

## Extended External Reporting (EER) Assurance Consultation Paper– Detailed Drafting and Editorial Comments

### 14. DTT

#### Reference 1

#### **Appendix II — Other Recommendations and Editorial Comments**

DTTL has other recommendations and editorial comments with respect to the EER Consultation Paper as detailed below. In these comments, recommended additional text is shown using **bold underline**; recommended deletions to the text are shown using double ~~strike through~~.

<b>Paragraph Reference</b>	<b>Paragraph Detail</b>	<b>Proposed Amendments</b>	<b>Reasons</b>
Chapter 1, paragraph 2	2. There may also be diversity in the criteria used to prepare the EER report given the wide selection of EER frameworks, and because entities often develop their own criteria either in addition to, or instead of, using EER frameworks.	2. There may also be diversity in the criteria used to prepare the EER report given the wide selection of EER frameworks <b><u>(for example, the Sustainability Accounting Standards Board (“SASB”) conceptual framework and Global Reporting Initiative (“GRI”) Standards)</u></b> , and because entities often develop their own criteria either in addition to, or instead of, using EER frameworks.	See suggested edits to provide examples of EER frameworks.
Chapter 2, paragraph 27	27. The practitioner is required to consider materiality in determining the nature, timing and extent of procedures (performance materiality – to be included in Chapter 9 in phase 2), as well as in evaluating the materiality of misstatements (see under ‘Forming the Assurance Conclusion’ below and Chapter 12).	27. The practitioner is required to consider materiality in determining the nature, timing, and extent of procedures (performance materiality – to be included in Chapter 9 in phase 2), as well as in evaluating <b><u>whether the materiality of misstatements subject matter information is free from material misstatement</u></b> (see under ‘Forming the Assurance Conclusion’ below and Chapter 12).	Recommend revising the language so it is consistent with ISAE 3000 (Revised), as this is referring to what is required.

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Chapter 3, paragraph 44	44. For a recurring engagement, the same preconditions are required, however the continuance process may be more straightforward as the practitioner will already have good knowledge of the entity and the engagement circumstances with which to determine if the preconditions are present.	44. For a recurring engagement, the same preconditions are required, however the continuance process may be more straightforward as the practitioner will already have good knowledge of the entity and the engagement circumstances with which to determine if the preconditions are present. <b><u>The practitioner is required to assess whether circumstances require the terms of the engagement to be revised.</u></b>	Recommend modifying to address the requirement in paragraph 28 of ISAE 3000 (Revised).
Chapter 7, paragraph 89 diagram	89. The following diagram shows steps the practitioner may follow in determining the suitability of criteria:  Confirm criteria will not result in subject matter information or an assurance report which is misleading.	89. The following diagram shows steps the practitioner may follow in determining the suitability of criteria:  <b><u>Determine</u></b> <del>Confirm</del> criteria will not result in subject matter information or an assurance report which is misleading.	Consider replacing “Confirm” with “Determine” as the practitioner has to evaluate and determine rather than confirm that the criteria will not result in subject matter information or an assurance report that is misleading.

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Chapter 7, paragraph 108	108. Neutral criteria would normally be designed to cover both favorable and unfavorable aspects of the underlying subject matter being reported on, in an unbiased manner.	108. Neutral criteria would normally be designed to cover both favorable and unfavorable aspects of the underlying subject matter being reported on, in an unbiased manner. <b><u>Criteria would not be neutral if they can mislead the intended user in the interpretation of the subject matter information.</u></b>	Recommend clarifying that criteria would not be considered neutral if they can mislead the intended users in the interpretation of the subject matter information.
Chapter 7, paragraph 117	117. In the first few years of preparing EER reports, an entity may be developing and improving its reporting processes such that entity-developed criteria (potentially designed to supplement an EER framework) may change and evolve between reporting periods.	117. In the first few years of preparing EER reports, an entity may be developing and improving its reporting processes such that <del>entity-developed criteria</del> <b><u>the entity's materiality process</u></b> (potentially designed to supplement an EER framework) may change and evolve between reporting periods.	Recommend removing discussion of entity-developed criteria as paragraph 117 pertains to established criteria.
Chapter 8, paragraph 128	128. The practitioner may need to review an entity's 'materiality process' as part of determining whether the criteria are suitable (see Chapter 7). The practitioner is also required to consider the process used to prepare the subject matter information in a limited assurance engagement, or to obtain an understanding of internal control over the preparation of the subject matter information in a reasonable assurance engagement. This may also involve reviewing an entity's 'materiality process' where the preparer has undertaken one.	128. <b><u>When an EER framework does not specify the content that should be included in the report,</u></b> <del>The the</del> practitioner may need to review an entity's 'materiality process' as part of determining whether the criteria are suitable (see Chapter 7) <b><u>where the preparer has undertaken one. As part of understanding the underlying subject matter and other engagement circumstances,</u></b> <del>The the</del> practitioner is also required to consider the process used to prepare the subject matter information in a limited assurance engagement, or to	Recommend modifications to clarify when a practitioner may need to review an entity's materiality process and remove duplicative content.

