SUPPLEMENT TO AGENDA ITEM 5-A
FOR REFERENCE ONLY

SPECIAL CONSIDERATIONS IN PERFORMING ASSURANCE ENGAGEMENTS ON EXTENDED EXTERNAL REPORTING (EER)
SUPPLEMENT B: ILLUSTRATIVE EXAMPLES

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Introduction

1. This Supplement to the IAASB non-authoritative Guidance: *Special Considerations in Performing Assurance Engagements on Extended External Reporting* (hereafter “the Guidance”) provides further practical examples of the application of aspects of the Guidance. The examples provided in the Guidance are generally short examples, which illustrate the concepts discussed in the Guidance as they may be applied in less complex engagement circumstances. The longer examples in this Supplement are supplementary examples designed to illustrate the concepts discussed in the Guidance as they may be applied in the context of:
   a) More complex engagement circumstances; and
   b) A range of reporting frameworks.

2. Each example sets out a ‘fact pattern’ explaining the circumstances used in that example, including:
   a) Which framework(s) the entity has used to prepare its EER report;
   b) The industry in which the entity operates;
   c) The circumstances of the particular engagement, including whether limited assurance or reasonable assurance is to be obtained; and
   d) The concept(s) that the example is designed to illustrate.

3. Not all concepts discussed in the Guidance are illustrated in the examples, and each example may illustrate different aspects of the Guidance. The examples are not intended to suggest either ‘best practice’ or the only way of addressing the matters set out in the fact pattern; they are included for illustrative purposes only. The examples are also not exhaustive in that they illustrate only a selection of procedures the practitioner may perform in relation to the fact pattern set out.

4. To aid navigation, cross references, with hyperlinks, are provided between this Supplement and the Guidance when the examples in this Supplement may provide additional useful material in the context of concepts discussed in the Guidance. Cross-references in this Supplement follow the same format as cross-references in the Guidance (see G.11A).

5. The terminology used both in this Supplement and in the Guidance is consistent with that used in the Standard when the concepts being illustrated in the examples are addressed in the Standard. When necessary, other terms are identified and explained and, in respect of the Guidance, are set out in Appendix 1: ‘Terms Used in This Guidance’ to the Guidance. Additional terms used in this Supplement are set out in Appendix 1 to this Supplement.

6. An additional Supplement, Supplement A: *Background and Contextual Information* provides information on general assurance concepts relevant to the Guidance. Practitioners may find it useful in providing background and context to the Guidance, which focuses on challenges that are specific to assurance engagements on Extended External Reporting (EER).
Example 1: Sustainability example to illustrate judgments that the practitioner may make about the competence and capabilities of the engagement team, and in communicating information within the engagement team to allow the team to work together as a whole

(G.Ch2; G.98)

<table>
<thead>
<tr>
<th>Subject matter information</th>
<th>Level of assurance requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 GHG emissions (tonnes of CO₂e)</td>
<td>Limited</td>
</tr>
</tbody>
</table>
In this example, the practitioner has assurance competence, and a good knowledge of the company and its industry from experience as the financial statement audit partner, but does not have previous experience with the EER engagement. It is likely they will want to include sufficient specialist sustainability assurance competence on the engagement team. The specialist sustainability assurance competence may be sufficient to perform the assurance procedures over the GHG emissions without the need for additional subject matter expertise.

Water usage is metered and billed by the local authority, so it is likely to be relatively straightforward for the assurance practitioners to obtain the evidence for this KPI.

In relation to the wastewater and BOD KPIs, the company has installed the new RO system during the year (new processes and controls), the wastewater and BOD KPIs are subject to scrutiny by the local authority and environment agency (users who may have low tolerance for misstatement of the information), the BOD test is subject to a number of variations and potential interferences, and the testing methods and calculation are complex (complex subject matter, subject to uncertainties), so, for the purposes of this example, the engagement partner considers that a subject matter expert will be needed.

The company has used a management's expert to carry out the BOD tests, and it may be possible for the practitioner to use the work of that expert, but before doing so, the practitioner will need to evaluate the independence, competence and capabilities of that expert. See S.54.

