

Discussion Paper
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Integrated Reporting Working Group

Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements

IAASB

International Auditing
and Assurance
Standards Board

About the IAASB

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The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC).

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SUPPORTING CREDIBILITY AND TRUST IN EMERGING FORMS OF EXTERNAL REPORTING: TEN KEY CHALLENGES FOR ASSURANCE ENGAGEMENTS

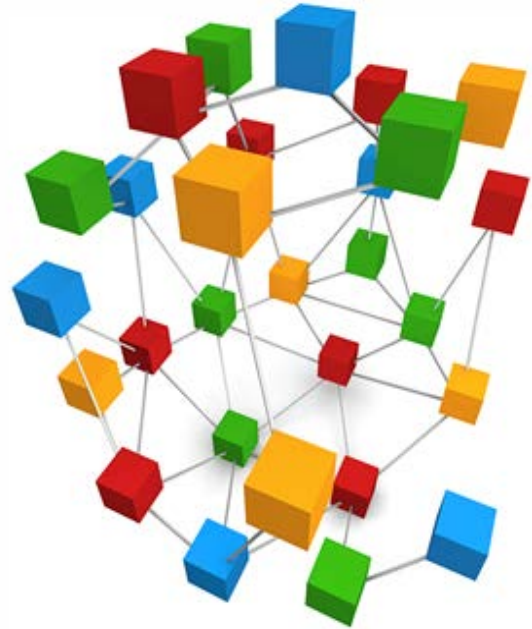
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Supplemental information for stakeholders that would like to explore the concepts in this Discussion Paper (DP) in more detail is provided in a *Supplemental Information to the Discussion Paper Supporting Credibility and Trust: Ten Key Challenges for Assurance Engagements*

Further information is also provided in the [Frequently Asked Questions](#) and auditable of prominent [EER bodies, affiliations and initiatives](#) on the Integrated Reporting Working Group [project page](#). Where these two documents expand on related content in the DP, they are signposted with  or , respectively.



How to Respond

Stakeholders are welcome to respond to the questions at the end of Section III, IV and V of the Discussion Paper.

To send us your views in writing, [please submit your comments](#) no later than **December 15, 2016**.

All responses will be publicly available on our website.

I. Introduction

What expectations do stakeholders have of professional services in supporting the credibility of emerging forms of external reporting by entities; and how can the IAASB support such services so that stakeholders' expectations are met?

1. These questions are at the core of our consideration of how and when the IAASB should respond to emerging forms of external reporting (referred to in this DP as “EER”).
2. Since the publication of the IRWG's paper [Exploring Assurance on Integrated Reporting and Other Emerging Developments in External Reporting](#) in July 2015, we have continued our dialogue with preparers, investors, practitioners and other stakeholders, in order to better understand:
 - Developments in EER frameworks, including how they are being implemented and the challenges arising for entities in doing so; and
 - The demand for external professional services in relation to EER reports, how this is being met in practice and the challenges being encountered in providing services.
3. The purpose of this DP is to:
 - Set out the principal findings from our research and outreach regarding developments in EER frameworks and in the professional services that are most relevant in relation to EER reports. Irrespective of whether such reports are part of the annual report or published as separate reports, we refer to them in this DP as “EER reports” (Section II).
 - Identify the factors that we believe enhance credibility and trust internally and externally in relation to EER reports, and explore how they do so (Section III).
 - Explore in more detail the types of professional services covered by the IAASB's International Standards¹ that are the most relevant in relation to EER reports (especially EER assurance engagements), and how the characteristics of such engagements can support the factors that we believe enhance credibility and trust in EER reports (Section IV).
 - Identify the key challenges in relation to EER assurance engagements and explore how these challenges:
 - Relate to key differences between financial reporting and EER frameworks, and the implications of these differences for entities implementing EER reporting;
 - Might be mitigated as a result of further developments in EER frameworks and related governance processes, as these frameworks and governance processes mature; and
 - Could be addressed by further guidance from the IAASB on how to apply the IAASB's current assurance model in EER assurance engagements; or whether there is a need for more fundamental innovation in the IAASB's International Standards to meet the needs of users for credibility and trust in EER reports (Section V).
4. We would like to continue our dialogue with stakeholders on the basis of our findings to date as set out in this DP, which we hope will facilitate an open discussion about the potential role of the IAASB

¹ The IAASB's International Standards comprise the International Standards on Auditing (or ISA), International Standards on Review Engagements (or ISRE), International Standards on Assurance Engagements (or ISAE), International Standards on Related Services (or ISRS), and International Standards on Quality Control (or ISQC).

and where others can or need to play a role in a holistic and interactive process to support credibility and trust in EER reports. At the end of this Section of the DP, we have set out our questions for stakeholders, together with a guide for particular stakeholder groups about those areas where we are particularly interested to have their input.

Key Messages

5. The key messages from our information-gathering to date are as follows:

- ***EER is still evolving*** to meet the emerging needs of a variety of stakeholders for wider information about the entity. There are a number of new, and still evolving, forms of external reporting and related reporting frameworks and standards. These share some common features, but also reflect some differences in the intended users, use and scope of such reports. This is explored further in paragraphs 13-20 of Section II.
- ***Various types of professional services engagements are performed in relation to EER reports***, but are primarily advisory and assurance engagements.
- ***There is demand for actions that support credibility and trust***, but this is not limited to calls for professional services. It also includes demand for action to enhance credibility and trust through effective governance and control – for example, looking to the roles of the different “lines of defense”,² and the oversight of those charged with governance (TCWG),² within the entity.
- ***There is a need for flexibility in the nature of professional services*** as reporting frameworks evolve, to enable the delivery of credibility and trust in an appropriate manner. Following its consultation (see paragraphs 32-37), the International Integrated Reporting Council (IIRC) noted that there is a need to consider innovation in assurance engagements. The current market developments

EER frameworks are aimed at a wide variety of investors and other stakeholders, as potential users of such reports often have different information needs and focus on different time horizons.

It is important to understand how such frameworks address:

- The type of decisions that different users make on the basis of EER reports.
- The relevance of non-financial information to user decision-making, and how this connects with the scope and qualitative characteristics of information that should be included in EER reports.
- The relevance of wider information that users have access to, in addition to EER reports, both from the entity itself and from other sources.
- The principles of communication that users wish to see applied, and the necessary play-offs between them.

² The *Glossary of Terms* in the IAASB *Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements* (IAASB Handbook) defines TCWG as: “The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.”

show that there is also a need to consider innovation in professional services beyond the assurance engagements covered by the IAASB's International Standards.

6. The key messages from our consideration of the factors that enhance user credibility and trust in EER reports, our consideration of how professional services engagements can support these factors, and consideration of the challenges we have identified in relation to performing EER assurance engagements are as follows:

- ***User credibility and trust are enhanced by “Four Key Factors”: a sound reporting framework, strong governance, consistent wider information and external professional services reports.*** Strong governance establishes reporting processes, controls and oversight and may obtain external professional services report(s), in order to establish that the EER report has been produced in accordance with a sound EER framework. Internal transparency about these matters enhances the credibility of the EER report and engenders internal user trust that the EER report is fit for publication. External transparency about these matters, and publication of the EER report and of any external professional services report(s), enables external users to confirm the consistency of the EER report with wider available information.
- ***The concepts underlying a sound reporting framework and strong governance are closely related to the concepts underlying an assurance engagement.*** These concepts are strongly focused on communicating information that is relevant to user decision-making. The characteristics of the key features of an EER framework that are likely to engender credible reporting are closely aligned to the characteristics of suitable criteria for an assurance engagement under the IAASB's International Standards. The concept of a “risk of material misstatement” in an assurance engagement is directly linked to the reporting framework. The concepts of inherent risk and control risk in an assurance engagement are closely related to the concepts underlying strong governance (having reporting processes, controls and oversight that provide a reasonable basis for the preparation of the EER report).
- ***There is a range of professional services that may enhance credibility and trust in EER reports.*** This extends beyond assurance engagements as defined in the IAASB's International Standards.
- ***An EER assurance engagement is a close analogue of an audit of financial statements, but there are many important differences of detail.*** EER reports generally address a wider range of subject matters than financial reporting frameworks and will be used by a broader and more diverse group of intended users for a more diverse range of purposes. Stakeholder interest in these matters, and entities' strategic focus on them, is still evolving. As a result, many of the content elements in an EER report are often still less well-embedded in the entity's strategic and operational processes. Implementation of these frameworks by entities is likely to necessitate a broader scope of reporting processes, controls and oversight, broader subject matter competence, and greater use of experts. The users, expected use, scope, content elements and depiction methods are generally less comprehensively specified in EER frameworks, with more left to entity-specific determination. Determining the content elements and the depiction methods to use in the EER report therefore depends far more on materiality judgments by the entity, and entities will likely need to have a robust EER materiality process to ensure that these judgments appropriately reflect the user perspective.
- ***We identified “Ten Key Challenges” in relation to EER assurance engagements.*** In exploring these challenges, we concluded that their root causes lie in the key differences between EER frameworks and financial reporting frameworks and the challenges that these

differences give rise to in establishing sound governance over EER reporting. These differences essentially reflect the relative immaturity of both EER frameworks and the governance of reporting processes, controls and oversight used by entities in preparing EER reports.

The Ten Key Challenges

- | | |
|---|---|
| • Scoping EER assurance engagements | • Narrative information |
| • Suitability of criteria | • Future-oriented information |
| • Materiality | • Professional skepticism and professional judgment |
| • Building assertions in planning and performing the engagement | • Competence of practitioners performing the engagement |
| • Maturity of governance and internal control processes | • Form of the assurance report |

- ***The Ten Key Challenges are currently barriers to more widespread use of assurance engagements in relation to EER reports.*** However, in exploring these challenges, we did not find that they are fundamentally insurmountable. Rather, we found that the assurance model reflected in the IAASB's International Standards already envisages considerable flexibility in applying the underlying concepts. However, there is a lack of guidance to support practitioners in addressing these challenges.
- ***Our proposal for the most effective way to begin to address these challenges*** is to explore whether additional guidance is needed to enable practitioners to apply the requirements of the IAASB's International Standards for assurance engagements in relation to EER reporting. We believe that many of the key challenges are likely to require further conceptual analysis to develop appropriate responses to them. We also note that EER frameworks and entities' reporting systems, controls and oversight that underpin their preparation of EER reports are at an early stage of development and are likely to mature further. For these reasons, we believe that it may be too early to develop a definitive subject-matter specific standard to address EER assurance engagements.