		<p>obtain an understanding of internal control over the preparation of the subject matter information in a reasonable assurance engagement. This may also involve reviewing an entity's 'materiality process' where the preparer has undertaken one.</p>	
Chapter 8, paragraph 136	<p>136. The purpose will be to report certain information about an underlying subject matter to a group(s) of intended users. A few examples of the EER report purpose might include:</p> <ul style="list-style-type: none"> <li>To inform the intended users of the financial position, financial performance and cash flows of the entity.</li> </ul>	<p>136. The purpose will be to report certain information about an underlying subject matter to a group(s) of intended users. A few examples of the EER report purpose might include:</p> <ul style="list-style-type: none"> <li><del>To inform the intended users of the financial position, financial performance and cash flows of the entity</del></li> </ul>	<p>Recommend removing example pertaining to financial statements, as this example is not relevant to an EER report.</p>
Chapter 10, paragraph 196	<p>196. Purely factual narrative subject matter information is more straightforward to test for misstatement (by direct observation) than subjective narrative subject information.</p>	<p>196. Purely factual narrative subject matter information is more straightforward <del>to test for misstatement</del> <b><u>to obtain evidence to support the practitioner's conclusion</u></b> (by direct observation) than subjective narrative subject information.</p>	<p>Suggest editing language to be consistent with paragraph 24(b)(iv) of ISAE 3000 (Revised).</p>

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Chapter 12, paragraph 217	217. If the preparer does not want to correct the misstatement, the practitioner may need to undertake a more detailed consideration of whether the misstatement is material, and may take into account the considerations below.	217. If the preparer does not want to correct the misstatement, the practitioner may need to undertake a more detailed consideration of whether the misstatement is material, and may take into account the considerations below. <b><u>If the preparer refuses to correct some or all of the misstatements communicated by the practitioner, the practitioner may consider obtaining an understanding of the preparer’s reasons for not making the corrections and take that understanding into account when forming the practitioner’s conclusion.</u></b>	Consider editorial comment to incorporate the concept in paragraph 54 of ISAE 3410.
Chapter 12, paragraph 218	Below is a series of ‘materiality considerations’ that a practitioner may use when considering materiality initially or in a detailed manner.	Below is a series of ‘materiality considerations’ that a practitioner may use when considering materiality <del>initially</del> or in a detailed manner.	Recommend removing “initially or in a detailed manner” as it is unclear when a practitioner would not consider materiality in a detailed manner.

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Chapter 12, paragraph 219	219. A misstatement is more likely to be material if.	219. <b><u>Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. Qualitative factors that may indicate that</u></b> a misstatement is more likely to be material if.	Suggest incorporating language to recognize that materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. Reference can be added for the first sentence to paragraph A95 of ISAE 3000 (Revised).
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17. KPMG

Reference 1

**Appendix 2 – Additional Suggestions for Consideration**

We set out below further additional suggestions for consideration by the IAASB, at a more detailed drafting level.

- Paragraph 46 – The diagram does not clearly illustrate one of the fundamental concepts of an assurance engagement, i.e. that the underlying subject matter, subjected to evaluation/measurement in accordance with suitable criteria, results in the subject matter information. We suggest the diagram illustrate this explicitly;

Additionally, the arrow between the description of capability of consistent measurement and the reliability characteristic of suitable criteria, in isolation, may give rise to the interpretation that this is the only applicable attribute of suitable criteria;

We suggest that the statement that criteria are available be expanded to explain how these may be made available to intended users in accordance with ISAE 3000.24(b)(iii);

We also suggest that the statement that the engagement has a rational purpose be expanded to explain this more clearly, and explain how this relates to the other preconditions for an assurance engagement;

- Paragraph 49 – In setting out considerations for the practitioner in determining whether the engagement has a rational purpose, we note the following:
  - Bullet 5 appears to co-mingle the meaning of limited assurance and a meaningful level of assurance. We suggest to state that in some circumstances, for the level of assurance to be meaningful to intended users, the procedures may resemble those performed for a reasonable assurance engagement. This concept may be illustrated with a ladder image that shows that assurance meaningful to intended users (“limited assurance”) is a band on the

ladder. “Meaningful” may be procedures on a low rung of the ladder for some engagements, whilst for other engagements it may be a higher rung on the ladder, closer to “reasonable assurance”. There is no band for reasonable assurance – it is one level/rung on the ladder;

