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Board
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submitted electronically through the IAASB website

Re.: International Standard on Auditing: Proposed International Standard on Auditing 540 (Revised) Auditing Accounting Estimates and Related Disclosures

Dear Matt,

We would like to thank you for the opportunity to provide our comments on the IAASB Exposure Draft “International Standard on Auditing: Proposed International Standard on Auditing 540 (Revised); Auditing Accounting Estimates and Related Disclosures”.

Given the fundamental changes in some financial reporting frameworks for certain kinds of estimates (e.g., IFRS 9) and the overall concerns expressed by stakeholders about how auditors deal with accounting estimates, we agree that a fundamental revision of ISA 540 needed to be on the IAASB’s agenda. However, we are concerned about how the IAASB decided to progress this matter, which accounts for some of our comments of a more fundamental nature. That being said, given the strictures within which the IAASB operated based upon the decisions that it had made prior to drafting the standard, the standard appears to work well but for the issues we address in this comment letter and its appendices.

We provide our general comments on the proposed standard in this letter. Our responses to the questions posed in the Explanatory Memorandum are included in Appendix 1. Our comments on specific paragraphs are included in

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Dr. Klaus-Peter Feld, WP StB;
Dr. Daniela Kelm, RA LL.M.

Appendix 2. Rather than repeat our detailed comments in the questions and in this letter, we refer to the comments by paragraph, which provides some of the reasoning for the comments that we make.

General Comments

Progression of the ISA 540 Project and its Impact on Scope and Scalability

We recognize the political imperative under which the IAASB operates to respond to the calls from stakeholders to deal with the audit implications of the fundamental changes occurring in some financial reporting frameworks – and in particular, the changes engendered by the issuance of IFRS 9 and its introduction of an expected loss model approach to valuing certain kinds of assets. We also recognize that the overall greater incidence of accounting estimates whose measurement and related disclosures involve complex methods or models based on larger volumes of data from outside the general and subsidiary ledger systems of entities, and calls for better auditor performance in dealing with estimates and management judgement about them, means that a general overhaul of ISA 540 is warranted.

However, given the current project on ISA 315, we are concerned that the IAASB has placed the “cart before the horse” by seeking to overhaul ISA 540 generally before having a clear indication of where ISA 315 might land on a series of key issues and concepts, even though the resolution of these matters will have a major impact on ISA 540. Consequently, we believe the IAASB should have considered to first issuing, in a shorter period of time, limited amendments to ISA 540 to deal with the issues around estimates with the characteristics of expected loss models. In a second step, once the project on ISA 315 has been completed, it would have then been appropriate for the IAASB to engage in a general overhaul of ISA 540 based upon a revised ISA 315. The current approach of dealing with ISA 540 first involves the dangers of either ISA 540 needing fundamental revision a few years down the road due to changes in ISA 315 – or worse – having the ISA 540 “tail” wag the ISA 315 “dog” such that decisions made on ISA 540 limit options on where ISA 315 lands on key issues and concepts (also see our comments to paragraph 15 in Appendix 2).

The relationship between ISA 315 and ISA 540 also engenders some of our concerns with respect to the scope of the standard (see our comments to paragraphs 1 and 9 (a) in Appendix 2) and the scalability of proposed risk assessment requirements (see our comments to paragraph 10 in Appendix 2). In our view, this indicates that some issues need resolution within ISA 315 before addressing them in ISA 540.

We acknowledge that at this stage after the issuance of the exposure draft, the IAASB cannot reverse its decision on this matter. However, it seems to us that the IAASB did not appear to adequately consider the potential longer term implications as to how it progresses this standard. This suggests to us that potential implications of standard setting options need greater attention when considering a project proposal.

Application Material

We are rather concerned with the length of the application material and the appendices. The material and appendices read very much like a textbook on how to deal with accounting estimates in an audit. We do not believe it to be the role of the IAASB to educate auditors, but to issue standards that contain requirements and application material to assist in the application of those requirements. This means that application material should not include matters that involve educating auditors about issues in which they need to be competent before accepting an engagement. We therefore recommend that the IAASB seek to rationalize the content of the application material.

