Objectives of Agenda Item

The objectives of this Agenda Item are to:

- Approve for public exposure the draft non-authoritative guidance on performing assurance engagements on extended external reporting
- Agree the process to finalize the consultation paper on the draft non-authoritative guidance
- Obtain Board member views on the process to finalize the draft Supplements that will be published concurrently with the consultation paper

Introduction and Overview of the Agenda Items

1. Following the September 2019 IAASB meeting, the Task Force met for three days to discuss and agree detailed proposals for combining the phase 1 and phase 2 draft guidance and for restructuring it. The Task Force also addressed the detailed drafting comments received on the phase 1 draft guidance during that meeting.

2. At the November 2019 IAASB teleconference, the Task Force obtained Board member views on:
   - A preliminary illustration of the restructured draft non-authoritative EER assurance guidance (the draft “Guidance”), which included three updated chapters of the draft guidance, for comment by Board members (Chapters 1, 4 and 8);
   - The Task Force’s proposed updated approach to the terminology used in the draft Guidance; and
   - The proposed next steps for finalization of the draft Guidance.

3. Since then, the Task Force has completed the remaining ten chapters of the draft guidance. All chapters of the draft Guidance are presented as Agenda Item 5-A (clean copy). In completing the restructuring of the draft Guidance, the Task Force has:
   - Implemented the Task Force restructuring proposals, as set out in the November 2019 Issues Paper (Agenda Item 1 November 2019);
   - Addressed the comments received from respondents to the February 2019 Consultation Paper Extended External Reporting (EER) Assurance, on the phase 1 draft guidance;
   - Addressed comments received from Board members at the September IAASB meeting;
   - Addressed written comments received from Board members and from Project Advisory Panel members following the September IAASB meeting; and
   - Addressed comments received from the Board at the November 2019 IAASB teleconference, and written comments subsequently received, on redrafted chapters 1, 4 and 8.
4. This Issues Paper is divided into the following sections and appendices:

Section I: Summary of Responses from November 2019 IAASB Teleconference
Section II: Summary of Approach Taken in Redrafting the Guidance
Section III: Proposed Next Steps for Finalization of the Consultation Paper
Appendix 1: Table of moves between chapters and appendices, and a summary of other key additions, deletions and changes made to date, in restructuring the guidance.
Appendix 2: Table of contents for the restructured draft Guidance
Appendix 3: Draft Minutes of September 2019 IAASB meeting
Appendix 4: Draft minutes of November 2019 IAASB teleconference
Appendix 5: Task Force details

5. A clean copy of the restructured draft Guidance is attached as Agenda Item 5-A. Supplement 5-B to this Agenda Item is a marked-up version of the same document, which is provided for reference purposes only. Chapter 9 of Agenda Item 5-A includes a placeholder for the guidance on Performance Materiality. This sub-section of the Guidance will be posted by the 22nd November as Agenda Item 5A.1, and will contain only the guidance on Performance Materiality.

6. In Agenda Item 5-A, a number shown at the beginning of a paragraph, in square brackets, is the number of the paragraph in the draft phase 1 guidance included in the February 2019 Consultation Paper (when in black text) or the number of the paragraph in the draft phase 2 guidance presented as Agenda Item 6-A at the September 2019 IAASB meeting (when in blue text). Paragraphs in the restructured draft Guidance in Agenda Item 5-A have not yet been sequentially numbered, in order to preserve the numbering used for Agenda Item 1-A for the November 2019 teleconference. However, subsequent restructuring has resulted in significant re-ordering of paragraphs.

7. Two other supplements to Agenda Item 5-A will be provided for reference purposes only (marked up Supplement 5-C and Supplement 5-D to Agenda Item 5-A, which are the proposed Supplements A and B to the draft Guidance).

8. There is a distinction between the draft Guidance and Supplements A and B. The Board is not being asked to consider Supplements A and B at this stage. They will not be discussed during the December 2019 IAASB meeting, and are not part of the document on which the Board will be asked to vote. The Board is only asked to consider the draft Guidance, but will be invited to provide written comments on the Supplements after the December 2019 meeting, should they wish to do so. See also Section III Proposed Next Steps for Finalization of the Guidance below.

9. The Board meeting discussions will follow the structure of the draft Guidance (Agenda Item 5-A), addressing the questions presented to the IAASB set out below.

10. The Task Force is further looking for the Board’s feedback on the updated draft Guidance prior to it being exposed draft in February 2020. The IAASB is asked for any major revisions that are required to the draft Guidance prior to exposure.

I Feedback from the November 2019 Teleconference

11. This section summarizes Board members’ responses to the questions posed at the November 2019 teleconference and set out in the Issues Paper (Agenda Item 1) for that teleconference. It also indicates the general nature of the changes that the Task Force is proposing to the Guidance.
to address the feedback received. These changes are reflected in the draft Guidance in Agenda Item 5-A. Section III below sets out further details of these changes on a chapter by chapter basis.

Comments Relating to the Restructuring of the Guidance

12. The Board was supportive of the approach taken by the Task Force in restructuring the draft Guidance.

13. The order of chapters in the Guidance was also generally supported, and considered to be logical, although a few Board members queried the reasons for placing the chapters on Narrative and Future-Oriented information at the end of the Guidance after the chapter on reporting, and suggested that the chapters on Narrative and Future-Oriented Information may be better placed directly after Chapter 9. One Board member questioned whether Chapter 7 should be positioned before Chapter 5.

14. A question was raised as to whether contextual information that is important in using the Guidance may be lost if it is moved to the Supplement, which users of the Guidance may not read. Those users who do not refer to the Supplement may be those for whom it would be of most benefit in providing additional educational and contextual material.

Task Force Response

15. As discussed in further detail in paragraphs 81 and 91 below, Chapters 12 and 13 cover a range of specific considerations from acceptance through to reporting in the context of Narrative and Future-Oriented information, respectively. As these considerations build on the more generic guidance provided on these matters in earlier chapters, the Task Force is of the view that the positioning of these chapters at the end of the Guidance is appropriate. Consequently, the Task Force proposes retaining the current ordering of the chapters, but amending the titles of Chapters 12 and 13 to ‘Addressing Qualitative Information’ and ‘Addressing Future-Oriented Information’, respectively, and explaining in Chapter 1 the reasons for these two chapters being positioned as they are after Chapter 11 Preparing the Assurance Report.

16. The Task Force is of the view that, while Chapter 5 provides general guidance on determining the suitability of criteria, and Chapter 6 covers the practitioner’s consideration of the entity’s system of internal control, the guidance in Chapter 7 provides guidance on these considerations in the more specific circumstances of the entity’s process to identify reporting topics, and is therefore appropriately positioned after the more general considerations have been addressed. Such an approach allows reference back, from Chapter 7, where needed, to the more general guidance in earlier chapters. As such, the Task Force proposes retaining the current order in the draft guidance.

17. The Task Force understands the comment that contextual information may not be read by all users of the Guidance, as a result of moving it to Supplement A. However, responses to the February 2019 Consultation Paper on phase 1 included that the phase 1 guidance was already lengthy and complex and could become unduly lengthy when the phase 2 guidance was added. Responses also included that the Guidance should focus on matters unique to EER reporting, giving practical guidance on those matters, rather than providing guidance of a general educational nature. Other responses welcomed the provision of the supplementary contextual and educational material.

18. In addressing those responses, the Task Force has sought to maintain a balance between retaining important information that is needed to provide context to the matters addressed in the Guidance, and presenting the Guidance in a more concise practical way, focused on the unique challenges of EER reporting. As noted above in paragraph 7, and discussed in further detail in
Section III below, a marked up version of Supplement A to the Guidance (Agenda Item 5-C) is provided for reference so that it is clear what has been moved from the Guidance to that Supplement, or has been deleted, as was consulted on at the September 2019 IAASB meeting, and as set out in Supplements 6A-1 to 6A-5 to Agenda Item 6A of that meeting. Although Supplement A to the Guidance will not be discussed at the December 2019 meeting, there will be opportunity for the Board to comment on whether they consider anything is missing from the redrafted Guidance that may need to be reinstated.

19. In light of the general support that was expressed for the revised structure of the draft guidance, and the Task Force's further considerations as set out above, the draft Guidance presented in Agenda Item 5-A has been restructured in line with the approach proposed by the Task Force at the November teleconference.

Comments Related to Redrafted Content of Chapter 1

Diagrams, referencing and icons

20. The Board expressed its general support for the redrafted content of Chapter 1. In particular, there was positive response to the diagram in Chapter 1 which sets out the relationship between the stage of an assurance engagement, the requirements of the Standard, and the matters covered by the Guidance. There was also support for the consequent deletion of Chapter 2 of the phase 1 guidance.