How and When Should the IAASB Respond Further in the Public Interest?

7. The IAASB's mission is to serve the public interest by setting independently, and under its own authority, high-quality standards on quality control, auditing, review and other assurance and related professional services. The IAASB's objective is to contribute to the enhanced quality and consistency of practice throughout the world, and to strengthen public confidence in the global audit and assurance profession.
8. In order to inform the IAASB on how and when to respond to EER most effectively in the public interest, the IAASB established the IRWG to engage with stakeholders and to monitor EER and related assurance developments. In July 2015, we published the IRWG paper, [Exploring Assurance on Integrated Reporting and Other Emerging Developments in External Reporting](#), to inform stakeholders about our ongoing work in this area.

9. This DP follows from the work of the IRWG since the publication of the 2015 IRWG paper. It explores the need to enhance the credibility of EER and the potential role of the IAASB's International Standards.³

In the public interest, the IAASB aims to:

- Keep its International Standards fit for purpose in a changing EER landscape.
- Support practitioners who respond to demands to enhance credibility of EER and EER reports.
- Support the quality of assurance engagements while acknowledging the flexibility needed in this EER landscape.
- Counter inconsistent or incorrect interpretation in applying the IAASB's International Standards.
- Continue engagement with stakeholders in the EER supply chain to monitor needs and challenges.

10. In line with the IAASB's International Standards, this DP takes a framework-neutral approach. The DP refers to and considers the implications of various EER frameworks, such as those promoted globally by the IIRC and the Global Reporting Initiative (GRI),⁴ and others established in legislative or stock exchange requirements in different jurisdictions. Many such frameworks share similar underlying principles. The IAASB recognizes that, when an entity adopts a global EER framework, this will be applied within the context of the legal and regulatory framework of the jurisdiction in which the entity operates.
11. In the course of its work to date, the IRWG has held discussions with a broad range of stakeholders and considered a wide range of publicly available information, including surveys, reports and academic research.⁴

Questions




12. We would like to obtain your views on the matters raised in the questions following Sections III, IV and V. We appreciate that not all respondents will wish to answer all the questions, or all in the same detail.

³ Public sector and small and medium practices (SMP) perspectives are not separately addressed, but are included in this paper in the relevant sections where applicable. Further work will be done by the IRWG in this regard.

⁴ For detailed references, see the IRWG project page at <http://www.iaasb.org/projects/integrated-reporting>.

II. Principal Findings from Research and Outreach to Date

What Are the Trends in External Reporting and What Is Driving Them?

13. Increasingly, entities are reporting more holistically and cohesively about:
 - Their goals;
 - Their business model, strategy and governance processes;
 - The risks and opportunities they face and how they manage and respond to them; and
 - Their performance, position and future prospects.
14. When entities give such an account of their goals, and how they are striving to meet them, they are responding to calls from investors and other stakeholders to tell their “story” in a manner that:
 - Communicates the value the entity creates in the short, medium, and long term; and
 - Links the elements of that story together to create a cohesive whole.
15. As society’s expectations of entities evolve, entities are also increasingly responding to calls from investors and other stakeholders for more information about the wider impact they have on society and on the non-financial resources they employ or impact (“non-financial information”).
16. As a result, external reporting by entities is increasingly providing non-financial information that goes beyond the traditional (financial statement) focus on their financial position, financial performance and impact on their financial resources. There is a debate about whether and to what extent these broader information needs of stakeholders should be met through a single channel—the annual report—or whether different channels should be used for different purposes. However, it is evident that investors also expect more non-financial information to be disclosed, at least insofar as it is relevant to the future prospects and financial performance of the entity.
17. This trend in reporting broader non-financial information has developed alongside the sustainability/environmental, social and governance (ESG) reporting movement over the last three decades, and is now led and supported by a number of global organizations and affiliations of interested parties. 
18. In addition, the digital revolution is transforming stakeholder access to information about entities – broadening and deepening external sources of information about them and the context in which they operate. It is also reducing the cost and increasing the speed with which information can be accessed and assimilated by markets. With access to more, and timelier, sources of information, stakeholders’ expectations of the depth and quality of the story that entities tell are increasing and stakeholders are better able to assess and challenge such information.
19. These trends are seen not only at a global level but also at national and regional levels in a wide variety of initiatives to enhance management commentary and annual reports, including, for example:
 - The requirements on the disclosure of non-financial information by large companies included in a European Directive, which affects around 6,000 companies in the European Union. 
 - The requirement in the Johannesburg Stock Exchange Listing Requirements  for listed entities to apply, or explain their non-compliance with, the principles of the King Code of Governance Principles, which recommends the issuance of an integrated report.

- Standards for reporting sustainability indicators that the Sustainability Accounting Standards Board¹⁸ in the United States is in the process of developing.
 - The requirement for some public sector entities and charities in New Zealand to provide a Statement of Service Performance, with related guidance provided by the New Zealand Auditing Standards Board.
 - The UK Corporate Governance Code,¹⁹ amended in 2016 to require a “viability statement” and public disclosure of how the directors of an entity have assessed its prospects and over what period. This information is included in the strategic report as part of a fair, balanced and understandable annual report and improves transparency about the entity’s ability to sustain itself in the future (i.e., whether it is viable in the longer term).
 - The Dutch Accounting Standards Board’s Guideline 400 on annual reporting, which includes economic, social and environmental information. Listed companies, private companies and public organizations are encouraged to report on a voluntary basis and reporting is monitored by the Ministry of Economic Affairs, which publishes benchmark results on an annual basis.
20. There is also emerging awareness that the future prospects of an entity are impacted by a wider range of factors than those that are presented in the financial statements, as well as awareness of the close linkage between wider value creation and the ability of an entity to sustain its operations in the future. Information about these matters is increasingly addressed in EER frameworks.

What Professional Services and Other External Inputs Are Being Provided, or Called for, to Support the Credibility of EER Reports?

21. With the emergence of EER reports, questions have been asked about the need to enhance their credibility. Professionals have started to respond to the currently variable demand (from both internal and external stakeholders of entities) for professional services in this regard.
22. Examples of such responses include the provision of:
- Advisory services;
 - A range of assurance and other professional services engagements of varied scope under the IAASB’s International Standards or other standards, such as those of the International Organization for Standardization (ISO);²⁰ and
 - Other less standardized forms of evaluation or assessment, resulting in either internal reporting to management or TCWG, or reporting to external stakeholders, on the entity’s published reports, or on the maturity, design or effectiveness of the underlying reporting processes or controls.

23. When EER reports meet the definition of an annual report and an audit of the financial statements is conducted in accordance with ISAs, the auditor is required to read the EER report and consider whether there is a material inconsistency between that information and either the financial statements or the auditor's knowledge obtained in the audit, in the context of audit evidence obtained and conclusions reached in the audit. While reading the EER report, the auditor is also required to remain alert for indications that information in the EER report not related to the financial statements or the auditor's knowledge obtained in the audit appears to be materially misstated.
24. If the auditor identifies that a material inconsistency appears to exist or becomes aware that the other information appears to be materially misstated, the auditor is required to perform procedures and conclude whether a material misstatement of the EER report exists. If so, the auditor is required to seek to have the matter resolved or brought to the attention of the intended users. Uncorrected material inconsistencies are required to be communicated in the auditor's report. The auditor's report explicitly highlights that this work does not constitute a separate engagement to provide a conclusion, or to express assurance, on the EER information in the report.
25. While the other information is not audited (and the auditor therefore does not obtain assurance on it), the limited procedures on this information as part of the audit, together with reference to this information in the auditor's report, may add some credibility to the EER report for the user of the auditor's report.
26. However, it is important for users to recognize that, despite the auditor diligently meeting these responsibilities in performing the audit, the EER information could still be materially misstated. For example, the EER information could be misstated but a material inconsistency may not appear to exist because the misstated information is not related to the financial statements and the auditor did not obtain any relevant knowledge of the matter when performing the audit. If this is not understood by users, it could give rise to an expectation gap. The IAASB is therefore asking questions about what users and others expect in terms of practitioner involvement with respect to EER reports.

An annual report is defined in paragraph 12(a) of ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, as "a document, or combination of documents, prepared typically on an annual basis by management or TCWG in accordance with law, regulation or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements. An annual report contains or accompanies the financial statements and the auditor's report thereon and usually includes information about the entity's developments, its future outlook and risks and uncertainties, a statement by the entity's governing body, and reports covering governance matters."

The Use of the Term “Assurance” in the Market

- Stakeholders do not generally use the terms “assurance” or “external assurance” to mean an “assurance engagement” as defined by the IAASB, but rather as overarching terms for a wide range of approaches to assessment of external reporting processes and external reports (“external assurance” when performed by a party external to the entity).
- The current and expected demand for such “external assurance” is variable across jurisdictions and comes not only from external users, such as investors, but also from parties within the entity – such as the entity’s management and governance bodies, including the audit committee.
- There is a recognition that the benefit of “external assurance” is that it brings rigor that can increase the robustness, accuracy and trustworthiness of the information reported, which not only adds credibility to the reports, but can also act as a catalyst to improve internal reporting systems and controls.
- To prevent confusion, hereinafter the term “assurance” is used only in connection with assurance engagements as defined by the IAASB. The term “professional services” is used in this DP to refer to the broader range of “external assurance” engagements, many of which are not assurance engagements as defined by the IAASB.

Existing Professional Services

27. *Assurance Engagements*: Various surveys show that, increasingly, assurance engagements are being performed on the information in EER reports, both when these form part of an annual report as well as when they are provided as stand-alone reports. There is a wide range of assurance engagements that can be performed. Paragraphs 90-93 of Section IV provide some insight as to how the IAASB’s International Standards allow for flexibility in the nature and scope of an assurance engagement in the context of EER reporting. It is expected that the nature and scope of EER assurance engagements will evolve over time. Section V sets out the key challenges relating to such engagements.
28. Although not often performed in relation to EER reports, the following types of engagements (that are currently covered by the IAASB’s International Standards) may become more relevant in this area in future:
- *Agreed-upon procedures engagements*⁵ could involve the practitioner being asked to perform certain procedures on particular items in the EER report or on aspects of the EER process. Such engagements could address aspects of compliance with particular requirements of an EER framework. In these engagements, users assess for themselves the procedures and findings reported by the practitioner, and draw their own conclusions from this.
 - *Compilation engagements*⁶ could assist management with the preparation and presentation of an EER report. Management retains responsibility for the information and the basis on which the external report is prepared and presented. The user’s perception of the credibility of the EER report could be enhanced by clear communication of the nature and extent of the

⁵ Although ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*, is currently focused on financial information, potential revisions are being explored, including extending the scope of application of the standard more widely, for example to non-financial information.

