



EER Assurance

Lyn Provost, IAASB Member and Task Force Chair

IAASB CAG Meeting

March 10, 2020

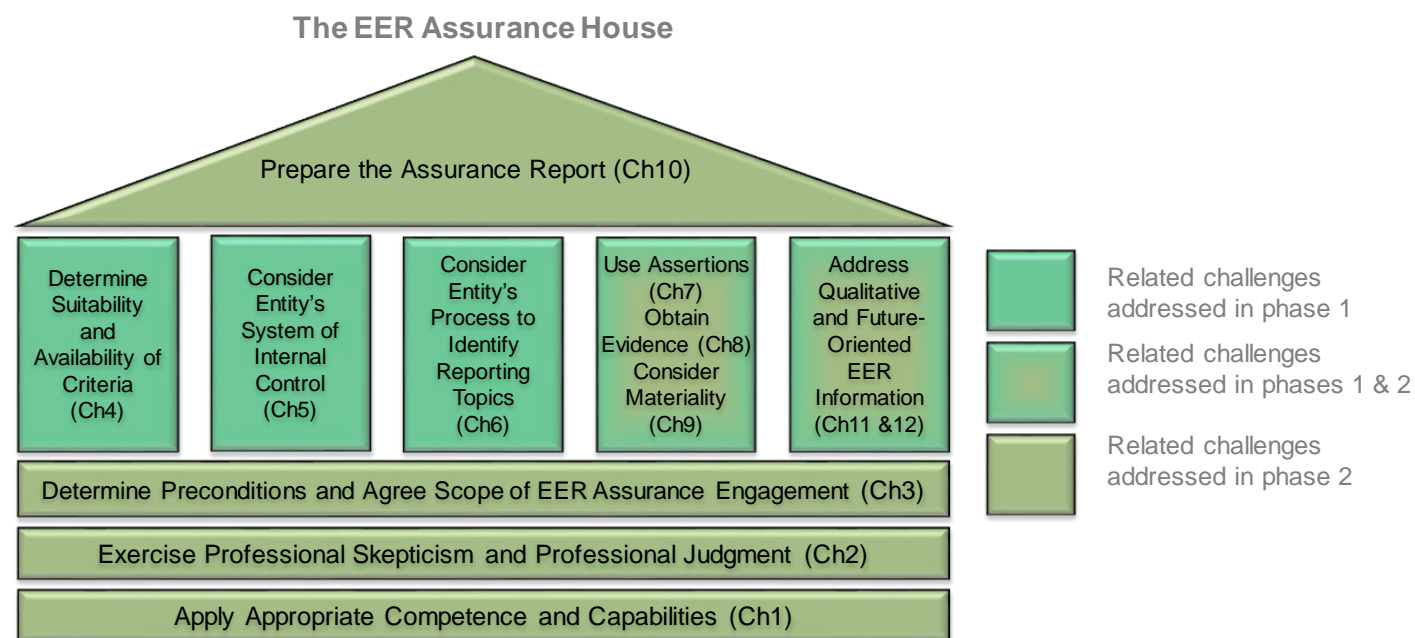
Agenda Item C



International Auditing
and Assurance
Standards Board

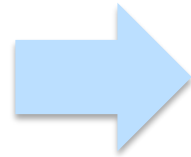
Recap of September 2019 Update

- Presented phase 1 Consultation Paper (CP) responses
- Presented Task Force proposals to address CP responses
- Provided an updated on phase 2 progress:
 - First draft of guidance covering remaining four key challenges
 - Further guidance on qualitative and future-oriented information



Agenda for Today

Progress
Update



Serving the
Public Interest



Next Steps

Progress Since September CAG Meeting

When:

- September 2019
- October 2019
- December 2019
- January 2020

What we did:

- IAASB meeting – fed back phase 1 CP responses; proposed updates to phase 1 material; presented first draft of phase 2 Guidance
- Task Force meeting – further developed combined phase 1 and phase 2 Guidance and Supplements A and B
- IAASB meeting – presented combined phase 1 and phase 2 draft Guidance; Guidance approved for public consultation
- Task Force meeting – prepared phase 1 Feedback Statement, developed Explanatory Memorandum, finalised Supplements A and B

The Guidance: A Practical Guide to Performing an EER Assurance Engagement

- Responding to phase 1 feedback, we have:
 - Included in the Guidance only practical guidance on performing EER engagements, and short, less complex examples
 - Developed Supplement A to include additional conceptual and background material that may assist practitioners in applying the Guidance
 - Developed a suite of more comprehensive examples in Supplement B to illustrate concepts in the Guidance in more complex circumstances using a broader range of reporting frameworks
- Supplements A and B:
 - Are cross-referenced to the Guidance for ease of navigation, but
 - Are companion documents, and
 - Are not integral to the Guidance: The Guidance can be used as a standalone resource

Using the Guidance: Form and Structure

- An introduction:
 - Explains scope, purpose, intended audience, authority and how the Guidance may be used
 - Includes a diagram to explain the relationship between the stage of the assurance engagement, the requirements of ISAE 3000 (Revised), and the Guidance
- Twelve chapters:
 - 2 address behavioural attributes (competence, capabilities, professional scepticism and professional judgment) required of practitioners throughout an EER assurance engagement
 - 8 address a key stage in the performance of an EER assurance engagement (acceptance to reporting)
 - 2 address common types of EER information (qualitative and future-oriented)
- Short examples illustrate practical application of aspects of the Guidance
- Diagrams assist in visualizing concepts or relationships
- Considerations for the practitioner on aspects of the Guidance included in ‘boxes’

