Australian Government

Auditing and Assurance Standards Board

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21 June 2019

Marek Grabowski
Chair of the Extended External Reporting Taskforce
c/o International Auditing and Assurance Standards Board
International Federation of Accountants
529 5th Avenue, 6th Floor
New York, New York 10017 USA

Dear Marek,

AUASB Submission on the IAASB's Consultation paper: *Extended External Reporting (EER) Assurance*

The Australian Auditing and Assurance Standards Board (AUASB) is pleased to have the opportunity to comment on the IAASB's Consultation paper: *Extended External Reporting (EER) Assurance.*

The AUASB commends the IAASB's initiative to issue non-authoritative guidance as an appropriate outcome from the submissions received on the discussion paper issued by the IAASB for comment in 2016: *Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements.*

The Australian perspective
In Australia, EER continues to gain momentum in a voluntary market coupled with some form of assurance on this type of reporting. The ASX Governance Principles and Recommendations, revised in February 2019, now support the need for listed entities to have appropriate processes to verify the integrity of their corporate periodic reports and, as such, adequate credibility enhancing mechanisms in place to ensure that this occurs. These mechanisms may include external assurance provided by the listed entities' auditors. These initiatives are consistent with the direction being adopted internationally. Current academic research also supports the view that such credibility enhancing techniques are beneficial to market participants (Zhou, et al., 2018)[1].

The AUASB and Australian Accounting Standards Board (AASB) see EER as a key strategic objective, acknowledging the role both reporting and assurance can play in enhancing credibility and trust, and recognising that the information needs of report users are at the forefront of this thinking. The AUASB continues to be very active in this area, not only through our representation on the IAASB Project Advisory Panel to the EER Taskforce through Jo Cain (current AUASB Member) and Nick Ridehalgh (stakeholder in our region), and as such considers it appropriate for the IAASB to continue to prioritise the finalisation of the guidance. This project enable's the IAASB to achieve its strategic vision through implementation of its three strategic objectives, i.e. the maintenance and development of robust assurance standards, the future proofing of the assurance standards by considering their continued relevance to stakeholders needs, and the importance of collaboration and cooperation with contributors to the financial reporting supply chain.

As part of the AUASB's strategic project on EER, the AUASB and AASB released a Bulletin on Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/IASB Practice Statement 2 in December 2018, which looks at both the reporting and assurance considerations.

The AUASB is also undertaking a survey of assurance practitioner's to gather views on:
- Types of credibility enhancing techniques currently being utilised for EER in the market place and reported publically; and

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[1] Evaluating Combined Assurance as a New Credibility Enhancement Technique – Shan Zhou, Roger Simnett, Hien Hoang. Available at http://aaajournals.org/doi/abs/10.2308/ajpt-52175.

- To understand what other innovative assurance practices are being developed by practitioners that may be useful for enhancing credibility and trust in EER.

This survey will be cross jurisdictional and the AUASB will work with other National Standard Setters on its promulgation.

In formulating its response, the AUASB sought input from key stakeholders via two Round Tables in Melbourne and Sydney. These discussion sessions focused on EER assurance practitioners as the primary audience for this guidance, with professional accounting bodies, education bodies and preparers also represented to a lesser degree.

Overarching comments

The AUASB supports the development of this non-authoritative guidance to build credibility and trust in EER through more robust and consistent EER assurance. The follow through of the ten EER assurance challenges identified in the development of the guidance to-date is commended, not least the engagement of those experienced in the EER space on the IAASB EER PAP to provide insights to the IAASB EER Task Force. We thank the IAASB for consulting on this draft part way through to allow stakeholders not only to feedback on the draft thus far, but also to influence the remainder of the draft going forward. We note the progress made with respect to the following:

- **Purpose:** Clarity of purpose to apply ISAE 3000 (Revised) to a wide range of subject matter.
- **ISAE 3000 Requirements:** Alignment with the requirements of ISAE 3000 (Revised).
- **ISAE 3000 Terminology:** Consistent use of ISAE 3000 (Revised) terminology.
- **Target Audience:** Clarity of audience, namely assurance practitioners, with useful context relating to Report preparers not moved to the Appendix.
- **Examples:** Inclusion of examples to "bring the guidance to life." NB: This remains an area for improvement.

