

EER Consultation Paper July 2020

16. Overall other comments and themes

16.1 Integrated Reporting or TCFD

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

During outreach, our stakeholders also identified the need for further examples or the extension of existing examples, in the following areas of EER:

- Task Force on Climate-related Financial Disclosures (TCFD) disclosure (Supplement B: examples).
- Integrated Reporting <IR>, in particular:

Assuring The Business – The distinctive contribution of integrated reporting and consequent assurance implications – ‘The Business - What, With, How, Why’, strategically-determined metrics drawing on standards for metrics where available (e.g. IFRS, GRI / SASB) (Chapter 6).

The differing lenses of the <IR> Framework: multi-capitals, insiders looking out, intangibles and consequent assurance implications (Supplement B: examples).

Not enough guidance on evaluation (as distinct from measurement) – critical in <IR> assurance – qualitative (Chapter 11) and forward-looking information (Chapter 12), which reflect significant business judgements and decisions.

NZAASB - New Zealand Auditing and Assurance Standards Board

The NZAuASB considers that the draft guidance is framework neutral and identifies the principles and concepts that can be applied to the wide range of EER subject matter. We encourage the IAASB to consider adding TCFD type scenario examples (small or large) to emphasize that such reporting is within the scope of the guidance. In New Zealand, mandatory reporting using the TCFD recommendations is currently being explored.

3. Accounting Firms

KPMG - KPMG Network

Extending Content Beyond Sustainability Engagements

We noted in our comment letter in response to Phase I that much of the content of the Guidance Document appears to focus, at least implicitly, on sustainability engagements, possibly because this is currently a more established engagement type.

Whilst we note that the Guidance Document retains a primary focus on sustainability engagements, we welcome the changes made to address a broader base of engagement types, in particular, with the inclusion of a more diverse pool of examples.

We refer to our comments upfront in this letter regarding interconnected standard- setting, and also highlight the development over time of various reporting frameworks in this area, including the IIRC’s Integrated Reporting (IR) Framework. Such frameworks provide a basis for identifying the entity-specific matters on which information should be provided but do not (and cannot) prescribe a list of the information to be

disclosed. We consider it important that the Guidance Document address the particular challenges for practitioners involved in EER assurance engagements of such an integrated nature, as initiatives in this area gain momentum and corporate reporting evolves beyond the traditional focus on historical financial information.

Practitioners will also need to evaluate whether the information provided meets the needs of the intended users, which may be more challenging for these EER engagement types. We suggest that the Guidance Document/related examples provide further detail for practitioners as to how they may identify and consider such needs, such as assessing whether information would affect users “modelling” of an entity’s prospects. This would assist practitioners both in making the determination that there is a rational purpose to the integrated reporting engagement, as well as in risk assessment, evaluating the evidence obtained and forming a conclusion. (See also below under Intended Users and Preconditions for an Assurance Engagement).

4. Public Sector Organizations

AGNZ - Auditor-General of New Zealand

Although we acknowledge that the Guidance has been prepared to address a wide-range of EER situations, the assurance of performance information in the public sector requires, in our view, taking an integrated approach to auditing the financial and performance information of an entity. The audit of performance information in the public sector fundamentally involves providing assurance on how public entities have used public money to achieve value for the public.

In New Zealand, the Auditor-General’s auditing standards are based on the International Standards on Auditing (ISAs). The Auditor-General has developed a separate standard on the audit of performance information, which is integrated with the Auditor-General’s other auditing standards. The standards have been configured in this way to recognise the strong connection that should exist between the audit of historical financial information and the audit of historical performance information.

Because the Guidance is based on ISAE 3000 (Revised) (the Standard), which adopts an approach to assuring EER (including performance information) in isolation and separate from the audit of financial information, we do not consider that the Guidance and Standard can be appropriately applied to the audit of public sector performance information. In a public sector context, performance information covering the activities carried out by the entity and the impact of those activities, is fundamental to public accountability and arguably more important than financial reporting. We recommend that this form of reporting not be included within the scope of the Guidance.

We also observed that there is an emerging trend towards reporting that integrates financial and performance information not only in the public sector, but in other areas as well. We therefore suggest that the International Accounting and Assurance Standards Board (IAASB) anticipate and consider developing standards and guidance that take a more integrated approach.

As noted in our main comments, the assurance of performance information in the public sector requires taking an integrated approach to auditing the financial and performance information of an entity. In a public sector context, performance information covering the activities carried out by the entity and the impact of those activities, is fundamental to public accountability and arguably more important than financial reporting. We recommend that the Guidance recognise this and that the assurance of performance information in the public sector therefore not be included in the scope of the Guidance.

5. Member Bodies and Other Professional Organizations

BRLF - Australian Business Reporting Leaders Forum

I note two matters for further consideration prior to finalising the guidance:

Expand the guidance to assist practitioners understand the unique nature of integrated reporting, and so the complexities that will be faced when planning for and undertaking integrated reporting assurance.

Build on Example 10 in Supplement B, or add an additional detailed Example 13, to accommodate the likely path organisations will take towards integrated reporting assurance, being readiness reviews (pre-conditions for assurance), limited assurance and ultimately reasonable assurance on full adoption of the IIRC's International Integrated Reporting <IR> Framework.

Integrated reporting on the Business

An integrated report is predominantly a business report, setting out how the organisation has used its key resources and relationships to execute on strategy, manage risk and deliver sustainable value for its shareholders and broader stakeholders. The integrated report describes the Business, its performance and future prospects. This sets an integrated report apart from other EER frameworks, which tend to focus on specific metrics and related narrative on those metrics, without a holistic focus on the Business and its future prospects over the short, medium and longer term.

Integrated reporting is seen by the IIRC and other commentators as making a 'distinctive contribution' to the global corporate reporting system for the following reasons:

The <IR> Framework is the only reporting framework which starts from the foundation of reporting on the Business, and so assuring the description of the Business stands integrated reporting assurance apart.

The <IR> Framework was developed through a robust standard setting process over three years with preparer and user pilots and two rounds of public comment - it is increasingly being accepted as the starting point for the conceptual framework for connecting all corporate reporting (financial and non-financial information).

With its multi-capitals approach and strategic focus on the Business, integrated reporting is much broader in its coverage than other reporting frameworks, meeting the information requirements of a broader set of stakeholders.

Each of these attributes brings unique assurance implications, which could be dealt with in the main body of the guidance without much added volume through explanation and short examples.

Integrated reporting – assurance techniques

An integrated report includes qualitative (narrative) and quantitative (metrics) information. This distinction is critical from an assurance perspective:

Qualitative narrative and forward-looking information is generally used in an integrated report to describe the Business, its purpose, strategy, available capitals, risk framework, governance and business model. It includes significant business judgements by the Board and Executive on the Business, its performance and future prospects. This information requires 'evaluation' from an assurance perspective.

Quantitative lead and lag metrics are used to explain the performance and prospects of the Business. This information requires 'measurement' from an assurance perspective.

This broad distinction is useful to guide assurance practitioners on how to perform an integrated report assurance engagement. The EER assurance guidance covers assurance over the measurement of metrics, but it should provide further support and examples to assist practitioners apply their professional skills and judgement in the evaluation of qualitative disclosures.

Pre-conditions, limited and reasonable assurance

Organisations moving towards integrated report assurance will need to have adequate systems and controls over their end to end integrated reporting process, including over the capture of required information. Many will engage their assurance practitioner to undertake a readiness review before moving towards assurance.

Example 10 in the appendix to the guidance assumes that the preconditions for assurance have been met for reasonable assurance, and so does not explore the significant challenges for the assurance practitioner involved in firstly the evaluation of the pre-conditions for assurance, and then the complexity in assurance procedures of moving from limited to reasonable assurance.

Pre-conditions

The reporting management system underpinning preparation of an integrated report will build on traditional financial and sustainability reporting systems to enable reporting on the Business as described in the integrated report. For many organisations, readiness for integrated reporting assurance will require a shift in their focus and expectations regarding documentation of the 'integrated reporting management system' and the resultant description of the Business.

Documentation of the Business will need to be owned by the Executive and approved by those charged with governance (the Board). The assurance practitioner will be expected to exercise professional scepticism and judgement to 'evaluate' this documentation, the 'business judgements' underlying it, as well as the design and operation of the integrated reporting management system.

The EER assurance guidance could be updated to explain the unique nature of integrated reporting assurance (as noted earlier) and include a short example on the need for a readiness review to assess the pre-conditions for assurance; in other words, to evaluate the documentation, business judgements and underlying integrated reporting management system and assess whether they are of sufficient quality to withstand independent assurance. Alternatively, this could be addressed as part of a longer example in the appendix to the guidance, together with the transition from limited to reasonable assurance (see below).

Limited to Reasonable assurance

In the global cases of integrated report assurance to date, the practitioner has provided limited assurance on the integrated report's application of the <IR> Framework. The pre-conditions have been met to move towards assurance, but there is a big assurance step from providing limited to reasonable assurance.

This is best demonstrated by considering how substantive assurance evidence would be gathered on the description of the Business in the integrated report.

Design of the integrated reporting management system, including the processes to describe the Business and address

business judgements, will largely be capable of evaluation by reading the relevant documentation and making appropriate confirmatory observations and enquiries. This will support limited assurance.

However, it will only be possible to obtain evidence as the effective operation of the Business, as described in the integrated report, by observing those charged with governance and executive management actually

implementing strategy, managing risks, and allocating the capitals in a manner similar to how they have described the Business in the integrated report. Reasonable assurance, although possible once the pre-conditions for assurance have been met, will not be straight-forward to plan and implement such that the practitioner can capture sufficient audit evidence without significant impost on the organisation throughout the reporting period.

Consideration should be given to providing an additional longer example in the appendix, either building on example 10 or as new example 13, to the guidance on how the practitioner should practically approach planning and executing the move from limited to reasonable assurance over the organisation's integrated report.

Thank you for considering these recommendations. As we move globally towards adoption of more 'connected' or 'integrated' reporting, I believe these proposed enhancements will be of significant value to the assurance practitioner, as well as report preparers and users, now that the breakthrough on integrated reporting has been achieved and momentum is expected to grow.

GRI - Global Reporting Initiative

integrated reporting of financial and non-financial information within the same report and whether one assurance report can be provided for the entire report.

IIRC - International Integrated Reporting Council

Investors are increasingly talking about the need for assurance as a technique to provide them with more confidence in the propriety, and enhance the credibility, of integrated reports. There are a number of national and regional regulatory bodies showing signs of interest and considering how they can influence the development of best practice guidance in relation to assurance in this area.

These developments in assurance go hand in hand with a move towards much more widespread integrated reporting internationally - the <IR> Framework is now used by over 2,000 organizations in more than 70 countries.

The IIRC believes assurance is a matter of immediate strategic importance. Clearer and more tailored guidance is essential especially as instances of integrated reporting assurance continue to increase.

Notwithstanding the progress made in the ten years since the IIRC's <IR> Framework was published, the practice of integrated reporting is still relatively immature. Compared to traditional financial reporting, where there have been tens of years of development and refinement of reporting and assurance culminating in the comprehensive International Financial Reporting Standards, International Standards on Auditing, and International Standards on Assurance Engagements suite of standards and guidance, and sustainability reporting where assurance practice is well-established, integrated reporting and associated assurance is in its infancy. This is important from a standard setting perspective as the approach must accommodate experimentation, particularly around the wider array of capitals and qualitative assurance rather than trying to get to the perfect answer with the first standard or guidance.

The IIRC believes that the EER assurance guidance should address directly what expectations users should have of the assurance provided when it is focussed on behaviours and prospective actions as well as systems and the past. Organizations will report things about their intentions for the future which will sometimes be wrong. All stakeholders need to understand that the future is not certain - or even close to certain in some cases. The integrated reporter and the provider of assurance must not be subject to litigation or criticism where due care is taken but events mean that intentions expressed in an integrated

report at a previous point in time have proven to be incapable of execution. The COVID19 situation is a case in point.

We know that there is a demand from investors and other key stakeholders for assurance over integrated reports. The demand is evidenced by the integrated reports of ABN Amro (the Netherlands), Cipla (India), the IIRC (UK), Cbus and CPA Australia (Australia) receiving limited assurance 'in accordance with' the <IR> Framework.

However, so far the only examples of assurance on integrated reports are for limited assurance. This is due to the distinct nature of an integrated report and the challenges involved in providing reasonable assurance over narrative and forward-looking strategic information.

We believe that the challenges of enabling the move to reasonable assurance are not insurmountable, but will require the concerted efforts of business, assurance providers and the IAASB working together, to understand the challenges and to work through the bridge from limited assurance to achieving reasonable assurance in the future. There must be room for experimentation in this area as the evolution from limited to reasonable integrated reporting assurance continues.

The IIRC would be delighted to work with IAASB, leading assurance practitioners with experience in delivering integrated reporting assurance and the relevant participants of the IIRC's <IR> Business Network to facilitate taking integrated reporting assurance conversations and practices further.

This submission focuses on five main areas, as explained below and elaborated upon in the Appendix. These are important matters for your consideration as you move towards issuing final guidance in late-2020. Overall, we believe that there is a need to:

Amend the main guidance document in a number of ways in order to assist assurance practitioners in identifying and dealing with matters which are particularly significant to integrated reporting assurance. They relate to the distinctive contribution of integrated reporting to the global corporate reporting system.

Retain and enhance Example 10 in Supplement B to accommodate the evolving status of integrated reporting assurance. This is where assurance practitioners will need most practical guidance in the next two to three years, as external assurance on integrated reporting matures and expands beyond the five instances in 2019, which were all limited assurance in nature. No doubt these engagements involved extensive consideration of whether the pre-conditions for assurance had been met or whether an assurance readiness review would have been more suitable at that time. No guidance on these matters is currently included in Example 10.

We believe the following matters need to be addressed in the main guidance document and Example 10 as appropriate:

Guidance must be globally consistent

It is essential that the approach to integrated reporting assurance is globally consistent to match the transformation of the global reporting system itself. Such an approach would be consistent with the way in which the transformation of the underlying corporate reporting system is heading. The IAASB's extended external reporting assurance guidance, and other national equivalents (e.g. AICPA attestation standards in the USA) has the opportunity to set down the principle of global consistency and become the rallying point for national and regional regulators.

Distinctive contribution of integrated reporting

An integrated report is inherently a future-oriented document, which is designed and presented (along with the much wider

array of mediums to which stakeholders have access today) in a manner which enhances understanding by its investor and other stakeholder users. A significant component of an integrated report is delivered in narrative form, increasingly by way of diagrams, pictures, graphs and hyperlinks, which is complemented and supplemented by quantitative performance information. It reports on the business and its performance and prospects to create value for itself and others. This sets an integrated report apart from other EER frameworks, which tend to have a narrower focus without an inherent link back to the overall strategy and business model of the organization, prescribing metrics which often are about the past or at a point in time and not future-oriented.

Integrated reporting makes a distinctive contribution to the global corporate reporting system which stands it apart from financial and all forms of sustainability reporting:

Integrated reporting provides the roof that brings together all forms of corporate reporting – including financial, sustainability and other business-critical matters – into a concise communication about value creation for the organization and others over time.

It is the only reporting framework which starts from the foundation of reporting of the business, and so assuring the description of ‘the business’ and associated non-standard metrics in the integrated report stands integrated reporting assurance apart.

Assuring an integrated report is not about independently reporting on the quality of the strategy, resources and relationships and business model, nor their fitness-for-purpose, as these matters are a preparer responsibility. The focus for the assurance practitioner in an integrated reporting assurance engagement is on, ‘Is the way in which the business is described in the integrated report how it operates in practice?’

With its multi-capitals approach for all material stakeholders, integrated reporting is broader than other reporting frameworks.

Each of these attributes brings unique assurance implications. It would be possible to include these matters in the main body of the guidance without much added volume.

An example of the different significant assurance implications when considering an integrated report, as compared to existing financial and sustainability reporting, is its foundation of being a narrative on the business strategy and business model, which reflects complex judgements by those charged with governance and management. The integrated reporting assurance practitioner requires the knowledge, skills and experience to understand these business judgements and their faithful representation in the integrated report, which in itself requires complex assurance judgements. This matter is expanded on in the appendix. The integrated reporting assurance practitioner will need to consider broader concepts about an entity and its industry during an assurance engagement on an integrated report.

Short examples illustrating assurance considerations related to non-standard metrics also need to be included in the main body of the guidance to balance and contrast to the short examples illustrating the narrower focus of ESG standards.

‘Evaluation’ versus ‘measurement’ as assurance techniques

Broadly, an integrated report is comprised of two types of information, qualitative and quantitative. This distinction is critical from an assurance perspective and it is often the qualitative, future-looking information that is most challenging and interesting for the preparer, the user and the assurer:

Qualitative and forward-looking information. Broadly, this information is about the purpose, strategy, resources, governance, business model and competitive advantage of the business. It reflects significant judgements about the business and its performance and prospects. This information requires evaluation from an assurance perspective.

Quantitative information. Broadly, this information is metrics demonstrating the performance and aspects of the prospects of the business. This information requires measurement from an assurance perspective.

This broad distinction is useful to guide assurance practitioners on how to perform an integrated report assurance engagement. Guidance for integrated reporting assurance needs to focus on the implications of the qualitative dimension for the practitioner and therefore on evaluation rather than measurement techniques, and on the professional skills and judgement of the practitioner as they relate to the evaluation of relevant qualitative information at various stages of the assurance engagement.

Guidance on the difference between these two types of assurance techniques is critical given the need to evaluate narrative and other ways of describing the business, as well as the other aspects of the distinctive contribution of integrated reporting.

Appendix - Distinctive contribution of integrated reporting – Assurance Implications

Conceptual Framework

This <IR> Framework is often mischaracterized as being ‘only’ high-level principles. It is in fact the only reporting framework which provides its content elements and guiding principles through a business-based conceptual foundation.

This matter has significant assurance implications when it comes to evaluating whether information in a report described as an integrated report is truly part of the integrated report, or is ‘other information’ in terms of International Standard on Assurance Engagements ISAE 3000, ‘Assurance engagements other than audits of reviews of historical financial information’ and International Standard of Auditing ISA 720, ‘The auditor’s responsibilities relating to ‘Other Information’.

Combined with paragraphs 1.17 and 1.20 of the <IR> Framework, the Framework requires an integrated report to be designated, identifiable, concise and balanced – the report must have a defined boundary. This also means that the resulting integrated report and integrated reporting process will be capable of automation, with assurance extending to this area.

Assuring the description of the business

The business foundation of integrated reporting has significant consequent assurance implications.

Integrated reporting is a process founded on integrated thinking, or better business practice. The integrated report is an outcome of the process, communicating that integrated thinking to all stakeholders. Accordingly, it is critical that assurance adds credibility to the reporting of the business in the integrated report by confirming that the business is described as it really is.

In summary, the fundamental concepts of integrated thinking reflect three business concepts, which could be viewed as the what, with and how of the business:

The strategy, risks and opportunities arising from the external environment, and stakeholder information demands – its value creation. The “what”.

The resources and relationships available to the organization – ‘the capitals’. The “with”.

The governance, business model and risk management process – the value creation process. The “how”.

These all support the organization in achieving and reporting on why the organization is better than its competitors in using what it has (its capitals) in its boardroom, c-suite and business processes to implement its strategy, manage risks and opportunities, and realize its purpose. The demonstration of its integrated thinking. The “why”.

The business will typically be described in an integrated report through a combination of narrative, graphics, tables, diagrams and visuals.

The task of the assurance practitioner is determining whether the ‘what, with and how’ as they exist - are reliably presented in the integrated report – and support the description of the ongoing ‘why’.

The assurance engagement is focused on whether ‘the real’ what, with and how have been reported in the integrated report, as there is a risk that the report may articulate the business that an organization ‘would like to have’ rather than the business that it actually has.

Metrics

The <IR> Framework provides a conceptual framework for testing the completeness and balance of self-determined non-standard metrics (that is, those not required by financial reporting (IFRS / US GAAP) and sustainability reporting (e.g. GRI / SASB / CDSB) standards). These metrics will mainly relate to innovation, intellectual property, technology, customer satisfaction, employee strategic alignment, regulator engagement, quality of governance and strategic management of the business.

Multi-capitals approach for all stakeholders

The <IR> Framework has a multiple-capitals approach to capture the breadth of the business, designed to be of interest to all stakeholders:

Multi-capitals approach - The <IR> Framework provides a broader business focus than sustainability reporting. The <IR> Framework identifies six capitals that may be material to any organization: financial, manufactured, human, social and relationship, natural, and intellectual.

Financial and sustainability reporting initiatives and associated standard metrics, typically focus on a narrower range of capitals. Financial reporting focuses on financial capital and aspects of manufactured capital while sustainability reporting focuses on natural capital, and aspects of social and relationship capital and human capital.

Integrated reporting is significantly more focused on intangible drivers of business value, which are so critical to modern strategies and business models.

This brings consequent significant assurance implications. The assurance implications of ESG metrics are well addressed in the main EERA guidance document and in 10 of the 12 examples in Supplement B. The multi-capitals approach is not.

All stakeholders. An integrated report explains to providers of financial capital how an organization creates value over time. It benefits all stakeholders interested in the organization’s ability to create value including customers, employees, suppliers, regulators, business partners, legislators, policy-makers and the broader community which effectively provide the ‘social licence to operate’. Financial reports are focused on investors and sustainability reports are often focused on single or narrow groups of stakeholders.

Engagement performance

We encourage the IAASB to draw out the following aspects, mainly in relation to the pre-conditions for assurance and

assurance readiness (matters which are assumed to have already been resolved in Example 10) in Example 10 to a greater extent than they currently are:

Chapter 1 – Competence

The difference between financial report auditing and integrated reporting assurance lies in the use to which the required understanding of the business is put in the:

Financial report audit engagement, where the understanding of the business is used to plan and perform the audit under International Standards on Auditing, including evaluating whether, among other things, the financial position and performance of the organization are properly reported in accordance with International Financial Reporting Standards

Integrated report assurance engagement, where the understanding of the business is used to plan and perform the assurance engagement, also under International Standards on Auditing, but including whether, among other things, the strategy, governance, performance and prospects are properly set out in the integrated report in accordance with the <IR> Framework and/or the business's Basis of Preparation.

Such a holistic understanding of the business is not required for other forms of extended external reporting assurance engagements, including sustainability report and service performance report assurance engagements.

The assurance practitioner obtains a detailed understanding of the business as a key to planning the integrated report assurance engagement, comprised in broad terms of the:

Strategy

Risks and opportunities

Resources and relationships (capitals) that the organization draws upon for its business activities

Business model, including key business processes and critical activities within them

Governance, including the governance process as a key business process

Organizational set up and external environment.

Skills in each of these areas are required in a financial statements audit team, either within the core audit team, or in specialists used under instruction by the engagement leader and core audit team. The engagement leader needs to bring skills in these areas together in accepting and planning the financial statement audit engagement, determining materiality, obtaining audit evidence, reaching audit conclusions and reporting on the financial report audit engagement in the audit report to those charged with governance.

So too in an integrated report assurance engagement. The engagement partner needs to bring skills in these areas together in accepting and planning the integrated report assurance engagement, obtaining assurance evidence, reaching assurance conclusions and reporting on the assurance engagement in the assurance report and communications to those charged with governance.

Chapter 3 - Acceptance – Pre-conditions and scope

The assurance engagement for the integrated report of CPA Australia (assurance over the whole report in terms of content elements and other mandatory requirements, but not the guiding principles in the <IR>

Framework) compared to those for ABN Amro, the IIRC and Cbus (which extend to the entire <IR> Framework, including the guiding principles), provide an interesting contrast.

International Statement of Auditing Standards 720, 'The Auditor's Responsibilities Relating to Other Information' and International Statement of Assurance Standards ASAE 3000, 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' require the assurance practitioner to isolate from their assurance conclusion 'other information' that does not form part of the report subject to assurance in accordance with the underlying reporting framework.

The <IR> Framework is comprised of content elements, guiding principles and other mandatory requirements. It is possible for an integrated report to be in accordance with the content elements of the <IR> Framework but not all of the guiding principles (e.g. conciseness) or other mandatory requirements (e.g. that the report be designated and identifiable) - as the organization's journey continues towards producing an integrated report in accordance with the entire <IR> Framework. Assurance in this case does not consider whether information in the integrated report is excessive to that which would be required to claim full adoption of the <IR> Framework.

The relevant consideration is whether a report in accordance with only part of the <IR> Framework (that is, the content elements) is not so much a consideration in relation to 'other information' than it is to a consideration in relation to whether the engagement has a rational purpose. A report in accordance with part but not all of the qualitative characteristics of a reporting framework may well have a rational purpose (of interest to investors and other stakeholders) but also have room for improvement (in terms of conciseness and connectivity).

6. Academics

DEAKIN - Deakin University Integrated Reporting Centre

6. Academic considerations

There are number of considerations from an academic perspective, from both teaching and research perspectives.