21. A few Board members considered the legend to chapter 1 (which included a key to the cross references used in the guidance) to be complex. Mixed views were also expressed on the use of icons; while some Board members considered them to be innovative and helpful in drawing attention to where professional skepticism and professional judgment were being exercised in the examples provided, others questioned whether the use of icons was necessary and one member questioned whether it could suggest that the points highlighted by the icons needed highlighting because they were not adequately explained in the text of the guidance.

Structure of Chapter 1 and Order of Chapter Content

22. Two Board members considered Chapter 1 to be ‘preface-like’ insofar as it includes guidance on how to use the Guidance. It was suggested that the focus of Chapter 1 should, instead, be on the reasons the IAASB is developing the Guidance, how the Guidance serves the public interest, and on the unique features of EER Reporting. Some suggestions were also made regarding the ordering of the paragraphs within Chapter 1 in order to better group together the guidance on how to use the Guidance, and the reasons for developing the Guidance.

23. One Board member suggested, in written comments, that the last sentence in paragraph 9B of the Guidance be removed as the reader is able to use their judgment as to whether or not to leverage the information in the Supplements, and that drawing attention to the Supplements was not warranted.

Language Used in Chapter 1

24. Some comments were received that the language used in Chapter 1 is somewhat ambiguous. For example, the wording in paragraph 5A. could be taken to suggest remediation of EER practice in performing EER assurance engagements is needed.
**Task Force Response**

25. Recognizing that there were mixed views on the innovations in using the icons and the legend and referencing key in Chapter 1, the Task Force proposes to retain both in the Guidance, but that feedback should be sought on these specific items during consultation.

26. Regarding feedback on the structure of Chapter 1, the Task Force is of the view that public interest considerations are generally incorporated into the Consultation Paper or Explanatory Memorandum issued with a draft document issued for public exposure. The Guidance is intended to stand on its own.

27. Within the Board’s Standards and guidance documents, introductory paragraphs are generally included, for example, guidance for applying the document, and, where applicable, the effective date of the pronouncement (e.g., in ISAE 3000 (Revised): paragraphs 1 to 13 address introductory matters, scope, authority (effective date) and definitions; and paragraphs 14 to 19 address the conduct of an assurance engagement).

28. While the Preface to the Handbooks deals with general aspects of authority of IAASB pronouncements, the only relevant paragraph of that preface in the context of the EER guidance is paragraph 19, which refers briefly to non-authoritative material. The draft Guidance would fall within that paragraph when issued in final form, but is neither an IAPN nor a staff guidance document, and it is not intended that the Guidance will be included in the Handbooks. Therefore, the Task Force has elaborated on specifics of the authority of the Guidance in the document itself.

29. The Task Force notes that IAPN 1000 is divided into three parts: an Introduction and Sections 1 and 2. The Introduction addresses scope, related pronouncements, the matters addressed and what it does not address. A separate box before the Introduction refers to the general authority material in the Preface to the Handbooks and repeats it. While a similar approach could be taken in the final form of the Guidance, as noted above, there is little in the Preface relevant to this guidance.

30. An alternative approach to that presented in Agenda Item 5- A could be to refer to Chapter 1 as an ‘Introduction’ and to refer to the remaining 12 chapters, which comprise the Guidance, as ‘Sections’, rather than referring to ‘chapters’ at all. While that approach has not been adopted in Agenda Item 5-A, the Board is asked for its views on whether such an approach would be preferable.

31. Regarding the suggestion to remove, from paragraph 9B, information on how the Guidance and Supplements may be used by readers of the Guidance, the Task Force believes that highlighting the Supplements would be of assistance to those who would find them helpful and would do no harm to those who would not find them helpful. The Task Force has therefore retained that material, but the Board is asked for its views on this.

**Comments Related to Redrafted Content of Chapter 4**

32. A number of comments were received about the complexity of parts of the guidance in this chapter. In particular, many considered: the diagram in paragraph 72A to be too complex and that it did not simplify the messages being communicated in the Guidance; that the chapter could be easier to navigate; some terminology (e.g., ‘primary representations’) to be unclear; and the guidance in paragraph 76 on rational purpose too theoretical. Further written comments were received on the content of the table beneath the diagram.

33. A comment was raised that sometimes criteria are not entirely entity-developed, but are built out by the entity from within the framework. It was suggested that more clarity is needed on the difference between using framework criteria, further developing the criteria from within a
framework, and the entity developing its own criteria, or selecting different criteria from different frameworks.

34. Two Board members commented that greater clarity was needed on the nature of a ‘rolling program’ of assurance, in particular to clarify how a ‘rolling program’ of assurance would work in practice. Some questions were also raised about whether users would understand what is covered and what is not covered by such an assurance engagement. It was also suggested that greater clarity was needed on the difference between a rolling program of assurance, and rotation of assurance procedures.

35. One Board member commented that there had been a call for liaison with IESBA on independence matters included in the Guidance.

Task Force Response

36. The Task Force is of the view that determining the preconditions is a complex area, and one in which there was a call in the consultation responses to the phase 1 guidance for greater emphasis on the interrelationships between the various preconditions. The Task Force has considered the comments received at the November 2019 teleconference, and has addressed them by drafting a less complex diagram, with the text related to it presented beneath the diagram in paragraph 74. The redrafted diagram is included in paragraph 72A of Agenda Item 5-A, and detailed drafting comments received after the November 2019 IAASB teleconference have been taken into account in the text related to the diagram.

37. Paragraph 76 of Agenda Item 5-A has been significantly redrafted to simplify it and integrate the considerations in paragraph 74 on rational purpose so that all the rational purpose considerations are in one place. These are now in paragraph 76, and the consideration of rational purpose in paragraph 74 cross refers to the guidance in paragraph 76. In simplifying paragraph 76, the individual considerations were redrafted where necessary to eliminate duplication and to assist the practitioner in obtaining the information they need to determine when an engagement may or may not have a rational purpose.

38. In respect of the comment on the development of criteria, the Task Force has followed up to understand better the point raised. The comment relates to the way in which, in a financial statement context, there is a ‘hierarchy’ of criteria that is well-accepted in practice: the Conceptual Framework sets out general concepts, standards specific to certain industries (e.g. IFRS 4) or specific financial elements (e.g. IFRS 15) establish requirements, and where the standards do not cover something the entity develops and discloses its accounting policies. Those policies must be consistent with the ‘higher levels’ in the hierarchy. The issue raised is that, in a similar way, when well-established frameworks EER frameworks are used, any ‘accounting policies’ (entity-developed criteria in ISAE 3000 (Revised) terms) should follow a hierarchy.

39. However, the Task Force notes that the ISAs do not refer to principles or requirements in the framework or standards or to accounting policies as criteria. The ISAs refer to acceptable frameworks and provide guidance on considering the acceptability of frameworks that are not established or required by law or regulation (that guidance refers to characteristics that are the same as characteristics of suitable criteria). The ISAs address accounting policies by requiring the auditor to obtain an understanding of the entity’s selection and application of accounting policies and evaluate whether the entity’s accounting policies are appropriate for its business and consistent with the applicable financial reporting framework and accounting policies used in the relevant industry (ISA 315 para 11(c)).
40. The approach in the ISAs is not replicated in ISAE 3000 (Revised) and there is no concept equivalent to ‘accounting policies’. The ISAE relies on the requirement in paragraph 41 that the practitioner determines the suitability of the criteria. The concept of a ‘hierarchy’ is also not well established in EER frameworks. In the assurance standards, the equivalent of accounting policies is entity-developed criteria. The Task Force has included in Chapter 5 guidance that suggests that when an entity uses a combination of framework and entity-developed criteria, the practitioner determines the suitability of the combined criteria. It also suggests that it would not be appropriate for an entity to indicate that it follows a framework when in fact it selectively applies certain criteria from it.

41. The Task Force has included some further guidance in Chapter 4 on the difference between the entity using:

- without further development, established framework criteria, including criteria for presentation and disclosure,
- established framework criteria where the high-level principles of the framework need to be further developed so that the criteria exhibit the characteristics of suitable criteria, and
- its own criteria, either developed entirely by the entity itself, or selected from various different frameworks and added to by the entity

as well as illustrations of how each of these might be referred to in the assurance report (Chapter 11).

42. The Task Force has also included in the Guidance that in most cases, and even in the case of an entity using an established framework, some development of the criteria by the entity is likely to be needed, just as an entity reporting on its financial performance using a recognized and established framework (accounting standards) develops and discloses its basis of preparation as part of the financial statements to enable intended users to understand the basis on which the accounting standards have been applied in the entity’s own circumstances.

43. The Task Force proposes including further guidance in Supplement A to discuss the matter summarized in paragraphs 40-42 above.

