



# AUASB Board Meeting Summary Paper

**AGENDA ITEM NO.** 3.6.0  
**Meeting Date:** 4-5 December 2018  
**Subject:** EER Assurance – Draft Guidance  
**Date Prepared:** 27 November 2018  
**Prepared By:** Marina Michaelides

**Action Required**

**For Information Purposes Only**

Agenda Item Objectives	AUASB SMEs
<p>The objectives of this Agenda Item are to:</p> <ol style="list-style-type: none"><li>1. Present an updated draft of the phase 1 guidance developed by the EER Task Force.</li><li>2. Receive feedback from the AUASB on the draft guidance prior to it being published as an exposure draft.</li></ol>	Marina / Jo
<p><b>1. Update on IAASB EER Task Force Work</b></p> <p>The IAASB EER Task Force, with input from the Project Advisory Panel (PAP), has progressed their work on the 6 of the assurance challenges identified below, constituting Phase 1 of the project:</p> <ul style="list-style-type: none"><li>• Materiality (Challenge 3)</li><li>• Assertions (Challenge 4)</li><li>• Criteria (Challenge 2)</li><li>• Maturity of Governance (Challenge 5)</li><li>• Narrative Information (Challenge 6); and</li><li>• Addressing Narrative and Forward-looking information (Challenge 7).</li></ul> <p>Since the September 2018 IAASB meeting, the Task Force has held a two-day meeting and updated the draft phase 1 guidance to reflect feedback received from the Board, the Project Advisory Panel (PAP) and participants in the global series of discussion events. The AUASB attended the EER discussion event held in Sydney on 2 November 2018.</p> <p>Overall, the draft guidance has been well received by the PAP and participants in the discussion events who have considered it to be useful material which will help practitioners undertaking EER assurance engagements.</p> <p>The TF is looking for the IAASB’s further feedback on the updated draft guidance prior to it being issued as an exposure draft in January 2019. The IAASB is asked for any major revisions that are required to the draft guidance prior to exposure and whether a further Board discussion is required via teleconference prior to it being published for comment in January. The Task Force notes that this will be the first of two exposure drafts</p>	

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planned for 2019. The draft guidance will be re-issued for exposure later in 2019, reflecting responses to feedback received on the first phase exposure.

## **2. Issues that the EER taskforce focused on due to feedback received at Sept IAASB meeting:**

The TF has identified the key issues raised, as follows:

- Guidance covering matters not explicitly addressed in ISAE 3000 (Revised) requirements
  - Preconditions for an assurance engagement
  - Assertions
- Consistency with ISAE 3000 (Revised) requirements
  - Suitability of criteria
  - Materiality

Comments on these key issues are noted below:

### **1. Guidance covering matters not explicitly addressed in ISAE 3000 (Revised) requirements:**

The extent to which it is appropriate for the guidance to cover matters not explicitly addressed in the ISAE 3000 (Revised) requirements and application material was discussed by the IAASB in September 2018. A risk was noted that practitioners could consider such aspects of the non-authoritative guidance to be introducing implied new requirements.

The TF does consider it is a necessary part of this project to develop guidance which provides further detail to practitioners in how to apply ISAE 3000 (Revised) specifically to EER assurance engagements. Guidance which merely repeated the requirements in the standard and went no further than this would have limited usefulness.

### **2. Preconditions for an assurance engagement**

There was a perception by some of the IAASB that the draft guidance could imply that having a mature system of internal control is a precondition for an assurance engagement.

The TF believes that the adequacy of governance and internal control relevant to EER reporting is an important consideration, based on a preliminary understanding of the engagement circumstances, when establishing whether the preconditions in paragraph 24 of ISAE 3000 are present. The diagram in paragraph 41 of **IAASB Agenda Item 8-A** aims to show how such considerations are relevant to the practitioner's determination that the preconditions specified in that requirement, which are shown in the shaded grey boxes, are present.

The TF also confirms that it does not consider that it is necessary for a system of internal control (including the role of governance) to be fully mature to meet the preconditions.

The TF believes that the level of development and maturity needs to be such that the reporting systems, controls and oversight are appropriate, in the engagement circumstances, to enable the practitioner to establish that the preconditions are present.

