



## Strategic Project Outline

---

Project Title: Emerging External Reporting (EER)

Team member responsible: Marina Michaelides

---

### I. Background

1. Emerging forms of external reporting (EER) by entities increasingly provides additional information that goes beyond the traditional (financial statement) focus, e.g. sustainability and integrated reports <IR>. There are growing public and societal expectations that entities should report a broader information set than is reflected in traditional financial statements and that such reports should be both relevant and reliable. Assurance on EER is an important part of addressing these expectations by building credibility and trust in EER.
2. The AUASB has committed in its strategic plan to influence initiatives to develop assurance standards and guidance that meet user needs for external reporting beyond financial information which encapsulates emerging forms of external reporting.
3. In February 2017, the AUASB made a submission to the International Auditing and Assurance Standards Board (IAASB) discussion paper: *Supporting Credibility and Trust in Emerging Forms of External Reporting: The Key Challenges for Assurance Engagements*. This submission was developed through direct engagement and consultation with a representative sample of stakeholders. Stakeholders included directors, assurance providers, regulators, professional accounting bodies, education bodies, reporters, preparers and report users in both Melbourne and Sydney.
4. Assurance engagements on EER subject matter are currently conducted under a number of standards, including ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, AA1000 AccountAbility Assurance Standard (2008) (current version expected in mid 2018). Subject matter specific standards, e.g. ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*, can also be applied.
5. There is an opportunity for the AUASB to:
  - Contribute to international effort to address EER assurance challenges with guidance, which has gathered pace with the establishment of the IAASB EER Task Force and the EER Project Advisory Panel (PAP) to support it;
  - Collaborate with like-minded national standard setters, most notable in New Zealand and South Africa; and
  - Undertake pro-active stakeholder consultation in Australia to identify any specific guidance needed in our jurisdiction.

### II. Scope

6. EER can encapsulate a broad range of Reports, including:
  - Integrated Reports (IR), referencing the International Integrated Reporting Council (IIRC) <IR> Framework.
  - Sustainability Reports, referencing the Global Reporting Initiative (GRI) G4 Standards.
  - Specific subject matter information in Reports, including:
    - National Greenhouse and Energy Reporting (NGER).
    - Environmental, social and governance (ESG) issues.

- Service Performance Information (SPI).
- Climate Change Disclosures (CCD): Climate Disclosure Project and Task Force for Climate Disclosures (TCFD).

Whilst the IAASB discussion paper took a framework-neutral approach, particular attention was paid to the frameworks promoted globally by the IIRC, the GRI and others established in response to legislative or stock exchange requirements in different jurisdictions. A combined approach to addressing credibility and trust in EER also featured, acknowledging the key role played by Audit and Risk Committees, management, internal and external audit.

Key challenges to the assurance practitioner with respect to EER identified in the AUASB's stakeholder outreach on the IAASB EER Discussion Paper were as follows:

- Addressing materiality and implementing a robust materiality process.
- Maturity of governance and controls over EER reporting systems.
- Future-oriented information.
- Scoping EER engagements and establishing suitable criteria.
- Availability of assurance practitioners with appropriate subject matter expertise and competence.

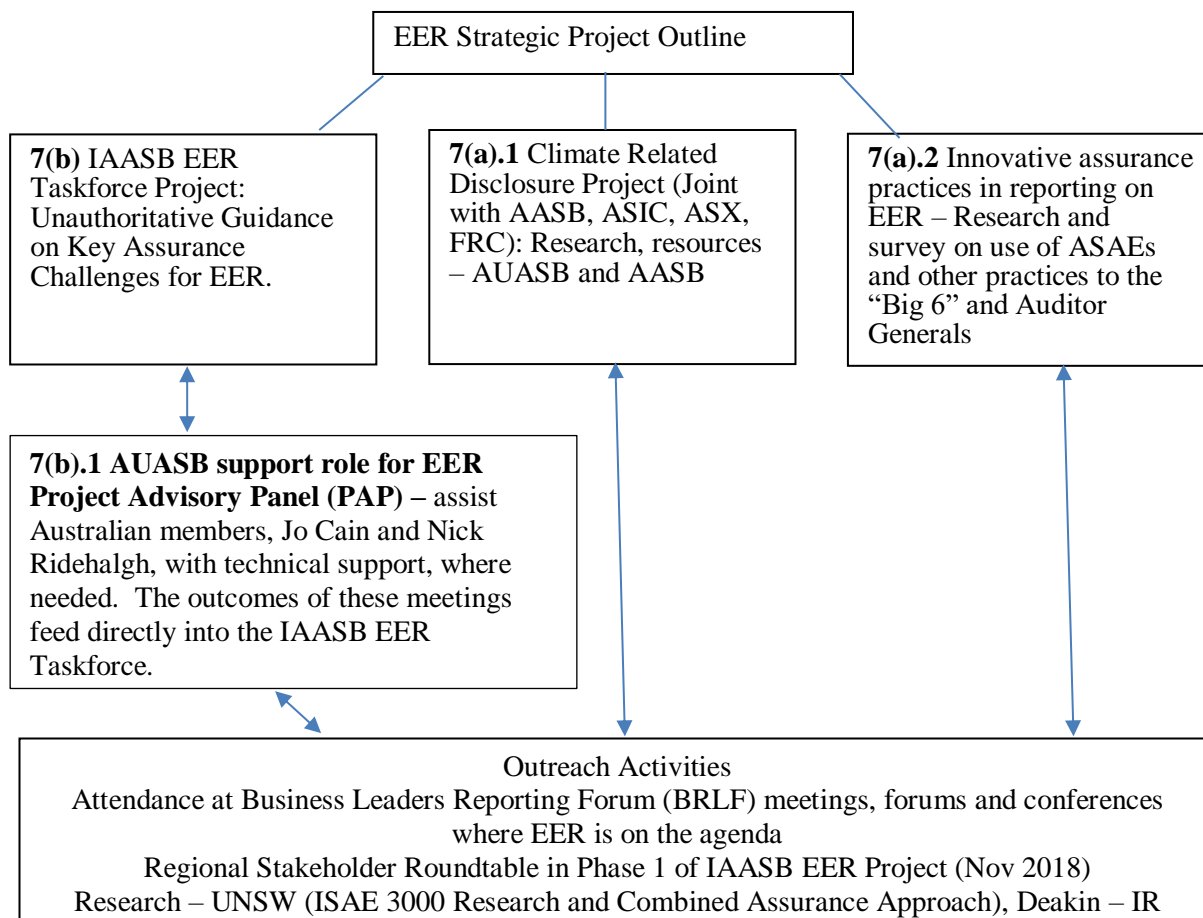
### **III. Project objectives, public interest benefits, link to corporate strategy and short, medium and long-term goals:**

