

### Extended External Reporting (EER) Assurance Consultation Paper– Question 6

Question 6 of the consultation paper for EER Assurance asked respondents:

*Do you agree that the additional papers contain further helpful information and that they should be published alongside the nonauthoritative guidance document?*

#### 10. NBA

##### Reference 1

The additional papers are helpful, especially for those that are not experienced yet in this field of activity. The papers are also helpful for communication with clients and for preparers. It would be useful to clarify better the target audiences and the purpose of the guidance and papers and to split up the guidance for the distinguished target audiences.

#### 11. NZAASB

##### Reference 1

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

##### Reference 2

The NZAuASB found the material in the Background and contextual information section on page 72 of the consultation paper confusing. It is unclear who this is for and how this information will assist.

##### Reference 3

If this material is published we would recommend that the examples are changed and that it is clear how this guidance will assist. Areas we found especially confusing include:

- A distinction drawn between criteria and benchmarks (two separate bullet points in paragraph 6 on page 72 of the consultation paper). 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.
- We do not find the example of the apple to illustrate the idea of “elements” and “qualities” helpful. 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.

#### 12. BDO

##### Reference 1

We agree that the additional papers are helpful and should be published alongside the non-authoritative document (paragraphs 42-45).

### 13. CG

#### Reference 1

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| Do you agree that the additional papers contain further helpful information and that they should be published alongside the non-authoritative guidance document? | The additional papers are helpful. Whilst issuing the papers as non-authoritative guidance is not a concern for us, IAASB has to be careful about communicating the status of these papers to avoid misunderstandings arising. |
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### 14. DTT

#### Reference 1

The first additional paper, *Background and Contextual Information on Understanding How Subject Matter Information Results from Measuring or Evaluating Subject Matter Elements Against the Criteria*, explains and provides context to concepts within Chapter 7 of the proposed draft guidance. Whereas the second additional paper, *Four Key Factor Model for Credibility and Trust in Relation to EER*, explains and provides concepts that occur throughout several chapters, mostly within Chapter 8, of the proposed draft guidance. The additional papers include references to applicable sections of ISAE 3000 (Revised); however, DTTL believes that including references within the additional papers to the related paragraphs or chapters of proposed draft guidance will increase clarity between the concepts included in the proposed draft guidance and provide further explanation and context for those concepts included in the additional papers.

#### Reference 2

As discussed in response to **Question 6 in Appendix I**, DTTL appreciates the IAASB’s efforts to create additional papers to better support and illustrate key topics in the proposed draft guidance. Several of the examples within Chapters 7 and 8 as well as the additional paper, *Background and Contextual Information on Understanding How Subject Matter Information Results from Measuring or Evaluating Subject Matter Elements Against the Criteria*, illustrate only discrete aspects of evaluating the suitability of criteria or considering the entity’s “materiality process.” DTTL recommends developing an Appendix with more comprehensive examples to illustrate what an entity’s materiality process might encompass and what a practitioner might do as part of their evaluation of that entity’s materiality process. In addition, these examples should illustrate the link between determining the suitability of criteria and considering the entity’s materiality process, including how to refer to or describe applicable criteria, when a preparer uses an EER framework and supplements the criteria with a materiality process. The more comprehensive examples should also encompass scenarios where the scope of assurance provided is limited to specific indicators in an EER report. DTTL believes that developing comprehensive examples that demonstrate how the practitioner addresses various aspects of performing an assurance engagement on EER reports will provide preparers and practitioners alike with important practical guidance on these key topics.

#### Reference 3

DTTL agrees that the additional papers contain further helpful information and believes that they provide context around certain aspects of EER engagements. DTTL suggests publishing the additional papers with the proposed draft guidance; however, DTTL has several recommendations to enhance the wording

and examples within the additional papers apart from the broad observation in the presentation section of the Overall Comments.

#### Reference 4

*Detailed Clarification Comments for Additional Paper “Background and Contextual Information on Understanding How Subject Matter Information Results from Measuring or Evaluating Subject Matter Elements Against the Criteria”*

Paragraphs 6-7 incorporate terminology and wording that is not consistent with the wording and terminology used in paragraphs 80-82 in Chapter 7 of the proposed draft guidance. Specifically, paragraphs 6-7 refer to “measurement, valuation, and estimation (measurement or evaluation)” while Chapter 7 uses the term “qualities” to describe measurement or evaluation against specified criteria. DTTL recommends the following changes to clarify this terminology in paragraphs 6-7:

Para. 6

- Measurement, valuation and estimation (~~measurement or evaluation~~ **qualities**).

