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*International Auditing and Assurance Standards  
Board*

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IAASB Project Proposal—  
Guidance on Key Challenges in  
Assurance Engagements Over  
Emerging Forms of External  
Reporting (“EER”)

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The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC).

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# IAASB PROJECT PROPOSAL—GUIDANCE ON KEY CHALLENGES IN ASSURANCE ENGAGEMENTS OVER EMERGING FORMS OF EXTERNAL REPORTING (“EER”)

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## I. Subject

1. This project proposal relates to the development of new non-authoritative guidance to address key challenges, identified by the IAASB, which arise in the performance of assurance engagements over EER in applying ISAE 3000 (Revised)<sup>1</sup>.

## II. Background and Relevant Developments

### EER and Assurance Engagements

2. In this Project Proposal, EER refers to emerging forms of external reporting by entities that increasingly provide non-financial information that goes beyond the traditional (financial statement) focus on the entity’s financial position, financial performance and impact on its financial resources. There is an increasing awareness that the future prospects of an entity are impacted by a wider range of factors than those presented in the financial statements, and of the close linkage between wider value creation and the ability of an entity to sustain its operations in the future. Information about these matters is increasingly addressed in EER reporting frameworks, such as those relating to integrated reports and sustainability reports. Assurance engagements over such reports under ISAE 3000 (Revised) are also emerging.

### Activities of the IRWG

3. **September 2014** - IAASB established an Integrated Reporting Working Group (IRWG) to:
  - Monitor developing interest in EER and related demand for assurance over EER
  - Develop initial thinking on the nature of such engagements, the scope of the subject matter information and the suitability of criteria, and other matters related to assurance, including how the IAASB’s existing assurance standards could be applied.
4. **July 2015** - IRWG issued an update for stakeholders<sup>2</sup> to:
  - Inform assurance stakeholders about IAASB ongoing efforts to explore EER
  - Outline IRWG research activities to inform the IAASB as to how and when to respond most effectively in the public interest to such developments.
5. **August 2016** - IRWG DP<sup>3</sup> made available for public comment until February 2017.
6. **June 2017** - IAASB received a presentation from IRWG Chair, based on a preliminary summary of observations in comment letters received in response to the DP, which indicate that respondents:
  - Generally support the development of guidance on how to apply existing international assurance standards rather than developing new EER assurance standards

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<sup>1</sup> International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* [add hyperlink]

<sup>2</sup> IRWG Update: [Exploring Assurance on Integrated Reporting and Other Emerging Developments in External Reporting](#)

<sup>3</sup> Discussion Paper: [Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements](#)

- Encourage IAASB to continue to provide thought leadership on assurance issues and coordinate its work with other relevant organizations.

7. **Subsequent to June 2017** – IRWG:

- Considered observations in comment letters in more detail and developed a Summary of Responses<sup>4</sup>
- Recommends to IAASB<sup>5</sup>, subject to availability of appropriate resources, that it is in the public interest to commence a project to develop non-authoritative guidance to address the key challenges arising in the performance of assurance engagements over EER in applying ISAE 3000 (Revised), as identified in the DP (the “Ten Key Challenges”).

**The IAASB’s Discussion Paper**

8. The DP was issued by the IAASB to validate and enrich the insights already obtained through IRWG research and its outreach to preparers, investors, practitioners and other stakeholders, and set out:

- The principal findings from IRWG research and outreach:
  - Key trends in EER and factors driving those trends, and
  - Professional services and other external inputs provided or called for to support credibility of EER reports
- The IRWG’s understanding of the:
  - Underlying factors that enhance credibility and trust in EER reports (the Four Factors); and
  - Key challenges in applying ISAE 3000 (Revised) to EER identified by the IRWG (the Ten Key Challenges)
- The IRWG’s proposals, based on these findings, about the next steps the IAASB could take to respond to the Ten Key Challenges
- Questions for stakeholders, to validate the IRWG’s findings from its research and outreach, and its understanding of the Four Factors and Ten Key Challenges, and to gauge stakeholder support for the IRWG’s proposals for the IAASB’s next steps.

9. In total, 39 stakeholders responded. Although a majority of respondents were from the profession, they also included a key international EER investor signatory body (PRI)<sup>6</sup> and two regulators from jurisdictions in which EER is evolving (FRC and IRBA)<sup>7</sup>. In addition, the IAASB is aware of support to take forward its work in this area from two particular international organizations engaged in significant EER initiatives (IIRC and WBCSD)<sup>8</sup>. Details of the respondents to the DP are included in Appendix 1, which also lists the abbreviations used for each respondent in this paper.

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<sup>4</sup> See Agenda Item 4-B – IAASB meeting October 2017

<sup>5</sup> See Agenda Item 4-A – IAASB meeting October 2017

<sup>6</sup> The UN-supported Principles for Responsible Investment Initiative, a body which reported that it has 1,200 investor signatories

<sup>7</sup> The Financial Reporting Council (UK) and the Independent Regulatory Board for Auditors (South Africa)

<sup>8</sup> The International Integrated Reporting Council (see its [Overview of feedback and call to action](#), July 2015); and the World Business Council for Sustainable Development (which, in June 2017, invited a proposal from the IAASB to submit a grant application to support taking forward the proposed work set out in the DP)

