

**Extended External Reporting (EER) Assurance Consultation Paper– Other
Comments from Respondents**

10. NBA

Reference 1

We are supportive of the project to issue non-authoritative guidance enabling convergence in practice for ISAE 3000 application by practitioners. It is positive that the IAASB pays attention to the current developments in other assurance services. The guidance is useful and contains quite a number of challenges that are encountered in practice. It is also a useful tool for those that have not gained experience in this field. The IAASB is the proper authority to deal with these challenges enabling further global convergence in this emerging field of activity.

11. NZAASB

Reference 1

The NZAuASB is very supportive of the IAASB's project to develop guidance on EER assurance and encourages the IAASB to continue to prioritise the finalisation of the guidance document. The NZAuASB commends the IAASB's effort in developing the guidance so far. The feedback included in our responses to the specific questions are suggestions to refine and improve the draft.

Reference 2

- Avoid establishing too high a hurdle that may result in the assurance process becoming a barrier to the development of EER.

14. DTT

Reference 1

Consistent with DTTL's response to the discussion paper on this topic issued by the IAASB in 2016, DTTL supports and appreciates the work of the IAASB regarding extended external reporting (EER) and the issuance of the EER consultation paper. The demand for assurance in areas outside of the financial statements continues to grow and EER reporting is an area of increasing focus by investors. DTTL recognizes the need to provide guidance to enable more consistent and appropriate application of International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, to assurance engagements over extended external reporting (EER) subject matter information ("EER reports" or "EER disclosures").

Reference 2

DTTL is supportive of the work on EER that the IAASB has undertaken and believes that certain aspects of the EER consultation paper should be revisited to provide additional clarity and greater consistency in application of ISAE 3000 (Revised). The recommendations articulated in this letter are provided to assist the IAASB as it continues its development of nonauthoritative guidance relating to EER.

15. EYG

Reference 1

The EER paper has a significant volume of content in the form of supplemental guidance to the Standard and includes several concepts not included in the Standard. We understand this is because of the realities that many entities' EER reporting is relatively immature compared to financial reporting. Many entities are in a journey in developing processes, internal controls and measurement techniques related to EER as well as developing entity-specific supplemental criteria as necessary. For example, the World Business Council for Sustainable Development (WBCSD) has inventoried that the EER topic has nearly 200 different criteria issued in 70 countries. As such, many of the criteria, alone, likely do not meet the requirement of suitable criteria, as noted in Chapter 7 of the EER Paper.

Although we support the guidance addressing concepts and challenges that may arise in EER that are not specifically or fully addressed by the Standard, it is important that the guidance sets forth an appropriate work effort consistent with that which would be expected under the Standard. We see areas of the guidance that we believe imply a greater work effort than is necessary in all circumstances. Refer to our responses to Q4 and Q5 for further details.

Although the guidance should be targeted to evolving forms of EER, we believe the guidance should also be applicable to more mature forms of EER when it is useful to provide appropriate contrast to the difference in procedures and effort when the challenges identified may and may not exist.

17. KPMG

Reference 1

We understand that the IAASB is seeking higher-level feedback regarding the *Draft Guidance In Applying ISAE 3000 (Revised) to Extended External Reporting (EER)* (the "Guidance Document") at this time, and that we will have the opportunity to comment more specifically when the Guidance Document is completed and formally exposed. We therefore set out our overarching comments below, which are focused primarily on the overall direction and structure of the document, and on the content as a whole, at this stage of the process. We also provide our responses to the specific questions posed by the IAASB, in Appendix 1.

Furthermore, we also provide more detailed drafting feedback in Appendix 2, which highlights suggestions for clarification regarding certain aspects of the content of the Guidance Document.

We are supportive of the material set out in the Guidance Document. We recognise the significant work effort of the IAASB in preparing this and we believe, insofar as we are able to comment at this stage, that in general it captures those areas that are more challenging for practitioners in performing EER Assurance engagements, as identified by respondents to the IAASB Discussion Paper, *Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements*, and that the material included will be very useful for practitioners in performing such assurance engagements.

We support the IAASB's decision that the Guidance Document be non-authoritative, framework neutral and principles-based so that it can be applied to any EER framework or entity-developed criteria, and that it is directed at an informed readership comprising assurance practitioners as described in ISAE 3000 (Revised).

18. MZS

Reference 1

Overall comments

MAZARS is supportive of all initiatives taken to enhance audit and assurance quality and the future of the profession, for the benefit of the public interest, and thus welcome the opportunity to add our views to the debate.

We believe that this project is part of a more global framework around the key trends of evolution taking place such as:

- Decarbonisation,
- Human Health,
- Digitalization,
- How to find or develop living places sizable for the next generations.

So we encourage IFAC and IAASB to put those topics on their agenda, to provide a sense of purpose for sustainable business, standards, frameworks, in line with UN Sustainable Development Goals.

We also encourage the IAASB to have a look on initiatives taken by the other international or European organisations, on matters that will also have a significant and maybe disruptive impact on the accounting profession:

<https://corporatereportingdialogue.com/> and <https://bcorporation.net/> and <https://www.accountancyeurope.eu/wp-content/uploads/190527-Corporate-Governance-Cogito-NEW-FINAL-2-1.pdf> and <https://boardagenda.com/resource/leadership-in-corporate-sustainability-european-report-2018/>

We are very supportive of the project to provide guidance around EER assurance, as we believe that providing financial information is not sufficient for the decisions of the users and stakeholders. We also convinced that those kind of topics make the profession attractive and participate to the future development of the profession.

We have been working and involved on sustainability and non-financial information for a long time. I am personally since 2003 the chair the Non-Financial Reporting/CSR working group of the *Compagnie Nationale des Commissaires aux Comptes* (CNCC, French Association of Statutory Auditors). This taskforce includes experts and auditors in firms from various size, engaged in assurance reporting on those matters, and provides guidance and template of assurance report to the French professionals, in the scope of the regulatory framework implemented, further to the European Non-Financial Reporting Directive.

MAZARS is also an active supporter of the International Integrated Reporting Council initiative, and I am personally a member of its Framework panel (IIRC <https://integratedreporting.org/>). At MAZARS, we always try to implement what we recommend, and have thus organised and released our annual and transparency reports using the <IR> Framework <https://www.mazars.com/content/download/949207/49372364/version//file/Yearbook%202018%20English.pdf>

We believe that phase 2 of EER ED should be released rapidly and that an ad hoc smooth process for updating the whole guidance put in place to consider the evolutions that will for sure happen around EER in the coming 2 years:

- new outputs/deliverables;
- growing use of technology both to perform procedures and to release the reporting information;
- interactions with other topics, such as tagging of information in reporting (e.g. ESEF);
- interactions with transparency reports and quality reporting (ISQM1), applicable to the practitioners themselves.

We recommend setting up some pilot phase, mixing practitioners and experts of sustainability and non-financial information, to make sure that the proposed framework is understandable.

Last, we encourage a post-implementation review of the guidance, to gather practical issues and frequently asked questions, but also get feedbacks from all stakeholders to enhance the guidance, for the benefit of all.

19. PwC

Reference 1

We support the IAASB in developing this guidance to assist practitioners in applying ISAE 3000 (Revised) to various forms of EER. The demand for such reporting by entities and for assurance thereon is growing rapidly in many jurisdictions, with the diversity in types of information reported likely to continue to expand. Establishing clear guiding principles to help practitioners navigate future engagements is therefore useful.

In evaluating the proposed guidance, we have focused on three key attributes:

- the clarity and understandability of the content, including the overall structure, concepts and terminology, and whether the examples provide relevant, useful illustrations;
- whether the guidance elaborates on, but does not override or appear to extend the practitioner's responsibilities set out in ISAE 3000 (Revised); and
- whether the guidance is reflective of actual experience.

Our more significant comments in this regard are set out below and described in more detail in our responses to the questions posed in the consultation in appendix 1 to this letter.

Clarity and understandability

Overall, we find the guidance to be well structured and understandable, if perhaps long. Recognising that this is only phase 1, we are concerned that, to be useful, the guidance needs to be perceived as manageable. In moving forward with phase 2 (and in finalising phase 1), we encourage a close focus on the most salient points of guidance, in the context of EER, and avoiding excessive background, or theoretical, content that unduly adds to its length. The guidance should avoid becoming an exercise in general education about concepts in ISAE 3000 (Revised).