Para. 7

- Measurement or estimation and assessment or appraisal (~~measurement or evaluation~~ **qualities**).

In addition, paragraphs 6-7 use “financial reporting standards and accounting policies” to describe criteria and “measurement, recognition, presentation, and disclosure bases” to describe benchmarks whereas Chapter 7 describes criteria as “the benchmarks used to measure or evaluate the underlying subject matter.” If the IAASB intends for these terms to be distinct, DTTL recommends adding clarification in Chapter 7 and paragraphs 6-7 on the distinction between “criteria” and “benchmarks.” Alternatively, DTTL recommends the following changes to paragraphs 6-7.

Para. 6

- ~~Financial reporting standards and accounting policies (criteria).~~
- Measurement, recognition, presentation and disclosure bases (**e.g., financial reporting standards and accounting policies**) (~~benchmarks~~ **criteria**).

Para. 7

- ~~[EER] Reporting Framework or Standards and reporting policies (criteria).~~
- Metrics or measurement protocols (**e.g., [EER] Reporting Framework or Standards and reporting policies or preparer’s ‘materiality process’**) (~~benchmarks~~ **criteria**).

Paragraphs 10 and 13 contain examples illustrating the subject matter elements and the nature of qualities of a subject matter element. As mentioned in the commentary relating to the use of the term subject matter elements in **Question 2**, DTTL recommends using the term aspects instead of subject matter elements. In addition, while these examples may be helpful to some readers they would be more effective if they were replaced with examples that are specific to EER reporting.

DTTL believes that the examples within paragraph 11 can be enhanced to include additional detail on the illustrated questions in the examples as shown below:

- Example question “(g) What has been the change in value over the last year? (expression of the outcome of a change in the machine’s state or condition).”

- The guidance related to this example question should indicate what the change in value is based on in this example.
- Example question “(i) Why have the directors decided to sell the machine? (expression of the intent of an action to cause a change).”
- The guidance related to this example question should indicate how intent would be measured in this example.

DTTL also recommends clarification for the following questions pertaining to the second example:

- Example question “(b) How much water flows through the river? (expression of characteristic).”
- Example question “(d) How has the water quality changed over a period of time? (expression of change in condition).”
- The guidance related to the example questions above should indicate the measurement basis that might be used within this example.
- Example question “(e) What is the impact of the factory on the water quality of the river? (explanation of cause of change in condition).”
- The guidance related to this example question should indicate how the impact of the factory might be determined in this example.

*Detailed Clarification Comments for Additional Paper “Four Key Factor Model for Credibility and Trust in Relation to EER”*

Paragraph 4 describes factors that are likely to enhance credibility of EER reports including “External Professional Services and Other Reports.” Considerations relating to this factor occur throughout this portion of the additional paper including paragraphs 20, 28, and 33. The description and considerations pertaining to the “External Professional Services and Other Reports” factor do not indicate what types of professional services or other reports would enhance credibility and trust in the context of EER reports. DTTL believes that the description and related considerations should clarify the type of external professional services and other reports that would enhance credibility and trust. DTTL believes this clarification is important as not all types of engagements, such as nonassurance engagements, are intended to enhance credibility and trust.

DTTL appreciates that *Figure 1: Overview of Credibility and Trust* in paragraph 6 is an illustrative summary of the concepts within this portion of the additional paper and has the following recommended clarifications and changes to this figure to make the content consistent with content within the proposed draft guidance:

- The description of the third factor “consistent wider information” appears inconsistent with the characterization of the third factor in paragraphs 25-27 of this additional paper. Paragraphs 25-27 do not mention users performing their own evaluation of the consistency of the EER report with wider information. DTTL recommends revising the description of the third factor, as shown below, so it is consistent with drafted guidance in paragraphs 25-27.

~~Consistent wider information – Users perform their own evaluation of the consistency of the EER report with wider available sources of information to which they have access~~

**Consistency of information in the EER report with other sources of information about the entity likely to be available to users of the EER report.**

- The fourth factor does not indicate what external professional services and other reports would enhance credibility and trust. Please refer to the previous comment for further details on this item.
- The last sentence within the figure discuss how external transparency enables external users to confirm consistency of the EER report with wider information. As mentioned above, this characterization appears inconsistent with the characterization of “consistent wider information” in paragraphs 25-27. DTTL recommends the following edits.

External transparency about these matters and publication of the EER report and of any external professional services report(s) **promotes** ~~enables external users to confirm the~~ consistency of the EER report with wider available information about the entity **likely to be available to users of the EER report.**

- DTTL believes that the links within the graphic should be revised. Currently, it appears that the first two factors apply only to internal users and the last two factors apply only to external users and recommends that the IAASB revise the graphic to clarify that each of the factors applies to both internal and external users.