## Key Messages in Responses to Questions in the DP

10. The key messages from respondents to the DP are as follows:

- Although current demand for assurance is limited, majority thought it was likely to increase as EER continues to evolve; PRI thought our work could also stimulate demand from investors
- Several thought user credibility and trust engendered by work of financial statement auditors under ISA 720 (Revised) was not sufficient when EER is included in the annual report as it gives rise to misunderstandings and expectation gaps for some users; user education to address misunderstandings could enhance demand for EER assurance and is encouraged
- Broad agreement with, and additional insights provided in relation to, IRWG’s understanding of:
  - The Four Factors that enhance credibility and trust – one possible additional factor identified (experience and education of users with respect to EER assurance)
  - The professional services and other external inputs provided or called for to support credibility of EER reports – a few additional items identified
  - The ten Key Challenges – some noted the inter-relatedness of the challenges and suggested combinations that may need to be addressed together
- Strong agreement with IRWG proposals to develop guidance in applying existing international assurance standards, rather than developing new standards, at the present time, with comments indicating that:
  - Guidance to address each of the Ten Key Challenges would be helpful
  - General consensus that focus should be on guidance for application of ISAE 3000 (Revised) rather than other International Standards, but with some support for the latter
  - Caution expressed that the IAASB should develop guidance in a manner that does not stifle innovation in EER and related assurance engagements
  - Varying levels of explicit support for, and of priority attached to, guidance on each Key Challenge
  - Highest priority Key Challenges, based on the overall level of support and priority attached to each, by respondents: Suitability of Criteria; Materiality; and Form of Assurance Report
  - ISAE 3410 not widely used geographically (due to limited regulatory requirements and that its scope is narrow and specific compared with the broader scope of engagements demanded) - little support for further subject-matter specific assurance standards
  - However, some say a subject-matter specific standard on EER, broader than ISAE 3410 but narrower than ISAE 3000 (Revised), might be appropriate at some time in the future
- IAASB should continue to provide thought leadership on assurance issues and co-ordinate its work with that of a wide range of other relevant organizations – international organizations identified with which IAASB is encouraged to collaborate on this project.

### III. Project Objectives, Scope and Focus and How it Serves the Public Interest

#### Project Objective

11. The key outcome-based objective of the project is:

***To enable more consistent and appropriate application of ISAE 3000 (Revised) to EER and greater trust in the resulting assurance reports by users of EER.***

12. The outcome-based objective in paragraph 11 will be achieved primarily through performing the following activities (key outputs noted), in a closely inter-related manner:

- (a) Developing non-authoritative guidance (output) in applying ISAE 3000 (Revised) to EER, the ultimate output of the project (see paragraph 36). The form of the final non-authoritative guidance to be issued will be determined by the IAASB, during the course of the project. It could, for example, take the form of an international practice note<sup>9</sup>, or staff guidance. Developing the guidance will involve:
- (i) Identifying and exploring potential solutions, through further considering root causes of the Ten Key Challenges
  - (ii) Undertaking stakeholder outreach, through the use of a Project Advisory Panel, and through participation in, and organization of, stakeholder outreach events, including with national auditing and assurance standard setters who have developed or plan to develop standards or guidance in relation to EER assurance (both in the public and private sectors)
- (b) Continuing to provide thought leadership on assurance issues in relation to EER, including through developing the following:
- (i) IAASB solutions that respond appropriately to the Ten Key Challenges, given the current state of maturity of EER frameworks, with stakeholder input
  - (ii) IAASB views on ways in which EER frameworks could be further developed
  - (iii) A standalone resource published by IAASB with an updated version of the Four Key Factors model for Credibility and Trust, explored in Section III of the DP
- (c) Coordinating the work of the project with related initiatives of other relevant international organizations, including collaborating with bodies such as the CRD, the WBCSD, and the PRI.

#### Project Scope and Focus

13. The **scope** of the project is the development of non-authoritative IAASB EER guidance, and not new or modified IAASB standards. The **focus** will be on guidance relevant to EER assurance engagements under ISAE 3000 (Revised), rather than to engagements under other IAASB International Standards.
14. The restriction in scope to developing non-authoritative guidance is consistent with the observations of many respondents, that it is too early, inappropriate, or unnecessary, to develop a subject-matter specific standard. A key reason given for these observations is that introducing detailed standards or

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<sup>9</sup> International Practice Notes other than International Auditing Practice Notes are described in paragraph 22 of the Preface to the Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements

regulations could risk stifling innovation and experimentation as EER frameworks mature, and assurance engagements evolve to respond to market needs and demands.

15. The focus on developing guidance relating to EER assurance engagements is consistent with the observations of respondents to the DP who generally indicated that this should be the current priority. The IRWG believes that the challenges in performing EER assurance engagements may also be encountered in performing EER related engagements under other IAASB International Standards, or in otherwise applying the IAASB’s International Framework for Assurance Engagements. Therefore, although such considerations will not be part of the proposed project, the IRWG believes that an ancillary benefit of developing non-authoritative guidance in relation to assurance engagements is that parts of the guidance to be developed may also be relevant, adapted as necessary, in the context of performing other engagements (for example, agreed-upon procedures).
16. The project will be undertaken in two phases, reflecting the initial availability of a funding grant for the project only up to 31 December 2018, at this time. The first phase will comprise the work, to be completed by December 2018, necessary to publish, in accordance with the proposed grant conditions, an exposure draft of non-authoritative guidance addressing issues relating to the Ten Key Challenges allocated to that phase (see paragraph 18). Commitment of IAASB resources for the first phase is made by the IAASB, subject to approval of the funding grant by WBCSD.
17. Commencement and completion of the second phase is subject to the future availability, and allocation by the IAASB, of the necessary resources but ideally performance of the two phases should not be interrupted. During the second phase, non-authoritative guidance addressing the remaining issues relating to the Ten Key Challenges would be developed and exposed for public comment, and the non-authoritative guidance developed in both phases would be finalized and published together.
18. The project Task Force will allocate the issues relating to the Ten Key Challenges between the two phases of the project. Factors that the Task Force will take into account in doing so include the inter-relatedness of the different Key Challenges, and the implications for the order in which individual issues can logically be addressed, of the inter-dependencies between them (for example, all issues from the various Key Challenges relating to engagement acceptance might be addressed together rather than by Key Challenge).