However, it is the AUASB's view that the guidance risks becoming quite a lengthy, complex document targeting multiple users which may not assist in it meeting its overall purpose. Stemming from this, the AUASB highlights a number of areas for further consideration by the IAASB during Phase 2. In consultation with our key stakeholders, the AUASB believes that addressing the following areas for improvement in the guidance will play a fundamental role in underpinning the credibility and trust of EER going forward:

- **Maintain Momentum:** Move quickly in line with the evolving nature of EER and to harness its current momentum.
- **Reporting Frameworks:** Whilst the guidance purports to be reporting framework-neutral, there is an overriding Sustainability Reporting and Global Reporting Initiative (GRI) theme. This manifests itself in significant gaps emerging with respect to relevant examples for other types of reporting, such as Integrated Reporting (IR). No examples are provided throughout the guidance in relation to the fundamental subject matter of an IR, such as the business model, strategy or value creation.
- **Examples:** Further work is needed on the examples provided throughout the guidance, including:
  - *Themed Examples:* Flow an example EER assurance process through the challenges, i.e. work through an example assurance engagement from start-to-finish, anchoring on an example relevant to each challenge. This may work well in the Appendix.
  - *Financial Alongside Non-Financial Examples:* Acknowledge that EER assurance practitioners will come from a wide range of backgrounds, some financial, some non-financial. With this in mind, include financial examples alongside non-financial, where possible.
- **Reasonable versus Limited Assurance:** Remains a "grey area" for EER assurance practitioners, with guidance needed. Although practitioners acknowledge coverage in ISAE 3000 (Revised), it does not meet their needs. Given the objectives of this guidance, this represents an opportunity to build greater understanding and consistency and a more robust approach.
- **Materiality:** Consideration of materiality in scoping an EER assurance engagement is widely accepted as a core component and is therefore suggested for inclusion in the guidance. Stronger

integration of risk into the materiality process is suggested as a key input. There is a need to encompass more than just impact in materiality determination, for example, IR relates to value creation. Finally, links to examples of materiality disclosure from Reports would add value.

- **Subjective Statements:** EER assurance practitioners highlighted a strong need for guidance in relation to the assurance or subjective statements, i.e. narrative, where evidence requirements may prove challenging to meet.
- **Sequence of EER Assurance Challenges:** The sequence in which EER assurance challenges are presented warrants further attention, such as bringing materiality further forward.
- **Flow Charts:** A flow chart of a typical EER assurance engagement would enhance the guidance at the start of Chapter 2: Overview of an EER Assurance Engagement. Then throughout the guidance, at the start of each chapter, a flow chart would assist to summarise what is covered in that chapter, with hyperlinks to each subsection from the flow chart for accessibility.
- **Hyperlinks:** Use of hyperlinks to more detailed examples within published Report would add value. In addition, reducing the amount of repetition of ISAE 3000 (Revised) through a suitable technology solution.
- **IASB Links:** Stronger links to the International Accounting Standards Board (IASB) project to update its IFRS Practice Statement 1 *Management Commentary* to ensure that the EER guidance will be fit for purpose across the broader corporate reporting suite.
- **Preconditions:** Avoid establishing too high a hurdle e.g. preconditions and the interplay between suitable criteria and internal controls which are iterative in nature, may result in the assurance process becoming a barrier to the development of EER.

The AUASB's detailed responses to the specific questions asked in the discussion paper are included in this letter as Attachment 1.

Should you have any queries regarding this submission, please do not hesitate to contact Marina Michaelides on mmichaelides@auasb.gov.au

Yours sincerely,

Roger Simnett
AUASB Chair

SUBMISSION OF THE AUSTRALIAN AUDITING AND ASSURANCE STANDARDS BOARD

IAASB Consultation Paper – Extended External Reporting (EER) Assurance

Q1) Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance developed in phase 1? If not, where and how should it be improved?

Through outreach, feedback was received from a representative range of AUASB stakeholders, including assurance providers, reporters, professional accounting bodies and education bodies. Both this representative sample of stakeholders commend the IAASB's initiative to issue non-authoritative guidance as an appropriate outcome from the submissions received on the discussion paper issued by the IAASB for comment in 2016: *Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements.*

The AUASB highlighted in its response to the discussion paper on the Ten Key Challenges the ongoing challenge of limited versus reasonable assurance and the lack of understanding of the differences, as well as the wide ranging subject matter and criteria placing increased demands on both reporters and assurance providers, as worthy of greater attention. These points were again raised by AUASB stakeholders in the recent outreach sessions so are explored again below:

- There is also a lack of understanding by reporters and users of the difference between limited and reasonable assurance. The AUASB highlights an ongoing need for greater clarity regarding the difference between limited and reasonable assurance in terms of scope, work effort, output and value.