As the company's own scientists carry out the BOD testing and calculations (lack of independence and the possibility of bias), the practitioner may judge it necessary to engage a practitioner’s expert to look at the work of the management's expert and the assumptions and methods used by that expert. As required by S.52, the practitioner is also required to evaluate the practitioner’s expert's competence, capabilities and objectivity for the practitioner’s purposes, obtain sufficient understanding of the field of expertise of the practitioner’s expert, agree on the nature, scope and objectives of that expert's work, and evaluate the adequacy of that work for the practitioner’s purposes. S.A120-134 set out application guidance in relation to these requirements.

In this example, the engagement partner, based on the team’s analysis and on their own knowledge of the entity, its business and the intended users of the report, has identified the following risks, which have been communicated to the engagement team so that the assurance procedures can be designed to respond to these and any other identified risks, and so that the implications can be considered for the subject matter information:

- The possibility of the estimated volume of water bypassing the RO treatment system being materially misstated; it is also unclear how this wastewater is being disposed of if it is not being discharged into
the sewers, and what the implications might be (other than an undercharge to the company) if the local authority requires all wastewater to be disposed of into sewers rather than directly into water courses.

- The possibility that the BOD of water bypassing the waste treatment system is not being measured and reported at all, and may be significantly higher than the reported result, possibly breaching permit conditions; this risk may be exacerbated by the requirement to reduce BOD in the current year.

- Management’s use of its own scientists to measure and calculate the BOD, and considerations around the appropriateness of assumptions and methods used, and the of management bias due to a lack of independence. Possible incentives to misstate (for example, how close the reported BOD is to breaching the acceptable limit and what the consequences are if the limit is breached).

In this example, all misstatements identified during the performance of the assurance procedures by members of the engagement team are to be accumulated and discussed with the rest of the team to enable them to consider whether there may be implications for other areas of the engagement.
Example 2: Sustainability example to illustrate an EER assurance engagement that may not have a rational purpose

(G.48)

<table>
<thead>
<tr>
<th>Fact Pattern</th>
</tr>
</thead>
<tbody>
<tr>
<td>A large, multinational beverage company reports voluntarily its environmental, social and governance performance in its EER report.</td>
</tr>
<tr>
<td>The report includes a number of key performance indicators for its operations worldwide, including greenhouse gas emissions, water intake, wastewater, waste recycled, waste to landfill, accident lost time, and community investment, amongst other subject matters. It reports for the benefit of its shareholders, customers and suppliers to show that it is taking its corporate social responsibility seriously.</td>
</tr>
<tr>
<td>The company has asked for assurance over all of these indicators, which are reported as aggregated information for all its operations, but would like to exclude from the scope of assurance the water intake and wastewater for its African operations as, due to the geographical spread and the fact that all the records are held at the local branches, it will be difficult and costly for the assurance practitioner to obtain the evidence needed. These operations are small compared with those in Europe and the United States.</td>
</tr>
<tr>
<td>The framework criteria used by the entity for preparing the subject matter information specify for measurement the water intake and the wastewater for all operations over which the entity has operational control in all geographic regions.</td>
</tr>
</tbody>
</table>

In this example, the criteria specify that the water intake and wastewater for all of the company’s operations need to be within scope, rather than for only a selection of its operations, but the preparer has asked that the assurance engagement should identify for measurement only the water intake and wastewater for other regions, but not for the African operations.

While the intended users may well be more interested in the large operations, there are three factors in this example that may give rise to concern regarding the African operations:

- Water is scarce in parts of Africa; it is likely the indicators related to water usage and wastewater may be of interest to users, particularly if the reported intake is higher than it should be or if the quality of effluent is putting local communities at risk;

- The indicators are reported as aggregate figures for all of the operations, rather than by country, so the African operations are not separately identifiable in the report; and

- The fact that other indicators for the African operations are included within the proposed scope of assurance, but the preparer wants to exclude water, raises a question.

