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AUASB Bulletin

Extended External Reporting (EER) Assurance Guidance

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Sound public interest-oriented auditing and assurance standards are necessary to reinforce the credibility of the auditing and assurance processes for those who use financial and other information. The AUASB standards are legally enforceable for audits or reviews of financial reports required under the *Corporations Act 2001*. For more information about the AUASB see the [AUASB Website](#).

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Table of contents

Purpose of this AUASB Bulletin	4
Navigating the Guidance	5
Key Challenges in EER assurance engagements	6
Navigating the Examples	9
Australian Perspective	10
Next Steps	11
Appendix 1: References Used	12
Appendix 2: Sample EER from Australian entities	13

Purpose of this AUASB Bulletin

The purpose of this AUASB Bulletin is to introduce the [International Auditing and Assurance Standards Board \(IAASB\) Non-Authoritative Guidance on Applying ISAE 3000 \(Revised\) to Extended External Reporting¹ \(EER\) Assurance Engagements](#) (the Guidance) and provide the Australian context for the non-authoritative guidance published by the IAASB in 2021. The Bulletin also aims to assist assurance practitioners to navigate the Guidance when undertaking EER assurance engagements under ASAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

The AUASB has published the Guidance in Australia without amendment or adaptation. This will achieve maximum exposure for the Guidance and promote the use of assurance on EER reports.

The intended audience of the Guidance is assurance practitioners carrying out EER assurance engagements in accordance with ASAE 3000 (Revised). In addition, the Guidance may assist other parties to an EER assurance engagement in their understanding of it, such as preparers and users.

The IAASB developed the Guidance to enable more consistent and appropriate application of International Standard on Assurance Engagements 3000 (ISAE 3000) (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (equivalent ASAE 3000 (Revised)) on EER assurance engagements. In doing so, the IAASB aimed to provide greater trust in the resulting EER assurance reports for users. The Guidance has gone a long way to address the challenges faced by assurance practitioners undertaking EER assurance.

The Guidance responds to [ten key challenges](#) identified by stakeholders as encountered in applying ISAE 3000 (equivalent ASAE 3000 (Revised)) to EER assurance. It promotes the consistent and high-quality application of ISAE 3000 (Revised) in EER assurance engagements to:

- Strengthen the influence of such engagements on the quality of EER.
- Enhance trust in the resulting EER assurance reports.
- Increase the credibility of EER so that they can be trusted and relied upon by their intended users.

Together with ISAE 3000 and ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements* (equivalent ASAE 3410), this Guidance forms a strong package that aims to enhance confidence in EER assurance reports. The intention is to help to improve their reliability and enable practitioners to respond to new reporting regimes. The IAASB and AUASB will continue to closely monitor current global developments to establish a coherent set of sustainability reporting standards, and are prepared to review and enhance relevant standards, frameworks, and guidance to support progress.

The Guidance explores considerations across an entire EER assurance engagement, which can be categorised under three broad headings:

1. Behavioural.
2. Process.
3. Specific considerations.

¹Extended external reporting encapsulates many different forms of reporting, including, but not limited to, sustainability or environment, social and governance (ESG) reporting, integrated reporting, reporting on corporate social responsibility, greenhouse gas statements, and service performance reporting in the public sector.

Navigating the Guidance

Behavioural

- 1 Competence and Capability
- 2 Professional Scepticism and Professional Judgement

Process

- Acceptance
 - 3 Preconditions & Scope
- Planning
 - 4 Process to identify reporting topics
 - 5 Criteria
 - 6 Internal Control
- Procedures
 - 7 Assertions
 - 8 Evidence
- Forming a conclusion
 - 9 Materiality
- Reporting
 - 12 Assurance report

Specific considerations

- 10 Qualitative information
- 11 Future Oriented Information

Level of assurance

- **Appendix 3**
Limited/Reasonable assurance

NB: Numbers represent Chapters within the IAASB EER Assurance Guidance

Key challenges in EER assurance engagements

Through recent outreach with stakeholders, the AUASB identified the following as areas to be the most challenging for assurance practitioners in an EER assurance engagement.

Challenging areas for assurance practitioners in EER assurance engagements

How the IAASB EER Assurance Guidance might assist

Navigating the Myriad of Voluntary Reporting Frameworks (Introduction)

EER encapsulates many different types of reporting that provide information about the financial and non-financial consequences of an entity's activities. EER may also include future-oriented information relating to these matters. Such information may be about the consequences of the entity's activities for the entity's own resources and relationships, or for the wider well-being of the economy, environment or society, or both, or the service performance of a public sector or not-for-profit entity. EER information may go beyond information related only to the entity's own activities. The scope of the related EER assurance engagement therefore needs to be clearly defined and considered when determining whether the preconditions for an assurance engagement are present.