Paragraph 32 introduces the concept of transparency about competence of those performing the professional service or other external input may add to the credibility of the EER report. This concept is not discussed elsewhere in the proposed draft guidance and it is unclear what the IAASB is referring to in the context of an assurance engagement. DTTL recommends clarifying this concept.

#### 15. EYG

##### Reference 1

The additional paper on the background and contextual information on understanding how subject matter information results from measuring or evaluating subject matter elements against the criteria is educational in nature rather than practical implementation guidance. We do not object to it, but we are not finding this guidance valuable from a practitioner standpoint.

##### Reference 2

We find the four key factor model for credibility and trust in relation to EER to be useful in explaining the value of EER reporting, and assurance on such reporting (i.e., it is useful for stakeholders to easily understand the ‘value proposition’ of EER). Because this document has a wider intended audience than the practitioner, we believe that this should be published as a standalone document and not buried within practitioner guidance, although the guidance could refer to the separate publication.

#### 17. KPMG

##### Reference 1

We believe these are helpful and we propose to support their publication alongside the Guidance Document. In particular, we find it helpful that these emphasise the role and responsibilities of the preparer of EER reports, as well as those of the practitioner.

In respect of the Four Key Factor Model document, we are supportive of the references to Factor 3, Consistent Wider Information, however, we have not yet considered material in respect of Other Information as this is to be addressed by IAASB in Phase 2. We note that Other Information as defined in paragraph 57 is similar to the concept in an audit engagement, however this document appears to

broaden the sources of “other information” and practitioner responsibilities, which are described as to “ensure consistency” with any information in the public domain, not just information in the EER report itself that is outside the scope of our assurance engagement. This may not be practicable.

We also suggest that the section addressing Factor 4, External Professional Services, clarify that there may be a “journey” towards assurance, with assurance solutions aligned with evolving reporting practice, in turn dependent on market demand. Initially non-assurance activities may be of most benefit to entities, such as readiness reviews to determine whether an entity is sufficiently prepared for an assurance engagement, or advisory engagements that are focused on providing recommendations to management, drawing on professional expertise and knowledge of best practice.

Solutions may progress through a “modular” assurance approach that involves assurance over elements of e.g. an Integrated Report, such as descriptions of risks, to allow the scope of assurance to evolve in line with the quality of the Report.

In describing the potential solutions, it may be helpful for the IAASB to describe more fully the value to a user of assurance by a practitioner, in accordance with ISAE 3000 (Revised) as compared to other market offerings that are not conducted with the same rigour, are not based on robust frameworks or criteria, and which may draw on practitioners with subject matter expertise but not expertise and experience in assurance skills and techniques, which are critical to ISAE 3000 (Revised) assurance engagements. Since much of the content of these supplementary guidance documents appears to be for educational purposes and directed at a wider audience than experienced practitioners, we believe it would be helpful to provide factual information regarding the value of assurance by a practitioner.

#### 18. MZS

##### Reference 1

- We believe that appendix 1 and additional papers could be summarized and published alongside the guidance.

#### 19. PwC

##### Reference 1

##### *Background and contextual material*

While the main body of the guidance is drafted in a manner that is clear and uses ‘plain English’, the background and contextual information is less easy to read. The content is quite theoretical and difficult to understand in places. For the reasons described above, we also do not support the material in this section further describing “qualities”. The International Framework for Assurance Engagements already includes sections on underlying subject matter and criteria, together with other useful “educational” material, and is written in a more readily understandable style. Consequently, we question whether the proposed background and contextual information will add to users’ understanding of the guidance and suggest that the Board consider removing it. We comment further in our response to question 6 in appendix 1.

##### Reference 2

While the main body of the guidance is drafted in a manner that is clear and uses ‘plain English’, we feel the background and contextual information is less easy to read. In particular, for example, we find the

“understanding the nature of evaluation and measurement of subject matter elements” section to be quite theoretical and challenging to comprehend. The illustrative example is particularly complex to understand. Simpler language, or simpler examples, may be beneficial.

As noted in our response to question 2, we believe the introduction of new concepts such as “qualities” is adding complexity and, in part, resulting in the need for further explanation within the proposed appendix. Further, we believe the examples in the “understanding the nature and role of criteria” may confuse, rather than aid, understanding, by referring to both “expressions” of various things, as well as “characteristics”. We believe the multitude of terms is unhelpful - it is unclear how “qualities” are to be distinguished from these other attributes. As stated above, we recommend simply referring to “characteristics” (or potentially “attributes”) of the subject matter element.