⁶ ISRS 4410 (Revised), *Compilation Engagements*, although applicable to historical financial information, may also be applied, adapted as necessary, to assist management in the preparation and presentation of an EER report.

practitioner's involvement with the compiled EER report and knowledge of the practitioner's professional expertise in EER and compliance with professional standards, including relevant ethical requirements.

29. *Certifications* are a type of engagement in which a third party that is accredited by an appropriate accreditation body evaluates whether an underlying subject matter complies with applicable criteria, for example, using the standards of ISO⁷. These type of engagements result in a certificate that indicates such compliance, when the third party determines that the criteria are satisfactorily met.

Emerging Professional Services

30. In relation to EER reports, where an entity's EER processes are being developed and remain relatively immature, the limitations of such processes may mean that it is not possible to comply with the requirements of the professional standards for some of the existing professional services referred to above. However, users may still seek other types of external input so, in practice, some new types of engagements are already being performed. These engagements are not addressed by the IAASB's International Standards, and are not always performed by practitioners who are professional accountants. Examples include:

- *Consultancy (advisory) engagements*, with reporting to internal users that, for example, addresses the quality of the EER process or that supports the entity's EER materiality process to determine the content elements and relevant information to depict them in the report.
- *Assurance Readiness Engagements* to explore whether the particular proposed EER framework provides suitable criteria, and whether the entity's reporting processes and information systems are adequate, including maintaining suitable documentation to enable a practitioner to obtain sufficient appropriate evidence in performing an assurance engagement.
- *Maturity assessments* in which practitioners evaluate (against practitioner-defined criteria) the maturity of the EER process as a whole, or some aspect of it, such as whether the performance measures the entity is developing are sufficiently well-established to provide users with a better understanding to support their decision-making. These assessments also provide insights based on the practitioner's evaluation that are designed to assist the entity in further developing its EER processes.
- *Expert insight reports* that provide a subject-matter expert's insight on particular topics, for example the strategy of the entity, its innovation in products or services or the entity's performance in relation to climate change through a certain period. These insight reports can be included in, or published with, the EER report and may be obtained in addition to an assurance report.

Such reports should be clearly distinguished from engagements performed under the IAASB's International Standards.

Other Involvement of External Parties

31. *Stakeholder panels* of subject-matter experts, often individuals with a strong public standing, are asked to express views as individuals or as a panel. They aim to bring an independent, often critical,

⁷ For example certification against the ISO 14001 environmental management system standards. ISO has also developed verification standards for Greenhouse Gas Statements verifications: ISO 14064-3 *Greenhouse gases -- Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions*

perspective to the strategy, actions or performance of the entity on particular topics in the EER report. Such panels do not aim to seek objective evidence for such a purpose, but their views may add credibility to the EER report because their expertise in the particular areas where they are invited to comment is provided independently of the reporting entity. The usefulness of a stakeholder panel could be limited if it is not representative, or if its members do not have sufficient knowledge of the topic being addressed. Stakeholder panels can be used at different levels within the governance process and do not always result in a publicly available report.

Consultation by the IIRC and Others

32. The IAASB monitored the initial exploration by the IIRC of issues related to assurance engagements and other professional services during the IIRC's development of the International Integrated Reporting Framework. The IRWG continued this monitoring of the IIRC's subsequent more detailed consultation about assurance in relation to integrated reporting in 2014, feedback to which was published in July 2015.⁸
33. The responses to the IIRC consultation, which specifically explored assurance engagements and other professional services in the wider context of incredibility and trust integrated reporting, indicated with respect to assurance engagements:
 - Strong support for the IAASB to take the lead in developing any standards and guidance that may be needed for assurance engagements, and liaise with other relevant bodies.
 - Mixed reactions to the priority for developing standards and guidance.
 - The IAASB's existing International Standards were sufficient for now, with a preference for guidance to be developed for assurance engagements related to integrated reports. There may be a need for a specific assurance engagement standard when integrated reporting is more mature.
 - Guidance to enable practitioners to prepare a more informative assurance report – not just a binary opinion – may be needed.
 - Demand for assurance engagements and other professional services is likely to focus mainly on the integrated report itself, rather than on the integrated reporting process.
 - The extent that innovation was proposed by respondents to the IIRC consultation, this mainly reflected a perceived need for alternatives to reasonable assurance engagements on the full integrated report at a stage where companies are still developing their reporting systems and reporting criteria are still in development.
34. In its feedback statement, the IIRC called on the IAASB to:
 - Seek input from practitioners other than professional accountants and from other stakeholders;
 - Continue to evaluate the principles and characteristics of assurance and the responses to the technical challenges raised in the IIRC consultation papers; and
 - Encourage research and innovation regarding assurance on integrated reporting, including the possibility of innovative approaches to resolving the identified assurance issues.

⁸ IIRC [Assurance on <IR>: Overview of feedback and call to action](#), July 2015

35. The GRI⁹ and the World Business Council for Sustainable Development (WBCSD)¹⁰ have also held discussions on assurance engagements with preparers, intended users and practitioners. These discussions emphasized the increasing need for enhancing the credibility of information.
36. The Global Sustainability Standards Board (GSSB), which was established by the GRI, is reviewing different means by which the credibility and trust of sustainability reporting can be enhanced.
37. The WBCSD has recommended that the IAASB develop a standard for assurance engagements on sustainability information, leveraging the IAASB's existing International Standards on assurance engagements and include within the scope of such a standard assurance on integrated reporting.


⁹ GRI-GSSB meeting document, - [Enhancing Credibility and Trust of Sustainability Reporting](#), November 2015, and project update on GRI events on enhancing credibility and trust of sustainability reporting. See also the [GRI January 2016 Newsletter](#).

¹⁰ See the WBCSD Publication, [Assurance: Generating Value from External Assurance of Sustainability Reporting](#), February 2016.

III. Credibility and Trust in Relation to EER Reports

38. This section explores the concept of credibility and trust in relation to EER reports — why EER reports are needed; the factors that may support or damage them; and the potential interactions between those factors.

What Is Meant by Credibility and Trust in the Context of EER Reports and What Factors Enhance Them?

39. Credibility and trust have been considered by a number of other commentators in relation to EER reports.  We are exploring them here primarily from the perspective of the internal and external stakeholders of an entity. Credibility is a user-perceived attribute of information that engenders in the mind of the user an attitude of trust in the information. In the remainder of the DP, where we refer to credibility we do so in the wider context of enhancing the credibility of information to engender trust.
40. In the context of EER reports, credibility is likely to be enhanced if there is:
- *A Sound Reporting Framework*—which is transparent and in which the user has confidence that the output of applying the framework (i.e., the EER report) provides a sound basis for meeting their needs.
 - *Strong Governance over the Reporting Process*—which satisfies the user that robust processes and controls were applied with appropriate oversight, and that the people involved were competent and not influenced by conflicts of interest.
 - *Consistent Wider Information*—which satisfies the user that the report is internally consistent and consistent with the user’s wider knowledge.
 - *External Professional Services and Other Reports*—independent external professional services reports and other external inputs relating to the EER report to which the user has access.

Who Needs Credibility and Trust and for What Purpose?

41. Enhancing the credibility of EER reports can reduce the risks (or costs) to external stakeholders of making decisions, based on those reports, in an environment of information asymmetry,¹¹ and serves the public interest where these benefits outweigh the costs of sustaining that credibility. Information asymmetry is typical of a principal-agent (user-preparer) relationship but internal stakeholders, such as TCWG and senior management, can also experience information asymmetry. Enhancing credibility can therefore be important for both internal and external stakeholders.
42. Users take into account information in external reports as part of the broader mix of information available to them in making a variety of decisions. These include whether to increase, reduce or maintain their stakes in the entity or to take other action to hold management accountable for their use of the entity’s resources and for the impact the entity has on other resources.
43. TCWG, such as non-executive directors and members of the audit committee, commonly represent shareholders or, in some jurisdictions, may represent stakeholders more broadly. In that role, they are typically responsible for oversight of the financial reporting process and often for oversight of a broader EER report. As a result, they have a clear interest in considering how the credibility of an EER report has been achieved.

¹¹ When there is information asymmetry at least one party to a transaction has more, or more relevant, information than another.

44. For management, providing a robust and credible account to their stakeholders of their past management and of their proposed future strategy for the entity can help legitimize the actions they have taken and propose to take. Their position could be seriously undermined if that credibility were to be contested. Therefore, management too has an interest in seeking “assurance” to enhance the credibility of their external reports. This may be a matter of particular concern for them in relation to EER reports, given the relative immaturity of the underlying reporting processes.

How Credibility and Trust Are Established

45. The four factors identified in paragraph 40 that may enhance the credibility of EER reports are illustrated in Figure 1 and discussed below. We refer to these as the “Four Key Factors”.

Factor 1: Sound Reporting Framework

46. Management is responsible for ensuring that the external report complies with an applicable reporting framework. The user’s perception of the credibility of an EER report can be influenced by the qualities and transparency of the reporting framework used for its preparation.
47. A sound reporting framework guides preparers in ensuring that the report is an effective communication and gives users confidence that the report will meet their needs. Frameworks therefore typically address:
- *Reporting Objectives*: intended users, scope and use (the who; the high level what, when and where; and the why of the report);
 - *Content Elements* to be included in the report (the more detailed what, when, and where of the report); and
 - *Qualitative Characteristics of the Information*, including:
 - *Depiction Methods* for the content elements (measurements, quantitative or qualitative evaluation or assessment techniques, and descriptions) (the technical aspects of the “how”); and
 - *Principles for Communicating* effectively in the report (the communication aspects of the “how”).

