurance service provider (taking cognisance of legal requirements in relation to any particular audit opinions and assurance conclusions).
43. Again, all of the concepts and principles can be linked back to the four key factors as presented in the Discussion Paper, but there is considerable detail that may need to be expanded and explained in a broader and more comprehensive framework.

QUESTION 2

Credibility and trust	
<p>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.</p>	<ul style="list-style-type: none"> a. Are there any other types of professional services the IAASB needs to consider, that are, or may in future be, relevant in enhancing credibility? b. If so, what are they?

44. Overall, our consultations have confirmed that the types of professional services included in sections II and IV of the Discussion Paper are relevant and are being used in practice in South Africa (to a greater or lesser extent).
45. In those cases where external assurance is provided in relation to EER reports, the assurance engagements would most often be conducted in accordance with ISAE 3000 (Revised). There is limited use by certain external assurance service providers (mostly non-traditional audit and accountancy firms) of the standards issued by AccountAbility (the so-called AA-standards).

⁹ King IV, Part 5.4, paragraph 46

¹⁰ King IV, Part 5.4, paragraph 47

46. With reference to Table 2 on page 31 of the Discussion Paper, SAICA's current perceptions are as follows in terms of the overall situation in South Africa regarding how commonly the relevant IAASB International Standards are used in EER (please note, that we have not undertaken specific research to corroborate these perceptions, and we have also excluded public sector entities):

- ISAE 3000 (Revised): This is the standard that is predominantly used when external assurance is called for. Some examples:
 - In terms of general purpose EER reports, limited, reasonable or a combination of limited and reasonable assurance engagements are undertaken with respect to entities' sustainability reporting in relation to selected key performance indicators;
 - B-BBEE Approved Registered Auditors in South Africa were required to perform assurance engagements on B-BBEE verification certificates in accordance with South African Standard on Assurance Engagements (SASAE) 3502 (Revised)¹¹. This SASAE expands on how ISAE 3000 is to be applied in a limited assurance engagement to report on a measured entity's B-BBEE Scorecard, as reflected in a B-BBEE Verification Certificate (regarded as a type of general purpose EER report);
 - In terms of special purpose EER reports, there are various regulators in South Africa that require entities within their industries to report information other than historical financial information (sometimes in the form of standard statutory returns). The external auditors of these entities may be required by law or regulations to provide assurance on such information, in which case an ISAE 3000 (Revised) engagement will be performed to obtain either reasonable assurance or limited assurance, as applicable in the circumstances.
- ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*: In South Africa agreed-upon procedures engagements are often used as an alternative to an assurance engagement (i.e. the needs of the users do not indicate reasonable assurance or limited assurance), including as a means to meet certain information needs of regulators in accordance with law and regulation;
- ISRS 4410 (Revised), *Compilation Engagements*: Not often used in terms of the compilation of EER reports.

47. Although the consultations and discussions we have participated in confirmed the use of the different identified types of professional services, inside and outside of the IAASB International Standards, a number of matters were specifically highlighted in terms of their potential impact in supporting credibility and trust. **These are discussed in the paragraphs that follow.**

The IAASB could consider these matters in relation to the need for a broader conceptual framework, in developing guidance to support practitioners that apply the IAASB International Standards, in disseminating information that highlights and clarifies the role and functions of independent external assurance services as contemplated in

¹¹ Assurance engagements in accordance with SASAE 3502 (Revised) were undertaken in South Africa up to 30 September 2016, at which date the IRBA has withdrawn as an Approved Regulatory Body within the B-BBEE verification industry.

the relevant International Standards and in collaborating with other organisations and stakeholders (also refer to Question 9, below).

Some specific matters when considering different types of professional services

48. First and foremost, the primary intended users of a particular EER report and what their information needs are, must be identified.
- This is closely linked to the applicable reporting framework applied in preparing the EER report, in the context of using either established criteria or entity-developed criteria;
 - The involvement of the intended users in selecting the applicable criteria for the measurement or evaluation of the subject matter. This could include, for example, a regulator that selects criteria having due consideration to the public interest, or involving stakeholder groups /consulting with stakeholder groups;
 - Exploring the application of the concept of “the information needs of the users as a group” in EER reports, which is particularly important in applying the materiality concept in terms of what should be reported and how it should be reported, and, from an assurance point of view, when an omission or misstatement will be evaluated as being material; and
 - The demand for external professional services to enhance credibility and trust, and how this may be accomplished.
49. Preparers of EER reports, those charged with governance and users of EER reports must have a broader understanding of “credibility and trust” as it relates to reported information, as well as the conceptual distinction between professional services from which assurance (or some level of comfort) may be derived, and those services that provide assurance. **Also refer to discussion under Question 1, above.**
50. The Discussion Paper recognises that EER reports are used by a broader and more diverse group of intended users for a more diverse range of purposes. If the need for an assurance engagement is indicated, it may be possible to overcome the identified assurance challenges through the proper scoping of the assurance engagement; i.e. in terms of providing assurance over identified /selected elements or components of the EER Report. **Also refer to Question 7, below.**
51. In addition, paragraph 90 of the Discussion Paper refers to the possibility of an assurance engagement that focuses on the EER reporting process. A possible concern with such engagements could be that users will be *provided* with assurance regarding the reporting process, but will have *to derive* their own level of credibility with respect to the resulting subject matter information. There is a risk that this may not meet the actual information needs of the users and can even be seen as ambiguous.
52. Finally, some concerns were raised around quality control over professional services. In the South African context, Registered Auditors (RAs) are regulated by the IRBA and Chartered Accountants (CAs(SA)) are required by SAICA, in terms of its membership obligations as a full member body of IFAC, to apply and comply with the IAASB International Standards. The concerns identified are noted as follows:
- In terms of assurance engagements in particular, the following question was posed: When assurance engagements are performed by professionals other than RAs or CAs(SA) using other standards, and who may not be subject to the oversight of a regulator or a recognised professional body; how does the

profession ensure consistency of work performed and assurance provided, and that the required level of quality is maintained? This matter also deserves attention in terms of the overall reputational risk to the auditing and assurance profession.

- With the emergence of EER reports, interested stakeholders have expanded beyond users of financial information, who may not necessarily have a basic understanding of financial reporting and the forms of assurance and other engagements that have traditionally been associated with auditors and accountancy professionals. There may be an inappropriate assumption made that any assurance services provider is abiding by appropriate codes of professional conduct and professional standards that may not necessarily be the case. In addition, there is a risk of inappropriate assumptions around training, professional development, skills and competence.
- Apart from the overall reputational risk to the auditing and assurance profession, there is the broader public interest risk pertaining to the continued relevance and value of external assurance services in supporting credibility and trust in EER.

QUESTION 3

Credibility and trust	
<p>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.</p>	<p>a. Is this sufficient when EER information is included in the annual report; or</p> <p>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?</p>

53. ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information* requires the auditor to read the other information to identify material inconsistencies, if any, with the audited financial statements, as well as between the other information and the auditor’s knowledge obtained during the performance of the audit¹².
54. Other information is defined as financial or non-financial information (other than financial statements and the auditor’s report thereon) included in the entity’s annual report¹³.
55. The auditor’s consideration of other information, as defined, is only in connection with the audit of the financial statements. This is to say; the focus is not on the other information as an isolated form of external reporting, but rather on the other information in the context of the audited financial statements and to clearly distinguish the two, while recognising that the users would read the other information together with the financial statements.
56. In connection with the audit of the financial statements, the auditor is concerned that there may be a material misstatement(s) of the other information which may undermine the credibility of the financial statements and the auditor’s report thereon.

