EER Assurance Engagements
Applying ISAE 3000 (Revised) – Non-authoritative Guidance

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IAASB Meeting – Virtual Conference
Agenda Item 5
December 9, 2020
Today’s Agenda

• Section I  Feedback from Board Members on Redrafted Chapters 2 and 12
• Section II  Restructured Chapters of the Guidance and Proposed Appendix
• Section III Redrafted Content of the Guidance:
  • Introduction and Chapters 1-6
  • Chapters 7-12
• Section IV Enhancements to Supplement B
• Next Steps
Section I: Feedback from Board Members on Chapters 2 and 12

• Written responses from 9 Board members, who were largely supportive of changes made

• Chapter 2
  – Examples, and the separation of the diagram into 2 parts are helpful
  – Removal of some of the boxes from the ‘impediments’ diagram questioned, including the dotted boxes from the left-hand side of the diagram
  – Guidance should not imply that professional skepticism is particularly important in EER engagements; important on any assurance engagement

• Chapter 12
  – Strong support for redrafted chapter and illustrative reports, but suggestion to follow the order of ISA 700
  – Paragraph on intended users was confusing and may raise liability issues
Section II: Restructured Chapters of the Guidance, and Proposed Appendix

• As proposed at the IAASB September meeting:
  – Previous Chapter 6 (on the entity’s process to identify reporting topics) has been repositioned as Chapter 4
  – Previous Chapter 10 (on reporting) has been moved to the end of the Guidance
  – We have renumbered other chapters accordingly

• We have addressed suggestions to streamline the Guidance by focussing on:
  – EER-specific considerations
  – Eliminating repetition of material from the Standard
  – Using ‘plain English’
  – Replacing theoretical discussion with short practical examples, where possible
Section II: Restructured Chapters of the Guidance, and Proposed Appendix (cont.)

- Limited and Reasonable assurance table as an appendix to the Guidance to illustrate key differences in nature, timing and extent of procedures:
  - At the lower end of limited assurance,
  - At the upper end of limited assurance, and
  - For reasonable assurance
- Illustrative only – not intended to suggest:
  - Sufficiency,
  - That these are the only ways to obtain the evidence needed, or
  - Best practice
- Multi-location considerations addressed in examples
Section II: Project Advisory Panel Member Feedback on the Proposed Appendix

• Limited and Reasonable assurance table is useful to practitioners in giving a sense of the differences, but:
  – Needs emphasis on the expected minimum
  – In practice, a range of limited assurance might be covered, depending on risk considerations
  – It might be preferable to have one column for limited assurance to illustrate both the minimum acceptable for assurance to be ‘meaningful’, and the range

• If only one column is to be retained for limited assurance, and a range is not shown, then it is the PAP members’ preference for the upper end of the range to be illustrated
1. The IAASB is asked for any high-level comments on the changes made to the Guidance since September 2020

2. In relation to the structure of the Guidance (Agenda Item 5-A), and the proposed appendix Limited and Reasonable Assurance – EER Illustrative Table (Agenda Item 5-C), has the Task Force appropriately responded to the public consultation, and the feedback given at the IAASB September 2020 meeting?

3. In relation to the proposed appendix Limited and Reasonable Assurance – EER Illustrative Table, the IAASB is asked:
   a. Whether it would be preferable to have two illustrations for limited assurance or only one and, if one,
   b. Which level of assurance should be retained; and
   c. Whether further revisions are needed to the proposed appendix Limited and Reasonable Assurance – EER Illustrative Table
Section III: Redrafted Content of the Guidance

• The Task Force also completed the enhancements to the Introduction and Chapters 1 and 3-11 of the Guidance addressing comments from:
  – Respondents to the March 2020 Public Consultation
  – Board members at the IAASB September 2020 meeting, and
  – Board members and Project Advisory Panel members – in writing – after the IAASB September 2020 meeting

• The next few slides set out on a chapter-by-chapter basis:
  – What we proposed at the IAASB September meeting
  – What we have done to address the proposals
Section III – Content of the Introduction and Chapters 1-3

What we said we would do

**Introduction:** Include ISAE 3000 (Revised) in the title; retain references to ‘the Standard’; replace use of ‘S’ and ‘G’ with ‘paragraph’; check consistency

**Chapter 1:** Clarify use of experts not dependent on level of assurance or financial/non-financial information; guidance on when to use work of experts, and on assessing their competence and objectivity

**Chapter 2:** Focus on EER-specific considerations and practical application of professional skepticism and professional judgment

**Chapter 3:** Enhance guidance on readiness assessments; work effort consistent with the Standard; clarify aspects of ‘proposed perimeter of the subject matter information’; consider need for stand back; replace or simplify Diagram 5

What we have done

**Proposed changes made to Introduction:** Diagram 1 updated to reflect revised order of chapters; clarified that Guidance presumes an understanding of the Standard

**Clarified as proposed:** short example on considering use of work of experts; guidance on assessing competence and objectivity included in proposed Appendix; updates to Diagram 2 to refer to ‘more’ or ‘less’ competence

**Diagram 4 split into two with some enhancements:** practical EER-specific examples included; improved linkage between diagrams and text of the chapter

**Guidance on ‘readiness assessments’ and on aspects of ‘proposed boundary of the subject matter information’ clarified:** practical examples included; ‘jellyfish’ diagram replaced with a simpler diagram
Chapter 3 – Diagram and Summary Table of Practitioner Considerations

A. Preliminary knowledge of engagement circumstances: Considerations include: Do I know enough about the entity, the industry in which it operates, and other engagement circumstances to be able to establish whether the preconditions are present? Establishing whether the preconditions are present is in the context of the engagement circumstances.