#### **How the Project Serves the Public Interest**

19. The project will serve the public interest by engendering a more consistent practitioner response to the Ten Key Challenges, and by providing a basis for greater credibility and trust with respect to EER reports, in decision making by investors and other stakeholders.
20. There are growing public expectations that entities should provide EER reports and that such reports should be both relevant and reliable. The PRI noted in its response to the DP that “*Investors increasingly expect more ESG information and other considerations ... to be disclosed, which means that more consistent and reliable non-financial data will be required in the future for it to be accurately used by investors for investment decision making*”.
21. An increasing number of economically significant entities are seeking to meet these public expectations voluntarily and in some jurisdictions regulatory requirements have been or are being introduced in this area.
22. Many of the IAASB’s International Standards are designed to support practitioners in performing engagements that address the relevance and reliability of an entity’s reported information and to

provide public confidence in the quality of such engagements when performed in compliance with those standards. Many respondents to the DP believe that, although demand for these engagements is at present limited, such demand will increase in time.

23. The PRI also noted in its response that *“Helping to address, reduce or remove barriers [to investor demand for EER assurance engagements] would increase interest [by the PRI’s membership, in EER assurance engagements and] ... would also help to normalize the content and language in EER ..., helping to build capacity across reporting.”*
24. Based on the responses to the DP, the IRWG believes that there is a reasonable prospect that demand for external assurance will develop as EER frameworks mature and that the development of such demand may in part depend on addressing the Ten Key Challenges, as identified in the DP and confirmed by respondents.
25. The IRWG believes that these challenges are likely to affect both the consistency with which assurance practitioners perform such engagements and the extent to which those engagements may be trusted and relied upon by investors and other stakeholders in their decision-making. Guidance would be developed in this project with a view to enhancing that consistency and with broad stakeholder input.

#### **IV. Outline of the Project**

##### **Major Issues that Will Be Addressed**

26. The DP set out Ten Key Challenges and a proposed response to each challenge. The major issues to be addressed in the project are the Ten Key Challenges and the matters to be addressed in developing guidance will be consistent with the respective proposed responses set out in the DP, taking into account relevant observations of respondents.
27. Based on the responses to the DP, the Table in Appendix 2 sets forth the matters to be addressed in developing the guidance, as proposed in the DP, together with IRWG’s tentative view of observations of respondents that are relevant to, and should be taken into account in addressing, each challenge.

##### **Impact Analysis Considerations**

28. The primary benefit of this project is to provide a basis for greater credibility and trust in EER reports by investors and other stakeholders in their decision making based on EER assurance engagements, through developing guidance to support application of ISAE 3000 (Revised) to such engagements. Regardless of the outcome of the project, for all stakeholders, there will be associated:
  - Benefits, such as greater consistency in performing EER assurance engagements, a clearer understanding of the work performed (and potentially less misunderstanding by users of EER assurance reports), and improvements to the quality of EER assurance engagements; and
  - Costs such as updating, maintenance and training costs involved in changes to templates and methodologies.
29. Further consideration of benefits and costs will be an important part of the IAASB’s evaluation of proposals in progressing the project.

## Implications for any Specific Persons or Groups

30. This project is likely to impact a wide range of stakeholders, including:
- Users and potential users of EER assurance reports, such as investors and other stakeholders
  - Regulators that are interested in EER reporting or EER assurance engagements
  - Entities that publish EER reports, including management and those charged with governance
  - International and national standard setters responsible for EER frameworks
  - Other relevant national and international organizations that are engaged in initiatives relating to EER reporting or assurance thereon
  - Practitioners, whether accountants or otherwise, who may perform EER assurance engagements or other engagements under the IAASB’s International Standards
  - National standard setters that have developed, or that plan to develop, national EER assurance engagement standards or guidance
  - Academics interested in EER reporting or assurance engagements.

## V. Development Process, Project Timetable and Project Output

### Development Process

31. *Due process* - The project will be conducted in accordance with the Public Interest Activity Committees’ Due Process and Working Procedures<sup>10</sup>. As described in paragraphs 12(i) and 39, the project will be undertaken with the active expert input of a Project Advisory Panel comprising a broad range of stakeholder perspectives.
32. *Collaboration* – In developing the guidance, appropriate collaboration will be sought with EER standard setters and other relevant international organizations<sup>11</sup> actively working in this area. Such collaboration will be undertaken in order to co-ordinate respective work, where relevant, leverage existing stakeholder networks and, to the extent possible, provide outputs that, with appropriate stakeholder input, are mutually aligned. This is expected to be a key enabler of a successful project outcome. It is also consistent with the recommendations of many respondents to the DP, who have encouraged the IAASB to undertake such collaboration.
33. *Thought Leadership* – In addition, such collaboration and a program of outreach with other stakeholder representative organizations, targeted particularly at those representing user stakeholders<sup>12</sup>, will enable the IAASB to provide international thought leadership on assurance issues relating to EER. The intention is to hold, during the fourth quarter of 2018, an IAASB global stakeholder conference or regional roundtable meetings on Assurance on EER, to explore the draft guidance being developed by the TF in the first phase of the project, prior to its exposure for comment,

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<sup>10</sup> [https://www.ifac.org/system/files/uploads/PIAC-Due\\_Process\\_and\\_Working\\_Procedures.pdf](https://www.ifac.org/system/files/uploads/PIAC-Due_Process_and_Working_Procedures.pdf)

<sup>11</sup> To include at least: the International Integrated Reporting Council; members of the Corporate Reporting Dialogue; the UN-supported PRI (Principles for Responsible Investment); and the World Business Council for Sustainable Development

<sup>12</sup> To include relevant international organizations listed in footnote<sup>11</sup>, and relevant members of the IAASB’s Consultative Advisory Group, such as ICGN, CFA Institute, members of the Monitoring Group.

