

Integrated Reporting Working Group

Emerging Forms of External Reporting

Summary of Discussion Paper Responses

Overview

- The responses to the discussion paper expressed support for guidance to support practitioners in applying the existing international assurance standards, rather than developing new standards for EER at the present time.
- The responses illustrated the variations in the stage of development and usage of EER, as well as assurance engagements relating to it, in different jurisdictions globally.
- While ISAE 3410 has been useful, there is little demand for further subject-matter specific assurance standards as these are likely to be too narrow and inflexible.
- Respondents broadly agreed with the Ten Key Challenges of addressing EER in assurance engagements that were identified in the discussion paper.
- Guidance would be seen as helpful to address all of these challenges.
- Suitability of criteria (2), materiality (3) and the form of the assurance report (10) were identified as those challenges the IAASB should address with the most priority, although there was a wide range of views on this across the responses.
- Respondents generally expected that demand for assurance engagements was likely to increase as EER continues to evolve and become more widespread. Much of this growth might be external demand from investors, except in jurisdictions where regulatory requirements for assurance are introduced.
- Several respondents expressed a need to take care to avoid taking action which stifles innovation and development of EER and related professional services, and also to be aware of the danger of expectation gaps forming when assurance work is performed on EER, where users assume a different level of assurance has been provided to the reality.
- Respondents generally thought the IAASB should co-ordinate its work with a wide range of other relevant organizations, and some that it should continue to provide thought leadership on assurance issues.

Introduction

1. This paper seeks to summarise the responses received to the Integrated Reporting Working Group's discussion paper '*Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements*' (the 'DP') which was issued in August 2016.
2. The DP explored:
 - The factors that can enhance credibility and trust, internally and externally, in relation to emerging forms of external reports;
 - The types of professional services covered by the IAASB's international standards most relevant to these reports, in particular assurance engagements;
 - The key challenges in relation to assurance engagements; and
 - The type of guidance that might be helpful to support the quality of these assurance engagements.

Appendix II reproduces the questions in the DP, which are referenced below as follows:



3. Thirty nine responses to the DP were received. The detailed respondent list and their allocation to a geographic region are included in Appendix I. All responses can be accessed from the IAASB's website at: <https://www.ifac.org/publications-resources/discussion-paper-supporting-credibility-and-trust-emerging-forms-external>. The respondents to the ED comprised the following:

Category of Respondent	No.	Percentage
Regulators and Oversight Authorities	2	5%
National Auditing Standard Setters	8	20%
Accounting Firms	6	15%
Member Bodies and Other Professional Bodies	15	38%
Those Charged With Governance	1	3%
Preparers of Financial Statements	1	3%
Academics	1	3%
Investors and Analysts	1	3%
Individuals and Others	4	10%
Total	39	100%

4. In preparing this summary of the responses, the aim has been to focus on describing the balance of views and the ways in which they were described, with appropriate reference to the respondent(s). Providing this type of analysis is intended to help ensure that respondents' views are taken into account based on their reasoning and not solely on the number of respondents who took a particular position. As such, a quantitative descriptor may not always be used. For example, reference may be made to "Respondents who did not support ..." with a footnote indicating these respondents.
5. For purposes of the analysis, and when considered necessary to provide context to the number of responses or the number taking a particular position on particular matters, the following metrics have been used, given the thirty nine responses received:
 - Some respondents = two to four respondents
 - Several respondents = five to nine respondents
 - Many respondents = ten to nineteen respondents
 - The majority of respondents = twenty or more respondents
6. In summarizing the views of respondents, the specific respondents are included in the footnotes, grouped by stakeholder category, with the exception of when describing a broad consensus. In many cases this is largely an interpretive exercise, as respondents may not have expressly answered the question (for example, they may have expressed a level of support, while at the same time expressing some reservations or suggestions for improvement), but may have made comments along lines similar to the intent of the question. Eight respondents only answered a limited number of the questions, or provided a general response to the DP. Accordingly, there were not many positions commented upon in responding to the questions that were explicitly supported by a majority of the overall number of respondents. .



Factors that enhance credibility of EER reports and engender user trust

7. The respondents generally agreed with the four factor model of enhancing credibility and trust which was presented in the DP. Additionally they raised a number of issues and points that were related to the four factors, providing more detail on the specific conditions that affect credibility and trust of EER reports. These comments also suggested that one possible additional factor could be identified.

Factor 1 – Sound Reporting Framework

8. Some respondents identified that there was a need for any EER framework to be generally accepted¹ as this would help to drive consistency across time and between entities in their EER

¹ **Accounting Firms:** EYG; **Member Bodies:** AE

reporting, which other respondents commented was an important aspect of this factor².

Additionally, one respondent noted that the existence of a multiplicity of reporting frameworks could create a risk of user confusion if these frameworks have different disclosure requirements or use different language to describe very similar requirements³.

9. Some respondents highlighted their agreement with the assertion in the DP that transparency in reporting was a key element of a sound reporting framework⁴. It was also suggested that development of appropriate key performance indicators to measure EER information⁵, or the use of mandatory indicators in reporting frameworks can improve comparability⁶. There is also a need to ensure the completeness and balance of EER information to reduce the risk of management bias⁷.

Factor 2 – Strong Governance

10. The responses suggested that the competence⁸ and accountability⁹ of those preparing EER reports are an important element of the strong governance that is required to create credibility and trust. It was noted that entities would need appropriate information and IT systems¹⁰ to have the data and evidence required to produce credible EER reports, and that the use of external specialists in this process might enhance credibility further¹¹. Underpinning this is a need for entities to behave in a way that is consistent with the spirit of the objectives of the relevant framework to present EER information faithfully¹².

Factor 3 – Consistent Wider Information

11. In addition to the points raised in the DP, a respondent noted that ensuring the completeness of EER reports (as discussed above under Factor 1) would also contribute towards achieving consistency between various sources of information available¹⁵, enhancing credibility of the reporting.

Factor 4 – External Professional Services and Other Reports

12. Some respondents highlighted the need noted in the DP for practitioners to be competent, objective and independent as being central to external professional services contributing to

² **National Auditing Standard Setters:** AUASB; **Accounting Firms:** PwC; **Member Bodies:** ASSIREVI

³ **Regulators and Oversight Authorities:** FRC

⁴ **Investors and Analysts:** PRI; **National Auditing Standard Setters:** NZAuASB; **Accounting Firms:** PwC; **Member Bodies:** ICAEW

⁵ **Accounting Firms:** EYG

⁶ **Investors and Analysts:** PRI

⁷ **Member Bodies:** ICAEW

⁸ **Accounting Firms:** MS

⁹ **National Auditing Standard Setters:** IDW

¹⁰ **National Auditing Standard Setters:** CNCC-CSOEC; **Member Bodies:** ASSIREVI

¹¹ **Member Bodies:** CPAA

¹² **Member Bodies:** ACCA

instilling trust in EER reports¹³. Others suggested regulatory involvement in the professional services that are being provided by practitioners and the reports that they are issuing is another important credibility factor¹⁴.

13. Some potential pitfalls and risks of using external professional services to provide assurance were raised:
- If information that cannot be suitably assured is consequently excluded from an EER report, this might affect its completeness, and therefore reduce its value to users¹⁵; and
 - Subjecting EER reports to external assurance engagements might prevent them from being used as a promotional communication to positively enhance an organisation's reputation¹⁶.

Possible additional factor

14. In addition, some of the points raised could be grouped as being related to a possible additional fifth factor, which could perhaps be referred to as 'experience and education of external users'. Some respondents¹⁷ agreed with the suggestion made in paragraph 31 of the DP that greater stakeholder engagement and involvement can enhance credibility of EER reports. Additionally, several respondents¹⁸ identified a need to educate users of EER, particularly to improve understanding of the different levels of assurance that can be provided by external professional services.
15. These respondents suggested that, without experience of how assurance reports can be read to understand the scope and level of assurance being provided, there is a danger of user confusion and misunderstanding, particularly given the range of services which practitioners can provide and the differing professional standards which assurance providers work to¹⁹.

