

Extended External Reporting (EER) Assurance Consultation Paper– Question 7

Question 7 of the consultation paper for EER Assurance asked respondents:

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

- a) *Stakeholder Perspectives—Respondents representing stakeholders such as preparers (including smaller entities) of EER reports, users of EER reports, and public sector entities are asked to comment on the questions above from their perspective.*
- b) *Developing Nations—Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment, in particular, on any foreseeable difficulties in using the draft guidance in a developing nation environment.*
- c) *Translation—Recognizing that many respondents may intend to translate the final guidance for adoption in their own environments, the IAASB welcomes comments on potential translation issues.*

1. CRUF

Reference 1

These comments are based on the position of the investor (i.e. financial statement user).

10. NBA

Reference 1

N/A

Reference 2

N/A

Reference 3

Issues may arise with the Dutch translation of new terminology, especially when the terms have practically the same meaning which is for example the case for 'robust and mature'.

12. BDO

References 1-2

We do not anticipate BDO firms in developing nations to face difficulties in using the draft guidance. BDO will consult relevant firms on any issues or changes to be considered as part of the IAASB's EER exposure draft consultation in 2020.

We have no comments on questions 7 (A) and (C).

13. CG

Reference 1

<p>In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:</p> <ul style="list-style-type: none">• Stakeholder Perspectives - Respondents representing stakeholders such as preparers (including smaller entities) of EER reports, users of EER reports, and public sector entities are asked to comment on the questions above from their perspective.• Developing Nations - Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment, in particular, on any foreseeable difficulties in using the draft guidance in a developing nation environment.• Translation - Recognizing that many respondents may intend to translate the final guidance for adoption in their own environments, the IAASB welcomes comments on potential translation issues.	<p>We have no specific observations.</p>
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18. MZS

Reference 1

- N/A

Reference 2

- N/A

Reference 3

- Issues may arise with the translation of new terms especially in §80 to 82.

19. PwC

Reference 1

No specific comments.

20. GAO

Reference 1

We believe that the guidance should more clearly articulate how it relates to ISAE 3000 (Revised). We believe that without this clarification there is the potential for confusion regarding the guidance's authority.

25. ASSIREVI

Reference 1

- Translation—Recognizing that many respondents may intend to translate the final guidance for adoption in their own environments, the IAASB welcomes comments on potential translation issues.

Considering that many countries may translate the Draft Guidance into their own languages, we think it will be useful to include at the beginning of this document a glossary containing the most important terms. This policy is already in use for other international standards already published (see paragraph called "Definitions" in ISA/ISRE/ISAE).

We are aware that some of the terms used in the Draft Guidance are already present in other international standards or in the Draft Guidance itself, however for a day-by-day use, collect the most important terms in this document with the relevant definition may reduce time spent in glossary researches and help its correct comprehension.

28. EFAA

Reference 1

We support the IAASB's efforts in relation to EER assurance, not least to build public trust and confidence in the various forms of extended external reporting. We have some general remarks which can also be taken as our response to Question 7 of the Consultation Paper that seeks comments from respondents representing stakeholders including preparers of EER reports of smaller entities.

Reference 2

Scalability In our response to the IAASB's Proposed Strategy for 2020–2023 and Work Plan for 2020–2021 EFAA urged the Board to place a high priority on addressing the interests of SMEs and non-PIEs. We expressed concern at the lack of scalability of the ISAs. We harbor similar concerns in relation to assurance and related-services standards in general. Ideally all IAASB standards need to be truly scalable and developed on a "think simple first" basis. This will help ensure that standards and guidance that will primarily be used in the foreseeable future on engagements for larger listed companies and other PIEs will be suitable for SMEs and non-PIE as and when they seek similar engagements. Nature of Guidance We fear that the proposed guidance will impose additional requirements especially regarding preconditions, use of external experts and the determination of assertions. We urge the IAASB to avoid the introduction of additional requirements via guidance. The guidance would also benefit from additional illustrative examples. Finally, we suggest the Board emulate ISAE 3410, Assurance Engagements on Greenhouse Gas Statements by considering adding guidance on specific subject matters, for example on