- Bullet 6 appears to set out the definition of “meaningful” (the bar for limited assurance engagements) and is not a new consideration (please refer to ISAE 3000. A4). We therefore suggest that this paragraph be re-drafted to refer to whether the scope of the practitioner’s work is expected to be limited significantly such that the “practitioner is unable to gather evidence sufficient for the level of assurance of the engagement”;
- Bullet 7 – We are concerned that the reference to whether the engaging party, the responsible party and the measurer/evaluator are not all the same party may suggest that in such scenarios the roles of the parties to the assurance engagement are not suitable, in accordance with ISAE 3000. 24(a), which is a precondition for an assurance engagement. Furthermore, this may suggest that engagements where management is the responsible party and Those Charged With Governance are the intended user are inappropriate. These considerations are different to addressing whether the engagement has a rational purpose. Accordingly, we suggest to focus on the characteristics of the relationships between these parties and whether these may undermine the rational purpose of the engagement, e.g. if the responsible party does not consent to the use to be made of the subject matter information or will not have the opportunity to review the subject matter information before it is made available to intended users;
- We also suggest that in describing the considerations in relation to who the intended users are and what their information needs are, and whether the subject matter information is expected to address their information needs, the IAASB consider cross-referencing to paragraph 94, which addresses how subject matter information may assist intended users’ decision-making;
- Paragraph 50 – We believe this guidance in respect of readiness reviews is helpful. We suggest that, in addition to addressing the scenario that the entity is ready for assurance and may choose to proceed with requesting an assurance engagement, the paragraph also address the alternative scenario that if the preconditions are not found to be present, the entity may address the findings of the readiness review and prepare for an assurance engagement at a future date;
- Paragraph 52 – In elaborating further in relation to assurance readiness engagements/maturity assessments, we highlight that the descriptions of these non-assurance engagements are not clearly distinct from assurance engagements over these particular underlying subject matters, e.g. “evaluation of... the design and implementation of effectiveness of the system of internal control”. We suggest that the IAASB provide examples that are more clearly distinct;
- Paragraph 53 – We recommend that the reference to an audit or other assurance engagement in respect of the self-review threat be amended to refer to whether the entity then plans to undertake a subsequent EER assurance or other audit or assurance engagement. As currently drafted this may suggest that performing audit or other assurance engagements may, in themselves, represent a self-review threat to EER assurance. We suggest that the IAASB provide clarification that the self-review threat comes from advising on the development or implementation of the EER process;
- Paragraph 54 – Some assurance engagements may not be performed in respect of subject matter information that is in the form of a report, or a part thereof (e.g. internal controls or

compliance/regulatory engagement). We suggest that the IAASB address these scenarios by referring also to “statements” in addition to reports;

- Paragraph 70 – We highlight that bullet (c), as described, does not appear to be referring to a control activity, but rather to part of the Information Systems and Communication component of internal control;
- Paragraph 96 – We suggest to clarify that additional disclosure of measurement uncertainty aids “understandability”;
- Paragraphs 102-104 and 114 – We recommend inclusion of discussion as to when it may be appropriate to supplement established criteria with internally developed criteria for completeness (e.g. if the criteria do not include presentation and disclosure criteria or do not define certain terms).

## 18. MZS

### Reference 1

- In §45, the word “must” is used. We believe nevertheless that this a requirement for the standard but not for a non-authoritative guidance.

## 19. PwC

### Reference 1

## Appendix 2 - Detailed comments

The section below sets out our other observations and editorial comments by paragraph.

### Paragraph and Comment

**Paragraph 21** – We suggest the addition of “*the practitioner to exercise*” before “*significant professional judgement*”.

**Paragraph 24** – We are concerned this paragraph could be read as implying that the consideration of suitability of criteria would come after acceptance and continuance. The aim should be to have as much information to consider whether the criteria are suitable before accepting the engagement.

**Paragraph 36** – We suggest the following edit: “...*’other information that is included in a document ~~together with that contains the information~~...*”.

**Paragraph 69** – It would be useful to provide additional examples of relevant considerations a practitioner may take into account when information is obtained from an external information source.

**Paragraph 74** – It is unclear how the physical location plays into this consideration.

**Paragraph 82** – We do not believe it is clear that “*elements*” and “*qualities*” are distinct sub-headings that relate to the separate items in those particular columns. Numbering each heading and related statement might clarify this.

**Paragraph 96** – When the underlying subject matter is subject to high measurement uncertainty, the criteria for presentation / disclosure often becomes more important so that the inherent uncertainty is clear in what is presented.

**Paragraph 100** – We suggest including that consideration of changes in the criteria during the acceptance and continuance decision is also important.

**Paragraph 151** – It is unclear in point (e) why changes need to be irreversible to be a relevant impact. We suggest deleting this word.

**Paragraph 160** – This sentence is unclear. We suggest this be re-drafted to better convey the meaning as explained in the given example.

**Paragraph 191** – We suggest the following edit to the last sentence: “.....the criteria ~~cannot~~ are not suitable if they result in.....”.

**Paragraphs 209 & 211** – We recommend deleting the word “ordinarily” before “not in a position to predict the future” in both paragraphs. This is a fact.

**Paragraph 224** – This seems to be unduly prescriptive in its suggestion. If retained, we suggest changing “it may be helpful” to “A practitioner may choose to...”.

Throughout the guidance we recommend that “when” be used rather than “where” when referring to situations or circumstances that may occur.

#### **Four Key Factor model**

**Paragraph 4** – It is unclear what is meant by “other external inputs relating to the EER report to which the user has access”.

**Paragraph 26** – We suggest clarifying if this paragraph is referring to the preparer or practitioner in respect of ensuring the consistency of the information in the EER with other sources of information.

**Paragraph 32** – It is unclear what is being suggested by “transparency about the competence of those performing the professional service”. We also suggest that “meet” is replaced with “comply with” in the second sentence with respect to independence requirements.

**Paragraph 33** – We suggest the following edit in the last sentence: “...periods and with ~~other entities that prepare~~ EER reports prepared by other entities.”