### **3. Assertions**

The TF understands that assertions were not explicitly addressed in ISAE 3000 (Revised) because it was not considered practical to specify what assertions would be appropriate for the practitioner to use in all types of assurance engagement, in an umbrella standard. The Task Force notes, in contrast, that ISAE 3410, a subject matter specific standard, explicitly addresses assertions.

The TF has included guidance on building assertions in the guidance as this was identified as a challenge for practitioners by respondents to the 2016 discussion paper.

The September draft gave rise to some confusion about the relationship between assertions and the characteristics of suitable criteria. The guidance (in Chapter 9 of **IAASB Agenda Item 8-A**) has been updated in order to explain this more clearly. It explains that assertions are a tool that practitioners use to specify expected characteristics of the subject matter information (such as its completeness, accuracy or understandability) if such information results from the proper application of the applicable criteria to the underlying subject matter. This assists practitioners in identifying the nature of potential misstatements in the subject matter information. This in turn assists the practitioner in planning and performing appropriate procedures to obtain and evaluate evidence about whether the subject matter information is materially misstated.

#### **4. Consistency with ISAE 3000 (Revised) requirements**

The TF has not intentionally provided guidance which contradicts or is inconsistent with any of the ISAE 3000 (Revised) requirements or application material, and the draft guidance is not intended to introduce any new mandatory requirements, consistent with the scope and authority of an IAEPN.

#### **5. Suitability of criteria**

The TF firmly believes that the criteria must be suitable for an ISAE 3000 (Revised) assurance engagement to be accepted in accordance with paragraph 24(b)(ii) of ISAE 3000. It does not intend to suggest that practitioners may be able to find ways around this.

As noted at the September 2018 IAASB meeting, some degree of subjectivity in reported information is consistent with applicable criteria that are suitable. Criteria are required to have the characteristic of ‘reliability’ (one of the five required characteristics). ISAE 3000 (Revised) explains that reliable criteria allow reasonably consistent measurement or evaluation of the underlying subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by different practitioners.

#### **6. Materiality**

A query was raised at the September 2018 IAASB meeting about whether the relationship between materiality and the characteristics of suitable criteria had been appropriately described. The TF has attempted to address this by including further explanation, examples and context for the main section in the guidance on materiality in Chapter 8 of **IAASB Agenda Item 8-A**.

The TF has also made other updates to the draft guidance in response to comments in the following areas:

- Drafting conventions
- Structure and length
- Assurance readiness engagements and maturity assessments
- Fair presentation and compliance frameworks
- Name
- Performance materiality
- The roles of preparers and practitioners
- Qualitative information

These areas are just for noting and will not be discussed in detail in this paper.

Should AUASB Members wish to review the full suite of IAASB Papers relating to this Agenda Item, they are available via the following link: [IAASB December 2018 Papers](#).

### **Overall comments**

- A new chapter has been added after the introduction which gives an overview of an entire EER assurance engagement. This aims to show how the guidance on specific topic areas aligns to the ISAE 3000 (Revised) requirements. The ATG sees this as useful for practitioners when undertaking an EER engagements and applying the guidance to the requirements in ISAE 3000.
- The guidance also now includes some consideration of assurance readiness engagements and “maturity assessments” in para 73-76 where previously this was not considered. The ATG think this is beneficial due to the nature of EER engagements and the interplay of these types of engagements and the preconditions for an assurance engagement.
- The examples provided throughout the guidance continue to be useful and seem to have been reworked for relevance.

### **AUASB influencing activities**

- AUASB Board Member contributing directly as a member of the IAASB EER PAP (Jo Cain).
- AUASB Technical Director to prepare briefing notes for distribution to Australasian IAASB members and AUASB Chair.
- NZAuASB Board Member contributing directly as a member of the IAASB EER Task Force (Lyn Provost).
- AUASB Technical Director to attend the December IAASB meeting and discuss feedback with relevant IAASB members.

### **Next steps / milestones for this project**

- Task force are hoping to incorporate comments from December IAASB meeting and finalise exposure draft in January 2019.
- The IAASB is asked for any major revisions that are required to the draft guidance prior to exposure and whether a further Board discussion is required via teleconference prior to it being published for comment in January 2019.

### **Action Required**

<b>No.</b>	<b>Action Item</b>	<b>Responsibility</b>
1	Feedback from the AUASB on the revised EER guidance.	AUASB

### **Material Presented**

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Agenda Item 3.6.1

EER Assurance – Draft Guidance (IAASB Agenda Item 8A)