In addition, we also note that the IAASB’s International Framework for Assurance Engagements already includes sections on underlying subject matter and criteria, together with other useful “educational” material, and refers to “characteristics” of different subject matters. We find this material to be written in a more readily understandable style.

Taken as a whole, for the reasons described above, we question whether the proposed background and contextual information will add to users’ understanding of the guidance. We suggest that the body of the guidance should address all appropriate contextual content that will aid practitioners in understanding how to approach such engagements. If deemed necessary to refer to additional “educational” content, we would instead suggest referencing the International Framework for Assurance Engagements.

### Reference 3

We do, however, support the proposed “four key factor model for credibility and trust in relation to EER” paper. We believe this has educational value as a stand-alone paper.

## 2. CFC

### Reference 1

**Answer:** Yes, we do, However, some diagrams and charts are needed, as prior mentioned, aiming to make the consultation paper clear and comprehensive.

## 20. GAO

### References 1-2

We believe that the additional papers provide helpful information, but they could be further clarified to identify intended users, particularly those that would use the background document. For example, the Key Factor Model for Credibility and Trust in Relation to EER could include additional information for small entities and practitioners.

## 21. ACCA-CAANZ

### Reference 1

We agree that the additional papers contain helpful information and we do not have a specific problem should they be published alongside the non-authoritative guidance document. However, there is a need to be mindful of the length of the additional papers and the guidance document, and consider shortening them.

Some of the examples are not closely connected with assurance engagements (the examples with apples and colours), but we do think they are quite useful as training material. On this basis, we do not have a problem also including them as long as there is sufficient framework neutral practical examples as well.

Some use of hyperlinking technology alongside ISAE 3000 may be worthwhile to consider.

## 22. AE

### Reference 1

#### **Paragraphs 42-45 (additional papers)**

We agree that the additional material is helpful, especially for those that are not experienced in this field of activity yet. This material could also prove to be helpful in communicating with preparers and clients. As mentioned in our response to Question 4, we suggest clarifying the intended audience, of the guidance, but also of all the material published. It will help disseminate the information to the targeted stakeholders.

## 23. AICPA

### References 1-2

The paper “Four Key Factor Model for Credibility and Trust in Relation to EER,” is very helpful in understanding how various factors (a sound EER framework, strong governance, consistent wider information, and external professional services) enhance the credibility of EER information. The usefulness of this paper would be enhanced if it included references to the related guidance in the primary paper, for example,

- paragraph 9 of this paper regarding the features of an EER framework that engender credible EER information and the relationship of those features to the characteristics of suitable criteria should reference paragraph 86 and other paragraphs in Chapter 7 “Determining the Suitability of Criteria,” of the primary paper.
- the discussion of strong governance should reference Chapter 6 “Considering the System of Internal Control,” of the primary paper

A review of the connections between the two papers may also help to identify appropriate changes to one of the papers, for example, the key factor *consistent wider information* does not appear to be addressed in the primary paper. We also suggest that the word “wider” in the phrase “consistent wider information” be replaced with a word such as “additional” or “other.”

The paper titled “Background and Contextual Information on Understanding How Subject Matter Information Results from Measuring or Evaluating Subject Matter Elements Against the Criteria,” provides some very useful information, especially the examples included in this paper. However, we suggest that the information in this paper be incorporated in the primary paper because having important information in two separate documents is not the most efficient or effective approach to providing the information. Consider including some of the information in the background and contextual information paper in chapter 1 of the primary paper, especially as it relates to terminology.

25. ASSIREVI

Reference 1

In ASSIREVI’s view, any effort for improving the understanding of the preparers and practitioners role in relation to EER is important.

According to ASSIREVI’s view, there are not significant issues in publishing the additional papers alongside the Draft Guidance but, to avoid any misunderstanding, the additional paper could be clearly labeled as it follows “this is not an integral part of the non-authoritative / non-mandatory document”.

26. CPAA

Reference 1

- We find the “Background and Contextual Information” on pp. 72-76 to be confusing.

References 2-3

- However, we consider the “Four Key Factor Model” on p. 77 and “Figure 1: Overview of Credibility and Trust” as useful. We suggest providing clearer examples in the “Background and Contextual Information” section. Such examples could be integrated into a case study, which provides insights into an assurance engagement from beginning to end (refer to response to **Question 1**).