#### **31. FSR**

##### **Reference 1**

We also have a number of specific examples where the draft guidance is not clear enough which can serve as input for the further development of the guidance in the second phase:

#### **Chapter 3**

- Item 45 in conjunction with item 60: Item 45 states that the same preliminary work must be carried out whether it is a statement task with limited or non-limited assurance. In item 60 different types of preliminary work is explained and it is not clear what the guidance expects. (See also item 49). Furthermore, item 60 states that for a reasonable assurance engagement one must have an understanding of the company's internal controls. This is not necessary when the task only comprehends a limited assurance engagement. This does not seem clear in relation to the entirety of the guidelines.
- Item 46: The illustration is not helpful for understanding the text and should be further developed.

- Item 49: In the second last sentence, it is not clear what is meant by item A56.
- Item 57: The last sentence says that additional action must be taken where relevant in the work with material inconsistency or factual errors, etc. in relation to other information. It is clearly recommended that the second phase in detail focuses on what further actions should / can or should not / cannot be included, including identification of where to draw the line for further actions.

#### Chapter 6

- Item 65: Second sentence - below is not right.
- Item 77: In the last sentence - no reference to ISAE 3000 if the conclusion cannot be given. It is recommended, that the second phase continues to work with what must be written and disclosed in the statement, including the extent to which the assurance provider can refer to the pieces of information with causal explanations in the report.

#### Chapter 7

- Item 82: More examples are recommended as this is difficult to understand. Few examples can create limitations in the comprehension.
- Item 98: Credit for the inclusion of relevance and materiality differences. However, it is suggested to further clarify this. For instance, with several examples and/or insertion of illustrations.
- Items 102 – 104: It is recommended to include examples also in section: Completeness.
- Item 114 etc.: It is recommended to assess the practical examples of water for professional correctness, including assessing whether one or more examples of water could be replaced with waste – thus, that it is not water examples that are through-going in the guideline.
- Item 114: It is recommendable to give another example to facilitate comprehension.

#### Chapter 8

- Item 129: It is recommended to extend the description of “outcome of the materiality process” and provide examples to help the practitioner in reviewing what constitutes sufficient insight as part of the assessment.
- Item 136: Delete bullet 4 as it regards a financial report and not an EER report. Alternatively, it has to be explained how it can relate to an EER report. Especially because this guide belongs to ISAE 3000, which does not include financial information and data.
- Item 151: More examples are requested with the inside-out perspective. The examples included are predominantly outside-in perspective.
- Item 154: This example does not work well as it creates more confusion than clarity on how the time perspective affects valuations.
- Item 156: The listed examples primarily include actions in relation to internal documents etc. It is also recommended to include external sources.

#### Chapter 9

- Item 183: Why does this item only apply to reasonable assurance engagements?

## Chapter 10

- Item 195: Example in sentence 3: What is meant by ‘draw a box around it’ - should the practitioner draw in the company’s reporting? Please make this clear.
- Item 196: This does not provide proper guidance and the item should be extended and related to sentence 1-4 in the example. It does not create guidance to write that other assertions as completeness and neutrality could be relevant.

## Chapter 12

- Item 219: The first example does not make much sense and it is recommended to change it.

## Contextual Information

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

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

## Credibility and Trust Model

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

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

## 41. ISCA

### Reference 1

In addition, Paragraph 11(a) provides examples of ‘subject matter elements’ to which criteria are applied in preparing EER reports. We would like to suggest for the Board to consider including “Intellectual Property” as one of the quoted examples along with “different natural resources, individual employees...” as intellectual property is currently one of the most important subject matter elements with the proliferation of the use of artificial intelligence and similar capabilities in the running of businesses.

### 43. NASBA

#### Reference 1

In the examples provided in paragraph 136 of Chapter 8 for the purpose of the EER report, it appears that the fourth bullet describes or relates to financial reporting and not EER. We recommend removing this bullet.

### 45. SAICA]

#### Reference 1

- The language in the *Considerations for the Practitioner* box on page 23 paragraph 47 of the Draft Guidance needs to be improved. The use of “you” to refer to the practitioner in the third person should be removed and written in the style as contained in paragraph 24 of ISAE 3000 (Revised); as follows:
  - Are the criteria ~~you (as the practitioner)~~ expected to be applied by the preparer suitable for the engagement circumstances (see guidance in Chapter 7)?
  - Does the preparer have an appropriate process in place for developing and reviewing the criteria?
  - Will the criteria ~~that you (as the practitioner)~~ expected to be applied by the preparer be available to the intended users?
  - ~~Do you (as the practitioner) Is there an expectation that to be able to obtain~~ the evidence needed to support your assurance conclusion can be obtained?

#### Reference 2

- In paragraph 80 of the Draft Guidance, there seems to be an inconsistency between the narrative information in sub-paragraph 80(a) and the diagram. This inconsistency stems from the use of the terms *nature and scope of the topics and related elements* in the narrative but the use of *categories, topics and elements* in the diagram. We suggest that the terms used in the diagram be consistent with those used in the narrative or the difference explained.

### 52. SCHNEIDER

#### Reference 1

#### **Guidance points**

Paragraph 49 states, in part, “However, an assurance engagement may be considered to have a rational purpose if the practitioner’s conclusion is designed ‘to enhance the degree of confidence of the intended users ... about the subject matter information’.” Given that all requested assurance engagements typically are intended to do so, this does not necessarily make it a rational purpose. In fact, the consideration points listed later in the same paragraph could contradict such statement.