¹² ISA 720.14

¹³ ISA 720.5(a)

57. ISA 720 (Revised) is included within the ISA 100 to ISA 700 series of International Standards and as such does not constitute a separate assurance engagement whereby assurance is expressed on other information. It is not intended to *provide assurance* on other information and it should not be expected to do so.
58. The Discussion Paper mentions that the work performed by the auditor in relation to other information, together with reference to the other information in the auditor's report, "may add some credibility" to the other information which may include EER information (refer to paragraph 25). We believe that the correct interpretation would be that users *may derive some credibility* from the auditor's work, but the users are not *provided with assurance* by means of the auditor's report on the financial statements.
59. It is fair to ask whether users of the auditor's report fully understand this. Furthermore, we recognise possible interpretation risks as the one highlighted in paragraph 26 of the Discussion Paper. However, ISA 720 (Revised) was developed and written with these types of risks in mind and is therefore specific in its requirements and application material, including, amongst other prescriptions, requiring that the other information section in the auditor's report identify the other information; states that the auditor's opinion does not cover the other information and provides a description of the auditor's responsibilities and the results of the auditor's work. Whether this is sufficient and effective could be answered as part of the IAASB's post-implementation review of the new and revised auditor reporting standards.
60. In conclusion, ISA 720 (Revised) is, in our view, sufficient in the context of an audit of financial statements. If an EER report or EER information is included in an entity's annual report, the auditor of the financial statements is obliged to perform the audit of the financial statements in accordance with ISAs and treat any information other than the audited financial statements that meets the definition of *other information* in accordance with ISA 720 (Revised).
61. Whether or not users of the annual report or parts of the annual report require the enhancement of the credibility of the EER report or EER information by external professional services and other reports becomes an additional consideration, and if the need for assurance is indicated, as separate assurance engagement should be undertaken.
62. A related issue that has been identified in South Africa is the interpretation and consistent application of the definition of "other information" and "annual report" in ISA 720 (Revised). To illustrate this in the context of the Discussion Paper, consider the following:
- When an entity's financial statements and an EER report(s) or EER information is contained in a single document, that meets the definition of an annual report, it is clear that any information other than the audited financial statements and the auditor's report thereon will be other information;
 - When an EER report is issued as a standalone document, under what circumstances will it still be considered as part of the entity's annual report and therefore, other information? In terms of ISA 720 (Revised), the annual report may "contain or accompany" the financial statements and the auditor's report thereon. ISA 720 (Revised), paragraph A5 indicates that when issued as standalone documents, corporate social responsibility reports and sustainability reports, amongst others, are not typically part of the combination of documents that comprise an annual report. But could there be instances where such reports are

still intrinsically linked to the financial statements so that they could be considered part of the annual report and therefore be other information.

The IRBA has established a task group to consider providing additional guidance regarding the interpretation and consistent application of ISA 720 (Revised), taking cognisance of specific requirements and circumstances in the South African environment.

QUESTION 4

Scope of the IAASB's International Standard and Related Guidance	
<p>Q4. Section IV describes the different types of engagements covered by the IAASB's International Standards and Section V suggests 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.</p>	<p>a. Do you agree?</p> <p>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)</p> <p>c. If you disagree, please provide the reasons why and describe what other action(s) you believe the IAASB should take.</p>

- 63. We agree with the IAASB's proposal that the most effective way to begin to address the challenges relating to supporting credibility and trust in EER, including providing assurance over EER reports or EER information, would be to explore guidance to support practitioners in applying the existing International Standards.
- 64. Taking cognisance of our responses to the preceding questions, the starting point should be to fully understand the information needs of the intended users; the nature and extent of the underlying subject matter and its measurement or evaluation against applicable criteria to produce subject matter information (i.e. as presented in an EER report).
- 65. In this context the practitioner must be able to frame an engagement in accordance with the existing International Standards so that it will contribute to the desired level of credibility in the circumstances, whether through *assurance provided* by an independent external assurance practitioner (i.e. an assurance engagement), or users *deriving a level of credibility* from the work that was performed, who performed the work and results of that work (i.e. an engagement other than an assurance engagement).
- 66. The above will require conceptual analysis and development within the broader meaning of EER, but also development at the level of individual EER subject matters and related subject matter information. EER subject matters are diverse, and even within a particular EER report content elements often differ in their nature, different measurements may apply and the units of measurement and presentations may be varied.
- 67. Coupled with the fact that EER reports are used by a broader and more diverse group of intended users for a more diverse range of purposes, it emphasises the need for broader conceptual guidance, as well as more focused guidance and support in

applying the existing International Standards to individual types of engagements. This would suggest a path for the IAASB to explore guidance to support practitioners not only in relation to assurance engagements, but also related services engagements within the suite of International Standards. However, we believe that assurance engagements should be prioritised (i.e. those engagements that *provide assurance* as opposed to engagements that enable users to *derive their own level of credibility*).

68. Within the South African context, we wish to state that ISAE 3000 (Revised) has been found to be a sound and robust standard for use as a generic /umbrella standard to apply to subject-matter specific engagements in order to provide either reasonable assurance or limited assurance (in those instances where there isn't a subject-matter specific ISAE). To name a few examples:
- Development of an illustrative engagement letter and illustrative assurance provider's report on selected key performance indicators disclosed in a sustainability report prepared in accordance with an entity's reporting criteria;
 - Development of South African Standard on Assurance Engagements (SASAE 3502), Assurance engagement on B-BBEE verification certificates;
 - Development of a guide for registered auditors for an assurance engagement on attorneys trust accounts;
 - Development of guidance and/or illustrative assurance reports for various regulatory assurance engagements, for example, for medical schemes and banks; and
 - In the public sector, the Auditor-General South Africa has used ISAE 3000 (Revised) in developing its audit methodologies for the audit of reported information relating to an entity's performance against predetermined objectives, and for the audit of an entity's compliance with applicable laws and regulations for selected focus areas.
69. In our view, ISAE 3000 (Revised) is flexible enough to accommodate a variety of subject matters; however, it is also true that it often requires considerable work in adapting the concepts, principles and requirements to subject-matter specific engagements. This can also be observed in the subject-matter specific ISAEs that the IAASB has already developed, for example, ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*. Additional guidance to support practitioners in applying ISAE 3000 (Revised) will be most welcome.
70. As stated above, the IAASB should also explore guidance to support practitioners in applying existing related services standards to EER reports, namely ISRS 4400 and ISRS 4410 (Revised). The reality is that these types of engagements are being performed and as EER evolve, they will probably grow in demand. We propose that it is better to expect that when such engagements are undertaken that they should rather be performed within the standards than outside of the standards – in the public interest by ensuring consistency and quality, and addressing possible reputational risks for the profession.
71. The same principle could apply, namely that owing to the conceptual difference between EER reporting and traditional financial reporting, practitioners could benefit from additional support and guidance. For example, ISRS 4410 (Revised), paragraph 2 states that the ISRS may be applied, adapted as necessary, to compilation

engagements for financial information other than historical financial information, and to compilation engagements for non-financial information. Additional guidance could clarify the nature and extent of the adaptations that may be required.