The AUASB's overall view and that of stakeholders is that the guidance risks becoming quite a lengthy, complex document targeting multiple users which may not assist in it meeting its overall objective. In addition, reducing the amount of repetition of ISAE 3000 (Revised) through a suitable technology solution would improve the usability of the guidance.

The issues identified below each sub-heading are areas where the AUASB consider the guidance would benefit from additional clarification for each identified challenge.

Paragraphs 9-15 (scope of draft guidance)

The AUASB considers that the following matters are relevant for the scope of the guidance:

- Some stakeholders would like to see more focus in the guidance on direct EER engagements as this is the most common EER engagement occurring in practice, however the guidance is predominantly drafted the principles of an attest engagement position.

- Applying appropriate skills in an EER assurance engagement will be considered in phase 2. Under the 'obtaining evidence' heading in Chapter 2, the consultation paper states that use of experts and the work of another practitioner are outside the scope of this guidance. In practice, the need to use experts or the work of another practitioner is a particular challenge where additional guidance and examples would be welcomed.

- Other information has been identified as outside the scope of the guidance. Other information that may be scoped out of an EER assurance engagement may be a particular challenge for practitioners. Additional guidance and examples would be supported.

- Guidance on how to make the criteria available to intended users would be useful. This may be addressed in the guidance to be developed on reporting. The requirement in ISAE 3000 (Revised) for the practitioner to evaluate whether the criteria are available to intended users may prove to be a challenge. It is unclear from paragraph 37 of the draft guidance as to whether this will be covered in Phase 2. Adding additional guidance in Chapter 3 and/or when developing guidance on reporting would be useful.

Paragraph 25 (preconditions and the system of internal control)

- Some stakeholders raised the issue around business strategy and the governance and oversight of the reporting process (para 71) not being documented or not being robust or even in existence, does the underlying premise of the EER guidance work in this scenario? The pre-conditions infer that the reporter needs to have governance and oversight of the reporting processes in place. If these processes are not documented or don't exist, will the pre-condition be met and can assurance over this information be given if there is no attestation by management?

- The AUASB questions the need for paragraph 47 a)-g) table in addition to the diagram in paragraph 46**.** It may be more useful to include the content in paragraph 47 and integrate it into the diagram. If paragraph 47 remains in the guidance, it could be enhanced with an example flowing through the different stages. For example: Could the greenhouse gas emissions of the entity be considered in terms of the contribution to climate change in comparison to peers in the sector?

- The distinction between what falls within assessing the "precondition" based on preliminary knowledge as opposed to performing detailed walk throughs or testing (i.e., the knowledge needed to make a complete assessment) is unlikely to be able to be made without starting to perform some detailed work which is a practical challenge. Performing work to understand the control systems (walk through procedures) is not typically done as part of the acceptance of an engagement in practice. This is part of performing the assurance engagement.

  The focus on the 'assurance readiness' work is therefore a useful addition to the guidance (para 50-53). However, it is not clear where no assurance readiness work is performed, as to when this work would be performed i.e. on 'preconditions' or 'engagement performance and testing'. We suggest that this delineation could be clarified in the guidance, to cater for types of EER where the 'assurance readiness' type of engagement are not practicable.

  An overarching comment would be that the guidance on the preconditions seems to set a very high barrier to accepting an assurance engagement. Practically, when we consider that the practitioner may be unlikely to be able to reach a final conclusion on the suitability of the criteria, understand the materiality process and identify whether the internal control system is robust enough to be able to provide the evidence needed to conclude, until the practitioner has actually started to gain the understanding and do a system walk through that is traditionally performed as part of the assurance engagement.

  We consider that the guidance may need to recognise even further that preparers are on a journey to evolve their reporting, and that the assurance practitioner needs to be able to evolve their methodology and procedures alongside them. As an entity moves from 'readiness' to 'assurance' some of the measures reported may not be assurable and some may not. It may however not be as clear as accepting and scoping the engagement accordingly, but rather may be more appropriate to report on this journey. This is something that may be best dealt with under the "Preparing the

Assurance Report' in Phase 2, i.e., by encouraging the assurance practitioner to include recommendations and findings in the assurance report.

