Emerging Forms of External Reporting

Marek Grabowski , Board Member and IRWG Chair

IAASB Meeting, New York

Agenda Item 4

October 25, 2017

IAASB International Auditing and Assurance Standards Board

- Introduction
  - Working Group
  - Previous Board Discussions
  - Recent Outreach

- Detailed Summary of Responses to the DP – Agenda Item 4-B

- Project Proposal – Agenda Item 4-C

- Proposed Feedback Statement – Agenda Item 4-D

Integrated Reporting Working Group

| Merran Kelsall | Ron Salole | Sue Almond |

| Sandy van Esch | Beth Schneider | Marek Grabowski |

SEP 2014 ➜ IRWG Established

JUL 2015 ➜ Stakeholder Update

AUG 2016 ➜ DP Published

JUN 2017 ➜ Preliminary Analysis of Responses

SEP 2017 ➜ WBCSD Presentation and Brief Update on Funding
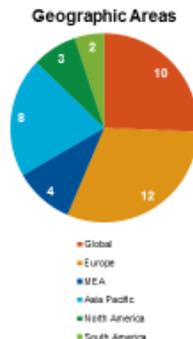
OCT 2017 ➜ Project Proposal

- October
  - WBCSD – Council Meeting – Mexico City – Matt
  - IASB – Leadership Meeting – London – Arnold, Marek, Rich
  - IIRC – Council Meeting – Amsterdam – Arnold
  - IIRC – Staff – Marek
  - PIOB – Madrid – Arnold
- September – CAG – Madrid
- June – NSS – New York

Detailed Summary of Responses to the DP – Agenda Item 4-B

- Preliminary Analysis Presented June

- Further analysis and review by WG

- Agenda Item 4-B

- No new issues identified

- Broad support for our proposals in DP:
  - Four Factor Model
  - Professional Services being provided
  - Ten Key Challenges
  - Proposed Next Steps: Guidance not New Standards

Detailed Summary of Responses to the DP – Overview of Key Messages

- Profession a high proportion of respondents but broader support from outreach

- Global variations in stage of development and usage of EER and assurance

- Whilst ISAE 3410 useful, little demand for further subject matter standards

- Guidance helpful for each Key Challenge but wide range of views on priorities

- Most cited/significant priorities: Criteria, Materiality and Assurance Report

- General view that demand for assurance would increase as EER evolves

- Caution to avoid action that would stifle innovation

- Co-ordinate work with other key organizations

- Continue to provide thought leadership on assurance

Board Comments or Questions on Agenda Item 4-B?

Project to develop new non-authoritative guidance to address the Ten Key Challenges, which arise in the performance of assurance engagements over EER in applying ISAE 3000 (Revised)

Walk Through Project Proposal – Agenda Item 4-C – Sections I to III

- **Sections I and II – Subject Matter and Background information**

- **Section III - Project Objectives, Scope and Focus**
  - **Outcome based objective**

  - **Delivered through outputs: Guidance – Thought Leadership[1] – Co-ordination and Collaboration**

  - **Scope: Non-authoritative Guidance not Standards**

  - **Focus: Guidance relating to ISAE 3000 engagements**

  - **Grant Funding (WBCSD)**

  - **Two phases as funding initially available to 31 December 2018**

  - **Phase 2 contingent on availability and allocation of resources (ideally not interrupted)**

  - **Allocation of Issues between Two Phases**

  - **ED of Guidance on Phase 1 allocated issues at end of that Phase, to meet funding requirement**

  F/N 1 – to include published standalone resource with updated version of Four Key Factors Model

- **Section III – How the Project Serves the Public Interest**
  - **Guidance would:**
    - Engender more consistent practitioner response to Ten Key Challenges
    - Provide a basis for greater credibility and trust in EER reports by stakeholders
  - **Growing public expectations that entities should provide EER reports**
  - **Growing voluntary issuance of EER reports and some jurisdictional requirements**
  - **Expectation that demand for assurance will follow**
  - **Guidance may help address barriers to investor demand for assurance engagements (PRI)**
  - **IRWG believes:**
    - There is a reasonable prospect that demand for assurance will develop as EER frameworks mature
    - Development of such demand may in part depend on addressing the Ten Key Challenges
    - Ten Key Challenges likely to affect consistency of performance of, and stakeholder trust in, EER assurance engagements

- **Section IV – Outline of Project**
  - **Major Issues to be addressed – Matters relating to the Ten Key Challenges identified in the DP, taking into account relevant particular observations of respondents (Appendix 2)**

  - **Impact Analysis**

  - **Implications for specific persons or groups**

Walk Through Project Proposal – Agenda Item 4-C – Section V

- **Section V – Development Process, Timetable and Project Output**
  - **Development process:**
    - **Normal Due Process**
    - **Program of Collaboration**
    - **Stakeholder Conference/Roundtables (Q4-2018)**
  - **Project Timetable**
  - **Ultimate Project Output (Combined Non-authoritative Guidance on Phases 1 and 2 issues – form to be determined by IAASB)**
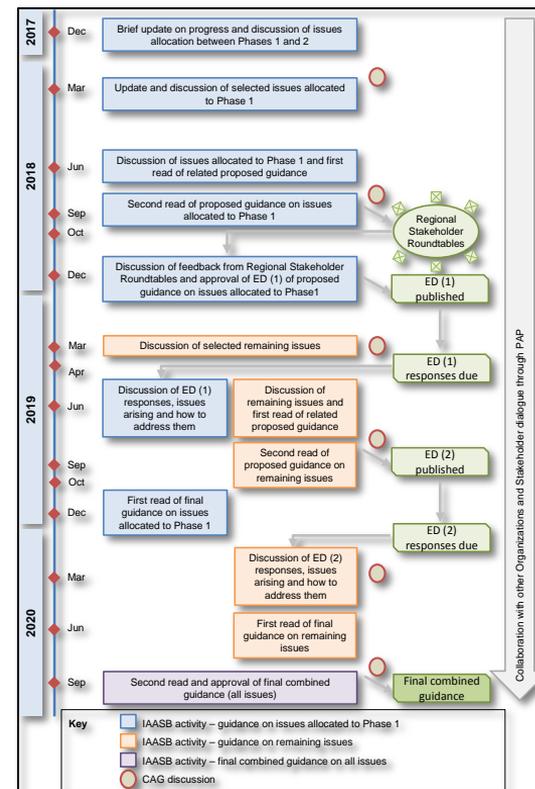
Walk Through Project Proposal – Agenda Item 4-C – Sections VI and VII

- **Section VI – Resources Required**
  - **Phase 1 (through 31 December 2018), subject to confirmation of Grant Funding (agreed in principle)**
  - **Project Task Force (TF)**
    - **Four IAASB members, diverse backgrounds and relevant experience**
    - **TF Observers – WBCSD and small number of other key collaborators (role of observers)**
  - **Project Advisory Panel – Public call for nominations (15 to 20)**
  - **Grant Funding – Summary of arrangements and how IAASB's independence is secured (Appendix 3)**

- **Section VII – Other Risks and Opportunities**
  - **Risk of putting project on hold at 31 December 2018**
  - **Risks relating to Grant Funding**
  - **Opportunities for insights relevant to performance of an audit under the ISAs**

Project Proposal – Questions for the Board

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 18 of the Project Proposal?

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**)?

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