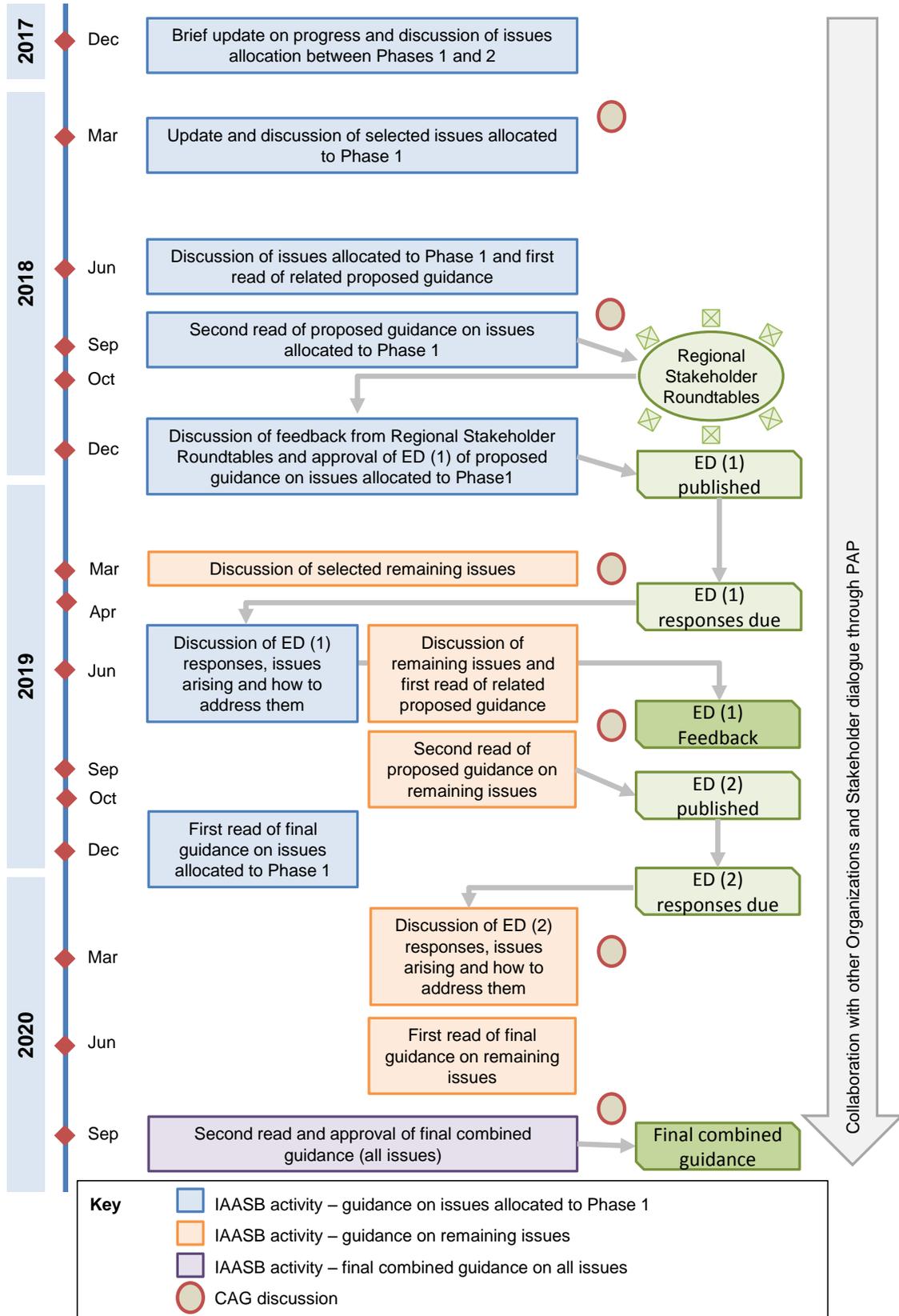
and initial considerations in relation to the issues that will be addressed in the second phase of the project.

34. Project Timetable
35. Subject to the IAASB’s approval of a project proposal, this project will commence as soon as practical subject to finalization of the grant agreement. The specific project milestones and outputs will be dependent on the matters that the project Task Force ultimately determines are appropriate to address as part of the project, the priorities assigned to those matters, and the extent to which the timing and nature of developments could be influenced by activities of others.
36. The timeline on the following page illustrates the tentative timetable for the project, including the timing of the two phases. The timetable is based on current expectations and, beyond 31 December 2018, is subject to the availability and allocation of resources for the second phase of the project. The timeline assumes that, although the output is non-authoritative guidance, the IAASB’s normal due process for authoritative pronouncements will apply.

#### **Ultimate Project Output**

37. The ultimate output of the project is non-authoritative guidance, in a form to be determined as discussed in paragraph 12(i), on the Ten Key Challenges identified in applying ISAE 3000 (Revised) in the context of EER. Such guidance would not impose additional requirements beyond those included in ISAE 3000 (Revised), however, it would provide practical assistance to practitioners. It could be disseminated by National Standard Setters, or used in developing national guidance. It would also provide material that firms could use in developing their training programs and internal guidance.

**Project Timeline**



## VI. Resources Required

38. Resourcing for the first stage of the project, through 31 December 2018, is expected to be as follows, subject to confirmation of the Grant Funding, which has been agreed in principle with the WBCSD. Resources for the second phase of the project would be subject to confirmation by the IAASB prior to December 2018.
39. A project Task Force will be established, consisting of four IAASB members, with diverse backgrounds and relevant experience. The project will be chaired by an IAASB member and supported by a dedicated full-time non-permanent staff resource working exclusively on this project.
40. A small number of organizations (including WBCSD), with which key collaborations will be sought (see paragraph 32), will be invited to participate as observers on the TF, at their own cost. This will enable appropriate input from such organizations. The nature of the role of Observers relative to that of Task Force members on the project, is as follows:
  - Observers participate in Task Force meetings at the invitation of the IAASB - such an invitation is based on the Observer’s ability to provide access to strategically significant knowledge and resources for the project
  - An Observer’s role is to provide collaborative input (coordination, access to other resources, etc.) to the project
  - A Task Force member’s role is to deliberate the project issues and potential solutions and make recommendations to the IAASB
  - Task Force and IAASB papers, and project outputs, reflect only the views of Task Force and IAASB members.
41. In addition, a Project Advisory Panel (PAP) will be established through a public call for nominations, to obtain broader expert stakeholder input. Regular teleconference calls will be held to discuss developments in thinking and to obtain input.
42. The IAASB Technical Director and senior staff will also provide general support to the project Task Force.
43. Appendix 3 contains a summary of the proposed arrangements relating to the WBCSD Grant and how the arrangements secure the IAASB’s independence.