Figure 1: Overview of Credibility and Trust

How Credibility and Trust Are Established

Four Key Factors:

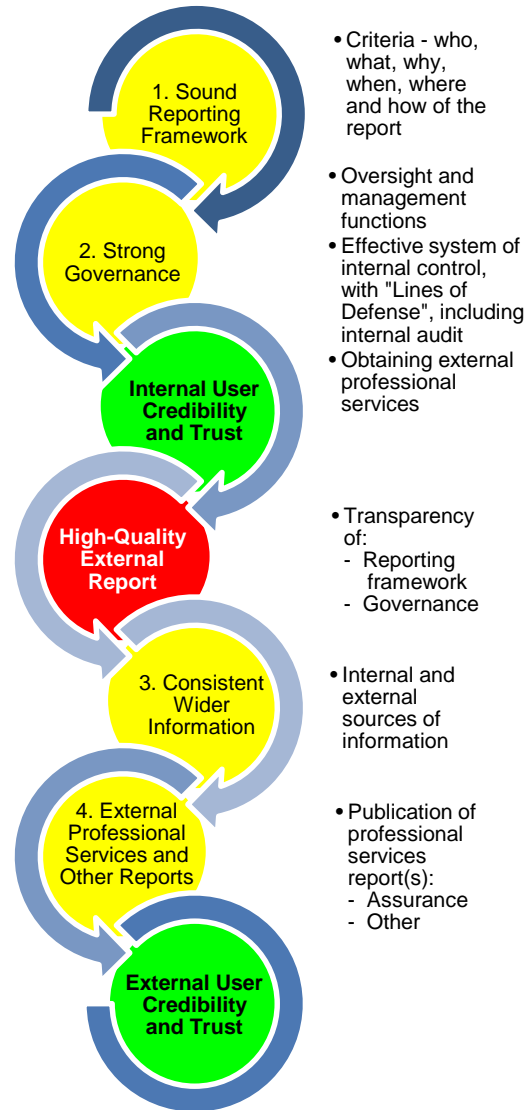
1. Sound reporting framework – Essential first and foremost is the framework – the objectives of which are closely aligned with the user’s information needs.
2. Strong governance – Reporting processes, controls, and potentially external professional services engagements, are initiated under strong governance oversight.
3. Consistent wider information – Users perform their own evaluation of the consistency of the EER report with wider available sources of information to which they have access.
4. External professional services and other reports – Users also have access to any published reports issued under external assurance or other professional services engagements that relate to the EER report.

Outcomes and Output:

Together, transparency about these Four Key Factors enhances and engenders external user credibility and trust in the EER report (outcome).

Transparency for internal users about how the credibility of the EER report has been established – through strong governance to establish that the EER report has been produced in accordance with a sound reporting framework (including in key judgment areas) – enhances and engenders internal user credibility and trust (outcome) that a high-quality external report (output) has been produced and is fit for publication.

External transparency about these matters and publication of the EER report and of any external professional services report(s) enables external users to confirm the consistency of the EER report with wider available information.



Key:

The four factors are shown in **yellow**.

The output is shown in **red**.

The outcomes are shown in **green**.

48. Table 1 summarizes the characteristics of the features of an EER framework that are likely to engender credible reporting, and their relationship to the characteristics of suitable criteria set out in paragraph A45 of ISAE 3000 (Revised) ¹²

Table 1: Characteristics of EER Frameworks Aligned to the IAASB's Characteristics of Suitable Criteria

Characteristics of an EER Framework that are Likely to Engender Credible Reporting	IAASB's Characteristics of Suitable Criteria
Has an objective that reflects the users' expectations as to the scope, intended users and intended use of the report	Relevance
Consistently includes and reliably depicts all relevant reportable content elements that are material to the intended users in the context of the intended purpose of the report	Relevance, completeness, reliability
Recognizes areas of uncertainty, ambiguity and judgment that give rise to inherently greater susceptibility to preparer bias risk and establishes adequate disclosure and neutrality principles to counter this	Completeness, neutrality
Promotes transparent (open), clear (unambiguous) and concise (readily understandable) reporting of these matters, and enables effective comparability both with other pertinent entities and over time	Relevance, reliability, understandability

49. The credibility of EER reports can also be enhanced when there is user confidence in the quality of the EER framework applied because:
- The due process for developing the framework involves interaction with stakeholders to ensure that the interests of the intended users and other stakeholders are appropriately reflected;
 - There is effective governance over the development of the framework that addresses potential conflicts of interest; and
 - The framework is well-known, commonly understood, and has broad stakeholder acceptance.

Factor 2: Strong Governance

50. Strong governance includes sound governance structures that oversee a strong internal control system, including effective risk management and high-quality reporting processes.¹³ Management and, in some jurisdictions, TCWG are responsible for establishing internal control as necessary to ensure that the information in the EER report is reliable and available on a timely basis. Management or TCWG may be required to, or may voluntarily make, an explicit assertion in the external report on their responsibility. Stakeholder engagement also forms an important part of governance processes, informing an entity's strategy and identification of material issues for disclosure.

¹² ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

¹³ See, for example, the International Federation of Accountants' (IFAC) publication, [Integrating Governance for Sustainable Success](#).

Factor 3: Consistent Wider Information

51. Inconsistencies between the various sources of information about the entity and its environment available to users may impact the credibility of the EER report.
52. Ensuring the consistency of information in the EER report with other sources of information likely to be available to users of the report, or explaining apparent inconsistencies, may enhance the credibility of the EER report.

Factor 4: External Professional Services and Other External Inputs

53. Entities seek to enhance the credibility of their external reports not only through strong governance, but also through obtaining professional services or other external inputs. Credibility can come from a variety of professional services and other external inputs obtained from various types of providers, not just professional accountants. Such professional services may result in reports under assurance or other professional services engagements or other external inputs that are either publicly available or restricted to parties involved in the engagement.
54. The type of professional service that is most appropriate in the circumstances and most relevant to users will depend on users' needs (which may be quite different between internal and external users), the nature of the external input and the maturity of the entity's EER processes.
55. The way such professional services and other external inputs may enhance the credibility of the EER report is dependent on the particular characteristics of such inputs and the personal traits of those providing them, for example:
 - Competence that is demonstrated or generally well known;
 - Objectivity and independence;
 - Professional skepticism and professional judgment;
 - Quality in the performance of the engagement;
 - Quality control, where applicable, at the engagement and firm level by the practitioner and firm that perform the engagement; and
 - Clarity of reporting, and transparency about the work performed.
56. Although the necessary competence may be different depending on the particular form of professional services or other external input and the complexity of the entity, in general competence likely needs to include:
 - Knowledge of the relevant EER framework;
 - Knowledge of the underlying subject matter; and
 - Knowledge of any engagement standards that apply.

Transparency about the competence of those performing the professional service or other external input may add to the credibility of the EER report. Particular types of engagements (for example, assurance engagements) also require the practitioner to meet independence and other relevant ethical requirements.

57. The manner in which the outcome of the external professional services or other external input is reported can influence the degree to which the external service or input adds credibility to the EER report. Key characteristics of a communication that may add such credibility include that such

communication is understandable and clearly structured, well balanced, not biased and, where applicable, comparable between reporting periods and with other entities that prepare EER reports.

58. An explicit reference to national or international standards for quality control of the practitioner’s firm and for the performance of the engagement, as well as to relevant ethical requirements, may also enhance the degree to which the external input adds credibility to the EER report.

Questions Relating to the Discussion in This Section of the DP

Credibility and Trust

Q1	Section III describes factors that enhance the credibility of EER reports and engender user trust.	<p>a. Are there any other factors that need to be considered by the IAASB?</p> <p>b. If so, what are they?</p>
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IV. Relevant Professional Services Covered by the IAASB's International Standards

59. In exploring professional services in relation to EER, the IRWG would first like to draw attention to the different types of engagements that are covered by the IAASB's International Standards. Paragraphs 27–28 explain the types of professional services covered by the IAASB's International Standards that are most relevant in the context of EER reports: assurance engagements, agreed-upon procedures engagements and compilation engagements. The most common of these currently performed in relation to EER reports are assurance engagements. To understand the challenges for EER assurance engagements, it is important to understand the assurance engagement model in more detail.

The Concepts Underlying the Assurance Engagement Model

What Is an Assurance Engagement?

60. An *Assurance Engagement* is one in which a *Practitioner* endeavors to obtain *Sufficient Appropriate Evidence* in order to express, in a *Written Report*, an *Assurance Conclusion* designed to enhance the degree of confidence of *Intended Users* other than the *Responsible Party* about the outcome of the measurement or evaluation of an *Underlying Subject Matter* against identified *Criteria*. That outcome is the information (*Subject Matter Information*) that results from such measurement or evaluation. The practitioner is required to obtain *Sufficient Appropriate Evidence* about whether the subject matter information is free from material misstatement, as the basis for the *Assurance Conclusion*. The italicized terms in this paragraph are discussed in the paragraphs that follow.

What Are the Key Features of an Assurance Engagement?