See
Q2

Professional services that enhance credibility and trust

16. Thirty respondents answered question 2 and these were generally in agreement with the list of professional services in the DP. In addition to those listed in the DP, four types of professional services were identified by two or more respondents that are, or may in the future be, relevant in enhancing credibility and trust.

¹³ **Accounting Firms:** CH; **Member Bodies:** ICAS, ICAEW

¹⁴ **Regulators and Oversight Authorities:** IRBA; **Individuals and Others:** JTGiraud

¹⁵ **Other Organisations:** IRC-SA

¹⁶ **Member Bodies:** ICAS

¹⁷ **National Auditing Standard Setters:** NZAuASB; **Member Bodies:** CPAC

¹⁸ **National Auditing Standard Setters:** AUASB; **Accounting Firms:** DTT; **Member Bodies:** CPAC, ICAEW;
Other Organisations: IRC-SA

¹⁹ **Other Organisations:** IRC-SA

Professional services in the DP

Existing Professional Services

- Assurance Engagements – reasonable or limited assurance
- Agreed-upon procedures engagements
- Compilation engagements
- Certifications

Emerging Professional Services

- Consultancy (advisory) engagements
- Assurance readiness engagements
- Maturity assessments
- Expert insight reports

Other emerging services suggested, which fall outside the IAASB’s existing standards

Benchmarking ²⁰	A respondent gave an example of this service as benchmarking one EER report against another which is considered to be best practice for that particular business sector.
Expert opinions ²¹	Described by a National Auditing Standard Setter as involving “the evaluation of a matter based upon the expertise and experience of a professional accountant in circumstances in which the prerequisites of an assurance engagement either cannot be met or are not cost-effective”.
Hybrid engagements ²²	An example given by respondents was an agreed-upon procedures type engagement, supplemented by additional assurance procedures, in which the practitioner uses professional judgment to determine the extent of the procedures.
‘Presentation’ type engagements ²³	Undertaken in France where the practitioner prepares the information (typically an entity’s financial statements) and then expresses a conclusion on the consistency and plausibility of the financial statements as a whole, adding credibility.

²⁰ **Member Bodies:** ACCA, AE, ICAEW

²¹ **National Auditing Standard Setters:** IDW; **Member Bodies:** AE, ICAS

²² **National Auditing Standard Setters:** IDW; **Member Bodies:** AE, ICAS

²³ **National Auditing Standard Setters:** CNCC-CSOEC; **Member Bodies:** AE

See
Q3**ISA 720 (Revised)**

17. Thirty one respondents commented on question 3; however, many did not give explicit answers to the specific questions in the DP.
18. Several respondents²⁴ indicated the following with respect to ISA 720 (Revised):
- That ISA 720 (Revised) is not sufficient when EER information is included in the annual report because when ISA 720 (Revised) reporting applies, some users expect that this information has been subjected to an ‘assurance’ process beyond the requirements of ISA 720 (Revised), which gives rise to an expectation gap.
 - There were already misunderstandings of the scope of the auditor’s responsibilities under ISA 720 (Revised)²⁵. Comments were made that there is a risk of related expectation gaps arising or increasing with the growth in EER information being presented, and that the introduction of separate EER assurance engagements being undertaken, could increase confusion amongst users if there is overlap in responsibilities, between any such engagements and the financial statement audit, over the same EER information²⁶.
19. Others noted that ISA 720 (Revised) is sufficient in terms of a financial statement audit²⁷; however, there was much discussion of an ‘expectation gap’, indicating that some users’ expectations are that they can place reliance on the external financial statement audit, in order to obtain trust in the EER information.
20. While several respondents suggested the expectation gap could best be tackled by improving education of users or making the limitations of the ISAs more explicit²⁸, others indicated that, when EER information is included in the annual report, a separate EER assurance engagement and report may be needed to bridge the expectation gap²⁹. Some respondents indicated there was little present need for further assurance but that demand was likely to increase³⁰, particularly if the extent of the expectation gap were to be exposed³¹.

²⁴ **Regulators and Oversight Authorities:** IRBA; **National Auditing Standard Setters:** JICPA, NZAuASB; **Member Bodies:** CPAA, FACPCE, ICAZ, MICPA

²⁵ **National Auditing Standard Setters:** NZAuASB; **Accounting Firms:** DTT, KPMG; **Preparers of Financial Statements:** PAIB; **Member Bodies:** AE, ICAEW, ICAS, ICAZ

²⁶ **Accounting Firms:** DTT; **Member Bodies:** AE, CAANZ, CPAC, ICAS

²⁷ **Member Bodies:** ICAEW, SAICA

²⁸ **Preparers of Financial Statements:** PAIB; **Member Bodies:** CAANZ, CPAA, ICAEW; **Other Organisations:** IRC-SA

²⁹ **National Auditing Standard Setters:** JICPA, NZAuASB; **Member Bodies:** ICAZ, ASSIREVI, CPAA, MICPA, ACCA; **Individuals and Others:** JTGiraud

³⁰ **National Auditing Standard Setters:** ASB; **Accounting Firms:** PwC

³¹ **Member Bodies:** AE

21. All six respondents who explicitly addressed whether the responsibilities of the financial statement auditor should be further enhanced agreed that they should not be at the present time³²; reasons cited included:
- that EER was not sufficiently mature³³;
 - the lack of clear demand³⁴;
 - the need to involve regulators around the world to change auditors' responsibilities³⁵; and
 - the challenge raised by respondents that financial statement auditors may not possess the required in-depth specialist knowledge and skills to work with the wide range of topics covered in EER³⁶.
22. The general consensus from the responses was that the extent of assurance over EER information in the annual report should be decided by the market, initially by those charged with governance of reporting organisations and by investors in such organisations. Separately, regulators in specific jurisdictions may decide to impose specific requirements³⁷.
23. Respondents suggested the role of the IAASB at this time could be to promote the assurance services currently available, clearly articulating to users the scope, benefits, limitations and levels of assurance obtained under the ISAs and ISAEs³⁸.

See
Q4

Introducing guidance on the IAASB's existing international standards

24. There were twenty nine respondents to this question. Twenty eight respondents³⁹ explicitly supported the idea to introduce guidance for applying the IAASB's existing international assurance standards, principally ISAE 3000 (Revised)⁴⁰. Generally, this was the preferred option to introducing a new standard. Only one respondent⁴¹ explicitly disagreed with this approach, explaining that guidance on using existing standards would not be sufficient to deal

³² **National Auditing Standard Setters:** JICPA; **Accounting Firms:** EYG, PwC; **Member Bodies:** AE, ICAEW, ICAS

³³ **Accounting Firms:** EYG; **Member Bodies:** AE

³⁴ **Member Bodies:** ICAEW, ICAS

³⁵ **Member Bodies:** ICAEW

³⁶ **Regulators and Oversight Authorities:** IRBA; **National Auditing Standard Setters:** JICPA; **Accounting Firms:** EYG, PwC, DTT

³⁷ **Member Bodies:** ACCA, AE, ASSIREVI, ICAEW, ICAS; **Other Organisations:** IRC-SA

³⁸ **Preparers of Financial Statements:** PAIB; **Member Bodies:** CAANZ; **Other Organisations:** IRC-SA

³⁹ **Investors and Analysts:** PRI; **Regulators and Oversight Authorities:** FRC, IRBA; **National Auditing Standard Setters:** ASB, AUASB, CNCC-CSOEC, IDW, JICPA, MAASB, NBA, NZAuASB; **Accounting Firms:** DTT, EYG; **Member Bodies:** AE, ACCA, ASSIREVI, CAANZ, CPAC, CPAA, EFAA, FACPCE, ICAEW, ICAS, MICPA, SAICA; **Other Organisations:** IRC-SA; **Individuals and Others:** JTGiraud, DJuvenal

⁴⁰ International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

⁴¹ **Accounting Firms:** CH

with new types of EER, and that a new standard should be developed now. Others indicated that a new standard(s) should be a longer-term goal⁴².