Drafting

We note that the word “includes” or “including”, which has always been a part of the drafting repertoire of the IAASB, is being badly overused. We first noticed this tendency in the application material of ISA 701, in ISA 720, and in the disclosures project, but this tendency has reached new heights in ISA 540. In some cultures, the overuse of this word is indicative of sloppy thinking. We recommend that the IAASB seek to redraft some of the wording so that this overuse is ameliorated.

We would be pleased to provide you with further information if you have any questions about our response and would also be pleased to be able to discuss our response with you.

Yours truly,

Klaus-Peter Feld
Executive Director

Wolfgang Böhm
Director Assurance Standards,
International Affairs

Appendix 1:
Response by Question

Overall Questions

1. Has ED-540 been appropriately updated to deal with evolving financial reporting frameworks as they relate to accounting estimates?

In our view, the ED has been appropriately updated for developments in IFRS as they relate to accounting estimates. However, the IAASB should be cognizant of the fact that many financial reporting frameworks have not changed significantly and that this means that it is important that the scope of the standard remains appropriate (see our comments in Appendix 2 on the scope of the standard on paragraph 9 (a)) and the requirements scalable (see our comments in Appendix 2 on paragraph 10).

2. Do the requirements and application material of ED-540 appropriately reinforce the application of professional skepticism when auditing accounting estimates?

In our view, by focussing the standard on “what can go wrong” due to complexity, judgment and estimation uncertainty, the standard provides a better basis for the application of professional skepticism when auditors deal with the measurement of accounting estimates and making related disclosures.

Focus on Risk Assessment and Responses

3. Is ED-540 sufficiently scalable with respect to auditing accounting estimates, including when there is low inherent risk?

Based on our comments in Appendix 2 on paragraph 9 (a) and paragraph 10 in relation to the scope of the standard and the risk assessment procedures, respectively, we do not believe that the standard is sufficiently scalable with respect to accounting estimates whose measurement is not subject to significant measurement uncertainty or for which one or more of the procedures in paragraph 15 (a) would be sufficient when inherent risk is low. The standard appears to be scalable for instances when the inherent risk is not low due to measurement complexity.

4. When inherent risk is not low (see paragraphs 13, 15 and 17–20):

a) Will these requirements support more effective identification and assessment of, and responses to, risks of material misstatement (including significant risks) relating to accounting estimates, together with the relevant requirements in ISA 315 (Revised) and ISA 330?

The question is somewhat strangely put because when inherent risk is deemed not to be low, the identification and assessment of risks of material misstatement has been done. However we believe that the responses to risks of material misstatement when inherent risk is not low are more effective.

b) Do you support the requirement in ED-540 (Revised) for the auditor to take into account the extent to which the accounting estimate is subject to, or affected by, one or more relevant factors, including complexity, the need for the use of judgment by management and the potential for management bias, and estimation uncertainty?

Yes, we support the use of these factors in the auditor's work. However, the use of these factors might need to be revisited once the ISA 315 project is completed.

c) Is there sufficient guidance in relation to the proposed objectives-based requirements in paragraphs 17 to 19 of ED-540? If not, what additional guidance should be included?

In our view, there is too much guidance. The IAASB should not be writing a textbook on auditing in its standards. There is considerable room to rationalize the application material.

5. Does the requirement in paragraph 20 (and related application material in paragraphs A128–A134) appropriately establish how the auditor's range should be developed? Will this approach be more effective than the approach of "narrowing the range", as in extant ISA 540, in evaluating whether management's point estimate is reasonable or misstated?

We believe that the requirement in paragraph 20 is superior to that in extant ISA 540. The requirement in extant ISA 540 was not practicable because it assumed that if an auditor obtains more evidence, the range of the estimate would narrow, when in fact gathering more evidence can lead to a widening of the range; in addition, often more information simply is not available. We also support the application material as written for this particular issue.

6. Will the requirement in paragraph 23 and related application material (see paragraphs A2–A3 and A142–A146) result in more consistent determination of a misstatement, including when the auditor uses an auditor's range to evaluate management's point estimate?

We believe that the requirement in paragraph 23 and related application material will result in a more consistent determination of misstatements – in particular when the auditor uses his or her own range to evaluate management's point estimate.