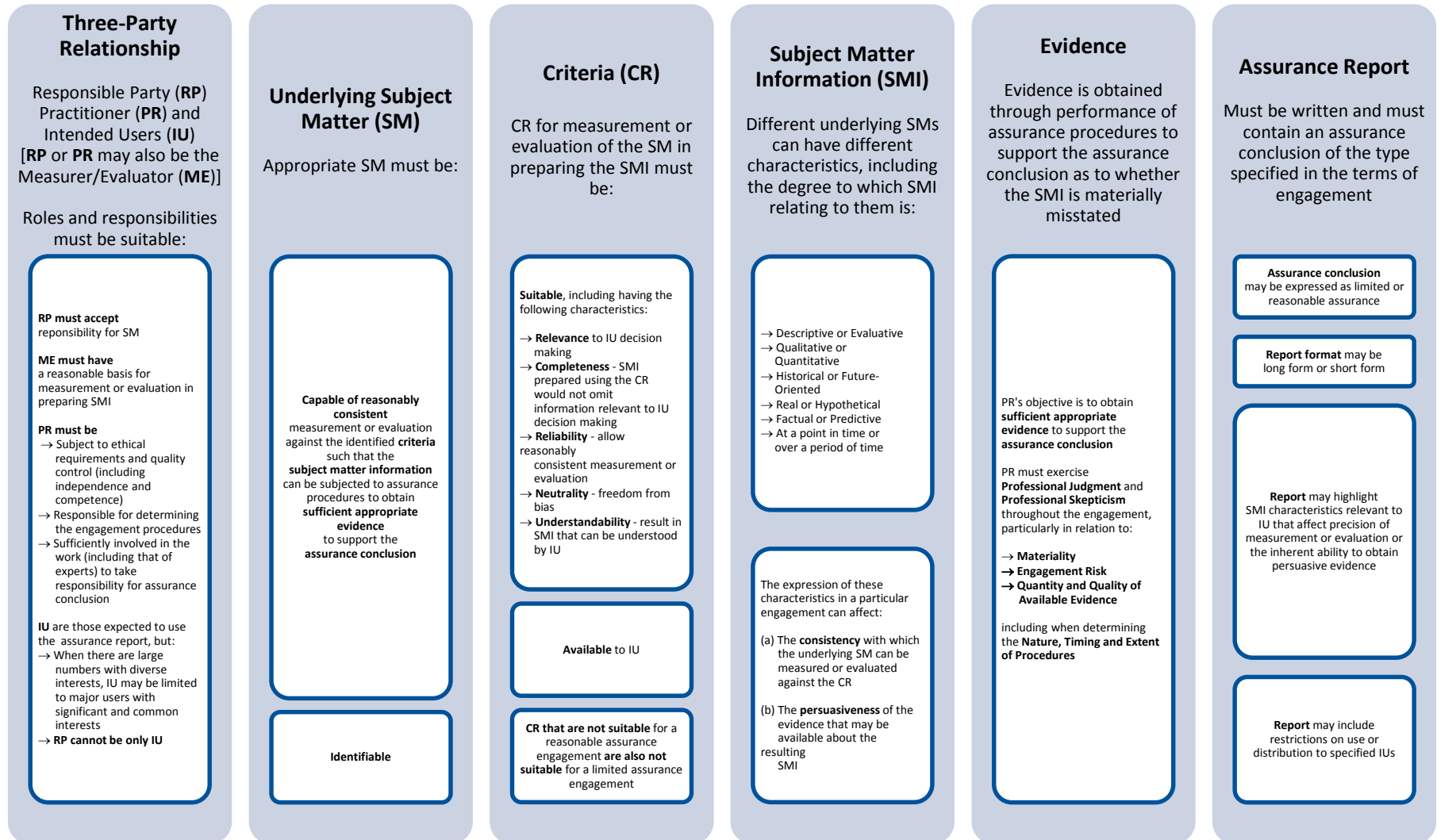
61. Figure 2 identifies the key features of an assurance engagement under the relevant IAASB's International Standards (the "Assurance Standards" and the IAASB's *International Framework for Assurance Engagements* (the Assurance Framework). There are a number of premises, pre-conditions and requirements for performing such an engagement, that establish the boundaries of what constitutes such an assurance engagement. However, within these boundaries, there is considerable scope for designing different types of assurance engagements, including in the context of EER reporting.
62. The Assurance Standards comprise ISAE 3000 (Revised) and subject-matter specific assurance standards (other ISAEs). ISAE 3000 (Revised) was developed as an umbrella standard and, in its design, it anticipates application in a wide range of possible engagements, including in new and emerging areas such as EER. Current experience is that when external assurance is sought on EER reports, ISAE 3000 (Revised) is typically the applicable standard. 
63. Where a subject-matter specific ISAE is relevant to the subject matter of a particular engagement, that ISAE applies in addition to ISAE 3000 (Revised). For example, ISAE 3410 provides more granular material when performing an assurance engagement on a greenhouse gas statement.
64. This DP primarily makes reference to the requirements and concepts in ISAE 3000 (Revised) and the Assurance Framework but, where relevant in the context, makes supplementary reference to other ISAEs.

Figure 2: Key Features of an Assurance Engagement



What Factors Shape the Nature of an Assurance Engagement?

A Three-Party Relationship

65. There must be a three-party relationship between a responsible party, a practitioner and intended users, and the roles and responsibilities of these parties must be clearly differentiated and consistent with the roles and responsibilities established for these parties. The responsible party must have, and is required to acknowledge, responsibility for the subject matter. The responsible party can be an intended user but not the only one.
66. The party that measures or evaluates the underlying subject matter against the criteria is referred to as the measurer or evaluator. The measurer or evaluator may be the responsible party or the practitioner or a third party. An assurance engagement is a direct engagement when the measurer or evaluator is the practitioner. When the practitioner is not the measurer or evaluator, the engagement is an attestation engagement. When we refer to an assurance engagement subsequently in this section, we mean an attestation engagement unless otherwise indicated.
67. There are a number of premises, pre-conditions and roles and responsibilities relating to practitioners (who may or may not be professional accountants), which include that: they are subject to ethical and quality control requirements; they must have the necessary competence and capabilities; they must be responsible for determining the nature, extent and timing of the procedures performed; and they must be sufficiently involved in all aspects of the work done (even when other auditors or experts perform some of this work) so as to be able to take sole responsibility for the assurance conclusion expressed.

Underlying Subject Matter, Criteria, Subject Matter Information and Evidence

68. In an assurance engagement, the necessary characteristics of the underlying subject matter (that it is appropriate), the criteria (that they are suitable to the engagement circumstances) and sufficient appropriate evidence (that the practitioner should expect to be able to obtain) are interrelated with each other and to the characteristics of the subject matter information.
69. For the underlying subject matter to be appropriate, it must be possible to identify criteria that are suitable – meaning the criteria are:
 - *Reliable* – that allow reasonably consistent measurement or evaluation of the underlying Subject Matter in expressing the Subject Matter Information;
 - *Relevant* and *Complete* for purposes of having subject matter information that is assisting decision-making by Intended Users and that does not omit relevant factors that could reasonably be expected to affect decisions of intended users; and
 - *Neutral* and *Understandable*, such that the subject matter information will be free from bias and capable of being understood by the intended users.
70. For the practitioner to expect to be able to obtain sufficient appropriate evidence, the subject matter information that results from measuring or evaluating the underlying subject matter against the criteria must be capable of being “assured”, that is, capable of being subjected to assurance procedures to obtain sufficient appropriate evidence that the subject matter information is not materially misstated.
71. Whether the subject matter information is capable of being assured depends on the circumstances of the engagement, and includes consideration of the two matters discussed below.

Consideration 1: The extent to which available assurance procedures are capable of obtaining persuasive evidence that the Subject Matter Information is free from material misstatement.

72. The extent to which available assurance procedures are capable of obtaining persuasive evidence will depend in part on the nature of the different types of potential material misstatements that could occur in that information. These may vary according to the nature of the subject matter information, such as whether it:
- Relates to a point in time or a period of time.
 - Is descriptive or evaluative.
 - Is quantitative or qualitative.
 - Is objective or subjective.
 - Is historical or future-oriented.
 - Relates to a real or hypothetical situation.
 - Is factual or predictive.
73. The subject matter information is, in effect, a depiction of the underlying subject matter, in terms of the criteria. As a result, the nature of the subject matter information is dependent on the nature of the underlying subject matter and of the criteria. The nature of both the underlying subject matter and the criteria is dependent on the nature of the intended user, and their intended use of the subject matter information for decision-making, as shown in Figure 2. The nature of subject matter information is discussed further in the supplementary information (see Appendix C – Supplemental Information to the Discussion Paper *Supporting Credibility and Trust in Emerging Forms of External Reporting*): *Ten Key Challenges for Assurance Engagements*.

Consideration 2: Whether there are any practical constraints on the practitioner's ability to perform assurance procedures or to obtain sufficient appropriate evidence.

74. Circumstances that may limit the practitioner's ability to obtain sufficient appropriate evidence include the imposition of scope limitations by a party to the engagement, as well as circumstances that are beyond the control of any party to the engagement, in which it is not possible for the practitioner to perform suitable assurance procedures (such as observation in relation to certain conditions, transactions or events that occurred prior to the acceptance of the engagement).

Transparency for Users

75. The criteria are required to be made available to the intended users and the assurance conclusion must be included in a written assurance report that is made available to the intended users. Other matters relevant to the intended users that may be included in the assurance report include: additional information about the engagement (a "long form" report that goes beyond a primary focus on expressing the assurance conclusion); characteristics of the subject matter information that affect the inherent precision of measurement or evaluation of the subject matter or the inherent ability to obtain sufficient appropriate evidence; and circumstances when the engagement has been performed in the context of a restricted group of intended users.

Rational Purpose

76. An assurance engagement must also have a “rational purpose”. Given the flexibility in the IAASB’s International Standards for practitioners to design different types of assurance engagements, this provides an overarching boundary that, in effect, requires consideration as to whether it is appropriate for the practitioner to accept the engagement, having considered the impact on the intended users, whether any significant scope limitations are being imposed and whether there is an intent to inappropriately associate the practitioner with the underlying subject matter or subject matter information, among other matters.
77. An assurance engagement may be a reasonable assurance engagement or a limited assurance engagement. In either case, the practitioner endeavors to reduce the risk that they will express an inappropriate assurance conclusion when the subject matter information is materially misstated (engagement risk) to an acceptable level in the circumstances of the engagement – however, a limited assurance engagement is planned and performed on the basis that engagement risk remains higher after the performance of the engagement than in the case of a reasonable assurance engagement. If the underlying subject matter is not appropriate for a reasonable assurance engagement, it is also not appropriate for a limited assurance engagement.
78. In the case of a limited assurance engagement that has a rational purpose, among other matters, the engagement must be planned such that the level of assurance obtained by the practitioner is likely to enhance the confidence of intended users about the subject matter information to a degree that is clearly more than inconsequential (referred to as ‘meaningful’).

How Do These Assurance Engagement Concepts Relate to the Reporting and Governance Concepts in Section III?

79. The concepts underlying a strong reporting framework and strong governance that are described in paragraphs 46–50 of Section III are closely related to the concepts underlying an assurance engagement, as explained below.