certain types or categories of non-financial information (NFI). Project Scope In our response to the IAASB's Proposed Strategy for 2020–2023 and Work Plan for 2020–2021 we also encouraged the Board to be alert to the importance of its non-audit standards, especially for SMEs and non-PIEs. We have consistently urged the Board to expedite the revision of ISRS 4400 (Revised), Agreed-Upon Procedures (AUP) Engagements and in our response encouraged the Board to adhere as far as possible to its plan to finalize the standard in 2019. EFAA believes that there is a significant need for AUP engagements, especially in terms of SMPs performing such engagements for SMEs and their stakeholders. In relation to EER we suggested the Board carefully consider broadening the project scope beyond assurance engagements as SMEs may seek simpler and, therefore, less costly related service engagements rather than limited or reasonable assurance. Accordingly, we see a case for guidance for practitioners applying ISRS 4400 to EER related service engagements.

29. FACPCE

Reference 1

Respuesta c)

Some of the expressions with which we have difficulty in the translation are the following:

- direct engagement: The translation is difficult because it is not understood what it is. The official translation of the ISAE 3000 (R) is "engagement consisting of a direct report"
- assurance engagement: The translation is an assurance engagement, but when it is followed of "reasonable" or "limited" is translated as security engagement.
- intended users: the current official translation is "users to whom the report is intended", but this was varying through the different translations. The ideal would be to have a clear definition in English of the scope of the term (referred to intended)
- "Maturity: The ideal would be to have a clear definition in English of the scope of the term

3. IRBA

Reference 1

- Our Auditor-General South Africa already applies ISAE 3000 (Revised) in the audit of pre-determined objectives when auditing the annual performance reports.
- The Auditor-General South Africa has indicated that no additional guidance is required to specifically address a public sector perspective as the nature and scope of the guidance in the consultation paper is general and can be applied in the public sector context. The proposed guidance is not prescriptive in any way that would limit application in a public sector environment.
- Different forms of service delivery performance reporting are common in the public sector environment. The IAASB could consider including a reference or an example in the introduction or background in Chapter 1 to refer to service delivery performance reporting as an example of a form of EER.

Reference 2

- We do not foresee any unique difficulties in using the draft guidance in South Africa.

Reference 3

- We do not require the guidance to be translated.

33. IAAA

Reference 1

- A. As independent professionals in the practice of audit services, users of the IFAC norms, from our perspective, we understand that the project opens a new work opportunity, on the one hand, and on the other, will superlatively increase the role of the public accountant in public activity, which in turn will elevate the consideration towards professionals, in addition to increasing the quality of the service for the users who hire them.

Reference 2

- B. As discussed in c) below, developing countries have so many difficulties to properly adopt the international standards issued by IFAC through their different Councils mainly for the translation problem, we mention that the International Financial Reporting Standards do not raise Any inconvenience in this aspect because the IFRS Foundation has its own translation. This difficulty that these developing nations have is complemented by the difficulty involved in having access to the current IFAC regulations, although it is true that the issuer of the standards is available on the website, it must be taken into account that several of these Countries do not have sufficient and easy access to the website, added to the complexity of finding the standard that the user requires on the page. Aiming for a more universal application, IFAC must make every effort to facilitate access to its standards, especially to developing countries.es.

Reference 3

- C. Possibly the biggest problem that the users of the IAASB standards have is the translation into a language different from the one of origin (English), in particular Spanish presents discrepancies between translations made by different jurisdictions, since in this language there are several translators, which generates different interpretation from one jurisdiction to another, conspiring against the high quality of all the standards issued by the different IFAC Councils. We believe that a great solution to this problem could occur through a unique translation carried out by IFAC through an internal organization, for which it could constitute an official translation committee for the different languages.