44. Regarding a ‘rolling program’ of assurance, the Task Force has included an example in paragraph 63 of Agenda Item 5-A to illustrate how a ‘rolling program’ might work in practice. Another example has also been included in the draft Guidance, in paragraph 60, to clarify the difference between the scope of an assurance engagement being on a ‘rolling’ basis on different aspects of an entity’s EER reporting, and rotational assurance procedures, which involve selective testing on different aspects of the subject matter information in different periods. The Task Force has also edited the guidance in this area to further clarify what a rolling program of assurance is and is not and to highlight potential considerations for the practitioner.

45. The Task Force notes the comment regarding liaison with IESBA, and, as planned, has arranged to address this during the lead-up to December 2019 meeting.

Comments Related to Redrafted Content of Chapter 8

46. A number of individual points were raised on the content of Chapter 8, including that it is still too theoretical. A few suggested that the concept of categories of assertions is difficult to understand, and that greater clarity is needed on how practitioners might consider misstatements ‘by direct reference to criteria’.

47. One Board member suggested that the chapter could be simplified further by asking the question ‘What could go wrong?’ and providing examples of the use of assertions.
Task Force Response

48. The Task Force is of the view that, this chapter needs some contextual information for a practitioner to be able to use the guidance the chapter. Much of the phase 1 guidance that is more theoretical in nature has been moved to Supplement A and the Task Force has taken the opportunity to make further transfers of material from Chapter 8 since the November IAASB teleconference.

49. However, the Task Force is of the view that it is useful for a practitioner to understand that there are different ways to categorize the way in which misstatements might arise in the subject matter information. Providing guidance on how categories of assertions may be used avoids attempting to identify in the Guidance all categories that may be suggested by numerous different frameworks, many of which are simply a different way of considering the assertions used in other IAASB standards.

50. The categorizations set out in this chapter align with the IAASB's other standards. It is a practical question, rather than a theoretical issue, as to how potential types of misstatements are identified, and whether the assertions set out in IAASB standards can be applied more generally by the practitioner.

51. Given that the term ‘What can go wrong?’ is used in a specific and different manner in the ISAs than was suggested, the Task Force is of the view that it is not appropriate to use the term in the Guidance. However, the Task Force has further clarified the guidance as presented to the November IAASB teleconference and added examples to illustrate the relationship between categories of assertions and potential types of misstatements.

Comments Relating to the Terminology Used in the Guidance

52. The Board was supportive of the proposed replacement term for the term ‘materiality process’ that was used in phase 1 of the guidance to describe the entity’s process for developing and applying the criteria. The new term ‘Entity’s process to identify reporting topics’ was well-received as it better describes the process, and avoids confusion with the meaning of ‘materiality’ as it is commonly understood by practitioners. The Board was also broadly supportive of the general proposed approach to terminology and the proposal to use the term ‘aspects of the underlying subject matter rather than ‘elements’ and ‘qualities’ in the Guidance itself.

53. One Board member cautioned against introducing new terminology, for example, a ‘reasoned determination’ as it is not clear what that means.

Task Force Response

54. In view of the Board's support for the replacement term for ‘materiality process’, the Task Force has implemented the new term ‘Entity’s process to identify reporting topics’ in the Guidance presented as Agenda Item 5-A. The Task Force has also implemented its other proposals relating to the use of terminology, including providing an Appendix to the Guidance that summarizes terms that are not in the Standard but have been used in a consistent manner within the Guidance.

55. Regarding the comment on ‘reasoned determination’ it was not the intent of the Task Force to introduce a new term, but rather to use words with their natural meaning to express the concept being discussed.

Comments Relating to Proposed Next Steps

56. The Board generally supported the proposals for finalizing the Guidance in preparation for it being publicly exposed, although a few Board members expressed reservations about approving the
Guidance without the Supplements if there was not opportunity to see the full suite of Guidance and Supplements together at the December meeting.

57. One Board member questioned the extent of possible change to the Guidance after the December meeting, and sought further clarification of the process to finalize the Guidance.

58. Two Board members highlighted the extent of preparation that would be needed for the December 2019 meeting. Another queried whether a consultation period of 120 days would be sufficient for respondents to consider and respond to the volume of material.

Task Force Response

59. As noted in paragraph 7 above, draft Supplements A and B are to be made available as supplementary material to Agenda Item 5-A. They are provided in draft form for reference only, and the Board is not asked to consider them at this stage. As set out in Section III below, Board members will be invited to provide written comments on Supplements A and B after the December 2019 IAASB meeting.

60. Regarding the extent of possible change to the Guidance after the December meeting, and clarification of the process to finalize the Guidance, these questions are clarified in Section III below.

61. The Task Force, in recognition of the extent of preparation needed for the December 2019 meeting, presented the proposed restructuring and three redrafted chapters at the November 2019 teleconference, and has provided materials early with a three-week period to read the Issues Paper and draft Guidance.

62. The Board is asked for its views on the proposed consultation period (see Section III).

II Approach Taken in Restructuring and Redrafting the Guidance

63. Conceptual or background material has been moved to Supplement A (Supplement 5-C to Agenda Item 5-A) if it was considered to be contextually useful to a practitioner using the Guidance, or has been deleted if it was considered not useful. As explained at the November 2019 teleconference, and as set out in paragraph 9E of Agenda Item 5-A, each Supplement describes the matters that it addresses and how they may assist a practitioner using the Guidance. However, it is intended that the Guidance can be used by a practitioner without reference to the Supplements.

64. To aid navigation, cross references (with hyperlinks when possible) are to be provided within the Guidance (including its two Appendices) and between the Guidance and Supplements A and B when final documents are published.

65. To distinguish between the Guidance and the Standard, references (with hyperlinks when possible) to the requirements of the Standard will be provided rather than repeating them in the main body of the guidance;

66. Examples in the Guidance are confined to short examples; longer examples are to be included in Supplement B. The Task Force, with input from some members of the Project Advisory Panel, is currently drafting further examples, for inclusion in Supplement B, and for which placeholders have been included in that supplement. These examples will cover a range of different types of EER assurance engagements and illustrate a range of the challenges facing practitioners in the context of EER engagements that are addressed in the Guidance. The Task Force’s intention is for Supplement B to provide additional examples to illustrate more complex circumstances for a
range of different EER reporting. It is not integral to the Guidance, but is intended to be available as a companion document should practitioners wish to refer to it.

The restructured Guidance presented

67. The Task Force presents, in Agenda Item 5-A, Chapters 1 to 13 of the Guidance, redrafted as proposed at the November 2019 teleconference. While the draft guidance presented in the February Consultation Paper comprised fourteen chapters, Chapter 2 of the Guidance has now been replaced in its entirety by the table in Chapter 1 of the draft Guidance, resulting in thirteen, rather than fourteen chapters.

68. As explained in Agenda Item 1 to the November 2019 teleconference, the Guidance has been restructured in chapters that can be related to specific stages and other aspects of an assurance engagement performed in accordance with the Standard. Ordering of the chapters in the Guidance follows the flow of stages and other aspects of the performance of an engagement. A revised title for the Guidance is proposed as ‘Non-authoritative Guidance: Special Considerations in Performing Assurance Engagements on Extended External Reporting’. The Guidance is not proposed to be issued as an IAEPN.

Chapter 1

69. Chapter 1 provides an introduction to the Guidance, setting out the scope and authority of the Guidance, the purpose and intended audience, the nature and meaning of ‘EER information’ and ‘EER report’. To support this, the chapter refers to the Table in Appendix 2 to the Guidance, which gives examples of different types of assurance engagements, and indicates whether or not they are EER assurance engagements and therefore covered by the Guidance.

70. Chapter 1 also sets out circumstances commonly encountered in relation to EER engagements that were identified by the IAASB as giving rise to challenges for practitioners in applying the requirements of ISAE 3000 (Revised) (‘the Standard’). These circumstances are revisited at the start of each subsequent chapter in addressing the ‘Why’ of the guidance in that chapter – i.e. particular aspects of the circumstances set out in Chapter 1 give rise to the challenges that may be encountered in relation to the matter(s) being addressed in each chapter.

71. This chapter also explains how to use the Guidance and how terminology, icons and cross-references are used in the Guidance, and includes a diagram to assist in navigating the Guidance and relating it to the requirements of the Standard in the context of performing an EER assurance engagement. As noted in the November 2019 Issues Paper, the Task Force has deleted the material that was in Chapter 2 of the phase 1 draft guidance.

Structure and content of other chapters

72. The approach taken by the Task Force in addressing the other chapters of the Guidance has been to focus on the ‘What’, ‘Why’ and ‘How’ of the Guidance (see explanation in paragraphs 9B and 9C of Agenda Item 5-A).