Selecting only those parts of the information included in the EER report that are easier to assure or that present the entity in a favorable light may call into question the rational purpose of the engagement unless the subject matter information, criteria and underlying subject matter have an appropriately coherent relationship, and the preconditions for acceptance of the proposed assurance engagement are present.
Example 3: Sustainability example to illustrate a ‘rolling program’ of assurance that may have a rational purpose

(G.63)

<table>
<thead>
<tr>
<th>Fact Pattern</th>
</tr>
</thead>
<tbody>
<tr>
<td>A company with operations in different geographical locations wishes to obtain assurance on a ‘rolling’ basis by geography relating to its rolling community investment program. The program allocates funds to social improvement projects in different parts of the world. The programs are generally to provide health and primary education infrastructure and training. Once the infrastructure is in place, and local communities have been provided with training to be able to run the programs themselves, the company focuses on setting up a program in a different geographical location. Typically, the set-up phase of projects is between two and three years. After set-up, the company continues to provide a lower level of ongoing funding, for which the local communities account to the company’s head office on an annual basis. The project set-up costs and ongoing funding for each project are separately disclosed in the company’s EER reporting. The users of the company’s EER report are primarily interested in the projects in the set-up phase, to understand whether the funding allocated has resulted in established projects that are capable of being run by the communities. Consequently, for each new project launched, the company proposes to include the subject matter information within the scope of assurance each year until the end of the set-up phase of each project. Thereafter, it is proposed that the information relating to the ongoing projects be assured only once in a three-year cycle in order to save costs. The information relating to the ongoing funding of each project will be reported in the EER report each year, but will not be subject to assurance in the intervening years within the three-year cycle.</td>
</tr>
</tbody>
</table>

In this example, in determining whether the preconditions are present, the practitioner considers:

- The intended users, as identified by the preparer;
- The reporting needs of those intended users; and
- Whether the ‘rolling program’ assurance engagement is likely to meet those needs.

The practitioner may also consider whether the EER report might be distributed more widely than to the intended users, and for what reason. In this example, there may be a rational purpose to the proposed rolling basis of assurance, but, in other circumstances, a ‘rolling program’ may not meet the needs of the intended users or the ‘rational purpose’ test. The practitioner would need to consider the particular engagement circumstances in each case.

An example of when a ‘rolling program’ of assurance may not reflect a rational purpose is set out in G.63.
Example 4: Sustainability example to illustrate the practitioner’s thought process when determining the suitability of criteria

(G.Ch5)

An EER framework may include criteria that require the entity to report “water intake in the reporting period”. Water intake in the reporting period is an aspect of the underlying subject matter – the entity’s impact on natural water resources. Water intake is a quantitative attribute of the entity’s activities (the volume of ‘water’, a natural resource that those activities take in). Information about water intake often assists intended users’ decision-making about an entity’s impact on natural water resources. The commonly used and well-understood benchmark (or measurement basis) for water intake is a standard unit of volume, such as a liter or gallon.

In determining whether the criteria are suitable, the practitioner may consider questions such as:

- Would the water intake information assist decision-making by the intended users in the circumstances of the engagement? (relevance)
  - A consideration might be how significant water is to what the entity does, although most entities are likely to use at least some water. Water intake may be more significant for a manufacturer than perhaps a software developer, or more significant when obtained from certain sources such as surface water or groundwater. It may be more significant for entities with operations in water-scarce regions than for those operating in regions where water is more abundant.
  - Answering this would require some knowledge of who the intended users are and what might assist their decision-making.
  - The purpose of the EER report may also be a consideration; water intake may be more likely to assist intended users’ decision-making when the purpose of the EER report is to describe the entity’s impact on the environment but may be less likely to assist intended users’ decision-making if the purpose is to describe the entity’s governance processes.

- Do the criteria require information about attributes of water intake that would assist intended users’ decision-making in the context of the purpose of this EER report to be disclosed? (completeness)
  - This indicator is only measuring water intake over a defined period. This may be the quantitative attribute of primary interest to the intended users (rather than the water’s temperature or weight), but information about other attributes of water intake may assist intended users’ decision-making in the engagement circumstances (for example the types of sources from which the water intake occurred, such as surface water or groundwater over a defined period, or the attribute of water-quality (which may be measured using a quantitative indicator, such as dissolved oxygen) for water taken in or discharged, or the volume of water discharged to specific destinations).
  - There is an assumption that the criteria require reporting of all the water intake across the whole company and all of its sites.
• Do the criteria provide a methodology for calculation that allows reasonably consistent measurement? (reliability)
  o This may be where the entity must supplement the reporting requirement to suit their specific circumstances.
  o An entity may calculate their water intake using water meters and collect readings at the beginning and end of the period. For municipal water this is information that would also be used for billing by the water company.
  o Considerations for the practitioner may therefore be focused around completeness as explained above - whether this approach will cover all of the water intake by the company (for example considering if all water flows through a meter that data can be collected from).
  o Other considerations may include when the water meters were last expertly calibrated, and on what days the readings are expected to be taken. Further consideration may be required if the methodology uses estimates and data required for doing so are not fully available. This may be the case where readings are not taken at exactly the start and end of the reporting period.
  o In the case of water intake, measuring it in units of liters is likely to be appropriate. This is likely to make it possible to compare the information to other periods and entities, assuming that the calculation is straightforward.