Paragraphs 55-56 contain repetitive points and should be combined and the repetition eliminated.

The first sentence of paragraph 61 should be moved to the end of paragraph 58 to provide better context that while the system of internal control is considered, the existence of a highly-developed system is not a precondition.

Readability of paragraph 94 could be improved as item c) is not readable on its own. Further, the connector of ‘and’ at the end of item b) would need to be ‘or’. However, as item a) would be done in combination with either b) or c), it might be better to rewrite the paragraph so that item a) becomes part of the lead-in text and then the other two actions are listed as further actions to be taken.

Consider eliminating the second sentence of paragraph 97 (namely, “This is because suitable criteria must exhibit the characteristics of relevance.”) to improve its readability as such sentence does not really add anything to the guidance.

Paragraph 116 discusses the situation in which the criteria in an EER framework are less detailed and focuses the guidance on preparer-developed criteria. The discussion should be expanded to the possible use of criteria from other sources, including standards and other frameworks.

Paragraph 150 actually contains two paragraphs and an example. Seemingly both paragraphs should be numbered; however, it is unclear which paragraph the example then relates to and, thus, it may require that lead-in text in another paragraph be added to preface the example. Further, as several of the impacts could occur in any given situation and not just one, the word ‘either’ should be eliminated from the second paragraph of paragraph 150.

Paragraph 156 lists various sources that the guidance states a practitioner “could use some of” in evaluating the completeness of the criteria. It is unclear how many of the items listed are as useful in evaluating the completeness of criteria; accordingly, it would be more helpful if examples were provided for each.

Paragraph 157 lists two considerations in the form of questions for the practitioner in considering the relevance and completeness of the criteria used by the preparer in selecting topics and related elements to include in the EER report but refers to such considerations as key judgments without a discussion of what such judgments might be based on.

Paragraph 164 states that the practitioner may encourage a preparer to give details of what has been left out; it would be helpful if further guidance or examples are provided to illustrate this point so that readers do not expect that a long list of things would be provided.

The clarity of the guidance in paragraph 175 could be improved. It is unclear what the last sentence of the paragraph is saying. At a minimum, an example should be added to clarify what it means. Further it is unclear which characteristics the second sentence is referencing—whether the required characteristics or such other or such additional characteristics. Paragraph 176 later uses the phrase ‘other characteristics.’

## Reference 2

The last sentence of paragraph 182 states “If the assertions are not misstated, this provides evidence that the information is properly prepared in accordance with the applicable criteria.” However, it seems like it should have said something to the effect that “If the procedures performed did not identify any misstatements of the assertions tested, this provides evidence . . .” Additionally, including an example in this section specific to EER would make the guidance more useful.

Paragraph 184 states that when an assertion is “not present” in the subject matter information, the information is misstated but fails to explain why that is the case. Further, the parentheticals in paragraph 184 use the phrase ‘failure of’ rather than ‘misstatement of’, which would be more consistent with the rest of the chapter.

The last sentence of paragraph 209, which states that “The practitioner is ordinarily not in a position to ‘predict the future’ to obtain assurance on whether the intended outcomes of a strategy or a target will be achieved or not” does not really offer much guidance (and yet it is repeated again in paragraph 211). Rather the point should be that there likely is not evidence today that an outcome will be achieved, and that instead the practitioner needs to obtain evidence as to whether the preparer has a reasonable basis for making the assertions that the preparer is making about the future. Accordingly, the guidance should focus on what the practitioner considers in evaluating whether there is a reasonable basis for such disclosures.

Paragraph 210 is extremely lengthy and could be improved by breaking the paragraph into several shorter paragraphs or bulleted points. The third sentence of paragraph 210 (namely, “The existence assertion is closely related to the underlying subject matter needing to be identifiable.”) also does not provide much guidance without an example illustrating what is meant by such statement. The fifth sentence of the paragraph uses the phrase ‘exact criteria are suitable’, but such phrase should probably be the ‘applicable criteria are suitable’.

Paragraph 212 states that evidence will be speculative in nature for future-oriented subject matter information but fails to provide guidance as to what the practitioner should do with such speculative-in-nature evidence.

#### Reference 3

Chapter 12 might be better titled “Considering the Materiality of Misstatements **and Forming the Assurance Conclusion**” to align with the identified content of such chapter.

#### Reference 4

While not necessarily contradicting or conflicting with the requirements or application material of ISAE 3000 (Revised), the following paragraphs of the draft guidance may not be as consistent with the standard:

#### **Para.**

- 21 Consider whether ‘required’ is the proper term to use in the second sentence of paragraph 21 or whether it should be replaced with ‘necessary’.
- 22 Paragraph 22 seems to soften the use of engagement quality [control] reviewers by using the phrase ‘in some cases’ rather than ‘for those engagements where one is appointed’.
- 30 Paragraph 30 states, in part, “The extent of the procedures required for a reasonable assurance engagement is **likely** to be greater than for a limited assurance engagement.” [Emphasis added] If, for particular subject matter information, the extent of procedures in a limited assurance engagement is the same as for a reasonable assurance engagement, it seems like the practitioner should report on highest level of assurance obtained.
- 37 Paragraph 37, which is captioned ‘Description of Applicable Criteria’ states that “A preparer may need to refer to or describe the applicable criteria as part of fulfilling the requirement to make them available to the intended users.” Whereas, paragraph 63 of ISAE 3000 (Revised) states “The practitioner shall evaluate whether the subject matter information adequately refers to or describes the applicable criteria.”