EER information is often voluntarily prepared and issued by entities, but increasingly may be required by law or regulation (such as the EU requirement for a large company to include a non-financial statement in its annual report). Such EER information may be prepared using criteria in EER frameworks, standards or guidance established by law or regulation, by international or national standard setters, or by other bodies, criteria developed by the entity, or a combination of both.

EER information may address diverse underlying subject matter(s), or aspects thereof, which may be complex and may have diverse characteristics that range from objective to subjective, historical to future-oriented, or a combination, and may include both non-financial (including non-monetary) information and financial information. ASAE 3000 accommodates engagements to report on subject matter information that may consist of a combination of non-financial and financial information. Due to the wide range of available EER frameworks, there may be diversity in the criteria used to prepare the EER information. Also, preparers often use entity developed criteria in addition to, or instead of, framework criteria. As a result, there may be greater opportunity for management bias in the selection or development of criteria. It is, therefore, important for practitioners to exercise professional scepticism and professional judgment in performing EER assurance engagements.

The IAASB EER guidance also provides support materials in the form of illustrative examples of certain aspects of an EER engagement under several reporting frameworks including Global Reporting Initiative standards – Example 5 (GRI), Integrated Reporting Framework – Example 8 and 10 <IR>, Sustainability Accounting Standards Board standards – Example 15 (SASB) and recommendations of the Taskforce on Climate related Financial Disclosures – Example 16 (TCFD).

Challenging areas for assurance practitioners in EER assurance engagements

How the IAASB EER Assurance Guidance might assist

Process to Identify Reporting Topics (Chapter 4)

While it is not a requirement of ASAE 3000 for the practitioner to consider the process the entity goes through to identify reporting topics, the practitioner is required to determine whether the criteria applied by the preparer are suitable for the engagement circumstances. This includes the criteria applied by the preparer when identifying reporting topics in its EER information. It may, therefore, be helpful to the practitioner, when determining the suitability of the criteria, to obtain an understanding of the entity's process to identify reporting topics

The concepts of relevance and materiality are not the same, even though both refer to user decision-making. Relevance is considered in evaluating the suitability of criteria, whereas materiality is a threshold of significance to decision-making considered by the practitioner in relation to potential and identified misstatements, in the circumstances of the engagement which is dealt with in Chapter 9.

The main areas for consideration by the practitioner are likely to include: the context of the entity's process to identify reporting topics, selection of reporting topics to be included in the EER information and disclosure of the entity's process to identify reporting topics.

Irrespective of whether the entity's process to identify reporting topics is disclosed, the criteria to identify reporting topics are required to be made available to the intended users, along with other applicable criteria.

It may assist the practitioner, when determining the suitability of the criteria, to obtain an understanding of the entity's process to identify reporting topics and this chapter will assist the practitioner if they decide it would be helpful to obtain that understanding.

Key challenges in EER assurance engagements

(continued)

Challenging areas for assurance practitioners in EER assurance engagements

How the IAASB EER Assurance Guidance might assist

Qualitative EER Information (Chapter 10)

To assist the practitioner to address the challenges on qualitative EER information it was recognised more guidance on the specific considerations around determining suitability of criteria, obtaining evidence, evaluating misstatements, presentation alongside other information and communicating in the assurance report was needed.

While EER frameworks and criteria may include direction on how to measure quantitative EER information, they may not include the same level of direction on how qualitative information is to be evaluated. As a result, such qualitative information may be more susceptible to being more reflective of, and more variable with, the views of those reporting it than may be the case for quantitative EER information.

A number of challenges may also arise in the context of obtaining evidence for qualitative subject matter information because it may be difficult for the entity's process to prepare the EER information to capture data and information about the subject matter information.

Although the process to prepare the subject matter information and, where applicable, the related controls, may be sufficient to provide the preparer with a reasonable basis for the subject matter information, it may not be sufficient to provide the practitioner with the evidence needed to support the practitioner's conclusion. This may have implications for the practitioner's planned procedures, their ability to obtain the evidence needed about the qualitative subject matter information, and for their assurance conclusion.