Teaching

We teach integrated reporting at both under-graduate and post-graduate levels at Deakin University. Our integrated reporting course has one week of 10 devoted to integrated report credibility enhancement, including external assurance of integrated reports under ISAE3000. We have plans to develop a dedicated integrated reporting assurance module for the university's auditing and assurance curriculum as integrated reporting adoption momentum continues, and as investor and other stakeholder demand for assurance of integrated reports grows. Finalised Extended External Reporting Assurance (EERA) guidance by the IAASB, enhanced as recommended above, will be an essential pre-requisite for this educational offering. It will be the foundation for our teaching.

A key issue for universities, accounting bodies, the accounting firms, and standard setters – broadly, the accounting profession – as integrated reporting and assurance becomes the norm will be that the vast majority of today's assurance professionals do not have integrated reporting, or integrated reporting assurance, accreditation.

This submission summarises the distinctive contribution of integrated reporting as the basis for making submissions associated with the unique challenges of integrated reporting assurance among the range of challenges facing EER assurance practitioners.

The world's assurance profession faces a significant system capacity issue in this area. Deakin as an educator will do what it can to train assurance practitioners on integrated reporting assurance.

This means that it will not be an essential component of only our courses at graduate and post-graduate level. There will be significant demand for executive education to prepare today's existing experienced assurance professionals. Accordingly, it is essential that the IAASB's guidance prepares and guides practitioners on the unique challenges of integrated reporting assurance engagements, which are derived from the distinctive contribution of integrated reporting, if it is to support best practice and manage the assurer's risk in practice.

We recommend that the IAASB has significant regard to this matter as it finalises the EERA guidance.

Research

We believe that there is significant scope for research into the unique challenges of integrated reporting assurance in the context of the distinctive contribution of integrated reporting in capital markets. There is minimal, if any, existing research in this area.

The value proposition of integrated reporting is well known. Highly regarded quantitative research now exists in support of the capital market benefits of high quality integrated reporting for investors and analysts. Research is planned to extend that research to broader stakeholder groups.

Anecdotal evidence is emerging on the internal business benefits (integrated thinking) from integrated reporting adoption is now emerging. Academic-standard qualitative research in this area is planned.

Parallel research on the value proposition of integrated reporting assurance is also required. The research could be either qualitative or quantitative in nature. Both will add value in establishing / confirming the benefits of assurance of integrated reports. Furthermore, there is a significant knowledge gap regarding assurance of integrated reports in today's academic research community. It is our view that this gap needs to be addressed in going forward.

The value proposition for integrated reporting assurance is well developed at a high level. Such research needs to cover the benefits to:

all stakeholders, including investors, of integrated reporting assurance;

organisations from undergoing an integrated reporting assurance journey.

Again, the IAASB's guidance will be a critical underpinning of such research.

Overall, we believe that there is a need in the final guidance to:

adjust the main guidance document in a number of ways which will assist practitioners on matters which are unique to integrated reporting assurance. They relate to the distinctive contribution of integrated reporting to the global corporate reporting system

retain and enhance Example 10 in Supplement B to accommodate the evolving status of integrated reporting assurance. This is where assurance practitioners will need most practical guidance in the next two to three years, as integrated reporting assurance evolves beyond the four instances in 2019, which were all limited assurance in nature. These engagements would have involved extensive consideration of whether the pre-conditions for assurance had been met or whether an assurance readiness review would have been more suitable at that time. Little guidance on these matters is currently included in Example 10.

Key <IR> Assurance Area

Guidance including short examples

Example 10

The distinctive contribution of <IR> and consequent assurance implications

Business-based conceptual framework

Describes the business as report foundation

Strategic business context for self-determination of non-standard metrics

X

X

Evaluation & Measurement

Narrative about 'The Business' (Evaluation)

X

X

Standardised metrics (Measurement)

√

√

Self-determined metrics (Evaluation and Measurement)

X

X

Limited versus reasonable assurance?

√

X

Have regard to the educational matters explained in this submission, including the teaching implications for building sufficient system capacity of professionals who are equipped to carry out integrated reporting assurance engagements; and for the IAASB to consider sponsoring targeted academic research as recommended in this submission. The DIRC would be delighted to carry out such research for the IAASB.

The Deakin University Integrated Reporting Centre (DIRC) congratulates the International Auditing & Assurance Board (IAASB) on its Extended External Reporting Assurance Consultation Paper. It is critically important to the credibility of the global corporate reporting system. Thank you for the opportunity to comment.

This guidance is essential now, as integrated reporting assurance continues to develop in practice. There were four instances of integrated reporting assurance globally in 2019. Others are known to be under development. In 2018, there were none. Investors are increasingly talking about the need for assurance as a technique to enhance the credibility of integrated reports. There is now regulatory interest and best practice guidance in relation to assurance in this area.

The following matters need to be addressed in the main guidance document:

Distinctive contribution of integrated reporting

An integrated report is inherently a future-oriented document, which is designed and presented (along with the much wider array of mediums to which stakeholders have access today) in a manner which enhances understanding by its investor and other stakeholder users. It is often largely delivered in narrative form, increasingly by way of diagrams, pictures, graphs and hyperlinks, as well as words.

An integrated report describes The Business, and the Performance and Prospects of the business. This sets an integrated report apart from other EER frameworks, which tend to focus on metrics and related narrative without a holistic focus on 'The Business' to provide strategic context, and metrics which in many cases are about the past or at a point in time and not future-oriented.

Integrated reporting makes a distinctive contribution to the global corporate reporting system which standards it apart from financial and all forms of sustainability reporting:

It has a business-based conceptual foundation – the <IR> Framework - that is increasingly being accepted as at least the starting point for the conceptual framework for connecting all corporate reporting;

It is the only reporting framework which starts from the foundation of reporting of The Business, and so assuring the description of 'The Business' and associated self-determined non-standard metrics in the integrated report stands integrated reporting assurance apart.

It needs to emphasise that assuring an integrated report is not about independently reporting on the quality of the strategy, resources and relationships and business model, nor their fitness-for-purpose, as these matters are a preparer responsibility. It is about assuring the faithful description of The Business as it really is in the integrated report.

With its multi-capitals approach for all stakeholders, integrated reporting is broader than other reporting frameworks.

Each of these attributes brings unique assurance implications. It would be possible to deal these matters in the main body of the guidance without much added volume.

Short examples illustrating assurance considerations related to self-determined non-standard metrics also need to be included in the main body of the guidance to balance and contrast to the short examples illustrating the narrower focus of metrics required by ESG standards.

The preparer's Basis of Preparation is particularly important in an integrated reporting assurance engagement, given the strategic business context provided by the <IR> Framework for the self-determination of metrics not required by financial and ESG reporting standards. These metrics will typically relate to an organisation's intellectual capital / intangibles. The source of the information and basis of calculation needs to be explained in some detail.

The Basis of Preparation should also contain information to explain updates, enhancements or particular interpretations made in relation to these metrics, as well as restatements / adjustments and related disclosure within the subject matter information, similar to the requirements of financial reporting frameworks, aspects of which are subject to update / enhancement from time to time and therefore give rise to restatements / adjustments and additional disclosure within the financial statements.

Evaluation v Measurement as assurance techniques

Broadly, an integrated report is comprised of two types of information, qualitative (narrative) and quantitative (metrics). This distinction is critical from an assurance perspective:

Qualitative narrative and forward-looking information. Broadly, this information is about the What, With, How and Why of The Business. It reflects significant business judgements about The Business, and its performance and prospects. This information requires evaluation from an assurance perspective.

Quantitative information. Broadly, this information is metrics demonstrating the performance and aspects of the prospects of The Business. This information requires measurement from an assurance perspective.

This broad distinction is useful to guide assurance practitioners on how to perform an integrated report assurance engagement. Integrated reporting assurance guidance needs to focus on the implications of the qualitative dimension for the practitioner, and so evaluation rather than measurement techniques, and on the professional skills and judgement of the practitioner, as they relate to evaluation of relevant qualitative information at various stages of the assurance engagement.

Guidance on the difference between these two types of assurance techniques is critical given the need to evaluate narrative and other ways of describing The Business, and the other aspects of the distinctive contribution of <IR>. Guidance on evaluation needs to be built up.

16.10 Maturity assessments

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

Enhanced coverage of “assurance readiness” engagements and “maturity assessments” is also suggested in this chapter 5, as a review of the system of internal control may represent an early consideration for assurance practitioners.

5. Member Bodies and Other Professional Organizations

ACCA-CAANZ - Chartered Accountants Australia and New Zealand and Association of Chartered Certified Accountants

The proposed Guidance recognises (in paragraph 50) that EER processes often lack maturity, which may give rise to engagement acceptance issues. In our Phase 1 submission, we raised our concern that the emphasis on internal controls pertaining to preconditions could result in a barrier to the adoption of EER assurance; therefore, we welcome emphasis on this matter.

It is noted with gratitude that, following our Phase 1 submission, the proposed Guidance notes (in paragraph 66) that where a “maturity assessment” may be a separate, non-assurance engagement, such a situation can also give rise to potential threats to the practitioner’s independence. As we have stated in our previous submission, it may be helpful in this instance to refer to independence considerations and to mention managing client expectations and practice risk. It would also be useful to indicate what situations would be viable for a maturity assessment as a separate engagement (if such information currently exist). Some preparers have noted that it would be helpful for them, including their audit committees, if the proposed Guidance provides more on this and what the preparer can practically do to ensure independence of the practitioner.

16.11 Multilocation engagements

1. Investors and Analysts

ICGN - International Corporate Governance Network

The Guidance has addressed the challenges for practitioners that have been identified as within the scope of the draft Guidance. However, there are still some scope for further improvement.

The Guidance does not address the challenges for practitioners on multi-location or multi-site engagements. We believe that it would be helpful to add Guidance in this area, either to each chapter, or perhaps, in order not to delay issuing this much-needed Guidance, as a separate addendum or chapter in due course. Guidance would be particularly helpful in helping teams determine whether they have sufficient appropriate evidence when performing their engagement across multiple locations or sites.

2. National Auditing Standard Setters

CNCC-CSOEC - Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts-Comptables

We consider that the Guidance should include the considerations similar to those of ISA 600 (proposed ISA 600 revised) relating to the component auditor to address the situation where entity has subsidiaries, divisions, branches or operational sites at a remote location

Moreover, concerning paragraph 44, we consider that the modal “may” in the following sentence “the practitioner may use the work of another practitioner to perform assurance procedures at that entity”, could be confusing. It could imply that the practitioner uses subcontracting. This might be dangerous in terms of responsibility for the practitioner. We therefore recommend that the paragraph be redrafted in the spirit of ISA 600. It could be for example: “When the entity has a subsidiary, division, branch or operational site at a remote location or in a different jurisdiction, the practitioner determines whether the work will be performed by the engagement team or a local practitioner on its behalf. The local practitioner is a part of the engagement team. The engagement partner remains responsible for the overall assurance conclusion and for the quality control of the engagement”.

3. Accounting Firms

EYG - Ernst & Young Global Limited

The EER Guidance does not address the challenges for practitioners on multi-location or multi-site engagements. We believe that it would be helpful to add EER Guidance in this area, either to each chapter, or perhaps, in order not to delay issuing this much-needed EER Guidance, as a separate addendum or chapter in due course. Guidance would be particularly helpful in helping teams determine whether they have sufficient appropriate evidence when performing their engagement across multiple locations or sites.

5. Member Bodies and Other Professional Organizations

AICPA - The American Institute of Certified Public Accountants

13. EER Guidance Enhancement Considerations

Although the Guidance comprehensively covers the areas identified within its scope, the addition of material that addresses the following topics could be valuable to practitioners:

- The challenges encountered by practitioners on multi-location or multi-site engagements.

16.12 Appendices

2. National Auditing Standard Setters

CNCC-CSOEC - Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts-Comptables

Finally, we have a comment concerning the appendix. The table 1 of appendix 2 sets out the types of EER reports, example frameworks used and whether covered by this guidance. ISAE 3400 – The examination of prospective financial information is not mentioned. The table should therefore be amended.

IDW - Institut der Wirtschaftsprüfer

Appendix 1: Definitions

EER reporting process

We note our comments on the definition of the EER reporting process in paragraphs 66, 82, and chapter 5, of the guidance, which suggest that this definition needs to be revisited.

Financial Information

As noted in our comments on paragraph 6 of the guidance, this definition is not in line with the one in ISA 200 and should therefore be revised to be in line with ISA 200.

Substantive procedures

Since testing of controls is relevant only to reasonable assurance engagements, does this imply that there are no substantive procedures for limited assurance engagements? Are procedures to obtain an understanding or assess the risks of material misstatement in a reasonable assurance engagement (to the extent the latter are not tests of controls) substantive procedures? It appears to us that this definition is not useful and should be deleted, particularly since the term is used only once in the guidance (paragraph 381) and could therefore be described there.

3. Accounting Firms

EYG - Ernst & Young Global Limited

EER Guidance Appendix 1 defines the term “entity developed criteria”, a term which is used throughout the EER Guidance. However, because entities may contract or work with a third party to develop criteria, the term “entity developed criteria” could be confusing, and therefore we suggest changing the name of this term to “custom criteria”. Alternatively, we suggest modifying the definition in Appendix 1 to “Criteria developed by the entity or in conjunction with a third party”.

EER Guidance Appendix 1 defines the term “Perimeter of the subject matter information”, a term which is used throughout the EER Guidance, as “Subject matter information for the engagement that is only part(s) of entity’s EER report.” We note that, in several of the occurrences of “perimeter of the subject matter information” within the body of the EER Guidance, this could be replaced with “[subject matter] within the scope of the assurance engagement”, which is more understandable. For example, in EER Guidance Chapter 4 paragraph 95, we recommend rewording “perimeter of the subject matter information” to “within the scope of the assurance engagement each year.” We suggest that IAASB challenge whether it is necessary to introduce a new defined term, particularly one which may be hard to understand for someone for whom English is not their native language. In addition, we note the use of the term “boundary” in EER

Guidance Chapter 4 paragraph 172, which we assume is a synonym for “perimeter” in this context, but which carries a defined meaning within the standards of the Global Reporting Initiative (GRI).

5. Member Bodies and Other Professional Organizations

CPAA - CPA Australia

Appendix 1 – we suggest redefining the terms “EER information” by replacing the word “consequences” with the words “outputs, outcomes or impacts”, which cover the purposes of a broad range of EER, and adding that EER information encompasses the term “subject matter information” as used in ISAE 3000. The Guidance can then use the term “EER information” throughout and avoid using the term “subject matter information”, which is not a plain English term. Refer to our comments on Supplement A Section II below for further information.

16.13 Positive comments

1. Investors and Analysts

ICGN - International Corporate Governance Network

One of ICGN’s core policy priorities is to seek transparency through better reporting, audit and metrics, so the importance of quality audit and assurance is prominent on our agenda. ICGN commends the IAASB for its global leadership in promoting high standards of audit and assurance, and we note that investors are one of the key beneficiaries of your work. The use by investors of so-called non-financial (or pre-financial) factors continues to build, particularly with regard to environmental, social and governance (ESG) information. The investor community makes use of this information both to conduct risk and investment analysis and to guide stewardship activities, including engagement and voting. We recognise that the sometimes subjective nature of information in EER reporting poses professional challenges for auditors and assurers.

But it is important to continue to make improvements here and raise professional standards where possible to build greater credibility and encourage greater use of EER. If investors have reason to doubt the quality or credibility of a company’s non-financial reporting, then this form of reporting risks not being taken as seriously as audited financial information. So ICGN supports the IAASB on its mission.

Overall, the Guidance is an impressive document. From an investor’s perspective, if given the proper competence and capabilities, we should be able to use more of the practitioner’s judgment to be able to get the appropriate level of assurance.

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

The AUASB congratulates the IAASB on the momentum established in developing this Guidance and encourages its prompt release.

The AUASB supports the release of this EER Assurance Guidance to promote a more robust approach to EER assurance and greater consistency in practice. We commend the IAASB’s leadership and the inclusive approach taken via the IAASB EER PAP. Our outreach confirmed that practitioners expect the guidance to be useful in practice, in particular the value of the examples integrated into both the guidance and supplementary material.

CAASB - Canadian Auditing and Assurance Standards Board

We support that the IAASB has taken on this very important project. It is timely to provide this guidance given the emerging and increasing use of EER globally. We believe this effort will advance the quality of assurance on EER information which will enhance user confidence in what is reported and promote comparability of information. We appreciate that the consultation paper includes many examples both throughout the main body of guidance and in Supplement B.

HKICPA - Hong Kong Institute of Certified Public Accountants

We are supportive of the material set out in the Guidance. We recognise that it has responded to key messages from respondents to the IAASB Consultation Paper, Extended External Reporting (EER) Assurance (“Consultation Paper”), and made significant enhancements in many areas, such as expanding illustrative examples to a broader range to illustrate different EER reports and frameworks used rather than focusing on GRI and sustainability engagements; structuring each chapter into “What”, “Why” and “How” to address different phases of an EER engagement.

NZAASB - New Zealand Auditing and Assurance Standards Board

The NZAuASB is very supportive of the release of the EER assurance guidance in the near future to promote consistency in practice. We commend the IAASB’s efforts for recognising its key role in developing this guidance. Our outreach confirmed that the draft guidance is expected to be very useful in practice, and many stakeholders highlighted the usefulness of the examples that have been included in both the guidance and in the supplementary material.

The additional material on considering whether criteria will be made available in a suitable manner is also useful and responds to the request raised by the NZAuASB in response to the first exposure draft

The NZAuASB commends the IAASB’s initiative to issue non-authoritative guidance. This is an important and evolving area, and it is timely for the guidance to be released to promote consistency in practice around the world.

3. Accounting Firms

BDO - BDO International Limited

The IAASB has overall addressed all challenges raised in the 2019 EER consultation paper

We fully support the collaborative effort made by the IAASB bringing together stakeholders including practitioners and users to build a shared understanding and trusted application of EER in order to serve the public interest.

CG - Crowe Global

We welcome the attention that the IAASB is giving to developing guidance to assist the performance of EER engagements. As the IAASB observes these engagements are becoming increasingly common. The development of this guidance is important for the public interest.

Overall, we agree with the structure and content of the draft Guidance. There is good use of diagrams and examples.

DTT - Deloitte Touche Tohmatsu Limited

DTTL is supportive of the work on EER that the IAASB has undertaken and believes that IAASB responded adequately to our comments on the phase 1 consultation paper. The recommendations articulated in this letter are provided to assist the IAASB as it finalizes its development of non-authoritative guidance relating to EER.

DTTL supports and appreciates the work of the IAASB regarding EER and the issuance of the draft guidance.

We welcome the adjustments made to the draft guidance in response to comments made on the EER phase 1 consultation paper.

EYG - Ernst & Young Global Limited

As further discussed in our response to Question 1, the EER Guidance contains a significant amount of content that goes beyond practitioner guidance related to the application of ISAE 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereinafter referred to as 'the Standard'), which we recognize is needed given that this is an evolving area. The current structure, with Supplements A and B, is helpful, as it separates the key concepts, background and detailed examples from the core EER Guidance. Not only will this benefit practitioners as they gain experience in performing engagements on EER, it will also help the IAASB maintain the separate elements of the EER Guidance effectively.

GTI - Grant Thornton International Ltd

Overall, we find the use of examples and diagrams throughout the document helpful in bringing the concepts to life.

Overall, we are of the view that the guidance proposed in the draft Guidance is significantly improved from the proposals in Phase I of the project. In particular, we support the creation of two supplements, Supplement A, Credibility and Trust Model and Background and Contextual Information and Supplement B, Illustrative Examples, as a means of providing further guidance for those less familiar with EER assurance engagements.

KPMG - KPMG Network

We previously raised concerns in connection with the terminology of "materiality process" in respect of the determination as to which aspects of the underlying subject matter should be included in the subject matter information. We considered that the term may be confusing as it is a different concept to "materiality" as currently used in audit and other assurance engagements.

We welcome the change in terminology in this area to "the entity's process to identify reporting topics" as this term appropriately and clearly describes the concept.

We welcome the Proposed Non-Authoritative Guidance: Extended External Reporting (EER) Assurance (the "Guidance Document"). We recognise the significant work effort of the IAASB in preparing this and we believe that, in general, it captures and appropriately addresses 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. We consider that the material included will be very useful for practitioners in performing such engagements.

We support the IAASB's decision that the Guidance Document be non-authoritative, framework neutral and principles-based and therefore is capable of being applied to assurance engagements across a broad range of EER frameworks or entity-developed criteria, and that it is directed at an informed readership comprising assurance practitioners as described in ISAE 3000 (Revised).

We commented on a previous iteration of the Guidance Document in June 2019, when the IAASB sought feedback on approximately half of the content at the end of Phase I of the development project. We support the IAASB's modifications to the guidance in response to those comments.

PwC - PriceWaterhouseCoopers

In responding to the IAASB 2019 consultation on the first phase of draft guidance, we expressed our support for developing guidance on this topic based on growing demand in many jurisdictions for various forms of EER and for assurance thereon. We reiterate our support for this timely guidance on applying ISAE 3000 (Revised) and believe it will assist practitioners.

In our 2019 response, we set out some key principles. To be effective and of practical use to practitioners, the guidance needs to:

be clear and understandable, with a coherent structure and consistent application of key concepts and terminology;

be anchored to the requirements of ISAE 3000 (Revised) and not overriding, or appearing to extend, the practitioner's responsibilities set out in that standard; and

reflect practical experience.

We set out some concerns about aspects of the draft guidance at that stage of its development that we felt did not meet those principles. In considering the proposed final guidance, we believe the guidance, for the most part, now does. We also note that changes made in areas on which we provided detailed comment have, in many cases, addressed our previous concerns.

Overall, the restructured chapters follow a logical order and the content is now presented in a style that is easier to read and less "academic" in nature

Several of the diagrams are helpful and the worked examples (Supplement B) are effective in illustrating the application of the guidance to scenarios likely to be encountered in practice.

RSMI - RSM International Limited

The guidance is a significant step forward and will assist practitioners with the challenges that they face

We support the proposed guidance and consider that it enhances ISAE 3000 Revised – Assurance Engagements Other Than Audits or Reviews Of Historical Financial Information.

4. Public Sector Organizations

AGA - Office of the Auditor General Alberta

The guidance is clearly articulated and recognizes that EER for most organizations is in a developmental stage.

The guidance recognizes there will be variation in how EER information is presented in reports subject to assurance and that presentation methods and content will likely change over time as EER reporting by an organization matures.

The guidance is useful for the public sector and has some public sector examples and circumstances.

5. Member Bodies and Other Professional Organizations

ACCA-CAANZ - Chartered Accountants Australia and New Zealand and Association of Chartered Certified Accountants

We welcome the opportunity to comment on the Public Consultation on Proposed Guidance on Extended External Reporting (EER) Assurance (“Guidance”). We commend the IAASB for recognising its key role in developing a framework for practitioners to follow in providing assurance over extended external reporting (“EER”). We continue to support the development of guidance to enhance the application of existing standards rather than to issue additional standards.

The proposed Guidance is a positive step towards ensuring the profession is well placed to respond to the challenges presented by the increasing demands for assurance over EER to enhance trust and credibility. This presents an opportunity for the IAASB to actively monitor and, where relevant, influence the development of EER frameworks to ensure that they are fit-for-purpose and will enable entities to prepare EER reports that are suitable to be subject to external independent assurance.

We appreciate that the term “materiality process,” the process the entity goes through to develop criteria, has been renamed – a point we raised in our submission on the Phase 1 consultation.

The proposed Guidance recognises (in paragraph 50) that EER processes often lack maturity, which may give rise to engagement acceptance issues. In our Phase 1 submission, we raised our concern that the emphasis on internal controls pertaining to preconditions could result in a barrier to the adoption of EER assurance; therefore, we welcome emphasis on this matter.

AE - Accountancy Europe

Accountancy Europe fully supports the proposed non-authoritative guidance (hereafter ‘guidance’) on Extended External Reporting (EER) Assurance.

Recent European developments on sustainable finance highlights the importance of high-quality data to assess sustainability of investments and to transition to a sustainable economy. Non-financial information (NFI) is vital for companies and stakeholders to make sound business decisions. But stakeholders also need to know if the information can be trusted. The European Commission is looking for ways to strengthen NFI reporting and assurance requirements to enhance NFI credibility. Accountancy Europe issued a position paper on achieving high-quality assurance to contribute to this policy debate. In the publication we highlight three conditions to develop and ensure high-quality NFI assurance: 1) EU regulatory framework mandating assurance 2) professional standards applicable to all assurance service providers 3) public oversight of assurance service providers. We stress the importance of the international standards for assurance engagements and accompanying guidance in delivering quality services. Guidance on EER assurance is therefore of strategic importance in Europe.

We consider the guidance to be exhaustive and the methodology outlined in the guidance is at an excellent technical level.

Assirevi

The publication of the Draft Guidance (hereinafter the Guidance) to clarify some of the aspects outlined in the existing assurance principles (e.g. ISAE 3000 Revised, hereinafter “ISAE 3000”) when facing EER assurance engagements is certainly useful. We support the revised structure and order of the Guidance: we think that ordering the Chapters based on the flow of various stages and other aspects of the performance of an engagement is a more logical order for the practitioner to follow.