25. Some respondents⁴³, from jurisdictions where EER is more established, suggested guidance was urgently needed. Not acting now, they suggested, could mean the IAASB risks losing its position of influence in these regions⁴⁴.
26. The reasons given for supporting the need for guidance to support practitioners instead of new standards included that guidance would provide flexibility as EER and frameworks continue to develop⁴⁵ and that there was insufficient practical experience yet to support the creation of a standard⁴⁶. One National Auditing Standard Setter⁴⁷ shared its experience of deciding whether to introduce a sustainability assurance standard for attestation engagements. Its final decision was that developing guidance to support practitioners in applying an existing attestation standard (since converged with ISAE 3000 (Revised)) was the best approach. This was because there are no authoritative standards or frameworks for sustainability reporting, and that they “*could not identify any significant specific requirements beyond those in [their] existing attestation standard*”.
27. Of those twenty eight respondents in favour of guidance overall, many were in support of guidance being extended to cover agreed-upon procedures and compilation engagements, with fifteen explicitly stating they would be in favour of this⁴⁸. However, some were not in support of such extension, with four saying that this was an unnecessary step⁴⁹. The general consensus from the responses was that guidance for ISAE 3000 (Revised) should be the priority.
28. Some respondents suggested ways in which guidance could be developed, including one suggestion of commissioning other bodies to develop guidance in light of the IAASB’s limited resources⁵⁰.
29. A number of potential risks and pitfalls of introducing guidance were also identified by one or more respondents:
 - Guidance from the IAASB might be seen as too authoritative, even if it was technically not mandatory. There is a danger that if guidance is too prescriptive, innovation in this rapidly developing area might be restricted⁵¹.

⁴² **National Auditing Standard Setters:** NBA; **Member Bodies:** CPAA

⁴³ **National Auditing Standard Setters:** AUASB, NZAuASB; **Member Bodies:** CPAC

⁴⁴ **National Auditing Standard Setters:** NZAuASB

⁴⁵ **National Auditing Standard Setters:** ASB, AUASB

⁴⁶ **Member Bodies:** ICAEW

⁴⁷ **National Auditing Standard Setters:** ASB

⁴⁸ **National Auditing Standard Setters:** AUASB, CNCC-CSOEC, IDW, NBA, NZAuASB; **Accounting Firms:** EYG; **Member Bodies:** AE, ACCA, ASSIREVI, CAANZ, CPAC, EFAA, ICAS, SAICA; **Individuals and Others:** JTGiraud

⁴⁹ **National Auditing Standard Setters:** ASB, JICPA, MAASB; **Member Bodies:** CPAA

⁵⁰ **Member Bodies:** ICAEW

⁵¹ **Accounting Firms:** PwC; **Member Bodies:** ICAEW

- There is a risk that guidance may quickly become out of date and therefore irrelevant. Practitioners could effectively become restricted in future as to the services they can provide if the guidance is no longer aligned to the latest best practice⁵⁰.
- Focussing on developing guidance might distract the IAASB and others from thinking more holistically about the issue. Guidance might encourage ‘shoe-horning’ engagements into existing standards when in the longer term producing an entirely new standard might be more appropriate⁵².
- Guidance must be scalable so that it is proportionally appropriate to all sizes of organisation⁵³.

30. The responses noted that in some jurisdictions guidance had already been (or was in the process of being) devised as to how practitioners should apply existing IAASB standards to certain types of EER. These jurisdictions included Germany, the USA and the UK⁵⁴.

See
Q5

Usefulness of subject-matter specific assurance standard ISAE 3410

31. Twenty eight respondents answered question 5, all of which responded to question 5(a) and only six of which responded to question 5(b).
32. The responses that addressed question 5(a) identified that, although ISAE 3410 is used in some specific jurisdictions, it seems not to be in widespread usage globally (see Figure 1), and that, where it is used, this is often in conjunction with ISAE 3000 (Revised), rather than on its own.
33. The reasons given for this in responses that addressed question 5(a) included the following:
- There is limited demand for assurance engagements relating to Greenhouse Gas (GHG) Statements where there are no regulatory requirements for GHG reporting⁵⁵;
 - Where GHG reporting is more common, often the demand or requirement is for broader sustainability reporting, and hence the need for an assurance engagement is wider than the narrow scope of ISAE 3410. This was one of the main reasons why ISAE 3000 (Revised) is used either instead of, or in conjunction with, ISAE 3410 in some jurisdictions⁵⁶.

⁵² **National Auditing Standard Setters:** NZAuASB; **Accounting Firms:** PwC; **Other Organisations:** IRC-SA
Member Bodies: EFAA

⁵⁴ **National Auditing Standard Setters:** ASB, IDW; **Member Bodies:** ICAEW

⁵⁵ **Accounting Firms:** EYG; **Member Bodies:** CAANZ

⁵⁶ **Regulators and Oversight Authorities:** FRC; **National Auditing Standard Setters:** AUASB; **Accounting Firms:** CH, DTT, PwC; **Member Bodies:** AE, CPAA, ICAEW

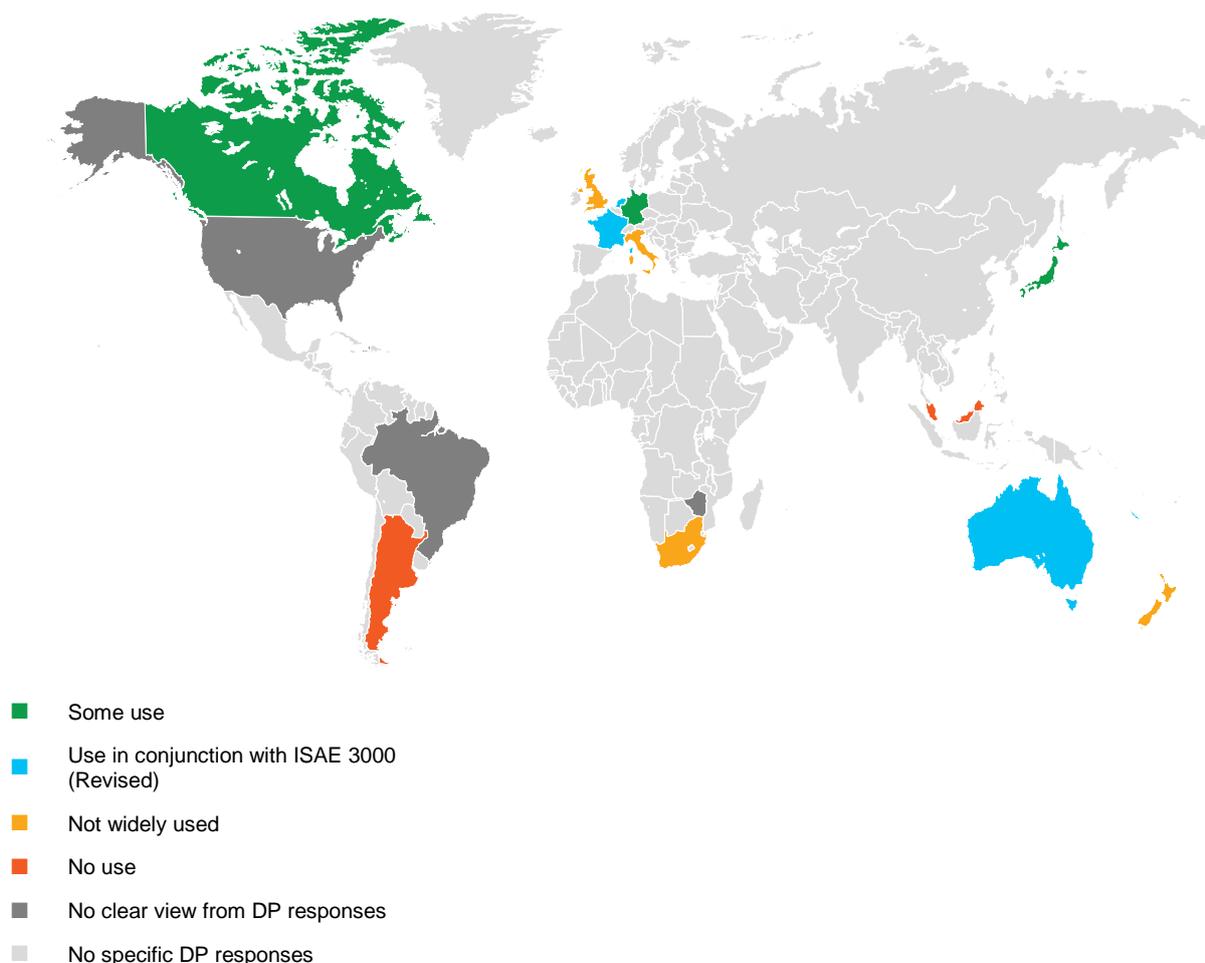


Figure 1: Country specific use of ISAE 3410 (based on country-specific DP responses)⁵⁷