28. EFAA

References 1-2

The content of the additional papers is helpful, especially for those that are not experienced in this field of activity as well as for communication with clients and for preparers. In order to avoid any confusion about the authority of these papers relative to the guidance, we recommend these be integrated into the guidance so that all guidance is included in one single document.

29. FACPCE

Reference 1

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|---|--|---|
| <p>Q6) Do you agree that the additional papers contain further helpful information and that they should be published alongside the non-authoritative guidance document?</p> | <p>Paragraphs 42-45 (additionalpapers)</p> | <p>We agree. The information is useful and should be published along with the document.</p> |
|---|--|---|

3. IRBA

Reference 1

- We agree that the additional papers contain further helpful information and that they should be published alongside the non-authoritative guidance document. We recommend that the IAASB

consider including the additional papers in the guidance document itself; and that these additional papers should not be published as separate documents. This will simplify access to the guidance.

### 31. FSR

#### Reference 1

##### Contextual Information

For this section of the guidance, we have the following comments:

- Item 6: It is recommended to work further on the comparison between financial reporting and EER reporting. This should be included in an introduction paragraph in the final guide.
- Item 11: The examples could be structured with greater use value, including a link to the criteria elements.
- Item 13: Examples with colours and apples are at a level that creates confusion about who is the user of the document. As the users (item 5 in chapter 1) are primarily practitioners carrying out EER assurance engagement, it is recommended to adapt the wording and explanations to a level of comprehension and insight that must be expected in the target group.
- Item 14: This is a good point (new approach) with “wh-identifiers”. Could be extended and included in the guide itself.

#### Reference 2

##### Credibility and Trust Model

For this section of the guidance, we have the following comments:

- Item 8: A sound EER framework is here treated at a level that could be included in the introduction to the guide.
- Item 19: The mention of a strong internal control system could also advantageously be included in the guide itself.
- Item 25-27: The description of treatment of consistent wider information is considered too thin and should be further developed.

#### Reference 3

They could be incorporated as part of a case collection with examples that have been cleared of contents that are too elementary for a practitioner.

### 32 GRI

#### Reference 1

- The additional papers do provide further helpful information, particularly for new practitioners and those less familiar with financial auditing and agree that they should be made available.

### 33. IAAA

#### Reference 1

Yes, we agree. The two additional documents contain extraordinarily illustrative supplementary information that undoubtedly will help all the parties for an adequate understanding of both the nature of the service and the purpose, scope and content.

The first document called "Antecedents and contextual information on the understanding of how the information of the subject translates into the measurement or evaluation of elements of the subject against the criteria" is specially intended for professionals to provide context in the application of the guide, if it is maintained in the final approved document.

For its part, document 2 called in the draft guide as "Model of four key factors for credibility and trust in relation to the EER is how to achieve credibility and confidence in relation to external reports extended. The four proposed factors are extremely important to be taken into account by EER issuers, as well as for preparers and users, so its use will significantly help the success of the project.

For the reasons indicated in the response of P6), we agree that both documents should be published together with the definitive guide, once approved.

### 36. ICAEW

#### References 1-2

- It is unclear who the intended audience is for these additional papers. We are not convinced about the usefulness of the background and contextual information. It is very theoretical and not easy to read.

#### Reference 3

- In relation to the four key factor model for credibility and trust in relation to EER we believe it would be helpful to make the point, alongside paragraph 19, that strong internal controls do not necessarily equate with reasonable assurance. We also think that the section about skills (paragraph 30) needs greater emphasis here.

### 37. ICAG

#### Reference 1

Yes, they are most useful. The topics are quite difficult so the background and contextual information provide additional guidance on uncommon terms such as subject matter information, criteria/ benchmarks and relates them to more common references for ease of understanding. It also goes through criteria, qualities, and subject matter elements.

The four key factor model for credibility/trust provides the practitioner with an additional way to look at the EER process and assesses some credibility/confidence in the process. Both papers are helpful and we agree that they should be published alongside the draft guidance or be incorporated in the draft guidance in order to have a single comprehensive document.

### 38. ICAS

#### Reference 1

We agree that the additional material is helpful, especially for those not yet experienced in this area. This material, if effectively communicated, could also prove to be a helpful tool for communicating with preparers and clients as to the assurance practitioner's expectations of them.

#### 39. ICPAU

##### Reference 1

ICPAU agrees with the publication of additional papers alongside the authoritative guidance document. For example, the Four Key Factor Model for Credibility and Trust In relation to EER elaborates how credibility and trust can be enhanced in engagements and this is one of the driving factors for the formation of the paper.