## VII. Other Risks and Opportunities

44. There are a number of considerations relating to risks and opportunities that arise if the project goes ahead, in addition to the risks to the public interest considerations identified in Section III above that would arise if it does not.
45. ***Risk of putting project on hold at 31 December 2018*** – If the project goes ahead, it is not practical to commit resources to the project beyond December 2018 at this stage and:
  - There is a risk that the work may need to be put on hold at that stage unless additional funding can be secured or alternative resources committed
  - In order to mitigate the reputational risks, if IAASB stakeholder expectations are frustrated in the event of a necessary delay before phase 2 of the project could be undertaken, the IAASB will need to address resourcing considerations well in advance of 31 December 2018

- It will also be important, in IAASB public statements about the project, to be clear that this is the practical basis on which the project can proceed at this point and that these risks are considered to be outweighed by the public interest benefits of proceeding sooner than would otherwise be possible.
46. **Risks related to grant funding** – The resourcing model for this project (with resources to be partially funded by a grant from the WBCSD) is novel for the IAASB and:
- There are risks related to potentially not meeting the terms and conditions of the grant agreement, including delivery of the draft guidance at the end of phase 1, in accordance with the outputs and timetable in that agreement. These conditions include the commitment of sufficient Board time, Board member time to act as TF members and senior staff time as set out in Appendix 3
  - In determining that these risks are manageable and can be accepted:
    - The timetable to be agreed with WBCSD will be broadly consistent with the tentative timetable set out above, through December 2018
    - Release of grant funds will be linked to objective events and outcomes (activities of the Task Force and Project Advisory Panel in developing the guidance, collaboration and outreach activities and delivery of the draft guidance) to be agreed with, and monitored by, WBCSD
    - A detailed budget for the resources subject to grant funding has been prepared to support the grant application
    - The above items have been reviewed and challenged by IAASB senior staff and leadership, including consideration of cash flow timing risks and the implications of delays in the project, and discussed with the Steering Committee.
47. **Opportunities** – There are opportunities in taking forward this project to obtain insights about certain Key Challenges that are of relevance to the performance of an audit under the ISAs – for example, addressing the challenges relating to narrative and forward-looking information may provide insights that are relevant in addressing audit challenges relating to narrative and forward- looking disclosures in audits of financial statements.

## Appendix 1

### List of Respondents to the Discussion Paper

#	Abbrev.	Respondent (39)	Region
<b>Investors and Analysts (1)</b>			
1.	PRI	Principles for Responsible Investment	GLOBAL
<b>Regulators and Oversight Authorities (2)</b>			
2.	FRC	Financial Reporting Council (UK)	EU
3.	IRBA	Independent Regulatory Board for Auditors (South Africa)	MEA
<b>Those Charged with Governance (1)</b>			
4.	IIA	Institute of Internal Auditors	GLOBAL
<b>National Auditing Standard Setters (8)</b>			
5.	ASB	American Institute of Certified Public Accountants’ Auditing Standards Board	NA
6.	AUASB	Australian Auditing and Assurance Standards Board	AP
7.	CNCC/CSO EC	Compagnie Nationale des Commissaires aux Comptes and the Conseil Supérieur de l’Ordre des Experts-Comptables	EU
8.	IDW	Institut der Wirtschaftsprüfer	EU
9.	JICPA	Japanese Institute of Certified Public Accountants	AP
10.	MAASB	Malaysian Institute of Accountants – Auditing and Assurance Standards Board	AP
11.	NBA	Nederlandse Beroepsorganisatie van Accountants	EU
12.	NZAuASB	New Zealand Auditing and Assurance Standards Board	AP
<b>Accounting Firms (6)<sup>13</sup></b>			
13.	CH	Crowe Horwath International*	GLOBAL
14.	DTT	Deloitte Touche Tohmatsu Limited*	GLOBAL
15.	EYG	Ernst & Young Global Limited*	GLOBAL
16.	KPMG	KPMG LLP*	GLOBAL

<sup>13</sup> Forum of Firms members are indicated with a \*. The Forum of Firms is an association of international networks of accounting firms that perform transnational audits. Members of the Forum have committed to adhere to and promote the consistent application of high-quality audit practices worldwide, and use the ISAs as the basis for their audit methodologies.

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#	Abbrev.	Respondent (39)	Region
17.	MS	Moore Stephens LLP (UK)*	EU
18.	PwC	PricewaterhouseCoopers Network of Firms*	GLOBAL
<b>Preparers of Financial Statements (1)</b>			
19.	PAIB	IFAC Professional Accountants in Business Committee	GLOBAL
<b>Member Bodies (13)</b>			
20.	AE	Accountancy Europe	EU
21.	ACCA	Association of Chartered Certified Accountants	GLOBAL
22.	ASSIREVI	Associazione Italiana Revisori Contabili (Association of the Italian Auditors)	EU
23.	CAANZ	Chartered Accountants Australia and New Zealand	AP
24.	CPAC	Chartered Professional Accountants of Canada	NA
25.	CPAA	CPA Australia	AP
26.	EFAA	European Federation of Accountants and Auditors for SMEs	EU
27.	FACPCE	Federación Argentina de Consejos Profesionales de Ciencias Económicas	SA
28.	ICAEW	Institute of Chartered Accountants in England and Wales	EU
29.	ICAS	Institute of Chartered Accountants of Scotland	EU
30.	ICAZ	Institute of Chartered Accountants of Zimbabwe	MEA
31.	MICPA	Malaysian Institute of Certified Public Accountants	AP
32.	SAICA	South African Institute of Chartered Accountants	MEA
<b>Other Professional Bodies (1)</b>			
33.	SMPC	IFAC Small and Medium Practices Committee	GLOBAL
<b>Other Organizations (1)</b>			
34.	IRC-SA	Integrated Reporting Committee of South Africa	MEA
<b>Academics (1)</b>			
35.	DU	Deakin University	AP
<b>Individuals and Others (4)</b>			
36.	CBarnard	Chris Barnard	EU
37.	JTGiraud	Jean Thomas Giraud	NA
38.	DJuvenal	Denise Juvenal	SA