Reference 2

We believe that the introduction of certain new concepts may detract from the usefulness of some

aspects of the guidance and give rise to confusion rather than clarity, as described below.

Reference 3

Assertions

We support the guidance on considering assertions during an EER Assurance engagement and believe that doing so is reflective of current practice. However, we find the description of “categories” of assertions to lack clarity. ISAE 3410 and ISA 315 already contemplate “categories” of assertions, as noted in the guidance. In our view, the categories in those standards are described in a different (and clearer) way to the content in paragraphs 171-183 of the guidance. We believe the extensive discussion of “categories” of assertions and how they may map back to the characteristics of suitable criteria is over-complicating the concept of assertions and found that the proposed guidance hinders rather than helps the practitioner's thought process. In our view, this is also likely to add further confusion when considering materiality and assessing misstatements. We provide a suggestion for how to simplify the discussion of assertions in our response to question 2 in appendix 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.

See also our responses to questions 1, 2, 3 & 6 in appendix 1 for other observations on clarity and structure.

2. CFC

Reference 1

The main purpose of our activities is to develop a local auditing standard that can be applied in assurance procedures about the integrated reporting (IR), which follow the framework of the International Integrated Reporting Council – the IIRC.

Under this scope, we would like to mention our concern about the extent of the scope that the EER project is assuming, which is entitling some reports that are not compatible with each other in terms of principles, when consider the terminology of EER. We respectfully contemplate that this approach is not adequate to address, for example, a positive assurance for IR.

Considering this disclaimer, we would like to provide our comments about the four questions listed by the IAASB considering the focus on the integrated reporting.

Preceding the answers, we had listed the relationships between the questions proposed by the IAASB, as well as the paragraphs of the consultation paper, with the paragraphs of the IIRC framework, this

association had as objective to demonstrate that some points discussed in the consultation paper, already have a direction in the framework of the IIRC.

Reference 2

Association between the Consultation Paper of the IAASB and the Framework of the IIRC

Questions	Specific ‘Significant Matters’ Highlighted for Respondent Consideration	Comments regarding the IIRC’s framework
<p>Q1) Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance developed in phase 1? If not, where and how should it be improved?</p>	<p>Paragraphs 9-15 (scope of draft guidance)</p> <p>Paragraph 25 (preconditions and the system of internal control)</p> <p>Paragraph 29 (suitability of criteria)</p> <p>Paragraph 33 (‘materiality processes’)</p> <p>Paragraph 35 (materiality of misstatements)</p> <p>Paragraph 40 (assertions)</p> <p>Paragraph 41 (narrative and future-oriented information)</p>	<p>1.20 Responsibility for an integrated report;</p> <p>3.17 An integrated report should disclose information about matters that substantively affect the organization’s ability to create value over the short, medium and long term;</p> <p>3A Strategic focus and future orientation</p>
<p>Q2) Is the draft guidance clear and easy to understand, including through the use of examples and diagrams, and the way terminology is used? If not, where and how should it be improved?</p>	<p>Paragraphs 16-17 (examples, diagrams and terminology)</p> <p>Paragraph 34 (term ‘materiality process’)</p> <p>Paragraphs 37 and 40 (assertions)</p>	<p>There is a Glossary;</p> <p>There’s no exemple such as diagrms and terminology;</p>
<p>Q3) Do you support the proposed structure of the draft guidance? If not, how could it be better structured?</p>	<p>Paragraph 18 (structure)</p>	<p>1B Objective of the Framework: 1.3 The purpose of this Framework is to establish</p> <p>Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them.</p>
<p>Q4) Do you agree that the draft</p>	<p>Paragraphs 19-21 (relationship with</p>	<p>There’s no contradict or</p>

<p>guidance does not contradict or conflict with the requirements or application material of ISAE 3000 (Revised), and that the draft guidance does not introduce any new requirements?</p>	<p>ISAE 3000 (Revised)) Paragraphs 24 and 26 (linking preconditions and the system of internal control) Paragraph 36 (assertions)</p>	<p>conflict.</p>
<p>Q5) Do you agree with the way that the draft guidance covers matters that are not addressed in ISAE 3000 (Revised)?</p>	<p>Paragraphs 19-21 (matters not addressed in ISAE 3000 (Revised) and including details on the preparer’s role and ‘materiality processes’) Paragraphs 24 and 26 (linking preconditions and the system of internal control) Paragraph 36 (assertions)</p>	<p>Agreed.</p>
<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 (additional papers)</p>	<p>None.</p>
<p>Q7) 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.</p>		<p>3C Stakeholder relationships 3.10 An integrated report should provide insight into the nature and quality of the organization’s relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.</p>
<p>Q7) 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</p>		<p>None.</p>

<p>these nations to comment, in particular, on any foreseeable difficulties in using the draft guidance in a developing nation environment.</p>		
<p>Q7) 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.</p>		<p>Working in progress.</p>

20. GAO

Reference 1

We support the IAASB’s efforts to ensure more consistent and appropriate application of International Standard on Assurance Engagements (ISAE) 3000 (Revised) for EER assurance engagements. However, we believe that the draft could benefit from additional examples and guidance.

While the draft covers only a partial list of challenges to practitioners, we believe many of the topics in the drafted chapters require professional judgment, specifically the topics of criteria, materiality, and the scope of the engagement. After the chapter related to professional skepticism and professional judgment is completed, there will be the potential for revisions to the chapters already developed that call for practitioners to exercise professional judgment.

22. AE

Reference 1

We are supportive of the IAASB’s project to develop non-authoritative guidance to assist assurance practitioners in the application of ISAE 3000. We expect the demand for assurance over EER to increase exponentially in the upcoming years and we are aware that assurance practitioners encounter challenges in practice due to the fact that EER is an evolving area. The guidance alongside ISAE 3000 will therefore be helpful for assurance practitioners in conducting assurance over EER.

We consider the scope of the draft guidance appropriate. But, as the consultation focuses only on the outcome of phase one, it is difficult to judge whether the guidance is complete. We would need to see the outcome of both phases to comprehend whether or not this guidance is complete.

23. AICPA

Reference 1

The ASB supports the IAASB’s project to provide guidance to practitioners engaged to perform assurance engagements for which the criteria may need to be augmented to achieve the attributes of suitable criteria, and thereby enable practitioners to perform engagements to meet the needs of regulators, industry groups, and other users. Our primary concerns are that in some instances, the new terminology and concepts introduced in the paper make the guidance difficult to understand and that the paper often

fails to provide a navigable path from the requirements and guidance in ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, to the guidance in the paper.

For the IAASB's consideration, we have provided our specific responses to certain questions presented in the paper.

24. AIPS

Reference 1

As a general comment, we find that the guidelines for Extended External Reporting Assurance contained in IAASN consultation paper are positive.

They provide practical and considered ways of approaching the delivery of assurance services within an immature and imperfect system.

The system as it stands means that there will (continue to) be significant flaws (ref UK's Brydon review) in Audit, and more so in EER Assurance. It is not news that there are significant reputational and systemic trust risks inherent in this situation.

Professional efforts to provide assurance services are (in all likelihood) better than a system without them, and a necessary stepping stone. This work from the IAASB has the potential to improve the effectiveness of these services in the immediate term.

However, we suggest that current approaches to assurance are insufficient to the current and emerging challenges - even with the advantage of this IAASB guidance.

As introduced in this submission, we have identified a model that is engineered to enable organisations to operate and optimise within this complexity through the application of improved controls and enhanced governance. This model provides a basis for sufficient future-looking and fit-for-purpose assurance, and a costing of future-risk.

We call on the IAASB and its broader stakeholder base to take a leadership role in convening the necessary global collaborations to further develop, mature, test and disseminate the enhanced integrated multi-disciplinary practices identified by the work of our Institute.

New Thinking:

We seek to make the IAASB, and its stakeholders, aware of the Institute of Performance Sciences' work in developing and promoting breakthrough new practice for engaging long-term capital with sustained high-performance value-creation... inside companies and across capital markets.

We do not suggest a magic bullet 'fix' for assurance.

Rather, we identify enhanced approaches to sustained value creation that can be applied systemically to achieve a range of recognised benefits.

Benefits include provision of audit / assurance services that meet heightened market and continually emerging public expectations. We note:

- Audit cannot be 'fixed' in isolation.
- Systemic behaviour change is feasible - where self-interest is broadly served, and the required enhancement *collaboratively* activates and integrates existing efforts.