72. It may also be possible to perform a hybrid/combined engagement, which comprises two or more separate engagements on the same subject matter, such as the audit of historical financial indicators included in an EER report and the performance of agreed upon procedures on the internal controls applied in the preparation and presentation of the EER report.
73. The current work being undertaken by the IAASB's Agreed-Upon Procedure (AUP) Working Group on exploring the demand for engagements that combine reasonable assurance, limited assurance, and non-assurance engagements, may provide useful insights in this regard.
74. An additional matter that has been raised is the possibility of exploring the gap that may exist between an AUP engagement and an assurance engagement; i.e. the possibility of an engagement where a practitioner exercises professional judgement in determining the procedures that may be required to examine or investigate a subject matter, and reports his/her findings, without providing assurance in the form of an assurance conclusion.
75. Some questions that remained after the consultation forum and task group meeting that were held in South Africa are as follows:
 - Is there actually a need for a single assurance conclusion over the entire Integrated Report of an entity, which may comprise of a number of clearly distinguishable components (i.e. various subject matters)? Is such an overall assurance conclusion even possible? Would it provide meaningful assurance to the user? Conversely, would the information needs of the intended users, including the need for enhanced credibility, not be better served by mapping the components of an integrated report using a combined assurance model, which may include independent external assurance of certain selected elements /components of the integrated report?
 - When different assurance engagements are performed, could they be performed by a single assurance services provider, or by different providers? In the case of the latter, would it be possible to prepare a single assurance report with different sections and subsections, or would it be more appropriate to issue a separate assurance report in relation to each identifiable assurance engagement?
 - Is it possible to apply a "sole responsibility" concept in terms of a single assurance practitioner assuming responsibility for the assurance provided over the entire report; especially when discrete assurance engagements and conclusions are indicated?

These questions are easier to answer in a situation where a particular EER report has well defined boundaries and is discrete in terms of the underlying subject matter and its measurement or evaluation against applicable criteria (such as the situation that one has, by comparison, where an entity prepares a set of financial statements in accordance with an applicable financial reporting framework). They become more difficult to answer when the EER report encapsulates diverse subject matters that are measured or evaluated in diverse ways, and possibly using different criteria for different elements /components of the EER report.

QUESTION 5

Scope of the IAASB's International Standard and Related Guidance	
<p>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.</p>	<p>a. Please indicate the extent to which assurance reports under ISAE 3410 engagements are being obtained, issued or used in practice by your organization.</p> <p>b. If not to any great extent, why not and what other form of pronouncement from the IAASB might be useful?</p>

76. In South Africa ISAE 3410 is seldom used in isolation in practice. Its use primarily relates to assurance provided on carbon footprint in accordance with Greenhouse Gas Protocol Corporate Standard, which is performed in conjunction with an ISAE 3000 (Revised) engagement were other elements of the EER report are also assured.
77. It is our understanding that ISAE 3410 is used more in jurisdictions where greenhouse gas (GHG) emissions are already regulated, and where GHG statements are used by entities in relation to earning carbon credits. In South Africa, there are developments regarding the reporting of carbon emissions linked to carbon tax requirements. Also, entities listed on The JSE Limited are voluntarily participating in the CDP and therefore ISAE 3410 is used in assuring their GHG emissions. The developments around carbon tax requirements could further drive the demand of this type of assurance engagement in future.
78. Currently information regarding energy consumption and GHG emissions may or may not be included as key performance indicators as part of an entity's sustainability reporting. To the extent that assurance may be required in relation to selected key performance indicators, the related assurance engagement is performed in accordance with ISAE 3000 (Revised) (or in combination with ISAE 3410 for relevant indicators). **Also refer to comments in relation to question 2, above.**
79. It may be of interest to the IAASB to note, based on experience through involvement in standard-setting and related projects in South Africa, that ISAE 3410 is often used as a reference point as to how the principles and requirements in ISAE 3000 (Revised) should be adapted and applied to a specific subject matter. In this sense it has proven to be of value.

QUESTION 6

Scope of the IAASB's International Standard and Related Guidance	
<p>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.</p>	<p>Do you agree or disagree and why?</p>

80. **Our comments in relation to question 4** above provide the point of departure for our further comments in relation to this question, as included below.
81. Paragraph 133 of the Discussion Paper contains the following conclusion: "Accordingly, we believe that it may be too early to develop a definitive standard in this area and that

the most effective way to begin to address these challenges would be to explore whether additional guidance is needed to enable practitioners to apply the requirements of ISAE 3000 (Revised) more effectively.” SAICA agrees with this overall conclusion.

82. SAICA also offers the following additional comments in relation to the primary reasons presented in the Discussion Paper in support of the above conclusion:

- Many of the challenges identified are likely to require further conceptual analysis to develop appropriate responses; in some instances there is analogous guidance that could be adapted.

This should be acceptable as a starting point (also referring to the discussion under Question 4, above). There is a perception that the development of EER may not be at such an early stage so as to prevent further conceptual analysis and development to commence. Interim support and guidance to practitioners are required, but it is important that the more fundamental work should also commence.

- EER frameworks are still evolving.

This is true, but there are frameworks that already exist and others that are coming on-line, for example, the recently released GRI Sustainability Reporting Standards. These require further exploration from an assurance perspective.

- Entities that are applying EER frameworks often do not have fully mature reporting systems, controls and oversight.

Again, this is true, but these are also improving, and there are entities where assurance engagements are possible and are being performed. An additional consideration is that the proper scoping of the assurance engagement can assist in ensuring that the preconditions for the *defined* assurance engagement are satisfied.

83. In addition, there is the matter of the objectives of those organisations responsible for the development of EER reporting frameworks and the challenges that this may create for assurance standard-setters. This should however not impede the evolution of assurance engagements; it rather emphasises that the commencement of further conceptual analysis and development is important. To explain further:

- The International Integrated Reporting Council (IIRC) defines integrated reporting as “a process that results in communication by an organisation, most visibly a periodic integrated report, about how an organization’s strategy, governance, performance, and prospects lead to the creation of value over the short, medium and long-term”;
- The focus of integrated reporting is on the organisation’s strategy, governance, performance and prospects that lead to the creation of value. Since each organisation is unique, the structure and content of each integrated report may be vastly different;
- To this end, it may be argued that the lack of specificity in terms of recognition, measurement and disclosure criteria, rather opting for a broader framework, is intentional. The philosophy of the integrated report is for there to be flexibility in an entity having the ability to report freely and openly in providing a wide range of

information, including future orientated information that is useful to stakeholders in decision-making;

- However, from an assurance perspective this presents challenges in terms of meeting the preconditions for an assurance engagement, including a sound reporting framework that provides suitable criteria for the measurement or evaluation of the subject matter (also refer to earlier discussion around EER reporting frameworks under Question 1, above). It is important that these conceptual issues be understood and efforts are advanced to properly align reporting objectives and assurance objectives.
84. Although it might be argued that EER reporting has not evolved sufficiently to commence with the development of a subject-matter specific assurance engagement standard on EER, the concern is that the demand for the assurance is there now and with no available guidance, assurance service providers are finding themselves in an unfamiliar and uncomfortable space. Hence, our support for an approach to explore guidance to support practitioners in applying the existing International Standards.
85. We believe that it is not possible for the IAASB to go directly into the development of a specific assurance engagement standard on EER. However, consultation with affected parties including preparers, regulators, standard-setters, assurance service providers, and other stakeholders need to continue; parallel with the development of other guidance to enhance the understanding of EER reports.
86. The notion of developing a single subject-matter specific assurance engagement standard on EER deserves further consideration. There is a concern that ISAE 3000 (Revised) already represents a generic /umbrella standard, and the IAASB should be cautious not to develop another umbrella standard which may add little value in comparison to the current ISAE 3000 (Revised). Owing to the variety of subject matters associated with EER and the fact that the nature and content elements of these subject matters may differ fundamentally, it could be appropriate to contemplate a scenario where there is a need for different subject-matter specific standards.