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#	Abbrev.	Respondent (39)	Region
39.	GStorm	Gertjan Storm (European Partners for the Environment)	EU

**Major issues that will be addressed in the Project**

<b>Challenge</b>	<b>Scope of Guidance</b>
<p><b>1. Determining the Scope of an EER Assurance Engagement Can Be Complex</b></p>	<p><b>As proposed in DP:</b></p> <p>Provide guidance on addressing the difficult acceptance considerations relating to the challenges mentioned in the DP and their implications for the practitioner determining the scope of an assurance engagement that would be possible (i.e., a less than full scope assurance engagement) and that has a rational purpose.</p> <p><b>Relevant observations of respondents to be taken into account – need to consider:</b></p> <ul style="list-style-type: none"> <li>• Whether engagement should cover all material issues to avoid user misunderstanding about scope</li> <li>• Whether pre-conditions for an EER assurance engagement have been met</li> <li>• Factors that should be considered when determining whether to accept the different types of assurance engagements</li> <li>• Whether an assurance engagement over a complete EER report should be accepted when governance and controls are developing</li> <li>• Cost considerations</li> <li>• Use of experts by management and practitioners.</li> </ul>
<p><b>2. Evaluating the Suitability of Criteria in a Consistent Manner</b></p>	<p><b>As proposed in DP:</b></p> <p>Provide additional guidance to assist practitioners in assessing the suitability of criteria for EER engagements and whether the criteria have been made appropriately transparent to the intended users.</p> <p><b>Relevant observations of respondents to be taken into account – need to consider:</b></p> <ul style="list-style-type: none"> <li>• Assessment of completeness, balance and neutrality.</li> </ul>
<p><b>3. Addressing Materiality for Diverse Information with Little Guidance in EER Frameworks</b></p>	<p><b>As proposed in DP:</b></p> <p>Provide additional guidance in the specific context of EER, in relation to evaluating the entity’s EER materiality process, including the extent and nature of stakeholder engagement; considering the overall materiality of misstatements; and considering materiality for qualitative depictions, including for narrative descriptions and future-oriented information.</p> <p><b>Relevant observations of respondents to be taken into account – need to consider:</b></p> <ul style="list-style-type: none"> <li>• Identifying the intended users</li> <li>• Assessing completeness, balance and neutrality</li> <li>• Assessing qualitative misstatements in aggregate.</li> </ul>

<p><b>4. Building Assertions for Subject Matter Information of a Diverse Nature</b></p>	<p><b>As proposed in DP:</b></p> <p>Provide guidance to develop a methodology that could be used to build and classify relevant assertions for the different types of information that are prevalent in EER reports, having regard to the types of depiction methods and communication principles commonly encountered in EER frameworks.</p> <p><b>Relevant observations of respondents to be taken into account – need to consider:</b></p> <ul style="list-style-type: none"> <li>• Illustrating typical assertions for EER engagements</li> <li>• Designing appropriate procedures to obtain sufficient appropriate evidence about different types of external information</li> <li>• Building completeness, balance and neutrality assertions.</li> </ul>
<p><b>5. Lack of Maturity in Governance and Internal Control over EER Reporting Processes</b></p>	<p><b>As proposed in DP:</b></p> <p>Provide further guidance in the context of EER reporting to address:</p> <ul style="list-style-type: none"> <li>• How to evaluate the maturity of reporting systems, controls and oversight;</li> <li>• Factors to consider in determining which controls are relevant to the assurance engagement and circumstances in which a more formal reporting process with more extensive internal controls may be needed to provide a reasonable basis for preparing the EER report;</li> <li>• Circumstances when it may be necessary to obtain sufficient appropriate evidence of the operating effectiveness of controls and what to consider when testing controls; and</li> <li>• The consequences of weaknesses in reporting systems, controls and oversight when alternatives to placing some reliance on the operating effectiveness of controls are not available.</li> </ul>
<p><b>6. Obtaining Assurance with Respect to Narrative Information</b></p>	<p><b>As proposed in DP:</b></p> <p>Provide further guidance in the context of narrative information in EER reports to address: assessing the suitability of criteria; building appropriate assertions; considering materiality; and relevant considerations in seeking to obtain sufficient appropriate evidence.</p> <p><b>Relevant observations of respondents to be taken into account – need to consider:</b></p> <ul style="list-style-type: none"> <li>• Identifying appropriate sources of evidence with respect to different types of narrative disclosures and providing illustrative examples</li> <li>• Determining sufficiency and appropriateness of evidence</li> <li>• Assessing completeness, balance and neutrality of narrative information</li> <li>• Addressing measurement or evaluation uncertainty.</li> </ul>
<p><b>7. Obtaining Assurance with Respect to Future-Oriented Information</b></p>	<p><b>As proposed in DP:</b></p> <p>Provide further guidance in assessing future-oriented information in an EER assurance engagement, including:</p> <ul style="list-style-type: none"> <li>• Whether the requirements of the EER framework provide an adequate basis for suitable criteria regarding future-oriented information and, therefore,</li> </ul>