We have developed preliminary evidence for models linking governance and performance:

- ‘Governance of Value Creation’ demonstrates material causal links to organisations’ sustained value-creation performance, and
- ‘Value Creation Maturity Assessment’ provides a pathway to a globally scalable, auditable, costing of future-risk, for use by long-term investors and other stakeholders.

This identifies a new approach for assuring “the long-term sustainable success of the company, generating value for shareholders and contributing to wider society” . It operates in a context where “boards are increasingly being called upon to address new or emerging issues including around culture, conduct risk, digital disruption, cyber-security, sustainability and climate change”.

Our work can potentially be considered as new generation of COSO controls, that are fit-to-purpose to engage, make integrated decisions and optimise future-outcomes across the complete range of emerging EER areas of focus.

Our ‘performance sciences’ approach develops a “strengthened framework around internal controls” required to enable sustainable ‘21st Century Decision Making’ in this continually developing context.

We demonstrate how these controls are assessed as an assurable costing of future-risk.

In other words, the enhanced governance that is required to engage appropriately (and proportionally) for the whole range of emerging risks, is shown (in preliminary research) to:

- Promote sustained performance increase (productivity) of financial and non-financial outcomes
- Assist boards (and other decision makers) engage effectively with complexity, uncertainty and change
- Improve effectiveness of investment in knowledge economy, intangible value and social outcomes
- Improve Long Term Behaviours and Performance.

There are a broad range of emerging issues of importance to the public, and to investors (refer Larry Fink’s ‘Letter to CEOs’ 2019 and similar). Our approach shows how organisations can engage these effectively, how boards can procure assurance of their internal and external information, and how investors and the public can rely on statements made using this information.

Some reflection on the application of Governance of Value Creation to the issues raised is expanded in Appendix A of our response. However, we have not made an attempt in this response to outline the full workings, the current knowledge, or the future roadmap of these approaches. We invite the engagement that will be required to facilitate the full understanding required to secure support for further action.

Collaborative Development:

Systemic behaviour change is required. This will only come from broad-based collaborative participation on development of improved practice, as has long been the case for the ongoing development of accounting and audit standards.

We Propose:

We call on the IAASB and its broader stakeholder base to take a leadership role in convening global collaborations to further develop, mature, test and disseminate the enhanced integrated multi-disciplinary practices identified by our Institute.

Our work provides new perspectives that open up significant new pathways for action.

Please contact us to explore the most appropriate way to work together to develop further understanding and address our common objectives.

Reference 2

APPENDIX A: Governance of Value Creation. An Overview

We would like to bring a research breakthrough and growing collaborative response to your attention. We recommend its potential to provide material contribution to enabling effective future-looking EER assurance.

Our work provides a unique approach for costing of future-risk (financial and non-financial), that complements the many existing global initiatives in measurement, principles, and reporting. It enables systemic inclusion of the broader range of 'next generation' compliance, conformance and alignment issues within assurable practice.

Preliminary research evidence supporting this new approach can only be matured to effective industry practice through collaboratively engaged cross-industry initiatives in the style of FCLT, Embankment Project, IIRC, et al – that then offers its output to IAASB and aligned standardisation.

Breakthrough practice alone does not produce systemic change. We call on relevant parties to actively participate in a convening an appropriate collective response.

Technical Background

Our academic and commercial research has engaged over 100 of Australia's most senior economic leaders including directors at each of the ASX10 (7 at Chair), and their equivalents within asset owners and fiduciaries, Departments, agencies, regulators and Executive Government – and many of their global counterparts.

Our work identifies a new approach for assuring “the long-term sustainable success of the company, generating value for shareholders and contributing to wider society” in a context where “boards are increasingly being called upon to address new or emerging issues including around culture, conduct risk, digital disruption, cyber-security, sustainability and climate change”.

We have developed models and preliminary evidence of a causal link between governance and performance.

Our approaches can be universally applied across companies and investment portfolios as well as government and community service outcomes, enhancing both performance and assurable communication with professional, regulatory and public stakeholders.

'Governance of Value Creation' is an integrated multi-disciplinary model for sustained value-creation in large scale organisations. It has been recognised as the 'how to achieve Integrated Thinking'. And, it has been described as the 21st Century Decision Making alongside IIRC's 21st Century Reporting to address A4S's 21st Century Challenges.

- **For companies**, this enables leaders to address the Future Fiduciary question, how can I ASSURE that we are "optimally invested in our own future?". How do you optimise across IIRC's 6 capitals, UN SDGs, or social outcome measures across multiple timelines - within increasingly complex and uncertain contexts.

Preliminary research demonstrates a link to sustained out-performance - with the leading practitioner in our research performing 500% ahead of the index over 10 years.

- **For investors** the related 'Value Creation Maturity Assessment' provides a costing of future-risk that could be expanded to a globally scalable disclosure framework.

It provides a mechanism of assessing the level of certainty associated with an organisation's future prospects. It is a knowledge economy, intangible value and social outcome equivalent to the JORC/SAMREC/SME codes used to disclose certainty of asset value / future prospects in the global resources sectors.

The structure of our approach includes parallels to the relationship between financial disclosure and audit.

Integration of Non-financial Measures

A company's value is based on risk and uncertainty mitigated future projections in a context where the past is an increasingly poor indicator of future performance. Financial accounts alone have long been deemed insufficient to assess a company's value. And, past performance is even less relevant to informing us on the future achievement of non-financial measures.

Point-in-time measures (in a company or across a portfolio) have little public meaning (tonnes of carbon, litres of water, ??? social outcome values, SDG measures, et al). These measures do not yet demonstrate the maturity and specificity of application seen in Financial Governance. And, the internal controls (central to assuring the reliability of Financial reporting) lack standardisation and widespread use for non-financial measures.

Periodic reporting of reliable 'future-value' measures enhances internal and external investment decisions, and brings greater relevance to a consumer audience.

Our work demonstrates the link between the existence of a necessary and sufficient set of integrated controls, and multi-outcome performance.

“The Result Must Be More Useful and Forward-Looking Audit”

Assurance is commonly defined as “a positive declaration intended to give confidence; a promise”. In the business world the definition is often extended to imply the use of a process that justifies such a declaration. The assurance this Review is concerned with is independent assurance, or lack thereof, concerning the statements made by directors of companies. Review into Quality and Effectiveness of Audit

“The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.” ISA (UK) 200

We observe:

- Audit provides increased stakeholder confidence from an independent assurance that announcements from a company are likely to be free from deliberate or accidental misstatement.
- Audit is achieved through an expert review that the applicable standardised accounting practices and controls have been appropriately applied.

- Standardised accounting practice is not forward-looking or multi-bottom-line. It does not include forward-looking controls. It does not include non-financial controls.
- It is not possible to review the ‘appropriate application of standardised practices and controls’ in a forward-looking manner, because we do not have an integrated forward-looking framework of standardised practices and controls to review against.
- It is not possible to deliver a forward looking audit without a standardised integrated set of forward looking practices and controls.
- The creation of an appropriate set of forward looking practices and controls would enable the delivery of a forward looking audit, enabling independent assurance that forward-looking announcements from a company are likely to be free from deliberate or accidental misstatement. We suggest this would be ‘useful’.

In our work, we propose a basis for development of forward-looking practices and controls that would support forward-looking audit.

Enhanced multi-disciplinary governance is required to deliver the enhanced audit and reporting that a future-fit market requires.

Preliminary research indicates a causal link between these practices and performance. It indicates an approach that would enable organisations to make periodic, externally assured, future-oriented announcements in accordance with an auditable standard in a manner that does not disclose competitive strategic information, and does not extend director liability beyond assured compliance.

Knowledge to Impact. A Precedent

The Institute’s Governance of Value Creation, and the associated Value Creation Maturity Assessment can be seen as a future-oriented analogue to Financial Governance and Audit.

Simplistically, Financial Governance is made up of standardised components of practice that integrate together to provide insight through a P&L and Balance sheet and a few other instruments. Practices, and hence the reports, are audited against mature standards, providing (an imperfect) level of assurance against directors’ Fiduciary Responsibility.

Financial Governance is silent in response to the ‘Future Fiduciary’ question, “How can I assure that we are optimally invested in our own future?”