Conforming and Consequential Amendments

7. With respect to the proposed conforming and consequential amendments to ISA 500 regarding external information sources, will the revision to the requirement in paragraph 7 and the related new additional application material result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources?

We regard the proposed conforming and consequential amendments regarding external information sources – with one exception – to result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources. As noted in our comments in Appendix 2 on these conforming amendments, we do not believe that information from external information sources must always be publicly available (and therefore disagree with the definition of external information source on that point), even though we agree with the application material that this might be a factor in deciding whether an information source is an external information source or a management expert.

Request for General Comments

8. In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:

a) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-540.

With the exception of our comments in the accompanying letter on the length of the application material and the abuse of the word "including", we have no comments relating to translations.

b) Effective Date—Recognizing that ED-540 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods ending approximately 18 months after the approval of a final ISA. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.

Given the applicability of IFRS 7, we agree that earlier application be permitted and encouraged. However, given the time needed for translation and due process in various jurisdictions and the fact that auditing firms need to implement significant changes to their systems and processes relating to accounting estimates in audits of financial statements, we believe that the standards should be mandatory for audits of financial statements for financial reporting periods <u>beginning</u> two years after the approval of the final ISA.

Appendix 2:
Comments by Paragraph

Title The proposed title and the existing title both refer to "auditing accounting estimates…". A number of standards had similar titles using the term "audit of" or "auditing" in the past, but these titles were changed over the years to reflect the fact that, in line with ISA 200.11 (a), the objective of an audit is "…To obtain reasonable assurance that the financial statements as a whole are free from material misstatement" [underlining added for emphasis]. When auditing financial statements, auditors do not give an opinion on accounting estimates individually – that would be a separate engagement under ISA 805. In line with a number of other standards (e.g. "Related Parties", "Subsequent Events", etc.) we therefore suggest that the title be changed to "Accounting Estimates and Related Disclosures" or "Special Audit Considerations Relating to Accounting Estimates and Related Disclosures".

1. Upon close examination, the *first sentence* of the standard does not appropriately describe the scope of the standard because the standard does NOT deal with all of an auditor's responsibilities relating to accounting estimates and related disclosures in an audit of financial statements. Rather, the standard deals only with the audit consideration of measurement issues in relation to accounting estimates. Furthermore, the standard only deals with the audit consideration of issues relating to recognition and disclosure of accounting estimates to the extent that these relate to measurement issues. The standard does not deal with the audit consideration of issues concerning the recognition, classification, presentation or disclosure of accounting estimates that are not related to measurement issues: for these issues, ISAs 315 and 330 etc. would apply. We recognize that what makes accounting estimates special are the measurement issues associated with estimation uncertainty and the related recognition and disclosure issues, but the other audit considerations are important too. The way this first sentence is written, it suggests that these other considerations need not be dealt with beyond what the standard addresses, which is not the case. We therefore suggest that the first sentence be changed to read "… relating to the measurement of accounting estimates and making related disclosures.

This matter about referring to “measurement” might need to be put through many of the sentences in the rest of the standard. *To show this impact, we have only provided examples hereof in the introduction and objective section in our comments on the following paragraphs.*

The *second sentence* claims that “it” (we presume “it” means the standard) “expands on” how ISA 315, ISA 330, ISA 500 and other relevant ISAs are to be applied in relation to accounting estimates. If this statement is true, this statement is of concern to us because indicates a drastic change in how IAASB engagement standards are written. Pursuant to ISA 200.18, an auditor shall comply with all of the ISAs relevant to the audit. If ISA 540 expands on how all of the relevant ISAs are to be applied, then this would imply that the standard ought to expand upon all of the requirements of these standards. While the draft standard is long, it certainly does not expand on all of these requirements, nor should it. Rather, the standard seeks to deal with the *special considerations* related to the measurement of accounting estimates and related disclosures when applying these other ISAs. For these reasons, we suggest that the second sentence read as follows: “This standard deals with the special considerations on how ISA 315 … and other relevant ISAs are to be applied in relation to the measurement of accounting estimates and making related disclosures.” One of the matters the IAASB might need to consider is whether some of the requirements in the standard do in fact “expand” on the requirements in these other standards, rather than dealing with just the special considerations as noted, and that perhaps some rationalization of the requirements might be applicable.