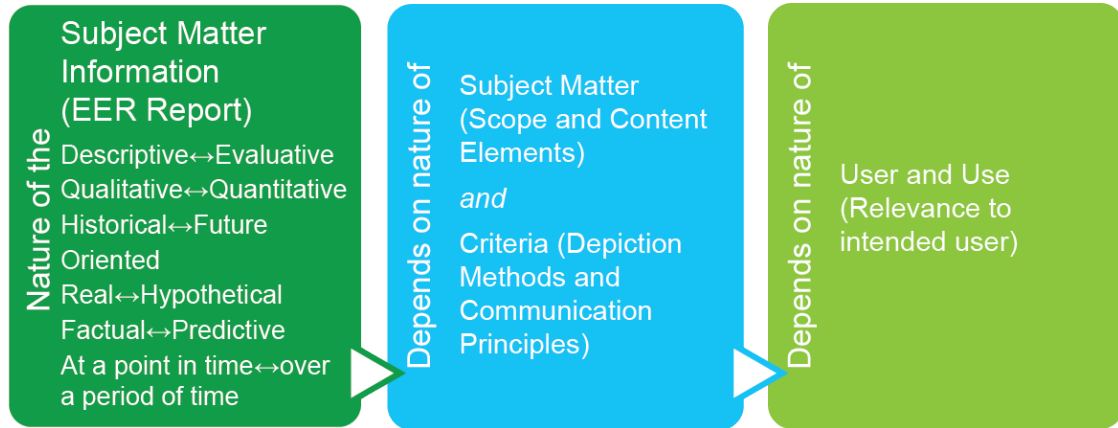
Reporting Framework

80. The reporting framework specifies, or provides a basis for determining in relation to an EER report:

- *The User of the EER Report, which corresponds with the Intended Users in an Assurance Engagement*
- *The Use of the EER Report, which is linked to the criterion of Relevance to decision-making of the Intended Users in an Assurance Engagement*
- *The Scope and Content Elements, which correspond with the Underlying Subject Matter in an Assurance Engagement*
- *The Depiction Methods and Principles for Communicating to be used in preparing and presenting information in the EER Report, which correspond with the Criteria and the Subject Matter Information in an Assurance Engagement*

81. In addition, the assurance engagement concept of a “risk of material misstatement” of the EER report (and its components: inherent risk and control risk) is closely related to the concepts underlying a strong reporting framework. The nature of the subject matter information depends on the nature of the underlying subject matter and of the criteria, and these in turn are dependent on the Intended User and their decision making needs (see Figure 3).

Figure 3: The Nature of Subject Matter Information



82. The EER framework therefore determines the nature of the subject matter information and the manner in which the subject matter, the criteria and the subject matter information are required to be determined. Factors arising from their nature and interaction can give rise to inherent susceptibility to misstatement in the EER report. To the extent that any such misstatement could affect the decision making of the intended users, it would be an *Inherent Risk*.

Strong Governance

83. *Inherent Risk* has to be avoided or mitigated if the responsible party (or other measurer/evaluator) is to establish a reasonable basis for the preparation of the EER report (for example, reasonably effective reporting processes, controls and oversight)t. This is a pre-condition of acceptance of an assurance engagement.
84. *Control Risk* is a factor that gives rise to greater susceptibility – in the reporting processes, controls and oversight – to failure to avoid or mitigate inherent risk and therefore to prevent or to detect and correct material misstatement in the EER report. It is referred to as “control risk” because the concept of “control” in the IAASB’s International Standards includes: (i) the reporting processes (including relevant aspects of the information system); (ii) control activities; (iii) risk assessment and monitoring of controls; and (iv) the control environment (which includes oversight). Strong governance should ensure that the reporting entity has appropriate reporting processes, controls and oversight to provide “internal assurance” that the report has been properly prepared (i.e., the report does not include material misstatements).

How Is Sufficient Appropriate Evidence Obtained in an Assurance Engagement?

85. In an assurance engagement, the practitioner performs assurance procedures in order to obtain sufficient appropriate evidence that the subject matter information is free from material misstatement. Those procedures are designed in light of the outcome of a process followed by the practitioner to identify and assess the risk of material misstatement (or, in the case of a limited assurance engagement, a process to identify areas of likely risk of material misstatement).

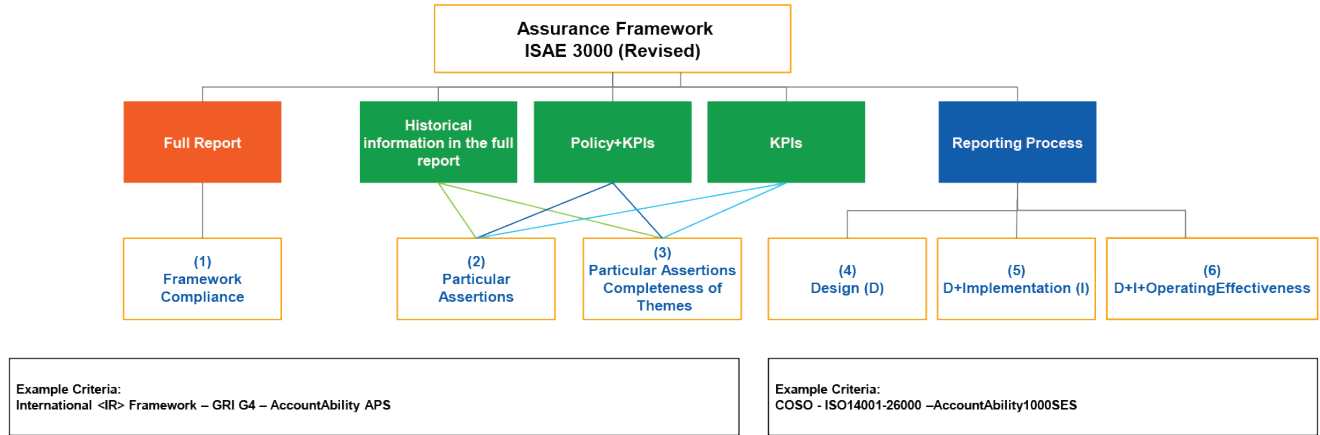
86. The starting point for the identification and assessment of risk (or likely risk) of material misstatement is inherent risk. The practitioner may use 'assertions' as a tool to assist them in doing so. Assertions may be implicit or explicit and may be considered by the practitioner both at the level of the subject matter information as a whole and at the level of individual items of information included in the subject matter information.
87. Assertions are the set of statements that would need to be valid, in all material respects, in order for the subject matter information to be free from material misstatement. Assertions are therefore closely related to the criteria. If an assertion were not valid to a material extent, the subject matter information could be materially misstated.
88. Control risk and inherent risk are interrelated. In an assertion-based process, control risk is considered in the context of assertions for which inherent risk is identified. Where controls are operating effectively, and practitioners have obtained sufficient appropriate evidence to that effect, they may perform assurance procedures on the subject matter information itself that are designed to obtain less evidence than would have been necessary if they had not obtained evidence about the controls.
89. Assurance procedures that are designed to test the subject matter information itself are designed to address whether the inherent risk was adequately mitigated. Similarly, those that are designed to test the entity's reporting processes, controls or oversight are designed to address whether the control risk was adequately mitigated.

What Types of Assurance Engagements Can Be Performed in the Context of EER Reporting?

90. In the context of EER reporting, different types of assurance engagement are possible. For example, an assurance engagement could address the EER report as a whole using the EER framework as the criteria, if it provides a basis for suitable criteria. The assurance conclusion would be expressed in terms that the EER report was properly prepared on the basis of the EER framework. However, even if the EER framework does not provide a basis for suitable criteria, an assurance engagement may be possible in the context of, for example, one that addresses:
 - (a) Only certain of the information in the EER report, applying the criteria relevant to that information; or
 - (b) The EER reporting process, applying criteria based on the EER framework and others established in the context of more general objectives for such a reporting process.
91. Figure 4 shows the flexibility within the Assurance Framework to encompass engagements of varying nature and scope. The ability to perform an assurance engagement is always subject to the premises and pre-conditions described above and the requirement that there must be a rational purpose for the engagement.

Figure 4: Overview of the Nature and Scope of Potential Assurance Engagements

Color code: the full report (orange), particular elements from the report (green) or the reporting process (blue)



92. Table 2 compares assurance engagements with the other types of professional service engagements, covered by the IAASB’s International Standards that are most relevant to EER. The type of engagement performed may affect the extent to which the engagement enhances the credibility of the EER report, due to the specific requirements for the different types of engagements set out in Table 2. For example, practitioners performing an assurance engagement are required to be independent, which is likely to engender more trust in the practitioner’s report. The type of engagement that is the most relevant may be affected by the objective of the engagement.
93. For all professional services provided in relation to EER, the perceived competence of the practitioner, the quality of the engagement and applicable quality control processes, and the clarity of the practitioner’s report are likely to have an impact on users’ trust in the EER report. When the scope or objectives of the engagement are narrower, its impact on credibility and trust is likely to be more limited.

Table 2: Relevant Engagements in the Area of EER Covered by the IAASB’s International Standards

	Reasonable Assurance Engagement	Limited Assurance Engagement	Agreed-Upon Engagement	Procedures	Compilation Engagement
Standards	ISAE 3000 (Revised) and subject matter specific standards such as ISAE 3410		ISRS 4400		ISRS 4410 (Revised)
Scope	Defined in assurance engagement – could be the EER report as a whole, particular elements of the EER report, or the EER process		Agreed at engagement acceptance – particular matters to be addressed by the agreed-upon procedures could be elements of the EER report or the EER process		The EER report or particular elements of it
User	Intended users of EER report		The parties that define the procedures		Ordinarily management of entity, but can also be other parties
Objective	Reasonable assurance on compliance with criteria or fair presentation	Limited assurance on compliance with criteria or fair presentation	Factual findings resulting from performing particular procedures as basis for users to form their own conclusions		Assist with preparation and presentation of information
Independence required of practitioners	Yes		No, unless required by law or by engagement – disclosure in report required if not independent		No, unless required by law – but must comply with relevant ethical requirements (other than independence) and state compliance in the report
Performance of the engagement	Evidence-gathering against criteria		Perform the procedures agreed upon and use evidence obtained as basis for reporting factual findings		Assist with preparation and presentation based on criteria and information provided by management
Reporting on the engagement	Assurance report expressing an assurance conclusion, for limited assurance engagements more detailed description of procedures performed		Report of factual findings		Compilation report , no opinion or conclusion, but rather a description of the work effort
Availability of the engagement report	Usually publicly available		The report includes a statement that the use of the report is restricted to parties who have agreed to the procedures to be performed		May be restricted to management and TCWG or made publicly available
How commonly used in EER	Not often	Frequently in relation to some EER frameworks	Not often, mainly public sector or compliance		Not often

Sufficiency of the IAASB's International Standards

94. With new and emerging engagements occurring in relation to EER, the question arises whether, in the public interest, there is a need for the IAASB's International Standards to cover a broader range of engagements than are currently addressed. In addition, for those engagements that are already covered by the IAASB's International Standards, the question arises whether the existing standards provide sufficient guidance for use in engagements on EER, particularly for assurance engagements. Since assurance engagements are the most common type of engagement performed in relation to EER, Section V explores the ten key challenges for such engagements.