Chapter 2

73. The chapter on Applying Appropriate Competence and Capabilities, has been reordered to earlier in the Guidance as it covers the competence, capabilities and skills that may be needed throughout the performance of an EER assurance engagement. It is now positioned as chapter 2 in the Guidance, having been moved from Chapter 4.
Based on written comments received from Board members following the September IAASB meeting, the diagram (cube) of the phase 2 guidance has been simplified by splitting it into two separate diagrams. The first illustrates the different levels of assurance competence and subject matter competence that may be present [on the engagement team] and the corresponding supervision, direction and review that may be needed; the second diagram considers the complexity of the underlying subject matter, its significance to the engagement, and the risk of material misstatement of the subject matter information, and what that may mean to the level of direction, supervision and review needed.

Chapter 3

The chapter on Exercising Professional Skepticism and Professional Judgment has been reordered to earlier in the Guidance as it covers behaviors that may be needed throughout the performance of an EER assurance engagement. It is now positioned as chapter 3 in the Guidance, rather than chapter 5.

Comments were received at the September 2019 IAASB meeting that this chapter was largely theoretical. However, the Task Force considers it is important for context; it has therefore been retained in the Guidance. Its practical application is in the examples throughout the rest of the Guidance, highlighted by the use of the icons.

Chapter 4: Determining the Preconditions and Agreeing Scope

The material in restructured Chapter 4 (previously Chapter 3 in the phase 1 guidance) has been reordered to address the determination of the preconditions before addressing the agreement of scope, to bring forward some of the draft material from later chapters in the phase 1 guidance, and to move material on ‘other information’ to a later chapter in the Guidance. It also distinguishes the work effort when determining the preconditions from the work effort during the planning stage of the engagement.

In response to comments received to the Consultation Paper, the diagram in paragraph 46 of the Consultation Paper was replaced. As noted above, feedback was received during the November 2019 teleconference that the replacement diagram was too complex and not easy to understand. To take account of those comments, the diagram has been replaced with a less complex diagram. Detailed written comments received from Board members after the November 2019 teleconference have been taken into account when updating this chapter.

Further guidance has been included in this chapter of the Guidance to clarify how a ‘rolling program’ of assurance might work in practice, and to distinguish it from rotational assurance procedures.

Chapter 5

The material in restructured Chapter 5 (previously Chapter 7 in the phase 1 guidance) has been reordered to earlier in the Guidance. It has also been updated to exclude addressing the determination of the suitability of the criteria during the acceptance stage of the EER assurance engagement, and the necessary work effort at that stage. These matters are now addressed in Chapter 4. Chapter 5 now deals with the determining the suitability of the criteria during the planning stage of the engagement and provides guidance on the considering whether the criteria will be made available.

This chapter and Chapter 6 provide general guidance, respectively, on determining the suitability of the criteria and in understanding the entity’s system of internal control before the particular
aspects of these considerations are addressed in relation to the entity’s process to identify reporting topics, which are now covered in Chapter 7.

Chapter 6

82. The material in Chapter 6 has been revised to focus on providing guidance on the practitioner’s understanding of the entity’s system of internal control during the initial stages of planning an EER assurance engagement to address the requirements of paragraphs 47L and 47R of the Standard. To address comments raised in the consultation on the phase 1 guidance, and consistent with the Task Force proposals at the September 2019 meeting, additional guidance has been added to address the considerations when the entity’s system of internal control may still be developing, when information is obtained from external sources and when an entity uses new technologies to record or process the subject matter information. Better linkage has been made between Chapter 5, this chapter, and Chapter 7 Considering the Entity’s Process to Identify Reporting Topics.

Chapter 7

83. Chapter 7 has been moved earlier in the guidance to improve the linkage between this chapter and the previous two chapters. Chapter 7 has to do with particular aspects of determining the criteria and considering the entity’s system of internal control. The process described - i.e. the process the entity goes through to further develop the framework criteria when those are not sufficiently specific to serve as suitable criteria, or when the entity develops its own criteria, has been renamed ‘The entity’s process to identify reporting topics’ to better reflect the process as it is performed to develop and apply the criteria.

84. Responding to comments received on phase 1, and consistent with the Task Force proposals at the September 2019 meeting, the Task Force has clarified that, while there is not a requirement to review, evaluate or conclude on the entity’s process to identify reporting topics, and that considering the outcomes (the resulting criteria) in their own right may be sufficient, it may be useful for the practitioner to obtain an understanding of the process the entity has undertaken as this may provide some evidence as to whether the criteria are suitable. The guidance also clarifies that, while there is not generally a requirement to disclose the entity’s process to identify reporting topics (often referred to by preparers as the ‘materiality process’), some frameworks may require it, and even when there is no such requirement, users may find it helpful if the process were disclosed.

Chapter 8: Using Assertions

85. Chapter 8 (previously Chapter 9) has been redrafted by moving significant elements of the conceptual and background material to Supplement A. The Guidance explains that using assertions is not required by the Standard and that, if the practitioner does not wish to do so, they may choose to identify potential types of misstatements by direct consideration of the criteria. In response to comments received at the November 2019 teleconference, examples of categories of assertions are included to illustrate how they may be used by the practitioner when considering the design of their assurance procedures.

86. Chapter 8 also explains that the criteria for reporting EER information may be expressed in different terms from the criteria in other types of assurance engagements addressed by IAASB standards that require the use of assertions (ISA 315 and ISAE 3410). However, it also notes that the practitioner may wish to use the categories of assertions set out in such other IAASB standards to identify the types of potential misstatements and therefore to assist in designing and
performing assurance procedures in an EER engagement. If so, the guidance explains how this may be achieved.

Chapter 9

87. Chapter 9 (previously Chapter 10) Obtaining Evidence has, as for other chapters, been restructured to explain the ‘What’ and the Why’ and then to focus on ‘how’ of obtaining evidence. The thought process in paragraph 261A is now presented as three separate parts; the first sets out considerations when determining what evidence is needed and available; the second sets out questions the practitioner may ask when designing and performing procedures; and the third sets out considerations when evaluating the sufficiency and appropriateness of evidence obtained.

88. The chapter will also include guidance on performance materiality. A placeholder has been included in Agenda Item 5-A, and the guidance on performance materiality will be presented as a separate agenda item (Agenda Item 5-A.1 (see paragraph 5 above) The guidance on ‘other information’ has been moved to Chapter 12. The Task Force considered that the challenge relating to ‘other information’ may be most likely to arise when differentiating between what constitutes subject matter information and what constitutes ‘other information’ in the context of qualitative subject matter information.

Chapter 10

89. Chapter 10 (previously Chapter 13) Considering the Materiality of Misstatements has been reordered to earlier in the document as the material in this chapter provides guidance on considering the materiality of misstatements in a general context. It has been placed before the chapters on Qualitative and Future-Oriented information for the reasons set out in paragraph 15 above. Additional guidance has been included on the meaning of ‘clearly trivial’, and on how to evaluate misstatements when the scope of an assurance engagement includes a number of indicators, each relating to a different underlying subject matter. Linkage is made from this chapter to Chapter 12, where the aggregation of misstatements in the context of qualitative subject matter information is discussed further.

Chapter 11

90. Chapter 11 (previously Chapter 14) Preparing the Assurance Report has been reordered to earlier in the document for the reasons set out in paragraph 15 above. To respond to feedback received at the September 2019 meeting and in subsequent written comments from Board members, additional examples have been included to illustrate how a practitioner may communicate in the assurance report when multiple reporting frameworks have been used by the entity to prepare the EER subject matter information, when different conclusions (limited assurance or reasonable assurance) are given on different aspects of the EER subject matter information in one report, and when practitioners might be performing the engagement under ISAE 3000 (Revised) and another assurance standard.

Chapter 12

91. Chapter 12 (previously Chapter 11) has been reordered to later in the Guidance for the reasons set out in paragraph 15 above. The Task Force also proposes amending the titles of this chapter to ‘Addressing Qualitative EER Information’ to reflect that the chapter covers more than obtaining evidence, and also includes determining the suitability of criteria, evaluating misstatements, and assurance report considerations. The Task Force is of the view that this title also better reflects that the information being addressed in this chapter is subject matter information that cannot be
expressed in quantified terms, rather than ‘narrative’ information. The latter might include quantified subject matter information but, as noted below, such information is simply a different way of presenting subject matter information expressed in quantified terms.

92. The Guidance clarifies what is covered in this chapter – i.e. information that is not able to be expressed in quantified terms (numbers). References to ‘charts and graphs’ have been removed as those are simply different ways of presenting quantitative information. The guidance on ‘other information’ has been moved into this chapter from other chapters where it had previously been addressed in a more piecemeal way. The guidance also clarifies what is meant by ‘other information’ and how it is treated when it is included in an EER report. The long example of how ‘other information’ might be addressed has been moved to Supplement B, and will be updated to reflect the clarifications made in this chapter.