2. In line with our comments on paragraph 1 and the content of the first three sentences of paragraph 2, the third sentence should be changed to read “The extent to which <u>the measurement of accounting estimates and making related disclosures</u> are subject to …”.

3. In line with our comments on the first two paragraphs, the first sentence should be changed to read “When an accounting estimate is being measured and related disclosures are being made, the susceptibility of this measurement and related disclosures to misstatement may increase …”.

4. In line with our comments on the first two paragraphs, the following should be inserted near the end of the first sentence: “… assessed risk of material misstatement in relation to measurement and related

disclosures, …" The word "in" in the last sentence should be changed to "to".

5. In line with our comments on the first two paragraphs, the first sentence should be changed to read "… relating to the measurement of accounting estimates and making related disclosures". Likewise the second sentence should be changed to read "… affecting the measurement of accounting estimates and related disclosures …".

6. In line with our comments on the first two paragraphs, the first sentence should read "This ISA requires an evaluation of the measurement, and related disclosures, of accounting estimates …". Likewise, the second sentence would read "… required to evaluate whether the measurement, and related disclosures, of accounting estimates are reasonable ….".

8. In line with our comments on the first two paragraphs, the objective in (a) should read "The measurement of accounting estimates, … ".

9. (a) We are concerned with the definition of an accounting estimate, which determines the scope of ISA 540 and when this standard is required to be applied. We would like to point out that with the possible exception of cash in local currency and share capital at par and the like, almost every other monetary item disclosed in the financial statements is an estimate of some sort. Even many assets purchased at cost are subject to estimation uncertainty because, for example, decisions are made about which costs are allocated to product costs or costs of acquisition and issues about impairment or depreciation or amortization involve judgment and hence estimation uncertainty. Some estimation uncertainty also applies to the valuation of simple liabilities (the decision whether to discount at all, for example, and if so, at what rate).

The issue is whether the estimate is subject to *significant* estimation uncertainty – that is, whether it is worth it to consider such estimation uncertainty at all when preparing and auditing financial statements given materiality considerations. It would be disproportionate to require the application of the standard as currently drafted – even with the response to low inherent risk as contemplated in paragraphs 10 and 15 (a) – to all of these estimates because there would be hardly any monetary item in the financial statements to which this standard would not apply. We recognize that some application material would need to be developed so that the word "significant" is not subject to abuse such that estimates with considerable estimation uncertainty are then nefariously scoped out of the standard. However, such application material can be developed to hinder this. For this reason, we believe that the definition of accounting estimate should refer to "significant" estimation uncertainty.

We also have a number of technical concerns with the definition of accounting estimate. We note that the definition of estimation uncertainty refers to the inherent lack of precision in measurement. Consequently, the words "the measurement of which" currently included in the definition of accounting estimate together with the definition of estimation uncertainty would lead to the meaning "the measurement of which is subject to the susceptibility of an accounting estimate to an inherent lack of precision in its measurement". Some of the wording is therefore redundant. We therefore suggest deleting the words "the measurement of which". In addition, the positioning of the words "prepared in accordance with the requirements of the applicable financial reporting framework" suggests that the monetary amount is prepared in accordance with the financial reporting framework, which is in fact the determination that needs to be made in the audit. What is meant is that estimation uncertainty arises when the monetary amount is prepared in accordance with the requirements of the applicable financial reporting framework.

Based on these reasons, we believe that the definition of accounting estimate should read as follows:

"A monetary amount subject to significant estimation uncertainty when that amount is prepared in accordance with the requirements of the applicable financial reporting framework."

(c) The definition of estimation uncertainty refers to "accounting estimate", which is circular when the definition of accounting estimate then also includes the term "estimation uncertainty". This issue can be resolved by not having the definition refer to "accounting". Furthermore, the phrase "lack of precision in its measurement" is awkward. We therefore suggest that the definition read as follows:

"The susceptibility of an estimate to inherent measurement imprecision."

10. We have a major concern with the applicability of paragraph 10 to all accounting estimates in conjunction with our concerns about the definition of an accounting estimate in paragraph 9 (a) as noted above.