34. IIA

Reference 1

We appreciate the opportunity to assist the IAASB as it develops guidance on the many forms of reporting encapsulated by EER. Our inputs are focused on Question 7a, which relates to stakeholder perspectives from respondents representing stakeholders such as preparers (including smaller entities) of EER reports, users of EER reports, and public sector entities:

Comments related to Question 7a:

- In common with other similar guidance and commentary on this topic, there is an apparent presumption toward accountants generally and external auditors specifically being the ones to lead on providing assurance on extended external reporting. In addition, much of the emphasis is given

to the end product. In both these respects the picture drawn is incomplete. There are many preparatory steps before an extended external report can be considered for publication, including all of the necessary stages in the “integrated thinking journey” through which an organization must transform its mindset. This transformation allows it to break down silos; recognize all sources of value, including those held externally; establish effective systems of gathering and validating data; and consider activity in the short, medium, and long terms. Assurance is needed on all aspects of these stages as part of the validation of the report itself. Internal audit is ideally placed to provide credible objective assurance and advice because of its unique position, perspective, and expertise. External auditors and other technical experts are needed to provide specialized inputs and should be encouraged to work collaboratively with internal auditors.

- There is only very limited reference to the role of internal audit in this document and no reference to the reliance that external audit should place on the work of internal audit undertaken in these areas. The governing body and audit committee should seek effective mapping and alignment of all assurance work to ensure adequate, reliable, and cost effective coverage while avoiding duplication and overlap. The paper should provide better explanation in terms of the relationship between internal audit and external audit and other assurance providers.
- In emphasizing the independence of external auditors there is a danger of misrepresenting the status of internal audit. Although part of the organization in the service of its objectives, the internal audit function performs its activities without hindrance or restraint from management and reports to the audit committee or directly to the governing body. It follows professional standards and operates under a charter that permits it access to all necessary resources, information, and people. The audit committee's role is crucial for the effective independence and objectivity of both internal and external audit, confirming the appointment, agreeing workplans, assigning resources, providing direction and oversight, and reviewing reports.
- Reference is made to the risk of management bias in terms of the reporting. By working closely with internal audit and making use of benchmarking, sector specific targets, key risk indicators, data analytics, and so on, management bias risk can be satisfactorily addressed.
- The document takes the view that in EER frameworks there are fewer prescriptive criteria and well-established processes and internal control is assumed to be less mature. While this may often be the case, it is not always so, and allowance should be made for this.
- There does not appear to be adequate reference to the evidence required to support the drafting of the report and the need to retain such evidence by the preparer. If reliance is to be placed on the report then the evidence needs to be robust and available to external audit as the reviewer.
- Consideration of a maturity model, perhaps similar to the risk maturity model, could provide a useful approach by making appropriate allowance for differences between organizations and their level of experience with respect to EER. This could help provide context to the external audit reviewer. For example, a lower bar for assurance may be set for a requirement that has been newly introduced (e.g., financial services sector operational resilience) compared with something that has been in place for a number of years (e.g., modern slavery).
- Greater clarity with respect to the expected users and stakeholders of EERs should be identified in the document to help give greater definition to the guidance provided. There should be no suggestion that the quality of EER may vary in the eyes of the beholder. One of the key requirements in terms of users/stakeholders is that they can place reliance on the credibility of the

preparer, who is also a stakeholder, and then trust the reported outcomes. This requires clarity as to what is meant by ‘trust,’ how trust should be provided, and perhaps reference to the Edelman trust barometer. This may require that users/stakeholders are separated from the preparer of the report, as the Edelman 2019 trust barometer indicates.

- Stakeholders need to be able to rely on the information provided in the report as it will inform decision-making at government and board levels, and demonstrate compliance with laws, regulations, and policies and procedures. This requires there to be a clear and direct link to:
 - Accomplishment of the organization’s goals and objectives;
 - Compliance with laws, regulations, policies, processes;
 - Reliability and integrity of information; and
 - Efficiency and effectiveness of the internal control environment.