BRLF - Australian Business Reporting Leaders Forum

I congratulate the IAASB on a comprehensive guidance document

CPAA - CPA Australia

In our past submissions on the IAASB’s strategy, as well as our previous submission on the then partially drafted Guidance on EER Assurance, we encouraged the IAASB to develop guidance for practitioners in the conduct of assurance engagements on EER. This will enable practitioners to better understand how to apply the standards on assurance engagements to meet the challenges of providing such assurance. We commend the IAASB in completing the Guidance, and in doing so providing a significant volume of detailed guidance to explain and illustrate how the IAASB standards can be applied to EER. We consider that the Guidance will be important in assisting practitioners in developing high quality assurance services on EER.

The Guidance addresses the challenges for assurance engagements on EER well. Although we identify some areas for further refinement, we do not consider these to represent fatal flaws.

The Guidance is well structured, and we support moving materials into Supplement A and B to make the main Guidance less lengthy.

GRI - Global Reporting Initiative

These more detailed case-studies also provide more comprehensive examples that demonstrate application of the guidance in practice. For practitioners this is very helpful.

We thank the IAASB for taking on this project with the support of the WBCSD to provide guidance to assist assurance practitioners undertaking assurance engagements on EER. Such guidance will prove very useful in a challenging and rapidly evolving area, and GRI welcomes the opportunity to provide feedback to the IAASB on its proposed guidance.

This guidance is being developed at a time when there are increased demands for sustainability reports to be assured, that the scope of the assurance extends to qualitative as well as quantitative information, and in some cases that reasonable assurance opinions be provided. It is hoped that this guidance will assist in such assurance engagements being conducted in a more consistent manner.

IAAA - Inter-American Accounting Association

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.

ICAS - Institute of Chartered Accountants Scotland

We commend the IAASB and the World Business Council for Sustainable Development (WBCSD) for taking the initiative to produce much needed guidance on the application of ISAE 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Information, in Extended External Reporting (EER) Assurance Engagements.

We are supportive of the initiative and the objective to enable greater consistency in the application of ISAE 3000 in the evolving area of external reporting.

Having said that, the examples provided are extremely useful and we believe that assurance providers will perceive them as helpful sources of reference.

IIRC - International Integrated Reporting Council

In our view assurance is critically important to support the credibility of the global corporate reporting system and we commend you on helping drive the discussion forward.

ISCA - Institute of Singapore Chartered Accountants

Diagram 1 (paragraph 20) is key to the whole Guidance, as it shows how the various chapters relate generally to ISAE 3000 (Revised) and to one another.

In addition to practitioners, we find that the Guidance is also potentially useful to directors and management for working towards getting their EER reports ready for assurance as their EER capabilities mature. This allows them to understand the requirements of EER assurance and this may provide a baseline understanding between the preparers and assurance providers on the application of ISAE 3000 (Revised) in the assurance of EER reports.

The structure of the Guidance seems appropriate and logical, beginning from the fundamental issues of a proposed engagement (the competence and independence/objectivity of the practitioner; the scope of the engagement and proposed criteria) and following the familiar approach applied for financial statement audits.

We believe that the Guidance supports the above objectives and is timely as EER reporting becomes increasingly important to stakeholder decision-making.

MICPA - Malaysian Institute of Certified Public Accountants

We also applaud the effort of the IAASB to enhance the clarity of the Standard by providing guidance

SAICA - South African Institute of Chartered Accountants

SAICA has noted the significant improvements made from the EER Assurance Consultation Paper (February 2019) that was submitted during Phase 1 of the project. We are satisfied with the scope of the Draft Guidance and believe that the guidance provided therein adequately addresses the ten key challenges that were identified at the beginning of the project.

Diagram 1 (on page 60) provides an excellent reference point on how the Draft Guidance relates to ISAE 3000 (Revised). This diagram provides a clear overview of how each section in the Draft Guidance fits into the various stages of the EER assurance life cycle.

Extended External Reporting (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.

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 assurance engagements on EER, based on the principles contained in International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. The Draft Guidance will be useful to practitioners in addressing the challenges that they commonly encounter in applying ISAE 3000 (Revised) in assurance engagements on EER.

The Draft 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 Draft Guidance can be applied to assurance engagements on reports that are prepared using any EER framework, or entity-developed criteria.

6. Academics

DEAKIN - Deakin University Integrated Reporting Centre

The Deakin University Integrated Reporting Centre (DIRC) congratulates the International Auditing & Assurance Board (IAASB) on its Extended External Reporting Assurance Consultation Paper. It is critically important to the credibility of the global corporate reporting system. Thank you for the opportunity to comment.

16.14 Qualitative EER information

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

Chapter 11 Addressing Qualitative EER Information: As qualitative statements within a narrative component are fundamental to EER, the AUASB is of the view that addressing related challenges would add most value for assurance practitioners throughout the Guidance, as and when they would come across them. Key stages of the assurance process where challenges with qualitative information can present include pre-conditions, determining suitable criteria, evidence gathering and in assessing the materiality of any misstatement. This approach to integration of such challenges throughout the Guidance, rather than in a standalone chapter, was echoed during outreach by many of our stakeholders. We suggest using the specific examples for each of these stages of the assurance process contained in Supplement B.

CNCC-CSOEC - Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts-Comptables

We have a comment on the order of the chapters. As chapters 11 and 12 deal with transversal/cross-functional/ multidisciplinary topics/ (i.e. respectively addressing qualitative EER Information and addressing future-oriented EER information), we believe that they should be moved up between chapters 9 and 10. As a matter of fact, chapter 10, dealing with preparing the assurance report, is the result of the previous chapters.

NZAASB - New Zealand Auditing and Assurance Standards Board

In addition, we encourage the IAASB to reconsider the need for a separate chapter (chapter 11) on addressing qualitative EER. Most EER information will include narrative information. This key challenge may be better highlighted and connected to relevant examples at appropriate stages in the assurance process (e.g., at the precondition stage, in determining the suitability of criteria, in gathering evidence and in assessing the materiality of any misstatement). We therefore recommend that the IAASB consider weaving this chapter through the assurance process rather than leaving it to the end.

The NZAuASB also considers that it would be especially useful to include aspects related to addressing qualitative EER information in this chapter, rather than having a separate chapter (as is currently located in Chapter 11).

The NZAuASB reflected on whether it was necessary to separate out the last two chapters (11 & 12), given that the challenges presented by qualitative and future oriented information are pervasive to an EER assurance engagement. The NZAuASB strongly recommends that guidance on qualitative information should be more fully integrated through each step of the assurance process. On balance the NZAuASB considers that future-oriented information is appropriately addressed in its own chapter.

5. Member Bodies and Other Professional Organizations

ACCA-CAANZ - Chartered Accountants Australia and New Zealand and Association of Chartered Certified Accountants

Qualitative information is common in EER reports, so it should be a 'normal' consideration. Therefore, we support integration of qualitative considerations throughout the Guidance as opposed to being located in a separate standalone chapter (Chapter 11).

AICPA - The American Institute of Certified Public Accountants

We find the information in Chapter 11, "Addressing Qualitative EER Information" to be valuable and wonder if it would be more useful if it were integrated into earlier chapters. For example, paragraphs 386–390 would seem to relate to Chapter 4, paragraphs 391–395 would seem to relate to Chapter 8, and paragraphs 383-385 could be added to the Introduction section of the Guidance. We believe it would be more helpful to readers if this material appeared earlier in the Guidance, rather than at the end. We have a similar observation about Chapter 12. "Addressing Future-Oriented EER Information."

CPAA - CPA Australia

Integrating qualitative and future-oriented information: Chapter 11 on qualitative information and Chapter 12 on future-oriented information, which address suitability of criteria, obtaining evidence, evaluating misstatements and reporting in relation to that information, would benefit from integration into relevant chapters on these topics, including Chapters 4, 8, 9 and 10, as appropriate.

6. Academics

DEAKIN - Deakin University Integrated Reporting Centre

Evaluation v Measurement as assurance techniques

Broadly, an integrated report is comprised of two types of information, qualitative (narrative) and quantitative (metrics). This distinction is critical from an assurance perspective:

Qualitative narrative and forward-looking information. Broadly, this information is about the What, With, How and Why of The Business. It reflects significant business judgements about The Business, and its performance and prospects. This information requires evaluation from an assurance perspective.

Quantitative information. Broadly, this information is metrics demonstrating the performance and aspects of the prospects of The Business. This information requires measurement from an assurance perspective.

This broad distinction is useful to guide assurance practitioners on how to perform an integrated report assurance engagement. Integrated reporting assurance guidance needs to focus on the implications of the qualitative dimension for the practitioner, and so evaluation rather than measurement techniques, and on the professional skills and judgement of the practitioner, as they relate to evaluation of relevant qualitative information at various stages of the assurance engagement.

Guidance on the difference between these two types of assurance techniques is critical given the need to evaluate narrative and other ways of describing The Business, and the other aspects of the distinctive contribution of <IR>. Guidance on evaluation needs to be built up.

16.15 Monitoring and post-implementation review

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

There will no doubt be something useful in this comprehensive Guidance for all practitioners in EER assurance, in the same way that there will no doubt be gaps and areas for improvement identified through implementation. To this end, we encourage tight monitoring of practitioner experience in implementing this Guidance across the globe, with a view to further enhancing it once it has been properly “tried and tested”

CAASB - Canadian Auditing and Assurance Standards Board

This could include a commitment to conducting an implementation review of the guidance to make sure it continues to be relevant in this quickly expanding and evolving space. Such an implementation review could consider how the EER guidance is being used, including whether the current structure and format is appropriate.

NZAASB - New Zealand Auditing and Assurance Standards Board

While the NZAuASB has suggestions, as identified below, the NZAuASB is supportive of finalising the guidance, recognising that this is an evolving area which will be well informed by a post implementation review as reporting and assurance practices continue to evolve.

3. Accounting Firms

CG - Crowe Global

The draft Guidance does adequately address the challenges for practitioners that have been identified as within the scope of the draft Guidance. We have no specific suggestions for improvement at this stage. We would observe that a post implementation review at an appropriate time following the implementation of the Guidance will present an important opportunity to assess the experience of applying the Guidance in practice.

GTI - Grant Thornton International Ltd

We are of the view it is important to issue the proposed draft Guidance as soon as possible, bearing in mind the challenges posed by the current environment. Further we recommend that a robust post implementation review be performed not more than two years after it comes into effect to identify ways in which the Guidance can be made more practical.

5. Member Bodies and Other Professional Organizations

CPAA - CPA Australia

We acknowledge that the IAASB has been expeditious in progressing this project and we encourage the IAASB to maintain this momentum by issuing this Guidance promptly. Inevitably, EER frameworks will continue to evolve and mature, as will assurance practices, which will doubtlessly necessitate future revisions. Implementation of this Guidance will enable it to be “road-tested” and monitoring its practical application will be important to enable future versions to be refined in addressing the challenges encountered by practitioners.

16.15 Other individual comments not related to a particular question

1. Investors and Analysts

ICGN - International Corporate Governance Network

It appears that the Guidance attempts to deal with various uncertainties even in light of specific questions. For example, the discussion in paragraph 77, appears to address SASB's use of metrics and topics, but the language does not specifically address the issues. The Guidance may benefit from more directly addressing known issues, especially when involving top frameworks.

Please consider changing all references from financial v. non-financial to financial statement v. non-financial statement because the information may very well have a long-term financial impact even if not included in the most recent financial statement.

The terms the “engaging party”, “reporting entity” and “preparer” should be more consistently used between the Standard and the Guidance. We notice that the Guidance frequently uses the term “the preparer” of the EER report, however, such term is not used at all in the Standard. Instead, the Standard uses the “engaging party” and “entity”.

Can the guidance be elevated to something beyond non-authoritative guidance?

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

Promotion of EER assurance

In line with our vision and strategic objectives as a standard-setter, the AUASB continues to encourage the IAASB not to establish too high a hurdle for the uptake of assurance on EER. It remains important to encourage assurance in this evolving area to enhance credibility and trust of EER, without the assurance process becoming a barrier to the further development of EER.

CAASB - Canadian Auditing and Assurance Standards Board

We also believe there is an opportunity for the IAASB to use this guidance as a tool to inform users and preparers of EER information that practitioners are able to meet their assurance needs on extended external reporting.

CNCC-CSOEC - Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts-Comptables

The needs for non-financial information (hereafter “NFI”), and more generally EER, are increasing very substantially and very quickly, in particular, in demand from the stakeholders’ and the investors’ communities. The demand for better information from companies is driven partly by investors needing to better understand potential financial risks resulting from the sustainability issues faced, and partly by the demand for financial instruments that actively seek to address environmental and social challenges (such as green bonds for example).

However, as at today, it appears that the NFI currently disclosed by companies does not adequately meet the needs of the intended users. The following problems have been identified:

There is inadequate publicly available information about how non-financial issues, and sustainability issues in particular, impact companies, and about how companies themselves impact society and the environment. In particular:

Reported NFI is not sufficiently comparable or reliable;

Companies do not report all NFI that users think is necessary, and many companies report information that users do not consider to be relevant;

Some companies from which investors and other users want NFI do not report such information;

It is hard for investors and other users to find NFI even when it is reported.

Companies incur unnecessary and avoidable costs related to reporting NFI. Companies face uncertainty and complexity when deciding what NFI to report, and how and where to report such information. In Europe, in the case of some financial sector companies, this complexity may also arise from different disclosure requirements contained in different pieces of EU legislation. Companies are under pressure to respond to additional demands for NFI from sustainability rating agencies, data providers and civil society, irrespective of the information that they publish as a result of the European Non-financial Reporting Directive (NFRD).

Envoyer obligatoirement toute correspondance aux deux adresses ci-dessous :

COMPAGNIE NATIONALE DES COMMISSAIRES AUX COMPTES CONSEIL SUPERIEUR DE L'ORDRE

200-216, rue Raymond Losserand 200-216, rue Raymond Losserand

CS 70044 - 75680 Paris Cedex 14 75680 Paris Cedex 14

Téléphone : 01 44 77 82 82 Téléphone : 01 44 15 60 00

www.cncc.fr www.experts-comptables.fr

We are convinced that the development of non-financial reporting standards is necessary to allow for more transparent, relevant, reliable and comparable NFI and we consider that the standard-setting should ideally be performed at an international level because it is important that the NFR requirements be the same for all

entities operating globally, and because it is crucial to maintain a global level-playing field for listed companies.

Moreover, external assurance is key to reliable NFI. Our experience in France, with the statement on NFI (Déclaration de Performance Extra-Financière – DPEF) (“Statement”), demonstrates that wherever external assurance is provided, quality improves. We therefore consider that external control of NFI, and more globally EER, should be mandatory. We support that, internationally and in Europe in particular, the same assurance standards for NFI be used. Accordingly, we suggested in our response to the European Consultation Document Review of the NFRD that the EU endorse ISAE 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information, which is the only reliable and relevant international assurance standard for NFI assurance available as of today. We also believe that the guidance issued in France by the Compagnie Nationale de Commissaires aux Comptes (CNCC) on providing assurance on NFI, which benefits from the strong experience from the French profession in verifying NFI, can be a useful reference.

Taking into account the contextual elements mentioned above, we fully support the IAASB’s Non-Authoritative Guidance to assist assurance practitioner in the application of ISAE 3000 (hereafter “the Standard”). We believe that it should help promote consistent high-quality application of the Standard in EER assurance, enhance trust in the resulting assurance reports, and lead to greater confidence in the credibility of EER reports so that they can be trusted and relied upon by their intended users.

IDW - Institut der Wirtschaftsprüfer

As some of our detailed comments in the Appendices 3 to 5 are of a highly technical nature, for which comment letters may not be an effective vehicle for conveying the complete nature of the issues, we would very much welcome if the IAASB were to revert to us on the more difficult ones. 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).

We believe that the draft guidance adequately addresses the challenges for practitioners that have been identified within the scope of the draft guidance. However, our review of the guidance indicates that – despite the improvements made since the last consultation on the first part of the guidance – there are still far too many instances where the guidance is not in line with ISAE 3000 (Revised) or other IAASB standards, goes beyond ISAE 3000 (Revised) in inappropriate ways, makes technically questionable assertions, is internally inconsistent, or is not clear or understandable. Together with editorial comments, we have identified these many issues in our comments by chapter and paragraph in Appendix 3 to the comment letter.

The sheer number of these instances overshadow much of the good work that has been done and guidance given.

We very much support issuing the guidance because we believe that the guidance on the whole will support practitioners in applying the standard to EER reports. We recognize all of the hard work that the IAASB and its Task Force have done and the good guidance that has been produced. However, our detailed review of the guidance indicates that there are still too many instances where the guidance is not in line with the standard, goes beyond the standard in inappropriate ways, makes technically questionable assertions, is internally inconsistent, or is not sufficiently understandable. To this effect we have provided detailed comments on these issues (and some editorial matters identified) in Appendix 3 to this comment letter. We

hope that the considerable number of comments made will be accepted in the spirit in which they are given, which is to ensure that the guidance meets the high standards that are the hallmark of documents issued by the IAASB.

JICPA - Japanese Institute of Certified Public Accountants

No comment

NZAASB - New Zealand Auditing and Assurance Standards Board

Overall, the NZAuASB continues to encourage the IAASB to avoid establishing too high a hurdle, with a focus on providing as much assurance as possible, without the assurance process becoming a barrier to the development of EER.

The NZAuASB commends the IAASB's initiative to issue non-authoritative guidance. This is an important and evolving area, and it is timely for the guidance to be released to promote consistency in practice around the world.

New Zealand perspective

New Zealand's EER reporting landscape is rapidly evolving. Proxima's recently released research into EER reporting practices in New Zealand, *Towards Transparency*, reflects a large increase in the number of sustainability-related reports published in New Zealand (54 in 2018 up to 112 in 2019). As reporting is increasing, so are the number of assured reports, however, as a percentage assurance of reports is lagging behind reporting. Assurance may become more prevalent as such reporting continues to increase.

The XRB sees EER as a key strategic objective, acknowledging the role that both reporting, and assurance play in enhancing credibility and trust.

The XRB has created an EER webpage, including a navigational resource to help identify prominent EER resources and assist prepares make informed decisions. Our website also includes information on the EER assurance implications, drawing from the four key factors for credibility described in supplement A of the CP.

In conjunction with the AUASB, the NZAuASB undertook a survey of assurance practitioners to gather views on:

- The types of credibility enhancing techniques being utilised for EER in the marketplace; and
- To understand how innovation is being applied by practitioners.

The Big 4 audit firms have reported a limited number of clients who are undertaking assurance. The majority of EER assurance engagements, excluding assurance over service performance information which

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WWW.XRB.GOVT.NZ

is undertaken as part of public sector and not-for-profit sector audits in New Zealand, are voluntary and 93% provide limited assurance. In response to the survey, New Zealand practitioners indicated that more than 60% are performing assurance readiness or maturity assessments at this stage.

3. Accounting Firms

BDO - BDO International Limited

We also would like to encourage use of all helpful examples, as described in supplement B, within the Guidance document to strengthen practical application.

DTT - Deloitte Touche Tohmatsu Limited

We support the IAASB focusing on providing guidance to enable more consistent and appropriate application of ISAE 3000 (Revised) with assurance practitioners as the main audience of the draft guidance. One of the main concerns in practice, for practitioners, but also preparers and investors, is what level of assurance work is necessary in practice, especially for limited assurance engagements. While clarifications would be helpful, we recognize the concept of limited assurance allows the practitioner to accept engagements that provide a range of potential levels of assurance to users of the assurance report. The IAASB could give consideration, after issuing this guidance, to developing a subject-matter-specific standard on EER assurance, building upon ISAE 3000 (Revised).

The wider landscape and a ‘system solution’

We believe independent external assurance can contribute significantly to credible EER reporting. However, many practical challenges in relation to EER assurance do not arise from ISAE 3000 (Revised) and cannot therefore be addressed through application guidance alone. These include matters such as the number and quality of EER frameworks, data quality that results from robust internal reporting processes and controls, and the involvement by management and those charged with governance.

This is recognized in Supplement A, Section I: Four key factor model for credibility and trust in relation to EER reporting, where it states that credibility and trust in EER reporting are established via a sound EER framework, alongside strong governance, consistent wider information, and external professional services.

We encourage the IAASB to engage with the other parts of this four factor model system to ensure the elements support each other effectively. Examples include encouraging EER standards and frameworks to contain criteria suitable for assurance engagements, and engaging in broader policy discussions to ensure governance codes adequately encompass oversight and controls of wider environmental, social and governance (ESG) information. For example, governance codes could expand on director duties with regards to integration of sustainability issues into governance processes, strategy, risk-, compliance-, reporting- and internal control systems, and internal and external reporting.

We have several overarching observations and recommendations to enhance the clarity and completeness of the draft guidance further, as follows.

Beyond the work of the IAASB, we also support the need for a comprehensive, systemic solution for standard setting, starting with the creation of a minimum, global, comparable base of ESG data that all companies must report in mainstream filings. This should be based on a standard-setting process that ensures information is fit for purpose (relevant, faithfully representational, consistent, comparable, and global). Because non-financial information is critical for investors in their decision-making, this information should be of equal standing to financial information, and as such included in mainstream corporate reports and be of equal quality to financial information. We believe that such a development is needed to support investment decisions that can underpin the flow of capital to sustainable business models. It would also support the development of robust assurance practices over ESG and EER more generally.

The draft guidance helps to provide additional clarity regarding each of the challenges identified. Chapters 5 and 8 better display “how much evidence is enough” within a limited assurance engagement. However, we have further suggestions with regards to chapter 5 (Considering the system of internal controls) in the appendix to this letter. Chapter 8 (Obtaining evidence) summarizes the practical challenges with regards to EER assurance engagements. These challenges, however, cannot be overcome through guidance on ISAE 3000 (Revised) alone, but through clarifying that directors have a duty to ensure there is an appropriate basis and justification for individual disclosures. This means these disclosures have to be supported by adequate evidence to justify making them.

EYG - Ernst & Young Global Limited

Although we support the EER 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 EER Guidance sets forth an appropriate work effort consistent with that which would be expected under the Standard. We have noted some areas that we believe imply a greater work effort than is necessary in many circumstances and believe that the IAASB needs to make modifications to these areas prior to finalizing the EER Guidance to appropriately align the EER Guidance with the Standard. Refer to our response to Q1 (Subsection I) for further details and suggested modifications

Maintaining a work effort consistent with expectations under the Standard:

The EER Guidance uses sufficient conditional language (e.g. the frequent use of “may” when suggesting procedures or actions) to reduce the risk that it could contradict or conflict with the Standard and we did not identify any additional requirements within the EER Guidance. However, the nature and volume of EER Guidance for certain topics, including some that are not addressed in the Standard, may infer a level of work effort to achieve the requirements in the Standard that we believe is inappropriate or unnecessary and therefore not necessarily aligned with the Standard. Specifically,

We support the IAASB’s project to provide non-authoritative guidance to assist practitioners in dealing with challenges that are occurring in practice as described in the IAASB’s previously issued Discussion Paper, Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements and in the 2019 Consultation Paper for Phase 1 of the EER Guidance.

As we noted in our responses to those Papers, we believe it is also important for the IAASB to continue its outreach activities to those developing or maintaining frameworks related to EER. By being proactive in providing input to these organizations, we believe the IAASB can assist in reducing practical challenges for practitioners that could be avoided through greater clarity in the frameworks. Nevertheless, we recognize that a certain level of challenge will continue to exist because these frameworks, and entities’ reporting in accordance with them, are evolving and in varying states of maturity. In order for the EER Guidance to remain current as frameworks evolve and mature, and/or new elements are added to the reports containing EER over time, we also encourage the IAASB to continue to keep certain sections of this EER guidance under review, specifically the examples in Supplement B and the background guidance in Supplement A.

GTI - Grant Thornton International Ltd

Overall, we find the use of examples and diagrams throughout the document helpful in bringing the concepts to life. We do have comments on the appropriateness of specific diagrams and examples in the proposed guidance, and suggestions as to where additional examples or diagrams might be helpful, which we have included in the detailed comments below. Further, we recommend that consideration be given to

providing contrasting examples in some circumstances to highlight what would not be appropriate based on the facts and circumstances of the example.

Given the lack of established frameworks and the variety of subject matter information on which assurance may be given, performing these assurance engagements requires significant exercise of professional judgment in determining whether the subject matter information and criteria are suitable. In that respect, we would like to emphasise the importance of determining completeness not only of the suitable criteria, but also of the characteristics and individual elements of the criteria. Assurance practitioners need the ability to appropriately exercise professional judgment and scepticism to ensure that each criterion being reported on includes all the required characteristics and elements, and in combination with other criteria, is a complete set of criteria; not just the characteristics or elements, or criteria that are biased towards presenting the entity in a more favourable light.

The current global environment, including the COVID-19 pandemic and global social unrest, has the potential to elevate the importance of EER assurance engagements. Entities may seek to be able to provide assurance reports on the steps they are taking from a social responsibility perspective. We have seen unprecedented change in such a short period of time. As this draft Guidance is finalised, consideration should be given to how it may help assurance practitioners in exercising professional judgment in selecting the underlying subject matter information to be reported upon, including determining whether the underlying subject matter remains relevant and the criteria selected to assess results remain appropriate.