On the forward looking side we have a variety of (immaturely) standardised practices that do not integrate and provide no integrated insight.

Our work demonstrates how integration of standardised practice, and forward-looking insight can be achieved, and its impact.

Considering a parallel to Financial Governance can be a little hard to grasp for a ‘secular’ audience.

A more obvious precedent is demonstrated by the JORC code.

The JORC code was developed in Australia as a response to the Poseidon nickel boom and resulting stock market crash in the 1960s.

The Australasian Joint Ore Reserves Committee (JORC) developed standardised reporting on the levels of certainty associated with extracting value from Mining and Resource assets. It is an ‘accounting for’ the

extent and results of scientific testing of geophysics and geochemistry that is now enforced by ASIC and the ASX as part of resource sector listing rules. It has been duplicated in similar disclosure regimes in a dozen jurisdictions across the world, and is now subject to global harmonisation efforts.

It has been suggested that the JORC code is in part responsible for the fact that near 50% of the Australian Stock Exchange is now represented by mining and resource sector stocks. JORC made mining investible by costing risk. They are not necessarily all 'good investments', but the prospective investor is able to make a judgement based on assurable consistent information.

The Institute of Performance Sciences promotes a cross-sector, knowledge economy, societal-value, intangible-value-creation equivalent to JORC providing periodic demonstration of the level of certainty associated with an organisation's future prospects. It provides a globally-scalable costing of future-risk suitable for engaging long-term capital with sustained high-performance value-creation - inside companies, across investment portfolios and across capital markets - in a new era of a complex, volatile, global economy.

Our work will contribute to making long-term, environmentally sustainable, stakeholder-engaged business a) visible, and b) investible.

It is a singular capability-lifting market-mechanism that directly answers the written calls from FRC, BlackRock and many others, across many disciplines, for enhanced behaviours.

Systemic behaviour change through collaboration

Preliminary work can only be developed to systemic behaviour change and impact through collaborative cross-industry participation:

- The **Global Institute of Performance Sciences** (www.ipsglobal.online) seeks to engage global investors in collaboration on improved practice (see Letter to Fiduciaries) engaging long-term capital with sustained high-performance value-creation - inside companies, funds and across capital markets.
- The **Australian Institute of Performance Sciences** (www.aips.online) seeks to 'move the needle' on effective long-term value creation performance in the top500 (focus on top50 = 50% of GDP) participants in the Australian economy made up of large corporates, government jurisdictions and large-scale investors. The Australian component serves as a pilot of systemic uptake of enhanced practice in a G20 economy.

The assurable 'accounting for future value' practices we have identified to you in this response address the missing-link between increasingly healthy systemic awareness and stubbornly weak systemic action.

Collaborative development and dissemination of enhanced practice will serve to engage long-term capital with sustained high-performance (financial and non-financial) value-creation - inside companies, funds, across capital markets, and across government and community networks.

And further, it will enable better communication of the value and value creation efforts of companies and public organisations to the general public.

We seek your participation in convening these forums.

Reference 3

Our work suggests this section contains an overstatement of the role of risk, at the expense of consideration of decision-making.

Our analysis (which we will not try to expound here) suggests this may source from a mismatch or distinction between “Assurance of reporting”, and “Assurance of outcomes” (ref: scope of Brydon review).

We invite discussion on our extensive work in this area.

26. CPAA

Reference 1

Overall, we consider that the CP provides comprehensive guidance on those challenges addressed so far. In further refining the guidance and progressing with Phase 2, there are some areas which we recommend the IAASB consider. We note that issuing a CP, which addresses only a selection of identified challenges, may not provide an encompassing overview of the “bigger picture” of assurance engagements for EER and may, in fact, have to be reviewed again once remaining challenges are addressed in Phase 2. In particular, once the challenges of *Applying Appropriate Skills*, *Exercising Professional Skepticism* and *Preparing the Assurance Report* are addressed, the way challenges addressed in Phase 1 are interpreted, may be affected.

27. CPAC

Reference 1

We agree that there is a need for practical guidance on how to apply International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* to EER assurance engagements. Such guidance will be of direct value to assurance providers, and in many respects, to preparers and users of EER information.

28. EFAA

Reference

EFAA believes the IAASB’s EER Consultation Paper and draft guidance to be well written, nicely presented, clear and concise. However, we have some general remarks to share below. At present EER assurance for large public interest entities (PIEs) seems to be growing fast but for the foreseeable future we do not anticipate much demand from small and medium-sized entities (SMEs) and non-PIEs. Nevertheless in time we expect demand for some sort of third party verification of EER by SMEs and non-PIEs to emerge. Hence this project needs to anticipate this.

3. IRBA

Reference 1

OVERALL COMMENTS

- The IRBA supports and commends the IAASB in its efforts to provide guidance on assurance on extended external reporting (EER). In South Africa, integrated reports are produced by many

entities listed on our biggest stock exchange, and requests for assurance on selected elements of these integrated report are becoming more frequent, we welcome this guidance for practitioners.

- Investors are using integrated reports to corroborate whether management and those charged with governance are fulfilling their management and governance roles adequately and appropriately.
- Many companies in South Africa also report to stakeholders on sustainability indicators. These reports may be accompanied by assurance reports. The IRBA has provided practitioners with illustrative assurance reports on sustainability reports or sustainability indicators.
- We recognise that there is currently little regulatory interest in the assurance over EER. This is a function of regulator focus on financial reporting and the public interest issues in that area. However, EER presents a host of public interest issues, and it can be predicted that regulatory interest will grow, and that the publication of this guidance could be a forerunner to closing the gap between practice and regulatory oversight. This possibility makes the IAASB's work in this area very relevant, and in support of the public interest.
- Our comments are primarily in the context of integrated reporting and sustainability reporting, as these are the more popular forms of EER in South Africa. We note that the application of this guidance based on ISAE 3000 (Revised) could be different for each form of EER. We recognise that the spectrum of reporting that is embraced by the EER banner, is growing, particularly as it relates to reports on governance, ethics, social issues and environmental issues, and that the broad range of corporate reports is mushrooming. There is therefore, at this stage, little understanding of the what this growth will lead to, but we recognise that the discussion around assurance of these products is ever-present.
- As the proposed IAASB guidance will be non-authoritative (not prescribing or requiring specific application principles), consistency will mainly be achieved from clear and detailed examples of the application of the principles for the main forms of EER, such as the consideration of frameworks, objectives, scoping considerations and subject matter information. This will enable a consistent understanding of how the concepts and principles are applied in the context of the different environments.
- As indicated in previous letters, we remain supportive that a medium to long term goal of the IAASB should be to develop authoritative guidance, once the use of EER and the assurance thereon are more embedded, and in wider use.
- We note that the currently proposed guidance is focused on assurance on the disclosure in an EER report. In other words, the content or information or data in the EER report is what is assured. The sustainability, integration, value creation, viability, going concern and other such strategic goals of the entity are not being reported on. The assurance work does not extend to whether or not it is likely that an entity will exist in a few years, or that the actions that the entity intends to take to continue as a sustainable organisation are suitable. We believe that this guidance is therefore a necessary step in the direction of eventually reporting on sustainability and value creation as a whole. Guidance (or at a later stage, a standard) could then include a conceptual framework that has several stages:
 - Providing an assurance opinion on data (as is the direction of this guidance).
 - Providing an assurance opinion on data and internal controls.
 - Providing an assurance opinion on data and internal controls, and interpreting (or providing

an opinion on) sustainability, integration, value creation, viability, going concern or similar.

- Regarding other information, as per the International Standard on Auditing (ISA) 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*:
 - The IRBA developed and issued the *IRBA Staff Audit Practice Alert: Determining Other Information as Defined in ISA 720 (Revised) in the South African Context*. An EER report could, in some cases, be regarded as other information, as defined in ISA 720 (Revised). The Staff Alert states that EER reports, such as sustainability reports, when issued as standalone documents, are not typically part of the combination of documents that comprise an annual report; therefore, they are not other information within the scope of ISA 720 (Revised). When an entity publishes an integrated report, which includes the financial statements and a sustainability report, all the information in the integrated report, other than the financial statements, is regarded as other information. The practitioner then considers whether there is a material inconsistency between the other information and the financial statements. Although ISA 720 (Revised) is not a separate assurance engagement standard, the content of the EER report is therefore other information and is in this way considered to be included in the audit of financial statements.