34. Some of the larger accounting firms⁵⁸ noted that ISAE 3410 had, however, been useful, including by applying the material within it to develop methodologies for broader assurance engagements outside of its direct scope.
35. In responding to question 5(b), six respondents explicitly said no other pronouncement from the IAASB was required specific to GHG reporting either at all or, in one case, not at the present time⁵⁹ and the remaining respondents did not directly address question 5(b). Some called for guidance on how ISAE 3000 (Revised) can be applied in specific ways rather than the issuance of new subject-matter specific assurance standards in this area⁶⁰.

⁵⁷ Responses from global and regional respondents have not been included in the map; however, they indicate a pattern consistent with that presented in the map.

⁵⁸ **Accounting Firms:** DTT, EYG, PwC

⁵⁹ **Regulators and Oversight Authorities:** FRC; **National Auditing Standard Setters:** ASB, CNCC-CSOEC, NZAuASB; **Member Bodies:** AE, ICAEW

⁶⁰ **National Auditing Standard Setters:** CNCC-CSOEC; **Member Bodies:** AE

See
Q6**Developing further subject-matter specific assurance standards**

36. The majority of respondents agreed with the DP that it is too early to develop a subject-matter specific assurance engagement standard on EER or particular EER frameworks. Twenty eight of the responses included a statement explicitly agreeing with the DP's assertion⁶¹, and three disagreed⁶². The remaining eight responses did not directly address this question.
37. The DP suggested it was too early to develop an assurance standard because of the stage of development of EER frameworks and related standards. Respondents gave this and the following other reasons as to why they agreed with the suggested approach of not developing a new assurance standard at the present time:
- EER frameworks are still evolving⁶³;
 - Entities do not have sufficiently mature reporting systems, controls and oversight⁶⁴;
 - A new standard would impose rigidity and inflexibility in performing assurance engagements⁶⁵;
 - Entities are not following existing reporting frameworks uniformly⁶⁶;
 - ISAE 3000 (Revised) is sufficient for the time being⁶⁷;
38. The three parties disagreeing with the DP's suggested approach either said that there was a need for consistency in the assurance undertaken in respect of EER reports, and hence a new standard could be useful in achieving this⁶⁸, or that there was a need for the IAASB to address the assurance requirements by adapting standards given growing significance of EER frameworks and EER information⁶⁹.

⁶¹ **Regulators and Oversight Authorities:** FRC, IRBA; **Those Charged with Governance:** IIA; **National Auditing Standard Setters:** ASB, AUASB, CNCC-CSOEC, IDW, JICPA, MAASB, NBA, NZAuASB; **Accounting Firms:** DTT, EYG, MS, PwC; **Preparers of Financial Statements:** PAIB; **Member Bodies:** AE, ACCA, ASSIREVI, CAANZ, CPAC, EFAA, FACPCE, ICAEW, ICAS, ICAZ, MICPA, SAICA

⁶² **Accounting Firms:** CH; **Member Bodies:** CPAA; **Individuals and Others:** JTGiraud

⁶³ **Regulators and Oversight Authorities:** FRC; **Those Charged with Governance:** IIA; **National Auditing Standard Setters:** ASB, AUASB, JICPA; **Accounting Firms:** PwC; **Member Bodies:** CAANZ, CPAC, ICAS, ICAZ, MICPA

⁶⁴ **National Auditing Standard Setters:** CNCC-CSOEC, JICPA, NBA; **Accounting Firms:** PwC; **Member Bodies:** AE, CAANZ, CPAC

⁶⁵ **National Auditing Standard Setters:** AUASB, CNCC-CSOEC; **Accounting Firms:** PwC; **Member Bodies:** AE, ASSIREVI, CAANZ

⁶⁶ **National Auditing Standard Setters:** CNCC-CSOEC; **Preparers of Financial Statements:** PAIB; **Member Bodies:** AE, ACCA, ICAEW

⁶⁷ **National Auditing Standard Setters:** CNCC-CSOEC; **Member Bodies:** AE, ASSIREVI, ICAEW, SAICA

⁶⁸ **Member Bodies:** CPAA

⁶⁹ **Accounting Firms:** CH; **Individuals and Others:** JTGiraud

See
Q7**Ten key challenges in relation to EER assurance engagements****The Ten Key Challenges**

- | | |
|--|--|
| 1. Scoping EER assurance engagements | 6. Narrative information |
| 2. Suitability of criteria | 7. Future-oriented information |
| 3. Materiality | 8. Professional skepticism and professional judgment |
| 4. Building assertions in planning and performing the engagement | 9. Competence of practitioners performing the engagement |
| 5. Maturity of governance and internal control processes | 10. Form of the assurance report |

39. All thirty respondents⁷⁰ who directly answered question 7(a) agreed with the analysis of the key challenges. A further three respondents answered question 7 without expressing explicit agreement or disagreement of the analysis of the challenges⁷¹, and the remaining six respondents did not answer question 7.
40. None of the respondents responding directly to question 7(b) disagreed with the DP's suggestion that guidance would be helpful. Twenty respondents explicitly expressed that receiving guidance would be helpful in addressing all ten challenges identified⁷², with the others giving less specific answers that did not indicate whether they would like guidance or not on specific challenges.
41. Twenty six of the respondents⁷³ expressed some form of suggested priority, either by ranking all the challenges or by indicating those that the IAASB should address with priority. There was a wide range of responses; each of the challenges was considered high priority by at least three respondents, with the suggested priority level varying widely for each challenge. With some of the challenges, a similar number of respondents ranked a challenge high priority as the number ranking it a lower priority.

⁷⁰ **Investors and Analysts:** PRI; **Regulators and Oversight Authorities:** FRC; **National Auditing Standard Setters:** ASB, CNCC-CSOEC, IDW, JICPA, MAASB, NBA, NZAuASB; **Accounting Firms:** CH, DTT, EYG, KPMG, MS, PwC; **Preparers of Financial Statements:** PAIB; **Member Bodies:** AE, ACCA, ASSIREVI, CAANZ, CPAC, CPAA, EFAA, FACPCE, ICAEW, ICAS, ICAZ, MICPA, SAICA; **Individuals and Others:** DJuvenal

⁷¹ **Regulators and Oversight Authorities:** IRBA; **National Auditing Standard Setters:** AUASB; **Other Organisations:** IRC-SA

⁷² **Regulators and Oversight Authorities:** IRBA; **National Auditing Standard Setters:** ASB, AUASB, IDW, JICPA, NBA, NZAuASB; **Accounting Firms:** CH, DTT, MS, PwC; **Member Bodies:** ACCA, ASSIREVI, CAANZ, CPAA, EFAA, FACPCE, ICAZ, MICPA; **Individuals and Others:** DJuvenal

⁷³ **Regulators and Oversight Authorities:** IRBA, FRC; **National Auditing Standard Setters:** ASB, AUASB, IDW, JICPA, MAASB, NBA; **Accounting Firms:** CH, DTT, KPMG, MS; **Preparers of Financial Statements:** PAIB; **Member Bodies:** AE, ACCA, CAANZ, CPAC, CPAA, FACPCE, ICAEW, ICAS, ICAZ, SAICA; **Other Organisations:** IRC-SA; **Individuals and Others:** DJuvenal

42. In our analysis of the respondents’ ranking preferences (see Figure 2), where the challenges were numerically ranked in order of priority, a respondent’s top 3 challenges are categorised as ‘high’ priority, those ranked 4 to 7 as ‘medium’ priority, and challenges ranked 8 to 10 as ‘low’ priority.