We would also recommend that support material be issued with the approved Guidance to highlight the key messages of the guidance and to help users through the navigational aspects of appropriately applying the proposed draft guidance. Support material may also help to explain some of the concepts for potential users of the Guidance who are less familiar with performing assurance engagements. Staff Audit Practice Alerts subsequent to issuance of the draft Guidance on specific areas that practitioners are finding troublesome to implement would also be useful. In this respect, we recommend that consideration is given to replicating the process followed by the IAASB in its recent Staff Audit Practice Alerts on COVID-19, which provided relevant and timely guidance for all assurance practitioners.

KPMG - KPMG Network

We also highlight recent initiatives and dialogue in respect of interconnected standard- setting for corporate reporting, with increasing recognition by many independent standard-setting bodies, regulators, preparers, practitioners and other stakeholders that reporting on historical financial information alone is not sufficient to provide a holistic view of a company's performance. There is increasing demand for a longer-term, future-oriented view across a wider range of aspects of a company's performance, including non-financial information elements, the impacts of these different aspects and their interdependency with financial reporting.

In connection with the above, there is increased stakeholder focus on the risks of climate change, environmental damage and societal issues, and such matters are likely to be in the spotlight more than ever as we emerge from the COVID-19 outbreak. As a result, we expect greater emphasis on reporting by companies that addresses their impacts and initiatives in relation to these overarching global concerns as a core feature impacting their market value.

We believe the IAASB has a key part to play in engaging in the dialogue to develop a global solution that best serves the public interest in this arena. In this context we welcome the Guidance Document as an

important and timely step, both in addressing many of the challenges in EER assurance engagements and in furthering the dialogue and building global consensus in this area

“Standback” Requirement

In connection with the above, we also recommend that the Guidance Document discuss the concept of a “standback”, similar to that of an audit engagement, i.e. that the practitioner makes an overall evaluation once procedures have been performed to consider whether he/she believes that sufficient appropriate evidence has been obtained, in order to conclude. ISAE 3000 describes this approach at paragraph 64 and establishes a requirement for the practitioner to consider all relevant evidence, including “disconfirming” evidence. We consider this standback to be particularly important for EER assurance engagements, for which the subject matter information may comprise diverse elements, as well as narrative and future-oriented information, the measurement/evaluation of which may be associated with significant inherent limitations, and therefore it is critical that the practitioner makes such an overall evaluation. Accordingly, and since this is a requirement of the standard, we recommend the IAASB give greater emphasis to this within the Guidance Document, and include an example of such evaluation.

Relationship to ISAE 3000 (Revised)

We highlight that certain concepts established in the Guidance Document may be considered to extend beyond those set out in ISAE 3000 (Revised). Accordingly, these may be interpreted by some as creating new requirements, e.g. in respect of the material regarding understanding of internal control, as well as the introduction of the concept of assertions.

We recognise that the Guidance Document states upfront that it is non-authoritative and is designed only to “assist practitioners” in performing EER assurance engagements, which we support. However, we recommend that the IAASB consider further emphasis throughout the Guidance Document, in particular, when introducing each aspect of content that may be interpreted as going beyond ISAE 3000 (Revised), that these aspects of the Guidance Document should be read as suggested approaches and practitioners may also develop their own alternative approaches, as appropriate in the circumstances of particular engagements. Please also refer to our suggestion below regarding separating such material, e.g. by inclusion in an appendix.

We understand that the IAASB does not intend to re-open ISAE 3000 (Revised) at the current time in order to incorporate such content within the standard itself, however, we recommend that the IAASB consider a project to update ISAE 3000 (Revised), together with the other assurance standards in the 3000 suite, in the medium term. We consider that these standards would benefit from updates to more closely align them with the auditing standards, which have undergone significant revisions in recent years, in particular, with respect to reporting matters; the identification and assessment of risks, and the effects on an audit of recent rapid developments in technology. As part of this update, we suggest the IAASB consider whether aspects of the Guidance Document should be included in the assurance standards themselves. We recommend that such consideration be made further to outreach to preparers, practitioners, and other stakeholders, to help ensure that the standard is fit for purpose as assurance practice continues to evolve. We refer also to our comments above regarding interconnected standard-setting for corporate reporting, as this initiative gains momentum.

PwC - PriceWaterhouseCoopers

The IAASB has a role to play in promoting the value of assurance and this guidance can make a positive contribution in pursuit of that goal. At the same time, it is important that the guidance is not seen to be

unduly restricting or inhibiting the evolution in assurance over emerging forms of EER. We provide some observations in our comments on Chapters 3 and 5 with respect to ensuring an appropriate balance is achieved in the guidance relating to considering a proposed perimeter of the subject matter information that includes only part(s) of an EER report and the maturity of the system of internal control.

Note: Appendix 2 (Detailed comments) not coded to Nvivo but will be taken account of by the TF

Subject to our remaining significant comments that follow, we support the proposed finalisation of the guidance. In appendix 1 to this letter we have responded, for each chapter, to the two questions posed in the consultation document, incorporating and expanding upon the matters described below.

4. Public Sector Organizations

AGSA - Auditor-General of South African

Our comments below should be read with the SAICA comment letter submitted to the IAASB. It provides more detailed input and suggestions on further practical application guidance and examples for consideration and inclusion in the guidance paper. The comments are presented in the sequence of the questions as they have been included in the draft Guidance Paper.

GAO - United States Government Accountability Office

We reviewed the guidance and found that the document length and detail is useful for a practitioner performing an EER assurance engagement. We identified several areas of concern regarding the guidance. We believe

- The title used for the guidance is vague and does not adequately explain what the guidance is meant to provide.
- Chapters which describe topics that are more general, such as chapter 2 on professional skepticism, may make the guidance harder to keep current as standards are updated in the future.
- The discussion of the assessment of risk does not sufficiently consider the risk of material misstatement.
- The addition of a discussion of how to address contrary information would be useful to practitioners performing an EER assurance engagement.
- Finally, the guidance, in multiple places, cites the standards generally, but does not identify the specific standard, which can cause problems with ensuring standards are met and ensuring accurate updates to the guidance when the standards change.

We specifically discuss our concerns in our responses to the questions below.

5. Member Bodies and Other Professional Organizations

AE - Accountancy Europe

The usefulness of the guidance will depend on the journey towards reliable EER. Accountancy Europe is committed to helping the IAASB in disseminating the guidance and support any follow-up actions to ensure full implementation.

In the previous stage of the project, the IAASB had identified ten key challenges for assurance engagements. Since then, some of these challenges have been addressed, but other challenges, for example, evaluating the suitability of criteria in a consistent manner remain a reality today. The quality of

information should not only rely on assurance. A proper governance structure, a standardisation of the data and a common comprehensive reporting standard are necessary to arrive to relevant, comparable and reliable information.

To achieve consistently high-quality assurance, assurance service providers - being the statutory auditor, another independent practitioner working in an accountancy firm, or another service provider - should be required to apply international professional standards designed to conduct assurance engagements, including such guidance. That would ensure that assurance service provider abides by specific principles and requirements (e.g. ethics, quality management) to ensure the quality of the service provided

Additionally, some of the technical topics would need to be further developed, for instance:

the differences between the work effort needed for a reasonable versus limited assurance

criteria, especially providing further explanation of the differences between criteria and the manual of procedures

The guidance will be very useful for educational purposes and for assurance providers who are relatively new to the area. It is important to achieve a balance between information for educational purposes and practical application included in the guidance to make it helpful for practitioners. The question remains, however, to what extent this guidance will be used in practice by independent assurance service providers who already have considerable experience and who are confronted with specific technical questions. More importantly, we wonder how to make sure this guidance is fully implemented and widely used to ensure that assurance services are provided consistently around the globe.

We consider the guidance to be exhaustive and the methodology outlined in the guidance is at an excellent technical level. Nevertheless, we would encourage the IAASB to consider clarifying certain matters that are still not aligned with ISAE 3000 (Revised) or inappropriately go beyond ISAE 3000 (Revised). It is essential that the guidance is aligned with the authoritative standard to which it relates. For instance, the section on professional scepticism goes beyond ISAE 3000 and the current draft of ISA 220 on the issue of professional scepticism. It suggests a framework for considering professional scepticism with factors that may not always relate to professional scepticism but relate primarily to impediments to compliance with the ethical principles in the Code of Ethics.

AICPA - The American Institute of Certified Public Accountants

12. Explanatory Memorandum

The section of the EM that explains how the IAASB responded to comments on the February 2019 IAASB consultation paper is helpful, but we recommend that the IAASB look at the other items included in the EM to determine whether any of those items needs to be included in the Guidance itself. We question why the EM includes a summary of the contents of each chapter when there is a similar, but shorter, summary at the beginning of each of the chapters. The subject matter of the Guidance is reporting under ISAE 3000, which is not a new standard. The EM is 50 pages long which is relatively long for introductory material. The length of the EM may be an indicator that the IAASB believes that readers will need help in understanding the content of the Guidance. If that is the case, the content of the Guidance may need to be further clarified.

Assirevi

With reference to the various matters included in the Guidance, such as the entity's process to identify reporting topics, the system of internal controls, the suitability of criteria, we believe that this Guidance for practitioners should take into account the developments addressed by the EER standard setters.

Moreover, some parts of the Guidance do not seem to add any suggestions or explanatory materials on the elements already included in the relevant ISA/ISAE standards. In those cases it might be useful to simply cross reference the related standards.

In addition, the Guidance should better clarify when it refers to requirements coming from ISAE 3000, as opposed to the application and explanatory material of the assurance principle.

The Guidance has to be read alongside ISAE 3000: in this respect, we consider it necessary that the Guidance provides a clear explanation of how to use the existing assurance principles in EER engagements. As we already stressed in our comments to the previous consultation (2019), the Guidance should not add new requirements.

Overall, the impression when reading the Guidance is that the focus is more on the description of possible situations that the practitioner could face rather than (and often times without) providing guidance around how to plan and execute assurance activities in these situations.

BICA - Botswana Institute of Chartered Accountants

No comment

CPAA - CPA Australia

Diagrams are a helpful means of communicating the information presented and we support visual representations, but they should only be included where they aid readers understanding of the text.

FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas

We believe that the draft of the Guide is taking an appropriate path to accompany professionals in assurance engagements, however, we consider that the challenges they face far exceed those identified in this guide.

We are concerned with how complex it is to reach a single conclusion in a report that may cover different issues or topics, which due to their nature and objectives make it difficult to represent the findings or mistakenness detected in a single conclusion.

The previous situation, originated in the diversity of topics that may be in the content of an EER, the fact that it is not possible to know a priori all the topics to be covered, makes the construction of a regulation to contemplate all the situations that are covered more complex. can present.

On the other hand, the diversity of criteria that could be used to define the information to be incorporated into the EER and its content, as well as the application of professional judgment, to choose and apply procedures to obtain evidence, affect and will continue to affect the comparability of the EER of different issuers, making it difficult for stakeholders to evaluate.

It is not included in the Guide the possibility that the engagement partner is not the one who takes full responsibility in the case of needing to form a multidisciplinary team when the underlying element is of such complexity that it prevents the accountant from obtaining sufficient knowledge and adequate on the field of

expertise of an expert, which does not allow the accountant to determine the scope, nature and objective of the work to be carried out or to evaluate its conclusions, which leads us to propose its inclusion, reviewing, where appropriate, the NIEA 3000 in this and other aspects deemed necessary. In this case, we recommend that the accountant assume the leadership of a multidisciplinary team determining the overall assurance strategy, but separating the responsibility by allowing the expert to issue a separate report with the opinion or conclusion on their evaluation.

We support this new revised version, with the modifications introduced based on the opinions collected in the consultation carried out, but we consider that these are valuable steps towards a new professional field to explore in which it will be necessary to rethink the challenges they face. .

Thus, for example, the treatment of mistakenness represents an issue not adequately resolved, since we do not consider it possible or appropriate to make an algebraic sum of mistakenness of different themes or issues that cannot be added or subtracted since they correspond to statements that are dissimilar issues. and as an example we quote the following:

Can an mistakenness in the greenhouse gas declaration be added algebraically with an mistakenness in determining an assumption about prospective financial information, to form a unique conclusion? We believe that it will not and will, in our opinion, result in an increase in the responsibility of the professional in charge of issuing the EER assurance report.

GRI - Global Reporting Initiative

Since the IAASB project to develop this guidance was commenced, there has been further development in the area of EER or non-financial reporting. It may therefore be the case that the guidance is not addressing all challenges, such as:

developments in technology that affect reporting, such as real-time or web-based reporting and impacts on assurance practitioners competencies when complex IT systems are used for data collection and reporting, integrated reporting of financial and non-financial information within the same report and whether one assurance report can be provided for the entire report.

IAAA - Inter-American Accounting Association

Conclusion, based on the answers to the questions of numerals 1 and 2 and the general comments indicated in letters (a), (b) and (c), we conclude that the proposed documents will constitute the guide of unauthored guidance (is say not mandatory), they are clear, understandable and practical for the future application of the guide when it is in force.

ICPAR - Institute of Certified Public Accountants of Rwanda

No overall comments (ie those unrelated to particular questions)

ICPAU - Institute of Certified Public Accountants of Uganda

No overall comments

IIA - Institute of Internal Auditors

We are disappointed to find that our concerns raised in response to the prior exposure of June 2019 do not appear to have been addressed in this new consultation paper. While we recognize the guidance is

intended for “practitioners performing engagements in compliance with the Standard,” it is our view that the document makes certain assumptions that, if not stated explicitly, can create confusion and weaken its overall effectiveness.

Most significantly, we believe the guidance overlooks the benefits of a strong relationship among external auditors, the finance and accounting function, and internal audit. There is a journey to Extended External Reporting Assurance that begins with important preparatory steps and a pervasive, integrated mindset across the organization. Going through these essential preliminary stages shines a light on all sources of value, with internal audit uniquely positioned to partner with management and the governing body.

What’s more, while the guidance is focused on providing assurance on external reporting, practitioners need to understand that without internal audit’s involvement, they are seeing only the end of the process, not the entire process. Without the context and all the stages an organization must go through before it is ready to make disclosures, the practitioner is in danger of being confused or misdirected.

Internal audit is a key partner, because it typically has made the whole “integrated thinking” journey with the organization, and is therefore the resident expert to provide independent and objective assurance on all the structures and processes needed to gather, validate, analyze, and report nonfinancial data. Furthermore, by focusing exclusively on assurance of the external report, with no account of the preparation and stages an organization needs to go through to be ready to even think about making such disclosures, the guidance is incomplete. As a consequence, practitioners may struggle to deliver a service to the client organization in the most effective and efficient manner.

The guidance draft references internal audit only twice (not including reference to The IIA). It lists internal auditors as one of nine stakeholders valued in ongoing discussions of EER, and again in Chapter 8, Obtaining Evidence, as one of the considerations when determining what evidence is needed and available. It prompts practitioners to ask: “Does the entity have an internal audit function and, if so, what work have they performed in relation to the subject matter information, and what are their findings? How does that affect the assessment of risk?”

The information covered in these questions can be of huge value to the practitioner, and greatly enhance the practitioner’s work. Yet, this note is one of a dozen suggested considerations positioned two-thirds of the way through the guidance. As such, it easily could be missed, and the opportunity to cooperate with internal audit, a vital function in organizations and especially in validating nonfinancial information, easily could be lost.

We recommend the guidance list internal audit as an integral partner in the extended reporting process in Chapter 1, guidance on “the assignment of the engagement team with the competence and capabilities that may be needed to perform an EER assurance engagement.”

In preparing for an audit, an initial meeting is needed to determine the key individuals who may provide valuable assistance to the engagement. External auditors should be directed to seek out internal auditors as natural allies, experts in all matters on risk and control, and fully conversant in providing assurance on nonfinancial information.

With regard to an engagement to provide assurance on EER, internal auditors are able to assist external auditors by:

Sharing knowledge and expertise related to the organization, including its “integrated thinking journey” and the maturity of its data gathering and reporting processes;

Providing independent assurance on the accuracy and credibility of nonfinancial information used in reports;

Providing assurance on aspects of nonfinancial reporting, including sections of an external report.

External auditors can be confident of the reliability of the work of internal auditors when conducted in conformance with the International Professional Practices Framework. This assurance frees external auditors from performing certain tasks.

Chapter 1 includes a focus on the practitioner's competence to execute and the need for expertise. However, it does not spell out the value of including internal audit on the engagement team. The assurance skills and techniques required, as shown in the draft guidance in Chapter 1, Section 28, are those routinely possessed by internal audit. Specifically, the guidance in this section, following the list of skills a, b, c, d, could be edited to insert the following: "Accordingly, internal audit should be included on the engagement team from the outset. Internal audit provides independent and objective assurance on all of the structures and processes needed to gather, validate, analyze, and report nonfinancial data." (The

language currently there that follows "Accordingly" could be moved to just above the skills list.)

Section 29 in Chapter 1 notes the need on some engagements for a multidisciplinary team that includes those with "appropriate assurance competence." This again would be an excellent place to guide practitioners to include internal audit on these teams as a matter of course.

It is important to recognize the independence of internal audit by virtue of being accountable to the governing body or an independent audit committee of the governing body. The internal audit function performs its activities independent of management and management responsibilities, free from interference in planning and executing its services. This independence, together with a deep and holistic understanding of the organization, enables internal audit to provide objective, credible, and authoritative insight and assurance.

As mentioned above, the guidance includes internal audit as a valued stakeholder in ongoing discussions of EER, and we would welcome the opportunity to participate as such. The IIA expresses its unwavering support of the IAASB and values the productive relationship our two organizations have built over many years. Please do not hesitate to contact The IIA's Managing

IIRC - International Integrated Reporting Council

The IIRC believes that the EER assurance guidance should address directly what expectations users should have of the assurance provided when it is focussed on behaviours and prospective actions as well as systems and the past. Organizations will report things about their intentions for the future which will sometimes be wrong. All stakeholders need to understand that the future is not certain - or even close to certain in some cases. The integrated reporter and the provider of assurance must not be subject to litigation or criticism where due care is taken but events mean that intentions expressed in an integrated report at a previous point in time have proven to be incapable of execution. The COVID19 situation is a case in point.

Guidance must be globally consistent

It is essential that the approach to integrated reporting assurance is globally consistent to match the transformation of the global reporting system itself. Such an approach would be consistent with the way in which the transformation of the underlying corporate reporting system is heading. The IAASB's extended external reporting assurance guidance, and other national equivalents (e.g. AICPA attestation standards in the USA) has the opportunity to set down the principle of global consistency and become the rallying point for national and regional regulators.

The appendix to this letter contains further detail related to these recommendations. In conclusion, the IIRC believes that assurance is a vital component of the global corporate reporting system and is critical to building trust.

ISCA - Institute of Singapore Chartered Accountants

In the local Singapore context, the Singapore Exchange (SGX) requirements on sustainability reporting for listed entities came into effect for accounting periods ended on or after 31 December 2017. To boost stakeholder confidence in the accuracy and completeness of the information disclosed, listed entities are encouraged, but not required, to undertake independent assurance, even if only on selected important aspects in their initial years. In 2019, the SGX and the Centre for Governance, Institutions & Organisations, NUS Business School, conducted a study on the latest sustainability reports published as at 31 December 2018. It was found that 14 out of 495 companies which produced sustainability reports had obtained external assurance, of which the ISAE 3000 (Revised) was the most utilised framework for assurance. By clarifying the requirements to practitioners, the Guidance could encourage the application of ISAE 3000 (Revised) in EER assurance, which may in turn lead to more sustainability reports being partially or wholly assured.

The structure of the Guidance seems appropriate and logical, beginning from the fundamental issues of a proposed engagement (the competence and independence/objectivity of the practitioner; the scope of the engagement and proposed criteria) and following the familiar approach applied for financial statement audits.

Through the non-authoritative Guidance on EER Assurance (“Guidance”), the IAASB seeks to promote consistent high-quality application of ISAE 3000 (Revised) so as to:

Strengthen the influence of EER assurance engagements on the quality of EER reporting;

Enhance trust in the resulting assurance reports; and

Engender greater user confidence in the credibility of EER reports so that the reports can be trusted and relied upon by their intended users.

The Guidance aims to address key challenges for the application of ISAE 3000 (Revised) on EER assurance engagements identified in the IAASB’s 2016 Discussion Paper titled Supporting Credibility and Trust in Emerging Forms of External Reporting.

We believe that the Guidance supports the above objectives and is timely as EER reporting becomes increasingly important to stakeholder decision-making.

MIA - Malaysian Institute of Accountants

The combined guidance and supplements provides better clarity and comprehension as compared to the Phase 1 Guidance. However, certain aspects of the Guidance come across as too generic especially for a knowledgeable practitioner with financial statement auditing background and may be shortened to reduce the overall length of the Guidance.

SAICA - South African Institute of Chartered Accountants

ISAE 3000 (Revised) is flexible enough to accommodate a variety of subject matters and subject matter information. In South Africa, ISAE 3000 (Revised) has been used as a foundation standard for:

The Auditor General of South Africa's (AGSA) Methodology Project where the audit of performance information and the audit of compliance are ISAE 3000 (Revised) engagements;

The assurance of legal practitioners' trust accounts;

The assurance of fresh produce agents' trust accounts;

Sustainability assurance engagements where sustainability or non-financial information is reported either in stand-alone sustainability reports or as part of other reports such as the integrated report; and

Regulatory assurance engagements such as those on medical schemes and banks.

SASB - Sustainability Accounting Standards Board

Although we are not experts in auditing and attestation standards, we have a strong interest in this project. This is because SASB's standards are designed to support independent, third-party assurance, providing a basis for "suitable criteria" for purposes of such assurance. While a limited number of companies that use the SASB standards currently obtain assurance, we have found that companies that have used the standards (in both provisional and codified form) for three years or longer are more likely to obtain assurance than are new adopters. The Guidance will facilitate such an increase in assurance and will promote the disclosure of more complete, reliable, and accurate ESG information.

The Consultation describes how EER reporting may differ in many respects from traditional financial reporting. For example, the Consultation states that EER standards "may be less quantifiable", more "inherently uncertain, and "more subjective to measure or evaluate." Also, EER standards may not have the "rigor" of financial reports and may "reflect high level principles" instead of "more detailed criteria." But SASB standards are largely quantifiable (74% of the standards), have been established with due process and rigor, and provide specific criteria "designed to serve as a basis for suitable criteria if an entity chooses to seek third-party assurance." See SASB's Standards Application Guidance at <https://www.sasb.org/wp-content/uploads/2018/11/SASB-Standards-Application-Guidance-2018-10.pdf>.

Also, the Consultation states that the "first and foremost" factor in achieving credibility in ESG disclosures is that the disclosures be made pursuant to a "strong framework," which is the case here. We respectfully refer the Board to SASB's Rules of Procedure (<https://www.sasb.org/standard-setting-process/rules-of-procedure/> and Standard-Setting Process (<https://www.sasb.org/standard-setting-process/> on our website for detailed information on SASB's structure and work.

SVI - Social Value International

Note: SVI Assurance Standard not reproduced in Nvivo Analysis

Offer of support: We would like to bring to your attention that SVI have an assurance standard relating to social impact which is highly relevant to the issues raised in the EER draft guidance. The SVI Report Assurance Standard (attached as appendix) has evolved over the last ten years and has been applied by practitioners from a variety of sectors from across the world.

Social Value International, via our Reporting and Assurance Technical Committee would like to work with IAASB to demonstrate how the SVI Report Assurance Standard is complementary to ISAE3000 and the EER guidance and would support assurance providers when they are assessing the suitability and availability of criteria in relation to assurance of social impact.

6. Academics

DEAKIN - Deakin University Integrated Reporting Centre

The appendix to this letter contains further detail related to these recommendations. Please contact me if you require further information. [Note: Appendix not reproduced for Nvivo analysis as it is about Deakin University and Integrated Reporting, rather than a response relating to the EER draft Guidance]

16.2 Limited vs Reasonable

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

Reasonable versus Limited Assurance: Although assurance practitioners acknowledge coverage of the scope and differences between reasonable and limited assurance in ISAE 3000 (Revised), they also acknowledge that this remains an area of much confusion with respect to EER. Hence, the AUASB encourages the IAASB to provide further clarity on the differences between the two types of engagements within the guidance. Specifically, more guidance on whether or not there is an expected difference in work effort between the two engagements to determine the suitability of criteria (Chapter 4) would be beneficial. Examples that focus on risk assessment as the determination for the level of work to be performed could add value for practitioners, alongside what this means for obtaining evidence for both limited and reasonable assurance engagements (Chapter 8). This would require further clarity in the content in both the main body of the guidance and linkage to relevant examples in the supplementary material.

Reasonable versus Limited Assurance: Although assurance practitioners acknowledge coverage of the scope and differences between reasonable and limited assurance in ISAE 3000 (Revised), they also acknowledge that this remains an area of much confusion with respect to EER. Hence, the AUASB encourages the IAASB to provide further clarity on the differences between the two types of engagements within the guidance. Specifically, more guidance on whether or not there is an expected difference in work effort between the two engagements to determine the suitability of criteria (Chapter 4) would be beneficial. Examples that focus on risk assessment as the determination for the level of work to be performed could add value for practitioners, alongside what this means for obtaining evidence for both limited and reasonable assurance engagements (Chapter 8). This would require further clarity in the content in both the main body of the guidance and linkage to relevant examples in the supplementary material.