30. FAR

Reference 1

General comments

- FAR welcomes the initiative to establish a guide for Extended External Reporting. Sweden has had a guidance for auditors for Non-financial assurance since the middle of 2000. As the establishment of ISAE 3000 and the standard has become more known internationally, the Swedish guidance has been made into a shorter document, complementing ISAE 3000 and similar standards for non-financial assurance.

Reference 2

- FAR understands that this is only a guide for Extended External Reporting, however it is unclear for FAR how this guide is expected to be treated in relation to already established frameworks for Assurance engagements. FAR believes that a description of the Hierarchy of the Guide in relation to other Assurance frameworks would be beneficial to the user. In section 3-1 it is stated that the scope of the document is applying specific areas of ISAE 3000. FAR believes that if the audience is the Audit profession any information already stated in ISAE 3000 could be removed unless there is a need for clarification.

Reference 3

- FAR would expect that a guidance that is specifically to instruct the audit profession on ISAE 3000 and within the sustainability area would also refer to ISAE 3410. Has the consultation taken ISAE 3410 into consideration? If so, FAR recommends that the guide also makes reference to this standard. In addition, on climate-related matters FAR believes that under 149 (f) the example could be complemented with Climate Change-related financial disclosure.

Reference 4

Assurance strategy

- Inherent risk related to sustainability information differs from inherent risk related to financial information. FAR therefore recommends a separate section related to inherent risks is included in the Guide.
- With regard to assurance strategy, the guidance is focused on a control-based review approach. FAR's experience is that the control environment is often less mature for the sustainability information than for financial information. FAR therefore recommends that guidance on substantive based procedures related to sustainability items is to be included.

Reference 5

- In FAR's experience there are instances when the practitioner performing the sustainability assurance engagement is not the same as the auditor, or audit firm, performing the financial statement audit. FAR believes that an agreement shall be reached with the client whereby information exchange between the various practitioners is permitted. FAR furthermore recommends that this should be confirmed in writing by the client in an engagement letter. As this is not regulated in the same way as for Financial Statement audits, FAR believes that it could be beneficial to acknowledge this in the Guide.

31. FSR

Reference 1

We overall consider the consultation draft and guidance clear and logical in its structure and we praise the distinction between 'intended users' and 'stakeholders' in the guidance, as well as the thorough guidance related to the materiality process. We also consider the division suggested as part of future-oriented information relevant and would like to see different examples of this provided in the next phase of the development of the guidance. A glossary may also be useful to consider.

Whilst the consultation includes the first half of the guidance, it can be difficult to foresee the look and feel of the final guidance. We will suggest a web-based guidance with 'click-down' menus or similar to make it user-friendly and easy to navigate – making it a useful tool, where specific information is easy to find.

There are two areas where we see opportunities for further developments:

- The first one relates to the way EER reporting is portrayed. The guidance could consider how developments within reporting including the use of technology will impact how and when information and data are provided and what this implies from an assurance perspective and the principles outlined in the guidance – for example in terms of making it clear how to make it visible what data have been verified. It may be that users will be able to extract real-time data from the company's online platforms rather than annual data locked in a pdf-file as is often the case today.
- The second one relates to distinction of work or minimum requirements between assurance statements and agreed upon procedures (AUP). Indicating more clearly where to draw the line would be helpful for practitioners.

Please note that the questions below refer to those raised in the consultation paper (pp 12-13).

32 GRI

Reference 1

- Practitioners performing assurance over EER reports can include accountants and non-accountants, and it is important that the guidance and examples do not place too much emphasis on financial reporting and associated audits, as not all practitioners will be familiar with the related terminology and concepts, e.g., the use of 'clearly trivial' in paragraph 216.
- The guidance put forward so far in the Consultation Paper published in February 2019 represents only Phase 1 of the project and extends to 70 pages. We are therefore concerned about the expected length of the final guidance and how accessible it will be to potential users (i.e., practitioners).
- Restructuring the guidance, to separate examples and potentially more detailed case-studies into another document, would assist with the accessibility of the guidance. This would make it easier to navigate a lengthy guidance document, but also allow case-studies to be used to provide more comprehensive examples of the application of the guidance in practice.

33. IAAA

Reference 1

General comments:

We decisively support the IAASB initiative on this important issue, considering the educational issue as fundamental in the formation and exercise of the accounting and auditing professional.

35. IIRC

Reference 1

We applaud the IAASB's efforts to date on this ambitious and much-anticipated initiative and hope you find our feedback useful in your deliberations.

36. ICAEW

Reference 1

- We welcome the opportunity to comment on this consultation paper. New technology and growing demand from stakeholders mean that Extended External Reporting (EER) is developing and, as a consequence, there is increased interest in, and discussions around, the need for assurance over it. We anticipate that the demand for assurance on EER will continue to grow and are, therefore, supportive of the development of non-authoritative guidance in this area.
- Overall, we think the proposed guidance in phase 1 of the project provides helpful material for those performing assurance engagements on EER and addresses the key challenges practitioners face. Our answers in our detailed comments below highlight areas where we believe there could be additional clarity and the examples could be improved.

Reference 2

- We think that some of the chapters would benefit from greater emphasis being given to the need to stand back and look at the EER report as a whole and to think about bias. This is particularly

relevant to chapter 9 on narrative information and chapter 12 on considering the materiality of misstatements.

38. ICAS

Reference 1

General comments

ICAS welcomes the opportunity to respond to the International Auditing and Assurance Standards Board (IAASB) Consultation paper on Extended External Reporting (EER) Assurance.

We commend the IAASB for taking the initiative to produce this guidance to assist assurance practitioners undertaking EER assurance engagements. It is an evolving area and one in which additional guidance will be extremely helpful. Related to this, it is vital that the IAASB ensures that the final guidance remains future proof and relevant as this area continues to evolve and therefore we would encourage an innovative approach to the drafting process that reflects the needs of users, not only now, but in the future.

It is vital for the IAASB to consider the ultimate users of such guidance. Some of these users may not be as familiar with the terminology and processes referred to in the guidance, and also in International Standard on Assurance Engagements (ISAE) 3000, as those performing more traditional audit and assurance engagements. The guidance therefore should ensure that all users can understand what is required and expected of them in terms of work effort and application of the guidance.

However, we are concerned about the length of the guidance. The current document only reflects phase 1 of the final output. Therefore, once the second phase is added, the overall length may present a barrier to its use and application.

4. AUASB

Reference 1

Overarching comments

The AUASB supports the development of this non-authoritative guidance to build credibility and trust in EER through more robust and consistent EER assurance. The follow through of the ten EER assurance challenges identified in the development of the guidance to-date is commended, not least the engagement of those experienced in the EER space on the IAASB EER PAP to provide insights to the IAASB EER Task Force. We thank the IAASB for consulting on this draft part way through to allow stakeholders not only to feedback on the guidance thus far, but also to influence the remainder of the guidance going forward. We note the progress made with respect to the following:

- **Purpose:** Clarity of purpose to apply ISAE 3000 (Revised) to a wide range of subject matter.
- **ISAE 3000 Requirements:** Alignment with the requirements of ISAE 3000 (Revised).
- **ISAE 3000 Terminology:** Consistent use of ISAE 3000 (Revised) terminology.
- **Target Audience:** Clarity of audience, namely assurance practitioners, with useful context relating to EER preparers.
- **Examples:** Inclusion of examples to “bring the guidance to life.” NB: This remains an area for improvement.

