

## **EXPLANATORY MEMORANDUM**

### **to a new Dutch Assurance Standard NR. 3010 “Practitioners working with subject matter experts from other disciplines on non-financial assurance engagements” - Exposure Draft**

A working group of the Assurance Standards Board of Royal NIVRA has drawn up two Exposure Drafts for assurance standards relating non-financial information, namely:

- (1) Assurance Standard NR. 3410 “Assurance engagements relating to Sustainability Reports”; and
- (2) Assurance Standard NR. 3010 “Practitioners working with subject matter experts from other disciplines on non-financial assurance engagements”.

Royal NIVRA is the professional body for accountants in the Netherlands.

The Standards are based on the IFAC Framework for Assurance Engagements and ISAE 3000 “Assurance Engagements other than audits or reviews of historical financial information”.

Given the importance of the issues, and the fact that this Standard is among the first in its field, the Board of Royal NIVRA would welcome comments on these exposure drafts from all interested parties in the Netherlands and other countries.

#### *Expression of interest from IAASB in comments from a wide range of international respondents*

The International Auditing and Assurance Standards Board (IAASB) has expressed an interest in guidance for assurance on sustainability reports, and has established an external panel to advise it on possible next steps. This is an area where IAASB may wish to build on the efforts of other standard-setters. The co-operation of practitioners with subject matter experts from other disciplines is an important issue in this context. The IAASB has not reviewed this exposure draft and therefore is not in a position to endorse it in any way. However, IAASB staff has indicated that if this exposure draft is well received and results in comments from a wide range of respondents, the resulting standard may be one upon which IAASB would be able to build for wider international use. National auditing and assurance standard-setters and other interested parties from countries beyond The Netherlands are therefore encouraged to respond to Royal NIVRA on this exposure draft.

#### **Both exposure periods end on 31 July 2005.**

This explanatory memorandum sets out the main backgrounds and considerations of the Assurance Standards Board and its working group with respect to this exposure draft. At the end of this memorandum, we include some specific points for your consideration.

Readers are kindly invited to send their comments to:

Royal NIVRA  
Assurance Standards Board  
Attention Hans Prikken  
P.O. Box 7984  
1008 AD Amsterdam  
The Netherlands  
email: [h.prikken@nivra.nl](mailto:h.prikken@nivra.nl)

### *General*

- 1 This draft Standard 3010 takes the form of an “umbrella standard”, the same as ISAE 3000. Draft Standard 3410 draws on this one. It is expected that in the future other standards will also draw on this draft Standard 3010.
- 2 It is the intention that this Standard will cover more than one situation. Accordingly, this ED distinguishes three possible models for cooperation with experts:
  - Model 1, a model in which the practitioner bears undivided responsibility;
  - Model 2, a model that is based on joint responsibility;
  - Model 3, a model covering two separate engagements; (basically this is not really a form of cooperation, but rather coordination; see point 7 below).
- 3 Working with in-house experts (experts that are employed by the practitioner’s firm) does not pose any specific problems. See paragraph 7 for situations where neither model 1 nor model 2 applies. The distinction between the three models is only important for cooperation with external experts.
- 4 The guidance provisions regarding model 1 are based on the main principles of ISA 620 and on a specific Dutch auditing Standard, RAC 621N, “Co-operation between auditors and actuaries”, which is in line with ISA 620. Contrary to ISA 620, it is recommended in this draft Standard 3010 that the practitioner explicitly discloses the cooperation with the other experts in his assurance report. See paragraph 22 and footnote 8. The assurance report is signed only by the practitioner.
- 4 The guidance provisions regarding model 2 are new. They are based on a specific Dutch supplementary paragraph 67A to ISA 100 “Assurance Engagements” paragraph 67 (version 2000). The ASB of Royal NIVRA considers it important to allow the possibility of joint responsibility for principle as well as practical reasons. The ASB is of the opinion that it is not realistic to expect that in all situations the practitioner’s own training, knowledge and skills are sufficient for a non-financial assurance engagement. At the same time, it is realistic to expect that by cooperating under joint responsibility with a subject matter expert an effective function for society can be performed (model 2). The requirements for doing so, however, are rather strict. The ED stipulates the importance of making a legally binding “Agreement governing the allocation of work and responsibilities” between the practitioner (auditor) and the expert. See paragraphs 13 to 15 and paragraph 24. This agreement is not relevant to the intended users of the assurance report. The legal and insurance implications should be considered in practice.
- 5 When model 2 is used, the joint responsibility should be made clear in the assurance report. This can be done in several ways. See paragraph 30.
- 6 The Appendix to the draft Standard specifies the minimum requirements to be considered in the “Agreement governing the allocation of work and responsibilities”.

- 7 Model 3 is addressed briefly in the paragraphs 31 to 34. Model 3 basically distinguishes two separate engagements: one for the practitioner (auditor) and one for the expert. Essentially, this is not a form of cooperation but a form of coordination. The relationships between both engagements deserve some attention during the phases of acceptance, planning and reporting. Both disciplines report separately.
- 8 ED 3410 draws on this general Standard 3010. Paragraph 51 to 70 of draft Standard 3410 address the specific aspects relevant to sustainability assurance. We refer to that Standard and related explanatory memorandum.

### **Points for consideration**

The above will undoubtedly give rise to your comments. However, we would like to structure your feedback by asking you to consider the following points:

- 1 Please give your views on the key considerations and ideas that are explained in this memorandum in paragraphs 1 to 8. Please specify in detail with which considerations and ideas you agree or disagree. (In the case of disagreement, please give your reasons).
- 2 Please give your comments on the detailed procedures in this exposure draft, paragraphs 1 to 34. Please state the paragraph numbers and give the reasons for your dissenting views.
- 3 Please give your views on the Appendix on the “Agreement governing the allocation of work and responsibilities”.

Thank you in advance for your comments.

Fred Drieënhuizen  
Chairman of Royal NIVRA’s Working Group  
Amsterdam, January 2005