Questions Relating to the Discussion in This Section of the DP	
Credibility and Trust	
<p>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.</p>	<p>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?</p> <p>b. If so, what are they?</p>
<p>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.</p>	<p>a. Is this sufficient when EER information is included in the annual report; or</p> <p>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?</p>

V. Ten Key Challenges in Relation to EER Assurance Engagements

95. This section explores ten key challenges that we have identified in relation to the performance of EER-related assurance engagements, as compared with an audit of financial statements. By way of context in discussing these challenges, we first summarize the key differences between financial reporting and EER frameworks and the implications of these differences for entities in establishing strong governance over EER reporting.

Supplemental information for those interested in a more in-depth discussion is provided in *Supplemental Information to the Discussion Paper Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements - Appendix C*

Key Differences between Financial Reporting and EER Frameworks and Related Challenges in Establishing Strong Governance – A Brief Summary

96. The objectives of EER frameworks generally envisage that EER reports will address a wider range of subject matters and will be used by a broader and more diverse group of intended users for a more diverse range of purposes than traditional financial statements or annual reports. From a governance perspective, this is likely to necessitate a broader scope of reporting processes, controls and oversight. Entities will need broader subject matter competence and may have a greater need to use experts in designing and operating EER reporting systems than for financial reporting systems.
97. In addition, the scope and content elements of EER frameworks address a range of matters (such as the entity's environmental and social impact), many of which currently are less formally embedded in the entity's strategic and operational processes. For example, they may be less well-integrated in the entity's strategic planning, risk management and internal control processes. Management and TCWG may be less experienced in such matters. In relation to such matters, the design of reporting processes (including information systems), controls and oversight is often less mature. There may be greater dependence on workarounds to gather and re-work information retrospectively, from systems designed for other purposes. As a result, there may be less internal confidence and trust about their suitability for purpose and the level of rigor needed to include these matters in the EER report.
98. Whereas the users and their expected use, the scope and content elements and depiction elements for financial statements are broadly standardized, these matters are generally less comprehensively specified in EER frameworks. As a result, the boundaries of the scope and content elements, and the determination of appropriate depiction methods, will often be highly judgmental for EER reports. In addition, what is relevant to include in them for users will depend on the nature of the entity's activities and its users. There will likely be a need for an entity's EER materiality process to ensure that these judgments reflect the user perspective appropriately.
99. The nature of the content elements to be depicted in an EER report is much more diverse. Many of them are more difficult to measure or evaluate than is the case for financial statement elements. Whereas financial statements are primarily historical in orientation, many content elements of EER reports are future-oriented. Some may not be within the control of the entity. In addition, the depiction methods used to report about the content elements of an EER report are likely to be less well-developed or accepted, and less precise than the measurement-based methods primarily used for depicting financial statement elements in common currency units. More than one such method may be required to provide a complete depiction of a content element.

100. In light of this, the resulting information included in the EER report is also likely to be more varied in nature and, in general, is more likely to include information that is more qualitative (descriptive or evaluative), subjective, future-oriented, predictive and hypothetical. Given immaturity and a lack of precision in depiction methods, there may be challenges for entities in developing effective reporting systems, controls and oversight and concluding that they have a reasonable basis for preparing such information.
101. Given that there are currently few legal or regulatory requirements for EER reports, EER reports are also likely to be much less standardized than financial statements.

Challenge 1: Determining the Scope of an EER Assurance Engagement Can Be Complex

102. *Understanding the challenge:* The potential scope of an EER assurance engagement may be broader and more diverse than the scope of an audit of financial statements, reflecting the much greater diversity in the information in EER reports. The various challenges identified above, in establishing strong governance related to key differences between financial reporting and EER frameworks, may result in difficult acceptance judgments in a number of areas or in the costs outweighing the benefits for full scope assurance engagements. These challenges appear to be a key barrier to full scope assurance engagements being performed at this time. While some new forms of engagements appear to be emerging, there is also a desire to consider alternative (lesser scope) assurance engagements in these circumstances, subject to there being a rational purpose for such an engagement. However, for many, this appears to be a complex possibility to address and the necessary considerations are not always well understood.
103. *How the IAASB's International Standards address it:* We note that ISAE 3000 (Revised) already enables considerable flexibility in the scope of assurance engagements in relation to EER reports. For example, the scope of an assurance engagement may be limited to parts of the integrated report (such as those that do not give rise to some of the challenges referred to in paragraph 102). In addition, it may be possible to overcome some of the specific challenges identified, for example through establishing entity-developed criteria for reporting or through more informative assurance reports.
104. *What we propose to explore further:* We propose to explore the need for guidance on addressing the difficult acceptance considerations relating to the above challenges and their implications for the practitioner determining the scope of an assurance engagement that would be possible (i.e. a less than full scope assurance engagement) and that has a rational purpose.

Challenge 2: Evaluating the Suitability of Criteria in a Consistent Manner

105. *Understanding the challenge:* The characteristics of suitable criteria (see paragraph 69) are closely aligned with the characteristics of an EER framework that are likely to engender credible reporting (see Table 1). EER frameworks are often less prescriptive about content elements and depiction methods, and therefore more ambiguous about the determination of these items. Given the diverse nature of the content elements, there is considerable opportunity for management bias in making these determinations. There is therefore considerable need for the application of professional judgment and professional skepticism by the practitioner in addressing the suitability of criteria in an EER-related assurance engagement.
106. The judgments the practitioner has to make include not only whether the characteristics of suitable criteria have been met, but also whether the information resulting from applying them is capable of being assured. The practitioner has to address both criteria in law or regulation or in the EER

framework, as well as entity-developed criteria (reporting policy). Given the preponderance of the latter in relation to EER frameworks, and the extent to which there is opportunity for management bias in selecting them, there are significant challenges in evaluating the suitability of criteria in a consistent manner.

107. *How the IAASB's International Standards address it:* ISAE 3000 (Revised) notes that established criteria are, in the absence of indications to the contrary, presumed to be suitable. Entity-developed criteria need to be made available to the intended users and therefore practitioners also have to make judgments about the adequacy of their transparency. ISAE 3000 (Revised) does not specify in detail how to assess the suitability of criteria. Rather, it necessarily addresses these matters in a subject-matter neutral manner.
108. *What we propose to explore further:* We propose to explore whether additional guidance may be needed to assist practitioners in assessing the suitability of criteria for EER engagements and whether the criteria have been made appropriately transparent to the intended users.

Challenge 3: Addressing Materiality for Diverse Information with Little Guidance in EER Frameworks

109. *Understanding the challenge:* The content of EER reports is generally less comprehensively specified and more judgmental in EER frameworks than in financial reporting. A key challenge, therefore, in an EER assurance engagement is how to assess what would be material, when both the users and their information needs can be diverse or even unknown. EER frameworks do not always provide direction on materiality. In applying the concept of materiality, there will likely be a need for an entity's EER materiality process to ensure these judgments reflect the broader and more diverse user perspective often encountered. Another key challenge is that, compared with financial statements, EER has no common unit of measurement or evaluation in which to express each of the content elements relating to the underlying subject matter; therefore making overall materiality judgments is more difficult to benchmark.
110. *How the IAASB's International Standards address it:* Given that ISAE 3000 (Revised) has to be framework-neutral, it provides only high-level guidance on materiality that would need to be taken into account if the concept is not well-defined in the EER framework. It does clarify that, since materiality reflects the user perspective, what is material is the same in both limited and reasonable assurance engagements.
111. *What we propose to explore further:* We propose to explore whether additional guidance is needed in the specific context of EER, in relation to evaluating the entity's EER materiality process, including the extent and nature of stakeholder engagement, considering the overall materiality of misstatements and considering materiality for qualitative depictions, including for narrative descriptions and future oriented information.

Challenge 4: Building Assertions for Subject Matter Information of a Diverse Nature

112. *Understanding the challenge:* The diverse nature of EER subject matter information compared with that contained in financial statements makes it more challenging to develop appropriate assertions.
113. *How the IAASB's International Standards address it:* Since ISAE 3000 (Revised) is framework-neutral, it cannot comprehensively set out all possible assertions for all EER frameworks. Since the ISAs and ISAE 3410 are subject-matter specific, they do include assertions used in financial statement audits and assurance engagements on greenhouse gas statements, respectively.

However, the assertions in these two cases are broadly comparable. Despite the fact that they address quite different subject matters (i.e., economic phenomena and physical phenomena, respectively) the nature of their subject matter information is similar. In each case, the information relates to content elements that exist at a point in time, and changes in them over a period, which can be measured in a common unit (i.e., respectively currency units and CO₂-equivalents).

114. *What we propose to explore further:* We propose to explore whether additional guidance is needed to develop a methodology that could be used to build and classify relevant assertions for the different types of information that are prevalent in EER reports, having regard to the types of depiction methods and communication principles commonly encountered in EER frameworks.

Challenge 5: Lack of Maturity in Governance and Internal Control over EER Reporting Processes

115. *Understanding the challenge:* Many entities seeking to apply EER frameworks may not yet have sufficiently robust EER reporting systems, controls and oversight in place. There may be a weak control environment with higher levels of control risk. As a result, the EER report may not be readily capable of being assured. The entity's EER materiality process may not be effectively structured and judgments made about the matters that are most relevant for inclusion in the EER report may be highly subjective in nature. These matters may in turn give rise to engagement acceptance issues.
116. *How the IAASB's International Standards address it:* ISAE 3000 (Revised) would require the practitioner in a reasonable assurance engagement to obtain an understanding of internal control over the EER reporting processes relevant to the engagement and to evaluate their design and implementation.
117. *What we propose to explore further:* We propose to explore whether further guidance may be needed in the context of EER reporting to address:
- How to evaluate the maturity of reporting systems, controls and oversight;
 - Factors to consider in determining which controls are relevant to the assurance engagement and circumstances in which a more formal reporting process with more extensive internal controls may be needed to provide a reasonable basis for preparing the EER report;
 - Circumstances when it may be necessary to obtain sufficient appropriate evidence of the operating effectiveness of controls and what to consider when testing controls; and
 - Addressing the consequences of weaknesses in reporting systems, controls and oversight when alternatives to placing some reliance on the operating effectiveness of controls are not available.