• Will the criteria result in information that is free from bias? (neutrality)
  o There is unlikely to be significant risk of management bias if the information is based on water meter readings, however further consideration may be required if the calculation methodology is more complex or involves estimation, or if the water intake definition used by the entity is restricted to specific sources that have a lower environmental impact.

• Will the criteria result in information that can be understood by the intended users? (understandability)
  o In most cases, water intake would be easily understood, although the practitioner may need to consider whether the criteria result in the information being presented and disclosed appropriately in the EER report.
Example 5: Sustainability example to illustrate the entity's process to identify reporting topics to be included in its EER report, using GRI Standards as criteria

(Example is for an entity in the oil and gas industry. Example to include in addition to entity’s process to identify reporting topics, evaluating the suitability of the criteria, obtaining evidence, including in a supply chain, and disaggregation of information (to be confirmed)) (G.Ch5,7,9,10)

[Example under development]
Example 6: Sustainability example to illustrate how the practitioner might use assertions in considering the type of misstatements that might arise in the subject matter information (G.Ch8)

[Example under development]
Example 7: Example of public sector reporting on the quality of healthcare in a hospital to illustrate practitioner considerations for obtaining evidence (G.262)

### Fact Pattern

A hospital is required, by its health regulator, to report, and obtain limited assurance, on a number of its key performance indicators relating to the quality of its patient care. The EER report is used by the regulator to assess whether any intervention is needed to improve patient care (i.e. the regulator is the intended user), but it is also made publicly available on the hospital’s website.

One of the indicators reports the incidence of methicillin-resistant S. aureus (MRSA) infection acquired during an inpatient stay, based on the criteria established by the regulator. The incidence of infection is low and has declined since the previous year to 5 cases in the year.

The hospital follows a standard process to identify health care acquired infections. MRSA swabs are carried out before admission as an inpatient. The computer system is designed to prevent an inpatient record being created unless the MRSA swab test field has been completed.

Any inpatient with a suspected infection post-admission is blood tested. There are no formal internal controls in place to make sure that blood tests ordered are carried out or sent to the phlebotomy laboratory. However, the incidence of infection is low and ward sisters have confirmed that they check the patient notes each day and would follow up if no blood test results were received back within 24 hours.

On receipt of the blood test results from the laboratory, a nurse enters the results directly into the computerized patient record system using a unique user name and password. No review or check of these entries is undertaken, and the system does not automatically log out previous users after a period of inactivity. At year end, the administration department runs a report to extract all records coded as MRSA+ during the reporting period. Those that do not meet the criteria (for example, those tested positive within one day after admission, rather than the three days after admission required by the criteria) are removed by the administration manager.

Further information comes to light during the performance of the assurance procedures described below. As the practitioner is to obtain limited assurance over the reported information, the requirements of paragraphs 45, 46L to 49L, and 50 and 51 of the Standard are relevant and the practitioner may apply the thought process, discussed in paragraphs xx to xx of the Guidance, as set out below.

*The practitioner’s thought process when determining what evidence is needed and available*

The decisions to be made include:

- Whether the incidences of MRSA infection have been reported completely (i.e. all instances of MRSA infection acquired during an inpatient stay have been identified and reported), accurately (e.g. the patient details and the date of the diagnosis is correct) and in the correct period (i.e. infections identified during a previous or subsequent period have been excluded) in line with the specified criteria.
- Whether the MRSA infection rate exceeds, meets or breaches the target set by the regulator.
• whether the disclosure and presentation of the MRSA infection rate is appropriate and places the subject matter information in context so that users of the information can understand how it has been measured.