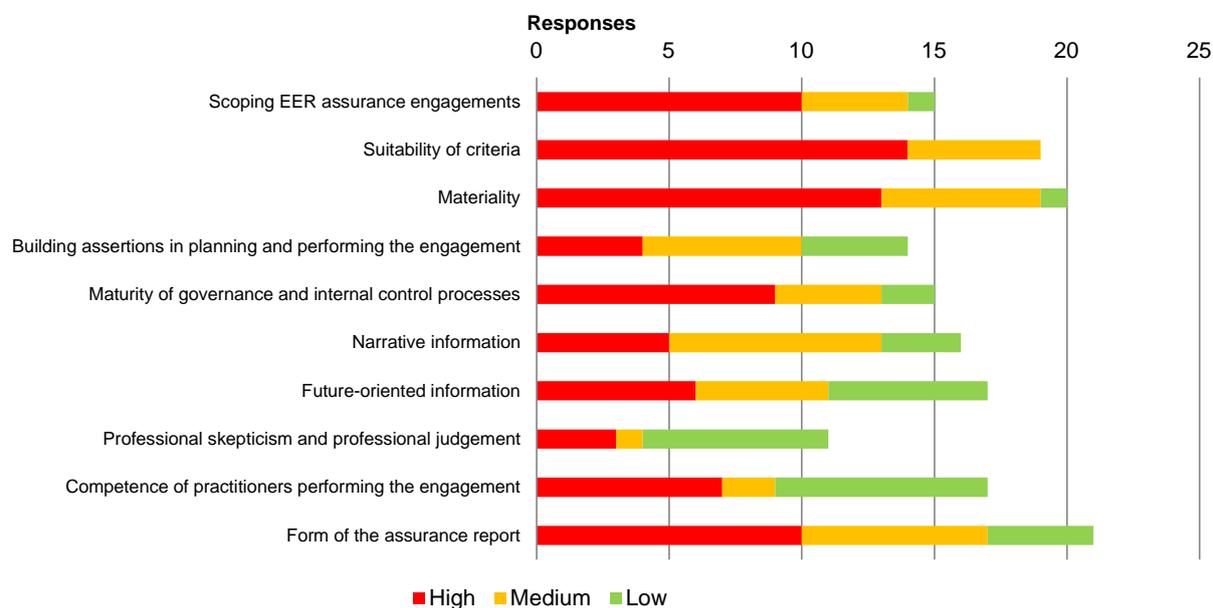


Figure 2: Suggested priority for the IAASB to address each challenge

43. Based on a combined consideration of the following two factors in respondents’ comments:

- (a) the number of respondents who identified each challenge; and
- (b) the number of respondents who gave each challenge a ‘high’ priority ranking,

the responses received are considered to suggest the following as the highest priority challenges overall:

- Suitability of criteria
- Materiality
- Form of the assurance report

44. Analysing the responses to this question by respondent category did not suggest significant variations in the conclusions; each group of respondents had similar overall views as to which challenges should be addressed by the IAASB with the highest priority.

Challenge 1: Scoping EER assurance engagements

45. Some respondents thought that addressing the challenge relating to scoping EER assurance engagements should be a priority for a variety of reasons:
- EER is very broad⁷⁴
 - there is a risk that those charged with governance will only seek assurance over selected parts of EER (perhaps due to cost reasons) resulting in the reporting not covering all material issues⁷⁵
 - where the scope of an assurance engagement is narrow, there are risks that users will misunderstand the limitations of the engagement⁷⁶
 - it is sometimes difficult for practitioners to assess whether the pre-conditions for an assurance engagement have been met⁷⁷.
46. Two accounting firms⁷⁸ disagreed and said ISAE 3000 (Revised) already provides a good basis for determining the scope of an EER assurance engagement, suggesting difficulties experienced in scoping were more due to practitioners being inexperienced with using international assurance standards, and that this should be overcome through education rather than by issuing guidance. One member body⁷⁹ indicated that it already provided guidance on scoping engagements under ISAE 3000 (Revised), and that it had a preference for the IAASB to share best practice guidance and examples prepared by others, rather than developing its own guidance.
47. Some respondents specifically requested guidance on the factors that should be considered when determining whether to accept an engagement, and also when the different types of assurance and other professional services are appropriate⁸⁰. Guidance was also requested on how to address the risk that performing an assurance engagement over a complete EER report might blur the role of the practitioner if the entity's governance and controls around that reporting are still being developed⁸¹.

⁷⁴ **Member Bodies:** CPAC

⁷⁵ **Member Bodies:** CAANZ

⁷⁶ **Member Bodies:** CPAA

⁷⁷ **Member Bodies:** CAANZ

⁷⁸ **Accounting Firms:** DTT, KPMG

⁷⁹ **Member Bodies:** ICAEW

⁸⁰ **National Auditing Standard Setters:** AUASB, NZAuASB; **Member Bodies:** CAANZ

⁸¹ **National Auditing Standard Setters:** NZAuASB

Challenge 2: Suitability of criteria

48. The challenge regarding suitability of criteria was considered by many respondents⁸² as a matter for the IAASB to address with high priority. Reasons given for this view include that assurance providers are exercising significant judgment in applying the principles of assurance engagements relating to the suitability of criteria⁸³. Consequently, some believe there is potential for a lack of consistency in creating and evaluating criteria, particularly when EER criteria are internally developed by an entity's management⁸⁴.

Challenge 3: Materiality

49. Many respondents said the challenge of materiality was one that the IAASB should address with a high priority⁸⁵. Reasons given for this view include, again, that practitioners exercise considerable judgment in this area and also that there is a risk of inconsistency in approaches across different practitioners around the world⁸⁶. As noted in the DP, key areas of difficulty are the lack of a common unit of measurement and the qualitative nature of much EER information. Some responses therefore included a request for guidance in this particular area, as well as how a practitioner should assess qualitative misstatements in aggregate⁸⁷.

Challenge 4: Building assertions in planning and performing the engagement

50. Although our analysis of responses as a whole suggests that respondents believe this challenge should be addressed by the IAASB with medium priority, one respondent expressed a concern that considerable inconsistency in approach by practitioners could develop without clear guidance, particularly given the differences when working with EER compared to financial statement audits (in relation to which practitioners typically have greater experience)⁸⁸.
51. Requests for guidance from respondents included specific reference to the following areas:
- Examples of typical assertions for EER engagements, to take into account considerations of accuracy, existence/occurrence, completeness, reliability, consistency and neutrality/balance⁸⁹.

⁸² **Regulators and Oversight Authorities:** FRC; **National Auditing Standard Setters:** IDW, JICPA, MAASB; **Accounting Firms:** KPMG; **Member Bodies:** ACCA, AE, CAANZ, CPAC, FACPCE, ICAEW, ICAS, ICAZ; **Other Organisations:** IRC-SA

⁸³ **Accounting Firms:** KPMG; **Member Bodies:** ICAEW

⁸⁴ **Regulators and Oversight Authorities:** FRC, IRBA; **National Auditing Standard Setters:** MAASB; **Member Bodies:** ICAZ, SAICA

⁸⁵ **Regulators and Oversight Authorities:** FRC; **National Auditing Standard Setters:** AUASB, JICPA, NBA; **Accounting Firms:** DTT, KPMG, MS; **Member Bodies:** AE, CPAA, CPAC, ICAEW, ICAS; **Other Organisations:** IRC-SA

⁸⁶ **Accounting Firms:** KPMG; **Member Bodies:** ICAEW

⁸⁷ **National Auditing Standard Setters:** AUASB; **Member Bodies:** CPAC, ICAEW, SAICA

⁸⁸ **Member Bodies:** ICAEW

⁸⁹ **Member Bodies:** CAANZ, SAICA

- How to design appropriate procedures to obtain sufficient evidence when working with different types of information (e.g., estimates, surveys, market data, big data analysis)⁹⁰.