Challenge 6: Obtaining Assurance with Respect to Narrative Information

118. *Understanding the challenge:* Narrative information in EER reports may be factual (more observable and therefore more readily captured by reporting systems) or may be more subjective (less observable and more susceptible to being reflective of, and more variable with, the views of those reporting it). Narrative information may also include management judgments and be more susceptible to management bias. The key challenge in relation to narrative information is how to address the inherent subjectivity and increased risk of management bias and to manage potentially unrealistic expectations about the extent to which the practitioner can reduce the inherent subjectivity.

119. *How the IAASB's International Standards address it:* There are no specific standards for addressing narrative information as part of the subject matter information in an assurance engagement, but the topic was partly addressed in the IAASB's recent project to revise ISA 720.
120. *What we propose to explore further:* We propose to explore whether further guidance may be needed in the context of narrative information in EER reports to address: assessing the suitability of criteria; building appropriate assertions; considering materiality; and relevant considerations in seeking to obtain sufficient appropriate evidence.

Challenge 7: Obtaining Assurance with Respect to Future-Oriented Information

121. *Understanding the challenge:* Future-oriented information is more common in EER reports than in financial reports. It addresses future conditions, events, outputs and outcomes (performance or impact), in relation to which there is generally greater uncertainty and these matters may therefore be more difficult to depict. Even when EER frameworks address the type of future-oriented information that is relevant to include in an EER report, they often do not address the boundaries of acceptable assumptions made in making the measurements or evaluations that give rise to the subject matter information. A key challenge is that there may not be suitable criteria and an assurance engagement may not be possible unless, for example, the scope of the assurance engagement is restricted to obtaining evidence about the process used in arriving at the future-oriented information. Such evaluation may result in a conclusion that: (i) it is not possible to obtain sufficient appropriate evidence on the future-oriented information itself; (ii) the scope of the assurance engagement should be restricted to obtaining evidence and providing an assurance conclusion about the process used in arriving at the future-oriented information and whether the future-oriented information is presented in accordance with the relevant financial reporting framework; or (iii) there are no suitable criteria at all.
122. *How the IAASB's International Standards address it:* ISAE 3400¹⁴ provides the most pertinent available guidance in this area. It addresses prospective financial information, focusing on evidence gathering as to:
- The reasonableness of management assumptions;
 - Whether the prospective information has been properly prepared on the basis of the assumptions;
 - Proper presentation of the prospective information;
 - Disclosure of all material assumptions and whether they are best estimate or hypothetical in nature; and
 - Whether the prospective information is consistent with historical financial statements, using appropriate accounting principles.

This standard specifically excludes addressing prospective information in narrative or general terms. The approach in ISA 540¹⁵ may also be relevant by analogy in addressing how to obtain sufficient appropriate evidence about the reasonableness of accounting estimates (which may be future-oriented) in financial statements and evaluating the adequacy of related disclosures.

¹⁴ ISAE 3400, *The Examination of Prospective Financial Information*. ISAE 3400 is a standard that needs to be updated to the new clarity conventions.

¹⁵ ISA 540, *Auditing Accounting Estimates, including Fair Value Accounting Estimates, and Related Disclosures*

123. *What we propose to explore further:* We propose to explore whether further guidance is needed in assessing future-oriented information in an EER assurance engagement, including:
- Whether the requirements of the EER framework provide an adequate basis for suitable criteria regarding future-oriented information and therefore whether such information can be included within the scope of an assurance engagement;
 - How to address subjectivity and management bias;
 - How to consider management's process for preparing future-oriented information;
 - Whether the future-oriented information has been properly presented in the EER report; and
 - How practitioners can report on such information without creating unrealistic user expectations (for example, about the achievability of predicted performance or impact).

Challenge 8: Exercising Professional Skepticism and Professional Judgment

124. *Understanding the challenge:* There may be more areas that require judgment in applying EER frameworks than in applying financial reporting frameworks and more areas where the judgments in preparing the subject matter information are susceptible to subjectivity and management bias. There are therefore generally more areas where there is a need to apply professional judgment and professional skepticism in EER assurance engagements. At the same time, given the broader and more diverse subject matters addressed, it may be more challenging for the practitioner to obtain the competence needed to support the application of professional judgment and professional skepticism in relation to such engagements.
125. *How the IAASB's International Standards address it:* Professional judgment and professional skepticism are interrelated and play a fundamental role in assurance engagements. The IAASB, in conjunction with the International Ethics Standards Board for Accountants (IESBA) and the International Accounting Education Standards Board (IAESB), is currently exploring how best to emphasize the importance of exercising professional skepticism within a financial statement audit, including whether changes are needed to the ISAs or whether other action may be necessary.
126. *What we propose to explore further:* Given the ongoing efforts in relation to professional skepticism, we propose to defer exploring this challenge in the specific context of EER assurance engagements until we can consider this further in light of the results of exploring how the ISAs may be enhanced.

Challenge 9: Obtaining the Competence Necessary to Perform the Engagement

127. *Understanding the challenge:* The broader, deeper and often more complex nature of the underlying subject matter addressed in EER assurance engagements, as well as the greater number of areas where judgment is required, calls for broad specialized subject matter competence (skills, knowledge and experience) in practitioners performing such engagements. Such competence is needed in order to be able to challenge management effectively, and may also call for greater use of the work of experts. The practitioner will also need the competence to address the perspectives of a wider range of intended users in applying the concept of materiality and in using the work of a broader range of experts. Key areas of competence that may be more challenging to acquire include understanding and evaluating the entity's business model and the ability to work effectively in multi-disciplinary teams.
128. *How the IAASB's International Standards address it:* ISAE 3000 (Revised) addresses competence in general terms, including the potential need to consult a practitioner's expert and to work in

multidisciplinary teams. ISAE 3410 describes in more detail the competence required to perform a greenhouse gas statement assurance engagement.

129. *What we propose to explore further:* We propose to explore whether further guidance is needed to address the competence expected of professional accountants performing EER assurance engagements. Such guidance could be based on the application material already included in ISAE 3410, adapted to the EER environment. It could also address, in the context of using the work of others, ethical and quality control considerations; the ability to obtain evidence about the varied nature of subject matter information encountered; the communications between the practitioner and other experts; the timing of the work performed by others; and the materiality used in the context of the engagement and how this is determined. The IAASB could also explore whether there is a need to communicate explicitly about the competence of the engagement team in the assurance report and whether this would be helpful in enhancing confidence and trust in the EER assurance report.

Challenge 10: Communicating Effectively in the Assurance Report

130. *Understanding the challenge:* Given the breadth and diversity of the subject matter information included in EER reports, it is challenging to effectively communicate the practitioner's conclusions about this information in a binary opinion, other than in a general manner that is not tailored to the nature of the different types of information presented (e.g., "has been properly prepared, in all material respects, in accordance with the XYZ criteria"). It is understood that users sometimes view such reports as ambiguous and find them difficult to interpret.
131. *How the IAASB's International Standards address it:* ISAE 3000 (Revised) describes the required content elements of an assurance report. As a framework-neutral standard, it allows for flexibility in preparing and structuring assurance reports. This includes allowing for:
- The depth of an informative summary of the work performed as the basis for the practitioner's conclusion, which forms one of the basic report elements. Since a limited assurance engagement can vary along a range of a level of assurance to be obtained by the practitioner, the procedures performed also may vary in nature and depth.
 - The inclusion of additional information in the report, such as terms of the engagement, the criteria, findings relating to particular work performed, the competences of individuals involved, materiality levels, or recommendations;
 - The inclusion of separate conclusions on one or more aspects of the subject matter information; and
 - The wording selected for the assurance conclusion.
132. *What we propose to explore further:* We propose to explore whether further guidance is needed in the context of the assurance report to resolve the ambiguity experienced by users in interpreting EER assurance reports. This guidance could address reporting considerations such as: summarizing the work performed, communicating about inherent limitations in the assurance that can be obtained; referring to other assurance practitioners; the way the assurance conclusion is expressed; when and how to use long form reports rather than short form reports; whether there is a need for a more prescriptive standard for EER assurance reports (for example, aimed at fixing the elements and ordering of the assurance report or specifying particular wording to be used in certain circumstances); clarifying the scope of the engagement (particularly when it is not full scope); and drafting a combined report including both the auditor's report on the financial statements and the assurance practitioner's report on the EER report.

Responding to the Challenges – Proposed Approach

133. In exploring the above ten challenges, we believe there is a lack of guidance that would support practitioners in addressing these challenges in the context of EER assurance engagements. We have, however, in some instances identified analogous guidance that could be adapted, often developed in the context of financial reporting. In our view, many of these challenges are likely to require further conceptual analysis to develop appropriate responses. We also note that EER frameworks are still evolving and that entities that are applying EER frameworks often do not have fully mature reporting systems, controls and oversight. Accordingly, we believe that it may be too early to develop a definitive standard in this area and that the most effective way to begin to address these challenges would be to explore whether additional guidance is needed to enable practitioners to apply the requirements of ISAE 3000 (Revised) more effectively.

Questions Relating to the Discussion in This Section of the DP

Scope of the IAASB's International Standards and Related Guidance	
<p>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.</p>	<p>a. Do you agree?</p> <p>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)</p> <p>c. If you disagree, please provide the reasons why and describe what other action(s) you believe the IAASB should take.</p>
<p>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.</p>	<p>a. Please indicate the extent to which assurance reports under ISAE 3410 engagements are being obtained, issued or used in practice by your organization.</p> <p>b. If not to any great extent, why not and what other form of pronouncement from the IAASB might be useful?</p>
<p>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.</p>	<p>Do you agree or disagree and why?</p>

Ten Key Challenges in Relation to EER Assurance Engagements

- Q7** 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.
- 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?

The Ten Key Challenges

- Scoping EER assurance engagements
- Suitability of criteria
- Materiality
- Building assertions in planning and performing the engagement
- Maturity of governance and internal control processes
- Narrative information
- Future-oriented information
- Professional skepticism and professional judgment
- Competence of practitioners performing the engagement
- Form of the assurance report

Potential Demand for Assurance Engagements and Other Professional Services	
<p>Q8 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. 	<ul 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: <ul 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: <ul 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)?
<ul style="list-style-type: none"> • Further enhanced responsibilities for financial statement auditors under ISA 720? • Agreed-upon procedures reports? • Compilation reports? 	<ul style="list-style-type: none"> • Other types of professional services or other external inputs (please indicate what type of service or input and whether you believe the IAASB should consider developing related standards or guidance)?
Other	
<p>Q9 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>

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