The way in which qualitative information is sometimes presented may also give rise to challenges in delineating the subject matter information that is within the scope of the EER assurance engagement from information outside the scope.

Challenging areas for assurance practitioners in EER assurance engagements

How the IAASB EER Assurance Guidance might assist

Future-Oriented EER Information (Chapter 11)

Future-oriented EER information presents similar challenges to qualitative EER information and these have been explored further in this chapter to assist practitioners.

EER reports may contain different forms of future-oriented subject matter information. While future-oriented information results from applying criteria to the underlying subject matter, just as for any other subject matter information, the underlying subject matter (a future event, occurrence or action) may be subject to greater uncertainty, and generally able to be evaluated with less precision than historical underlying subject matter(s). As a result, it can be challenging to determine whether the criteria for its evaluation are suitable, because there may be a wide range of possible assumptions and outcomes. It is difficult to know what the subject matter information should be, or what may be of consequence to a user's decision-making, when a range of different, yet possibly acceptable, outcomes may be possible.

Evidence may be available to support the assumptions on which the future-oriented subject matter information is based, but such evidence is itself generally future-oriented and, therefore, speculative in nature, as distinct from the evidence ordinarily available in relation to historical events and conditions.

As a result of the inherent uncertainties relating to the underlying subject matter(s), the criteria and assumptions used to evaluate it, and the speculative nature of the available evidence, which give rise to a wide range of possible outcomes, it can also be difficult to identify whether there is a material misstatement of the subject matter information.

Key challenges in EER assurance engagements

(continued)

Challenging areas for assurance practitioners in EER assurance engagements

How the IAASB EER Assurance Guidance might assist

Limited and Reasonable Assurance – EER Illustrative Table (Appendix 3)

To address the challenges on the level of assurance provided over EER it was recognised that there was a need for more understanding and guidance on how the assurance practitioner may look to move from a limited to reasonable assurance engagement.

The IAASB EER guidance provides at Appendix 3 an EER illustration table providing consideration of the types of procedures that may be undertaken to transition from a limited to reasonable assurance.

Further, while the work effort for a reasonable assurance engagement may be better understood as it is generally thought of as being akin to a financial statement audit level of assurance, limited assurance can cover a range of assurance from :

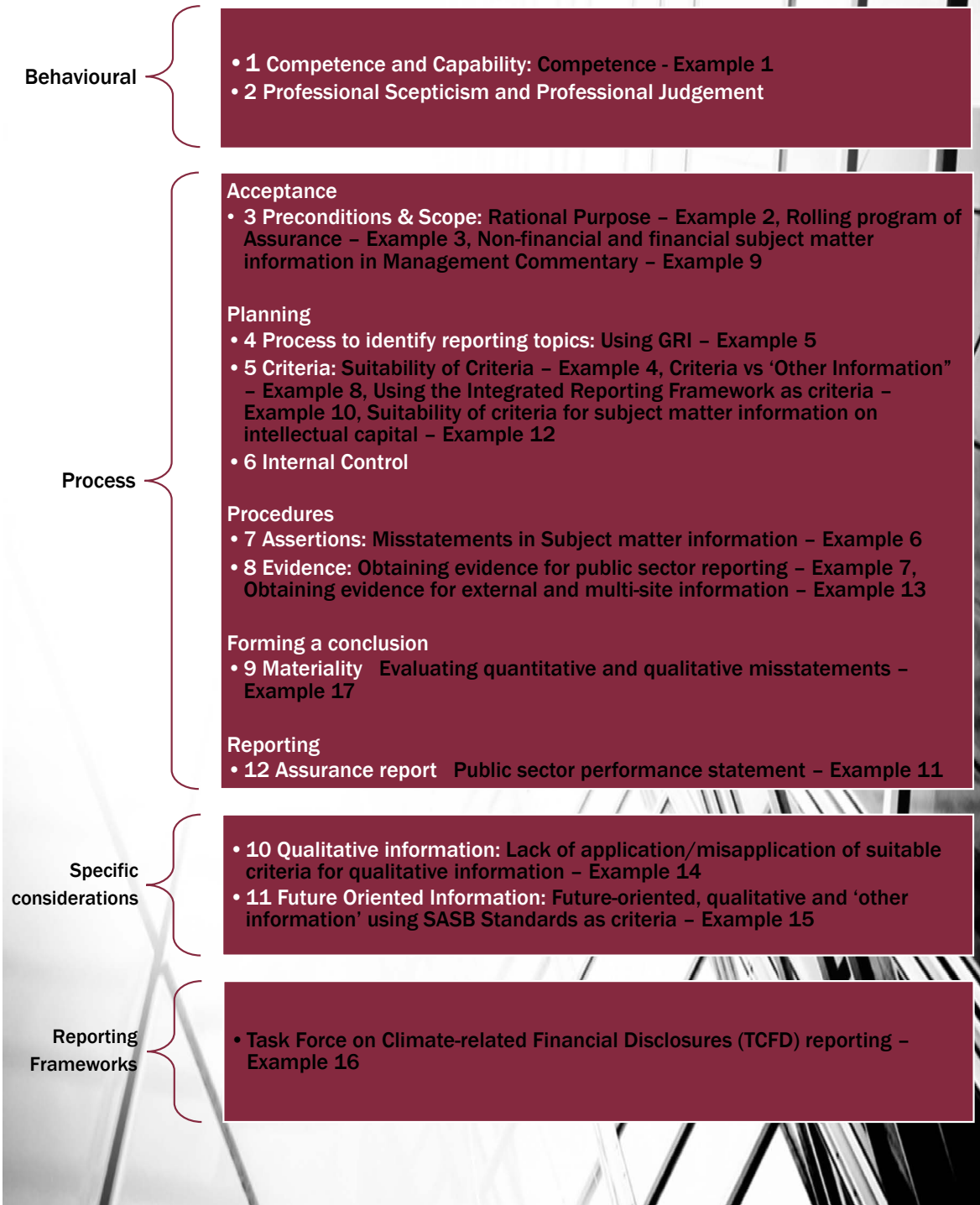
- Just above assurance that is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential (lower end of the range of limited assurance); to
- Just below reasonable assurance (upper end of the range of limited assurance).

