# Agenda Item
# 4-A

## IRWG Discussion Paper[1] (DP)—Discussion of Responses—Approval of Project Proposal—Agreement to Issue Feedback Statement

**Objective of the IAASB Discussion**

The objectives of this agenda item are to:

(a) Provide the Board with a detailed summary of the responses to the IRWG Discussion Paper on EER, as set out in **Agenda Item 4-B**;

(b) Obtain the Board's approval for a Project Proposal to develop 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), as set out in **Agenda Item 4-C**; and

(c) Obtain the Board's agreement to publish a Feedback Statement setting out a high level summary of the responses to the IRWG Discussion Paper and the agreed way forward, as set out in **Agenda Item 4-D**.

## I.    Structure of this Paper and Format of the IAASB Discussion

1.    This issues paper should be read in conjunction with **Agenda Items 4-B, 4-C and 4-D**. The Board's discussions at the October IAASB meeting will be focused on each of these documents in turn.

## II.   Matters Relating to the Summary of Responses to the DP

*Summary of Previous Board Discussions*

2.    In June 2017, the Board received a presentation with a brief summary of the responses received on the DP by the Chair of the IRWG. Among other matters, it was noted that comments had been received in support of the Ten Key Challenges (as identified and explained in the DP), and that a majority of respondents had expressed the view that further subject-matter specific standards were not needed at this time.

3.    Board members noted that it was important for the Working Group to continue to liaise with other organizations.

*IRWG Comments on Responses to the DP*

4.    **Agenda Item 4-B** provides a detailed analysis of the responses to the DP (Summary of Responses). This includes an overview of the key messages in the responses, which are not substantively different from those identified in the preliminary analysis presented to the Board in June. The IRWG believes that the Summary of Responses appropriately reflects the observations of respondents to the DP.

---

[1]    Discussion Paper: Supporting Credibility and Trust in Emerging Forms of External Reporting—Ten Key Challenges for Assurance Engagements

*Prepared by*: Marek Grabowski

5. The IRWG believes that the Summary of Responses reflects broad support from the respondents to the DP for the IRWG's conclusions, based on its earlier research and analysis, with respect to:

- The underlying factors that affect credibility and trust in EER reports (the Four Factor Model)

- The range of professional services (whether under the IAASB International Standards or not) being provided or called for to support credibility of EER reports

- The ten Key Challenges in performing EER assurance engagements

- The proposed next steps that could be taken by the IAASB (focusing on the development of guidance rather than standards at this stage).

## III. Matters Relating to the Project Proposal

*Summary of Previous Board Discussions*

6. In June 2017, the Board was informed that an external party had been identified that may assist with resourcing the initiative.

*IRWG Comments on the Project Proposal*

**The Project Proposal**

7. **Agenda Item 4-C** (Project Proposal) sets out the IRWG's views on an appropriate project for the IAASB to take forward in this area. It includes:

- The background to the proposal, including the key messages in observations of the respondents to the DP (Section II)

- The proposed project objective, scope and focus (Section III), including (in Appendix 2) the major issues to be addressed in relation to each Key Challenge

- Proposals for how the project would be undertaken, with what resources, and over what period (Sections IV to VI), including proposals relating to significant collaboration and outreach.

8. A key feature of the proposed project is that the resource model is novel, in drawing on grant funding from an external source. As the funding is (at least initially) only available through December 2018, the proposal also reflects a two phase approach, with the second phase dependent on future identification and commitment of resources before the end of the first phase.

9. As noted in paragraphs 16 and 17 of the Project Proposal, it is proposed that the project will be undertaken in two phases, given the availability of resources, and that the project Task Force will allocate the issues relating to the Ten Key Challenges between the two phases. It is also proposed that the factors the Task Force will take into account in doing so will 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.

**The Case for the Proposed Project**

10. Section II of the Project Proposal sets out the background to the proposal for a new project in this area – including the IRWG's prior research and analysis, which was broadly validated by respondents to the DP. The IRWG believes that the Summary of Responses demonstrates strong stakeholder support for the IAASB to take forward a project in this area. Section III includes the IRWG's views on how the proposed project would serve the public interest.