CAASB - Canadian Auditing and Assurance Standards Board

Although the Chapter discusses that the nature of evidence varies, it does not specifically discuss the nature of procedures. Of course, the procedures vary in nature, timing and extent between reasonable assurance and limited assurance, and between engagements over historical financial information and non-financial information. In the practitioner's report on these engagements, the difference between limited assurance and reasonable assurance is the nature, timing and extent of the procedures that were performed. The guidance in paragraphs 277 – 280 currently combines limited and reasonable assurance and this could cause confusion for users of the guidance. We suggest the paragraphs should be clear when the guidance shifts from limited to reasonable assurance.

On the considerations provided in the table under paragraph 284, we see these as general evidence considerations and they do not distinguish between the evidence you would need in a limited assurance engagement versus a reasonable assurance engagement. Therefore, we suggest clarifying how the practitioner would apply these considerations to a limited and reasonable assurance engagement.

Paragraph 194 states that “the guidance in this chapter addresses the application of S.47L/R and S.42-43, but may also assist the practitioner when considering aspects of the entity’s system of internal control in determining whether the preconditions are present (G.Ch3).” This paragraph appears directly above the heading “Understanding the Entity’s System of Internal Control”.

We are concerned that this Chapter may result in the practitioner doing too much work on understanding internal control in limited assurance engagements. Although paragraph 186 directly quotes the requirements in the standard relating to limited and reasonable assurance, the placement of paragraph 194, including the reference to limited assurance requirements, before the guidance on Understanding the Entity’s System of Internal Control is problematic. This is because practitioners may erroneously believe that the guidance applies to limited assurance engagements and do more work than necessary. We suggest, as a minimum, adding to paragraph 194 that the guidance would need to be adapted in limited assurance engagements to consider the entity’s EER reporting process, or moving the content from paragraphs 211 to 213 to follow paragraph 194. Paragraphs 211 to 213 provide context on the difference between limited and reasonable assurance and they should preface the section on Understanding the Entity’s System of Internal Control.

See our response to question 1 above. We believe the guidance in this Chapter should address and differentiate between the nature, timing and extent of procedures performed in a limited versus reasonable assurance engagement.

CNCC-CSOEC - Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l’Ordre des Experts-Comptables

On the other hand, certain clarifications (especially with regard the following concepts: criteria, materiality, reasonable and limited assurance and difference in the work effort between the two) and further examples (especially in terms of wording paragraphs of the assurance report) should be provided.

As far as the level of assurance is concerned, and due to the fact that practice may not be homogeneous in all countries and in particular that the level of work effort at which it is applied respectively is reasonable and limited assurance engagements may vary from country to country, we strongly recommend the creation of an international ESG observatory at IFAC level, which would include the preparers and the assurance providers, to identify and benchmark practices in terms of reported information and assurance provided (work effort, minimum number of hours requested, ...) similar to what the EFRAG lab is doing for corporate reporting information.

We welcome the content of chapter 10. However, we have the following comments:

The chapter appears a bit confusing. The chapter should be further streamlined;

As already mentioned, differences between limited and reasonable assurance should be explained, both at the level of the concept itself but also in terms of work effort;

As far as financial reporting is concerned:

In a reasonable assurance engagement, the assurance service provider obtains sufficient appropriate evidence to reduce the risk of a material misstatement of the subject matter information to an acceptably low level. The work effort in this type of engagement entails extensive procedures that include consideration of the reporting entity’s controls, and substantive testing. Reasonable assurance is the same type of assurance as the one required in an audit of financial statements where the auditor expresses a positive opinion on whether the financial statements give a true and fair view in accordance with the applicable reporting framework.

In a limited assurance engagement, the work effort is not equivalent: the assurance service provider performs different and fewer tests than those required in a reasonable assurance engagement. A limited assurance engagement primarily focuses on inquiry, observation and analytical procedures, although it also involves a level of substantive testing over metrics. Limited assurance is the type of engagement where the practitioner expresses a negative opinion on the fact that, based on the procedures performed and evidence obtained, nothing has come to their attention that the subject matter information is materially misstated.

As far as non-financial reporting is concerned, we consider that the main difference between limited and reasonable assurance is the depth number of tests of detail performed (coverage rates and rotation in site selection, KPIs) and not the nature of procedures performed as it can be the case in the context of financial information. Based on practitioner's experience, the coverage rate generally expected to express a limited assurance is about 20% on information considered important versus 50% in case of reasonable assurance. This rate is to be fine-tuned according to the entity's activities, its organization, its risk profile and the professional judgment of the practitioner. As a matter of fact, EER is a juxtaposition of information, prepared with potentially few internal controls and no specific rules such as double-entry, contrary to what it is for financial reporting. This is why procedures to be performed cannot be limited to interviews and analytical procedures (as it is the case for a review of financial information) but must systematically include tests of details even in a limited assurance engagement.

We believe it fundamental that the guidance should clearly specify this matter.

Concerning EER assurance engagements, France benefits from a long experience, especially in terms of verification of NFI (statement on NFI (Déclaration de Performance Extra-Financière – DPEF) that can be a useful reference. As a matter of fact, for many years now, France has understood the benefits of NFR and made compulsory, for certain large undertakings and groups, assurance engagements on the Statement on NFI (Déclaration de Performance Extra-Financière – DPEF) ("Statement") by an independent third party, who is, in most cases, the statutory auditor of the entity. Based on the work performed, the practitioner provides a report expressing a limited assurance on:

The compliance of the DPEF with the requirements of the French law;

The fairness of the information provided regarding the outcomes (including key performance indicators) and the measures implemented on the main risks.

In his/her report, the practitioner concludes whether, based on the procedures performed, nothing has come to his/her attention that causes him/her to believe that the NFI Statement is not presented in accordance with the applicable regulatory requirements and that the NFI Statement, taken as a whole, is not presented fairly in accordance with the entity's procedures, in all material respects (i.e. "negative assurance" is provided).

To express such a limited assurance conclusion on the NFI Statement, the procedures to perform consist in:

obtaining an understanding of the entity's activity and the description of the main risks associated;

assessing the suitability of the criteria of the entity's procedures to prepare the NFI Statement, with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;

verifying that the NFI Statement includes each category of information required by the French law,

i.e. social and environmental information, as well as, when applicable, information regarding compliance with human rights, anti-corruption and tax avoidance legislation, and provide information requested by the French regulation;

verifying that the NFI Statement presents the business model and a description of the main risks associated with the entity's activity, including where relevant and appropriate, the risks associated with its business relationships, its products or services, as well as its policies, measures and the outcomes thereof, including KPIs associated to the main risks;

referring to documentary sources and conducting interviews to

assess the process used to identify and confirm the main risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the main risks and the policies presented, and

corroborate the qualitative information (measures and outcomes) that the auditor considered to be the most important;

obtaining an understanding of internal control and risk management procedures the entity has put in place and assessing the data collection process to ensure the completeness and fairness of the information;

for the KPIs and other quantitative outcomes that the auditor considered to be the most important and presented in Appendix (list of quantitative information: KPIs, outcomes), implementing:

analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;

tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work is carried out on a selection of contributing entities (to be detailed and covers between X% and Y% of the consolidated data relating to the key performance indicators and outcomes selected for these tests);

assessing the overall consistency of the NFI Statement based on the auditor's knowledge of the entity.

The French guidance, i.e. Avis technique Intervention du commissaire aux comptes – Intervention de l'OTI – DPEF, is available at <https://doc.cncc.fr/docs/avis-technique-intervention-du-c-5e3051e03aa25?q=avis%20technique%20OTI>

We believe that the French guidance could be a useful reference for the IAASB.

NZAASB - New Zealand Auditing and Assurance Standards Board

Examples that focus on risk assessment as the determination for the level of work to be performed together with further clarification or examples on what this means for evidence for both limited and reasonable assurance engagements would be most useful. Paragraphs 279-281 are particularly helpful in addressing the challenge of considering the concepts of limited and reasonable assurance in EER engagements. This may also need to be supported by longer form reporting to help users understand what the differences are and what the assurance engagement covered.

Practitioners requested additional guidance on the expected difference in work effort for a limited assurance engagement, especially given that the majority of EER engagements, other than engagements that include service performance information in New Zealand, are limited assurance engagements.

The need to better distinguish between reasonable and limited assurance engagements was also raised during outreach with our stakeholders.

Where relevant, the differences between limited and reasonable assurance could be further clarified. This was identified as an area that remains confusing for practitioners, as well as users. Specifically, we would hope to see more guidance on whether or not there is an expected difference in work effort when determining the suitability of criteria (Chapter 4), considering the system of internal control (Chapter 5) as well as risk assessment in planning for the work to be performed and in obtaining evidence for both limited and reasonable assurance engagements (Chapter 8).

3. Accounting Firms

DTT - Deloitte Touche Tohmatsu Limited

More extensive guidance than in pars. 211-212 on the extent of work on internal control in a limited assurance engagement and in a reasonable assurance engagement (this could be accompanied through a comprehensive example in Appendix B)

Pars. 84 - 101 cover factors the practitioner could consider when agreeing the scope of the engagement, both for the subject matter information to assurance and the level of assurance to be obtained. It would be helpful if a “mixed” scope of limited assurance, reasonable assurance, and assurance readiness within one period was addressed.

Reasonable vs. limited assurance

To achieve the goal of the draft guidance to enable more consistent and appropriate application of ISAE 3000 (Revised), it would be beneficial for practitioners (and also other audiences, such as preparers and users) to elaborate on how procedures might differ in assurance engagements with reasonable and limited assurance. Consideration should be given to developing one comprehensive example of subject matter where a limited assurance engagement is performed and contrasting it with the same example subject matter where a reasonable assurance engagement is performed. This example could demonstrate concepts such as, (1) the coverage of sites for limited and reasonable assurance engagements and (2) the nature, timing, and extent of procedures in a limited assurance engagement compared to a reasonable assurance engagement.

To achieve the goal of the proposed draft guidance to enable more consistent and appropriate application of ISAE 3000, it would be beneficial for practitioners (and also other audiences, such as preparers and users) to have one comprehensive example of subject matter where a limited assurance engagement is performed is contrasted with the same example subject matter where a reasonable assurance engagement is performed. This example could help inform the determination of site visit coverage necessary or to which extent internal controls should be tested to obtain sufficient evidence for a limited or reasonable assurance engagement.

EYG - Ernst & Young Global Limited

EER Guidance Chapter 3 paragraph 72(g) states that one of the considerations for the practitioner in determining whether a proposed EER limited assurance engagement has a rational purpose is to consider whether “the intended users’ need for assurance may even be so great that a reasonable assurance engagement is needed to obtain a meaningful level of assurance“.

We do not believe that the “intended users’ need for assurance” is an appropriate consideration for the practitioner to focus on when determining whether meaningful assurance is obtained nor are there any existing guidelines to decide on “the intended users’ need for level of assurance”. In many cases these reports are not regulated and therefore the level of assurance is decided by the responsible party and the practitioner, such that it enhances the degree of confidence of the intended users in the subject matter. Our understanding of the Standard is that if an engagement has a rational purpose, it should be suitable for a limited or reasonable assurance engagement.

When discussing the factors that are relevant in determining what constitutes meaningful assurance, ISAE 3000.A7 states that “the consequence to intended users of receiving an inappropriate conclusion may be so great that a reasonable assurance engagement is needed for the practitioner to obtain assurance that is meaningful in the circumstances”. We therefore suggest that the EER Guidance revert to the wording in the Standard and replace “the intended users’ need for assurance” with “the consequence to intended users of receiving an inappropriate conclusion.” This would be consistent with the Standard in determining whether the assurance obtained would be meaningful as part of its rational purpose assessment, and less likely to confuse readers of the EER Guidance.

GTI - Grant Thornton International Ltd

We note paragraph 31 states:

‘the extent to which the work of experts is used, and how it is used, are a matter of professional judgment for the practitioner, taking account of factors such as ... the level of assurance obtained.’

We are of the view the use of an expert is in direct relation to the underlying subject matter information and not the level of assurance required from the assurance engagement. Further, we believe that it is important that the Guidance does not imply it is appropriate to use individuals on a limited assurance engagement that are less capable than the individuals used on a reasonable assurance engagement. The value of both limited assurance and reasonable assurance engagements will be undermined if practitioners do not have the competence and capabilities to attend to the key aspects of the engagement.

Chapter 6 – Considering the Entity’s Process to Identify Reporting Topics

In our opinion, this chapter would be better positioned earlier in the draft Guidance because it sets out the considerations made by the practitioner in determining whether the reporting topics on which the EER assurance engagement is to be performed have an appropriate purpose. As these are actions performed at the start of the engagement, it would seem logical that this would be placed before chapters 3-5.

We are also of the view this chapter would benefit from better clarity between the procedures that would be performed in a limited assurance engagement and those that would be performed in a reasonable assurance engagement. For example, in relation to the processes used to prepare the subject matter information, the draft Guidance appears to be proposing the process only needs to be understood for a limited assurance engagement but the process and internal controls also need to be understood in a reasonable assurance engagement. It would be helpful if the draft Guidance was expanded to provide clarity on why it is important to understand controls in a reasonable assurance engagement, particularly in light of the fact that understanding the controls will have no impact on the extent of the testing required, i.e., the effect understanding controls may have on the nature and timing of the procedures to be performed.

To differentiate between the procedures and guidance provided for limited assurance engagements and that provided for reasonable assurance engagements, we recommend consideration be given to presenting the guidance in a similar manner to that in ISAE 3000 (Revised).

KPMG - KPMG Network

Additionally, it would be helpful to explain in the Guidance Document, perhaps using an illustrative diagram, that reasonable assurance is a “level” but limited assurance is a range that extends from being “meaningful” through to being close to reasonable assurance, considered in the context of user needs and whether there is a rational purpose to the engagement. We suggest that this be discussed as part of ensuring that the preconditions for an assurance engagement are present.

Reasonable and Limited Assurance Engagements

We previously commented that considerations regarding reasonable and limited assurance engagements, in particular, the differences between these two forms of assurance engagement in terms of the effects on engagement acceptance, understanding the control environment, risk assessment, nature and extent of assurance procedures to perform, and extent of evidence to obtain, continue to present challenges to practitioners. We recommended the inclusion of more specific guidance throughout the Guidance Document, including examples that compare and contrast between these two types of engagement.

We welcome the changes made to provide greater clarity in this area, for example, at paragraph 211. However, we highlight that practical examples would also be helpful to practitioners to help determine the nature and extent of risk identification and assessment procedures to perform for each type of engagement. We suggest the inclusion of examples, for a limited assurance engagement in respect of a small and less complex entity, to demonstrate that it may be acceptable to perform inquiry and analytical procedures only, versus a larger and more complex entity, for which it may be necessary to perform walkthroughs in order to properly “consider” the control environment and whether this is “adequate”.

We also highlight that although additional material has been introduced in respect of considering the risk of fraud, we are concerned that this may not provide sufficient clarity as to whether there is intended to be a difference in work effort in respect of a reasonable assurance engagement and a limited assurance engagement, and, if so, what the principal differences would be. Again, we suggest that an illustrative example that compares and contrasts between a reasonable assurance engagement and a limited assurance engagement would be helpful. We also note that such material is included primarily within the chapter addressing materiality, whereas we suggest that this be moved earlier in the document, to form part of the content that addresses understanding the entity and its environment.

In connection with the above, we also suggest that the Guidance Document (or Supplement A, which provides more information on key concepts), clarify that when performing a limited assurance engagement, the nature and extent of procedures themselves may be limited when compared to a reasonable assurance engagement over the same subject matter information, but this does not equate to performing a limited assurance engagement in circumstances where the internal control environment is still developing and would not support a reasonable assurance engagement (i.e. the preconditions for an assurance engagement must be present for either a reasonable or a limited assurance engagement, and it is not acceptable/appropriate to decide to perform a limited assurance engagement in place of a reasonable assurance engagement if the preconditions are not present).

5. Member Bodies and Other Professional Organizations

ACCA-CAANZ - Chartered Accountants Australia and New Zealand and Association of Chartered Certified Accountants

Limited vs reasonable assurance

Where relevant, the differences between limited and reasonable assurance need to be made clear (separate discussions may be helpful). ISAE 3000 makes a distinction between limited and reasonable assurance, which is why it is important that the difference between limited and reasonable assurance is also clear in the Guidance. In practice, integrated reports often have parts belonging to the same report, being provided with different levels of assurance. At the same time, in practice the differences between limited and reasonable assurance are often misunderstood. Therefore, the level of work required in each level of assurance should be clear, and the Guidance is a good opportunity to address that.

We have raised this as a concern in our Phase 1 submission and we appreciate that Chapter 5 makes the distinction clear in paragraphs 52, 186 and 211-213, with reference to specific examples in Supplement B. We also appreciate that paragraphs 187 and 194 link with preconditions considerations. However, as we have stated in our Phase 1 submission, only in the case of reasonable assurance is there a requirement to understand the entity's system of internal control, whereas in limited assurance it is only required to consider the entity's EER reporting process (S.47L). We believe Chapter 5 (especially paragraphs 195-210) could better clarify the different scope of work to be carried out in limited versus reasonable assurance.

Some of our constituents are of the view that many EER reports today have limited assurance placed on (often, because of the risk involved), but users often demand reasonable assurance. While the proposed Guidance calls it out to some extent, it needs to address this gap further. The proposed Guidance is also focused more on reasonable assurance, but in practice limited assurance is also prevalent, at least at this stage.

AE - Accountancy Europe

Additionally, some of the technical topics would need to be further developed, for instance:
the differences between the work effort needed for a reasonable versus limited assurance

Assirevi

As regard paragraph 271, the Chapter refers explicitly to the existing standard ISAE 3000 Revised (S.48L / R-60): it would be useful to introduce further examples of limited versus reasonable assurance evidence required for EER reporting information, in addition to the examples included in supplement B

Moreover, in our opinion, it would be useful to include at the end of each Chapter a table to help practitioners to discern between requirements for reasonable and for limited assurance engagement. This would be useful in particular to determine preconditions and agree the scope of the EER assurance engagement.

The concepts expressed in the Guidance are sometimes directed at helping practitioners in conducting an EER reasonable assurance engagement. At the moment, however, the most common level of assurance for engagement on non-financial statements/sustainability reports is limited assurance: it would therefore be important for the Guidance to also address in greater detail limited assurance issues.

BRLF - Australian Business Reporting Leaders Forum

Limited to Reasonable assurance

In the global cases of integrated report assurance to date, the practitioner has provided limited assurance on the integrated report's application of the <IR> Framework. The pre-conditions have been met to move towards assurance, but there is a big assurance step from providing limited to reasonable assurance.

This is best demonstrated by considering how substantive assurance evidence would be gathered on the description of the Business in the integrated report.

Design of the integrated reporting management system, including the processes to describe the Business and address business judgements, will largely be capable of evaluation by reading the relevant documentation and making appropriate confirmatory observations and enquiries. This will support limited assurance.

However, it will only be possible to obtain evidence as the effective operation of the Business, as described in the integrated report, by observing those charged with governance and executive management actually implementing strategy, managing risks, and allocating the capitals in a manner similar to how they have described the Business in the integrated report. Reasonable assurance, although possible once the pre-conditions for assurance have been met, will not be straight-forward to plan and implement such that the practitioner can capture sufficient audit evidence without significant impost on the organisation throughout the reporting period.

Consideration should be given to providing an additional longer example in the appendix, either building on example 10 or as new example 13, to the guidance on how the practitioner should practically approach planning and executing the move from limited to reasonable assurance over the organisation's integrated report.

CPAA - CPA Australia

Reasonable vs limited assurance: The Guidance in Chapter 8 highlights the difference between the nature of procedures and the evidence required to reach reasonable assurance as opposed to limited assurance. This difference can be particularly challenging for practitioners to determine and may need an example to fully illustrate (see paragraphs 100-101). The level of meaningful assurance in a limited assurance engagement ranging from “just above ‘clearly inconsequential’ to just below what would be meaningful in a reasonable assurance” engagement does not provide sufficient clarity. Describing limited assurance as a range is unhelpful to practitioners and users alike and does not allow comparability between assurance reports for different entities. Users cannot be expected to understand the level of assurance provided by reading a description of the procedures conducted, especially in these areas of reporting which are still emerging and evolving, and are not as well understood as more established frameworks, such as financial reporting. Contrary to the statement in paragraph 345, the level of assurance cannot be well understood from an “informative summary of the procedures performed”. This is because the adequacy of those procedures in reducing the risk of material misstatement will depend on the assessed risks, which are not shared in the assurance report. It would be more practical to state in plain English the level of assurance which practitioners are seeking to achieve, such as “moderate”, and then articulating what work effort that may require.

Reasonable and limited assurance: The difference between these levels of assurance is already unclear. The challenges for EER assurance compound this lack of clarity. The Guidance reflects the IAASB position that limited assurance can fall anywhere within a range of levels of assurance below reasonable. We consider it to be impractical to expect users to be able to interpret from a brief synopsis of the procedures conducted, the level of assurance provided and whether that differs from another engagement. This is a significant impediment for both practitioners and users in gaining an understanding of these engagements. It effectively prevents comparability of assurance reports and does not aid robust and consistent assurance practice. The risk is that the lack of clarity regarding such engagements may diminish confidence in their utility and so also diminish their value. Alternatively, standards requiring limited assurance to meet a defined

level of assurance, such as “moderate,” would be a simple but useful starting point for practitioners to obtain a consistent level of assurance.

Differentiation of levels of assurance: The paragraphs could be structured using tables to differentiate limited and reasonable assurance procedures or approaches

Differentiating limited and reasonable assurance engagements: Where reasonable assurance and limited assurance are discussed in the same paragraph, but require different procedures, we suggest presenting that guidance in a tabular format, much like the format used in ISAE 3000. Chapter 6 Paragraph 222 is a good example of where greater clarity would be achieved if the reasonable assurance and limited assurance guidance could be separately identified, as this paragraph contains sentences which combine the requirements for reasonable assurance and limited assurance with respect to internal controls and risk assessment.

FAR - Institute for the Accountancy Profession in Sweden

Chapter 6

If applicable, it is not clear if the Assurer should review the materiality assessment made by the company, and if that is the case it is not clear if there is a difference between reasonable and limited.

IIRC - International Integrated Reporting Council

We know that there is a demand from investors and other key stakeholders for assurance over integrated reports. The demand is evidenced by the integrated reports of ABN Amro (the Netherlands), Cipla (India), the IIRC (UK), Cbus and CPA Australia (Australia) receiving limited assurance ‘in accordance with’ the <IR> Framework.

However, so far the only examples of assurance on integrated reports are for limited assurance. This is due to the distinct nature of an integrated report and the challenges involved in providing reasonable assurance over narrative and forward-looking strategic information.

We believe that the challenges of enabling the move to reasonable assurance are not insurmountable, but will require the concerted efforts of business, assurance providers and the IAASB working together, to understand the challenges and to work through the bridge from limited assurance to achieving reasonable assurance in the future. There must be room for experimentation in this area as the evolution from limited to reasonable integrated reporting assurance continues.

ISCA - Institute of Singapore Chartered Accountants

Paragraph 15 of Appendix 2 also sets apart the question of “how much evidence is enough” as an area specially addressed. Notwithstanding that obtaining evidence requires the application of professional skepticism and professional judgment, Chapter 8 does not provide sufficient guidance on obtaining evidence with enough collective persuasiveness to reduce engagement risk as appropriate.

We understand that it is intended for Supplement B of the Guidance to provide examples of how much may be enough evidence in the different circumstances. Each example is identified either as a limited or reasonable assurance engagement. We would like to recommend the inclusion of an additional example on the differences in the extent of audit evidence required for both levels of assurance if each of these is to be performed on the same subject matter information. This will provide a clearer understanding of the application of ISAE 3000 (Revised) in EER via meaningful comparison.

We note that different requirements for both levels of assurances are not exclusive to the area of obtaining evidence. For example, the Guidance also highlights that the practitioner is required to obtain an understanding of internal controls over the subject matter information in a reasonable assurance engagement but not necessarily so in a limited assurance engagement. It will be useful to illustrate comprehensively in the suggested example, all different requirements in applying ISAE 3000 (Revised) for limited and reasonable assurance engagements in every stage of an EER assurance engagement.

We also like to propose for this example to be made in the context of sustainability reporting as it is currently one of the most common types of EER. Examples could be drawn from occupational health and safety indicators or environmental indicators like effluents, emissions, etc.

6. Academics

DEAKIN - Deakin University Integrated Reporting Centre

Limited versus reasonable assurance

Having evaluated that the preconditions for assurance have been met (Example 10 assumes that the preconditions have been met, and so does not explore the significant challenges for the assurance practitioner involved in this evaluation), the bridge between limited and reasonable assurance is likely to be significant. This is best demonstrated by the way in which substantive assurance evidence would be gathered in relation to the description of The Business in the integrated report.

Design of the governance, strategic management process and risk management process, as well as the what, with, how and why of The Business, will largely be capable of evaluation by reading the relevant documentation and making appropriate confirmatory observations and enquiries.

However, it will be possible to obtain evidence as the effective operation of The Business as described in the integrated report only by observing those charged with governance, strategic management and risk management (the how) in action, focusing on 'Is the way in which The Business is described in the integrated report how it operates in practice?'

