

Agenda Item G.3 For Reference

Please note: This is the Issues Paper that will be discussed by the IAASB in March 2021 which is provided to the CAG Representatives in March 2021 for reference purposes.

Objective of Agenda Item

The objective of this Agenda Item is to approve the proposed *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements*

Introduction

Organization of this Agenda Item

1. This Agenda Item is organized as follows:

Section I	Summary of Changes to the Guidance, Including Appendix 3 <i>Limited and Reasonable Assurance – EER Illustrative Table</i>
Section II	Due Process Considerations
Appendix 1	Draft Minutes of Agenda Item 5 – Extended Reporting (EER) Assurance on December 9, 2020
Appendix 2	Task Force, Project Update and Outreach

2. The following materials are also provided for this Agenda Item:

Agenda Item 3-A	Draft of proposed <i>Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements</i> – Marked from December 9, 2020
Agenda Item 3-B	Draft of proposed <i>Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements</i> – Clean

Activities to Finalize the Guidance

3. At the IAASB December 2020 meeting, the EER Task Force presented the proposed *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements* (the 'Guidance'), updated:
 - as proposed at the IAASB September 2020 meeting for feedback received from respondents to the March 2020 Public Consultation, and
 - for written feedback, which the Task Force had sought from the Board during October 2020, on the redrafted chapters 2 and 12.
4. The proposed Appendix *Limited and Reasonable Assurance – EER Illustrative Table*, enhanced to address comments received from Board members at the IAASB September 2020 meeting, was also presented at the IAASB December 2020 meeting. The proposed Appendix *Limited and Reasonable Assurance – Illustrative Table* has now been included as Appendix 3 to the Guidance, and is discussed further in Section I below.
5. Following the IAASB December 2020 meeting, written comments - largely of an editorial nature - were received on the Guidance from six Board members. Three Board members provided

written suggestions on the proposed Appendix *Limited and Reasonable Assurance – EER Illustrative Table* (hereafter referred to as ‘Appendix 3’).

6. In developing the Guidance, including Appendix 3, the Task Force has considered:
 - the comments from Board Members at the IAASB December 2020 meeting;
 - offline written comments from Board Members following the December meeting (see paragraph 5 above); and
 - comments received from IESBA¹ representatives (see under Chapter 3 in the table in Section I below).
7. As noted in the December 2020 Issues Paper ([Agenda Item 5](#) to that meeting), respondents to the Public Consultation on Proposed Guidance: *Extended External Reporting (EER) Assurance (March 2020)* were invited to comment on two supplements to the Guidance, which were published alongside the March 2020 Consultation Paper (Supplement A Parts I and II, and Supplement B).
8. During the IAASB September and December 2020 meetings, the Board was presented with respondents’ feedback on Supplements A and B, and provided input regarding the Task Force’s approach to progress work on the supplements alongside the Guidance. As was highlighted in the Explanatory Memorandum to the March 2020 Public Consultation, the two supplements are not integral to the Guidance. They are intended as companion documents, should practitioners wish to refer to them. The Guidance can be used by the practitioner without the need to refer to the supplements. The Guidance is intended to be used as a stand-alone resource, together with ISAE 3000 (Revised).²
9. The supplements are not presented for discussion at the IAASB March 2021 meeting; they are not subject to the due process that has been agreed for the Guidance and will be reviewed and cleared for issue through a separate channel. The following two items of non-authoritative support material will be circulated electronically to the Board for its review and ‘no objection to be published’ (negative clearance as contemplated in the *IAASB Framework for Activities*):
 - Non-Authoritative Support Material: *Illustrative Examples of Selected Aspects of EER Assurance Engagements* (previously referred to as ‘Supplement B’)
 - Non-Authoritative Support Material: *Credibility and Trust Model Relating to EER Reporting* (previously referred to as ‘Supplement A Part I’).
10. The Task Force has given further consideration to Supplement A Part II *Background and Contextual Information*, and does not propose taking Supplement A Part II forward in light of:
 - the substantial updates and enhancements made to the Guidance and, in particular, to Chapter 2 and Chapter 12,
 - the risk of inconsistency with the IAASB’s current project on Audit Evidence, and
 - the potential for the remainder of the material in Supplement A Part II to go beyond the scope of the project, or not be fully consistent with the International Framework for Assurance Engagements.