We surmise that this paragraph seeks to provide the additional considerations applicable to accounting estimates when performing risk assessment procedures and related activities in accordance with ISA 315. To this effect, the requirements in 10 (a) to (d) and in paragraphs 11 and 12 appear reasonable as long as the definition of an accounting estimate is narrowed as we describe in our comments on paragraph 9 (a). However, it seems to us that the order ought to be changed. For example, it seems to us that (c) and then (d) ought to be done first, because (a) only ought to apply to those kinds of estimates that are expected to be in the financial statements: there is no point to obtaining an understanding of the requirements in the financial reporting framework for certain kinds of estimates if those kinds of estimates are not expected to be included in the financial statements. For these reasons, we suggest that the order be changed as follows: (c), (d), (a) (b), 11 and 12.

Our major concern relates to (e) and (f). These requirements have been expanded considerably in granularity compared to the corresponding requirement in extant ISA 540.8 (c). If the definition of an accounting estimate is not narrowed as we describe in our comments on paragraph 9 (a), then these requirements are clearly disproportionate for estimates with insignificant estimation uncertainty. Furthermore, were the definition of an accounting estimate to be changed as we suggest, even for estimates with significant estimation uncertainty but whose measurement is not complex, the nature and extent of the granularity of these requirements exceeds that needed to deal with those simple estimates that might be addressed through the requirement in paragraph 15 (a) of the draft. Many of the issues addressed appear to us to apply to estimates whose measurement is complex only. It seems to us that there ought to be a requirement as part of the risk assessment procedures to determine whether the measurement of any of the accounting estimates expected in the financial statements is likely to be complex. If such accounting estimates with complex measurement are identified, then a conditional requirement including some of this granularity for the risk assessment procedures in relation to those estimates appears to be appropriate.

13. This paragraph requires the auditor to take into account certain factors when identifying and assessing the risk of material misstatement in relation to accounting estimates in applying ISA 315. However the first sentence prior to the requirement refers to “at the financial statement and assertion levels”. Based upon our reading of ISA 315, risks of material misstatement at the financial statement level are pervasive to the financial statements as a whole and therefore cannot be allocated to particular items or assertions in the financial statements – such as those relating to accounting estimates. However, the reference to “at the financial statement and” in the first sentence suggests that the assessment at the financial statement level ought to be applied to the consideration of the factors in relation to accounting estimates. This is not consistent with our understanding of what risk assessment at a financial statement level means. For this reason, we suggest that the noted words be deleted.

15. Paragraph 15 refers for the first time to when “inherent risk is low” and “when inherent risk is not low”. We presume the inherent risk of material misstatement in the measurement of accounting estimates and related disclosures is meant. If that is the case, perhaps this ought to be clarified in the standard in an appropriate place. However, it is unclear what the use of the word “low” means in this context and how this concept articulates with the overall objective of the auditor in ISA 200 to reduce audit risk to an acceptably low level. We presume that “low” in this case still means “greater than an acceptably low level of risk”, or there would be a conceptual contradiction within the ISAs. This issue arises in part from the fact that the project to revise ISA 315, which would have considerable impact on risk assessments as required in ISA 540, has not yet nearly reached the same stage of completion as ISA 540. Based on previous discussions at the IAASB, the project on ISA 315 only addressed “high risks” in a preliminary fashion when seeking to deal with the identification of “significant risks”. It is therefore unfortunate that ISA 540 is introducing a new concept that has not yet been vetted at a more general level through the completion of the project to revise ISA 315. The danger is that either ISA 540 would need to be revised later due to changes to ISA 315, or worse, that the ISA 540 “tail” would wag the ISA 315 “dog” and thereby impair a good revision of ISA 315 (this has happened before, when a completed ISRE 2400 determined the content of an ISAE 3000 that was issued later, even though this was not technically warranted). For reasons of short-term practicality, we can

accept the use of the term “low inherent risk” as long as its meaning is clarified (inherent risk of material misstatement in the measurement of accounting estimates and related disclosures) in the standard, the standard reconciles the term to the overall objective of the auditor (low risk is still greater than an acceptably low level of risk), and the use of this term is not set in stone for the revision of ISA 315, even if this means subsequent changes to ISA 540.