- 45 The second sentence of paragraph 45 states “For example, in order for the criteria to be suitable in a limited assurance engagement, the practitioner must be able to determine that they would be suitable in a reasonable assurance engagement.” This makes it sound like the practitioner performs additional steps to determine suitability in a limited assurance engagement. ISAE 3000 (Revised) does not state the requirement in such a manner. Accordingly, it might be more appropriate to either say that the practitioner needs to determine whether the criteria is suitable regardless of whether a reasonable or limited assurance engagement is to be performed or to repeat the sentence from ISAE 3000 (Revised) that the suitability of criteria is not affected by the level of assurance.
- 119 It is clear that the guidance was attempting to not create a new requirement in paragraph 119; however, a statement that “A practitioner **may** evaluate the adequacy of the transparency, considering whether the criteria have been disclosed with sufficient detail and clarity such that they are available” [emphasis added] does not provide meaningful guidance as the alternative is that the practitioner may not do so.

## Reference 5

### EDITORIAL COMMENTS

The table of contents should list all sections contained within a chapter; at this time, none of the sections of chapter 2 are listed there.

Throughout the document, the terminology switches between referring to itself as ‘this guidance’ and ‘this guidance document’. For clarity purposes, it would be beneficial if ‘this guidance document’ was used throughout when referring to the document itself and ‘this guidance’ when referring to a specific section or paragraph.

Cross-references to specific paragraphs of ISAE 3000 (Revised) have been included in various paragraphs throughout the draft guidance but not in others. Consider adding cross-references to ISAE 3000 (Revised) in paragraphs 41 and 42, and other paragraphs that refer to the standard.

Presumably, all documents will go through an editorial review to eliminate inconsistencies between use of ‘for example’ and ‘e.g.’ and ‘organization’ vs. ‘organisation, as well as implement the appropriate use of commas and semicolons.

The following revisions are proposed to the text in the paragraphs listed below; additions are shown in bold underlined text and deletions are reflected with strikethrough text:

Para. Comment

- 3 The last sentence should read: “. . . to prepare **an EER report.**”
- 13 Heading should be revised to read: “. . . in Accordance with ISAE **3000 (Revised)**” or “. . . in Accordance with ISAE **IAASB Standards**”
- 16 As a paragraph should not start with ‘these’ without a noun, it should be revised to read: “These **acceptance or continuation procedures** include . . .”
- 17 As the practitioner performs procedures or follows requirements, the last sentence should be revised to read: “Appropriate procedures . . . are also required to have been **followed performed.**”

- 35 Both paragraphs 34 and 36 include statements that such topics are out of the scope of the guidance document; seemingly, paragraph 35 also should include such a statement. However, if guidance on subsequent events is intended to be included in a subsequent chapter, a cross-reference to such chapter should be included instead.
- 54 Revise the first sentence of paragraph 54 to read “There is a wide variety in the scope of assurance engagements carried out **in practice** in accordance with ISAE 3000 (Revised), ~~in practice.~~”
- 49 “The purpose of an assurance engagement is established ~~in~~ **by** the definition of an assurance engagement . . .”
- 71 Revise the intro to the list of considerations to read “. . . that the practitioner ~~may~~ **might** consider may include:” and revise the listing to achieve parallel construct for all considerations listed.
- 72 Revise second sentence to read “. . . for the preparer to meet ~~their~~ **its** responsibilities.”
- 76 Revise the first sentence to read “. . . the practitioner may **be engaged with by** the entity to undertake. . .”
- 82 Change the table heading for ‘Elements Qualities’ to be possessive (e.g., Element’s Qualities)
- 96 Revise the end of the first sentence to be clearer as to the noun: “. . . in applying ~~them~~ **the criteria** in the circumstances of the engagement.” Also, clarify the last sentence to read: “Refer also to **the** discussion of ‘accuracy’ . . .”
- 97 Revise the first sentence to read “. . . when properly applied to ~~them~~ **the elements**, result in . . .”
- 114 Consider revising the first sub-bullet of the third bulleted item to read “This may be where the entity ~~must~~ **might need to** supplement . . .”
- 141 The paragraphs of the example to paragraph 141 should be revised as follows:  
“An EER report prepared by a state-run hospital on its clinical performance might have users including:  
  - Government, — **which** needs to know whether citizens are being provided with adequate healthcare and whether resources are being used efficiently.
  - Groups of patients (current or potential), the general public and the wider world, —**who** want to know whether the hospital is available to provide care to the community, playing its role in controlling diseases, and if **whether** it is clinically safe.
  - Cancer patient, —**who has a** self-interest about whether the hospital has the capabilities to treat ~~them~~ **patient** successfully.  
In this example, the top two user groups might be the intended users, but the individual patient **on his or her own** might not be, **although such patient may be a member of the collective group of patients.**”
- 144 The bulleted lists in the right side of the diagram should be revised for parallel construct; for example, eliminating ‘influences the’ from the first list and replacing ‘buy’, ‘lend’, ‘transact’ and ‘use’ with ‘buying’, ‘lending’, ‘transacting’, and ‘using’, respectively.
- 160 Revise the first sentence to read: “It may **not** be appropriate ~~not~~ just to consider the relevance and completeness . . . “