QUESTION 7

Ten Key Challenges in Relation to EER Assurance Engagements	
<p>Q7. Section V describes assurance engagements and the Ten Key Challenges we have identified in addressing EER in such engagements (see box below) and suggests the most effective way to begin to address these challenges would be to explore guidance to support practitioners in applying the IAASB’s existing International Standards to EER assurance engagements.</p>	<ul style="list-style-type: none"> a. Do you agree with our analysis of the key challenges? b. For each key challenge in Section V, do you agree that guidance may be helpful in addressing the challenge? c. If so, what priority should the IAASB give to addressing each key challenge and why? d. If not, why and describe any other actions that you believe the IAASB should take. 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?

The Ten Key Challenges	
<ul style="list-style-type: none"> • Scoping EER assurance engagements • Suitability of criteria • Materiality • Building assertions in planning and performing the engagement • Maturity of governance and internal control processes 	<ul style="list-style-type: none"> • Narrative information • Future-orientated information • Professional skepticism and professional judgement • Competence of practitioners performing the engagement • Form of the assurance report

87. The ten key challenges identified in the Discussion Paper are certainly relevant and valid, and encapsulate key concepts and principles that have to be addressed with respect to the acceptance of EER assurance engagements and the efficient and effective performance of such engagements, including communicating the assurance conclusion.
88. As mentioned earlier, we have experience in South Africa of using ISAE 3000 (Revised) as a foundation standard to apply to different subject matters that would be encapsulated within the meaning of EER (refer to response to question 4, above). The adaptation and application of ISAE 3000 (Revised) to specific EER subject matters require considerable work effort and a high level of assurance skills and techniques balanced with sufficient understanding of the particular subject matter.
89. Addressing the identified ten key challenges would help to ensure consistency in practice and engagement quality that are fundamental to the growth and relevance of these types of assurance engagements.
90. Although different types of interventions may all contribute to these aims, including for example collaboration with other organisations in terms of the development of skills and competence, toolkits and related guidance, awareness campaigns, sound reporting frameworks, internal control and risks management systems, etc., it is appropriate that the IAASB explore the development of guidance to support practitioners in applying existing International Standards.
91. If the ten key challenges cannot be addressed simultaneously, it would be important to consider how they may be grouped together in a staggered-approach that provides guidance in terms of a logical progression with respect to accepting and performing an assurance engagement, and that ensures an integrated approach in terms of implementation in practice (i.e. so that it can actually be implemented and used in developing methodologies and in performing engagements in a logical way).

Our further comments in response to question 7 are presented under the following headings:

- Considerations with respect to the individual challenges
- Prioritisation of the ten key challenges
- Other key challenges

Considerations with respect to the individual challenges

Challenge 1: Scoping EER assurance engagements

92. Scoping the assurance engagement is fundamental in linking the anticipated provision of assurance to the information needs of the intended users of an identified EER report or EER information. This includes the basic determination of whether or not it will be possible to perform an assurance engagement on the target subject matter information; or alternatively, how to set appropriate boundaries and define the information to be assured so that the preconditions for an assurance engagement are met, but still providing the intended users with meaningful assurance in relation to their broader need for credibility and trust in the information.
93. Scoping the assurance engagement cannot be addressed without exploring the concepts of subject matter and subject matter information.
94. Scoping the engagement must include exploring the pre-conditions for an assurance engagement, and how these could be met for an EER assurance engagement. The Discussion Paper touches, in various sections on some of the preconditions. However, we believe that all of the preconditions of an assurance engagement as presented in paragraph 24 of ISAE 3000 (Revised) should be addressed as a collection of inter-related conditions. Useful guidance would include an illustration(s) by referring to a specific subject matter(s) – this would give the preconditions context and assist assurance practitioners to develop their own thinking with respect to the concepts involved.
95. An important point to make is that the scoping of the assurance engagement, including establishing whether the applicable criteria for the measurement and evaluation of the subject matter are suitable (as one of the preconditions for an assurance engagement), is a distinct step in the acceptance and pre-planning stage of an EER assurance engagement that will require considerable time, effort, resources and skills from the assurance practitioner. By analogy, when accepting an engagement to audit financial statements, this step is usually presumed to have been met. The financial statements are identifiable and known, and are normally prepared in accordance with a recognised financial reporting framework which is presumed to be suitable and therefore the auditor seldom has to deal with these considerations in detail.
96. In our comments to question 1, above, we have indicated that the concept of an “EER report as a whole” should be explored further, including an analogy with “financial statements as a whole”; i.e. why can financial statements be considered “as a whole”, and is this possible for any particular EER report, taking into account how the report is prepared and presented and how the intended users receive, interpret and understand the information and the message(s) being communicated. This could be helpful in addressing the issues around so-called full scope engagements and less than full scope engagements.
97. By analogy, one of the challenges for EER reports is that the information is less uniform compared to accounting and financial reporting information. It varies in nature and is obtained from various sources, including different systems. Relevant information may be obtained, captured, processed and produced from a variety of internal and external sources, within or outside of the general and subsidiary ledger systems. A key difference to take into account is that EER information does not provide the inherent check found in the case of financial reporting, namely a double-entry accounting

system from which a trial balance is produced that provides the central reference point for preparing financial statements.

98. SAICA agrees that the IAASB should explore guidance on addressing the difficult acceptance considerations relating to this challenge and their implications for the practitioner determining the scope of an assurance engagement that would be possible and that has a rational purpose.

Challenge 2: Suitability of criteria

99. This challenge is intrinsically linked with the broader consideration of whether or not the EER report is prepared using a sound reporting framework.
100. **As discussed under questions 1 and 6, above**, a significant hurdle remains in that the reporting frameworks that have been established for certain EER reports are not sufficiently detailed in their requirements relating to the recognition and measurement of the EER elements concerned, and their presentation and disclosure in the EER report.
101. In the absence of *established criteria* that exhibit the characteristics of suitable criteria, entities develop their own criteria from an available framework(s) to identify and present relevant EER information (i.e. *entity-developed criteria*). This is not the optimal solution for general purpose reporting and presents risks in terms of consistency, quality and reputation. It also increases risk for the assurance practitioner in terms of engagement acceptance when evaluating whether the preconditions for an assurance engagement are met.
102. However, in the short to medium term, assurance engagements on EER reports that are prepared in accordance with entity-developed criteria may continue to be the only practicable option. Such criteria must still exhibit the characteristics of suitable criteria, must be applied to an underlying subject matter that is appropriate, the criteria must be made available to intended users in an appropriate manner, and the assurance engagement must have a rational purpose (as part of the preconditions for an assurance engagement in terms of ISAE 3000 (Revised)).
103. SAICA agrees that the IAASB should explore additional guidance to assist practitioners in assessing the suitability of criteria for EER engagements.
104. Since the suitability of criteria is only one of the preconditions of an assurance engagement, we propose that this challenge and the challenge of scoping the engagement should be addressed in combination.

