



EER Assurance

CAG Agenda Item

F-1

Project Update to the CAG September 2019

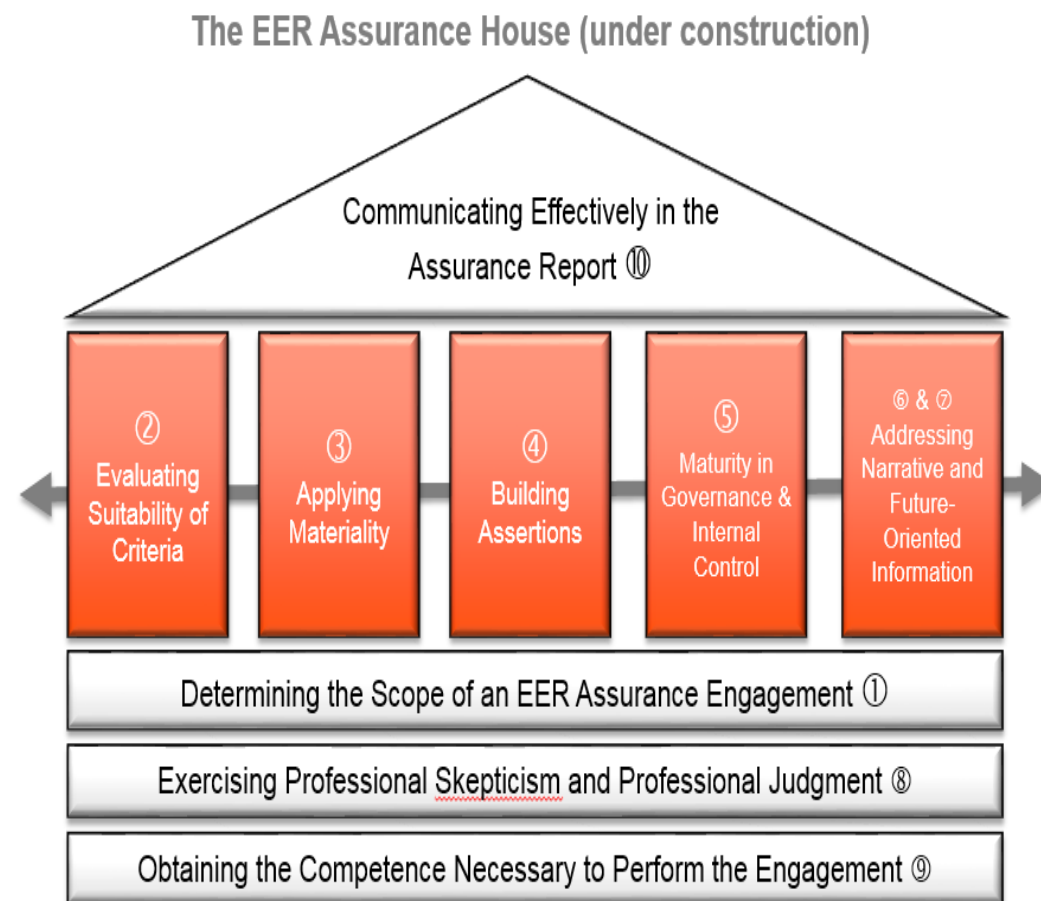
September 9, 2019

IAASB

International Auditing
and Assurance
Standards Board

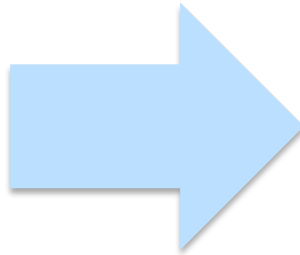
Recap of March Update

- Presented conclusion of Phase 1
 - CP issued
- Presented key challenges identified for Phase 2
 - Engagement Scope
 - Competence
 - Professional Skepticism and Professional Judgment
 - Evidence (Narrative and Future-Oriented Information)
 - Assurance Report
- Refer to 'report back' document
 - Summary of points raised
 - Task Force responses