Challenge 5: Maturity of governance and internal control processes

52. Some respondents agreed with the DP's suggestion that a lack of maturity of governance and internal control processes could create issues with practitioners assessing whether they could accept assurance engagements⁹¹. Respondents suggested that the IAASB was well positioned to provide guidance and encouragement to preparers to help them understand best practices in the preparation of EER information that would be appropriate subject matter information for an assurance engagement⁹².
53. One member body⁹³ suggested this challenge was not the responsibility of the IAASB or assurance providers, and that while guidance on how assurance providers could address this might be helpful, the IAASB should not be the body to issue such guidance as doing so might give rise to the risk of the guidance being taken as mandatory. Conversely, one accounting firm thought ISAE 3000 (Revised) already contained sufficient guidance to support adapting assurance engagements to entities with governance structures at various stages of maturity⁹⁴.

Challenge 6: Narrative information

54. Our analysis of the responses suggested addressing the challenge of narrative information should be a 'medium' priority. Respondents identified some overlap of the challenge of narrative information with other challenges (for example, materiality and building assertions)⁹⁵.
55. The specific requests for guidance in this area focussed on the evidence that practitioners should seek to obtain with respect to narrative disclosures, including the provision of illustrative examples⁹⁶.
56. One respondent⁹⁷ said it is too early to be addressing challenges 6 and 7 until EER frameworks are more mature, as it is unrealistic to expect practitioners to provide assurance on such information in the near future.

⁹⁰ **Accounting Firms:** KPMG; **Member Bodies:** CPAC

⁹¹ **National Auditing Standards Setters:** IDW; **Member Bodies:** ICAEW

⁹² **Regulators and Oversight Authorities:** IRBA; **Member Bodies:** CAANZ, CPAC

⁹³ **Member Bodies:** ICAEW

⁹⁴ **Accounting Firms:** KPMG

⁹⁵ **Accounting Firms:** KPMG; **Member Bodies:** AE

⁹⁶ **National Auditing Standard Setters:** NZAuASB; **Member Bodies:** SAICA

⁹⁷ **Member Bodies:** CPAC

Challenge 7: Future-oriented information

57. Some respondents thought that addressing this challenge should be a lower priority for the IAASB because ISAE 3400⁹⁸ already exists, although there were some calls for this standard to be updated to bring it into line with ISAE 3000 (Revised)⁹⁹.
58. Responses did, however, indicate concerns held by practitioners when dealing with future-oriented information, that their work might be misunderstood or give rise to unreasonable liabilities¹⁰⁰. Some of these respondents therefore called for guidance to address these concerns, along with further guidance and illustrative examples on how future-oriented information could be included in the scope of assurance engagements¹⁰¹.

Challenge 8: Professional skepticism and professional judgment

59. Challenges 8 and 9 were ranked by several respondents as lower priority to be addressed by the IAASB¹⁰², for reasons including that: if the other challenges were appropriately addressed, these two challenges would also be addressed indirectly¹⁰³; and if the other ‘challenges’ were not suitably overcome, practitioners should not be undertaking assurance engagements at all¹⁰⁴. However, for the latter of these two reasons, different respondents ranked these two challenges as the highest priority¹⁰⁵.
60. One accounting firm¹⁰⁶ suggested that guidance was not required for challenge 8 (professional skepticism and judgment) or challenge 9 (competence of practitioners), as these are areas financial statement auditors should already be familiar with and that these were not issues specific to EER.

Challenge 9: Competence of practitioners performing the engagement

61. In addition to the points raised under challenge 8, some respondents said that while the competence of practitioners was very important, there was no need for guidance or standards to be addressed in order to tackle this challenge, partly because there is already guidance on this topic in ISAE 3000 (Revised)¹⁰⁷.

⁹⁸ International Standard on Assurance Engagements 3400, *The Examination of Prospective Financial Information*

⁹⁹ **National Auditing Standard Setters:** NZAuASB; **Accounting Firms:** KPMG; **Member Bodies:** AE, CAANZ, ICAEW

¹⁰⁰ **National Auditing Standard Setters:** AUASB; **Accounting Firms:** DTT; **Member Bodies:** ICAEW

¹⁰¹ **National Auditing Standard Setters:** AUASB; **Member Bodies:** CAANZ

¹⁰² **National Auditing Standard Setters:** JICPA, NBA; **Accounting Firms:** KPMG; **Member Bodies:** ACCA, CAANZ, CPAA, CPAC, ICAEW; **Other Organisations:** IRC-SA

¹⁰³ **Member Bodies:** CPAC

¹⁰⁴ **Member Bodies:** ICAEW

¹⁰⁵ **Regulators and Oversight Authorities:** IRBA; **Member Bodies:** SAICA

¹⁰⁶ **Accounting Firms:** DTT

¹⁰⁷ **Accounting Firms:** KPMG; **Member Bodies:** ICAEW

62. Some responses stressed how critical having a competent engagement leader is to the success of an EER assurance engagement, and also noted a trend of some assurance practitioners electing to specialise in providing assurance engagements over EER, including non-accountants (e.g., lawyers, engineers and social psychologists)¹⁰⁸.
63. Some respondents did, however, suggest that guidance in how to assess the competence of practitioners, as well as the quality of an engagement would be helpful, including what competencies are needed for these types of engagements¹⁰⁹.

Challenge 10: Form of the assurance report

64. The challenge relating to the form of the assurance report was considered to be a high priority for the IAASB to address by many respondents¹¹⁰ for reasons that included the following:
- Detailed findings from engagements are commonly only shared internally with management, and these might be relevant and useful to other stakeholders if included in the public assurance report¹¹¹.
 - The belief of respondents that investors find it difficult to extract meaning or useful information from assurance reports, impacting demand for EER assurance¹¹².
 - Professionals' credibility as a whole can be called into question if reports are inconsistent or unclear¹¹³.
 - Standardised reports enhance comparability¹¹⁴.
 - Guidance could help practitioners move into the assurance market¹¹⁵.
 - The risk of a user expectation gap developing needs to be managed over the level of assurance provided with respect to EER information¹¹⁶.
65. One respondent indicated they would like guidance covering what should be reported to minimise the expectation gap regarding the level of assurance provided¹¹⁷. Guidance should also include illustrative examples of reports that
- explain the different levels of assurance;
 - explain what sections of the information the assurance covers;
 - explain who the assurance provider is (and evidence of their competence); and
 - give an informative summary of the work performed¹¹⁸.

¹⁰⁸ **National Auditing Standard Setters:** NZAuASB; **Member Bodies:** CAANZ

¹⁰⁹ **National Auditing Standard Setters:** NZAuASB; **Member Bodies:** ICAEW

¹¹⁰ **National Auditing Standard Setters:** ASB, MAASB; **Accounting Firms:** CH, KPMG; **Preparers of Financial Statements:** PAIB; **Member Bodies:** ACCA, AE, CAANZ, ICAS, MICPA

¹¹¹ **Member Bodies:** AE

¹¹² **National Auditing Standard Setters:** ASB

¹¹³ **National Auditing Standard Setters:** AUASB, NZAuASB; **Preparers of Financial Statements:** PAIB

¹¹⁴ **Other Organisations:** IRC-SA

¹¹⁵ **Member Bodies:** ICAEW

¹¹⁶ **Member Bodies:** CPAC

¹¹⁷ **Member Bodies:** CAANZ

One respondent commented that the level of assurance cannot be effectively communicated to users by merely reporting a summary of the procedures performed¹¹⁹.