Challenge 3: Materiality

105. Materiality is a user-orientated concept and require similar considerations from a reporting perspective (i.e. the preparation and presentation of the EER report) and from an assurance perspective (i.e. planning and performing the assurance engagement). However, we believe that it is appropriate to make the following distinction in exploring guidance to support practitioners:

- The preparer entity's materiality process that would be closely linked to the applicable criteria used to prepare and present the EER report, and the entity's governance and internal control processes; and
 - Materiality as determined and applied by the assurance practitioner in planning and performing the assurance engagement, including when determining the nature, timing and extent of procedures, and evaluating whether the EER report or EER information is free from material misstatement.
106. Subject to the above distinction, SAICA agrees that the IAASB should explore further guidance in relation to evaluating the entity's EER materiality process, including the extent and nature of stakeholder engagement, considering the overall materiality of misstatements and considering materiality for qualitative depictions, including for narrative descriptions and future oriented information.
107. Since the concept of materiality and the information needs of the intended users as a group, including the notion of a reasonable and informed user, are already contained in ISAE 3000 (Revised), this is an area that should be explored further.
108. Both the quantitative and qualitative aspects of materiality should be addressed in the case of EER assurance engagements. Even when there is no common units of measurement, consideration can still be given to the notion of a misstatement occurrence rate that is expressed as a percentage.
109. Qualitative materiality would be expected to be more important than quantitative materiality, a principle also already emphasised in ISAE 3000 (Revised). Additional guidance regarding the consideration of qualitative materiality will be helpful. The recently completed disclosures in financial statements project of the IAASB provides application material relating to misstatements in qualitative disclosures that could also provide input to the development of guidance regarding qualitative materiality considerations.
110. Materiality should be addressed in all its elements, namely in planning the engagement, in performing assurance procedures and in evaluating the results of procedures. The latter is extremely important and can determine whether the assurance engagement succeeds or fails in its overall objective.

Challenge 4: Building assertions in planning and performing the engagement

111. It is interesting to note that the concept of "assertions" is not mentioned at all in ISAE 3000 (Revised), yet it is pervasive in the International Standards on Auditing (ISAs) in relation to an audit of financial statements. It is also used in ISAE 3410.
112. SAICA proposes that the use of assertions is fundamental to any assurance engagement in applying a risk-based approach to plan and perform procedures to obtain sufficient appropriate evidence as a basis for an assurance conclusion. Therefore, any guidance to support assurance practitioners will be incomplete without guidance relating to assertions and their application in planning and performing the assurance engagement.
113. The general principle is that assertions are inherent in the resultant subject matter information (i.e. in the EER report or individual elements /components of the EER report), and are embodied in the requirements of the reporting framework (i.e. the

applicable criteria). Assertions are used by the practitioner to consider the different types of misstatements that may occur, and can only be “built” in the context of how the users receive, interpret and understand the information and the message(s) being communicated. The question to ask is what would make the information wrong in the context of the objectives and requirements of the EER framework.

114. The above would suggest that “assertions” is not only an assurance concept, but also a reporting concept, and therefore something that should be considered in developing reporting frameworks, as well as the recognition, measurement and disclosure criteria for the content elements of EER reports.
115. A methodology for building assertions would be a valuable application tool. Although it could be possible to identify some generic assertions relating to EER, it should be recognised that assertions could be different between different EER reports (or between different elements /components of an EER report), based on the EER framework being used and the assertions that are embodied in the particular framework.
116. SAICA’s information-gathering indicates that there is support for the notion that different assertions may be linked to different types of information that are prevalent in EER reports, and that additional guidance in this regard will be helpful to the assurance practitioner. The following has been suggested:
 - That the four general elements of data be used as a starting point in building assertions relating to EER reports, namely accuracy, consistency, completeness and reliability; and
 - Incorporate the concept of neutrality and balance in presenting and disclosing information. To illustrate, an example was mentioned where companies often tend to focus on presenting the positive aspects of their operations and impact, with little or no disclosure about significant challenges that the company faces or failures that have been experienced.

Challenge 5: Maturity of governance and internal control processes

117. As in the case of an audit of financial statements and in the case of other assurance engagements for which there are subject-matter specific ISAEs, as well as in terms of the general principles and requirements in ISAE 3000 (Revised), the practitioner’s understanding and evaluation of the entity’s reporting processes, controls and oversight in providing a reasonable basis for the preparation of the subject matter information, is fundamental to any assurance engagement.
118. Therefore, SAICA agrees with the IAASB’s intention to explore further guidance in relation to the maturity of governance and internal control processes as described in paragraph 117 of the Discussion Paper.
119. Governance and internal control processes is also a challenge for the preparers of EER reports.
120. It should be clarified that in the case of an EER assurance engagement, there is a need to perform an initial evaluation of the entity’s EER information system(s), reporting process and related internal control, in addition to the more detailed understanding that would be obtained, as per normal as part of a reasonable

assurance engagement. This is because such evaluation may have a direct impact on whether the preconditions for an assurance engagement are met – in particular, whether the practitioner expects to be able to obtain the evidence needed to support the practitioner's conclusion.

121. Furthermore, an initial evaluation of the entity's materiality processes (linked to challenge 3, above) may have a direct impact on whether the assurance engagement has a rational purpose and whether the applicable criteria are suitable.
122. Any guidance to practitioners should also provide for the consideration of an entity's reporting processes in the case of *limited assurance engagements*, since EER assurance engagements are often undertaken as limited assurance engagements.
123. It could also be important to explore a similar concept found in the case of financial statements audits, namely risks for which substantive procedures alone cannot provide sufficient appropriate evidence.

Challenge 6: Narrative information

124. Narrative information has grown in its use in financial statements as financial reporting frameworks have evolved and disclosures in financial statements incorporate qualitative aspects, including matters of judgement, assumptions, input data, levels of uncertainty, etc. The recently completed project of the IAASB on addressing disclosures in an audit of financial statements expanded, amongst other matters, on the consideration of qualitative disclosures. The Integrated Reporting Working Group (IRWG) may find this helpful by way of analogy to develop guidance for EER assurance engagements.
125. Narrative information is one of the distinguishing characteristics of EER reporting and requires consideration at a conceptual level, as well as in relation to guidance in terms of the assurance evidence-gathering process. SAICA agrees that the IAASB should explore guidance for addressing narrative information in EER reports, including assessing the suitability of criteria; building appropriate assertions; considering materiality; and relevant considerations in seeking to obtain sufficient appropriate evidence.
126. A number of the areas to be explored also have touchpoints with some of the other key challenges. We also believe that guidance to practitioners should include a focus on the actual evidence-gathering process (i.e. seeking to obtain sufficient appropriate evidence), including obtaining an understanding of the underlying subject matter and other engagement circumstances, risk assessment and risk response.
127. Principles in ISA 540, *Auditing accounting estimates*, could be referred to in developing guidance for the consideration of narrative information; in particular taking into account the current IAASB project to revise ISA 540.
128. As stated in relation to challenge 3 above, the consideration of materiality should receive particular attention – considering the different types of misstatements that may occur, determining materiality and evaluating whether identified misstatements are material (individually and in aggregate). Guidance on the consideration of qualitative factors in determining materiality with respect to narrative information will be very helpful to assurance practitioners.