It is the AUASB's concern that the guidance risks becoming a lengthy, complex document targeting multiple users which may not assist in it meeting its overall purpose. Stemming from this concern, the AUASB highlights a number of areas for further consideration by the IAASB during Phase 2. In consultation with our key stakeholders, the AUASB believes that addressing the following areas for improvement in the guidance will play a fundamental role in underpinning the credibility and trust of EER going forward:

- **Momentum:** Move quickly in line with the evolving nature of EER and to harness its current momentum.
- **Reporting Frameworks:** Whilst the guidance purports to be reporting framework-neutral, there is an overriding Sustainability Reporting and Global Reporting Initiative (GRI) theme. This manifests itself in significant gaps emerging with respect to relevant examples for other types of reporting, such as Integrated Reporting <IR>. No examples are provided throughout the guidance in relation to the fundamental subject matter of an <IR>, such as the business model, strategy or value creation.
- **Examples:** Further work is needed on the examples provided throughout the guidance, including:
 - **Themed Examples:** Flow an example EER assurance process through the challenges, i.e. work through an example EER assurance engagement from start-to-finish, anchoring on an example relevant to each challenge. This may work well in an appendix.
 - **Financial Examples:** Acknowledge that EER assurance practitioners will come from a wide range of backgrounds, some financial, some non-financial. With this in mind, include financial examples with non-financial examples, where possible.
- **Reasonable versus Limited Assurance:** Remains a “grey area” for EER assurance practitioners, with guidance needed in terms of scope, work effort, output and value. Although practitioners acknowledge coverage of these areas in ISAE 3000 (Revised), they acknowledged the guidance could provide more in addressing the differences between the two engagements. Given the objectives of this guidance, this represents an opportunity to build greater understanding and consistency and a more robust approach to EER assurance engagements.
- **Boundaries of an EER engagement:** Potential blurring of the lines between the role of the assurance practitioner versus that of the EER preparer, with regard to materiality, the materiality process, subject matter and suitable criteria.
- **Materiality:** As part of scoping an EER assurance engagement, materiality is widely accepted as a core component and is therefore suggested for inclusion in the guidance. There is a need to cover more than just impact in a materiality determination. For example, value creation is the fundamental concept of <IR> in the short, medium and long term. The needs of EER users is crucial to the materiality determination. Links to examples of materiality disclosure from publicly available EERs would add value.
- **Qualitative Statements:** EER assurance practitioners highlighted a strong need for guidance in relation to the assurance of qualitative statements, i.e. narrative, where evidence requirements may prove challenging for the assurance practitioner to satisfy.
- **Sequence of EER Assurance Challenges:** The sequence in which EER assurance challenges are presented warrants further attention, such as bringing materiality further forward.

- **Flow Charts:** A flow chart of a typical EER assurance engagement would enhance the guidance at the start of Chapter 2: Overview of an EER Assurance Engagement. Then throughout the guidance, at the start of each chapter, a flow chart would assist to summarise what is covered in that chapter, with hyperlinks to each subsection from the flow chart for accessibility.
- **Hyperlinks:** To reduce the length of the document and repetition of ISAE 3000 (Revised) requirements, a suitable technology solution is suggested, such as hyperlinks. This could maintain the linkage to ISAE 3000 (Revised) so that the guidance is accessible to all assurance practitioners.
- **IASB Links:** Stronger links to the International Accounting Standards Board (IASB) project to update its IFRS Practice Statement 1 *Management Commentary* to ensure that the EER guidance will be fit for purpose across the broader corporate reporting suite.
- **Preconditions:** Avoid establishing too high a hurdle, e.g. preconditions and the interplay between suitable criteria and internal controls which are iterative in nature, may result in the assurance process becoming a barrier to the development of EER.

The AUASB's detailed responses to the specific questions asked in the discussion paper are included in this letter as Attachment 1.

40. IPA

Reference 1

The IPA believes that much of the proposed guidance is generic and could be applied to *any* assurance engagement under ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, not just to Extended External Reporting (EER) assurance engagements.

As much of the proposed guidance is an upgrade to the existing IASE 3000 content, the IPA recommends the proposed guidance be included in ISAE 3000 and its associated application guidance.

Any content of the proposed guidance that is specific to EER assurance engagements should be an appendix to ISAE 3000.

The IPA does not support the concept of non-authoritative guidance. If the IAASB continues with the concept of the proposed guidance as a separate document that IPA is of the view it should have authoritative status.

The IPA would like to also raise the following issues:

Materiality processes

The term “materiality processes” is confusing and not an accurate description of the processes used in the related section of the proposed guidance.

In the “materiality processes” section the proposed guidance is describing the formulation of the reporting framework. The application of materiality is a component of applying a reporting framework. The use of the term “materiality processes” unnecessarily confuses the application of the materiality concept and its role in assurance and assessment of errors.

Ethical requirements

The IPA has two concerns in relation to the application of ethical requirements to EER assurance engagements.

The current distinction in the *International Code of Ethics for Professional Accountants (including International Independence Standards)* between audit and assurance engagements (of financial reports) and other assurance engagements are not relevant in an environment where assurance is being given to other publicly available assurance subject matter. The distinction is inconsistent with potential user's and the public's expectations of independence of an audit or review regardless of the subject matter. The IPA believes the IASB needs to liaise with the IESBA to remove this distinction.

The IPA is concerned that "readiness for assurance" and "maturity assessment" services (both concepts identified in the proposed guidance) are being or may be offered by assurance service firms. The IPA believes these services could be potentially considered independence threats. Guidance should be provided as to whether such services impair the ability of an assurance practitioner to subsequently undertake an assurance EER engagement.

Risk assessment

The proposed guidance does not address assurance risk assessment.

The risk of material misstatement of the EER subject matter is an integral to any EER assurance engagement. Such an assessment should include the identification of motives to misstate, including the impact of performance requirements and remuneration structures on the risk of material misstatement. The risk assessment should include the impact of non-compliance with applicable law and regulations in relation to the EER subject matter and the risk of fraudulent statements in relation to such statements.

Reporting

Although reporting is not being addressed, the IPA notes that the guidance in ISAE 3000 is limited.

When developing guidance for EER assurance engagement, the IAASB needs to be more aware of user needs and expectations. The IPA considers the current framework of assurance reporting may no longer best serve user needs. A different reporting framework may be particularly appropriate for EER assurance engagement which may require more analytical content in the assurance report or direct reporting.

41. ISCA

Reference 1

We appreciate and support the Board's efforts to address the current challenges in applying ISAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* to EER.

We also understand that this is an interim consultation to assist the Board in updating the draft guidance and completing the non-authoritative guidance document in phase 2, following which an exposure draft of the complete non-authoritative guidance document will be published for public comment.

Notwithstanding the above, we have concerns that the draft guidance does not adequately address the key challenges in phase 1.

45. SAICA

Reference 1

INTRODUCTION

- EER continues to evolve amid demands from investors, shareholders and other stakeholders for more transparent and more relevant information in the context that financial reporting alone does not provide a broader, more holistic picture that users require.
- EER refers to reporting practices in terms of which an entity reports more holistically on the broader impact of its activities and its future prospects and performance (both financial and otherwise).
- EER reports can be published as part of an entity's traditional Annual Report, or as separate reports.
- The IAASB has responded to the calls from investors, shareholders and other stakeholders and in-line with its objective of serving the public interest, recognises that there is a demand to provide guidance on EER Assurance, based on the principles contained in International Standard on Assurance Engagements (ISAE) 3000 (Revised).
- The guidance aims to enable more consistent and appropriate application of ISAE 3000 (Revised) such that users of EER reports will have greater trust in the resulting assurance reports. SAICA appreciates the efforts by the IAASB to develop a 'framework-neutral' approach as this will ensure that the guidance can be applied to assurance engagements over EER reports that are prepared using any EER framework, or entity-developed criteria.
- ISAE 3000 (Revised) is flexible enough to accommodate a variety of subject matters and subject matters information, but it may require considerable work in adapting the concepts, principles and requirements to subject-matter specific engagements. E.g. in South Africa, ISAE 3000 (Revised) has been used as a foundation standard for:
 - Broad-Based Black Economic Empowerment (B-BBEE) verification engagements;
 - Audit of Attorneys' Trust Accounts;
 - AGSA Methodology Project where the audit of performance information and the audit of compliance are framed as ISAE 3000 (Revised) engagements;
 - Regulatory Assurance Engagements such as Medical Schemes and Banks.

SAICA'S APPROACH FOLLOWED TO RESPOND

- SAICA's approach followed to gather information to inform our comment letter can be summarised as follows:
 - An Internal Working Group studied and debated the Consultation Paper and prepared initial thoughts and input pertaining to the questions that have been posed.
 - We requested members of the internal working group to provide additional inputs to the comment letter.
 - SAICA participated in the IRBA EER Task Group Meeting (Task Group) where interested parties were invited to provide their views and comments in finalising the IRBA and SAICA comment letters. The Task Group comprised representatives from the IRBA, SAICA,

academia, audit firms and assurance service providers other than traditional auditors.

SAICA's COMMENTS

- Our comments are presented in the sequence of the questions as they have been included in the Draft Guidance. We have responded to all 6 questions.