Using the Guidance: Form and Structure (*continued*)

- Terminology
 - Is as used in ISAE 3000 (Revised), when concepts discussed are addressed by that standard
 - Where a different term, it is identified and explained, and included in a list of terms in Appendix 1
- Ordering of Chapters
 - Generally follows the flow of the stages of an assurance engagement, or
 - Where it does not, the reason for its positioning is explained in the Explanatory Memorandum
- Chapter Content – each chapter sets out:
 - **What** is covered
 - **Why** it is covered – i.e. the circumstances that give rise to challenges for the practitioner
 - **How** the practitioner might address those challenges

Using the Guidance: Enhancing Navigation

- On finalisation, we will consider use of hyperlinks to aid navigability between
 - The Guidance and Supplements
 - The introduction and chapters within the Guidance
 - Different chapters
 - The Guidance and ISAE 3000 (Revised)
- Possible use of 'pop-up boxes' to provide access to definitions or explanations of terms used in the Guidance

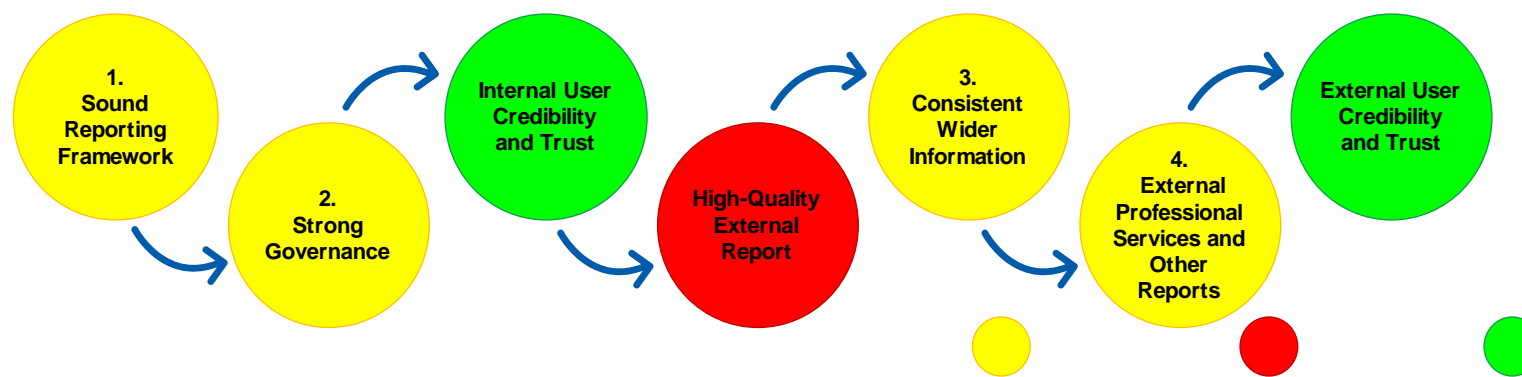
Purpose of the Guidance: The Public Interest

To promote consistent high-quality application of ISAE 3000 (Revised) to:

- Strengthen the influence of EER assurance on the quality of EER reporting
- Enhance trust in assurance reports
- Engender greater user confidence and trust in reliability of EER reports

Assurance: Serving the Public Interest

- Explanatory Memorandum developed to explain:
 - Purpose of the Guidance
 - Four factors that play a key role in serving the public interest in high quality EER reports



- Growing frequency of EER reporting and increasing importance to stakeholder decision-making
- Consequent importance of assurance in enhancing credibility and trust
- EER assurance engagements designed to provide public interest protections for intended users of the assurance report

BUT.....

EER Circumstances: Potential to Limit Value of EER Assurance to Public Interest

- Circumstances not often found in financial statement reporting, but commonly encountered in elements of EER reporting, include:

Element of EER Reporting	Circumstances often found in EER reporting	Different in financial reporting
Underlying subject matter	Diverse, varied characteristics, less quantifiable, complex or subjective to measure or evaluate, greater uncertainty	More uniform in nature, quantifiable, largely relating to more certain historical performance
Reporting framework(s) and criteria	Numerous and diverse, complex, high-level principles only, needing further development by the entity	Generally well-developed, established aligned frameworks
Subject matter information	Often voluntarily prepared, often qualitative, subjective, future-oriented	Usually subject to regulatory requirements, and reported primarily in quantitative terms
System of internal control	May be less well developed than those for financial reporting	Usually more developed than for EER reporting

- May present practical challenges, which have potential to limit the value of EER assurance in serving the public interest

The Guidance: Serving the Public Interest

- The Guidance seeks to address these practical challenges by giving guidance on how they might be addressed
- The Explanatory Memorandum
 - Sets out in a table:
 - Matters of public interest that may be affected by the circumstances commonly encountered in EER reporting
 - How ISAE 3000 (Revised) seeks to protect the public interest, and
 - How the Guidance may assist practitioners in applying ISAE 3000 (Revised)
 - Explains, on a chapter-by-chapter basis, how each chapter addresses the public interest

Question to the CAG

CAG Representatives are asked for their views and comments on the information provided in this briefing and the covering note

Next steps

- Public consultation on the draft non-authoritative guidance:
 - To be published March 2020
 - 120 day consultation period
 - Comments also welcome on Supplement A and Supplement B
- Analysis of responses and finalization for approval in December 2020



**International Auditing
and Assurance
Standards Board®**

www.iaasb.org

IAPN™

ISA.

ISAE™

ISQC™

ISRE™

ISRS™

For copyright, trademark, and permissions information, please go to [permissions](#) or contact permissions@ifac.org.