66. As with challenge 1, one member body¹²⁰ indicated that it had started to provide best practice guidance for its members, and that it had a preference for the IAASB to share guidance and examples prepared by others rather than developing its own guidance.

Other key challenges and comments

67. Respondents made some suggestions for other key challenges, many of which were refinements or extensions to the challenges in the DP. Those mentioned by more than one respondent are summarised in the following table:

Challenge	Number of respondents	Related to originally proposed challenges
Establishing how to deal with completeness, balance and neutrality of EER information disclosed ¹²¹	6	1, 2, 3
Articulating the level of assurance provided and minimising expectation gaps ¹²²	5	10
Identifying the users ¹²³	5	1, 3, 10
Obtaining sufficient appropriate evidence ¹²⁴	3	4, 6, 7, 8
Measurement uncertainty ¹²⁵	2	3, 6, 7, 8
Use of experts ¹²⁶	2	1, 9
Cost of providing assurance ¹²⁷	2	1, 5

68. Some respondents noted the inter-relatedness of the challenges and made suggestions of how they could be combined or addressed together, for example challenges 1, 2 and 4 (Scoping EER assurance engagements, Suitability of criteria, Building assertions in planning and

¹¹⁸ **Regulators and Oversight Authorities:** IRBA; **National Auditing Standard Setters:** NZAuASB; **Accounting Firms:** DTT; **Preparers of Financial Statements:** PAIB; **Member Bodies:** CAANZ

¹¹⁹ **Member Bodies:** CPAA

¹²⁰ **Member Bodies:** ICAEW

¹²¹ **Regulators and Oversight Authorities:** IRBA; **National Auditing Standard Setters:** AUASB, MAASB, NBA; **Member Bodies:** ACCA, CAANZ

¹²² **National Auditing Standard Setters:** MAASB, NBA; **Accounting Firms:** DTT, PwC; **Member Bodies:** CPAA

¹²³ **National Auditing Standard Setters:** CNCC-CSOEC, JICPA; **Member Bodies:** ACCA, CAANZ, CPAA

¹²⁴ **Regulators and Oversight Authorities:** IRBA; **National Auditing Standard Setters:** IDW; **Accounting Firms:** EYG

¹²⁵ **National Auditing Standard Setters:** ASB; **Accounting Firms:** DTT

¹²⁶ **Accounting Firms:** DTT; **Member Bodies:** SAICA

¹²⁷ **National Auditing Standard Setters:** MAASB; **Member Bodies:** SAICA

performing the engagement)¹²⁸ or challenges 6 and 7 (Narrative information, Future-oriented information)¹²⁹.

See
Q8

Potential demand for assurance engagements and other professional services

69. Thirty three respondents gave a response to question 8 and the general consensus was that demand will increase as EER becomes more widespread. Only two respondents indicated that they did not expect there to be substantial user demand in the foreseeable future¹³⁰. Some respondents indicated that there was already user demand for EER assurance engagements in some markets and jurisdictions¹³¹.
70. Many suggested that the principal barriers to current low demand for EER assurance engagements are related more to the immaturity of reporting frameworks and the current low level of regulatory requirements for EER, than to user concerns arising from the Ten Key Challenges¹³². The cost of assurance was mentioned by several respondents as being another key barrier¹³³.
71. Respondents expressed that demand was likely to come from both internal and external users. Some responses indicated that initially external demand from investors would increase the number of voluntary engagements obtained¹³⁴, particularly by larger, public interest organisations¹³⁵. One respondent indicated that investor demand could be enhanced by addressing the ten key challenges¹³⁶.
72. Others suggested that demand for assurance engagements would remain limited unless legal or regulatory requirements were introduced¹³⁷. Respondents were, however, wary about introducing significant regulatory requirements at this time, for fear of stifling innovation in EER¹³⁸, and potentially reducing the usefulness of EER information if it were required to be prepared in pre-defined formats¹³⁹.

¹²⁸ **National Auditing Standard Setters:** AUASB, CNCC-CSOEC

¹²⁹ **National Auditing Standard Setters:** AUASB, CNCC-CSOEC; **Member Bodies:** CPAA

¹³⁰ **Those Charged with Governance:** IIA; **Individuals and Others:** DJuvenal

¹³¹ **National Auditing Standard Setters:** AUASB; **Accounting Firms:** MS; **Member Bodies:** ASSIREVI, ICAEW

¹³² **Regulators and Oversight Authorities:** IRBA; **National Auditing Standard Setters:** AUASB, MAASB; **Accounting Firms:** DTT, PwC; **Member Bodies:** CAANZ, CPAA, EFAA, ICAEW; **Individuals and Others:** DJuvenal

¹³³ **Regulators and Oversight Authorities:** IRBA; **National Auditing Standard Setters:** ASB, AUASB, IDW; **Accounting Firms:** DTT, EYG; **Member Bodies:** SAICA

¹³⁴ **National Auditing Standard Setters:** ASB; **Member Bodies:** AE

¹³⁵ **Preparers of Financial Statements:** PAIB; **Member Bodies:** ACCA

¹³⁶ **Investors and Analysts:** PRI

¹³⁷ **National Auditing Standard Setters:** ASB, JICPA; **Accounting Firms:** EYG; **Member Bodies:** CPAC, MICPA

¹³⁸ **National Auditing Standard Setters:** AUASB, NBA, NZAuASB; **Member Bodies:** AE, CAANZ

¹³⁹ **Member Bodies:** AE

73. Respondents indicated that there is also likely to be an increasing uptake of other professional services where these are appropriate and sufficient to satisfy the needs and demands of users of EER information, alongside the growth in demand for assurance engagements¹⁴⁰. Those services most mentioned by respondents included agreed-upon procedures, compilation and external opinion reports. Such services might be more attractive to smaller organisations than assurance engagements¹⁴¹.

See
Q9

Collaboration with other organisations

74. 31 respondents gave a response to question 9. Respondents suggested a wide range of different organisations with which they believe the IAASB should collaborate. The table below lists organisations most frequently identified in the responses:

Organisation	Number of respondents
International Integrated Reporting Council (IIRC)	14
Global Reporting Initiative (GRI) & Global Sustainability Standards Board (GSSB)	12
World Business Council for Sustainable Development (WBCSD)	7
International Corporate Governance Network (ICGN)	5
International Organisation for Standardization (ISO)	4
Sustainability Accounting Standards Board (SASB)	4
Corporate Reporting Dialogue	4
International Accounting Standards Board (IASB) & Financial Accounting Standards Board (FASB)	3
International Organisation of Securities Commissions (IOSCO)	3
International Accounting Education Standards Board (IAESB)	3
Carbon Disclosure Project (CDP)	2
Generic types of organisation	
National Standard Setters	5
Regulators	3
Professional Bodies	2

¹⁴⁰ **National Auditing Standard Setters:** IDW; **Accounting Firms:** PwC; **Member Bodies:** AE, ACCA, CAANZ, ICAEW

¹⁴¹ **Member Bodies:** ACCA

75. As shown above, many respondents suggested continued collaboration with the International Integrated Reporting Council (IIRC). Some suggested this would be valuable if the IAASB seeks to develop guidance on providing assurance engagements for EER information prepared under frameworks developed by the IIRC¹⁴².
76. Given that sustainability reporting is an important area of EER, many respondents also recommended collaboration with the Global Reporting Initiative (GRI) and the World Business Council for Sustainable Development (WBCSD) to take advantage of the work they have undertaken in this area.
77. A number of other national and regional organisations were mentioned by only one respondent, as well as the following international organisations:
- CFA Institute
 - Climate Bonds Initiative
 - Financial Stability Board
 - G20 / B20
 - Global Ecolabelling Network
 - Green Bonds Principles (International Capital Market Association)
 - Institute of Internal Auditors
 - International Accreditation Forum
 - International Directors Network
 - International Organisation of Supreme Audit Institutions (INTOSAI)
 - International Stock Exchange Network
 - ISEAL Alliance
 - Organization for Economic Co-operation and Development (OECD)
 - United Nations Global Compact
 - UN-supported Principles for Responsible Investing Initiative

Ways forward suggested by respondents

78. Some respondents suggested approaches that the IAASB could adopt to progress its work in this area. These views largely varied depending on the region of the respondent, reflecting the different stages of development that EER and related assurance engagements are at in different jurisdictions around the world. For example respondents from Australia and New Zealand encouraged the IAASB to act urgently by issuing guidance and illustrative examples to address the identified key challenges¹⁴³. One other respondent appreciated that the IAASB may have higher priority projects for which it should utilise its limited resources to work on in the next few years¹⁴⁴.