Reference 2

- The scope of the Draft Guidance relates to specific aspects of applying ISAE 3000 (Revised). SAICA believes that reference should also be made to the International Framework for Assurance Engagements as this is foundational to all assurance engagements. Therefore, where applicable, reference to paragraphs in the Framework should be made. Alternatively, an introductory paragraph that informs readers that the Draft Guidance does not seek to depart from the principles in the Framework would suffice.

Reference 3

- Although not in the scope of this Draft Guidance, SAICA would like to encourage the IAASB that additional support with regard to Engagements other than Assurance Engagements may be required in the field of EER. For example, paragraph 2 of ISRS 4410 (Revised), *Compilation Engagements* states that, "...The ISRS may be applied, adapted as necessary, to compilation engagements for financial information other than historic financial information, and to compilation engagements for non-financial information." Support and guidance will be required to be developed in respect of such engagements.

47 WICI

Reference 1

we encourage the IAASB to proceed on the project that is crucial for the development of non-financial and integrated reporting, including the disclosure on intangible resources.

48. WPK

Reference 1

General Comments

- We welcome the proposed first part of guidance for practitioners applying ISAE 3000 (Revised) to EER assurance engagements. The demand for Extended External Reporting (EER) Assurance Services will undoubtedly increase in the future. ISAE 3000 is the only standard supporting the practitioners in performing these services. Therefore it is very important for the practitioners to have detailed and profound guidance on this topic.
- It is evident that the IAASB has been working intensively on the key-challenges of the profession and that the IAASB has presented a splendid draft.
- We want to emphasize that a holistic comment is not yet possible because the guidelines are only partially available (Phase 1). Therefore we cannot assess the areas "Scope" (Chapter 3), "Skills" (Chapter 4), "Professional Skepticism" (Chapter 5) and "Report" (Chapter 13).

- Partially, however, we perceive that the proposed guidelines will impose additional requirements (esp. regarding the issues preconditions, use of external expert and the determination of assertions). We urge the IAASB to avoid the introduction of requirements via guidelines.
- In addition, we believe that the guidelines could be made more user-friendly, especially for “Small and Medium-Sized Practices” (SMP). A further increase of complexity when using the ISAE 3000 should be avoided.
- Moreover, we recommend the IAASB to focus more on **specific subject matters**, i.e. orientation and formulation of individual concrete assurance engagements. With ISAE 3410, IAASB has presented very useful standards for Assurance Engagements on Greenhouse Gas Statements. Comparable assistance (e.g. for Non-financial information and Non-financial reporting) could be included in the proposed guidelines.

Please find our comments to the specific questions posed in the Consultation Paper below:

49. DU

Reference 1

A summary of our recommendations follows. Deakin University’s full submission on the Consultation Paper is attached.

Extended External Reporting Assurance Guidance - Summary of Recommendations

Reporting Frameworks

- Cross-reference to both the <IR> Framework and Management Commentary Practice Statement guidance as useful sources for an assurance practitioner who is evaluating an integrated reporting assurance engagement, particularly the examples contained therein (eg of business model disclosures), giving guidance on how to assure these examples.

Terminology

- Provide guidance regarding, and examples of, the wide variety of terminology used by organisations to describe the *what*, *with* and *how* of their own business, and how the what, their underpinning reporting on performance and prospects.

Subject Matter Information

- Guidance should be provided about what the assurance practitioner should look for in the subject matter information, focusing on the:
 - underlying subject matter (the report) eg strategic objectives and associated Key Performance Indicators (KPIs); and
 - qualitative characteristics of the report as to whether suitable criteria have been used.
- The level of depth must be sufficient to provide meaningful assurance. Defined minimums need to be established if enough guidance is to be provided to guide an assurance practitioner in determining whether to be associated with an integrated report prepared under either the <IR> Framework or a Basis of Preparation founded on integrated reporting principles, as neither the <IR> Framework nor the MCPS get to this level of detail.

- Guidance will be needed as to minimum levels of documentation to support a claim of adoption of the <IR> Framework or integrated reporting principles, supported by examples.

Underlying Subject Matter

- The EERA guidance should formally acknowledge that the content elements of the <IR> Framework are appropriate underlying subject matter for the purposes of ASAE 3000.

Suitable Criteria

- Suitable criteria for an integrated report assurance engagement should be defined and analysed, and examples included, using the <IR> Framework and/or Management Commentary Practice Statement as the basis.
- The EERA guidance should formally acknowledge that the <IR> Framework was developed by a recognised body of experts (the IIRC) who followed a transparent due process, and that the guiding principles in the <IR> Framework are suitable criteria for the purposes of ASAE 3000, meeting the requirements of relevance, completeness, reliability, neutrality and understandability in ASAE 3000.
- It would be helpful for assurance practitioners if narrative guidance and examples are included in the EERA guidance as to strategy, resources and relationships, business model and competitive edge
- A differential level of guidance may be required for <IR> Framework versus Basis of Preparation (integrated Reporting principles-based) assurance engagements. The guidance will need to specify minimum levels regarding the what, with, how and why of the business for the assurance practitioner to judge if a Basis of Preparation explaining the use of integrated reporting principles is sufficiently close to the <IR> Framework to credibly assert that the report is an integrated report.
- Further guidance and examples are needed for the more judgemental content in an integrated report related to the what, with and how of the business, and the appropriateness / connectivity of metrics chosen to measure operation of the what, with and how in practice.

Internal Control as it Relates to Integrated Reports

- The <IR> Framework is largely silent about internal control systems as they relate to integrated reports. Such guidance is needed in the EERA guidance.

Reference 2

Submission by Deakin University

The Australian Auditing & Assurance Standards Board held roundtable consultations on the IAASB Consultation Paper, *Extended External Reporting (EER) Assurance*, in Melbourne and Sydney on 23 and 24 May 2019.

There was much discussion, and a number of significant matters were raised, particularly as to the ability of the proposed guidance to adequately guide the acceptance and performance of an engagement to assure an integrated report, or a management commentary (under the as-yet-incomplete IASB Management Commentary Practice Statement - see below).

A Key Issue – Multiple Reporting Frameworks Are at Various Stages of Evolution and Adoption

The draft EERA guidance is said to be reporting framework neutral, covering reporting including, but not limited to, integrated reporting, sustainability reporting and other reporting by entities about environmental, social and governance (ESG) matters.

However, after mentions of integrated reporting in paragraphs 1 and 7 of the guidance without elaboration, there are no further mentions of integrated reporting in the draft guidance nor examples specific to it. The document is almost exclusively geared towards guiding assurance engagements on GRI-based sustainability reports, with a focus on the GRI Standards on standardised reporting of GRI metrics. The GRI and SASB standards are specifically acknowledged in paragraphs 127 and 134, and paragraph 12 of Appendix 1, of the draft EERA guidance.

ASAE 3000 is an appropriate foundation for engagements to assure extended external reports, including integrated reports. However, there are significant differences between the guidance that is needed for integrated report assurance engagements and that needed to guide GRI-based sustainability report assurance engagements.

Given:

- that the IIRC has moved to its Global Momentum Phase in recognition of the pace and scale of integrated reporting adoption around the world,
- the parallel paths of the development of the IASB's MCPS and the IAASB's EERA guidance projects and likely convergence of the timing of release of deliverables from these projects, and
- rapidly developing demand from investors for assurance of integrated reports,

the state of the IAASB's EER Assurance Guidance is inadequate as it relates to integrated reporting / management commentary (eg an OFR in Australia, a Strategic Report in the UK, or an MD&A in the USA).

Integrated Reporting <IR> Framework and Management Commentary Practice Statement

Good progress is being made by the International Accounting Standards Board on the revision of its Management Commentary Practice Statement (MCPS) guidance. Based upon materials released to date (principally slide decks with illustrative drafting of the MCPS guidance) the MCPS guidance is progressing towards **substantive equivalence** of management commentaries prepared under the MCPS and integrated reports prepared under the <IR> Framework. Indeed, it is likely that a Management Commentary prepared under the MCPS guidance will be substantively equivalent to an integrated reports prepared under the <IR> Framework, and vice versa, with two exceptions explained below.

Reporting on governance is a required feature of an integrated report under the <IR> Framework, but not the MCPS materials. This area may be accepted as a substantive difference between the two sources of extended external reporting guidance.