¹ International Ethics Standards Board for Accountants

² International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

Approach for Board Discussion of the Agenda Items

11. The Task Force believes that it would be beneficial for the Board to focus on the marked version of the Guidance set out in Agenda Item 3-A, as the proposed changes made from the documents presented on the December 9, 2020 videoconference are fairly limited.
12. During the IAASB March 2021 meeting, the Task Force Chair will present the revisions to the Guidance, including Appendix 3, using **Agenda Item 3-A** as the basis for discussion. In walking through the Guidance, the Task Force Chair will refer to the matters highlighted in Section I of this Agenda Item.

Section I – Summary of Changes to the Proposed Guidance

13. At the IAASB December 2020 meeting, Board members expressed strong support for the Guidance, and the way in which the EER Task Force had addressed the matters raised at the IAASB September 2020 meeting. The Board also had the opportunity to identify any other matters or further revisions for the Task Force's consideration. The Board noted that the Task Force had appropriately responded to the public consultation, and that the addition of further examples and enhanced diagrams has resulted in more practical guidance. Board members were also largely supportive of the enhancements made to Appendix 3.
14. At the IAASB December 2020 meeting, in relation to proposed Appendix 3, the Task Force raised for the Board's consideration:
 - whether it would be preferable to include two illustrations for limited assurance - one for assurance just above clearly inconsequential (the lower end of the range of limited assurance) and one that almost achieves reasonable assurance (the upper end of the range of limited assurance) - or only one; and
 - if only one, whether that should be at the lower or upper end of the range.
15. The Board did not express a strong preference, but Board members were of the view that, irrespective of whether there was to be one illustration or two, it was important to convey that there is range, or continuum, for limited assurance, and to avoid suggesting that there are particular 'points' for the lower and upper end of the range.
16. Two Board members commented that there was a need for greater differentiation between the considerations for limited assurance and reasonable assurance in various paragraphs of the Guidance. The Task Force has included reference to Appendix 3 in those paragraphs to assist practitioners in understanding that different considerations may apply. This change is not included in the table below as it applies to a number of different paragraphs across several chapters; other changes made to particular paragraphs to differentiate between limited assurance and reasonable assurance are included in the table below.
17. One Board member suggested that, throughout the Guidance, the term 'boundary of the subject matter information' be changed to 'subject matter information that is within the scope of the assurance engagement', as this may be more readily understandable to practitioners. This change applies across a number of chapters, so it is also not included in the table below, which sets out changes to individual chapters.
18. In updating the Guidance, the Task Force has renumbered the paragraphs sequentially, and has updated the references within the Guidance to reflect the updated paragraph numbering. Numbers included in square brackets at the start of each renumbered paragraph in the Guidance

reflect the numbering of the previous (December 2020) version of the Guidance. They are included for reference purposes, and will be deleted on finalization of the Guidance.

19. After due consideration of all other suggestions received, the table below summarizes the changes that the Task Force has made to address comments and suggestions received. When chapters are not included below, changes proposed are of a minor or editorial nature only.

Introduction, Chapter or Appendix to the Guidance	Changes made
Introduction	<ul style="list-style-type: none"> In paragraph 10, guidance has been added that, when EER information includes both non-financial and financial information, the extent to which the Standard is relevant is a matter for the practitioner's professional judgment
Chapter 1	<ul style="list-style-type: none"> In paragraph 23, the words 'members of the' have been added before 'engagement team'; the wording is consistent with paragraph 29 of ISA 220 (Revised) Paragraph 29 has been expanded to include that the engagement process is to obtain sufficient appropriate evidence to support the practitioner's assurance conclusion. Revisions have been made to diagram 2 to align with terminology used in the Standard (e.g., 'evaluate' rather than 'assess' work as evidence, and to refer to the engagement partner not the assurance engagement partner) An additional bullet point has been included in paragraph 47 to reinstate the reference to the ethical and independence requirements that are at least as demanding as the IESBA Code of Ethics for Professional Accountants (including International Independence Standards). The Task Force consulted with IESBA on this wording.
Chapter 3	<ul style="list-style-type: none"> In diagram 6 following paragraph 74, the blue 'level of assurance' box on the left-hand side of the diagram has been moved from alongside diamond F to alongside diamond G, to avoid a suggestion that the expectation of being able to obtain evidence is different for limited and reasonable assurance. The Task Force consulted with IESBA on the wording included in paragraphs 117-121 of the Guidance. The marked-up changes reflect IESBA comments and clarify that, in an attestation engagement, relevant ethical requirements prohibit the practitioner from assuming management responsibility in relation to the selection or