#### **Project objectives**

7. The project objectives are for the AUASB to understand and address:
  - a) The gap in credibility and trust in EER in Australian capital markets.
  - b) The key assurance challenge(s) with EER identified with our stakeholders.

Via these two project objectives, the following three specific areas will be addressed as shown:

1. IAASB EER Taskforce Project: Unauthoritative Guidance on Key Assurance Challenges for EER – 7(b).
2. Innovative assurance practices in reporting on EER – 7(a).
3. Climate Related Disclosure Project – 7(a).



### Public interest benefits

8. The public interest benefits of this proposal:
  - a) Improve credibility and trust in EER in Australian capital markets through high quality standards and guidance on assurance.
  - b) Contribute to enhanced quality and consistency in EER assurance throughout the world and strengthen public confidence in the audit and assurance profession.

### Link to corporate strategy

9. This EER Assurance Project Plan directly contributes to the achievement of strategic objective 5 in the AASB and AUASB Strategy 2017-2021: Influence initiatives to develop assurance standards and guidance that meet user needs for external reporting beyond financial reporting.

### IV. Liaison with other standard setters

10. Further environment scanning, analysis and knowledge building on EER and related assurance in other jurisdictions, in particular New Zealand, South Africa, United Kingdom, Malaysia and the Netherlands to identify potential partners.
11. Work with the New Zealand Auditing and Assurance Standards Board (NZAuASB) on a joint project to meet the strategic objectives of both Boards.
12. Work with the AASB towards achieving strategic objective 5 in the AASB and AUASB Strategy 2017-2021.

## **V. Education**

13. Participate in CPA Australia's current development of a module on EER assurance for external assurance practitioner certification.
14. Build content understanding of Deakin and UNSW elective courses on <IR> and Value Creation in their accounting degree programs, incorporating assurance and credibility enhancement modules.
15. Keep abreast of other related education initiatives in the pipeline through relationships with key education providers.

## **VI. Research to date**

16. The following relevant research papers have already been identified:
  - a) University of New South Wales: *Combined Assurance as a New Credibility Enhancement Technique*.
  - b) Stanford University, University of Auckland, University of Pretoria: *The Economic Consequences Associated with Integrated Report Quality: Early Evidence from a Mandatory Setting*.
  - c) University of New South Wales: *Does Integrated Reporting Matter to Capital Markets?*
  - d) CPA Australia: *An Exploration of the Information Needs of Selected Stakeholders of Integrated Reporting*.

## **VII. Links to relevant documents, not required reading – background information only:**

AUASB submission to the IAASB Discussion Paper (2017): [Supporting Credibility and Trust in Emerging Forms of External Reporting: The Key Challenges for Assurance Engagements](#).

## **Appendix 1**

### **7(a).1 Climate Related Disclosures - Impact for Reporters/Preparers and Assurance Practitioners**

Draft project plan is in progress. This is yet to be agreed with the AASB.

### **7(a).2 Australian Piece – Innovative Assurance Practices and Reporting on EER**

Conduct a survey of the “Big 6” and Auditor Generals on the current use of the ASAEs and other innovative practices in EER, e.g. <IR>. Other innovative assurance practices on reporting of EER could include:

- Combined Assurance – Governance (reporting Board processes/discussions), internal and external assurance
- ASAE 3000 – Limited and reasonable assurance
- ASAE 3000 and AA1000
- ISA 720 – Other Information.

The survey would look to explore further current practices being adopted in this area and future thinking about innovative practices.

Outcome: Article/Bulletin – aimed at Director’s and Assurance Practitioners on what options are available for reporting in the EER space (e.g. increased disclosure in the Operating and Financial Review (OFR) or adoption of <IR>) and what assurance practices could be used to enhance the credibility and trust of this information.

### **7(b) IAASB EER Taskforce Project: Guidance on Key Assurance Challenges for EER**

AUASB to co-ordinate with IAASB EER Task Force (Alistair Neilson, World Business Council of Sustainable Development (WBCSD secondee) to share information. AUASB to offer assistance as required.

Attendance and co-ordination of IAASB EER Regional Round Table in Sydney in November 2018.

Consider attendance and co-ordination of meetings on EER at the World Accounting Congress (WAC) in Australia in November 2018.