Management commentaries under the MCPS will be more oriented towards impact on likely future net cash inflows than is the case under the <IR> Framework, a difference in emphasis.

The best integrated reports will be those dealing explicitly with **both** governance and impact on likely future net cash inflows.

Accordingly, it will probably be appropriate in the EER Assurance guidance to cross-reference to both the <IR> Framework and Management Commentary Practice Statement guidance as useful sources for an assurance practitioner who is evaluating an integrated reporting assurance engagement, particularly the examples contained therein (eg of business model disclosures), and giving guidance on how to assure these examples.

As central elements of the <IR> Framework and MCPS are substantively equivalent. Accordingly, for ease of drafting, this submission focuses on integrated reporting and the <IR> Framework. References to integrated reporting should be taken equally as references to management commentary under the MCPS.

- **What** – strategy, risks and opportunities,
- **With** – resources and relationships, and
- **How** – business model, including governance, strategic management and other key business

Both the <IR> Framework and Management Commentary guidance (as it has evolved to date) recognise the need to allow for language used by individual organisations on the various aspects of the what, with and how of their business covered in an integrated report / management commentary.

For simplicity this submission refers to an integrated report or management commentary describing the *what*, *with* and *how* of the business:

It will be useful to provide guidance regarding, and examples of, the wide variety of terminology used by organisations to describe the what, with and how of their own business, and how the what, their underpinning reporting on performance and prospects.

The most significant area of need for integrated reporting assurance guidance in the chapters drafted to date is about the **pre-conditions for assurance** (Chapter 3 of the EERA draft guidance). Without getting this right, poorly founded integrated reporting assurance engagements may be accepted which will contribute to their ultimate success or otherwise.

It is understood that engagement scoping, the other part of Chapter 3 of the EERA draft guidance, will largely be covered in Phase 2. However, it is critical to consider the current status of integrated reporting adoption around the world in scoping an integrated report assurance engagement (that is, in Chapter 3) – will it be about an integrated report under the <IR> Framework or an integrated report under a Basis of Preparation? – as an element of evaluating the subject matter information, and for determining whether limited or reasonable assurance would be best in the circumstances.

Particular organisations may find it more appropriate at this stage of their integrated reporting journey to stop short of asserting full adoption of the <IR> Framework, and instead apply various principles of integrated reporting, explaining the extent to which the full <IR> Framework has been applied in using those principles in a Basis of Preparation.

This will remain the case until at least until 2022, when the IIRC expects that integrated reporting is will move to its Global Adoption phase, when integrated reports prepared under the <IR> Framework will be more prevalent.

Guidance should be provided about what the assurance practitioner should look for in the subject matter information, focusing on the:

- **underlying subject matter (the report) eg strategic objectives and associated Key Performance Indicators (KPIs); and**
- **qualitative characteristics of the report as to whether suitable criteria have been used.**

The level of depth must be sufficient to provide meaningful assurance. Defined minimums need to be established if enough guidance is to be provided to guide an assurance practitioner in determining whether to be associated with an integrated report prepared under either the <IR> Framework or a Basis of Preparation founded on integrated reporting principles, as neither the <IR> Framework nor the MCPS get to this level of detail.

The Value of Integrated Reporting Assurance

The assurance conclusion on a limited or reasonable assurance engagement will in effect be a conclusion on the fairness of the organisation's communication of, 'This is our strategy, risks and opportunities, resources and relationships, business model and governance, and our performance in implementing the strategy and prospects for continuing to implement it in the future' - a communication to investors and others in substance saying 'in our opinion, this is the business as it really is' (*what, with and how*).

Such assurance will be a significant matter - a valuable communication to investors and other stakeholders for use in their decision making. However, this area also has significant implications for the skills, professional scepticism and professional judgement of the EERA practitioner, focus areas for Phase 2 (Chapters 3 and 4). Of the chapters partially developed, a lot more is needed in Phase 2 on assuring narrative and future-oriented information in the specific context of integrated reporting.

5. CNCC-CSOEC

Reference 1

We are supportive of the IAASB's project to develop non-authoritative guidance to assist assurance practitioner in the application of ISAE 3000. Nevertheless, we believe that the guidance should clearly indicate that it is required to read ISAE 3000 prior to use the EER guidance. This prerequisite should be addressed in chapter 1 – Introduction.

50. BARNARD

Reference 1

I have previously commented in December 2016 on your Discussion Paper on "Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements", in relation to Challenge 3: Addressing Materiality for Diverse Information with Little Guidance in EER Frameworks. At that time I commented on: the nature of materiality as both an entity-specific and a user-specific consideration; the need for a principles-based approach to materiality thresholds; and the need for more guidance in this regard.

I fully support your draft guidance on addressing materiality for diverse information with little guidance in EER frameworks. The draft guidance presents an approach for practitioners that will be applicable regardless of any EER framework being used by the preparer. It is clear and easy to understand,

including through the use of examples, diagrams and considerations. Good examples of such diagrams and considerations are the flowchart in paragraph 130 of the draft guidance that assists the practitioner with reviewing the preparer's materiality process, and the materiality considerations in paragraph 219 of the draft guidance that a practitioner may use when considering materiality initially or in a detailed manner.

I look forward to commenting on the complete non-authoritative guidance document in phase 2 of the project on "Guidance on Key Challenges in Assurance Engagements Over Emerging Forms of External Reporting".

7. IDW

Reference 1

We welcome the efforts of the IAASB to provide more guidance to practitioners seeking to apply ISAE 3000 (Revised) to EER reporting. We also recognize the tremendous amount of work that the IAASB and its relevant task force has undertaken in this project and the efforts of the task force to address the many comments that it received from Board members during the drafting process. However, our reading of the guidance leaves us with the impression that the problems for practitioners do not generally relate to the special problems arising from EER reporting, but the fact that practitioners are having difficulty understanding how ISAE 3000 (Revised) ought to be applied. It seems to us that much of the material is more educational in character for assurance engagements generally than real guidance for assurance engagements on EER reporting specifically. We therefore believe that the IAASB seriously needs to consider whether the consultation material ought to be used as educational material for applying ISAE 3000 (Revised) generally, rather than as an IAPN for EER reporting. This might be achieved by clarifying that the guidance on particular issues may apply only if those issues arise.

Our main concerns are reflected in the large number of material comments that we have – in particular those relating to: the use of terminology not in line with ISAE 3000 (Revised) or that is otherwise inappropriate, issues where we have concluded that the draft is not in line with ISAE 3000 (Revised) (Question 4), the issues going beyond ISAE 3000 (Revised) that have not been appropriately addressed (Question 5), and other drafting issues that could have been resolved with more time. Based on the sheer number of important comments, we have concluded that the IAASB allowed the project timetable to be driven by the availability of external resources and other factors rather than the care needed to ensure alignment with ISAE 3000 (Revised) in wording and concepts and to ensure a high-quality draft.

We also note that guidance generally ought to provide reasonable alternatives to practitioners for certain issues. Although some of the guidance in the draft is couched in wording that sounds like guidance, rather than a requirement, we expect that regulators will regard some of the guidance as requirements because no alternative approaches to the ones provided are given. If the material is expected to be issued as an IAPN for assurance engagements on EER reporting at some stage or as educational material for the application of ISAE 3000 (Revised) generally, it will be very important in some cases to provide reasonable alternatives for practitioners so that the guidance is regarded as such by regulators.

Given the concerns we have expressed above, we are also concerned by the plans to issue phase 2 directly within a draft IAPN, rather than having a prior consultation paper. Given the above-noted experience with phase 1, we believe that phase 2 ought to be subject to a consultation paper prior to including those materials in a draft IAPN. In any case, as noted in our comments above, we believe that the material would be better placed as educational material, rather than as an IAPN.

Given the nature and extent of the issues we identified in our comments – particularly those matters identified as being at variance with ISAE 3000 (Revised) – we are concerned that if those issues are not ameliorated, the guidance may not achieve general recognition as appropriate guidance on the application of ISAE 3000 (Revised).

8. JICPA

Reference 1

Meanwhile, given that, for the time being, agreed-upon procedures engagements might also be conducted for EER, we welcome the fact that, in the IAASB's separate project to revise ISRS 4400, *Agreed-Upon Procedures Engagements*, the IAASB intends to make it clear that ISRS 4400 also applies to non-financial information. We hope, moreover, that the ISRS 4400 project will be completed as soon as possible.