¹⁴² **Preparers of Financial Statements:** PAIB; **Member Bodies:** ACCA

¹⁴³ **National Auditing Standard Setters:** NZAuASB; **Member Bodies:** CAANZ

¹⁴⁴ **Regulators and Oversight Authorities:** FRC

79. While the overall conclusion from the responses is agreement with the DP's suggested approach of pursuing non-mandatory guidance rather than the development of new assurance standards at the present time, some responses suggested that at some point in the future a bolder and more radical approach might be required¹⁴⁵.
80. There is support from some respondents for the IAASB to continue to provide thought leadership on assurance issues in relation to EER¹⁴⁶.
81. A key theme of the responses is that any approach taken by the IAASB should not risk stifling innovation and experimentation as EER frameworks mature, and assurance engagements evolve to respond to market needs and demands. This is a key reason behind the support for not introducing detailed standards and regulations at the present time, so as not to create inflexibility for preparers and assurance practitioners in relation to EER¹⁴⁷. However it was suggested that there is a need for some consistency in approaches and that helping to achieve this is where guidance and the sharing of illustrative examples, alongside collaboration with other relevant bodies and organisations, could be most helpful.

¹⁴⁵ **Accounting Firms:** CH, PwC

¹⁴⁶ **Regulators and Oversight Authorities:** FRC; **Accounting Firms:** EYG

¹⁴⁷ **Accounting Firms:** DTT, PwC; **Member Bodies:** AE, ICAS

Appendix I

List of Respondents to the Discussion Paper

#	Abbrev.	Respondent (39)	Region
Investors and Analysts (1)			
1.	PRI	Principles for Responsible Investment	GLOBAL
Regulators and Oversight Authorities (2)			
2.	FRC	Financial Reporting Council (UK)	EU
3.	IRBA	Independent Regulatory Board for Auditors (South Africa)	MEA
Those Charged with Governance (1)			
4.	IIA	Institute of Internal Auditors	GLOBAL
National Auditing Standard Setters (8)			
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 – Royal Netherlands Institute of Chartered Accountants	EU
12.	NZAuASB	New Zealand Auditing and Assurance Standards Board	AP
Accounting Firms (6)¹⁴⁸			
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
17.	MS	Moore Stephens LLP (UK)*	EU
18.	PwC	PricewaterhouseCoopers Network of Firms*	GLOBAL
Preparers of Financial Statements (1)			
19.	PAIB	IFAC Professional Accountants in Business Committee	GLOBAL
Member Bodies (13)			
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	EU

¹⁴⁸ 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.

		Wales	
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
Other Professional Bodies (1)			
33.	SMPC	IFAC Small and Medium Practices Committee	GLOBAL
Other Organizations (1)			
34.	IRC-SA	Integrated Reporting Committee of South Africa	MEA
Academics (1)			
35.	DU	Deakin University	AP
Individuals and Others (4)			
36.	CBarnard	Chris Barnard	EU
37.	JTGiraud	Jean Thomas Giraud	NA
38.	DJuvenal	Denise Juvenal	SA
39.	GStorm	Gertjan Storm (European Partners for the Environment)	EU

Appendix II

Questions asked in the Discussion Paper

Q1	Section III describes factors that enhance the credibility of EER reports and engender user trust.	<ul style="list-style-type: none"> a. Are there any other factors that need to be considered by the IAASB? b. If so, what are they?
Q2	Sections II and IV describe different types of professional services that are either currently performed or could be useful in enhancing credibility and trust.	<ul style="list-style-type: none"> a. Are there other types of professional services the IAASB needs to consider, that are, or may in future be, relevant in enhancing credibility and trust? b. If so, what are they?
Q3	Paragraphs 23–26 of Section II describe the responsibilities of the auditor of the financial statements under ISA 720 (Revised) with respect to the other information included in the annual report.	<ul style="list-style-type: none"> a. Is this sufficient when EER information is included in the annual report; or b. Is there a need for assurance or other professional services, or for further enhancement of the responsibilities of the financial statement auditor, to enhance credibility and trust when EER information is in the annual report?
Q4	Section IV describes the different types of engagements covered by the IAASB's International Standards and Section V suggests that the most effective way to begin to address these challenges would be to explore guidance to support practitioners in applying the existing International Standards for EER assurance engagements.	<ul style="list-style-type: none"> a. Do you agree? b. If so, should the IAASB also explore whether such guidance should be extended to assist practitioners in applying the requirements of any other International Standards (agreed-upon procedures or compilation engagements) and, if so, in what areas? (For assurance engagements, see Q6-7) c. If you disagree, please provide the reasons why and describe what other action(s) you believe the IAASB should take.
Q5	The IAASB would like to understand the usefulness of subject-matter specific assurance standards. ISAE 3410, a subject matter specific standard for assurance engagements relating to Greenhouse Gas Statements, was issued in 2013.	<ul style="list-style-type: none"> a. Please indicate the extent to which assurance reports under ISAE 3410 engagements are being obtained, issued or used in practice by your organization. b. If not to any great extent, why not and what other form of pronouncement from the IAASB might be useful?
Q6	Section V suggests it may be too early to develop a subject-matter specific assurance engagement standard on EER or particular EER frameworks due to the current stage of development of EER frameworks and related standards.	Do you agree or disagree and why?

<p>Q7</p>	<p>Section V describes assurance engagements and the Ten Key Challenges we have identified in addressing EER in such engagements (see box below) and suggests that the most effective way to begin to address these challenges would be to explore guidance to support practitioners in applying the IAASB's existing International Standards to EER assurance engagements.</p>	<ol style="list-style-type: none"> a. Do you agree with our analysis of the key challenges? b. For each key challenge in Section V, do you agree that guidance may be helpful in addressing the challenge? c. If so, what priority should the IAASB give to addressing each key challenge and why? d. If not, why and describe any other actions that you believe the IAASB should take. e. Are there any other key challenges that need to be addressed by the IAASB's International Standards or new guidance and, if so, what are they, and why?
<p>Q8</p>	<p>The IAASB wishes to understand the impact on potential demand for assurance engagements, if the Ten Key Challenges we have identified can be addressed appropriately, and in particular whether:</p> <ul style="list-style-type: none"> • Doing so would enhance the usefulness of EER assurance engagements for users • Such demand would come from internal or external users or both • There are barriers to such demand and alternative approaches should be considered. 	<ol style="list-style-type: none"> a. Do you believe that there is likely to be substantial user demand for EER assurance engagements if the key challenges can be appropriately addressed? b. If so, do you believe such demand: <ol style="list-style-type: none"> i. Will come from internal or external users or both? ii. Will lead to more EER assurance engagements being obtained voluntarily or that this outcome would require legal or regulatory requirements? c. If not, is your reasoning that: <ol style="list-style-type: none"> i. EER frameworks and governance will first need to mature further? ii. Users would prefer other type(s) of professional services or external inputs (if so, what type(s) – see box below for examples of possible types)? iii. There are cost-benefit or other reasons (please explain)?
<p>Q9</p>	<p>The IAASB would like to understand stakeholder views on areas where the IAASB should be collaborating with other organizations in relation to EER reporting.</p>	<p>For which actions would collaboration with, or actions by, other organizations also be needed?</p>