If a readiness assessment is not performed separately, in many instances it is unclear how a practitioner would practically be able to determine whether the preconditions have been met, based only on a preliminary knowledge. Examples of where we consider that the delineation between 'precondition' and 'the work performed as part of the assurance engagement' could be made clearer are in the following paragraphs in the consultation paper:

- Response where the Preconditions are not Present (paragraph 75-78)
- Reliability of underlying data and source information (paragraph 107)
- Changes to criteria (paragraph 117)
- Consider process to prepare subject matter information (paragraph 128)

It should be acknowledged that there is a high level of judgement applied in the pre-conditions phase, based around discussions and reasonable assumptions that you will be able to access the evidence, and then the assurance practitioner would move into the planning phase where you perform more work are internal controls.

- The AUASB considers the draft guidance may imply there will need to be a significant amount of knowledge to determine whether the preconditions for an assurance engagement are met, due to:
  - the lack of maturity in many of the EER frameworks;

  - the range of frameworks available that are combined by preparers to prepare EER information; and

  - the need for some level of maturity in thinking and processes to prepare the EER information.

- The governance and oversight process as described in paragraph 71 should not only focus on the process to prepare but include a higher level of governance over what and how best to report. The governance and oversight process listed in paragraphs 71 could also refer to the process around seeking assurance over the EER information. In many instances, assurance is voluntarily sought, and may be for internal purposes only or for a select group of users. Clarification by the preparer as to why assurance is sought may assist the assurance practitioner in evaluating whether the preconditions for assurance have been met. (I.e., the level of assurance sought, what measures have been selected for the scope of the engagement).

  Re-ordering paragraph 71 to bring Governance and Oversight before the paragraphs on reporting system could be another way to reinforce this. Also amending the diagram in paragraph 62 to have the governance and oversight as an overarching component may help to emphasize this point.

Paragraph 33 ('materiality processes')

- The AUASB notes paragraph 164 would benefit from a couple of published examples, perhaps a best practice <IR> and a best practice Sustainability Report, showing how entities report their materiality process and the charts used to present their materiality results.

- Separating the terms and highlighting the difference between 'materiality' and 'materiality process' is helpful. The chapter on the 'materiality process' aims to provide practitioners guidance when considering an entity's 'materiality process', first by reviewing the context of the process and then reviewing the results of the process. Where this is applicable to the engagement, this would be part of the practitioner determining whether the criteria are suitable and would be performed as part of the agreeing the scope of an EER engagement.

- However there remains the matter that if a significant matter is omitted, then this may result in a material misstatement depending on the scope of the engagement. This cannot be limited to just a precondition for the engagement, but may be a conclusion after performing the assurance procedures.

- The guidance in Phase 2 on performance materiality will be challenging for EER. The NZAuASB experience with SPI Information identified that it is difficult to conclude on overall SPI information, as well as whether a material misstatement exists within one measure. These matters are not mutually exclusive. Coverage of financial materiality thresholds may assist, relating to percentage error may help assurance practitioners to understand this area.

Paragraph 29 (suitability of criteria)

- The AUASB is supportive of the guidance and examples developed to assist practitioners evaluate the suitability of criteria. In practice, this is a real challenge. The evaluation of completeness balanced against conciseness for understandability is a real challenge when dealing with highly principles based, non-specific reporting frameworks.

- Some stakeholders noted that there seems to be wide judgement applied on criteria in the guidance when undertaking an EER assurance engagement. It should be noted that in practice the determination of the criteria normally occurs through discussions between the entity and the assurance practitioner and not in isolation and it is somewhat of an iterative process.

Paragraph 41 (narrative and future-oriented information)

- A number of stakeholders raised some concerns around assuring narrative subject matter as follows:

  ➤ What is the boundary of the subject matter: As an example on page 60, it is hard to define the narrative subject matter information. What does the 'minimal' mean? This is seen by stakeholders as one of the key challenges for EER and as such the AUASB encourage the IAASB to be carefully consider this further in Phase 2.
  ➤ The examples in paragraph 187 on assuring narrative information matters may not provide a lot of practical guidance. With reference to the example on p.60 of the guidance, the underlying criteria of the narrative subject matter is vague.
  ➤ The IAASB needs to ensure that the challenges around the subjectiveness of the statements on some subject matters are considered and the interplay with possible management bias. These areas need to be further addressed in the guidance.
  ➤ Currently there are two views around assurance on narrative disclosures being the proposed Internationally, the first being the proposed International Standard on Auditing (ISA) (UK) 570 *Going Concern* on Going Concern - limited assurance and asking the auditor to do more and disclose more on going concern as compared to ISA 720 *Other Information* which is no assurance, only a read and consider for material inconsistencies. The IAASB will need to be cognisant of where this debate lands.
  ➤ Practitioners may find the idea of assuring future oriented information difficult but were more comfortable to consider whether assumptions seem reasonable and whether the methodology used seems appropriate. This is work they currently perform in the audit of financial statements.