**Addressing resource constraints**

11. Until such time as the IAASB's current priority projects are completed, the Board's staff and other resources will be primarily focused on those projects and new projects will only be undertaken if and when it is realistically feasible for the Board to do so. There are therefore significant limitations on the availability of existing IAASB resources (particularly staff resources and funding) to support task force activity relating to new projects. Given this, it is unlikely that the IAASB would be able to fully resource, and therefore to commence, the proposed project on Assurance over EER during 2017 or 2018. However, grant funding could fund additional staff costs and other expenses to enable the proposed project to be commenced earlier.

12. Since June 2017, further discussions have therefore been held with the WBCSD to explore grant funding for an IAASB project in this area, subject to IAASB approval of a relevant Project Proposal. As a result, grant funding by WBCSD has been agreed in principle. A summary of the proposed arrangements for the WBCSD grant, together with an explanation as to how the arrangements would secure the IAASB's independence and address possible public perceptions that there could be undue influence, is set out, in the form of questions and answers, in Appendix 3 of the Project Proposal.

13. In addition, the Project Proposal sets out, in Section VII, the risks and opportunities identified by the IRWG in relation to the use of grant funding and how these have been addressed.

---

**Matters for IAASB Consideration**

1. The IAASB is asked:

    (a) For views on the Project Proposal, including the project objectives and scope (**Agenda Item 4-C**); and

    (b) Whether it agrees that a project should be undertaken to address the issues identified in the Summary of Responses (**Agenda Item 4-B**) in accordance with the Project Proposal?

2. The IAASB is asked for its views on the proposed resourcing model, in particular the proposed grant funding and the related need for a two-phase approach. Do Board members agree:

    (a) The analysis of risks and opportunities relating to the proposed grant funding, and that the proposed arrangements would appropriately secure the independence of the IAASB?

    (b) The proposals relating to the allocation of the issues to be addressed, between the two phases of the project, as set out in paragraph 17 of the Project Proposal?

---

## IV. Matters Relating to the Feedback Statement

14. **Agenda Item 4-D** is a draft Feedback Statement to communicate with the Board's stakeholders the key messages from responses to the DP and the Board's decisions about the way forward.

---

**Matters for IAASB Consideration**

3. The IAASB is asked whether it agrees that a Feedback Statement is an appropriate communication to make and for its views on the proposed style and content of the draft Feedback Statement (**Agenda Item 4-D**)?

---

**Appendix**

# Working Group Activities Including Outreach with Others

1.    The following sets out the activities of the IRWG, including outreach with others.

**Working Group Activities since the last IAASB Presentation and Discussion (June 2017)**

2.    The IRWG re-grouped in August 2017 to consider the responses to the DP during a teleconference call on 29 August 2017, during which a first draft of the Summary of Responses was considered. The IRWG subsequently provided comments by email on outline drafts of the Project Proposal and Feedback Statements, ahead of a meeting of a sub-group of the IRWG (Drafting Team) held in early September 2017. The drafting team updated the Summary of Responses and further developed the Project Proposal and Feedback Statement for review by the IRWG. IRWG feedback on these and the issues paper was received primarily through email correspondence. The papers for the October 2017 Board meeting were then finalized by the Chair. During this period, the Chair of the IRWG was supported by two volunteers (Alastair Neilson and Jan Thijs Drupsteen).

**Outreach**

3.    Since June 2017, the Chair of the IRWG has continued to lead discussions with the World Business Council for Sustainable Development (WBCSD) about grant funding for a potential IAASB project to take forward the development of guidance as proposed in the DP, with input from the IAASB Chair and Technical Director, the Director Professional Services and IFAC senior management. Agreement has been reached in principle with WBCSD for a grant to be made to fund a significant element of the costs of a potential IAASB project in this area (IFAC would be the formal grantee as IAASB is not a legal person in its own right).