Agenda for Today

Consultation
Paper responses
phase 1



Phase 2 in
progress

Progress Since March CAG Meeting

- May 2019 – Task Force meeting – Phase 2 Challenges
- June 2019 – IAASB meeting – Phase 2 Challenges
- June 2019 – Phase 1 CP – 52 responses received
- July 2019 – Task Force meeting – Phase 1 CP Responses and Phase 2 Challenges
- September 2019 – IAASB meeting – Phase 1 CP Proposals and first draft Phase 2 Guidance
- April to August 2019 - Outreach

Consultation Paper Responses

- Generally positive support
- Comments related in the main to:
 - Length and complexity of the guidance
 - Examples to cover engagements with broader range of EER frameworks
 - Work effort for preconditions pre- and post-acceptance
 - Determining suitability of criteria is challenging
 - Materiality process including terminology
 - Assertions
 - Limited vs reasonable assurance

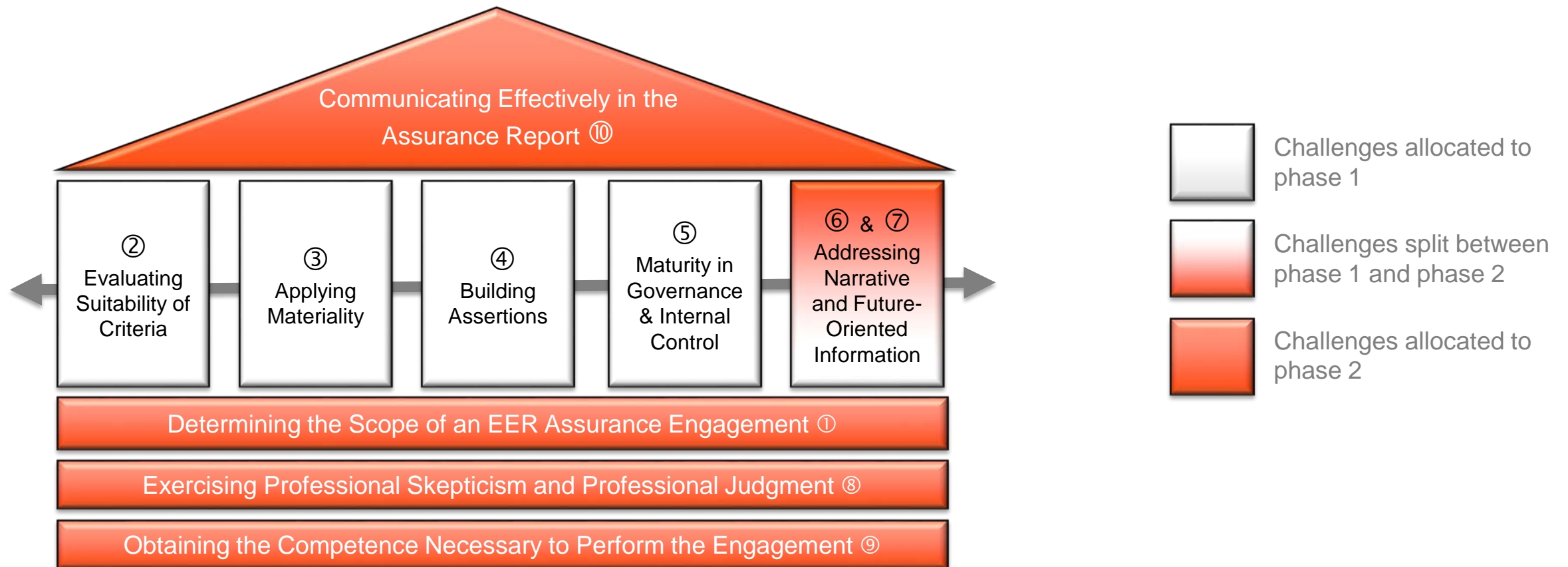
Category of Respondent	No.	Percentage
Investors and Analysts	1	2%
Regulators and Oversight Authorities	2	4%
National Auditing Standard Setters	8	15%
Accounting Firms	8	15%
Public Sector Organizations	1	2%
Member Bodies and Other Professional Organizations	28	54%
Academics	1	2%
Individuals and Others	3	6%
Total	52	100%