Introduction, Chapter or Appendix to the Guidance	Changes made
	<p>development of the criteria or the preparation of the subject matter information. In particular, a self-review threat might be created if the firm is involved in the preparation of subject matter information which subsequently becomes the subject matter information of the assurance engagement.</p>
Chapter 7	<ul style="list-style-type: none"> • In paragraph 254, additional wording has been included to differentiate between limited and reasonable assurance engagements.
Chapter 8	<ul style="list-style-type: none"> • Additional wording has been included in this chapter to: <ul style="list-style-type: none"> ○ clarify that the nature of procedures may be similar for limited and reasonable assurance, but the extent may differ between limited and reasonable assurance, as well as across the range of limited assurance engagements (paragraph 270), and ○ differentiate, where needed, between limited and reasonable assurance engagements.
Chapter 9	<ul style="list-style-type: none"> • In diagram 11 (after paragraph 305), the box previously included between 'Are the misstatements material individually or in aggregate?' and 'Unmodified conclusion' (that read 'Does not impact assurance conclusion') has been deleted as it was considered to be superfluous. • In the example in paragraph 306, a sentence has been added to clarify that, when there is uncertainty about whether a misstatement is clearly trivial, the misstatement is considered not to be clearly trivial.
Chapter 10	<ul style="list-style-type: none"> • In paragraph 336, a sentence has been added to clarify that when the preparer identifies information as 'other information', the practitioner reads it for consistency with the subject matter information. The Task Force considered the additional suggestion that the Guidance should clarify that such other information should not be so voluminous as to obscure the subject matter information. However, the Standard does not include a requirement for the 'other information' to be limited in volume. Further, the Task Force considered that it is not only volume that could obscure the subject information. Additional drafting is included to highlight that the other information should not obscure the understandability of what is the subject matter information.

Introduction, Chapter or Appendix to the Guidance	Changes made
Chapter 11	<ul style="list-style-type: none"> The term ‘feasible’ in paragraphs 374 and 376 has been replaced, as it was unclear what the distinction was between being ‘feasible’ and being ‘able to be achieved’ (i.e., assurance of an outcome). These paragraphs have been updated to refer, instead, to the ‘reasonableness of assumptions’.
Appendix 1	<ul style="list-style-type: none"> The terms used in the Guidance have been updated as follows: <ul style="list-style-type: none"> ‘Boundary of the subject matter information’ has been deleted as the term has been replaced throughout the guidance (see paragraph 17 above) ‘Financial information’ has been deleted as the text of paragraph 7 of the Guidance is the definition of historical financial information used in the Standard and, therefore, does not need to be defined in this appendix. ‘Substantive procedures’ has been amended to substantive testing as this is the term used in the Guidance.
Appendix 3 <i>Limited and Reasonable Assurance – Illustrative EER Table</i>	<ul style="list-style-type: none"> The <i>Limited and Reasonable Assurance – Illustrative EER Table</i>, which was presented separately, as a proposed appendix to the Guidance, at the IAASB December 2020 meeting (see Agenda Item 5-C of that meeting), has now been incorporated as an appendix to the Guidance. The previously presented two-column approach to illustrate the range of limited assurance has been changed to three arrows (within one column), showing incremental illustrative procedures from ‘just above clearly inconsequential’ to just below reasonable assurance, as follows: <ul style="list-style-type: none"> The pale left-hand arrow includes example procedures that the practitioner may perform at the lower end of the range of limited assurance The middle arrow includes incremental example procedures that may be performed, in addition to those in the left-hand arrow, as limited assurance moves towards the middle of the range The dark right-hand arrow includes incremental example procedures that may be performed, in

