
**Intergovernmental Working Group of Experts on International
Standards of Accounting and Reporting
(ISAR)**

**UNCTAD-ISAR – WBCSD Webinar
Assurance on sustainability reports: current practices and
challenges**

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Assurance on Sustainability Reports

UNCTAD-ISAR WBCSD Webinar – 16 June 2020

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Assurance: Serving the Public Interest

- As EER reporting becomes more important to stakeholder decision-making, assurance also becomes more important to enhance credibility and trust in EER reporting
- Four key factors (see model in Supplement A) play a role in serving the public interest in high quality EER reports:
 - A sound reporting framework
 - Strong governance
 - Consistency with wider sources of information
 - Independent external assurance

How Assurance Engagements provide Public Interest Protections for Users

Such engagements are accepted only if:

- The engagement has a rational purpose and the criteria for measurement or evaluation are aligned with user information needs
- The entity's reporting process provides a reasonable basis for the sustainability report and supports an expectation that necessary evidence can be obtained

The assurance conclusion is communicated in writing, based on meeting requirements to:

- Understand the entity and other engagement circumstances, based on entity prepared (and more widely available) information
- Apply competence, exercise professional judgment and skepticism and behave ethically;
- Design and perform procedures to obtain sufficient appropriate evidence that is persuasive;
- Consider how potential misstatements could occur, in designing and performing procedures;
- Consider whether misstatements could be material, throughout the engagement; and
- Reach an assurance conclusion at the agreed level of assurance, based on the evidence

Circumstances That May Present Practical Challenges in Assurance Engagements

- Circumstances commonly encountered in four **elements** of reporting that often differ from financial statement reporting are as follows:

Underlying subject matter (USM) i.e. what users want information about – is often:

- More diverse, with varied characteristics
- Less quantifiable
- More complex or subjective to measure or evaluate
- Subject to greater uncertainty and may more often relate to future events or conditions

Framework for reporting i.e. the criteria for preparing the report – may:

- Be numerous and diverse, and not aligned
- Often include only high-level principles, and use of entity-developed criteria more common

Subject matter information (SMI) i.e. the content of the report being assured, which results from applying the criteria to the underlying subject matter, may often be:

- Voluntarily prepared, without the rigor of regulatory requirements
- Qualitative, subjective, or future-oriented in nature

System of Internal Control, including the Process to Prepare Subject Matter Information, may be:

- Less well developed, in the early stages of an entity’s reporting and in the absence of a strong regulatory environment

Practical Challenges May Limit the Value of Assurance to the Public Interest

- Such circumstances may present practical challenges in preparing subject matter information that give rise to challenges in performing an assurance engagement, which may:

Underlying subject matter:

- Affect precision and certainty of measurement or evaluation
- Enhance opportunity for bias in reporting
- Make professional judgment more difficult
- Enhance the need for:
 - Professional skepticism
 - Subject matter competence or use of practitioner's experts
 - Clear communication in assurance report so users understand

Reporting Framework – give rise to:

- The need for criteria to be selected from multiple frameworks or developed by the entity
- Greater opportunity for preparer choice in selection or development, and for bias, undue emphasis or omission
- More difficulty in making criteria available to users
- Need for enhanced practitioner competence in exercising professional judgment and professional skepticism

Subject matter information – result in:

- Information reported and assured not aligned with that used by the entity's or user information needs
- Difficult judgments about whether information is materially misstated, when qualitative or future-oriented and absent a common basis for aggregating misstatements
- Difficulty in identifying, for users, what has and has not been assured
- Complexity in forming the assurance conclusion and in communicating in the assurance report

System of Internal Control – not include a reporting process that provides a reasonable basis for preparation of the subject matter information, prevents or detects and corrects misstatements, or is integrated with the entity's own decision-making, which may give rise to difficult acceptance judgments, difficulty in obtaining evidence or drawing the assurance conclusion. The practitioner may be asked to advise on the system, which could pose a self-review threat.

What the Guidance Covers

Twelve chapters:

- 2 address behavioural attributes required throughout an EER assurance engagement
- 8 address key stages in the performance of an EER assurance engagement (acceptance to reporting)
- 2 address common types of EER information (qualitative and future-oriented)

Each chapter sets out:

- **What** is covered
- **Why** it is covered – i.e. the circumstances that give rise to practical challenges
- **How** the practitioner might address those challenges