Task Force Proposals to Address Consultation Paper Responses

- Restructure guidance:
 - Main Body of Guidance
 - Practical Guidance in Specific circumstances of EER reporting
 - Shorter Simpler Examples
 - Appendix to Main Body of Guidance
 - Longer More Complex Examples
 - Supplement – Background and Contextual Information
 - Integrate Phase 1 and Phase 2 conceptual material
 - Use hyperlinks between Main Body of Guidance, Appendix and Supplement
- Broaden range of examples
- Enhance Phase 1 Guidance during Development of Phase 2 Guidance

Phase 2 Guidance – First Draft

The EER Assurance House (under construction)



Determining the Scope of an EER Assurance Engagement

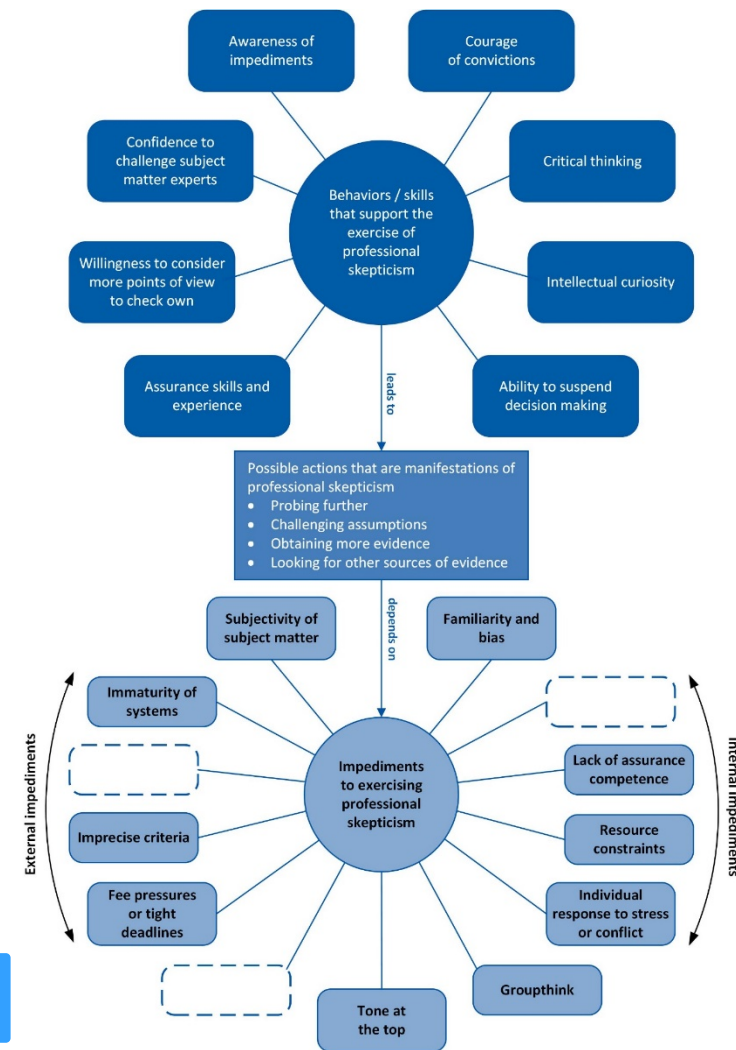
- Wide variety in the scope of assurance engagements in practice
- Meaning of Scope of Assurance
- Breadth
 - Can be an entire report or only part(s) of an EER report
 - Engagement acceptance considerations linked to preconditions, especially rational purpose
 - Cherry picking
 - Increasing breadth – rolling program
- Depth
 - Level of assurance – acceptably low engagement risk – in circumstances of the engagement
 - Limited v reasonable assurance
- Other issues revisited:
 - Other Information – work effort relating to preconditions – assurance readiness engagements