Q2) Is the draft guidance clear and easy to understand, including through the use of examples and diagrams, and the way terminology is used? If not, where and how should it be improved?

The AUASB suggests that the IAASB continue to streamline the guidance which may include: incorporating into an appendix, a continuous case study across all of the ten key challenges.   This will bring the guidance to life and provide practical application on the 10 key assurance challenges for EER.

Stakeholders agreed that the technical language used in the guidance may be hard for report preparers or assurance practitioners from different backgrounds to understand. In Australia this is important because our definition of 'assurance practitioner' in ASAE 3000 is broader than in ISAE 3000 (revised) and encapsulates other assurance practitioners outside the accounting profession. This guidance should also be able to be used by preparers to understand further what the assurance practitioner expectations may be of them with regard to EER and the assurance process.

The AUASB also supports more examples throughout the guidance to illustrate application of the key assurance challenges in practice and not just limit these too financial examples. Consideration needs to be given when providing financial and EER examples alongside each other in the guidance, as this may draw the financial auditor undertaking an EER engagement away from focusing on the key assurance challenges specific to EER.

Refer to other recommendations for specific paragraphs throughout the submission.

Q3) Do you support the proposed structure of the draft guidance? If not, how could it be better structured?

The structure could be improved by clarifying the purpose of the document up front, i.e., guidance to be used in conjunction with ISAE 3000 (Revised) rather than a replacement for ISAE 3000 (Revised).

The AUASB considers the draft guidance could be streamlined by removing replication or paraphrasing of ISAE 3000 (Revised). The guidance is quite lengthy. To make the guidance more useful, the ATG would suggest limiting where possible, repetition of ISAE 3000 but rather concentrating on the examples and practical guidance on how to actually apply ISAE 3000 to EER. We recognise the importance of ISAE 3000 as the standard on which the guidance is based, but consider that an upfront statement that contextualises that this guidance is built on ISAE 3000, and should be read in conjunction with ISAE 3000 rather than repeating this message throughout may reduce the length of the document and provide the most value for the practitioner.

Comments from stakeholders on the guidance structure were as follows:

➤ more like a standard following ISAE 3000 rather than guidance around the 10 key assurance challenges for EER.

➤ currently not easily- accessible or 'user-friendly' to practitioners. The IAASB may need to consider a technology solution to enhance the accessibility of the guidance and links to ISAE 3000.

➤ they encourage the IAASB to further consider how to facilitate understandability of this guidance. This may be done once the final guidance has been issued through webinar's or working with education bodies in this area.

➢ suggest that the IAASB consider bringing Chapter 8 *Considering the Entity's 'Materiality Process'* forward to Chapter 6 (after criteria and before Chapter 6 *Considering the System of Internal Control*).

➢ see the guidance as being somewhat more weighted toward sustainability and greenhouse gas reporting frameworks and would like to see some examples in the guidance or a case study that draws from other common EER frameworks.

➢ that a diagram or flowchart in the scope paragraphs that works through the EER assurance process from "cradle to grave" would be beneficial for navigating the guidance.

➢ Stakeholders generally agreed that while the chapters are useful for locating guidance on specific topics, they consider that the chapters may inadvertently remove the integrated and iterative nature of many of the considerations. The ATG therefore consider that the guidance would benefit from clarification as to when the practitioner is expected to do what. The current structure may be exacerbating the concern that the draft guidance blurs the line between the preconditions for an engagement and actually performing the engagement. In terms of structuring the guidance, this emphasis on the iterative nature of these evaluations and assessments on suitability of criteria, the appropriateness of the internal controls and the consideration of the materiality process could be further emphasized. The NZAuASB did a similar flowcart to highlight the iterative nature of evaluations for NZ AS 1 and they have provided this as an example in the appendix to their submission.

Q4) Do you agree that the draft guidance does not contradict or conflict with the requirements or application material of ISAE 3000 (Revised), and that the draft guidance does not introduce any new requirements?

Overall the ATG is supportive of the inclusion of guidance on the use of assertions, even though ISAE 3000 (Revised) does not deal with assertions. This support is based on consideration that the guidance may give rise to some useful examples to assist practitioners apply professional scepticism.

ISAE 3000 (Revised) is too broad to cover assertions related to all sorts of subject matter information however ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements* addresses assertions. While the AUASB does not consider guidance on assertions is contrary to the assurance framework or requirements generally, it does acknowledge that EER still covers a very broad range of subject matter, which does raise challenges in whether the assertions described in the draft guidance are sufficiently broad to remain framework neutral.