36. ICAEW

Reference 1

- Introducing new concepts in the proposed guidance such as ‘materiality process’ will inevitably lead to concerns about translation, particularly where similar terms with very different meanings are used in close proximity. We urge the IAASB to work closely with translators to ensure that there is no confusion here.

40. IPA

Reference 1

The IPA has no comment for Question 7.

42. MICPA

References 1-2

MICPA’s Comments:

The Institute does not foresee difficulties in using the draft guidance in a developing nation environment.

There is no requirement to translate the final guidance into the local language in Malaysia.

Other

Practitioners’ assurance engagements are traditionally more inclined towards financial driven information as opposed to non-financial information contained in EER reports. However, users of EER reports might rely on the reports believing that the reports have been “audited” by the practitioners. In this regard, the Institute wishes to take the opportunity to highlight the potential expectation gap between practitioners and the users of EER reports.

Reference 3

MICPA's Comments:

The Institute does not foresee difficulties in using the draft guidance in a developing nation environment.

There is no requirement to translate the final guidance into the local language in Malaysia.

Other

Practitioners' assurance engagements are traditionally more inclined towards financial driven information as opposed to non-financial information contained in EER reports. However, users of EER reports might rely on the reports believing that the reports have been "audited" by the practitioners. In this regard, the Institute wishes to take the opportunity to highlight the potential expectation gap between practitioners and the users of EER reports.

43. NASBA

Reference 1

- We have no comment related to stakeholder perspectives.
- We have no comment on the developing nations issue.
- We have no comment on the potential translation issues.

45. SAICA

Reference 1

- Our outreach activities included the solicitation of views from different stakeholders. Therefore, the responses for questions 1 to 6 above incorporate the views of all of these stakeholders. Except for the matters identified in Questions 1 - 6 above, there are no foreseeable difficulties or potential translation issues identified in using the draft guidance.

51. CAATAS

Reference 1

The guidance should be more prescriptive as that would assist smaller entities to easily apply it. The cost versus benefit consideration is always a major consideration for smaller entities and as such the standards should be scalable in such a way that smaller entities can apply the requirements with a reasonable cost and yet still enjoy the benefits. Because EER has fewer guidance in terms of standards and frameworks, it leaves room for a lot of judgement which may mean hiring experts to assist entities in applying the requirements. It will be beneficial for smaller entities if the requirements for EER are less stringent for smaller entities. It could also be useful for the IAASB to then have criteria for smaller entities which can be applied internationally. Given that it is not only balance sheet values which define a small entity, the IAASB should use more than just monetary metrics to define what a small entity is.

Reference 2

Many entities are barely complying with the current international standards issued. Some of struggling to apply the amendments as and when they become effective. Because of this, EER has not yet become a

major consideration for many of the entities and as such they may not adopt EER early on. Therefore, implementation may not be timely for developing nations.

Reference 3

Zimbabwe does not normally translate standards for adoption and we do not foresee a translation of EER and as such no translation issues are anticipated.

7. IDW

Reference 1

As we do not represent preparers, users or public sector entities, we do not respond to this question.

Reference 2

As we do not represent an organization from a developing nation, we do not respond to this question.

Reference 3

As noted in our response to Question 2, we disagree with the use of the term “qualities” because the term “quality” is more often associated with the standard of something as measured against other things of a similar kind or the degree of excellence of something; only secondarily does the word “quality” refer to a distinctive attribute or characteristic possessed by something. Translators may therefore confuse the primary meaning of the word quality with its secondary meaning, which would reduce the usefulness of the guidance in the draft. There is a real danger that translators will attribute the primary meaning of the word quality to that term and translate the term with an inappropriate term that applies only to the primary and not secondary meaning. Using “attributes” or “properties” does not suffer from the same risks of mistranslation.

9. MAASB

Reference 1

Not applicable.