Obtaining Audit Evidence in Respect of Narrative and Future-Oriented Information

- New Chapter 10 on general aspects of evidence – Thought process
 - What evidence needed and identifying available sources
 - Design and performance of procedures to obtain sufficient appropriate evidence
 - Evaluating sufficiency and appropriateness of evidence
- Illustrative example for thought process (quantitative information)
- How much evidence is enough?
 - Limited v reasonable assurance
 - Not discrete models – Procedures in the toolkit for obtaining evidence essentially the same, but
 - Collectively, less persuasive evidence is needed for limited assurance
- Guidance and examples to illustrate application of thought process to narrative and future-oriented information
 - integrated with other guidance on such information in previous Chapters 10 and 11 (now 11 and 12)

Exercising Professional Skepticism and Professional Judgment

- Many aspects of EER that require PS and PJ
 - Increased subjectivity and risk of management bias
 - Skills and experience needed to exercise PS and PJ
- Professional Skepticism
 - Attitude of mind – but – Actions are manifestation of exercise of PS
 - PJ exercised in making decisions to take PS actions
 - Behaviours and skills that support exercise of PS
 - Impediments to exercise of PS
 - Guidance and practical examples
- Professional Judgment
 - Application of training, knowledge and experience – decisions about courses of action – facts and circumstances known to practitioner
 - Practical examples – Chapter 5 – Icons to flag PJ in other chapters



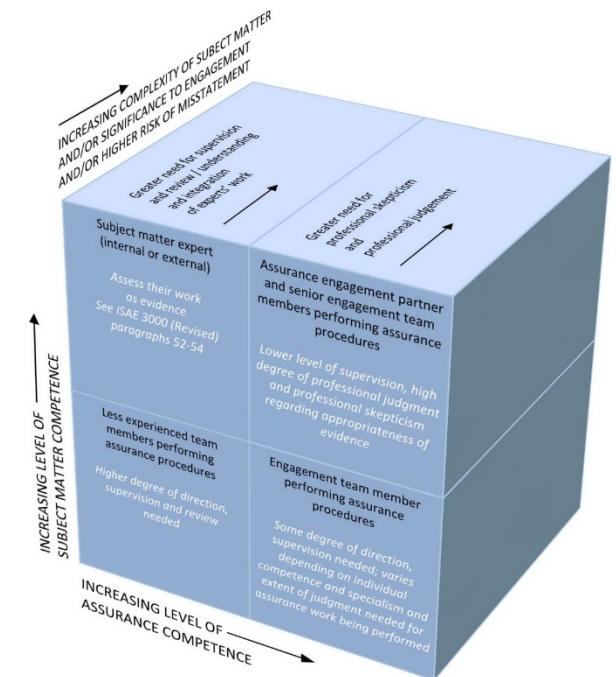
PS

PJ

Obtaining the Competence Necessary to Perform the Engagement

- Diversity, breadth and characteristics of subject matter
 - Increases complexity and uncertainty in some engagements
 - Drives need for wide range of skills and experience – assurance and subject matter competence
 - Drives need for greater use of experts
- Competence model different from financial statement audit
- Practitioner: assurance competence – Practitioner's expert: subject matter competence
- Engagement partner – high assurance competence; enough SM competence to take responsibility
- Competence considerations in assignment of team may be complex
 - Both assurance competence and subject matter competence
 - Multi-disciplinary teams – Skills matrix – Competence cube – Quality control

Engagement partner and engagement team competence



Communicating Effectively in the Assurance Report

- Communicating effectively in assurance report – Convey Conclusion and its Basis to enhance User Confidence – Scope and Level of Assurance Obtained - Criteria
- Complexity in underlying subject matter of some EER engagements → impediments to effective communication
- Basic elements of assurance report required as minimum
- Short or Long form choice, to facilitate effective communication with intended users
 - Flexibility in including additional information, but can be complex and needs professional judgment
 - Required summary of work performed
- Considerations in making decisions about including additional information - Facilitate effective communication – Assist in addressing expectation gaps
- Guidance and examples to assist in considering how additional information may enhance effectiveness of communication for each basic element of the assurance report

Questions to the CAG

CAG Representatives are asked:

- a) Whether they have comments on the Task Force proposal to restructure the guidance
- b) Whether they have any comments on the draft phase 2 guidance developed to date

Next steps

- Completion of combined phase 1 and 2 guidance
 - To be presented to IAASB in December
 - Exposure draft planned for early 2020



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