#### 4. AUASB

##### References 1-2

**Four Key Factor Model for Credibility:** The Four Key Factor Model for Credibility on page 77 is useful and the AUASB supports its publication alongside the draft guidance.

**Background and Contextual Information:** The Background and Contextual Information section on page 72 could be confusing. It is unclear how much of this information will assist the EER preparer. If this material is published, which the AUASB does not support, it is recommended that the examples be changed and that it is clearly articulated how this particular guidance will assist EER preparers. Areas that the AUASB found particularly confusing include:

- A distinction drawn between criteria and benchmarks (two separate bullet points in paragraph 6). ISAE 3000 (Revised) defines criteria as benchmarks, therefore separating criteria and benchmarks could be confusing. It is understood 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” is not useful as it does not relate to EER information.

#### 40. IPA

##### Reference 1

The IPA agrees the additional papers contain useful information and should be incorporated into ISAE 3000 and its associated application guidance. The additional papers could be issued as appendices to ISAE 3000.

#### 42. MICPA

##### Reference 1

##### **MICPA’s Comments:**

Yes, MICPA agrees that the additional papers contain further helpful information and that they should be published alongside the non-authoritative guidance document.

#### 43. NASBA

##### References 1-2

We agree that the additional papers contain helpful information. We believe that the first additional paper, *Background and Contextual Information on Understanding How Subject Matter Information Results from*

*Measuring or Evaluating Subject Matter Elements Against the Criteria*, should be included as part of the draft guidance and not as a separate document.

#### 44. PAIB

##### References 1-3

The 'Credibility and Trust Model' provides a very useful overview of the factors enhancing the credibility of EER reports.

The 'Contextual Information' is less useful in places and offers little more value over and above what is already included in the draft guidance.

The analogy of the apple on pages 73 and 75 is not helpful. It would be better to use a realistic example in the context of an actual EER report. Paragraphs 6 and 7 are useful.

#### 45. SAICA

##### Reference 1

- We are in agreement with the principles in the paper on the 'Four Key Factor Model for Credibility and Trust in Relation to EER' being included in the Draft Guidance as it describes factors that enhance the credibility of EER reports and engender trust. The paper discussed in detail the four key factors which include:
  - A Sound EER Framework;
  - Strong Governance over the reporting process;
  - Consistent wider information;
  - External professional services and other reports.
- This paper will prove very useful to assurance practitioners, preparers and users of EER reports. The IAASB should consider including this paper as an introductory chapter to the Draft Guidance rather than having it as an annexure. A place in the Draft Guidance document where this paper may be included is in Chapter 6, *Considering the System of Internal Control*. It would serve as useful background information in providing the link between the preconditions for an EER engagement and the system of internal control.

##### Reference 2

- Regarding the paper titled, "Background and Contextual Information on Understanding how Subject Matter Information Results from Measuring or Evaluating Subject Matter Elements against the Criteria," members of the Task Group were of the opinion that aspects of this paper should be included in the Draft Guidance rather than it being an annexure. This includes the following sections in the paper:
  - Understanding the nature and role of criteria;
  - Understanding the nature of qualities;
  - Understanding the nature of evaluation and measurement of subject matter elements.
- Although the paper appears to be primarily addressed to preparers of EER reports, rather than the practitioner, the paper includes valuable information that would give practitioners a deeper

understanding and provide assistance to perform effective EER assurance engagements. A suitable place in the Draft Guidance where this paper could be included is in Chapter 7, *Determining the suitability of criteria*.

#### 46. SASB

##### Reference 1

We have no comment regarding this question.

#### 48. WPK

##### Reference 1

We reject the two additional documents "*Background and Contextual Information on Understanding How Subject Matter Information Results from Measuring or Evaluating Subject Matter Elements Against the Criteria*" and "*Four Key Factor Model for Credibility and Trust*" as it would introduce a further regulatory hierarchy, which might contribute to further uncertainty in the application.

#### 5. CNCC-CSOEC

##### Reference 1

Paragraphs 42-45 (additional papers)

We agree that the additional material is helpful, especially for those that are not experienced in this field of activity yet. This material could also prove to be helpful in communicating with preparers and engaging parties. We suggest clarifying the intended audience, of the guidance, but also of all the material published. It will help disseminate the information to the targeted stakeholders.

#### 51. CAATAS

##### Reference 1

Yes, we agree.

With EERs, trust and competence are key as these are not necessarily prepared according to a standard such as the IFRS and IPSAS reporting frameworks. Because of this peculiarity, it is important that preparers and practitioners all understand the process of compiling an EER and the significance.