- 163 Break the sentence into two as follows: “. . . would not be present, ~~and the practitioner follows the requirements in paragraphs 42 and 43 of the standard if~~ **If** this is discovered after the engagement has been accepted, **SSAE 3000 (Revised) requires the practitioner to follow the requirements in paragraphs 42 and 43 of the standard.**”
- 165 The second sentence of paragraph 165 should be revised to read “If used, ~~they~~ **assertions** are a way. . . .”
- 167-168 Footnotes 37 and 38 should seemingly have the same reference to ISA 315; that is, either both should be indicated as “(Revised)” or neither should be.
- 169 Paragraph 169 should be formatted as an example box to paragraph 168, similar to paragraph 160, rather than as a paragraph of its own.
- 185 Consider revising paragraph 185 to read as follows: “~~If a practitioner identifies~~ **When** a misstatement **is identified**, ~~they are~~ **the practitioner is** required to make a judgment . . . .”
- 187 The last sentence in the example to paragraph 187 should be revised to read as follows: “. . . it is unlikely that the criteria would be reliable **(that is, allow reasonably consistent measurement or evaluation of the underlying subject matter)**, and hence it may be difficult to obtain assurance over ~~them~~ **such narrative information.**”
- 191 Revise the first sentence of paragraph 191 to read as follows: “It is particularly important **that the criteria** for narrative information ~~that the criteria result in~~ . . . .”
- 195 In addition to addressing the concerns expressed about other information in the response to question 4, consider revising the text of the example as follows:
- First paragraph: Revise the lead in text of the first paragraph to read as follows: “~~Below is~~ **The** following is an example **extract** of information that ~~may~~ **might** be included in an EER report. The sentences have been numbered in brackets **for discussion purposes.**”
  - Third paragraph: Revise the second sentence to read as follows: “The practitioner may be able to **easily** confirm if **whether** it is a true statement ~~easily~~ . . . .”
  - Fifth paragraph: Add text to the end of the second sentence to read as follows: The practitioner may attempt to corroborate this with data on manufacturing levels **and use of water for such activities.**”
- 196 Clarify what “In this case” is referencing at the start of the second sentence of paragraph 196.
- 201 Flip the order of the text in items a) and b) to be consistent with the order in which such matters are discussed in the paragraphs that follow.
- 219 Revise the second paragraph of the example to e) as follows: “. . . to be achieved even though the **reported** score was incorrect.”

## 7. IDW

### Reference 1

#### Appendix 2 to the Comment Letter: Comments by Paragraph

77. The first sentence of this paragraph refers to a situation that is dealt with in the requirements of paragraph 42 and 43 in ISAE 3000 (Revised). The paragraph should refer to these paragraphs so that readers recognize which specific requirements apply in this case.

81. In line with our response to Question 2 on the use of the definition of relevance rather than the term, the words “assists decision-making by the intended users” in the second-last sentence can be replaced with “is relevant”.
94. In line with our response to Question 2 on the use of verbs, the use of the verb “evaluating” in (b) based on the meaning of “evaluate” in the IAASB Glossary of Terms signifies a level of work effort that may not be appropriate in every case. This applies even if this paragraph is only guidance, because if the guidance is applied, then the verb “evaluating” applies. The verb should therefore be replaced with “considering”, which means “to apply one’s mind” under the clarity conventions.
96. In line with our response to Question 2 on the confusion between the meaning of relevance and reliability in ISAE 3000 (Revised), we note that the last sentence refers to the need for supporting information about the nature and extent of an uncertainty for the related criteria to be relevant, when in fact such information, when needed, is covered under the description of “reliability” in ISAE 3000 (Revised). The sentence needs to be amended accordingly. The example after this paragraph also confuses sampling (which involves representative selection) and selecting specific items, such as to cover a percentage of total customers. Furthermore, the example addresses sampling in relation to the precision achieved, but not the confidence level obtained. These matters ought to be ameliorated.
97. In line with our response to Question 2 on the appropriate use of the terms for the qualitative characteristics of suitable criteria, the word “suitable” at the beginning of the first sentence should be replaced with “relevant”, as the rest of the sentence just repeats the meaning of “relevant”. The next two sentences are circular and redundant and ought to be deleted. In the next sentence, the word “necessarily” needs to be inserted in between the words “not” and “binary” because sometimes the relevance of a criterion is binary; in consequence, the word “sometimes” ought to be inserted in between the words “may” and “be” in the sentence thereafter.
98. In the first sentence of the example following this paragraph, in line with our response to Question 2 on the use of the definition of relevance rather than the term, the words “assist decision making by intended users” should be replaced by “be relevant”. The same applies to the first sentence of the following paragraph within the example (with the addition of “to” after “relevant”).
101. Since comparability is an aspect of relevance, in the first sentence the words “more relevant and comparable across entities” should be replaced with “comparable across entities and therefore more relevant”. The phrase within the parentheses in the next sentence “that are also reliable” should be replaced with “that satisfy the other characteristics of suitable criteria”, since all other characteristics must be satisfied and there is no point to singling out reliability in this case.
106. The statement that reliable criteria may need to be based on strong definitions with little or no ambiguity needs to be augmented by the words “or additional criteria that reduce such ambiguity”, since ambiguous criteria can always be supplemented by additional criteria.
107. The first sentence inappropriately suggests that if the criteria are reliable, sufficient appropriate evidence can be obtained, which means that the subject matter information is capable of being subjected to an assurance engagement. Reliable criteria are a necessary – but not sufficient – condition – for obtaining sufficient appropriate evidence (the criteria need to fulfill the other characteristics of suitable criteria too). Hence the first sentence needs to be changed accordingly.