These factors are probably part of the reason while all instances of integrated reporting assurance to date have been limited assurance engagements.

However, the existing Example 10 assumes that reasonable assurance has been chosen. Significant guidance in on the assurance evidence bridge between limited and reasonable assurance is needed.

16.3 Professional skepticism

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

The AUASB considers the exercise of professional scepticism and professional judgement to be of particular importance to EER assurance, however Chapter 2 is not currently EER-specific. To address this, the AUASB would suggest making this Chapter more EER specific and moving any relatively broad, contextual information to Supplement A.

As a way to reduce the overall length of the guidance document, the AUASB suggests a one-page summary of this chapter (to remind assurance practitioners of its importance, coupled with some EER-specific examples), perhaps in a visual/tabular format, with hyperlinks to the latest research. This would assist in addressing the universal comment on length received from our stakeholders, and, as we understand it, from

the majority of other jurisdictions. It is suggested that this summary includes at least one example for each of professional scepticism and professional judgement for accessibility.

One final, less significant suggestion, is to cover professional judgement first, as this concept is more likely to be familiar to the EER assurance practitioner.

CNCC-CSOEC - Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts-Comptables

The diagram proposed in paragraph 55 sets out the behaviors/ skills supporting the exercise of professional skepticism and the impediments/other factors affecting exercise of professional skepticism. We consider that this diagram should be moved to the beginning of the chapter 2 since it gives an overview of the items that will be further developed in the Guidance. We also suggest that the diagram include references to the relevant paragraphs in the Guidance. This should improve the readability of the document.

Finally, we believe that 2 additional factors should be mentioned in the “impediments and other factors affecting exercise of professional skepticism”, i.e. the lack of transparency and the lack of availability imposed by management.

We fully agree with paragraph 59 which emphasizes “practical experience” and “job coaching” to be able to exercise professional judgment. This paragraph states that these two factors “may be particularly important in developing the ability to exercise professional judgment, including through the example set by engagement partners, and through more experienced engagement team members providing appropriate direction, supervision and review to less experienced members of the team”. We consider that this paragraph should be more affirmative by removing the modal “may”. As a matter of fact, in case of engagement team with low seniority, adequate tools, detailed work plan and appropriate supervision are essential to ensure a full exercise of professional judgement and professional skepticism.

Moreover, we consider that paragraph 59 should also emphasize the importance of documenting professional judgment, i.e. documentation of the work on which the professional judgment is based.

3. Accounting Firms

BDO - BDO International Limited

Additional comment:

The chapter addresses professional skepticism as an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of all audit evidence. Professional judgement should be ethical and applied with the relevant knowledge for specific internal and external conditions and situations. We agree that it is essential that the assurance professional can understand and assess the reliability of information within diverse contexts and have the strength of character to challenge the information should concerns arise. The use of illustrations and examples is helpful and supports better understanding of the concepts.

PwC - PriceWaterhouseCoopers

Consistent with our cover letter comments on background and contextual information, we believe it is important that the guidance relating to professional judgement and the exercise of professional scepticism is presented in relation to considerations applicable to EER engagements. The purpose of this guidance is not a general education on the topic of professional scepticism. The IAASB has a specific working group that

continues to consider that topic and to publish useful guidance. We believe the guidance here could be streamlined to focus on the key reasons why professional judgement and the exercise of professional scepticism are important in an EER engagements, and any related impediments that are more likely to arise in such engagements. For example, paragraphs 52-55 are general education material.

4. Public Sector Organizations

AGNZ - Auditor-General of New Zealand

Unlike financial reporting, EER is at a developmental stage and there is no single “generally accepted framework”. Providing assurance on this kind of reporting therefore does not lend itself well to a generally accepted approach. EER provides a greater opportunity for management bias and for a preparer to “cherry pick” and show themselves in a good light by not including reporting topics and/or subject matter information that disclose the negative consequences of a preparer’s activities. From a practitioner’s perspective, it is essential to get the right balance between guarding against management bias while enabling this area of reporting to evolve. Therefore, it is critical that practitioners have high levels of professional scepticism and judgment and access to subject matter competence to establish a set of valid independent expectations

Although the Guidance highlights the importance of these competencies, attributes, and behaviours, we recommend that their importance be strengthened at each stage of the assurance engagement.

GAO - United States Government Accountability Office

Chapters which describe topics that are more general, such as chapter 2 on professional skepticism, may make the guidance harder to keep current as standards are updated in the future

5. Member Bodies and Other Professional Organizations

ACCA-CAANZ - Chartered Accountants Australia and New Zealand and Association of Chartered Certified Accountants

Use of symbols

The use of symbols to highlight illustrations of the exercise of professional scepticism and professional judgement may cause confusion. In the proposed Guidance, the symbols “are not intended to indicate every place in the proposed Guidance where the exercise of professional scepticism and professional judgement are discussed.” However, professional scepticism is a ‘state of mind’ and should be applied throughout the whole engagement. Professional judgement is an action taken in certain situations during the engagement, therefore any indication of such situations should be complete. Certain preparers received the addition of these symbols positively, but also mentioned that more context in the form of short text would be helpful each time the symbols are displayed.

We maintain that professional scepticism and professional judgement should be separated into separate chapters, as these are two distinct concepts - professional scepticism is a ‘state of mind’ and should be applied throughout the whole engagement, and professional judgement is an action taken in certain situations during the engagement. It is confusing having the two terms discussed in one chapter. Professional scepticism could be kept separate from the rest and within Chapter 2, where guidance on professional judgement should be embedded where relevant in other chapters.

AE - Accountancy Europe

We consider the guidance to be exhaustive and the methodology outlined in the guidance is at an excellent technical level. Nevertheless, we would encourage the IAASB to consider clarifying certain matters that are still not aligned with ISAE 3000 (Revised) or inappropriately go beyond ISAE 3000 (Revised). It is essential that the guidance is aligned with the authoritative standard to which it relates. For instance, the section on professional scepticism goes beyond ISAE 3000 and the current draft of ISA 220 on the issue of professional scepticism. It suggests a framework for considering professional scepticism with factors that may not always relate to professional scepticism but relate primarily to impediments to compliance with the ethical principles in the Code of Ethics.

GRI - Global Reporting Initiative

The placement of the ‘professional skepticism’ and ‘professional judgment’ symbols throughout the guidance are helpful since these are not concepts that can be addressed in one place only and practitioners should continue to consider them throughout an entire engagement. Providing a summary all areas or examples where these concepts are relevant or highlighted could be helpful.

16.4 Structural comments including hyperlinking

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

Electronic Form and Hyperlinks to aid navigation: To reduce the length of the document and repetition of ISAE 3000 (Revised) requirements and aid usability, a suitable technology solution is strongly recommended. This could include an electronic version, where the user is able to navigate the entire guidance to access a specific challenge or chapter, as required. In addition, this could include hyperlinks to individual chapters, specific examples in Supplement B and the requirements of ISAE 3000 (Revised) and other relevant standards. This would ensure that the guidance is accessible to all assurance practitioners and significantly enhance its usability.

Electronic Form and Hyperlinks to aid navigation: To reduce the length of the document and repetition of ISAE 3000 (Revised) requirements and aid usability, a suitable technology solution is strongly recommended. This could include an electronic version, where the user is able to navigate the entire guidance to access a specific challenge or chapter, as required. In addition, this could include hyperlinks to individual chapters, specific examples in Supplement B and the requirements of ISAE 3000 (Revised) and other relevant standards. This would ensure that the guidance is accessible to all assurance practitioners and significantly enhance its usability.

Relocation of Chapter 6 Considering the Entity’s Process to identify Reporting Topics to the start: Our stakeholders unanimously found this chapter useful in setting the context for EER assurance, with Diagram 8 reinforcing the connectivity between the assurance practitioner and the preparer’s roles. The AUASB is of the view that the reporting entity needs to perform the necessary thinking on EER subject matter and consider other credibility enhancing steps before engaging an independent assurance practitioner to opine on its EER report. Hence, both EER preparers and assurance practitioners would utilise the content of Chapter 6 prior to determining the assurance scope. With this in mind, the AUASB suggests that Chapter 6 would be better placed before Chapter 3: Determining Preconditions and Agreeing the Scope.

Chapter 11 Addressing Qualitative EER Information: As qualitative statements within a narrative component are fundamental to EER, the AUASB is of the view that addressing related challenges would add most value

for assurance practitioners throughout the guidance, as-and-when they would come across them as part of the assurance engagement. Key stages of the assurance process where challenges with qualitative information can present include pre-conditions, determining suitable criteria, evidence gathering and in assessing the materiality of any misstatement. This approach to integration of such challenges throughout the guidance, rather than in a standalone chapter, was echoed during outreach by many of our stakeholders. We suggest using the specific examples for each of these stages of the assurance process contained in Supplement B.

CAASB - Canadian Auditing and Assurance Standards Board

As suggested in paragraphs 24 and 25 of the Explanatory Memorandum, we support the hyperlinking of the guidance to the supplements and that Diagram 1 in the Introduction be linked to the Chapters within the guidance. This will enhance the ease of use of the document.

We partially support the suggestion in paragraph 18 of the Explanatory Memorandum to structure the guidance into three parts:

Part A - Behavioral attributes (Chapters 1 and 2)

Part B - Process of an EER engagement (Chapters 3 to 10)

Part C - Specific considerations (Chapters 11 and 12)

This would help the reader to identify the relevant section for guidance related to their specific circumstance versus needing to consider the whole document. As noted in our response to Question 2 in Chapters 11 and 12, we suggest that Chapters 11 and 12 should appear before Chapter 10. Therefore, we suggest that Part B be renamed “work effort in an EER engagement”, and a Part D named “Assurance Report on an EER engagement” be added for Chapter 10 (moved after Chapters 11 and 12).

The use of Chapters also implies that the guidance needs to be read in a linear fashion as a complete package rather than being available as a reference source, for individual topics. The IAASB could consider renaming the Chapters as Sections.

Order and flow of the guidance

We found the ordering of Chapters did not follow the flow of an engagement as was suggested in the explanatory memorandum. The section that caused the most confusion on placement was Chapter 6. Decisions about the suitability of criteria (Chapter 4) are in practice made after the preparer has decided on the topics which it will report, or whether entity developed criteria are needed to create subject matter information for the reported topics (Chapter 6). Therefore, we believe Chapter 6 should appear before Chapter 4. Regarding Chapters 11 and 12 we believe it is helpful to keep the information on qualitative and future oriented information together in stand alone chapters, with references to other chapters as appropriate. However, Chapters 11 and 12 should come before Chapter 10 on the Assurance Report, as preparing the report is the last step in the engagement.

IDW - Institut der Wirtschaftsprüfer

With one exception we believe that the guidance is structured in a way that is easy for practitioners to understand and use. However, we note that chapter 5 Considering the System of Internal Control precedes Chapter 6 Considering the Entity’s Process to Identifying Reporting Topics. Chapter 6 actually relates to two issues: 1. are the criteria for identifying reporting topics appropriate, and 2. have the criteria for identifying reporting topics been appropriately applied. We recognize that the determination of whether the criteria as a

whole are appropriate through the inclusion of entity-developed criteria may involve considering controls over the development of entity-developed criteria and that considering whether application of the criteria to identify reporting topics was appropriate also may involve considering controls over such identification. However, the determination of the suitability of criteria is a matter that the standard deals with prior to the consideration of the of internal control or preparation processes, and the bulk of such considerations are subsequent to the matters dealt with in Chapter 6, which goes beyond considering whether the prerequisites for an assurance engagement are present. Furthermore, the considerations of controls or preparation processes in 46L/46R to 48L/48R involve the concept of material misstatements, which implies that if the concept of assertions is used, the concept of material misstatements would need to be applied at assertion level. This means that if assertions are used, then the assertions would need to be identified prior to applying consideration of the system of internal control or preparation processes. For these reasons, we believe it would be appropriate for the Guidance to address the content of these Chapters in the following order: Chapter 6, Chapter 7 and then Chapter 5. This is important because practitioners should be able to use the guidance in the general order in which it would need to be applied in practice.

NZAuASB - New Zealand Auditing and Assurance Standards Board

The NZAuASB would be supportive of further grouping the chapters into the three parts as suggested, however, in line with our recommendation to move Chapter 6 would include a new Part before these addressing the entity's process to identify reporting topics, which would be followed by:

- Part A – Behavioural aspects, however we recommend that this section should be condensed and recommend that draft Chapter 1 and Chapter 2 might be combined.

- Part B – Process of an EER engagement
- Part C – Specific considerations on qualitative and future-oriented information, could be combined after integrating the considerations on qualitative information throughout the assurance process.

The NZAuASB reflected on whether it was necessary to separate out the last two chapters (11 & 12), given that the challenges presented by qualitative and future oriented information are pervasive to an EER assurance engagement. The NZAuASB strongly recommends that guidance on qualitative information should be more fully integrated through each step of the assurance process. On balance the NZAuASB considers that future-oriented information is appropriately addressed in its own chapter.

Structure The overall concern remains that the document is lengthy, dense and complex. Use of navigational links, etc, as explored by the IAASB will help, but the NZAuASB further encourages the IAASB to re-organise and streamline the document, with a focus on EER specific examples and guidance. We recommend the introduction of colour to distinguish cross references to the standard, or supplementary material to visually assist and simplify the numerous cross references that are built into the draft document. In order to engage stakeholders with the content of the draft guidance, we found chapter 6 to be the most useful starting point. We strongly recommend that Chapter 6, together with diagram 8, be moved to the front of the guidance. This recommendation was also identified by a number of stakeholders during our outreach. This chapter usefully sets out the context that is necessary in order to undertake assurance, reinforcing the preparer's role in preparing for assurance. The entity needs to have performed the necessary thinking on the EER subject matter and have considered and advanced other credibility enhancing steps within the entity first, before seeking to engage an independent practitioner to opine on the EER report. In practice, this is the first step however as currently positioned this material tends to be lost in the middle of the guidance on the assurance process. In addition, we encourage the IAASB to reconsider the need for a separate chapter (chapter 11) on addressing qualitative EER. Most EER information will include narrative information.

This key challenge may be better highlighted and connected to relevant examples at appropriate stages in the assurance process (e.g., at the precondition stage, in determining the suitability of criteria, in gathering evidence and in assessing the materiality of any misstatement). We therefore recommend that the IAASB consider weaving this chapter through the assurance process rather than leaving it to the end.

The NZAuASB is supportive of only including shorter examples within the guidance, leaving longer examples to supplementary documents.

The NZAuASB is supportive of structuring the guidance to address the key stages of performance of an EER assurance engagement, following the flow of the performance of the engagement, rather than around the 10 challenges.

However, the NZAuASB strongly recommends moving Chapter 6 to the front of the guidance. This chapter usefully sets out the context that is necessary in order to undertake assurance, highlighting that the entity needs to be at a point that it is ready for assurance, i.e. that there is a rationale purpose for the engagement, it is clear who the intended users are, the reporting topics have been identified by the entity, the entity's reporting process is able to produce evidence to support its reporting. The entity itself needs to have performed the necessary thinking on the EER subject matter and have considered and advanced other credibility enhancing steps within the entity first, before seeking to engage an independent practitioner to opine on the EER report.

The NZAuASB remains concerned by the length and density of the document which may deter practitioners from understanding or using the guidance. This may be somewhat mitigated by the use of hyperlinks to be included in the finalised guidance and possible use of pop-up boxes. Diagram 1 should also assist, especially if the diagram includes hyperlinks.

We recommend the introduction of colour to distinguish cross references to the standard, and other supplementary material etc, to visually assist and simplify the numerous cross references that are built into the draft document. The number and different types of cross referencing is somewhat intimidating and/or distracting and we consider that colour coding could assist the user to navigate these.

3. Accounting Firms

BDO - BDO International Limited

To remedy this, we would encourage extensive use of hyperlinks and pop-ups to support user friendliness and ensure greater conciseness. A simpler, digital version, as suggested in the Guidance, will be critical for practitioners to fully understand and apply the ISAE 3000 (revised) underpinned by relevant inter-connected materials.

CG - Crowe Global

The draft Guidance is structured in a way that is easy for practitioners to understand and use. The structure is logical, and the order of chapters makes sense. We agree with the suggestion in paragraph 18 that the chapters of the Guidance be presented in three parts. We welcome the use of hyperlinks for referencing.

DTT - Deloitte Touche Tohmatsu Limited

Structure and navigation

We understand the EER consultation paper is not intended to be read from end to end, but rather it allows a deep dive into a specific matter of interest. The structure and ease with which the draft guidance can be

navigated is therefore crucial in ensuring the document is accessible for its intended audience. We are supportive of making the document more accessible by including hyperlinks and pop-up boxes as discussed in paragraph 24 of Explanatory Memorandum in the draft guidance.

Accessibility could be increased through more references between paragraphs within the guidance itself, to ISAE 3000 (Revised), and from the guidance to the relevant additional guidance in the supplements—this would be very helpful for the user if they cannot follow what the guidance is saying. There is good content in the examples included in Supplement B; however, it would benefit from more signposting.

We welcome the revised structure and order of the guidance, which follows the flow of stages and other aspects of the performance of an engagement. Ordering the chapters in this way presents a more logical order for the practitioner to follow. While consideration might be given to moving Chapters 11 and 12 so that 'Preparing the assurance report' would be the last chapter, DTTL acknowledges the IAASB's conviction that these chapters are located at the end of the draft guidance as they cover specific considerations from acceptance through to reporting (par. 18). Moving content from ISAE 3000 (Revised) into Supplement A enhances accessibility of the draft guidance. However, consideration might be given to include key paragraphs from ISAE 3000 (Revised) in the draft guidance, for example, by using pop-up boxes, and further supporting content from ISAE 3000 (Revised) in the Supplement, accessible via hyperlinks. The provision of more examples (in a dedicated Supplement B) without focusing on one specific EER reporting framework enhances the applicability of the EER Consultation Paper.

EYG - Ernst & Young Global Limited

Although the EER Guidance is long, we believe that the structure works well. The structure appears logical, flows well, and the use of diagrams and examples is helpful. We did notice that the EER Guidance has been shortened from the first round and believe that moving materials to Supplements A and B has helped; however, the current draft EER Guidance still appears to be lengthier and more detailed than necessary. We encourage the IAASB to make the key points more prominent and reduce lengthy explanations for the reader to more easily apply and understand the EER Guidance for practical implementation.

Consistent with our comments on Phase 1 of this project, we believe the EER Guidance will be most understandable and usable if the practitioner can easily find the EER Guidance that is applicable to the specific challenge they are facing in their engagement. It is equally important that practitioners understand how the EER Guidance aligns to the Standard. We believe that Diagram 1 in the introduction section does a successful job in illustrating how the EER Guidance aligns with the Standard. The consistent structure of each chapter also provides helpful signposting. We also believe the reordering of the chapters to align to the diagram is helpful and agree that use of hyperlinks to the Standard and other parts of the EER Guidance will help the practitioner more easily find and navigate the applicable guidance.

Regarding the question asked by the IAASB whether to also divide the paper into Parts A, B and C, we do not have a strong preference, as we find the structure helpful as it is, and the addition of another sub-heading is likely to have only a marginal benefit, given that it will not change the underlying structure of the EER Guidance.

We do believe that there are some areas for improvements regarding the length of some of the sentences and paragraphs and certain areas where the structure of the EER Guidance could have better consistency. Some of these improvement areas include:

Formatting consistency: We identified a few considerations in order to promote further consistency from a formatting perspective throughout the EER Guidance. Refer to EYG Appendix 1 of this comment letter for further details.

Overly verbose wording/sentences: There appear to be overly verbose sections, sentences and paragraphs in several places throughout the EER Guidance, which results in these areas either being unclear and/or being more likely to cause translation issues. We recommend that long sentences be challenged and suggest the use of bullets more often in order to be more effective and clearer. For example:

The introduction section paragraph 3 contains only one sentence with 68 words, which could be restructured to:

“The aim of the IAASB in issuing the Guidance is to promote consistent high-quality application to the Standard of EER Assurance engagements. This will:

Strengthen the influence of such engagements on the quality of EER reports

Enhance trust in the resulting assurance reports, and

Engender greater confidence in the credibility of EER reports so that they can be trusted and relied upon by their intended users.”

The current structure, with Supplements A and B, is helpful, as it separates the key concepts, background and detailed examples from the core EER Guidance. Not only will this benefit practitioners as they gain experience in performing engagements on EER, it will also help the IAASB maintain the separate elements of the EER Guidance effectively.

GTI - Grant Thornton International Ltd

Whilst the draft Guidance remains a long, and perhaps daunting document, we are of the view that this guidance is necessary and relevant. We appreciate the tools put in place to aid navigation of the document. In particular, Diagram 1 serves as a good navigational tool for both the draft Guidance and for the linkages to ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. Further, hyperlinks throughout the proposed Guidance will only serve to improve its usability. Similar to the first phase of this project, we would recommend simplification of the proposed draft Guidance wherever possible.

KPMG - KPMG Network

Structure of the Guidance Document

We believe the document is structured in a clear and helpful way, with distinct chapters and additional material in Supplements A and B for ease of use. With the exception of our recommendations below regarding smart technology, we do not suggest other modifications as to structure and layout, such as further grouping together of particular chapters into sections.

Use of Smart Technology

The Guidance Document is necessarily lengthy, with many inter-related sections and concepts, supplemented by appendices. Accordingly, we recommend that the IAASB consider the use of smart technology within the Guidance Document, in particular, the use of “click-through” functionality, “hover-over” functionality and hyperlinks within the Guidance Document itself as well as to ISAE 3000 (Revised) requirements to facilitate access and enhance its usefulness and accessibility to practitioners.

PwC - PriceWaterhouseCoopers

Overall, the restructured chapters follow a logical order and the content is now presented in a style that is easier to read and less “academic” in nature

Overarching comments (incl. Introduction)

The structure of the main guidance is, overall, logical, closely mirroring the ordering of the requirements in ISAE 3000 (Revised).

As explained in our covering letter, however, we recommend Part II of Supplement A be reconsidered.

With respect to the question as to whether it would be helpful to further structure the guidance in 3 parts (behavioural attributes, process of an EER engagement, and specific considerations on qualitative and future-orientated information), it is not clear to us what additional benefit this will derive, if the chapters are still presented in the order shown (as is the stated intent).

Each chapter includes several paragraphs that describe “Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners”. The matters set out in these sections do not consistently describe “circumstances” and often read like additional elements of guidance or considerations for the practitioner. We recognise that context is often needed to describe a circumstance. However, we believe it would be useful to develop a consistent approach to drafting these sections so that they first clearly describe the relevant circumstance and then explain any relevant context. This would more quickly help practitioners identify the types of circumstances that are addressed in the chapter that they may encounter.

Making the guidance more accessible through technology

There is no doubt that the guidance, particularly with the supplements, is very long. In an increasingly technology driven world, developing a well-structured and easily accessible electronic format for the guidance will, in our view, be important in facilitating both its usefulness to, and successful adoption by, practitioners. That may help overcome perceived barriers to its use resulting from the length of the guidance.

RSMI - RSM International Limited

We welcome the suggestion of using hyperlinks between ISAE 3000, the guidance and the supplements to enable easier navigation between the various standalone documents and we believe that it would also assist conciseness.

4. Public Sector Organizations

AGNZ - Auditor-General of New Zealand

We agree that the Guidance should be structured in terms of the key stages of an EER assurance engagement. To support this kind of structure, we recommend:

consolidating the content of Chapters 1 and 2: The first key stage and decision of the assurance engagement should be to determine if the necessary pre-conditions are in place. However, this stage is not discussed until Chapter 3 and as a result is not sufficiently emphasised. Consolidating Chapters 1 and 2, which would cover the necessary competencies and attributes, would better highlight that the first key stage is determining whether the pre-conditions are in place;

re-ordering Chapters 3 to 6: Chapter 6 covers important content on the purpose of the EER report and the processes to identify the reporting topics and intended users, which we expected to be at the front of the

Guidance, rather than the middle. Diagram 8 provided the clearest overview of the assurance engagement. We recommend that the content of Chapter 6 and Diagram 8 be moved forward in the Guidance, followed by Chapters 4 and 5; and

re-structuring the discussion on the suitability of criteria: Chapters 3, 4, and 6 all discuss the suitability of criteria, which results in duplication and confusion. We recommend that this material be more clearly structured in terms of what guidance is needed to make a preliminary assessment during the acceptance phase versus a more comprehensive assessment during the planning phase.

With regard to the Guidance itself, we considered that there were opportunities to improve the overall structure and to provide simpler, clearer, and more concise guidance in several places, which we discuss further in the appendices.

5. Member Bodies and Other Professional Organizations

ACCA-CAANZ - Chartered Accountants Australia and New Zealand and Association of Chartered Certified Accountants

The structure should follow that of ISAE 3000 (ie following the engagement process) as far as practical to make ISAE 3000 easier to understand and apply for practitioners.

We encourage the exploration of additional electronic functionality to further enhance navigability of the Guidance.