	<p>whether such information can be included within the scope of an assurance engagement;</p> <ul style="list-style-type: none"> <li>• How to address subjectivity and management bias;</li> <li>• How to consider management’s process for preparing future-oriented information;</li> <li>• Whether the future-oriented information has been properly presented in the EER report; and</li> <li>• How practitioners can report on such information without creating unrealistic user expectations (for example, about the achievability of predicted performance or impact).</li> </ul> <p><b>Relevant observations of respondents to be taken into account – need to consider:</b></p> <ul style="list-style-type: none"> <li>• How to address the risk that there may be expectation gaps with respect to the work done on such information</li> <li>• How future-oriented information could be included within the scope of an EER assurance engagement</li> <li>• Determining sufficiency and appropriateness of evidence.</li> </ul>
<p><b>8. Exercising Professional Skepticism and Professional Judgment</b></p>	<p><b>As proposed in DP:</b></p> <p>Given the IAASB’s ongoing project in relation to professional skepticism, exploring this challenge in the specific context of EER assurance engagements will be deferred until it can be consider further in light of the results of exploring how the ISAs may be enhanced, as proposed in the DP, which is not likely to be in Phase 1.</p>
<p><b>9. Obtaining the Competence Necessary to Perform the Engagement</b></p>	<p><b>As proposed in DP:</b></p> <p>Provide further guidance to address the competence expected of professional accountants performing EER assurance engagements. Such guidance could be based on the application material already included in ISAE 3410, adapted to the EER environment. It could also address, in the context of using the work of others, ethical and quality control considerations; the ability to obtain evidence about the varied nature of subject matter information encountered; the communications between the practitioner and other experts; the timing of the work performed by others; and the materiality used in the context of the engagement and how this is determined. The IAASB could also explore whether there is a need to communicate explicitly about the competence of the engagement team in the assurance report and whether this would be helpful in enhancing confidence and trust in the EER assurance report.</p> <p><b>Relevant observations of respondents to be taken into account – need to consider:</b></p> <ul style="list-style-type: none"> <li>• Competence of the engagement leader (including consideration of non-accountants)</li> <li>• Assessing the competences needed for EER assurance engagements and the need to involve experts.</li> </ul>

**10. Communicating Effectively in the Assurance Report**

***As proposed in DP:***

Provide further guidance in the context of the assurance report to resolve the ambiguity experienced by users in interpreting EER assurance reports. This guidance could address reporting considerations such as: summarizing the work performed, communicating about inherent limitations in the assurance that can be obtained; referring to other assurance practitioners; the way the assurance conclusion is expressed; when and how to use long form reports rather than short form reports; whether there is a need for a more prescriptive standard for EER assurance reports (for example, aimed at fixing the elements and ordering of the assurance report or specifying particular wording to be used in certain circumstances); clarifying the scope of the engagement (particularly when it is not full scope); and drafting a combined report including both the auditor’s report on the financial statements and the assurance practitioner’s report on the EER report.

***Relevant observations of respondents to be taken into account – need to consider:***

- How to minimize the expectation gap regarding the level of assurance
- How reports might address: different levels of assurance; the parts of the EER report within the scope of the assurance engagement; the identity and competence of the engagement leader; describing the work performed
- Whether and, if so, how to identify the intended users.

## Summary of the proposed arrangements for the WBCSD Grant and how the arrangements secure the IAASB's independence

Question?	Answer
<p>Why is grant funding needed for the Proposed Project on Assurance over EER?</p>	<p>The priority projects in the IAASB 2017-18 Work Plan<sup>14</sup> are four ongoing auditing and quality control standards projects and two new projects, one addressing the “Agreed-Upon-Procedures” standard and the other addressing “Audit Evidence”, with potential implications for a number of the auditing standards. These projects are all targeted to continue through 2018 and, as noted in the Work Plan 2017-18, the timetable for completion of the priority projects is ambitious given the fundamental nature of the issues being addressed.</p> <p>Until such time as these projects are completed, the IAASB's staff and other resources will be primarily focused on them. New projects will only be undertaken if and when it is realistically feasible for the IAASB to do so. Without the proposed funding, it is unlikely that the IAASB would be able to fully resource the proposed project on Assurance over EER, based on its naturally available resources.</p> <p>However, the IAASB recognizes the need to keep under consideration the most efficient and effective way of progressing its projects, taking into account other available resources and opportunities to expand the capacity of the IAASB and its staff, for example, through collaboration with others.</p> <p>Grant funding for certain key resources for the IAASB's Proposed Project on Assurance over EER, as addressed in this proposal, would enable the IAASB to take this project forward sooner in the public interest, with work commencing in the fourth quarter of 2017 and continuing through 2018 and potentially beyond, subject to availability of resources after December 2018.</p>
<p>What is the source of the grant funds?</p>	<p>WBCSD has received a grant of some US\$5.1 million from the Gordon and Betty Moore Foundation (see <a href="http://www.moore.org">www.moore.org</a>) under the Conservation and Financial Markets Initiative (CFMI) and has invited the IAASB to submit a proposal for a sub-grant out of these funds.</p>
<p>What is WBCSD?</p>	<p>WBCSD describes itself as “... a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world: [which] help[s] make [its] member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.</p> <p>[whose] member companies come from all business sectors and all major economies, representing a combined revenue of more than US\$8.5 trillion and with 19 million employees.</p>

<sup>14</sup> See IAASB Work Plan 2017-18 at: <https://www.ifac.org/system/files/publications/files/IAASB-Work-Plan-for-2017-2018-Enhancing-Audit-Quality.pdf>