What could go wrong may include:

• The MRSA infection rate indicator may not have been prepared in accordance with the required criteria, or it may have been misstated in error or deliberately (e.g. negative blood test results may have been recorded as positive results, resulting in an overstatement of the number of MRSA cases, or positive blood test results may have been omitted, resulting in an understatement of the reported MRSA cases)

• The hospital reports that it has exceeded, met, or breached target when it has not

• The disclosure may be insufficient for a user to be able to make decisions, or it may be misleading.

The reasons for these being areas where a misstatement is likely to arise may include, amongst others:

• The preparer’s lack of awareness of changes made by the regulator to the criteria

• Lack of segregation of duties of personnel such that errors or deliberate misstatements may not be discovered or corrected

• Lack of oversight or adequate internal controls over both clinical staff and administration personnel that would prevent or detect missed cases of infection, or prevent inappropriate actions or inappropriate reporting in the case of suspected or confirmed infections

• Time constraints preventing proper attention to presentation and disclosure.

For the purposes of this example, the engagement partner is of the view that, as blood test results are either positive or negative, with no estimation involved, the evidence needs to be precise. Due to the low target (5 or fewer cases per year), even one misreported or omitted case is likely to be material.

No specialist knowledge is considered necessary on the engagement team as no clinical judgments need to be made, but a knowledge of the regulatory requirements and criteria by the engagement team are essential.

The engagement partner and team consider the following available sources of evidence:

• Reports from the on-site independent phlebotomy laboratory: The laboratory is a well-controlled, state-of-the-art laboratory with a good reputation. It provides services only to this one hospital, but its revenues come directly from the Department of Health; no fees are paid by the hospital so the engagement partner considers it to be sufficiently independent and not likely to subject to pressures from the hospital to misstate laboratory results. The engagement team has been granted access to the laboratory’s patient records, identifiable only by patient number.

• Reports generated internally by the hospital administration department. The engagement partner considers that, in view of the apparent weaknesses in internal controls in place over the process to identify, record and report cases of MRSA, these reports are not likely to be sufficiently reliable to provide the engagement team with the evidence needed.
• Patient complaints and legal or regulatory correspondence. Due to the volumes involved and the possibility that the hospital may not retain all patient complaint forms, these are unlikely to be an efficient way to obtain evidence.

• Minutes of meetings of the governors. The engagement team considers that these are unlikely to be a useful source of evidence as the governors base their decisions on the same report that is to be subject to assurance procedures.

• Media search. The engagement team intend to do a media search to help identify whether there is any information that comes to light that might suggest a likelihood of misstatement in the subject matter information (for example, reports of legal proceedings by the family of a patient who acquired MRSA during an inpatient stay at the hospital, or reports of increased MRSA cases in the community, when that hospital is the only hospital in the community. The engagement partner agrees that it may be useful to help identify where a misstatement of the subject matter information is likely to arise, or as a supplementary source of evidence, but it is insufficient on its own.

When designing and performing procedures to obtain sufficient appropriate evidence, the practitioner’s thought process may lead to the following conclusions:

• As all inpatients are tested before being admitted, the risk of over-stated infections (i.e. the incorrect inclusion of those cases that were present before admission) is low. However, due to the lack of internal controls in place, there is a possibility that not all positive MRSA results have been included. The purpose of the particular procedure being considered is to obtain evidence for whether all identified cases of MRSA during the period have been included in the subject matter information. Consequently, for this procedure, it will not be of use to design the procedure to check from the reported information to the phlebotomy blood test reports; the team will need to perform procedures from the phlebotomy reports to the reported MRSA cases included in the administration department’s report as this will tell the practitioner whether all positive MRSA blood tests that meet the criteria have been included in the subject matter information (completeness assertion).

• As the processes at the phlebotomy laboratory have not been identified as an area where a misstatement of the subject matter information is likely to arise, the practitioner may wish to perform a walkthrough to confirm their understanding of the process and then ask the laboratory to run a report from the phlebotomy system for all those blood test records tagged as MRSA positive during the period. The engagement team plans to compare the entries on this report with the hospital’s subject matter information, using patient numbers as identifiers. Any missing from the subject matter information will be followed up and investigated. For this particular test, the practitioner considers that this will provide the evidence needed. It is a relatively simple procedure that will be able to be performed by a less experienced team member under the direction, supervision and review of a more experienced assurance practitioner on the engagement.