Challenge 7: Future-orientated information

129. The consideration of the preconditions for an assurance engagement and the scoping of the engagement would again be critical in accepting an assurance engagement where an EER report contains future-orientated information (also refer to challenges 1 and 2, above).
130. This is even more so, since future-orientated information may not necessarily be presented as distinct or separate information, but may be combined and integrated with other quantitative and qualitative information in the same EER report (or within the same element /component of an EER report).
131. One of the preconditions for an assurance engagement that is of particular relevance with respect to future orientated information is that the underlying subject matter must be appropriate. ISAE 3000 (Revised), paragraph A40 continues to explain that an appropriate underlying subject matter is identifiable and capable of consistent measurement or evaluation against the applicable criteria such that the resulting subject matter information can be subjected to procedures for obtaining sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate.
132. We believe that there is a conceptual challenge that must be addressed first, namely whether assurance over future-orientated information is possible, or alternatively under what circumstances, or what type of assurance may be possible in relation to future orientated information.
133. We agree that the IAASB would have to refer to ISAE 3400, *Prospective financial information*, which probably at present provides the most pertinent available guidance pertaining to future orientated information, as well as referring by analogy to ISA 540. The current IAASB project to revise ISA 540 also focusses specifically on changes in financial reporting frameworks in terms of which different models are used that also incorporate future-orientated information (e.g. expected credit loss models in estimating impairment allowances).
134. Subject to addressing the conceptual challenge with respect to assuring future-orientated information, SAICA agrees with the IAASB's intention to explore further guidance in relation to future-orientated information as described in paragraph 123 of the Discussion Paper.

Challenge 8: Professional skepticism and professional judgement

135. The IAASB's proposal in paragraph 126 of the Discussion Paper is sensible and the current work of the Professional Skepticism Working Group (PSWG) will certainly provide additional insights and direction to exploring these challenges.
136. However, professional skepticism and professional judgement are already integral elements of any assurance engagement and some additional guidance regarding its consideration and application in the context of EER assurance engagements would be appropriate.

137. There should be enough information available already, from the work of the PSWG and the ISA 540 Task Group, to begin to address the exercise of professional skepticism with a more neutral and challenging mind-set (as opposed to a corroborating mentality); which may be of particular relevance in the case of EER assurance engagements.

Challenge 9: Competence of practitioners performing the engagement

138. It is obvious why markets and users of general purpose information and reports are looking at the external auditor to bridge the gap in terms of providing assurance on EER reports. The auditing and assurance profession is a renowned, well-established profession with respect to the audit of financial statements. Whenever there is a need for external enhancement of credibility and trust, it is easy to seek assistance from an established profession that can be relied on, because of, and amongst other factors, its independence, a strong Code of Ethics, quality control standards and robust engagement standards.
139. For the profession to maintain this respected reputation, sound assurance skills, techniques, knowledge and experience, based on a foundation of strong ethical conduct and high quality are non-negotiable. The skills and aptitudes needed for providing assurance on non-financial information are not necessarily found in the stereotypical financial statements auditor.
140. The specific and additional competence requirements of practitioners performing EER assurance engagements should be explored further as proposed in the Discussion Paper. These engagements deal with a variety of non-traditional subject matters and subject matter information and pose real competence challenges that should be addressed in the public interest, and in the interest of the acceptance and relevance of such engagements.
141. Attendees at the consultation forum that was held by SAICA and the IRBA expressed strong views that the competence of practitioners performing EER assurance engagement is a priority challenge. This challenge in particular cannot only be addressed through providing additional guidance in applying existing International Standards, but will also require additional interventions relating to training and the enhancement of skills and behaviour, which may require collaboration with the organisations that development and promote EER frameworks, local standard-setters and professional accountancy organisations, universities and other providers of professional programs, and the International Accounting Education Standards Board (IAESB).
142. The Discussion Paper, quite appropriately, presents the consideration of competence in the context of the assurance practitioner, his/her resources and other expertise he/she may have access to. In addition, it would be appropriate for the IAESB (in collaboration with others), to explore the effect of EER on the pre-qualification competence program(s) of future assurance practitioners.
143. The consideration of competence could also be linked to the following notion that was addressed during the Non-Compliance with Laws and Regulations (NOCLAR) project: What can reasonably be expected of a professional accountant in the context/scope of his/her professional training, expertise and experience (what he/she has been exposed to; what he/she ought to know).

144. ISAE 3410 paragraph 16 requires that “The engagement partner shall have sufficient assurance skills, knowledge and experience, and sufficient competence in the quantification and reporting of emissions, to accept responsibility for the assurance conclusion; and be satisfied that the engagement team and any practitioner’s external experts collectively possess the necessary professional competencies ...”. Paragraph A18-A19 continues to provide fairly detailed application guidance in this regard. It would be helpful to explore how this could be adapted for EER assurance engagements; in total or for subject-matter specific EER engagements.
145. It would be interesting to note the results of further information-gathering and research regarding the suggestion in paragraph 129 of the Discussion Paper to explore whether there is a need to communicate explicitly about the competence of the engagement team in the assurance report and whether this would be helpful in enhancing confidence and trust in the EER assurance report.
146. Based on our initial consultations and discussions, there appears to be a sense that this may not be appropriate, since it may artificially create different categories of assurance engagements in the market place that may not be easily distinguishable or understood. It may also dilute the “sole responsibility” concept inherent in audit and assurance engagements, where the engagement partner is ultimately responsible and accountable for the performance of the engagement and the assurance conclusion. Furthermore, in the context of involving experts, there may be a risk that users of the assurance report could inadvertently form a negative view about the quality of the assurance engagement in instances where experts /specialists have not been involved notwithstanding that the engagement team could have possessed the competence and skills that were required in the circumstances.

Challenge 10: Form of the assurance report

147. The practitioner’s assurance report is the key deliverable that addresses the output of the assurance engagement and that contains the assurance conclusion that serves to *provide assurance* to the intended users of the identified EER report or EER information; (i.e. enhancing the degree of credibility of the intended users about the subject matter information).
148. We agree that the IAASB should explore guidance to practitioners in communicating effectively by way of an appropriate assurance report as proposed in paragraph 132 of the Discussion Paper. Owing to the nature and depiction of EER information, the related assurance report is especially suited for long-form reporting that provide additional entity-specific, subject matter-specific and assurance-specific information (i.e. a more informative report that does not just contain a binary pass or fail assurance conclusion). This will go a long way towards the acceptance and continued relevance and value of assurance reports in this area.
149. As mentioned in our comments on question 4, above, we have experience in South Africa of using ISAE 3000 (Revised) as a foundation standard to apply to different specific subject matters and subject-matter information. It is flexible in its reporting requirements and it is possible to strike an appropriate balance between assurance reports that are sufficiently specific to the subject matter information concerned, but are also sufficiently consistent across different engagements so that these reports are recognised in practice as ISAE 3000 (Revised) assurance reports provided by independent external assurance service providers.

150. Issuing assurance reports that are more informative about the engagement that has been performed; being more transparent and being more entity-specific and subject matter-specific may be of particular relevance in terms of meeting the information needs of users of EER reports (i.e. enhancing the degree of credibility). In this context it may be appropriate to explore the possibility to enhance reporting by the introduction of “key assurance matters” similar to the concept of key audit matters in an audit of financial statements.
151. The Discussion Paper refers to the possibility of drafting a “combined report”. Again, we have some experience in South Africa regarding combined reports; not linked to the audit of the financial statements, but in the area of regulated industries reporting (i.e. special purpose reporting to meet the information needs of a regulator). The Auditor-General South Africa (AGSA) has also explored combined reporting in terms of its responsibility to perform various engagements, namely an audit of an entity’s financial statements, and assurance regarding an entity’s reported information about its performance against predetermined objectives, and its compliance with certain legislation.
152. The examples mentioned above, all relate to instances where the same auditor or assurance service provider performs the different engagements reported on in the combined report (a single engagement partner that is responsible and accountable for the engagements and assurance conclusions). We do not have sufficient information at this stage to express a view on a situation where different assurance service providers may be involved.