Chapter 13

93. Chapter 13 (previously Chapter 12) *Addressing Future-Oriented EER Information* has been reordered to later in the Guidance for the same reasons that chapter 12 has been moved, and as discussed in paragraph 15 above. Comments received from Board members and Project Advisory Panel members after the September 2019 IAASB meeting have been taken into account in updating this chapter.

Matters for IAASB Consideration

<table>
<thead>
<tr>
<th>In relation to the draft Guidance in Agenda Item 5-A, the IAASB is asked for its views on:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1. Whether the Task Force has appropriately responded to the phase 1 public consultation, the feedback given at the September 2019 IAASB meeting and the November 2019 IAASB Teleconference</td>
</tr>
<tr>
<td>Q2. Whether the updated draft Guidance is effective in assisting practitioners to address the issues related to each of the ten key challenges identified; and</td>
</tr>
<tr>
<td>Q3. Whether further revisions are needed to the draft Guidance in Agenda Item 5-A prior to it being published as an exposure draft for public comment.</td>
</tr>
</tbody>
</table>
III Steps for Finalization of the Guidance

94. As noted in paragraphs 7-8 above, the draft Supplements (Agenda Item 5-C and Agenda Item 5-D) are provided to enable Board members to have the ‘whole picture’, and for reference by Board members only if they wish to do so in considering the draft Guidance document.

95. Board members are invited to provide written comments on the Supplements before or soon after the meeting. After the meeting, all Board members are encouraged to provide written comments on Supplements A and B by the end of the first week in January 2020.

96. A number of individual Board members and technical advisors who are not members of the Task Force will also be targeted to provide their detailed input on the Supplements during that period.

97. Based on the inputs discussed above, the Task Force will aim to finalize the Guidance and Supplements, and to draft the Explanatory Memorandum, during or soon after its January 2020 Task Force meeting. In line with standard practice, should the Guidance document be approved at the December 2019 IAASB meeting, the text of the Guidance will be ‘closed’ as it was voted on, with no further changes being able to be made to the approved document, except for minor wording alignments, editorial changes and formatting to prepare the document for publication. The Supplements will be subject to further changes, depending on the comments received from Board members, and Project Advisory Panel members after the Board meeting.

98. Following the January 2020 Task Force meeting, it is proposed that the updated Guidance and Supplements will be circulated to those Board members and technical advisors targeted for any final input (see paragraph 94) and that the Explanatory Memorandum be circulated to Board members for a ‘fatal flaw’ review.

99. The Task Force will then finalize the Explanatory Memorandum, Guidance and Supplements, following which the Task Force, with the recommendation of the Task Force Chair, will submit them for approval by the Chairman and the Technical Director, for public consultation of the Guidance in February 2020 (i.e., public exposure on the proposed Guidance). The “Public Consultation on Proposed Guidance” will comprise the Explanatory Memorandum and the proposed Guidance. Respondents will be asked to comment on the proposed Guidance.

100. The intention is to publish the Supplements alongside the proposed Guidance, and to invite respondents to comment not only on the Guidance but also on the Supplements, should they wish to do so. A comment period of 120 days is proposed. However, the ‘exposure document’ is only the proposed Guidance document.

Matters for IAASB Consideration

The IAASB is asked for its views on:

Q4. The proposed next steps for finalizing the EER Guidance for public consultation.
Table of Principle Changes

<table>
<thead>
<tr>
<th>Feedback received from CP respondents / issue raised at September 2019 IAASB meeting / feedback received at November 2019 IAASB teleconference</th>
<th>Task Force Response</th>
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</thead>
<tbody>
<tr>
<td><strong>Structure of guidance</strong></td>
<td><strong>Conceptual and background material has been moved to Supplement A</strong></td>
</tr>
<tr>
<td>• The guidance is lengthy</td>
<td><strong>Longer examples have been moved to Supplement B</strong></td>
</tr>
<tr>
<td>• The guidance is complex and conceptual in places</td>
<td><strong>The main body of the guidance is, consequently, shorter; it also sets out the ‘what’ and ‘why’ at the start of each chapter so that it is clear what is to be addressed in the chapter, the reasons for needing to provide guidance in an EER context; the ‘how’ that follows in each chapter generally sets out a diagram and a thought process for the practitioner</strong></td>
</tr>
<tr>
<td>• It is unclear how the guidance:</td>
<td><strong>Chapter 1 includes a diagram that illustrates the stages of an assurance engagement under ISAE 3000 (Revised), the requirement paragraphs of that standard, and how the Guidance links to those requirements. Chapter 2 (phase 1) has, consequently, been removed.</strong></td>
</tr>
<tr>
<td>o relates to ISAE 3000 (Revised)</td>
<td><strong>Chapters have been reordered to follow the flow of the diagram. Explanation is included as to the reasons for placing the chapters on Qualitative and Future-Orientated information in Chapters 12 and 13, respectively, after Chapter 11 Preparing the Assurance Report.</strong></td>
</tr>
<tr>
<td>o how chapters within the guidance relate to each other</td>
<td><strong>Hyperlinks will be included in the final document to link between chapters and between the Guidance and the Supplements.</strong></td>
</tr>
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</table>
| o how the guidance follows the flow of a typical assurance engagement | }
### Purpose and audience of the guidance

- Clarification needed that the guidance is intended to be non-authoritative guidance which may be used by practitioners when performing EER engagements under ISAE (Revised). It should not add requirements or suggest the only way of performing such engagements.
- Clarification needed as to whether the guidance is intended for practitioners, preparers or both.
- The guidance should not be general educational material but should focus on challenges that are unique to EER.
- Some general guidance may be helpful to practitioners who do not have an audit background.

The Task Force has clarified in Chapter 1 of the Guidance that:

- The Guidance is non-authoritative and does not introduce new requirements or application material over and above that set out in the Standard.
- The Guidance is intended for practitioners performing assurance engagements in compliance with ISAE 3000 (Revised); although others, such as preparers or users may find the Guidance useful to understand respective roles and responsibilities, it is not written with such others in mind.
- Useful conceptual material is retained in Supplement A and will be cross referenced from the Guidance.
- The Guidance focuses on EER specific challenges.

### What is meant by an EER Report?

It is unclear:

- what is meant by an EER Report; and
- what is and is not covered by the guidance.
- The examples used are predominantly sustainability-type examples, but EER encompasses a broader range of reporting; a broader range of examples should be included.

- The terms ‘EER information’ and ‘EER report’ are defined in Chapter 1.
- Table 1 (in Appendix 2 to the Guidance) sets out types of EER reports, example frameworks that may be used to report the EER information, and whether or not the type of report is covered by the Guidance.
- A broader range of examples is included in the Guidance and Supplement B, and further longer examples are under development for Supplement B to illustrate different EER reports and frameworks used, such as GRI sustainability reporting, integrated reporting, public sector service performance reporting, and management commentary.

### Use of terminology

- Terminology used to describe the entity’s process for developing and applying criteria as the ‘materiality process’ is confusing as it is not to do with the concept of materiality as used in the standards and commonly understood by practitioners
- Terminology describing ‘elements’ and ‘qualities’ of the underlying subject matter

The Task Force:

- Has replaced the term ‘materiality process’ with ‘entity’s process to identify reporting topics’ as this terminology more accurately describes the process and avoids confusing it with ‘materiality’ as it is commonly understood;
- Has simplified the way in which the underlying subject matter is described by
Feedback received from CP respondents / issue raised at September 2019 IAASB meeting / feedback received at November 2019 IAASB teleconference | Task Force Response
---|---
Information is unduly complex and introduces new terms unnecessarily.  
- Terminology should generally be in line with that used in ISAE 3000 (Revised). If new terms are considered necessary, then a glossary of terms would be useful.  
- Has explained in Chapter 1 of the Guidance, that the terminology used in the Guidance is aligned with that used in the Standard, where the Standard already describes the concepts. Where new terminology is introduced to describe a concept not dealt with in the Standard, the term is defined and included in Appendix 1 ‘Terms used in this Guidance’ to the Guidance.  
- Hyperlinks will be included in the final document to link between the Guidance and the Appendix of terms used.

**Determining the presence of pre-conditions and the entity’s system of internal control**

- Clarity needed on the work effort to determine the presence of preconditions compared with the work effort needed in obtaining an understanding of the entity during the early stages of planning, particularly with respect to the suitability of criteria and the entity's system of internal control.
- Guidance needed on readiness assessments, including work effort and independence considerations.
- The guidance should not suggest that a controls-based approach is always required.
- The level of assurance should not be determined based on the control environment; the controls should be sufficient to provide the preparer with a reasonable basis for the subject matter information, and should be able to support reasonable assurance even if a limited assurance engagement is chosen.