When evaluating the sufficiency and appropriateness of evidence obtained

For the purpose of this example, all except two of the positive blood tests on the phlebotomy report had been included in the hospital’s subject matter information; these were queried and it was found that one blood test had been taken on the first day of the reporting period and related to a suspected infection
noticed by the clinician on the last day of the previous period; the other one had been missed off the reported information. These were followed up by an engagement team member:

- The previous period item was checked to the previous period’s reporting; it had been correctly included in that year’s subject matter information.
- No explanation could be given for the omitted test. The patient notes showed no record of a blood test having been ordered or performed. Investigation of the edit history on the patient record showed that the record had been closed a few days after the blood test results had been sent by the phlebotomy laboratory to the hospital, but had been reopened and edited several months later by the ward sister. It could not be determined what changes had been made or the reasons. The ward sister says she cannot remember the details, but that she was asked by the clinician to make the changes.

There are a number of considerations and decisions the engagement partner may need to make in light of this new information, including the materiality and implications of the omission, and whether there is a need to perform further procedures. The engagement partner may reach the following conclusions:

- 1 misstatement in the context of 5 reported cases is material, especially as it changes the ‘met target’ to ‘breached target’, which may affect the regulator’s decisions, and may also be of interest to the wider public reading the report.
- The circumstances suggest that the omission may not be as result of error, but that there may have been a deliberate attempt to remove it from the records. This calls into question whether other records could have been tampered with and why that might be the case. If it is deliberate, attempts are likely to have been made to conceal any other such activity and so it may be difficult to obtain further evidence.
- As this is a regulatory report, withdrawal from the engagement is not possible but there are some difficult decisions to be made and the engagement partner may want to consult further.

In this example, if testing had been performed only from the reported information to the phlebotomy reports, rather than the other way around, it is likely that the omission may not have been discovered as the assurance procedures did not address the question: “What could go wrong?” or “What type of misstatement might occur in the subject matter information?”
Example 8: Sustainability example to illustrate whether the information in the EER report results from the application of the criteria or whether it is ‘other information’

(G.Ch12)

### Fact Pattern

An extract from an entity’s EER report is set out below: For the purposes of the discussion set out below the fact pattern, the sentences have been numbered in parentheses. For this example, assume the criteria included a requirement to report “the water intake by the company in the reporting period, the change from the previous reporting period, and an explanation for the change”.

“(1) Water is needed to support all life, and yet it can be a scarce resource in some parts of the world, requiring us to use water responsibly for all our operations.

(2) We monitor the water we use across all our sites for manufacturing, cooling, sanitation and landscaping, so that we can develop effective approaches to conserve water. (3) In 20X8, our water intake was 400 million gallons; an increase of 5 percent on the previous year. (4) This was mainly caused by growth in manufacturing across all our sites.”

In this example, the practitioner may consider that sentence (1) is a statement of generally accepted truths, but does not directly relate to what the criteria require as described above. It may be considered to be additional contextual disclosure about why responsible use of water is appropriate, and could result from applying an unidentified criterion. The practitioner may consider that such a criterion is suitable and has been made available to intended users by general understanding.

Alternatively, the practitioner could consider sentence (1) to be ‘other information’ (although it cannot readily be identified as not subject to assurance) or integral to the subject matter information and therefore subject to assurance. In either case, given that there may be little likelihood of it being materially misstated or misleading in this case, and that intended users may not pay much attention to it, it may be that sentence (1) is unlikely to warrant further attention or work by the engagement team.

However, numerous statements of this nature may obscure or detract from information that is important to the intended users, resulting in an EER report that includes information that is not relevant to the intended users’ decision-making or that is not readily understandable. The engagement team may need to be aware of this as they perform their assurance procedures with the intended users in mind.

Further, if it is ‘other information’ it should be able to be separately identified from the EER information subject to assurance. In this particular instance, it may not warrant further attention by the engagement team, but there may be circumstances when the ‘other information’ is not capable of being substantiated as it does not result from suitable criteria. In such a case, it may be important for that ‘other information’ to be clearly delineated from the information subject to assurance as, otherwise, the intended users may have unwarranted confidence in statements made by the preparer if they believe that those statements have been subjected to assurance procedures.
Delineating the ‘other information’ may be able to be done by asking the preparer to move it to a separate unassured section of the report or to clearly separate or mark the information subject to assurance so that is clear what has, and what has not, been assured. Alternatively, the preparer may elect to delete information that does not result from the application of suitable criteria.