Prioritisation of the ten key challenges

153. In the final analysis, all the key challenges that have been identified in the Discussion Paper are relevant and valid, and encapsulate key concepts and principles that should be addressed in exploring guidance to support practitioners in applying the IAASB’s existing International Standards. We appreciate that it may not be possible to address all of these challenges simultaneously and, therefore, that a priority rating may be helpful in directing further efforts in this regard.
154. An interesting observation from the consultation forum and task group that were held in South Africa, is that different priorities are possible depending on the particular perspective that was being advanced and the inherent assumptions that were made. For example, if one does not assume a scenario of a practitioner that would in the first instance act in accordance with the fundamental ethical principle of professional competence and due care when accepting an assurance engagement (or any type of engagement), **challenge 9** (competence of practitioners performing the engagement), is indicated as the top “umbrella” /overarching challenge to be addressed.
155. **Challenge 8** (professional skepticism and professional judgement) was also indicated within this “umbrella” /overarching category; i.e. the need to plan and perform an engagement with professional skepticism, recognising that circumstances may exist that cause the subject matter information to be materiality misstated, and exercising professional judgment in planning and performing procedures and in evaluating the sufficiency and appropriateness of the evidence obtained.
156. If one starts from the perspective of “preparing and reporting”, other challenges tend to rise to the top, but not from an assurance and evidence-gathering perspective. The following are key challenges for the preparers, management and those charged with

governance of the entity preparing and issuing an EER report (in order of priority, but inter-related):

- **Challenge 5** – Maturity of governance and internal control processes. Views were expressed that the existence of strong governance structures including a sound internal control environment are the point of departure in preparing and presenting EER reports that are credible and can be relied upon by users in making informed decisions.
- **Challenge 4** – Building assertions (as part of a sound financial reporting framework and preparing subject matter information in accordance with the applicable framework).
- **Challenge 3** – Materiality (in the context of the preparer's materiality process and decisions).

157. In considering and discussing the different challenges, **challenge 10** (form of the assurance report), often “got lost”. However, when attention was drawn to this, there was recognition that this should be one of the top challenges, since the expected form and content of the assurance report is a significant engagement acceptance consideration and part of agreeing the terms of the engagement. It is fundamental to ensuring that the engaging party's and the intended users' needs would be met.

158. **Challenge 6** (narrative information) and **challenge 7** (future-orientated information), although important in their own right, were consistently indicated as the lowest priority relative to the other challenges that have been identified.

159. From an assurance engagement perspective, once the need for independent external assurance has been established in relation to a specific EER report or EER information, the following priority could be applicable in terms of a logical progression from accepting the engagement to applying an integrated assurance evidence-gathering process, to reporting. This list does not repeat the so-called “umbrella” /overarching challenges (challenges 8 and 9) referred to above.

All the challenges are inter-related and it would probably be difficult within a specific grouping to address one, without also addressing the others (with the possible exception of challenges 6 and 7). Some challenges may be included in more than one grouping.

- Pre-engagement activities, engagement acceptance considerations and agreeing the terms of engagement
 - **Challenge 1** – Scoping the EER assurance engagement
 - **Challenge 2** – Suitability of criteria
 - **Challenge 5** – Maturity of governance and internal control processes (including the reporting entity's materiality processes)
 - **Challenge 10** – Form of the assurance report
- Initial work in understanding the underlying subject matter and other engagement circumstances, establishing an assurance strategy and designing a plan to obtain sufficient appropriate evidence

- **Challenge 3** – Materiality
- **Challenge 4** – Building assertions in planning and performing the engagement
- **Challenge 5** – Maturity of governance and internal control processes

- Planning and performing specific evidence-gathering procedures
 - **Challenge 3** – Materiality
 - **Challenge 6** – Narrative information
 - **Challenge 7** – Future-orientated information

- Forming an assurance conclusion and reporting
 - **Challenge 3** – Materiality
 - **Challenge 10** – Form of the assurance report

Other key challenges

160. The information in this section is provided in response to the request as part of Question 7 to identify any other possible key challenges that should be considered by the IAASB.

161. Obtaining an understanding of the underlying subject matter and other engagement circumstances as a basis to plan and perform the assurance engagement

This challenge may be particularly relevant owing to the degree of variability in subject matters and content elements of EER reports. We know from audits of financial statements, that a lack of understanding of the entity and its environment is often a root cause of inspections findings and other issues that may arise from the audit. Therefore, it will be helpful to explore guidance to support practitioners in obtaining an understanding sufficient to identify and assess risks of material misstatement as a basis to design and perform procedures to obtain sufficient appropriate evidence. In this regard the requirements and application material in ISA 315 (Revised) may be relevant by analogy, as well as reference to the subject-matter specific ISAEs that already exist.

162. Using the work of experts

Although “experts” are touched on as part of challenge 9 (in relation to the competence of practitioners), there were suggestions that using the work of experts should be addressed as a separate challenge. The Discussion Paper recognises in a number of instances that EER reports and EER assurance engagements are characterised by a broader range of subject matters that may require specialised knowledge, skills and experience. External inspection results have also revealed certain deficiencies in auditors applying the requirements of ISA 620. This may become an elevated risk in the case of EER assurance engagements, since, for example, you can’t have somebody working with an expert that does not, at least, understand that subject matter to the point that they can rely on that expert. ISAE 3000 (Revised), paragraph 52 addresses “Work performed by a practitioner’s expert”. Additional guidance to support practitioners in applying these requirements in the context of EER reporting will be helpful, also taking into account that both management’s experts and practitioner’s experts may be involved.

163. Although external to the assurance process as such, an additional challenge that has been mentioned is the cost of assurance engagements. Organisations will also perform a cost benefit analysis and if the costs outweigh the potential benefits of obtaining external assurance, this might deter organisations from procuring external assurance services. This is linked to users’ information needs and the level(s) to which they require the credibility of certain information to be enhanced (i.e. the value that they expect to receive). The mapping of certain sources of credibility and trust, as in the case of a combined assurance model, also finds application in this context.

QUESTION 8

Potential Demand for Assurance Engagements and Other Professional Services	
<p>Q8. The IAASB wishes to understand the impact on potential demand for assurance engagements, if the Ten Key Challenges we have identified can be addressed appropriately, and in particular whether:</p> <ul style="list-style-type: none"> • Doing so would enhance the usefulness of EER assurance engagements for users • Such demand would come from internal or external users of both • There are barriers to such demand and alternative approaches should be considered. 	<p>a Do you believe there is likely to be substantial user demand for EER assurance engagements if the key challenges can be appropriately addressed?</p> <p>b If so, do you believe such demand:</p> <ul style="list-style-type: none"> 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? <p>c If not, is your reasoning that:</p> <ul style="list-style-type: none"> i EER frameworks and governance will first need to mature further? ii Users would prefer other type(s) of professional services or external inputs (if so what type(s) – see box below for examples of possible types)? iii There are cost-benefit or other reasons (please explain)?
<ul style="list-style-type: none"> • Further enhanced responsibilities for financial statement auditors under ISA 720 (Revised)? • Agreed-upon procedures reports? • Compilation reports? 	<ul style="list-style-type: none"> • Other types of professional services or other external inputs (please indicate what type of service or input and whether the IAASB should consider developing related standards or guidance)?

164. It is clear that there is a demand for EER reports and that they provide input /contribute to users’ decision-making processes; otherwise these forms of reporting would not have developed and would not be called for in terms of an entity periodically accounting for its conduct, activities and performance to various users and providing information about its future prospects.