We maintain that professional scepticism and professional judgement should be separated into separate chapters, as these are two distinct concepts - professional scepticism is a 'state of mind' and should be applied throughout the whole engagement, and professional judgement is an action taken in certain situations during the engagement. It is confusing having the two terms discussed in one chapter. Professional scepticism could be kept separate from the rest and within Chapter 2, where guidance on professional judgement should be embedded where relevant in other chapters.

We support moving the background/contextual information, the information that is primarily targeted towards stakeholders other than practitioners and the more comprehensive examples, into the supplementary papers. We also acknowledge the intention to enhance the cross-referencing system using hyperlinks to aid navigability, which we had suggested in our Phase 1 submission.

AICPA - The American Institute of Certified Public Accountants

Each chapter of the Guidance is structured to answer the “What,” “Why,” and “How” of the guidance in the chapter. The “Why” sections are intended to describe circumstances that would cause the practitioner to need additional guidance. If possible, we suggest that a list that accumulates all of the circumstances that could cause the practitioner to need additional guidance that are identified in each of the chapters be developed because it would be helpful for readers to have an overall understanding of why this guidance is useful. Certain of the circumstances are repeated in more than one chapter, which makes sense because we would expect some circumstances to be relevant to many different matters. Rather than including the longer narratives describing these circumstances in each chapter, consider summarizing the circumstance in a few words, and then, in the list we have suggested, provide the more complete description, along with the short description.

Structure of the Guidance

We think the following are helpful features in the structure of the Guidance:

- The use of hyperlinks to aid in navigating between the Guidance and the supplements, within the Guidance, and between the Guidance and ISAE 3000 (Revised)
- The subheadings within each of the chapters, and how they structure the chapters around “What, Why, and How” (However, we suggest that subheadings related to “How” (similar to those for “What “ and “Why”) be added to clearly indicate when the reader gets to the “How” section, for example, “Approaches for Addressing Possible Challenges.”
- The insertion of blue and yellow symbols to highlight decision points in an assurance engagement in which the exercise of professional skepticism and professional judgment are needed.

We tend to favor the suggested three-part structuring recommended in paragraph 18, with Parts A, B, and C. If this approach is taken, Part B should include references to relevant material included in Chapter 11 and 12.

Assirevi

The publication of the Draft Guidance (hereinafter the Guidance) to clarify some of the aspects outlined in the existing assurance principles (e.g. ISAE 3000 Revised, hereinafter “ISAE 3000”) when facing EER assurance engagements is certainly useful. We support the revised structure and order of the Guidance: we think that ordering the Chapters based on the flow of various stages and other aspects of the performance of an engagement is a more logical order for the practitioner to follow.

The Guidance has to be read alongside ISAE 3000: in this respect, we consider it necessary that the Guidance provides a clear explanation of how to use the existing assurance principles in EER engagements. As we already stressed in our comments to the previous consultation (2019), the Guidance should not add new requirements.

The Guidance contains a huge number of cross-references between the Guidance itself and the Supplements.

We agree that the Guidance should include hyperlinks and pop-ups to render the document more user-friendly without becoming unduly long. We suggest anyway to include illustrative examples (currently described in Supplement B) directly in the Guidance. At the same time, Supplement A could be summarized and merged with the Guidance itself.

Moreover, in our opinion, it would be useful to include at the end of each Chapter a table to help practitioners to discern between requirements for reasonable and for limited assurance engagement. This would be useful in particular to determine preconditions and agree the scope of the EER assurance engagement.

Moreover, some parts of the Guidance do not seem to add any suggestions or explanatory materials on the elements already included in the relevant ISA/ISAE standards. In those cases it might be useful to simply cross reference the related standards.

In addition, the Guidance should better clarify when it refers to requirements coming from ISAE 3000, as opposed to the application and explanatory material of the assurance principle.

CPAA - CPA Australia

We consider that the Guidance is well structured overall, which may be significantly enhanced once electronic tools are in place for navigating the material. Further improvements could be gained by addressing the following matters:

Digital navigation: Navigation between Chapters, Supplements, diagrams, examples and paragraphs within the Guidance, linking to relevant paragraphs of ISAE 3000 and other standards and definitions would be significantly aided by hyperlinks or other electronic tools.

We suggest that further improvements could be gained by:

Digital navigation: We strongly support the proposal to use electronic tools to navigate the Guidance. The use of hyperlinks from diagrams to Guidance paragraphs, examples or between related paragraphs, as well as links to definitions, would help to navigate this very lengthy Guidance. The absence of definitions or diagrams to explain terms such as “subject matter information”, which are not in common usage, is a drawback of the Guidance, which hyperlinks to relevant definitions could alleviate.

FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas

The structure as designed makes it easy to access and understand its content.

The volume achieved in development represents a difficulty that can be solved with the automatic relationship through links to other related regulations such as ISAE 3000 and related example

FAR - Institute for the Accountancy Profession in Sweden

FAR’s experience is that an extensive guidance is quite difficult to navigate. FAR believes that it will be difficult for a non-audit professional outside the Sustainability sphere to fully understand the document and for an initiated Sustainability auditor there is limited new information.

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. As it is now there are quite a number of areas of repetition from ISAE 3000 e.g. under assurance report content. FAR’s recommendation is to evaluate a shortening of the document.

GRI - Global Reporting Initiative

We would recommend that there is still some consideration needed on how to provide this guidance and the supplements in an online format that allows for easier navigation. The very lengthy pdf documents do not lend themselves to ease of moving between different sections, and at the very least should include hyperlinks.

ISCA - Institute of Singapore Chartered Accountants

This would make it simpler for practitioners to locate specific reference / guidance material for their circumstances. Training and application materials could also be more focused. As EER practice develops over the short to medium term, such separation could also facilitate future revisions, amendments and additions.

We note that every chapter of the Guidance now contains the sections “Matters addressed by the Guidance in this chapter” and “Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners”, which are useful summaries of each chapter. To better present such information, we suggest

presenting these two sections in bullet points within a shaded box to make the Guidance more readable and accessible. In addition, to build on our suggestion earlier in this letter, the important points of each chapter may be summarised and presented in this shaded box for emphasis.

Another comment is that sentences across the Guidance making references to Supplement B can be bolded to draw attention to the readers (for example, the last sentence of paragraph 395).

However, at more than 150 pages, the Guidance is quite challenging to read. While we note that the Guidance has partitioned the conceptual material to Supplement A and the illustrative examples to Supplement B, it could be further broken up into separate statements. Using the scheme shown in Diagram 1, separate statements could be:

EER Guidance 1001 – Chapters 1, 2 and 3

EER Guidance 2001 – Chapters 4, 5 and 6

EER Guidance 3001 – Chapters 7, 8 and 9

EER Guidance 4001 – Chapter 10

EER Guidance 5001 – Chapters 11 and 12

SAICA - South African Institute of Chartered Accountants

SAICA welcomes the IAASB's suggestion of the use of hyperlinks to assist the users of the Draft Guidance to navigate through the document, including the supplementary information. We urge the IAASB to follow through with this suggestion.

The Draft Guidance is written in a manner that is easily understandable and consistent with ISAE 3000 (Revised). We believe that it will be of great use to EER assurance engagement providers, irrespective of their experience in performing EER assurance engagements. The IAASB has made exemplary use of diagrams and short examples to elaborate on the principles contained in the Draft Guidance.

Terminology not used in ISAE 3000 (Revised) has been appropriately included in the glossary of terms (Appendix 1). An example of this is the term, 'reporting topics' which is not used in ISAE 3000 (Revised) or in the most commonly known EER frameworks. This has been well defined in Appendix 1 and clearly explained in the relevant section in the Draft Guidance.

Diagram 1 (on page 60) provides an excellent reference point on how the Draft Guidance relates to ISAE 3000 (Revised). This diagram provides a clear overview of how each section in the Draft Guidance fits into the various stages of the EER assurance life cycle.

16.5 Length of Guidance

1. Investors and Analysts

ICGN - International Corporate Governance Network

The length of the piece remains a problem. There is room to shorten the non-authoritative guidance by referring to the Standard rather than repeating the information in Standard. For example, paragraph 51 on the meaning of "engagement circumstances" repeat S.12, paragraph 117 repeating S.25, paragraph 139, 148, 151, 154 and 155 repeating S.A45.a, S.A45.b, S.A45.c, S.A45.e, S.A45.e respectively.

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

The guidance has become lengthy and quite complex. The AUASB appreciates the extensive challenges addressed, however, in consultation with our key stakeholders, we encourage the IAASB to re-organise and streamline the document prior to issue in order to optimise the likelihood of widespread international adoption and use:

Chapter 8: Obtaining Evidence

The AUASB suggests, to reduce the length of the guidance, that the generic material in Chapter 8 that sets out the practitioner's considerations as to what evidence is needed and how to obtain it for any assurance engagement be relocated to the supplementary material.

The guidance has become lengthy and quite complex. The AUASB appreciates the extensive challenges addressed, however, in consultation with our key stakeholders, we encourage the IAASB to re-organise and streamline the document prior to issue in order to optimise the likelihood of widespread international adoption and use:

CNCC-CSOEC - Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts-Comptables

However, we have concerns about the volume of the Guidance (109 pages). We identified several repetitions in the text that could be deleted.

IDW - Institut der Wirtschaftsprüfer

Some of our stakeholders are concerned by the length of the guidance together with the supplements and question how the resulting comprehensiveness of these matters is capable of being implemented in practice. They find the ISAs written in clarity format to be easier to read: the guidance does not appear to adequately set forth clear principles with commensurate guidance or possible interpretations. They also believe that some of the "Considerations for the practitioner" read like a work program or checklist that could be moved to appendices and that the terms and definitions used (e.g., those in Chapter 4) should be summarized at the beginning of the document and these should have the same meanings as those in IAASB standards. Some of our stakeholders also find the referencing techniques used within the guidance and supplements to be confusing.

NZAASB - New Zealand Auditing and Assurance Standards Board

The NZAuASB encourages the IAASB to continue to explore ways to succinctly point to key guidance to help the practitioner overcome the challenges identified. More information about why the challenge arises, etc can be read as context to those key messages. The NZAuASB would encourage the IAASB to keep the guidance as specific to EER as possible. Any material that is generic to all assurance engagements could be cross referenced rather than being included in full in the document.

The NZAuASB remains concerned by the length and density of the document which may deter practitioners from understanding or using the guidance.

Structure The overall concern remains that the document is lengthy, dense and complex.

3. Accounting Firms

BDO - BDO International Limited

The Guidance is very long and detailed which on one hand is helpful as it provides practitioners with a firm foundation how to plan and execute EER assurance engagements. On the other hand, the Guidance has a significant number of cross-references between the Guidance document and the supplements making it hard for practitioners to use the document as the main reference point. To remedy this, we would encourage extensive use of hyperlinks and pop-ups to support user friendliness and ensure greater conciseness. A simpler, digital version, as suggested in the Guidance, will be critical for practitioners to fully understand and apply the ISAE 3000 (revised) underpinned by relevant inter-connected materials.

DTT - Deloitte Touche Tohmatsu Limited

The volume, language, and style make the EER consultation paper a very challenging read, particularly as the guidance and supplements need to be read alongside ISAE 3000 (Revised). The volume of information required to be read creates a barrier to entry.

EYG - Ernst & Young Global Limited

Although the EER Guidance is long, we believe that the structure works well. The structure appears logical, flows well, and the use of diagrams and examples is helpful. We did notice that the EER Guidance has been shortened from the first round and believe that moving materials to Supplements A and B has helped; however, the current draft EER Guidance still appears to be lengthier and more detailed than necessary. We encourage the IAASB to make the key points more prominent and reduce lengthy explanations for the reader to more easily apply and understand the EER Guidance for practical implementation.

GTI - Grant Thornton International Ltd

Whilst the draft Guidance remains a long, and perhaps daunting document, we are of the view that this guidance is necessary and relevant. We appreciate the tools put in place to aid navigation of the document.

PwC - PriceWaterhouseCoopers

Making the guidance more accessible through technology

There is no doubt that the guidance, particularly with the supplements, is very long. In an increasingly technology driven world, developing a well-structured and easily accessible electronic format for the guidance will, in our view, be important in facilitating both its usefulness to, and successful adoption by, practitioners. That may help overcome perceived barriers to its use resulting from the length of the guidance.

RSMI - RSM International Limited

The guidance is, though, very long and this may deter practitioners from using it.

Apart from any impact that the length and complexity may have on translation, we have no other comments.

However, the proposed guidance is very long and, in places, complex. The current length and the complexity in some of the detail may impact effective implementation. We encourage your continued focus in seeking to address these matters.

4. Public Sector Organizations

AGA - Office of the Auditor General Alberta

The guidance is quite long already and would become longer and more complex if more frameworks or sectors or assurance topics were included. At some stage, splitting the guidance into a series of stand-alone but related documents, perhaps by framework or sector or assurance topic (e.g. chapters of the present guidance), may make it more accessible, relevant, maintainable and usable.

AGNZ - Auditor-General of New Zealand

We recognise the IAASB's response to previous feedback on the length of the Guidance, with additional contextual and background material, and more comprehensive examples, placed in Supplements A and B. However, we found the Guidance long, and separating the information across three documents made it difficult to navigate.

There are also many paragraphs and sentences that are long and difficult to understand (for example, paragraphs 10, 33, 77, 82, 113, 115, 136). Several chapters include sections that provide extensive guidance on common sense points that detract from a focus on the important information in the Guidance (for example, paragraphs 38-41, the definition of professional judgment, and paragraphs 72, 82).

We recommend that the Guidance be reviewed with a focus on rationalising all of the documents into a single succinct document, with potentially lengthier examples included in an Appendix that are clearly linked to the relevant text in the Guidance.

We also recommend that the overall Guidance be reviewed and written with practitioners in mind. As discussed further below, the Guidance should be much shorter and concise and rely on simple, clear concepts and principles and focus on important topics.

5. Member Bodies and Other Professional Organizations

ACCA-CAANZ - Chartered Accountants Australia and New Zealand and Association of Chartered Certified Accountants

As we have mentioned above in our response to Question 1, the proposed Guidance seems long. We have suggested some ways in which it could be shortened.

The proposed Guidance is helpful and appears to be in keeping with the Assurance Framework and other IAASB literature. The conceptual discussions may be more of use to standard setters, regulators, preparers or other users rather than practitioners. We appreciate that conceptual reference is useful to enable users that are not aware of the IAASB literature (ie preparers, EER assurance providers that are not involved in financial audits or other users) to understand and use the Guidance. However, the primary users of the guidance are practitioners who are highly likely to be aware of the IAASB literature. Therefore, the Guidance needs to strike the right balance in terms of length if we expect practitioners to use it.

There is also a need to be mindful of the length of the proposed Guidance in general if practitioners are to meaningfully engage with it. We recognise that the chapters in the proposed Guidance can also be used separately and not necessarily as a whole, which necessitate some repetition. However, we still received many comments with much concern regarding the length.

Some ways it could be shortened, is by:

Removing repetition, especially where content from existing IAASB literature is duplicated (eg ISAE 3000) and areas where the proposed Guidance repeats itself.

Removing generic content (eg Chapter 2) and only keeping practical application material that is EER specific.

Reconsidering whether each diagram is useful for the primary target audience (ie practitioners). The conceptual aspects may be of more use to national standard setters and regulators.

Some of the guidance could be seen as outside of the core guidance: for instance, where the examples become lengthy, consider moving them to the appendices.

AICPA - The American Institute of Certified Public Accountants

The Guidance still appears to be lengthier and more detailed than necessary. Key points could be made more prominent and lengthy explanations could be edited to make the Guidance easier to understand and apply.

GRI - Global Reporting Initiative

We would recommend that there is still some consideration needed on how to provide this guidance and the supplements in an online format that allows for easier navigation. The very lengthy pdf documents do not lend themselves to ease of moving between different sections, and at the very least should include hyperlinks.

ICAS - Institute of Chartered Accountants Scotland

We have highlighted in our general comments above that we believe the guidance to be extremely lengthy. We believe that the smart use of technology could resolve this issue. We suggest that the guidance should be produced and presented in a digitised, online format that enables assurance providers to access the specific section of the guidance that is relevant for their purpose in order to address the accessibility and navigation issues.

We would also highlight that the guidance itself is very lengthy and therefore may not be the most accessible of documents. However, it may be possible to present it in a digitised, online format that simplifies the navigation process and enables users to reach specific sections quickly and easily. One further suggestion in relation to the examples is that these could be displayed by topic in order that a user can quickly identify and access the relevant example for their needs.

ISCA - Institute of Singapore Chartered Accountants

The Guidance provides useful recommendations and application materials but is very lengthy and challenging to read. We suggest the inclusion of a concise separate document to provide sufficient emphasis to the important points unique to EER assurance. This would highlight to users the key points to better navigate through the comprehensive content

However, at more than 150 pages, the Guidance is quite challenging to read. While we note that the Guidance has partitioned the conceptual material to Supplement A and the illustrative examples to Supplement B, it could be further broken up into separate statements. Using the scheme shown in Diagram 1, separate statements could be:

EER Guidance 1001 – Chapters 1, 2 and 3

EER Guidance 2001 – Chapters 4, 5 and 6

EER Guidance 3001 – Chapters 7, 8 and 9

EER Guidance 4001 – Chapter 10

EER Guidance 5001 – Chapters 11 and 12

MIA - Malaysian Institute of Accountants

However, certain aspects of the Guidance come across as too generic especially for a knowledgeable practitioner with financial statement auditing background and may be shortened to reduce the overall length of the Guidance.

16.6 Terminology and use of language

1. Investors and Analysts

ICGN - International Corporate Governance Network

Please consider changing all references from financial v. non-financial to financial statement v. non-financial statement because the information may very well have a long-term financial impact even if not included in the most recent financial statement.

The terms the “engaging party”, “reporting entity” and “preparer” should be more consistently used between the Standard and the Guidance. We notice that the Guidance frequently uses the term “the preparer” of the EER report, however, such term is not used at all in the Standard. Instead, the Standard uses the “engaging party” and “entity”.

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

Terminology

The AUASB recommends simplification of the terminology used in the guidance, such that it is more specific to EER. This would improve accessibility for assurance practitioners and preparers and go a long way to more practical and user-friendly guidance. Plain English is encouraged and a “road test” of the language and terminology suggested prior to release, involving a Plain English specialist/proof-reader (as may already be the IAASB’s intention) and a relatively inexperienced EER assurance practitioner. The use of plain English would also assist in the translation of the guidance to other languages and help to promote adoption in other jurisdictions.

The AUASB understands and broadly supports the rationale behind the change in terminology to “the entity’s process to identify reporting topics” from the entity’s “materiality process”. We appreciate that this change has been made to avoid unnecessary confusion with the way in which assurance practitioners think about the term “materiality”. This new language was also broadly supported by the stakeholders during outreach.

The AUASB and some stakeholders consider that the language used in this chapter remains overly complex and confusing, especially when referring to the “entity’s development of criteria to identify reporting topics”. Stakeholders also raised this as confusing, highlighting confusion in the examples in paragraph 221, which seem to mix criteria around reporting topics (including relevance to stakeholders and material risks with more specific indicators in example 2). We consider that this is better articulated in the covering memo,

where it is clearer that the process to identify reporting topics may be needed where the EER framework in itself does not result in suitable criteria i.e. the “process to identify reporting topics” is how the preparer goes about developing the criteria further. The idea that all of these layers form part of the criteria may assist.

We find the use “of criteria to identify reporting topics” confusing as it is unclear how the process differs from the criteria. It implies that there is a need for “separate” criteria to identify reporting topics where we understand that this is only one part of whether the criteria are suitable. This concept is described clearly in the first sentence of paragraph 220, however we encourage the IAASB to consider a different way to describe the “criteria to identify reporting topics” in the last sentence.

CAASB - Canadian Auditing and Assurance Standards Board

Guidance should use everyday business language or plain language to make it easy to understand and use. We suggest the IAASB should consider simplifying the guidance to eliminate long complicated sentences using complex language. The use of the term Chapter to label each section could be contributing to the sense that the guidance is theoretical (i.e., a textbook). The use of Chapters also implies that the guidance needs to be read in a linear fashion as a complete package rather than being available as a reference source, for individual topics. The IAASB could consider renaming the Chapters as Sections.

In some cases we found that the guidance was theoretical or conceptual and did not provide enough practical guidance. We include examples of opportunities to address some practical concerns noted by Canadian stakeholders in our responses on Chapters 4, 8, 10, 11, and 12.

NZAASB - New Zealand Auditing and Assurance Standards Board

Paragraph 373 is an example where the guidance is dense and may benefit from simpler, plainer English.

Some of the language in this chapter is very dense and complex

Terminology The terminology used in the guidance is somewhat complex. Using language that is simpler and more specific to EER reports and preparers would go a long way to making the guidance more accessible and user friendly. Experienced EER practitioners and preparers may understand the terminology, however, use of plain English that both the preparer of EER information and the assurance practitioner can relate to is encouraged. Overall, the NZAuASB continues to encourage the IAASB to avoid establishing too high a hurdle, with a focus on providing as much assurance as possible, without the assurance process becoming a barrier to the development of EER.

The terminology used in the guidance is complex. Our experience, in developing NZ AS 1, the domestic standard on the audit of service performance information, is that even the most experienced assurance practitioner does not or/and finds it difficult to engage, in a meaningful way, with terminology such as: subject matter, subject matter information and criteria. Using language that is simpler and more specific to EER reports and preparers would go a long way to making the guidance more practical and user friendly. E.g. referring to the EER information that is reported in lieu of subject matter information may make it easier to engage with the guidance.

We recommend that additional guidance to explain what a practitioner expert is and is not would be useful. Use of plain English terminology may help. In particular, we recommend using simpler terms to explain who team members are and who experts are, and avoiding switching between terms such as “practitioner expert” and “subject matter expert”.

We also consider that use of terminology such as “engagement partner” is too narrow. We recommend use of a more encompassing term such as “engagement leader”, which may better reflect how other assurance practitioners structure their businesses, i.e. not limited to the traditional auditing and accounting firm structures.

3. Accounting Firms

DTT - Deloitte Touche Tohmatsu Limited

The volume, language, and style make the EER consultation paper a very challenging read, particularly as the guidance and supplements need to be read alongside ISAE 3000 (Revised).

EYG - Ernst & Young Global Limited

Overly verbose wording/sentences: There appear to be overly verbose sections, sentences and paragraphs in several places throughout the EER Guidance, which results in these areas either being unclear and/or being more likely to cause translation issues. We recommend that long sentences be challenged and suggest the use of bullets more often in order to be more effective and clearer. For example:

The introduction section paragraph 3 contains only one sentence with 68 words, which could be restructured to:

“The aim of the IAASB in issuing the Guidance is to promote consistent high-quality application to the Standard of EER Assurance engagements. This will:

Strengthen the influence of such engagements on the quality of EER reports

Enhance trust in the resulting assurance reports, and

Engender greater confidence in the credibility of EER reports so that they can be trusted and relied upon by their intended users.”

EER Guidance Chapter 3 paragraphs 84-101 “Agreeing the Scope of the Engagement” section contains wording that, at times, seems to be circular, and possibly overly complicating something that, while fundamental, is relatively simple to express, i.e., The scope of the engagement might be the whole EER report, or just a part of it; if the latter, make sure that there is enough subject matter for assurance to be a meaningful exercise. We suggest re-visiting these paragraphs and editing to make them simpler and clearer.

Refer to EYG Appendix 1 of this comment letter for additional examples.[Not coded to Nvivo]

KPMG - KPMG Network

Removal of the term “Materiality Process”

We previously raised concerns in connection with the terminology of “materiality process” in respect of the determination as to which aspects of the underlying subject matter should be included in the subject matter information. We considered that the term may be confusing as it is a different concept to “materiality” as currently used in audit and other assurance engagements.

We welcome the change in terminology in this area to “the entity’s process to identify reporting topics” as this term appropriately and clearly describes the concept. In addition, we believe that references to materiality should be reserved for the context of design of assurance procedures in order to obtain sufficient evidence, as well as identification and evaluation of misstatements, and not used in respect of determining

which aspects or attributes of the underlying subject matter should be measured/evaluated for inclusion in the subject matter information.

Use of Audit Concepts/Terminology

As we note above, we are supportive of the inclusion of certain concepts/terminology, which are not themselves described in ISAE 3000 (Revised), to assist practitioners in operationalising certain requirements of the standard, in particular, the inclusion of the concept of “assertions”. We welcome the improvements made to the descriptions of assertions and their applicability during Phase II of this project.

However, we note that such concepts/terminology are currently understood as part of a broader suite of inter-related concepts, which together form a framework for auditors of financial statements to identify and assess risks, develop responses to these, evaluate their findings, identify and assess misstatements and form an opinion on those financial statements overall. Accordingly, we question the usefulness of introducing individual elements of this framework in isolation and suggest the IAASB consider also including material to address the complementary concepts, such as risk identification and assessment, evaluation of significant risks, and, in connection with these, the concepts of “relevant” assertions as well as risks of misstatement and risks of material misstatement, to provide assurance practitioners with a fully cohesive framework.

We suggest that discussion of application of these concepts, as an entire suite, including assertions, may be better placed in an appendix to the Guidance Document, with clear “signposting” within that appendix to assist practitioners in comparing and contrasting each of these concepts with their equivalents in an audit engagement. We believe such placement would further assist practitioners from an auditing background in applying these concepts appropriately on an EER assurance engagement, whilst at the same time, clarifying their intended purpose and helping to avoid any implication that application of these concepts is mandatory.