The additional papers will help the users with an understanding of the reason for the EER and why it makes sense. Also, it compels users to ensure that they are trustworthy in their reports.

#### 52. SCHNEIDER

##### References 1-3

As assurance on EER matters is often misunderstood, it is important to have educational materials to help reduce such misunderstandings. Accordingly, I believe that both documents should be separately published, particularly the four key factor model, with some modifications as described below.

#### **Background and Contextual Information on Understanding How Subject Matter Information Results From Measuring or Evaluating Subject Matter Elements Against the Criteria**

The introduction is a bit confusing as paragraphs 1 and 2 seem to contradict each other ("intended to

provide context to practitioners” vs. “Much of the material relates to the role of a preparer”). This contradiction might be eliminated through rewriting the two paragraphs as one with the focus on that it “provides information regarding the role of the preparer to better provide practitioners with context in applying the draft guidance to such aspects.” Further, ‘this section’ in paragraph 3 should be replaced with ‘this document’.

Additionally, to be most meaningful, the examples should be clear; for example:

- The point of the example in paragraph 13 is unclear, perhaps because the discussion of the causes of variations in color is not as accurately portrayed.
- The example in paragraph 20 is too vague. Some of the sentences actually seem like they should be paragraphs of guidance rather than examples illustrating the guidance.
- Certain terminology used in the example in paragraph 10 is not universal when referring to characteristics of fruit (e.g., pips and stalk); and accordingly, should list other frequently used terms in conjunction with such terms (e.g., pips/seeds, stalk/stems). Such descriptions also might enable better translations if such document is translated into other languages.

The IAASB also might give consideration to ending the document with some form of summary or conclusion as readers may be left hanging with the way it currently ends and feel that the document is incomplete.

#### **Four Key Factor Model for Credibility and Trust in Relation to EER**

Paragraph 2 should be referencing “providers of EER **reports** and users of EER **reports**.” [Added text shown in bold, underlined text].

Paragraph 4 not only lacks parallel construct but makes it harder to follow the connection of the text following the long dashes. Perhaps the initial caps and long dashes should be eliminated from the bulleted list and more understandable sentences be formulated or more appropriate definitions created for what is meant by the text preceding the long dashes. For example:

- A sound EER framework—**one** that is....
- Strong governance over the reporting process—**governance** that satisfies the user....
- Consistent wider information—**consistency** that satisfies the user...
- External professional services and other reports—**availability of** independent external service reports...

Further, Figure 1, uses slightly different language than paragraph 4. For example, Figure 1 discusses the sound EER framework in terms of having objectives that are closely aligned to the user’s information needs. Figure 1 also discusses consistency in terms of the users performing their own evaluation; such language is not mentioned in the reference in paragraph 4.

Paragraph 36 mentions the danger of reading assurance reports without experience. This paragraph leaves the reader hanging as to what to do about that. Accordingly, to be useful, further elaboration or clarification of that scenario is needed.

#### **6. HKICPA**

##### **Reference 1**

We suggest including clear links between the additional papers and the applicable draft guidance.

## 7. IDW

### Reference 1

In relation to the Background and Contextual Information, we believe that in the fourth and fifth bullet points of paragraph 6 and 7 (artificially distinguishing criteria from benchmarks) and in paragraph 15 from the second sentence onwards, the description of the use of criteria (and the benchmarks they entail) to classify the manifestations of properties of underlying subject matter is very confusing and therefore needs some revision to improve understandability.

### Reference 2

- **Credibility vs. Trust.** The Four Key Factor Model for Credibility and Trust in Relation to EER appears to use the terms “credibility” and “trust” interchangeably or ambiguously. The term “trust” is defined differently in sociology, psychology, philosophy and economics, etc., and it is unclear which definition is being applied. There are also different meanings of the term “credibility” in different subject areas, but it is generally associated with the grounds for the strength or intensity with which something can be believed, and in this context relation to assurance engagements, it has been defined as the assurance attributed by the user to an assurance conclusion. We recommend that the draft’s use of the terms “credibility” and “trust” be clarified, distinguished from one another, and then appropriately rationalized.

### References 3-4

We agree that the additional papers contain further helpful information and that they should be published alongside the non-authoritative guidance document. However, in relation to the Background and Contextual Information, we believe that reference needs to be made to the literature that formed much of the basis for ISAE 3000 and ISAE 3000 (Revised), which was the FEE Paper from 2003 entitled “Principles of Assurance”, which provides a helpful source for the underlying theory of the nature of the relationship between underlying subject matter, criteria, and subject matter information, among other matters (even if other terms are used). We have the following comments on each of the two additional papers beyond those addressed in the previous questions.