Introduction, Chapter or Appendix to the Guidance	Changes made
	<p>addition to the procedures included in the other two arrows, as limited assurance moves towards the upper end of the range of limited assurance.</p> <ul style="list-style-type: none"> Changes to convert the two-column illustration to one column with arrows - illustrating the range of limited assurance - have not been marked up, as doing so would have made it difficult to read. The text from the two columns has been retained in the arrows, other than to eliminate duplication and to cut down the words slightly to allow the text to fit into the arrows. It has been clarified that the procedures performed for limited assurance: <ul style="list-style-type: none"> may lie anywhere along the continuum from the lower end of the range to beyond the third arrow - but below reasonable assurance - at the upper end of the range (i.e., there are not fixed points for low, mid, and upper ends of the range), and may vary for different aspects of the subject matter information, depending on risk considerations, and that the nature, timing and extent of procedures is a matter of professional judgment in the engagement circumstances. Consequential changes have been made to the introduction to the appendix to explain the table and arrows.

Matters for IAASB Consideration

- The IAASB is asked for its views on changes made to the Guidance since the IAASB December 2020 meeting, as discussed in Section I above, and reflected in Agenda Item 3-A

Section II – Due Process Considerations

- In the Task Force's view, the significant matters it has identified as a result of its deliberations since the beginning of this project, and its conclusions and recommendations thereon, have been reflected in the agenda material presented to the IAASB at its meetings. In the Task Force's view, there are no significant matters discussed in the course of this project that have not been brought to the IAASB's attention.
- The Task Force believes, therefore, that the Guidance presented in **Agenda Item 3-A** reflects all significant matters raised in the course of the project. The only changes expected to be made

in finalizing the Guidance for approval at the IAASB March 2021 meeting will be those arising from the Board discussion at this meeting.

Matters for IAASB Consideration

2. The IAASB is asked to approve for publication the proposed *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements*

Appendix 1

Draft Minutes of Agenda Item 5 – Extended External Reporting (EER) Assurance

December 9, 2020

BACKGROUND

Mrs. Provost presented an overview of the enhancements made to the proposed non-authoritative guidance [*Extended External Reporting \(EER\) Assurance Engagements - Applying ISAE 3000 \(Revised\)*](#) and to proposed Supplement B to respond to the feedback received from the IAASB and other stakeholders at the IAASB's September 2020 meeting.

The IAASB expressed strong support for the draft EER guidance, and the way in which the EER Task Force had addressed the matters raised at the IAASB September 2020 meeting. The Board noted that the Task Force had appropriately responded to the public consultation, and that the addition of further examples and enhanced diagrams make the proposed guidance more practical.

The IAASB highlighted the following matters for further consideration by the EER Task Force in finalizing the proposed guidance:

- In the Appendix *Limited and Reasonable Assurance – EER Illustrative Table* (which was presented as **Agenda Item 5-C**), irrespective of whether one or two columns are used for limited assurance, it is important to illustrate the range for limited assurance and to avoid suggesting that there are particular 'points' for the lower and upper end of the range.
- The draft material on 'double' and 'dynamic' materiality should not be included in the proposed guidance as it would not be appropriate to introduce new concepts through non-authoritative guidance and without taking it through formal consultation.
- In Example 15 of Supplement B, it may not be common for this type of engagement to be performed as a reasonable assurance engagement; if an illustration of reasonable assurance is retained, consideration should be given to whether the illustrative procedures would be sufficient for reasonable assurance.

WAY FORWARD

The EER Task Force will update the draft guidance based on the Board's feedback during the meeting and for the editorial and other written comments received from Board members after the meeting. The Task Force will present the non-authoritative guidance *Extended External Reporting (EER) Assurance* for approval at the March 2021 IAASB meeting. The EER Task will also continue to work with IAASB Staff to identify an appropriate form in which the proposed guidance might be published.

OTHER MATTER

Mrs. Provost noted that Pauline Irwin's secondment comes to an end in December. Mr. Seidenstein thanked Pauline for her services to the Board, and for her work on the EER project.

Appendix 2

Task Force and Project Update

1. The Task Force members are listed on the [Project Page](#) on the IAASB website.
2. There are three observers to Task Force meetings; representatives from the World Business Council for Sustainable Development, the Corporate Reporting Dialogue, and Principles for Responsible Investment.
3. The Project Advisory Panel has 26 members, with good representation across stakeholder groups and global regions. It last met via conference call on 2nd December 2020; and is due to meet again on 23rd February 2021.