165. The question that arises now is what causes intended users to trust the information that is being reported; or what would otherwise persuade them to trust the information. In particular, whether these users also require the further enhancement of the credibility of reported information through external professional services, including assurance

engagements performed in accordance with the IAASB's International Standards. **Also refer to the issues explored as part of question 1, above.**

166. The continuum of credibility and trust is fairly wide, from no trust to absolute trust. In general, different users would be satisfied with different degrees of credibility, depending on numerous internal and external factors that characterise their circumstances and their interaction and proximity to the information concerned. In certain instances the need for external professional services may be indicated, including services that provide assurance. Again, it may be relevant to consider the concepts of assurance mapping or a combined assurance model.
167. It is certainly in the public interest, as well as that of the wider audit and assurance profession, that there is consistency in practice that will ultimately support the quality of EER assurance engagements, and contribute to their recognition and acceptance in the market. To this end, it is important that the IAASB explore guidance to support practitioners in applying its International Standards, as is being proposed in the Discussion Paper.
168. SAICA is unfortunately not in a position to provide a definitive answer with respect to the demand for EER assurance engagements, since we have not undertaken specific research in this regard. With reference to the consultation forum and task group that we have been involved with, and our general experience within the South African market, we can offer the following perspectives:

*Also refer to our comments in relation to **question 2 and 4**, above that provide examples and further explanations.*

- There is some demand for assurance over certain types of general purpose EER reports, where the IRBA and, in the public sector, the AGSA, have had occasion to develop guidance to apply ISAE 3000 (Revised) to different subject matters, including reporting an assurance conclusion in a written report.
 - In terms of special purpose EER reports, there are various regulators in South Africa that require entities within their industries to report information other than historical financial information (sometimes in the form of standard statutory returns). The external auditors of these entities may be required by law or regulation to provide assurance on such information, in which case an ISAE 3000 (Revised) engagement would be performed to obtain either reasonable assurance or limited assurance, as applicable in the circumstances.
169. With the release of the King III Report in 2009, and the recent release of the King IV Report on 1 November 2016, integrated reporting has become a prominent form of EER reporting in South Africa. We are aware that there is no general practice at present to provide assurance on the integrated report as a whole. When external assurance is called for, assurance is provided on certain elements contained in the integrated report, most often selected key performance indicators as part of the entity's sustainability reporting, using an ISAE 3000 (Revised) assurance engagement. Some non-traditional assurance service providers (i.e. non-auditors) may also use other assurance standards, e.g. those issued by AccountAbility (alone or in combination with ISAE 3000 (Revised)).
170. Would the demand for EER assurance engagements be affected, if the ten key challenges are addressed? During our information-gathering activities, the answer was predominantly positive.

171. To an extent this is also a difficult question to answer, since it depends on what drives the demand (considering various internal and external factors linked to the information needs of intended users). To illustrate:
- Could there be a lack of demand for EER assurance engagements, because users derive sufficient degrees of credibility and trust from other sources; or
 - Could it be that there is a demand for EER assurance engagements, but because of challenges regarding the preconditions for an assurance engagement in certain instances, practitioners are declining these types of engagements, or are offering engagements that are different from the original request; or
 - There could be a demand for EER assurance engagements, but the cost of assurance could be a concern.
172. Special purpose reporting in regulated industries will probably continue to drive demand, as we have seen in South Africa in terms of various assurance reports being requested by individual regulators.
173. The reconfirmation in the King IV Report in South Africa of the need for an environment of strong corporate governance and a philosophy of integrated thinking focuses the attention on the accountability of those charged with governance and the demand for transparency in accounting and reporting to stakeholders. This is expected to add to the demand for EER reporting, as well as assurance over EER reports or aspects of an EER report (within the context of a combined assurance model).
174. Addressing the ten key challenges would certainly improve the ability of assurance practitioners to accept these types of engagements and perform them in accordance with ISAE 3000 (Revised). We believe that it may also make these types of engagements more accessible to a wider group of assurance practitioners that may not normally have the internal technical resources do custom develop methodologies for these types of engagements.

QUESTION 9

Other	
Q9. The IAASB would like to understand stakeholder views on areas where the IAASB should be collaborating with other organizations in relation to EER reporting	For which actions would collaboration with, or actions by, other organizations also be needed?

175. Collaboration with academia would continue to be of value, especially in the context that the Discussion Paper recognises that “many of these challenges are likely to require further conceptual analysis to develop appropriate responses.” (Discussion Paper, paragraph 133).
176. It has been highlighted throughout that EER frameworks themselves, and the manner in which EER reports are prepared and presented may often present the biggest challenges in terms of being able to accept assurance engagements (i.e. meeting the preconditions for an assurance engagement). Collaboration with organisations that develop EER frameworks and representative bodies of preparers can provide opportunities to influence developments and reach common understanding of key

concepts and principles. Outreach to organisations that promote corporate governance codes, practices and principle can also contribute in this regard.

177. Collaborative relationships with key organisations such as the IIRC and GRI would obviously have to be maintained. Other organisations that the IAASB could consider collaborating with, include (if not already the case):
- The Corporate Reporting Dialogue (CRD) was launched recently as an initiative designed to respond to market calls for greater coherence, consistency and comparability between corporate reporting frameworks, standards and related requirements. CRD participants include, amongst other, the IIRC, the International Accounting Standards Board (IASB), the Financial Accounting Standards Board (FASB) and the Sustainability Accounting Standards Board (SASB).
 - International Corporate Governance Network (ICGN) – Established in 1995 as an investor-led organisation, ICGN's mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies world-wide.
 - CDP – Even though their focus is on carbon disclosure, it is an emerging form of other reporting and the CDP seem to have a good approach to the way information is compiled, how reliable the information is and addressing transparency around the disclosure of relevant information.
178. The World Business Council for Sustainable Development (WBCSD) has issued a document entitled *Generating Value from External Assurance of Sustainability Reporting* in February 2016. Sustainability reporting represents an important type of EER reporting and this document may provide useful insights and perspectives relating to EER assurance engagements. It sought to inspire interest in external assurance amongst members, informing and preparing them for such engagements and an approach for reporters and assurance service providers to maximize value creation and reduce inefficiency. It also touches on some of the challenges that have been highlighted in the Discussion Paper, for example, the internal control environment and the scope of assurance.
179. Outreach pertaining to public sector reporting and assurance could provide additional insights into how information needs, other than those related to financial information, are being addressed from a reporting perspective and from an assurance perspective. The public sector is often required to deal with demands of this kind, before private sector organisations have to. Consider the International Organisation of Supreme Audit Institutions (INTOSAI) as a contact point in this regard.
180. With respect to key challenge 8, the competence of the practitioner (refer to question 7 above), there is a need to collaborate with the IAESB regarding the pre-qualification competence program(s) of the future assurance practitioner.
181. Collaboration with national standard-setters and professional accountancy organisations that may have specific experience with respect to certain aspects of EER reporting within their jurisdictions, for example integrated reporting in South Africa, as well as perspectives that could be gained from certain types of regulatory reporting.
182. Such collaboration could also focus on awareness and training initiatives to inform and upskill preparers of EER reports, assurance service providers and users regarding EER reporting, the broader concept of supporting credibility and trust, and more specifically, EER assurance engagements.

183. Specialist organisations in the areas of quality assurance, environmental responsibility, social responsibility and governance may provide useful insights in understanding and addressing some key challenges, such as those relating to applicable reporting criteria, systems, processes and internal control, and materiality decisions.

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