Sentence (2) is more specific to the entity, more factual and less subjective. However, again, it does not directly address the criteria and is unclear as to what ‘monitoring’ entails and what the entity regards as an ‘effective approach’. The practitioner may ask the preparer to define more clearly in the qualitative subject matter information what these terms mean, so that the engagement team are able to design procedures to obtain evidence about the subject matter information.

For example, the preparer may agree to set out a clear explanation of what is included and excluded from ‘manufacturing’, ‘cooling’, ‘sanitation’ and ‘landscaping’. The preparer may also set out in the subject matter information what constitutes ‘monitoring’, for example, as follows: ‘We monitor the water we use as follows: all sites have meters installed, which are read by the site engineers each month and the water usage reported to head office. The head office sustainability team compares the actual usage against expected usage and actual production runs, and any unexpected variations are checked with the site engineers and explanations obtained. When water usage exceeds expected usage by more than x% over two consecutive months, a member of the head office team visits the site to discuss and implement a program of water-saving measures. These may include: reusing water from cooling for landscaping and for some sanitation purposes, installing leak detectors and rain butts channeling rainwater run-off to the planted areas, etc. …We apply a ranking to the sites so that we prioritize sites in water-scarce areas for the introduction of water-saving measures. Once water-conserving measures have been implemented, the water consumption post-implementation is compared with that pre-implementation to assess whether the measures have been effective and reduced the water used…’

The engagement team would now be able to design and perform procedures to obtain evidence for these statements made by the preparer. If the preparer was not willing to make changes, the statements regarding the entity’s monitoring of their water usage would not be capable of being subjected to evidence gathering procedures, and would represent a misstatement that would need to be accumulated, along with other misstatements, and evaluated.

Sentence (3) contains quantitative information and sentence (4) qualitative information, which appear to result from applying the criteria, and appear to be capable of being subjected to evidence-gathering procedures. Sentence (4) is an explanation that may fulfil the requirements of the criteria if it is accurate, complete and free from bias. As part of the evidence-gathering procedures, the engagement team may decide to corroborate this with data on manufacturing levels across the entity’s sites. The engagement team may also want to obtain an understanding, through inquiry of management, of what else might have contributed to the increased water usage, and, if necessary, perform further procedures to obtain evidence in relation to what they have been told.

The way in which the entity is reporting on its water consumption may be misleading to intended users. There is an implication in the EER information that the entity has taken steps to reduce its water consumption. If there is an increase in water consumption for reasons other than the stated growth in manufacturing, it would be misleading to mask those reasons with an explanation attributing the increase to increased manufacturing. The team may want to obtain sufficient evidence to be able to assess whether
there are other factors contributing to the increased water consumption and, if so, how material the impact of those other factors might be.

For documentation purposes, the practitioner may choose to mark up a copy of the information being assured by identifying each different statement or paragraph that has been subjected to evidence-gathering procedures, and referencing each separately identified part of the subject matter information to supporting workpapers where the testing is documented.
Example 9: Example of Management Commentary to illustrate the inclusion of both non-financial and financial information in the subject matter information, using both territory legislation and GRI Standards as framework criteria

(Example is for a manufacturing group in the automotive industry. Considerations (to be confirmed) to include understanding the processes and systems in place to prepare the subject matter information, the reliance or otherwise on audited financial information, obtaining evidence for qualitative information, and evaluation of misstatements)

[Example under development]
Example 10: Example to illustrate considerations for the practitioner in using the Integrated Reporting Framework as criteria

(Example is for a retail entity. Considerations (to be confirmed) to include understanding the entity’s process to identify reporting topics, the processes and systems in place to prepare the subject matter information (G.141C), obtaining evidence for both historical and future-orientated information (G.262), and considering 'connectivity') (Ref to relevant chapters G.Ch6,7,8, 9,12,13)

[Example under development]
Example 11: Example of practitioner considerations in the context of a Public Sector performance statement

(Considerations to include (to be confirmed): when the practitioner may not be able to decline the engagement even when the preconditions are not present, obtaining evidence (including evidence from external sources), using the work of internal audit, evaluating both quantitative and qualitative misstatements) (References to relevant chapters – G.Ch4,9,10,11)

[Example under development]
Appendix 1

[Placeholder for Terms used in this Supplement]