B. Are the roles and responsibilities of the appropriate parties suitable in the circumstances of the proposed engagement, for example:
   - Has the preparer identified the purpose and intended users of the assurance report?
   - Is the preparer also the responsible party and the engaging party, or are these roles performed by different parties? If different, what are the characteristics of the relationships between them (see paragraph A37 and the Appendix to the Standard)?
   - Has the preparer acknowledged, or will it acknowledge, its responsibility for the underlying subject matter (see paragraph A38 of the Standard)?
   - Does the preparer's process to prepare the subject matter information provide the preparer with a reasonable basis for that information, and, where appropriate, is the process appropriately supported by other relevant aspects of the entity's system of internal control?

C. Characteristics of the underlying subject matter: Can the underlying subject matter be identified, is it capable of consistent measurement or evaluation against the applicable criteria such that the resulting subject matter information can be subjected to procedures to obtain sufficient appropriate evidence (see paragraphs A40-A44 of the Standard and paragraphs 73-76 above)?

D. Are the applicable criteria suitable for the engagement circumstances? What criteria are to be used and are they relevant, complete, reliable, neutral and understandable, on their own, or do they need further development by the entity (see paragraphs 78-79 above and Chapter 4 on the entity's process to identify reporting topics), for example:
   - Do the criteria specify what is to be reported, how it is to be measured or evaluated, and how it is to be disclosed and presented, including for different aspects of the underlying subject matter?
   - Has the proposed boundary of the subject matter information (scope) been determined appropriately? If the subject matter information is only parts of an EER report, has it been selected in an unbiased manner (see also paragraphs 84-99 above)?

E. Will the framework criteria and any additional entity-developed criteria be available to the intended users in one of the ways set out in paragraph A51 of the Standard (see also paragraph 81A above and Chapter 5)?

F. Do I expect to be able to obtain the evidence I need to support the limited or reasonable assurance conclusion, as applicable (see paragraphs A53-A55 of the Standard, paragraph 26(c) of ISQC 1, paragraph 81B above and Chapter 8), or:
   - Has the preparer imposed a limitation to the scope of my work (see paragraph A155 (c) of Standard) such that I may not be able to obtain the evidence I need?
Section III – Content of Chapters 4-6

What we said we would do

**Chapter 4 (repositioned from 6):** Retain preparer considerations, but focus on practitioners, use term ‘criteria’ consistently throughout the Guidance, clarify practitioner responsibilities, clarify ‘double materiality’, improve linkage between diagram and text of chapter.

**Chapter 5 (was 4):** Clarify what ‘criteria’ are using a simple analogy, and use term consistently; include guidance on presentation and disclosure criteria, and on criteria that are still developing, and include an example on incomplete criteria.

**Chapter 6 (was 5):** Work effort to be consistent with Standard; include paragraph on IT controls when complex IT systems in place; clarify mature system not a prerequisite; highlight importance of governance and oversight; clarify and enhance guidance on external sources of information.

What we have done

Clarified that Guidance is intended to guide practitioner in evaluating an entity’s process to prepare subject matter information, which may include process to identify reporting topics; removed ‘effectiveness’ from the diagram and improved linkage; double materiality considered in Chapter 9.

Simple analogy of ‘criteria’ included; emphasized the need for criteria on presentation and disclosure, and enhanced the guidance on criteria that are still developing. Three new short examples on completeness of criteria included.

Amended title and clarified guidance to avoid suggesting requirements beyond the Standard; guidance on complex IT systems and when use of an IT expert might be needed; clarified mature system of internal control not a prerequisite; reordered ‘governance and oversight’ material; enhanced guidance on external sources of information.
In relation to the draft Guidance in the Introduction and Chapters 1 – 6 of Agenda Item 5-A, the IAASB is asked for its views on:

4. Whether the Task Force has appropriately responded to the public consultation, and the feedback given at the IAASB September 2020 meeting on the Introduction and Chapters 1 – 6 and if any further revisions are required; and

5. Specifically, in relation to the diagram and the table in Chapter 3, whether the Board supports the inclusion of the simplified diagram, and whether the table should be retained as a summary at the end of the chapter or deleted
### Section III – Content of Chapters 7-9

#### What we said we would do

**Chapter 7:** Simplify language, and include EER-specific example on use of assertions; refer to potential causes of misstatement, and give examples of how misstatements might arise, including for ‘rights and obligations’