### **Background and Contextual Information**

**In relation to paragraph 9**, there seems to be an underlying presumption of a requirement that not only the outcome of a measurement or evaluation must be disclosed, but also how the measurement or evaluation was made. While this may be necessary in some cases, it is certainly not necessary in many cases. We therefore suggest that the words “and to the extent necessary,” be inserted prior to the word “together”.

**In relation to paragraph 16**, we would be hesitant about classifying an ordinal scale (the natural ordering noted in paragraph 16: small, medium and large) as being “non-quantitative” because, for example, ordinal and interval scales (e.g. Likert scales) are often subjected to quantitative analysis, for example, by assigning numbers using an assignment rule and then using non-parametric mathematical methods. Only nominal scales without any natural ordering are truly “non-quantitative” in a mathematical, rather than logical, sense. It is, in our view, somewhat misleading therefore to use the adjective “non-quantitative” for scales that can be subjected to quantitative analysis.

**Paragraph 18** asserts that all standardized measures are based on a clearly specified point of reference. It is unclear to us what a “standardized measure” means in this context. If a standardized measure means a standard unit of a physical phenomenon used as a point of reference for measuring the magnitude of a certain quantity, then paragraph 18 is a true statement. However, if a specified point of reference refers to a unique and non-arbitrary zero point, then the statement would not be true because ordinal and interval scales do not have such a point, even though they may use a standardized measure in the first sense. Clarification of the meaning would be helpful here.

**Paragraph 20** refers to the term “repeatable measures”, which relates to the “definition” of reliability. Hence, that term should be replaced with “reliable measures”.

**Paragraph 21** states that “in practice” measurement instruments have an inherent limit of precision. This is not only true in practice, but in theory, so “In practice” can be deleted.

#### ***Four Key Factor Model***

**Paragraph 13** refers to “more susceptible to the risk of preparer bias” and, in the second bullet point, to “Inherently greater susceptibility to prepare bias risk”. This begs the question as to “more than or greater than what?”. We suggest that the word “more” and “greater” be deleted. In the first bullet point, reference is made to the “materiality principle”, which actually refers to the concept of suitable criteria (in particular, relevance, completeness, and understandability, but also neutrality), since the materiality concept in ISAE 3000 (Revised) is limited to the consideration of misstatements. We suggest that “a strong materiality principle” etc. be replaced by “the existence or development of suitable criteria and the potential need for stakeholder engagement in any such development”.

**Paragraph 16** states that preparers should “behave in a way that is consistent with the spirit of the objectives of the relevant EER framework”. In most jurisdictions, exhortations to meet the “spirit” of any objectives or criteria will be **regarded** as unenforceable, whether by assurance practitioners or other authorities. We therefore suggest that the words “the spirit of” be deleted.

**Paragraph 23 and 27** inappropriately use the superlative “most”, which should be deleted.

**In paragraph 35** the words “and the levels of assurance that can be obtained from them” can be viewed as indicating that decisions about levels of assurance are determined by the level that can be obtained (i.e. the erroneous view that if reasonable assurance cannot be obtained, then limited assurance might still be possible). Since this is not what is meant, the phrase should be changed to read “and the inherent limitations of assurance engagements and the resulting consequences for the meaning of assurance”.

**In paragraph 36**, we suggest changing “assurance providers’ work to ”to “practitioners’ work to, if any” because not all services provided by practitioners in this space are assurance engagements (which means that “assurance providers” is inappropriate) and because not all services provided are subject to standards (the reason for the addition of “if any”).

#### **8. JICPA**

##### **References 1-2**

We believe it would be helpful if the additional papers were published alongside the non-authoritative guidance document. However, we believe that the following should be reconsidered in relation to the method of publication and the specific content to be published.

Contextual Information: Explanation of Subject Matter Elements and “Qualities”

The example of an apple used in Paragraph 13 of the Contextual Information section is difficult to understand as an explanation of subject matter elements and “qualities.” It is not clear whether the purpose of the example is to suggest that we should understand the “qualities” of the subject matter elements as topics to be addressed in an assurance engagement, or not.

Additionally, the subject used in this example (an apple) is different from the subject indicated in Paragraph 11 of the guidance (water), making a coherent understanding difficult.

We believe that reconsideration is necessary to connect the example in Paragraph 13 of the Contextual Information section to a subject matter or subject matter element that might be addressed in an actual assurance engagement.

9. MAASB

Reference 1

We agree that the additional papers are helpful and should be published alongside the non-authoritative guidance document.