

## Strategic Project Outline

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Project Title: Emerging External Reporting (EER)  
Project ID: 2017  
Team member responsible: Marina Michaelides  
AUASB Sponsors: Jo Cain

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### I. Background

1. The AUASB has committed in their strategic plan to influence initiatives to develop assurance standards and guidance that meet user needs for external reporting beyond financial reporting which encapsulates emerging forms of external reporting (EER).
2. In February 2017 the AUASB made a submission to the IAASB on its 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. These included directors, assurance providers, regulators, professional accounting bodies, education bodies, reporters, preparers and report users in both Melbourne and Sydney.
3. Assurance engagements on subject matter that fall under the auspices of EER are currently conducted under ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information, as well as other standards, such as AA1000 AccountAbility Assurance Standard (2008) (currently in revision for launch in late-2017). Where there are subject matter specific standards, e.g. ASAE 3410 Assurance Engagements on Green House Gas Statements, these are also applied.
4. There is an opportunity for the AUASB, potentially in partnership with other like-minded national standard setters, to respond to stakeholder feedback received in our most recent outreach by taking a leadership role with respect to assurance on EER ahead of international progress. A pro-active approach is proposed to address some of the key gaps and challenges identified by stakeholders with respect to the credibility and trust over EER.

### II. Purpose of Session

5. To facilitate an informed discussion with the AUASB members on the strategic project outline.

### III. 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, often 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)

It should be noted that, whilst the IAASB discussion paper took a framework-neutral approach to EER, 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.

7. Key challenges to the assurance practitioner with respect to EER include establishing suitable criteria, implementing a robust materiality process, maturity of reporting systems and availability of assurance practitioners with appropriate subject matter expertise, as identified in recent outreach on the IAASB EER Discussion Paper.

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

##### **Project Objectives**

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

##### **Public interest benefits**

9. 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 other assurance and related professional services; and
  - b) contribute to the enhanced quality and consistency of practice throughout the world, and strengthen public confidence in the audit and assurance profession.

##### **Link to Corporate Strategy:**

10. 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.

## Short, medium and long term goals

11. The table below has a summary of the short, medium and long term goals/outputs of this proposal:

<p><i>Short term (1 year)</i></p>	<ul style="list-style-type: none"> <li>• Further engage with assurance practitioners (through workshops, one-on-one interviews/meetings or surveys), who are undertaking different types of EER assurance engagements in practice to confirm the key challenges previously identified and further explore potential solutions, such as guidance and the most useful scope.</li> <li>• Further environment scanning, analysis and knowledge building on EER and related assurance experience and initiatives in other jurisdictions, in particular New Zealand, South Africa, United Kingdom, Malaysia and the Netherlands. Through these processes, identify potential partners from other jurisdictions working in this area.</li> <li>• In particular, work with the NZAuASB on how we may collaborate on a joint project to meet the strategic objectives of both Boards.</li> <li>• Engage more closely with the IAASB on the outcomes from the EER Discussion Paper and contribute to any resulting initiatives where this adds value</li> <li>• Identify relevant academic research in this area and consider future needs through engagement with universities and other education providers.</li> <li>• Attend BLRF and IIRC meetings throughout the period.</li> <li>• Identify and scope potential individual projects on one or more of the key challenges raised in the EER submission, such as scoping engagements, future-oriented information and materiality.</li> </ul>
<p><i>Medium term (2-3 years)</i></p>	<ul style="list-style-type: none"> <li>• Undertake stakeholder engagement to share AUASB’s “thought leadership” on EER. This could include workshops, presentations, podcasts and other outreach.</li> <li>• Participate actively in the IAASB’s innovation working group taskforce for EER.</li> <li>• Continue to monitor international progress on EER, including jurisdiction-specific milestones, drawing on any partnerships established.</li> </ul>
<p><i>Long term (4-5 years)</i></p>	<ul style="list-style-type: none"> <li>• Continue to play leadership role internationally in EER assurance.</li> <li>• Review the outcomes of short and medium term goals to determine where most value can be added.</li> </ul>

## V. How / Outreach:

12. Further outreach will be undertaken with a representative sample of stakeholders:
- a) Assurance providers involved in EER assurance
  - b) Directors and audit committee members: via the AICD
  - c) Professional accounting bodies: CAANZ, CPA Australia
  - d) Education bodies: UNSW, Deakin, Sydney, other?
  - e) Reporters: via the Business Reporting Leaders Forum (BRLF), plus reporters (e.g. Australian leaders in IR)
  - f) Report users: Shareholders, superannuation funds, investors: ACSI, Regnan.

13. Aims/outputs of outreach:
- identify the types of assurance engagements (e.g. <IR>, GRI, CCD) being undertaken and issues being encountered in practice to clearly understand the gaps/ challenges for assurance that may need to be addressed in the public interest.
  - provide feedback and assistance on how the AUASB can be proactive internationally with the IAASB.
  - revisit the key challenges identified in the submission to the IAASB EER Discussion Paper to confirm that these are still relevant and confirm the order of key priorities.
  - tap into current research and thinking by academics in the EER field and leverage off this where appropriate.

## **VI. Outputs from project**

14. Refer table in paragraph 11.

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## **VII. Next Steps**

15. TBD – aim of AUASB session.

## **VIII. Liaison with other Standard Setters including Collaboration with AASB**

16. Further environment scanning, analysis and knowledge building on EER and related assurance experience and initiatives in other jurisdictions, in particular New Zealand, South Africa, United Kingdom, Malaysia and the Netherlands. Through these processes, identify potential partners from other jurisdictions working in this area.
17. In particular, work with the NZAuASB on how we may collaborate on a joint project to meet the strategic objectives of both Boards.
18. Determine how we work with the AASB to ensure that both Boards work towards achieving strategic objective 5 which are essentially aligned.

## **IX. Education**

19. CPA Australia is currently developing a module on EER assurance for external assurance practitioner certification. The AUASB is playing an active role in this process.
20. Deakin and UNSW currently offer an elective courses on <IR> and Value Creation in their accounting degree programs. These courses contain assurance and credibility enhancement modules.
21. Keep abreast of other related education initiatives in the pipeline through relationships with key education providers.

## **X. Research to date**

22. The following applicable research papers have already been identified:
- a) The 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) The 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.*