We also note that the requirement in 15 (a) is for the auditor to determine whether the procedures in (i) to (iii) would provide sufficient appropriate evidence. Unlike in 15 (b), there is actually no requirement to perform procedures if the auditor actually determines that the procedures would provide sufficient appropriate evidence. It seems to us that paragraph 15 (a) needs to be augmented to require the performance of at least one or more of the procedures in (i) to (iii) when the auditor has determine that these would provide sufficient appropriate evidence.

A2. We found the attempt to provide a description of the term “reasonable” in the context of measuring accounting estimates and making the related disclosures to be helpful. We note, however, that the first three bullet points in A2 apply only when the applicable financial reporting framework actually addresses these bullet points: if the applicable financial reporting framework does not address these, then the bullet points do not apply and the description of reasonableness ceases to be useful. Perhaps consideration ought to be given as to the meaning of reasonableness when the financial reporting framework does not address these three bullet points. The other considerations, however, were helpful in this respect.

A3. We did not find the description of the term “appropriate” to be helpful, as the description appears not to articulate with the use of the term “appropriate” in the second sentence of A2. Furthermore, it is unclear to us how “reflects judgements that are consistent with the measurement basis in the applicable financial reporting framework” adds to the concept “complies with the applicable financial reporting framework”: it just seems to be conceptually redundant. Furthermore, if the financial reporting framework does not address the first three bullets in A2, what is the difference between the description of appropriate and reasonable in A2 and A3? Overall, we believe that either the description of appropriate can be deleted, or a better description that articulates with the description of reasonable in A2 is needed.

A12. Footnote 39 reflects a substantive point that generally ought to be taken up in the text of the application material under the Clarity Conventions.

A14. The paragraph could be understood as suggesting that auditors have a duty to regulators in relation to regulatory requirements for accounting estimates even when these regulatory requirements do not affect the financial statements and there are no legal or regulatory requirements for the auditor of the financial statements to deal with such regulatory requirements for accounting estimates. Consequently, more clarification is needed in this paragraph that these regulatory matters are relevant to the auditor only if they have an impact on the measurement of accounting estimates or making related disclosures in the financial statements.

A18. The use of the word “requires” in the first sentence suggests that the IAASB is setting requirements for management preparation of the financial statements. We suggest changing the word “requires” to “involves” (and then changing “determine” to “determining”) so that the sentence represents a statement of fact.

A26. As a matter of principle, definitions that have a significant impact on the work effort of auditors ought to be placed in the definitions section of the ISAs and not be relegated to the application material. This applies to the definition of “method” in this paragraph, but also applies to the definition of ” model” in paragraph A27, and in particular to the definition of a “complex model” in paragraph A29. If the IAASB does not want to include these as formal definitions in the definitions section, then an additional paragraph can be added to the definitions section with more informal descriptions (see, for example, paragraph 5 in ISA 210, paragraph 8 in ISA 580, or paragraph 10 in ISA 600).

A27. See comments in comments to A26.

A28. See comments in comments to A26.

A29. See comments in comments to A26.

A35. As a matter of principle, definitions that have a significant impact on the work effort of auditors ought to be placed in the definitions section of the ISAs and not be relegated to the application material. This applies in particular to the definition of “significant data and significant assumptions”, which has a central role in determining when and how certain requirements apply. . If the IAASB does not want to include these as formal definitions in the definitions section, then an additional paragraph can be added to the definitions section with more informal descriptions (see, for example, paragraph 5 in ISA 210, paragraph 8 in ISA 580, or paragraph 10 in ISA 600).

A82. Data sources are not “reliable” as noted at the beginning of the first bullet – the data that the sources provide is or is not reliable. This is clarified in the next sentence. We therefore suggest that the words be changed to “The reliability of data from different sources”.

Conforming Amendments

ISA 500

5. (cA) The fact that information is or is not publicly available might be a factor to consider when determining whether an information source is a management’s expert or an external information source, as is set forth in paragraph A1A. However, there may be information that is not publicly available – i.e., not any member of the public has access – but that nevertheless does not represent information from a management’s expert because management has no influence on the nature or content of the information. We therefore recommend deleting the reference to “publicly available” in the definition. In any case, including this as a factor to consider (which means the information can be publicly available, yet not be from an external information source) and in the definition at the same time is contradictory.