The table has been developed to give examples of the ways in which reasonable and limited assurance may differ, and how limited assurance towards the lower end of the range may differ from limited assurance towards the upper end of the range. It is important to note that these are examples only; they are not intended to suggest that the illustrative procedures are sufficient, or the only way in which the requirements of the Standard might be approached. In practice, the nature, timing and extent of the practitioner's procedures will be a matter of professional judgment in the engagement circumstances and are based on the assessed risks (for a reasonable assurance engagement) or the areas identified where a material misstatement is likely to arise (for a limited assurance engagement).

Examples provided to support the Guidance

To further explain and illustrate certain aspects of an EER engagement, [additional support material in the form of examples](#) is provided on a range of the challenges and reporting frameworks. See below as to how the examples relate to the three broader areas of an EER assurance engagement and fall under specific chapters of the Guidance.

Navigating the Examples



NB: Numbers represent Chapters within the IAASB EER Assurance Guidance

Australian Perspective

EER, such as Sustainability Reports and Integrated Reports, have been adopted applying relevant frameworks by many different entities in Australia for some time now. However, assurance of non-financial information remains in its growth phase. What we have seen from internal research and discussions with EER assurance practitioners, is that assurance is typically targeted at key metrics at the limited assurance level, based on the material issues identified. This can be impacted by a number of factors, such as a lack of maturity in non-financial data and related collation, collection and reporting systems.

Another factor is the range of EER frameworks under which an entity can report, such as the Global Reporting Initiative (GRI) Standards, the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework, the TCFD reporting recommendations and the United Nations (UN) Sustainable Development Goals (SDGs), and their suitability as criteria.

And whilst EER requirements and the assurance of EER information remains largely voluntary, the associated costs of producing and obtaining assurance over these reports can be considered a cost burden with limited perceived value. Finally, as a relatively new and growing type of reporting and assurance, the required capabilities, and competencies of assurance practitioners to undertake these types of engagements continues to grow and be developed.

A recent study from IFAC, AICPA and CIMA, namely *The State of Play in Sustainability Assurance*², found that 100 percent of the 50 companies reviewed in Australia that are reporting ESG or sustainability information, are applying one of the following frameworks: GRI, SDGs³ or TCFD. This information was provided primarily in the Sustainability Report (72%), Annual Report (14%) or Integrated Report (14%). Limited assurance was provided across 56 percent of these Reports with all engagements adopting ISAE 3000 or ASAE 3000 (Revised) and undertaken by a registered audit firm.