**Chapter 8:** Retain guidance in paragraph 284, but focus on risk and EER-specifics, and break table into three separate sets of considerations; enhance guidance on external sources of information; retain performance materiality in Chapter 8, but include cross-linkage with Chapter 9

**Chapter 9:** Greater focus on intended users, with link to Chapter 3; more examples of misstatements, including on identifying misstatements; link to Chapter 7 for presentation and disclosure misstatements; improve diagram; consider guidance on ‘double’ materiality

#### What we have done

- Proposed changes made and practical example included; definition of ‘assertions’ included; clarified that assertions, if used, may be used differently in a limited and reasonable assurance engagement

- Table in paragraph 284 split into four separate sets of considerations, with EER-specific considerations included in Example 13 Supplement B; guidance on external sources of information enhanced. Short in-chapter example included to illustrate aggregation risk, and linkage included between performance materiality guidance and Chapter 9

- Guidance on intended users included; replaced diagram and improved linkage with text of chapter; Example 17 Supplement B on qualitative misstatements; draft guidance on ‘double’ materiality in Appendix 3
Enhancements made

• Replaces Diagram 10 in Chapter 9, which was considered too simplistic

• Includes:
  – Identification of misstatements
  – Consideration of individual misstatements before accumulating uncorrected misstatements
  – Consideration of pervasiveness of misstatements
  – Includes considerations for assurance conclusion
### Section III – Content of Chapters 10-12

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<tr>
<th>What we said we would do</th>
<th>What we have done</th>
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<td><strong>Chapter 10 (was 11):</strong> Enhance paragraphs 377-380 so as not to suggest qualitative information is ‘problematic’; include further practical examples, including on distinguishing between subject matter information and ‘other information’</td>
<td>Proposed changes made; five additional examples developed for Supplement B; two in-chapter examples developed</td>
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<td><strong>Chapter 11 (was 12):</strong> EER-specific guidance and examples on future-oriented information; enhance introduction to chapter by setting in an EER-specific context such as the transition to a low-carbon economy</td>
<td>Five additional examples developed for Supplement B (see also Chapter 10), including to address matters related to forward-looking information, and one short in-chapter example developed; obtaining evidence for estimates included in the proposed limited and reasonable assurance appendix</td>
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<td><strong>Chapter 12 (was 10):</strong> Include illustrative reports annotated to identify basic elements and to replace some of the text; clarify guidance on addressees; differentiate between emphasis of matter and inherent limitations; example on how to differentiate subject matter information and ‘other information’ in the assurance report</td>
<td>Replaced some of the text with illustrative annotated assurance reports – one for limited, one for reasonable assurance; deleted material on addressees; included guidance on emphasis of matter and inherent limitations</td>
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For Chapters 7–12 of Agenda Item 5–A, the IAASB is asked for its views on:

6. Whether the Task Force has appropriately responded to the public consultation and the feedback given at the IAASB September 2020 meeting for Chapters 7–11 and whether any further revisions are need to the draft Guidance;

7. On Chapter 12:
   a. Whether the Task Force has appropriately responded to the public consultation, the feedback given at the IAASB September 2020 meeting and written feedback received from Board members on this chapter;
   b. How best to respond to PAP feedback on the need for intended users to be identified in the assurance report

8. For Chapter 9:
   a. Whether the inclusion of the diagram to replace previous Diagram 10 is supported
   b. Whether the guidance on ‘double’ and ‘dynamic’ material, as set out in Appendix 3 to the Issues Paper (Agenda Item 5) should be included in Chapter 9
Section IV – Enhancements to Supplement B

What we said we would do

• Retain Supplement B as it was well-supported
• Add two additional examples to illustrate:
  – Reporting under SASB Standards, and
  – Reporting in line with the Recommendations of the TCFD
• Other considerations such as:
  • ‘Evaluation’ rather than ‘measurement’ techniques for qualitative and future-oriented information
  • Identifying and accumulating misstatements of qualitative information
• Enhance other examples for respondent comments

What we have done

• Developed five additional examples to illustrate:
  – obtaining evidence from external and multi-location information sources
  – misapplication of criteria, and considerations about ‘other information’
  – considerations about future-oriented, qualitative, and ‘other information’ using SASB Standards as criteria
  – considerations on assuring an entity's disclosures under the TCFD Recommendations
  – evaluating quantitative and qualitative misstatements
• Added Part A to Example 10 to illustrate considerations around ‘readiness assessments’
• Addressed editorial and other comments from respondents
For Supplement B (**Agenda Item 5-B**), the IAASB is asked for its views on:

9. Whether the Task Force has appropriately responded to the public consultation in Examples 1 – 12

10. Whether the addition of Part A to Example 10, and the additional examples 13 – 17 are effective in assisting practitioners to address the issues related to each of the ten key challenges identified
Next Steps

• Explore, with IFAC and IAASB staff, format of publication with an aim to having a digital version in place at, or shortly after, publication in early 2021

• Seek approval of final EER Guidance and Supplement(s) in March 2021