- The work effort pre- and post-acceptance has been clarified in Chapter 4 of the Guidance; this chapter of the Guidance clarifies that the determination of the presence of pre-conditions is based on a preliminary knowledge of the engagement circumstances, rather than on the more detailed considerations that are undertaken during the planning stage; however, where the engagement is an initial engagement and a more complex engagement, more extensive consideration may be needed than when the engagement is less complex or a recurring engagement – the preliminary knowledge needs to be sufficient for the practitioner to make a reasoned consideration.
- The Guidance sets out several options for how a practitioner may obtain the preliminary knowledge of the engagement circumstances, including how a readiness assessment may be performed as a non-assurance engagement before deciding whether to accept an initial EER assurance engagement; independence considerations in relation to such engagements are included in the Guidance.
- The diagram in paragraph 46 of the phase 1 guidance was replaced so as to better show the interrelationships between the
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<td></td>
<td>Preconditions in the context of the engagement circumstances. That replacement diagram (paragraph 72A) has been subsequently replaced to address comments received at the November teleconference that it needed simplification.</td>
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<td></td>
<td>Chapter 6 of the Guidance now focuses on the considerations to address paragraphs 47L and 47R of the Standard. The diagram in this chapter has been replaced to clarify the relationship between the five components of a system of internal control. The Guidance also clarifies that, while a sophisticated system of internal control is not required by the standard, the processes and internal controls in place should be sufficient to provide a reasonable basis for the subject matter information.</td>
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</table>

**Suitability of criteria**

- The evaluation of the suitability of criteria is challenging. Further guidance and examples would be helpful, particularly where principles-based frameworks need to be supplemented by entity-developed criteria.
- An apparent inconsistency was noted in that ISAE 3000 (Revised) indicates that established criteria ‘are presumed to be suitable in the absence of indications to the contrary’ whereas paragraphs 83 and 116 of the phase 1 guidance note that a limited level of maturity or the use of high-level principle-based frameworks may indicate that the criteria may not be suitable even when prescribed by law or regulation.
- Guidance on making criteria available would be helpful.

- Chapter 5 sets out the considerations relating to evaluating the suitability of criteria early in the planning stage, and distinguishes the work effort from that when determining the presence of the preconditions during acceptance.
- Longer examples are currently under development for Supplement B to illustrate the application of the guidance when a number of different principles-based frameworks are supplemented by entity-developed criteria.
- Further guidance is included in Chapter 5 to clarify that a set of published criteria is seldom likely to be sufficient on its own to meet the test of suitable criteria. Further guidance is to be included in Supplement A to explain the differences between ISAs et
- Guidance is included in Chapter 5 on the availability of criteria and the chapter heading has been amended accordingly.
- Linkages have been enhanced between Chapter 5 on determining the suitability and availability of criteria, Chapter 6 on considering the system of internal control,
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<td>and chapter 7 to do with the entity’s process to identify reporting topics.</td>
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</table>

**Materiality process (now termed ‘Entity’s process to identify reporting topics)**

- While there is a need to understand how the preparer has approached the further development of the criteria for preparation of the EER report, the guidance should not imply an obligation for the practitioner to review, evaluate or conclude on the preparer’s ‘materiality process’
- Clarification needed on whether the ‘materiality process’ should be disclosed
- The guidance should address the situation where multiple frameworks are used as, in practice, reports often apply multiple criteria at the same time.
- The diagram in paragraph 153 (phase 1) could be misunderstood to indicate that a standard approach is required.

The Task Force has clarified in Chapter 7 that:

- While the practitioner is not required to consider the entity’s materiality process, understanding the process may provide useful evidence about the suitability of the criteria.
- There is not generally a requirement for the process to identify the reporting topics to be disclosed, there may be some frameworks that do require it, and that, even if there is no such requirement, users may find it helpful if the process were disclosed.
- When the preparer reports under multiple frameworks, then the requirements of all of those frameworks need to be met.

The diagram in paragraph 153 has been removed and the text amended accordingly.

**Using assertions**

- The material in this chapter is complex and conceptual in nature; the guidance should be more practical, and include examples, to assist those practitioners who may be unfamiliar with the concept
- It should be made clear that the use of assertions is not required
- The categories of assertions set out in the guidance should be as used in other standards
- There could be different or additional assertions for EER reporting

The Task Force has:

- Moved the background and conceptual material on the use of assertions to Supplement A, and linkage will be made from Chapter 8 to Supplement A
- Clarified that the use of assertions is not required, but may be a useful tool for practitioners in considering how misstatements might arise in the subject matter information; when assertions are not used, the practitioner will need to consider misstatements by direct reference to the criteria used
- Included example categories of assertions consistent with those used in ISA 315 and ISAE 3410, and the Guidance recognizes that there may be other ways in which assertions may be categorized

**Materiality of misstatements**

- More guidance on qualitative materiality considerations is needed, especially for narrative and future-orientated information,
- Further guidance is included in Chapters 12 and 13 on qualitative considerations; chapter 10 includes guidance on disparate
Feedback received from CP respondents / issue raised at September 2019 IAASB meeting / feedback received at November 2019 IAASB teleconference

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<th>Task Force Response</th>
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<tr>
<td>and where there are several disparate aspects of the underlying subject matter with no common factor for aggregating identified misstatements</td>
</tr>
<tr>
<td>• Clarification is needed on the meaning of ‘clearly trivial’ and an example would be helpful</td>
</tr>
<tr>
<td>• The draft guidance needs to deal with performance materiality in addition to evaluating the materiality of misstatements</td>
</tr>
<tr>
<td>• Presentational misstatement goes beyond the choice of wording to include the structure of the overall report and the priority with which information is presented</td>
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<tr>
<td>aspects of the underlying subject matter with no common factor for aggregating identified misstatements.</td>
</tr>
<tr>
<td>• Further guidance is included in Chapter 10 on the meaning of the term ‘clearly trivial’ and a short example is provided</td>
</tr>
<tr>
<td>• Chapter 9 includes a placeholder for guidance on performance materiality which is to be presented as a separate Agenda Item 5-A.1 (see paragraph 5 above)</td>
</tr>
<tr>
<td>• Guidance is included in Chapter 10 that the consideration of the materiality of misstatements includes considering the EER subject matter information as a whole, even though, taken individually, each constituent aspect may not be materially misstated. This may occur, for example, when the overall message is misleading or biased, or when subject matter information is presented with greater or lesser priority than is warranted.</td>
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### Narrative and Future-Orientated Information

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<tr>
<td>• Clarification is needed on what constitutes ‘other information’</td>
</tr>
<tr>
<td>• Further guidance is needed on financial information included in EER reports. Further, it was suggested there could be more focus in the guidance on narrative information relating to any financial information included or referred to in the EER report, such as management commentary.</td>
</tr>
<tr>
<td>Chapter 12 has been renamed ‘Addressing Qualitative EER Information’ and the guidance has been updated to clarify that ‘qualitative’ information is information that is not able to be quantified. Information such as charts and graphs used to report quantitative information are simply a different representation of quantitative (numeric) information, as is numeric information expressed in words.</td>
</tr>
<tr>
<td>• The Guidance has been updated to clarify what is meant by ‘other information’ and to give guidance on the steps the practitioner may take when information that does not result from applying the criteria is included in the EER report.</td>
</tr>
<tr>
<td>• Examples are under development for Supplement B to illustrate the application of the guidance to EER information that includes both financial and non-financial information, and both qualitative and future-orientated information.</td>
</tr>
<tr>
<td>• The example in paragraph 195 of the phase 1 guidance has been moved to Supplement</td>
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<table>
<thead>
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<td>B and will be updated to reflect changes made to the guidance in Chapter 12.</td>
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</table>

**Glossary of terms**

- It would be helpful to include a glossary of terms in the guidance for new terminology used.

The Task Force has:

- Clarified in Chapter 1 that wherever possible the terms used in the Guidance follow those used in the Standard
- Set out in Appendix 1 to the Guidance definitions of new terms used in the Guidance
### Appendix 2

**Reordering and Renumbering of the Chapters of the Guidance**

The left-hand column of the table below shows the previous ordering of chapters and their headings; the right-hand column sets out the reordered chapters and chapter headings. Those redrafted chapters of the Guidance shown in shaded grey in the right-hand column below were presented as Agenda Item 1-A to the November 2019 teleconference; those in **bold text** are the remaining ten chapters presented, together with those chapters previously presented at the November 2019 teleconference, as Agenda Item 5-A.