Q5) Do you agree with the way that the draft guidance covers matters that are not addressed in ISAE 3000 (Revised)?

Paragraphs 19-21 (matters not addressed in ISAE 3000 (Revised) and including details on the preparer's role and 'materiality processes')

The AUASB is supportive of the inclusion of references to the preparer's role and the materiality process. The AUASB cautions against trying to cover too much in one document. Whilst guidance on the preparer's role is important, the guidance should not blur the role of the practitioner with that of the preparer.

Paragraphs 24 and 26 (linking preconditions and the system of internal control)

The AUASB agrees the guidance should draw a link between the preconditions and the system of internal controls. However, we consider the draft may imply an insurmountable hurdle to accepting an EER assurance engagement. Rather, a distinction should be drawn between the work effort based on a preliminary knowledge as opposed to performing detailed walk through's or testing typically performed during the assurance engagement.

The guidance on the preconditions seems to set a very high barrier to accepting an EER assurance engagement. Practically, we consider the practitioner may be unlikely to be able to reach a final conclusion on the suitability of the criteria, understand the materiality process and identify whether the internal control system is robust enough to be able to provide the evidence needed to conclude, until the practitioner has actually started to gain the understanding and do a system walk through, traditionally performed as part of the assurance engagement.

We consider the guidance may need to recognize even further that preparers are on a journey to evolve their reporting, and that the assurance practitioner needs to be able to evolve with them. On this journey some of the measures reported may be able to be assured and some may not. It may however not be as black and white as accepting and scoping the engagement accordingly, but rather may be more appropriate to report on this journey.

The AUASB recommends that Phase 2 should capture a more flexible way to report, not just a binary yes or no conclusion. Such flexibility may impact on the preconditions for accepting the engagement and "how much is enough" to enable a practitioner to accept an assurance engagement.

We have heard from IAASB roundtables in November 2018 that there is a general lack of understanding in the preparer community around controls and the preconditions for assurance. Where an entity voluntarily seeks assurance, they may be unsure of the need for controls and processes to support the EER, and therefore in practice, we understand that the current focus from assurance practitioners is in part the "assurance

readiness" phase, working with clients as they develop their EER, to assist them to focus on developing systems that will be "assurable" in the longer term as well as provide better quality information.

It will be a challenge to meet the preconditions for many EER assurance engagements due to the immaturity of data collation processes and reporting systems, as well as the lack of internal controls. The draft guidance provides some useful context on the performance of assurance readiness engagements in paragraphs 50-53. If a practitioner undertakes an assurance readiness engagement, they are typically moving into a developmental role and the issue of independence may be raised. Hence, their ability to continue in the role of assurance provider once assurance is sort may be questioned.

This is a costly exercise and may actually be a barrier for preparers when faced with voluntary reporting of EER. There may not be a declining cost over time either as reporting continuously evolves.

In Australia the other areas of focus is primarily limited assurance engagements on tightly scoped metrics i.e. GRI metrics or sustainability reports.

A key message that the IAASB have previously reiterated is that the assurance process should not be a barrier to innovation and should encourage preparers on the journey of EER rather than inhibit innovation in this space.

Paragraph 36 (assertions)

On balance, the AUASB are supportive of referencing possible assertions. As mentioned in response to Q1, the link between the qualitative characteristics described in a reporting framework, the practitioner's evaluation of the suitability of criteria and the assertions could be clarified further.

Q6) Do you agree that the additional papers contain further helpful information and that they should be published alongside the non-authoritative guidance document?

The ATG found the information in the Four Key Factor Model for Credibility on page 77 very useful and would support its publication alongside the guidance.

The ATG found the material in the Background and contextual information section on page 72 to be confusing. It is unclear how much of this information will assist a preparer. If this material is published we would recommend that the examples are changed and that it is very clearly articulated how this guidance will assist them.

Areas we found especially confusing include:

- the distinction drawn between criteria and benchmarks (in paragraph 6). ISAE 3000 (Revised) defines criteria as benchmarks so separating these two is confusing. We understand that the measurement, recognition, presentation and disclosure bases are a part of the criteria.

- the example of the apple to illustrate the idea of "elements" and "qualities" we did not find useful. We consider the examples in the guidance to describe an element and its qualities, e.g. water quality will be more helpful for a broad stakeholder group as they relate to actual EER information. The apple example does not seem to clarify or assist.