110. In line with our response to Question 2 on the use of verbs, the use of the verb “evaluating” should be replaced by “determining”, since under ISAE 3000 (Revised) the practitioner is required to “determine” the suitability of criteria.
111. We found the guidance in this paragraph and paragraph 112 to be somewhat helpful, but rather vague and unstructured. If the IAASB wishes to augment this guidance, it may be able to draw upon the work done in the FEE Paper “Principles of Assurance” from 2003 (see pp. 188 to 190 and p. 199), which explains how the understandability of information is a function of the factors determining the user profile and factors determining the information profile. A discussion of the user profile and the information profile and their factors would provide the guidance with more structure and make this section much clearer.
114. The example after this paragraph suffers from a number of the issues with terminology that we address in our response to Question 2, and a few other issues. In particular:
- The second sentence refers to “a natural resource, that assists intended users’ decision-making”. First, it is information about a natural resource or intake thereof that assists users’ decision-making, not the natural resource or intake thereof itself. Second, “assists users’ decision-making” is the description of relevance. Hence this sentence should be changed to read “a natural resource, information about which is relevant”.
  - In both the third sub-bullet of the first bullet, as well as in the second bullet, “assist intended users’ decision-making” should be replaced with “be relevant”.
  - In relation to the third bullet:
    - The meaning of the first sub-bullet is unclear
    - The second sub-bullet relates to completeness, not reliability, which is the topic of the third bullet
    - The fourth sub-bullet deals with the unit of measure and the issue of comparability, both of which relate to relevance, not reliability, which is the topic of the third bullet.
115. It is correct that established criteria are presumed to be suitable under ISAE 3000 (Revised), but clarification is needed that this is true only when used for their intended purpose.
117. The example after this paragraph asserts that changes to criteria may still be understandable and reliable under certain conditions. However, limiting this to understandability and reliability is inappropriate: the sentence needs to be rephrased that the criteria may still be suitable (which covers all of the characteristics, including relevance, completeness, and neutrality).
119. This paragraph introduces a new concept “transparency of the criteria”, that is not necessary: the paragraph should stick to the concept of “availability” as set forth in ISAE 3000 (Revised).
124. In this paragraph and in paragraphs 126, 128, 129 130 (and the diagram and heading thereafter), and 131 speak of the practitioner “reviewing” the “judgments” or “materiality process” or something related to it. The verb “review” in the context of those verbs used to describe work effort in ISAE 3000 (Revised) is inappropriate because it relates neither to a review under ISAE 2400 or 2410 nor to a review procedure in the sense of ISA 220. We suggest that, in line the usage in these circumstances in ISAE 3000 (Revised), the verb “consider” be used instead.

127. Both the first and second sentence relate to extending and developing the criteria further to only relevance and completeness, even though sometimes criteria may need to be extended to improve reliability, neutrality or understandability. We suggest that reference to “as they may lack relevance and completeness” be deleted from the first sentence and “exhibit the characteristic of relevance” be replaced with “are suitable”. In the first sentence the phrases “assist the decision-making of intended users” should be replaced with “relevant” and in the second sentence the phrase beginning with “and the resulting” can be deleted without any loss of meaning. In the example thereafter “assist intended users’ decision making” should be replaced with “be relevant” in the first case and “is relevant” in the second.
145. The heading speaks of “reviewing” the selection of topics: in line with our previous comments, this should be changed to “consider”.
177. In line with our response to Question 2 on the appropriate use of terminology relating to the characteristics of suitable criteria, we disagree with the allocation of some of the categories of assertions to related characteristics of suitable criteria: accuracy and freedom from error are issues related to relevance – not reliability as “defined” by ISAE 3000 (Revised). Furthermore, cutoff relates to both relevance and completeness, as do existence and occurrence.
197. The third sentence refers to both “neutral and free from bias”, which is redundant: one of the two needs to be deleted.
211. In the last sentence, in line with ISAE 3400, reference needs to be made to whether the subject matter information has been properly prepared “on the basis of those assumptions and presented in accordance with the applicable criteria”.
213. In line with the usage of the concept of materiality in ISAE 3000 (Revised), the words “for material topics and related elements” need to be deleted, since materiality is connected to the consideration of the misstatements – not to the topics and related elements and their “materiality”.
219. The use of the word “error” in (e) is not appropriate in this case in in paragraph 220 because neither item is an error; the former should be changed to “deviation” and the latter to “misstatement”.