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Previous ordering of chapters</th>
<th>Reordered chapters Agenda Item 5-A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
<td>Introduction</td>
</tr>
<tr>
<td>2</td>
<td>Overview of an EER Engagement*</td>
<td>Applying Appropriate Competence and Capabilities</td>
</tr>
<tr>
<td>3</td>
<td>Determining Preconditions and Agreeing Scope</td>
<td>Exercising Professional Skepticism and Professional Judgment</td>
</tr>
<tr>
<td>4</td>
<td>Applying Appropriate Skills</td>
<td>Determining Preconditions and Agreeing the Scope</td>
</tr>
<tr>
<td>5</td>
<td>Exercising Professional Skepticism and Professional Judgment</td>
<td>Determining the Suitability and Availability of Criteria</td>
</tr>
<tr>
<td>6</td>
<td>Considering the System of Internal Control</td>
<td>Considering the System of Internal Control</td>
</tr>
<tr>
<td>7</td>
<td>Determining the Suitability of Criteria</td>
<td>Considering the Entity's Process to Identify Reporting Topics</td>
</tr>
<tr>
<td>8</td>
<td>Considering the Entity's 'Materiality Process'</td>
<td>Using Assertions</td>
</tr>
<tr>
<td>9</td>
<td>Performing Procedures and Using Assertions</td>
<td>Obtaining Evidence</td>
</tr>
<tr>
<td>10</td>
<td>Obtaining Evidence</td>
<td>Considering the Materiality of Misstatements</td>
</tr>
<tr>
<td>11</td>
<td>Assuring Narrative Information</td>
<td>Preparing the Assurance Report</td>
</tr>
<tr>
<td>12</td>
<td>Assuring Future-Oriented Information</td>
<td>Addressing Qualitative EER Information</td>
</tr>
<tr>
<td>13</td>
<td>Considering the Materiality of Misstatements</td>
<td>Addressing Future-Oriented EER Information</td>
</tr>
<tr>
<td>14</td>
<td>Preparing the Assurance Report</td>
<td>*One fewer chapter as chapter 2 in the previous version has been deleted and replaced by the diagram and related text in redrafted Chapter 1</td>
</tr>
</tbody>
</table>
BACKGROUND

Mr. Grabowski thanked Task Force members for their work to date on both the comments received on the Consultation Paper, and on the first draft of the Phase 2 guidance.

EER CONSULTATION PAPER RESPONSES

Mr. Grabowski provided an overview of the responses to the Consultation Paper Extended External Reporting (EER) Assurance (the “CP”). In response to the comments received from respondents, and the EER Task Force’s initial proposals to address those comments, the Board highlighted the following for further consideration.

FORM AND STRUCTURE OF THE EER NON-AUTHORITATIVE GUIDANCE

It was noted that it had originally been suggested that the guidance would be issued as an IAEPN. However, recognizing the unique nature of the guidance, it was decided, when the CP was published, to defer the determination of whether an IAEPN or another form of document for the non-authoritative guidance would be the most appropriate form for publication of the guidance. There is flexibility and opportunity for innovation in how it might be packaged and presented, including as ‘bite size’ documents that are electronically available for ease of access. This might assist in addressing respondent concerns about the potential length of the complete guidance.

A suggestion was made that a question could be asked in relation to the Exposure Draft about the appropriate format for the guidance.

FINANCIAL INFORMATION INCLUDED IN EER REPORTS

Two Board Members expressed the need for further guidance on financial information included in EER reports, including on when the engagement should be carried out under ISAE 3000 (Revised) and when it would be more appropriate to perform the engagement under ISAs. Further, it was suggested there could be more focus in the guidance on narrative information relating to any financial information included or referred to in the EER report, such as management commentary.

OTHER ASPECTS OF THE DRAFT PHASE 1 GUIDANCE

Although broadly supportive of the Task Force’s proposals to address respondents’ comments on the draft phase 1 guidance, the Board raised the following matters for further consideration by the EER Task Force in finalizing the combined phase 1 and phase 2 draft guidance for exposure:

- One Board member expressed the view that, notwithstanding respondent feedback, the wording and concepts in the draft phase 1 and phase 2 guidance should not go beyond ISAE 3000 (Revised) and that the guidance needs to provide alternative approaches to avoid giving the impression that following the guidance is the only appropriate way to address an identified challenge. While the guidance is needed, it should not imply requirements that are not in ISAE 3000 (Revised).

1 These draft minutes are still subject to IAASB review and may therefore change
• One Board member raised a question regarding the reference in respondent comments in the issues paper to the need for ‘strong’ criteria for narrative information, and whether this implied a step up from the need for suitable criteria as established in ISAE 3000 (Revised).

• Further guidance is needed on making entity-developed criteria available to intended users to clarify that criteria should ideally be made available to intended users within the EER report and that such criteria should also be identified in the assurance report.

• Certain concepts are being explored in this guidance because they are not, or not fully, addressed in the International Framework for Assurance Engagements or in the Standard. This raises a question as to whether the Framework or Standard should be reconsidered. In addition, if there is good feedback on those aspects of the guidance addressing such concepts, then it may not be appropriate to limit the scope of the guidance to EER engagements.

OTHER MATTERS

One Board Member queried whether there had been any comments regarding the need for a pilot test or longer exposure period to allow practitioners to apply the guidance in practice. Another asked whether the Project Advisory Panel had given comments on the draft guidance.

TIMING AND FURTHER CONSULTATION

A concern was raised by one Board member as to whether the Board would have sufficient time to consider the guidance, given the intent to seek approval of an exposure draft at the December IAASB meeting. A request was made for early distribution of the papers to allow the Board sufficient time to provide feedback. One Board Member expressed the view that the combined phase 1 and 2 guidance needed to be consulted on, irrespective of the timetable.

COMMENTS BY THE CHAIR

Mr. Seidenstein confirmed that it is proposed that there is to be such a consultation and that the next step is to finalize an exposure draft to go out for consultation.

PHASE 2 DRAFT GUIDANCE

Mr. Grabowski presented and asked Board members for their views on the first draft of the phase 2 guidance developed by the Task Force. The draft phase 2 guidance presented to the Board addressed all of the remaining aspects of the ten key challenges, which were allocated to phase 2 of the project. These challenges related to: determining the scope of an EER assurance engagement; obtaining evidence in respect of narrative and future-oriented information; exercising professional skepticism and professional judgment; obtaining the competence necessary to perform the engagement; and communicating effectively in the assurance report.

BOARD MEMBER COMMENTS

The IAASB noted the progress made by the EER Task Force, and, in addition to some detailed comments provided to the Task Force, highlighted the following matters in relation to the draft guidance for further Task Force consideration:

DETERMINING THE SCOPE OF THE ENGAGEMENT

• The guidance on readiness assessments is a good candidate for liaison with IESBA and to obtain their input on the ethical considerations referred to.

• The concept of ‘depth’ in describing one aspect of the scope of an engagement introduces a new term, which appears to mean the same as the level of assurance; if so, it may be simpler to use
the term “level of assurance”. Also, it was suggested that the guidance on a rolling program of assurance may benefit from some further consideration to clarify how this would be applied in practice.

- Determining the scope of the engagement is an important topic and the draft guidance received support. It was suggested that further examples on practical application may be helpful and that the guidance could be extended to draw attention to the linkage between the scope determined, acceptance and continuance and relevant considerations in communicating in the assurance report.

- One Board member noted that in written comments provided separately attention was drawn to a number of aspects of the guidance where the Board member considered there was a need for better alignment with ISAE 3000 (Revised). The Board member also noted that some of the draft guidance, such as that relating to the exercise of professional skepticism and professional judgment, is more general in nature, rather than specific to EER, and questioned whether it was necessary to retain it.

- It was noted by another Board member that EER is a very important topic. Developing guidance is making a significant investment for the future, which will become even more important as corporate reporting further evolves. While mindful that development of the guidance is an iterative process, support the Board member expressed for the general direction of the draft guidance, and noted that detailed comments had been provided separately.

**APPLYING APPROPRIATE SKILLS AND EXERCISING PROFESSIONAL JUDGMENT AND PROFESSIONAL SKEPTICISM**

- A question was raised regarding the degree to which the guidance on professional skepticism and professional judgment is already in authoritative documents of the Board. Another Board member noted that there was a need for practical guidance on applying professional judgment and professional skepticism and the limited guidance on these matters establishes a basis for the examples of the exercise of professional judgment and professional skepticism included throughout the guidance.