In Australia, the regulators of listed entities (Australian Securities and Investments Commission and Australian Securities Exchange) and other significant public interest entities (e.g. Australian Prudential Regulatory Authority), along with the standard setters (Australian Accounting Standards Board and AUASB) have emphasised the need for consistent, comparable and decision-useful corporate non-financial information. This year will be a turning point on these issues with the recent announcement by the IFRS Foundation regarding the proposed establishment of a Sustainability Standards Board (SSB) and the merger of the IIRC and SASB to form the Value Reporting Foundation. The need for further standardisation in EER is widely supported, which in turn will drive the demand for assurance to enhance credibility and trust in what is being reported.

As part of the AUASB's ongoing strategic focus on EER, we have identified a sample of EER from Australian entities, some of which have engaged an external firm to provide independent assurance (primarily on the sustainability metrics), to illustrate the current state of play of EER reporting and assurance in Australia. Please refer to Appendix 2 for links to these sample examples.

² *The State of Play in Sustainability Assurance – Benchmarking Global Practice – International Federation of Accountants, American Institute of CPAs and The Chartered Institute of Management Accountants, June 2021.*

³ *SDGs is defined as Sustainable Development Goals.*

Next Steps

The AUASB supports the need for greater assurance of EER to enhance the credibility and trust of non-financial information in Australian capital markets. The AUASB is keen to hear from stakeholders on the application and useability of the Guidance and any gaps for the AUASB to address.

The AUASB will hold further engagement activities on this topic with EER assurance practitioners and collaborate with the professional accounting bodies on educating users on the practical implementation of the Guidance.

If you have any comments on this topic or would like to raise an area for consideration by the AUASB, please contact enquiries@auasb.gov.au

Appendix 1

References used

References within the Guidance are to the international standards issued by the IAASB, not to the AUASB's assurance standards. The international references have not been updated to the Australian equivalents within the body of the Guidance as the text is non-authoritative and the paragraph references are the same.

The Australian equivalent standards to refer to when reading the guidance are as follows:

International Standard (ISAE 3000)	Australian Standard (ASAE 3000 Revised)	Definition – ASAE 3000 (Revised)
Practitioner	Assurance Practitioner	The individual, firm, or other organisation, whether in public practice, industry and commerce, or the public sector conducting an assurance engagement. Where this ASAE expressly intends that a requirement or responsibility be fulfilled by the lead assurance practitioner, the term the “lead assurance practitioner” rather than the “assurance practitioner” is used.
Practitioner's expert	Assurance practitioner's expert	An individual or organisation possessing expertise in a field other than assurance, whose work in that field is used by the assurance practitioner to assist the assurance practitioner in obtaining sufficient appropriate evidence. An assurance practitioner's expert may be either an assurance practitioner's internal expert (who is a partner or staff, including temporary staff, of the assurance practitioner's firm or a network firm), or an assurance practitioner's external expert.
Engagement partner	Lead assurance practitioner	The person in the firm who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. The “lead assurance practitioner” should be read as referring to its public sector equivalents where relevant.
ISAE 3000 (Revised)	ASAE 3000 (Revised)	<i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Revised)</i>
ISAE 3410	ASAE 3410 (Revised)	<i>Assurance Engagements on Greenhouse Gas Statements (Revised)</i>
ISQC 1/ISQM 1	ASQC 1 / ASQM 1	<i>Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements</i>
International Code of Ethics for Professional Accountants (Including International Independence Standards)	APES 110 Code of Ethics for Professional Accountants (Including Independence Standards)	N/A
ISA	ASA	<i>Australian Auditing Standards</i>
ISA 315 (Revised 2019)	ASA 315 (Revised 2019)	<i>Identifying and Assessing the Risks of Material Misstatement</i>

Appendix 2

Sample EER from Australian entities

Reporter	Framework / Criteria	Assurance if any on Non-Financial Information
CPA 2020	<IR> Framework	Limited assurance across the whole <IR> using ASAE 3000 (Revised)
CBA 2020	Sustainability Performance Metrics - ESG	Limited Assurance on the Sustainability Performance Metrics using ASAE 3000 (Revised)
CBUS 2020	<IR> Framework	Limited assurance across the whole <IR> using ASAE 3000 (Revised)
AGL 2020	References to <IR> Framework AGL's definitions and approaches (internal criteria)	Limited assurance over selected non-financial key performance indicators (KPIs) using ASAE 3000 (Revised)
Transurban 2020	GRI, UN SDGs, SASB sectors, TCFD and sustainability reports	Limited assurance on the Sustainability Supplement Report using ASAE 3000 (Revised)



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