4. Public Sector Organizations

AGNZ - Auditor-General of New Zealand

The Guidance and Standard use highly technical concepts that we, as experienced practitioners, found difficult to understand. Throughout the Guidance and associated documents, the concepts, such as underlying subject matter, reporting topics, criteria, subject matter information, framework, are inconsistently defined and used.

It is not clear to us whether the term “criteria” is intended to determine the underlying subject matter, reporting topic or subject matter information, or is intended to determine all of these concepts. In the Standard, “criteria” is defined as “the benchmarks used to measure or evaluate the underlying subject matter” (paragraph 12(c)). However, the Explanatory Memorandum notes that “the base, methods or standard comprising the framework used by the entity to prepare the information in the EER report are known as the “Criteria”” (paragraph 10(a)).

We also note that the Guidance uses the term “framework criteria” for established criteria (for example, see paragraph 8), but then states “The frameworks and criteria used to measure or evaluate the underlying subject matter(s) ...” (paragraph 25).

In general, the examples were useful. However some examples (for example, in paragraphs 143 and 221) could more clearly explain how they demonstrate and explain the key concepts.

We recommend that the Guidance:

use simple, plain language to explain the technical terms in the Standard;

be reviewed (together with associated documents) to ensure that the key concepts are consistently defined and used;

only provide definitions of new terminology and avoid repeating definitions of concepts that have already been defined in the Standard;

clarify whether there are different kinds of criteria and how key concepts (for example, criteria, underlying subject matter, reporting topics) relate and apply to each other, using a clear end-to-end example; and

avoid using acronyms.

We also found that the proposed Guidance uses highly technical concepts, such as underlying subject matter, reporting topics, criteria, subject matter information, framework, that are difficult to understand, even for experienced practitioners. We recommend that the IAASB consider using simple and clearer concepts and terminology that professional practitioners can readily apply.

5. Member Bodies and Other Professional Organizations

ACCA-CAANZ - Chartered Accountants Australia and New Zealand and Association of Chartered Certified Accountants

Given how technical the topic is, we encourage the use of plain English as far as practicable.

The introduction of some of the new terms (eg “assurance competence”) may not be necessary where existing terms (eg “assurance skills” and “techniques”) would suffice.

As mentioned above, we appreciate that the term “materiality process,” has been renamed. However, the use of the term “criteria” in the context of identifying reporting topics (eg paragraphs 214, 219, 200, 221 and 240) may cause confusion. It is not clear how this relates to the requirement for the practitioner to determine the suitability of criteria.

The term, “presentational misstatement” goes beyond use of wording (see paragraph 322 (g)). There is also the structure of the overall report, and the priority with which information is presented.

Paragraph 117 of the proposed Guidance uses the phrase, “is not permitted.” We suggest replacing that with “shall not accept” to be consistent with S.25 of ISAE 3000.

We appreciate that the term “materiality process,” the process the entity goes through to develop criteria, has been renamed – a point we raised in our submission on the Phase 1 consultation.

AICPA - The American Institute of Certified Public Accountants

Some sentences or paragraphs are overly verbose, which results in the text either being unclear or likely to cause translation issues. We recommend that the IAASB challenge long sentences and use bullets more frequently to make the text easier to read.

Paragraph 21 of the Introduction to the Guidance states, “The Guidance uses the terminology used in the Standard when the concepts being discussed are addressed in the Standard. When necessary, other terms are identified and explained in the Guidance and summarized in a list of terms set out in Appendix 1.” It would be helpful if a convention were used to identify new terms, such as the use of boldface italics when the term first appears. If the convention were used, paragraph 21 might be one place to identify the

convention, although new terms are introduced in earlier paragraphs, for example, paragraphs 5 and 6 of the Introduction.

CPAA - CPA Australia

Scope of the EER engagement: In considering the scope of the engagement and the “perimeter” (for which we suggest using the term “boundary”) of the EER, we suggest the Guidance address the possibility of that perimeter not being bound by the concept of “entity”, but rather allow for broader boundaries, which may cut across multiple entities relevant to the activity being assured.

With respect to terminology we suggest using the term “boundary” rather than “perimeter”, as this is the term commonly used by IFAC and others in reference to the scope of financial and non-financial reporting, as well as widely used in relation to the scope of greenhouse gas emissions reporting. Likewise, we consider that “consequences”, a term used in the definition of EER information in the Guidance, is not commonly used in this context but instead “output”, “outcome” or “impact” may be more suitable terms. Each of these terms has a separate meaning and may be measured or evaluated in different ways, so it will depend on the nature of the engagement as to which term is relevant.

Terminology and Referencing: Certain terms used are not intuitive and do not have plain English meanings, the most obvious example being “subject matter information”. Consideration could be given to using plain English terms and explaining their equivalent to terms used in ISAE 3000 or other pronouncements, rather than the reverse approach which has been adopted in the drafting. For example, “EER information” maybe a more obvious and shorter term than “subject matter information”. Much of the referencing is also not intuitive. For example, by using “ISAE 3000” rather than “the Standard”, the term would be immediately understandable. Likewise, the abbreviations of “S” and “G” could be rethought or at least referenced under each diagram. Hyperlinks for each reference would aid in this understanding.

Appendix 1 – we suggest redefining the terms “EER information” by replacing the word “consequences” with the words “outputs, outcomes or impacts”, which cover the purposes of a broad range of EER, and adding that EER information encompasses the term “subject matter information” as used in ISAE 3000. The Guidance can then use the term “EER information” throughout and avoid using the term “subject matter information”, which is not a plain English term. Refer to our comments on Supplement A Section II below for further information.

Terminology and references need to be written in plain English or, at the very least, terms which are not plain English must be defined and explained, particularly given the diverse engagements which this Guidance encompasses. Certain terminology and references are explained at the end of the introduction section, after they have already been used throughout the introduction. This is confusing as the references are not immediately intuitive. We suggest this section be moved closer to the start of the introduction before any of the references are used. In addition, we suggest consideration of more intuitive referencing. This would add some more characters to the document but would enable someone reading the Guidance to have no difficulty understanding the meaning of terms used. For example:

Replace “the Standard” with “ISAE 3000”

Replace “S.” with “ISAE 300 para.” – we estimate this appears 153 times

Replace “G.” with “para.” – we estimate that this appears 169 times

In contrast, the reference “Ch.” is more commonly used and should be widely recognized as “Chapter”.

Certain references are not cited in full in their first appearance, such as ISQC 1 (page 66).

SAICA - South African Institute of Chartered Accountants

Terminology not used in ISAE 3000 (Revised) has been appropriately included in the glossary of terms (Appendix 1). An example of this is the term, 'reporting topics' which is not used in ISAE 3000 (Revised) or in the most commonly known EER frameworks. This has been well defined in Appendix 1 and clearly explained in the relevant section in the Draft Guidance.

16.7 Need for Guidance or aspects to be an evolving document

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

The Australian perspective

In Australia, EER continues to gain momentum in a voluntary market coupled with some form of assurance on this type of reporting. The Australian Stock Exchange (ASX) Governance Principles and Recommendations, revised in February 2019, now support the need for listed entities to have appropriate processes to verify the integrity of all corporate periodic reports to external stakeholders, and, as such, adequate credibility enhancing mechanisms in place to ensure that this occurs. An identified key credibility enhancing mechanism is external assurance provided by an appropriately qualified assurance provider. These initiatives are consistent with the direction being adopted internationally. Current academic research also supports the view that such credibility enhancing techniques are beneficial to market participants.

Improving auditing and assurance practice in EER is a strategic objective for the AUASB towards meeting our vision of building stakeholder confidence in the Australian economy and capital markets, through enhancing the credibility of external reporting. The AUASB also recognises the increasing importance of non-financial information, presented via EER, to meet report users' needs. The AUASB continues to be very active in this area, including through our representation on the IAASB Project Advisory Panel (PAP) to the EER Taskforce through Jo Cain (current AUASB Member) and Nick Ridehalgh (stakeholder in our jurisdiction), and as such considers it a priority for the IAASB to finalise and issue the non-authoritative guidance.

The AUASB congratulates the IAASB on the momentum established in developing this Guidance and encourages its prompt release. There will no doubt be something useful in this comprehensive Guidance for all practitioners in EER assurance, in the same way that there will no doubt be gaps and areas for improvement identified through implementation. To this end, we encourage tight monitoring of practitioner experience in implementing this Guidance across the globe, with a view to further enhancing it once it has been properly "tried and tested".

CAASB - Canadian Auditing and Assurance Standards Board

We encourage the IAASB to continue to strengthen the EER guidance in the future. We believe the IAASB needs to maintain and improve the guidance in response to new developments (such as new EER frameworks emerging or existing ones disappearing) or emerging practice areas where additional guidance is needed. This could include a commitment to conducting an implementation review of the guidance to make sure it continues to be relevant in this quickly expanding and evolving space. Such an implementation review could consider how the EER guidance is being used, including whether the current structure and format is appropriate.

3. Accounting Firms

DTT - Deloitte Touche Tohmatsu Limited

As noted above, DTTL recommends making Supplement B a ‘living document’ where additional examples can be added as EER reporting evolves.

DTTL supports and appreciates the work of the IAASB regarding EER and the issuance of the draft guidance. This is consistent with our response to the discussion paper on this topic issued by the IAASB in 2016 and the consultation paper that was published following phase 1 of the EER project in 2019. The demand for assurance in areas outside of the financial statements continues to grow and EER is an area of increasing focus by investors and other stakeholders. We recognize that there is a broader audience for corporate reporting information. Regulators increasingly require transparency on issues such as climate change, human rights, and other EER matters, and assurance over non-financial information has specifically been included in the European Commission’s consultation on the Non-financial Reporting Directive.

Moreover, much of the value of a business today is non-financial, represented by technology, intellectual capital, and human capital. Investors and others need insight into these factors in order to understand how value is created and sustained.

We recognize the need for guidance to enable more consistent and appropriate application of the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information to assurance engagements over EER subject matter information (“EER reports” or “EER disclosures”). The draft guidance could be best positioned as a ‘living document’ allowing content to be added as EER reporting evolves, for example, resulting from developments in EER reporting standards and director duties.

EYG - Ernst & Young Global Limited

In order for the EER Guidance to remain current as frameworks evolve and mature, and/or new elements are added to the reports containing EER over time, we also encourage the IAASB to continue to keep certain sections of this EER guidance under review, specifically the examples in Supplement B and the background guidance in Supplement A.

KPMG - KPMG Network

We understand that the IAASB does not intend to re-open ISAE 3000 (Revised) at the current time in order to incorporate such content within the standard itself, however, we recommend that the IAASB consider a project to update ISAE 3000 (Revised), together with the other assurance standards in the 3000 suite, in the medium term. We consider that these standards would benefit from updates to more closely align them with the auditing standards, which have undergone significant revisions in recent years, in particular, with respect to reporting matters; the identification and assessment of risks, and the effects on an audit of recent rapid developments in technology. As part of this update, we suggest the IAASB consider whether aspects of the Guidance Document should be included in the assurance standards themselves. We recommend that such consideration be made further to outreach to preparers, practitioners, and other stakeholders, to help ensure that the standard is fit for purpose as assurance practice continues to evolve. We refer also to our comments above regarding interconnected standard-setting for corporate reporting, as this initiative gains momentum.

4. Public Sector Organizations

AGA - Office of the Auditor General Alberta

We note that IAASB should consider how the EER guidance may be evolved in the future and how additional guidance would be provided.

AGNZ - Auditor-General of New Zealand

The frameworks, measures, and information used by public sector entities are continuing to evolve, and public reporting of financial and performance information is becoming less centred on annual reports and are increasingly made available online. If EER, as well as financial information, is increasingly being reported on a continuous basis online, what does this trend mean more generally for how public reporting needs to be assured? How frequently and in what way does continuous public reporting information need to be assured?

Given these trends, we recommend that the Guidance provide clearer information about the provision of assurance of public reporting.

5. Member Bodies and Other Professional Organizations

AE - Accountancy Europe

Without undermining the usefulness of this guidance at this stage, given the current political developments in the EU, we envision that subject-matter specific standards will need to be developed, when appropriate. This guidance could serve as a basis for further developments.

CPAA - CPA Australia

We acknowledge that the IAASB has been expeditious in progressing this project and we encourage the IAASB to maintain this momentum by issuing this Guidance promptly. Inevitably, EER frameworks will continue to evolve and mature, as will assurance practices, which will doubtlessly necessitate future revisions. Implementation of this Guidance will enable it to be “road-tested” and monitoring its practical application will be important to enable future versions to be refined in addressing the challenges encountered by practitioners.

ICAS - Institute of Chartered Accountants Scotland

As stated in our general comments above, while the guidance has made some progress in addressing some of the challenges practitioners may face, we do not believe that it would be possible to predict all of these potential challenges and therefore further updates may be needed to the guidance over time.

We do have some concerns about the ability to apply ISAE 3000 to some EER Assurance Engagements as this standard was not designed with some of the emerging requirements and expectations around non-financial reporting in mind, hence the need for such lengthy accompanying guidance. We are not entirely convinced that the guidance will address all of these concerns and therefore the guidance may need to be an evolving document, enhanced by additional examples as these emerge. This will pose an additional time and resourcing burden on the IAASB and it is not clear to what extent this additional resource will be available for this project in the future.

16.8 Need for further examples or point about 'considerations' boxes

2. National Auditing Standard Setters

CNCC-CSOEC - Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts-Comptables

and further examples (especially in terms of wording paragraphs of the assurance report) should be provided.

3. Accounting Firms

BDO - BDO International Limited

To enhance practitioners' understanding of how to classify 'trivial errors' in EER it would be helpful to have an illustrative example. In addition, providing examples of how to accumulate uncorrected misstatements would be helpful considering an EER report consists of diverse subject matters often presented in a mix of narrative, quantitative and qualitative reporting.

GTI - Grant Thornton International Ltd

Whilst we appreciate that the concept of assertions may be well understood by those practitioners that perform audits and other assurance engagements, we are of the view the incorporation of practical examples of applying assertions to assurance engagements in Supplement A (with a corresponding reference in this chapter) may further assist those practitioners who may not be as familiar with their application.

We found the examples in this chapter in relation to qualitative materiality considerations to be useful. Our view is this chapter could benefit from a further example, such as the accumulation and evaluation of misstatements, including the evaluation of whether a misstatement(s) is material and pervasive, in reaching a conclusion; or an example that demonstrates an evaluation that does not reach an acceptable conclusion.

We would also like to highlight guidance, soon to be published by the American Institute of Certified Public Accountants (AICPA) on qualitative materiality. We believe that this may be helpful in finalising the guidance in this area.

This chapter clearly sets out need for the practitioner to use professional judgment in determining when enough evidence has been obtained on which to form a conclusion; a framework with which to make such judgments is important and we believe the 'Considerations for the Practitioner' highlighted in the guidance are helpful in that respect. We are also of the view the guidance is helpful in setting out a spectrum that illustrates the shift from limited to reasonable assurance. We noted this chapter references two detailed and comprehensive illustrations in Supplement B. In addition to these illustrations, we believe this chapter would benefit from one or two short contrasting examples to illustrate the application of the practical considerations for the practitioner.

Paragraph 268 provides examples of the different types of possible misstatement associated to the assertion to which the misstatement relates. We recommend that consideration is given to providing an additional example in relation to the rights and obligations assertion.

KPMG - KPMG Network

Historical Financial Information

In addition to the above, we note that certain assurance engagements performed in accordance with ISAE 3000 (Revised) may include financial elements (historical financial information), albeit in a specific context that is different to an audit engagement. The Guidance Document frequently compares and contrasts aspects of an assurance engagement to an audit of financial statements, to explain the principal differences between the two forms of engagement, which is helpful. However, as a result, it may be unclear to practitioners that EER assurance engagements may involve historical financial information. Accordingly, we suggest that the Guidance Document provide specific examples of such historical financial information in the context of an EER assurance engagement, to clarify this matter.

RSMI - RSM International Limited

Supplement B could include practical implications covering a balance of frameworks including public sector

The practical examples included are helpful and we encourage additional examples as noted in our response.

4. Public Sector Organizations

GAO - United States Government Accountability Office

Finally, the guidance lacks sufficient examples for practitioners for planning, executing, and reporting on EER. We believe that additional examples in a separate appendix could help provide practitioners useful information when performing an assurance engagement for an EER report. Users of this guidance would benefit from additional examples, similar to the amount and depth of examples in chapter 6.

5. Member Bodies and Other Professional Organizations

ACCA-CAANZ - Chartered Accountants Australia and New Zealand and Association of Chartered Certified Accountants

As mentioned in our Phase 1 submission, our constituents have again expressed concern over the prevalent use of examples pertaining to quantitative information and the need for more examples on qualitative and narrative information. They mentioned that they experience ISAE 3000 to have limitations as it is more focused on datasets, and less on assuring qualitative information. The proposed Guidance is therefore a good opportunity to supplement ISAE 3000 without changing or adding any principles.

Yet, the proposed Guidance, and especially the examples, appear to focus on quantitative information. But where assurance over subject matter information is most onerous, is around qualitative information and narrative information (consisting mostly of qualitative information). More examples and guidance on these would be useful. For example, the proposed Guidance contain many examples and references to assurance on metered water GHG emissions, which are quantitative. More guidance on what evidence is needed for qualitative information would also be useful (discussed in more detail below).

Examples – ‘decision making’ and materiality

We welcome the fact that the proposed Guidance often refers to the “decision-making” of users and discusses the decision-making of intended users in context of the purpose of the EER report. We noted in our Phase 1 submission that the wording of the proposed Guidance is often vague about what “decision-making” by users cover. This is harder when dealing with users other than economic users, and the Guidance is a good opportunity to clarify. Our constituents are of the view that there could also be more examples illustrating material misstatements for qualitative information.

Framework neutrality and also ‘industry neutrality’

In addition to our comment above on comprehensive examples and a wide range of examples to ensure framework neutrality, we believe it is important to also maintain framework neutrality in the discussions (not only in the examples). The proposed Guidance appears to be focused more on manufacturers with less but larger office locations and manufacturing plants. An example of this is the GHG emissions discussion in paragraph 95. Some entities can, however, perform the measuring remotely and do not have to perform site visits, as those are not practical when the entity has a high number of small offices. This is especially relevant for non-manufacturers, like financial services firms.

Some of the “Considerations for the Practitioner” sections could read like requirements and it may be inferred that the proposed Guidance requires more work effort than ISAE 3000 (eg paragraph 284). These sections often seem to expand on content in ISAE 3000, and yet remains theoretical (eg paragraph 71). We encourage a more practical discussion.

To this end, the more comprehensive examples in Supplement B are helpful. We recognise that a standard-setting challenge is to have both comprehensive examples (covering an entire EER engagement from start to finish in order to put those in context) and examples from a wide range of EER types (to ensure framework neutrality).

We continue to encourage a wider range of examples, ensuring framework neutrality, while aware that this is a standard-setting challenge. We appreciate the proposed Guidance has more examples than in the Phase 1 version, and that comprehensive examples have been added in Supplement B. Our constituents have mentioned that the examples in the main Guidance are fragmental and disconnected, though. The ‘link’ or context within the specific type of engagement it relates to, is sometimes lost on the reader. For instance, the explanation and example in paragraph 74 is helpful, but some nuances of it may not be evident to all readers.

Assirevi

Furthermore, we believe that the Guidance should be more useful to practitioners by providing more examples of the procedures and considerations that can help practitioners in conducting these types of EER assurance engagements.

Overall, the impression when reading the Guidance is that the focus is more on the description of possible situations that the practitioner could face rather than (and often times without) providing guidance around how to plan and execute assurance activities in these situations.

MICPA - Malaysian Institute of Certified Public Accountants

We would like to request from the IAASB to expand examples of competencies required (including conflict of interest) for the complex EER assurance engagement (paragraph 28 of the Exposure Draft).

We would also like to recommend to include an example or a case study (paragraph 35 of the Exposure Draft) on how skepticism may influence the judgement of assurance engagements.

SAICA - South African Institute of Chartered Accountants

Chapter 7: Using assertions

The diverse nature of EER subject matter information makes it more challenging to develop appropriate assertions. ISAE 3000 (Revised) is framework-neutral and therefore does not and cannot comprehensively set out all possible assertions for all EER frameworks.

In light of the paragraph above, SAICA is of the opinion that short examples should be included in the Draft Guidance to assist practitioners. The Draft Guidance is meant to be a standalone document, therefore, even though a detailed example has been included in Supplement B (example 6), shorter examples should be included in Chapter 7 in order to clarify the principles raised in this section.

Paragraph 322: The IAASB can also consider including some examples or principles from a public sector perspective. Examples of factors that may indicate that a misstatement is material in this environment include:

Subject matter information relates to primary functions in terms of the mandate of a department / entity

The misstatement is of significant national / community / public interest

The misstatement is of significant risk to the public, such as those which impact on public health, safety, social, economic or environmental wellbeing

The extent to which a misstatement results in the performance information presenting a certain trend which is contrary to the actual / true situation.

Items where confirmed performance or confirmed service delivery is in line with planned or forecast levels may have a significant effect on:

management performance rewards or bonus;

the allocation of resources/ budgets or funding.

16.9 EER Guidance audience

3. Accounting Firms

BDO - BDO International Limited

Further, the Guidance is too anchored in guiding a practitioner who is used to providing financial assurance to provide EER assurance. A simpler, more inclusive and multi-disciplinary approach to EER assurance engagements would be helpful allowing e.g. environmental, social and governance practitioners to work alongside financial assurance practitioners delivering a high quality and trusted report.

We encourage the IAASB to consider developing more forward-looking guidance which engages a growing amount of EER practitioners that do not have a financial audit background but can equally benefit from the knowledge and experience of financial assurance practitioners. Despite the explicit statement not to develop guidance 'with the needs of such parties in mind' it would be an opportunity to bring together diverse practitioners and fields and together develop a better understanding of delivering EER assurance engagements.

Considering the increased competition from providers of EER assurance and related certification services outside the traditional auditing profession, a better understanding and sharing of practical Guidance will hopefully raise quality standards across all EER engagements using ISAE 3000 (revised).

EER audience considerations

Another consideration is the readability and intended audience of the Guidance. The Guidance is overtly practitioner focused, while one of the objectives of the IAASB project is to ‘engender greater user confidence in the credibility of EER reports’. This document does not address the needs of EER report users including report preparers, those commissioning assurance reports, subject experts working alongside practitioners, and investors who often have a different background and use for the information than EER practitioners aiming to deliver trustworthy assurance. Non-financial information becomes increasingly valuable for preparers and users alike. We believe this necessitates a more succinct explanation and resultant understanding of how practitioners approach EER assurance engagements and arrive at their conclusions, so strengthening credibility of the EER. We firmly believe that the accountancy profession is well equipped to provide assurance on EER.

Finally, it would be helpful to promote the accounting profession’s wider ethical, quality control and technical standards framework as already providing a credible and trustworthy basis for assurance reporting. This would highlight matters that the Guidance takes for granted: objectivity, professional skepticism, quality management as well as the key principles of ISAE 3000 (revised).

DTT - Deloitte Touche Tohmatsu Limited

Audience

The volume, language, and style make the EER consultation paper a very challenging read, particularly as the guidance and supplements need to be read alongside ISAE 3000 (Revised). The volume of information required to be read creates a barrier to entry. As drafted, it might narrow the audience to the departments of professional practice within audit firms that provide guidance to adjust firms’ EER assurance methodologies and resolve internal consultations. To increase relevance for all practitioners performing EER assurance engagements, the draft guidance could give additional focus to (1) practical challenges (beyond technical issues) and (2) the more challenging areas of EER assurance (especially what has to be done within a limited assurance engagement) than on the more basic issues.

Other stakeholders, for example, preparers or investors, may sometimes find the topic “assurance” confusing and ask for further guidance. Such stakeholders might find the guidance document “A buyer’s guide to assurance on non-financial information,” issued by the World Business Council for Sustainable Development (WBCSD) and the Institute of Chartered Accountants in England and Wales (ICAEW) helpful.

KPMG - KPMG Network

Intended Audience of Guidance Document

As we note above, the Guidance Document includes a number of concepts that form an integral part of a framework for auditors, which we support. However, the intended audience for this Guidance Document consists of all practitioners as described in ISAE 3000 (Revised), many of whom will not have an audit background and, as such, may find these concepts more challenging to understand and apply properly, without further guidance.

We recommend that the IAASB provide further educational support for such practitioners, to assist them in appropriate application of these concepts. We do not consider that such material should form part of the Guidance Document itself, and we believe that the development of such material should not delay the issuance of the Guidance Document. Instead we recommend that such material be developed to complement this Guidance Document, for example, by further enhancing Supplement A, which discusses key aspects of an assurance engagement.

4. Public Sector Organizations

AGNZ - Auditor-General of New Zealand

We also recommend that the overall Guidance be reviewed and written with practitioners in mind. As discussed further below, the Guidance should be much shorter and concise and rely on simple, clear concepts and principles and focus on important topics.