**OBTAINING EVIDENCE IN RELATION TO NARRATIVE AND FUTURE-ORIENTED INFORMATION**

- A question was raised by one Board member about the suggestion in the guidance that, if a preparer was unwilling to change narrative information that does not result from applying suitable criteria, the information may be considered by the practitioner to be ‘other information’. The Board member noted that it was not clear on what basis the practitioner could do that. The Board member also noted that the concept of ‘supplementary information’, which is addressed in ISA 700 and ISA 720, is not addressed in ISAE 3000 (Revised). The Board member suggested that the draft guidance needs to be clarified on both these points and also recommended caution in introducing ISA concepts into the draft guidance, as some practitioners will not be familiar with the ISAs.

- One Board member expressed a concern regarding the extent to which future-oriented information and, to some extent also narrative information, can be assured even where the preparer has implemented adequate systems to prepare such information. The Board member also noted that where the subject matter information is not all located in one document but rather in a number of documents, which may be accessible in different locations, there may be challenges for a practitioner in clearly identifying the EER report in the assurance report, or for
the user in understanding the overall presentation of the EER report or the relationships between its different elements.

NEXT STEPS

Mr. Grabowski expressed the EER Task Force’s thanks for the feedback received and indicated that the EER Task Force would consider the matters raised by Board members during the meeting and the detailed additional written comments provided to the Task Force. The next step for the Task Force would be to prepare a revised draft of the combined Phase 1 and Phase 2 guidance for consideration by the Board, with a view to approve, for public exposure, a draft at the December 2019 IAASB meeting.
INTRODUCTION

Mr. Seidenstein noted that the objectives of the session were to obtain an update on the work of the Task Force, which has been significant and responsive to the Board's views in September, and to obtain the Board's views on: the restructured and simplified guidance presented, the revised terminology, and the next steps for finalising the guidance.

Mr Botha further noted that the aim of the December IAASB meeting was to approve the proposed EER guidance for public consultation, that the proposed next steps to finalize the guidance are consistent with the project proposal and funding arrangements, and responsive to the feedback received on phase 1 consultation, and in the plenary session of the September IAASB meeting. Main guidance document is separate from two supplements; it is only the guidance that is being asked to be voted on.

Mr Grabowski set out the two first round questions: (1) to address the revised structure and order of the guidance to implement the Task Force proposals discussed at the September meeting, and (2) to obtain the Board’s views on the content of the redrafted chapters.

REVISED STRUCTURE OF THE GUIDANCE

• The Board expressed strong support for the revised structure.

• The order of the Guidance was generally supported, and considered to be logical and to follow the way in which engagements are carried out, although some Board members questioned the placement of the chapters on Narrative and Future-Oriented information at the end of the Guidance, and suggested it may be better placed after Chapter 9 or immediately before Chapter 11, to avoid marginalising it. Another member of the Board queried whether it would make more sense for Chapter 7 to come before 5 and 6.

• The need for caution was expressed that information that was important for context should not be lost by placing it in Supplements A and B. Often those who need it most comment on how long guidance is and may not refer to the Supplements. While not opposed to the use of supplements, some Board members considered that it might be necessary to consider the suite of materials together.

CONTENT OF THE REDRAFTED CHAPTER 1, 4 AND 8

Chapter 1

• Board members expressed their liking of Diagram 1 in this chapter, and their support for the consequent removal of Chapter 2 of the phase 1 guidance.

• The concept of hyperlinks was supported with encouragement to also link from the guidance to a glossary.

• Some Board members considered the legend explaining the referencing system to be complex, and mixed views were expressed on the use of the professional skepticism and professional judgment icons; some considered the icons to be innovative, and a good way to signpost to

2 These draft minutes are still subject to IAASB review and may therefore change
important information; others expressed a view that, if an indicator was needed, there must be complexity that is not directly evident in the way the guidance is written, or could be a distraction.

- Two Board members considered the chapter to be ‘preface-like’. It was suggested that instructions on how to use the guidance could be placed in a preface, with the chapter using the opportunity to set out the importance of the project to the public interest, the reasons for the IAASB producing the guidance, and with a focus on the unique features of EER. Suggestions were also made regarding ordering of subsections to place ‘instructions’ together and ‘reasons for guidance’ together, for example by moving paragraphs 9A to 9E to before the subheading ‘Nature of EER’

- It was noted that the language in the chapter was, in places, ambiguous as to its level of authority, for example in paragraph 7, the sentence indicating that the guidance was intended to be applied, could be perceived as mandatory. Caution was also needed so as not to suggest in paragraph 5A that remediation was needed because the standard may have been applied inappropriately.

Chapter 4

- A point was raised that often criteria are not entity-developed, customised criteria, but are built out by the entity from within the framework. The Task Force was asked to give further consideration to clarifying this in the draft guidance.

- This chapter was considered to be complex and could be made easier to navigate. Further, some terminology is unclear, for example it is not clear what ‘primary representations’ means, as ‘representations’ has a meaning in other standards.

- The diagram in paragraph 72A, is too complex, and counter to the objective of using diagrams to simplify and clarify. Perhaps breaking down into a series of less complex diagrams that tie into one another may be a direction for the Task Force to consider.

- One of the most important considerations relating to rational purpose is whether aspects of the subject matter information are expected to be excluded, and the reasons for their exclusion. The discussion in this paragraph 74 of the Guidance may not capture this sufficiently prominently.

- One Board member considered paragraph 76 to be theoretical, noting that further examples would be helpful, particularly examples of engagements that may not have a rational purpose.

- There was a reminder for the Task Force to liaise with IESBA on independence matters (paragraphs 12A, 12C, 82, 82C and 82D).

- It was still unclear how the concept of a ‘rolling program’ would work in practice, and whether users would understand the implications. The difference between a ‘rolling program’ of assurance, and rotational assurance procedures could also be clarified.

Chapter 8

- Some of the guidance in this chapter was considered to be theoretical, with a level of detail that seems unnecessary. The concept of categories of assertions is unclear, and not the only alternative. It would be simpler for the guidance to consider what could go wrong and to include examples.

Mr Grabowski thanked Board members for the comments received and indicated that the Task Force looked forward to receiving detailed written comments. He also noted that some mixed views had been
expressed and that it may be worth exploring those areas in the consultation by asking a specific question.

Mr Seidenstein set out the two second round questions: (3) proposed updated approach to terminology, and (4) the proposed next steps for finalizing the EER guidance for public consultation.

**Views on the Proposed Updated Approach to Terminology**

- There was generally positive support expressed for the new terminology, but caution was advised not to invent new terminology – e.g. ‘reasoned determination’: one Board member questioned whether concepts, such as elements of underlying subject matter, which had previously been covered in the guidance, might be lost if they were described only in the Supplement.

**Proposed Next Steps for Finalizing the EER Guidance for Public Consultation**

- Next steps were generally supported, although some reservation was expressed that there would not be opportunity to see the full suite of Guidance and Supplements at the December meeting, and about approving one without the others.
- The extent of possible change after December was also questioned, and a call for clarification of due process. The extent of preparation needed for the December meeting was highlighted, and the need for there to be appropriate focus on EER. A question was also raised as to whether the 120-day consultation period would be sufficient for respondents, given the volume of material they will be asked to look at.

Mr Seidenstein noted the concerns raised on the question of process and undertook to consider further and to come back to the Board.

Mr Botha noted that the Board will be asked to approve only the Guidance document for public consultation. Board members will be encouraged to provide written comments on the Supplements before finalization of the ‘pack’ that will go out with the consultation. He noted that respondents will be asked to comment on the Guidance document, but could be encouraged to comment on the Supplements. However, the idea was to make it very clear that it was the Guidance on which comments were specifically being sought. He noted the Board members’ request to be able to consider the whole package, including the Supplements.

**CAG Chair Remarks**

Mr Dalkin requested the Task Force to make sure that the guidance does not add requirements or application guidance over and above 3000 (Revised) or conflict with the as runs risk of confusing practitioners. He noted that the CAG has been supportive of EER and recognises the importance of this subject.

**PIOB Observer Remarks**

Ms. Stothers thanked the Task Force for its work, noting that the public interest would be well-served in having the guidance on EER. There was a challenge on the length and complexity of the guidance and encouraged further work in this respect. Ms Stothers also expressed appreciation that the chapter on professional skepticism had been brought forward in the guidance. She also supported the idea of consulting on the innovative features like the icons to seek views and suggested putting specific questions into the consultation document to help bring back comments to help address the differing views.
CLOSING REMARKS

Mr Grabowski thanked the Board and encouraged Board members to submit their detailed written comments to the Task Force.

Mr Seidenstein noted that progress was being made on this very important topic.
Appendix 5

EER Task Force

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 now has 26 members, with good representation across stakeholder groups and global regions. It last met via conference call on October 7th, 2019 and is due to meet again on the 21st November to consider the matters raised in this Issues Paper.