	<p>[whose] Global Network of almost 70 national business councils gives [its] members unparalleled reach across the globe. WBCSD is uniquely positioned to work with member companies along and across value chains to deliver high-impact business solutions to the most challenging sustainability issues.”</p> <p>(see <a href="http://www.wbcسد.org">www.wbcسد.org</a>)</p>
<p>What is the Gordon and Betty Moore Foundation?</p>	<p>Gordon and Betty Moore established the foundation to create positive outcomes for future generations. In pursuit of that vision, [they] foster path-breaking scientific discovery, environmental conservation, patient care improvements and preservation of the special character of the San Francisco Bay Area.</p> <p>(see <a href="http://www.moore.org">www.moore.org</a>)</p> <p>Gordon Moore was the founder of Intel Corporation.</p>
<p>What is the Conservation and Financial Markets Initiative (CFMI)?</p>	<p>A collaboration between WBCSD, the Gordon and Betty Moore Foundation, Ceres and the World Wildlife Fund, which is part of the Gordon and Betty Moore Foundation’s Environmental Conservation Program.</p>
<p>Why is WBCSD supporting the EER Assurance Project?</p>	<p>WBCSD’s interest in assurance over EER is related to its Redefining Value (RV) program and the CFMI.</p> <p>The RV program goals are to build tools, protocols and other practical solutions that lead to long-term value creation. Improving and integrating current forms of reporting and disclosure is considered critical in promoting greater stewardship of resources and transparency in how the reporting entity has performed in both financial and non-financial terms.</p> <p>The CFMI collaborators have a project to achieve greater alignment in reporting frameworks and incorporate sustainability reporting within ‘mainstream’ reporting.</p> <p>Under the CFMI, WBCSD is leading a program of work focused on the role of assurance in relation to sustainability information given the pivotal role assurance plays in building trust and confidence in what is reported. This program builds on research that WBCSD has already undertaken, with member companies and its broadly based Assurance Working Group (AWG) – see the WBCSD report <a href="#">Assurance: Generating Value from External Assurance of Sustainability Reporting</a> (2016).</p>
<p>How much is available in grant funds, over what period and what will it cover?</p>	<p>Agreement in principle has been reached with the WBCSD for a sub-grant of US\$466,000. This is intended to enable the project to commence in October 2017 and to continue through 2018. It is intended to provide the funds needed to employ a full-time non-permanent staff member, to be exclusively dedicated to the project, and to meet the travel related expenses of the TF and PAP and the costs of the proposed roundtables. The responsibilities of the full-time non-permanent staff member will include undertaking the necessary research and developing all papers for, and attendance at, all TF, PAP and IAASB meetings and conference calls and all collaboration and stakeholder outreach meetings and events, together with all related organizational activities for those meetings, calls and events.</p>

<p>What resources will the IAASB provide?</p>	<p><b>Task Force members</b> (four members, including Chair) – the TF is expected to meet face to face once a quarter and to have regular conference calls between such meetings. TF members will also be involved in PAP conference calls and participate in meetings, conference calls and other events relating to collaboration with other relevant international organizations and other stakeholder outreach. The time commitment for each TF member is estimated at 20 days per annum (30 for the Chair).</p> <p><b>IAASB agenda time</b> necessary to discuss and address the guidance being developed, in accordance with IAASB normal due process.</p> <p><b>IAASB Technical Director and other senior staff</b> - attending outreach or collaboration meetings, periodic consultations, scheduling and posting of IAASB materials for plenary and other sessions, reviewing minutes prepared by the project staff for inclusion in IAASB materials, periodic participation in project updates as needed, monitoring and reporting on project progress and grant expenditure. The time commitment of these senior staff resources is estimated to be 30 days per annum (13.6% of a full time equivalent staff member, per annum).</p>
<p>Which entity will apply for the grant and sign the grant agreement?</p>	<p>The grant application and sub-grant agreement will be in the name of IFAC, on behalf of the IAASB, because IAASB is not a separate legal entity and does not have the legal competence to do so. The public interest role and oversight arrangements for IAASB and its relationship with IFAC, by which IFAC facilitates the structures and processes that support the operations of the IAASB, are set out in the draft funding proposal to WBCSD, in the standard agreed form.</p>
<p>How will the grant arrangements secure the IAASB’s independence?</p>	<p>WBCSD confirmed in its Request for Proposal (June 2017) as follows:</p> <p><i>“We appreciate that it is the IAASB prerogative to determine the outcome of its work on its project. For the purposes of clarity, our resources are aimed at assisting the IAASB to play its leadership role in moving its stakeholders to a position of general consensus on what is needed to strengthen the assurance of sustainability reporting whether that is in the form of guidance, standards or some other output.”</i></p> <p>The IFAC/IAASB draft proposal to WBCSD states the following:</p> <p><b>“Commitment to international standard setting in the public interest by the IAASB</b></p> <p><i>This project is to be undertaken by the IAASB under the established arrangements for international standard setting by the IAASB in the public interest (the current arrangements are set out in <a href="#">International Standard Setting in the Public Interest</a>). WBCSD has acknowledged the independence of the IAASB’s decision-making and considers this to be a fundamental strength in working with the IAASB to support its work.”</i></p> <p>The draft sub-grant agreement, which will be entered into by IFAC (since IAASB is not a legal person) as the formal grantee, states the following:</p> <p><i>“For the purposes of this agreement the “Grantee” will be IFAC, which facilitates the structures and processes that support the operations of the International Auditing and Assurance Standards Board (IAASB). IAASB will undertake the work in accordance with the established arrangements for international standard setting by the IAASB in the public interest.”</i></p>

<p>Does IAASB retain the IP rights in the work product of the project?</p>	<p>Yes. Under the sub-grant agreement, the intellectual property rights in the work product of the project (essentially the draft and final guidance developed with the grant funding) will be required to be held by IFAC (consistent with the current arrangements) and to be made available to the public free of charge at all times. This obligation must be maintained if those rights are transferred at any future date.</p>
<p>Does WBCSD monitoring give them undue influence over the outcome of the project?</p>	<p>No. The purpose of such monitoring by WBCSD is to ensure that the grant funds are used for the agreed grant purposes. Release of grant funds is linked to delivery of objective events and outputs agreed with WBCSD, not to the outcome of the deliberations of the TF or the IAASB or their determination of matters to address.</p>
<p>Does the role of the WBCSD, as an observer participating in Task Force meetings, give them undue influence over the project?</p>	<p>No. The purpose of inviting WBCSD to be an observer on the TF is to better position WBCSD as a strategic collaborator and to enable WBCSD more effectively to provide strategic input into the project.</p> <p>In doing so, the IAASB is conscious of the need to maintain both the reality and perception of the IAASB’s independence and the nature of the role of Observers relative to that of TF members on the project, as reflected in Section VI of the Project Proposal, has been explained to WBCSD:</p> <ul style="list-style-type: none"> <li>• Observers participate in TF meetings at the invitation of the IAASB - such an invitation is based on the Observer’s ability to provide access to strategically significant knowledge and resources for the project</li> <li>• A TF Observer’s role is to provide collaborative input (coordination, access to other resources, etc.) to the project</li> <li>• A TF member’s role is to deliberate the project issues and potential solutions and make recommendations to the IAASB</li> <li>• TF and IAASB papers, and project outputs, reflect only the views of TF and IAASB members.</li> </ul>

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