

EER Consultation Paper July 2020 (Chapter 1)**Question 1: Does the draft Guidance address the challenges for practitioners****01.1.1 Q1 - The Guidance addresses the challenges****3.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The draft Guidance does adequately address the challenges for practitioners that have been identified as within the scope of the draft Guidance.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.

RSMI - RSM International Limited

Overall the chapter addresses the challenges of practitioners and we support the emphasis on the requirements of ISQC 1 in ensuring quality.

4. Public Sector Organizations**AGSA - Auditor-General of South African**

The guidance paper provides very good practical application guidance and examples covering the range of assurance engagements that can fall within the ambit of ISAE 3000R, especially in relation to the pre-engagement and planning stages of the engagements.

GAO - United States Government Accountability Office

We believe that the draft guidance addresses the challenges for practitioners that have been identified as within the scope of the draft guidance.

5. Member Bodies and Other Professional Organizations**BICA - Botswana Institute of Chartered Accountants**

The draft Guidance adequately addresses challenges identified by practitioners. In particular the guidance gives clarification to practitioners in dealing with qualitative information and assessing material misstatements in relation to entity prepared non-financial information.

Assurance of non-financial information in Botswana is not developed mainly because majority of companies do not report non-financial information. That notwithstanding there has recently been reforms to enhance non-financial information reporting in the country and this guidance will be of significant assistance to the practitioners.

GRI - Global Reporting Initiative

The guidance is comprehensive and covers a wide range of different types of Extended External Reporting engagements, different concepts and further guidance to support the key principles in ISAE 3000 (Revised) 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. It provides much

needed detailed and specific guidance for practitioners which until now has been absent, with the exception of more specific guidance that was provided in ISAE 3410 'Assurance on a Greenhouse Gas Statement'.

IAAA - Inter-American Accounting Association

Yes, we consider that it adequately addresses the commitments.

The draft guidance is sufficiently explicit and rich as technical material, which we are sure will be of great help to professionals who offer their services independently, as well as having a great impact on the management of the preparers of the information on which the Professionals will issue their EER.

ICPAR - Institute of Certified Public Accountants of Rwanda

Yes. We agree that the Guidance adequately addresses the challenges for practitioners that have been identified as within the scope of the draft Guidance.

ICPAU - Institute of Certified Public Accountants of Uganda

ICPAU believes that the draft Guidance, to a big extent, addresses the challenges for practitioners that have been identified as within the scope of the draft Guidance. ICPAU is also very appreciative of the illustrations in the draft Guidance as these will further enhance the application of ISAE 3000 (Revised).

ISCA - Institute of Singapore Chartered Accountants

Diagram 2 (paragraph 38) is useful because it combines the two dimensions required for effective assurance i.e. assurance competence and subject matter competence. The relationship is shown simply and clearly and reflects the reality that the assurance team will comprise some mix of staff with differing levels of competence across both dimensions. It would indicate which team members should work together, and how.

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.

SVI - Social Value International

Overall we are supportive of the draft.

01.1.2 Q1 - The Guidance does not address the challenges

None

01.1.3 Q1 - Mixed views on the Guidance addressing the challenges

1. Investors and Analysts

ICGN - International Corporate Governance Network

While the Guidance has a good focus on the independence of the practitioner, it is light on the independence of the practitioner's expert who can be external to the assurance provider. Given the diversity

and complexity in subject matter information of the EER report, in many cases, an external expert will be involved in the engagement. S.52 (and A.125 – 218) of the Standard on Work Performed by a Practitioner's Expert requires that when the work of a practitioner's expert is to be used, the practitioner shall evaluate the competence, capabilities and objectivity of the practitioner's expert, including any interests and relationships that may create a threat to that expert's objectivity. This is an important requirement of the Standard, yet the Guidance does not address how the practitioner could conduct such evaluation.

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

This chapter is extremely useful as it recognises the practical need to combine assurance expertise with subject matter experts to effectively challenge management. Multi-disciplinary assurance teams are becoming increasingly common. On complex EER engagements, there may be a need for multidisciplinary teams as well as an increased use of the work of experts.

The AUASB recommends additional guidance to elaborate on what constitutes a practitioner expert. The use of Plain English terminology may help to clarify this chapter, avoiding switching between terms such as "practitioner expert" and "subject matter expert", rather using simpler terms to explain who team members are and who experts are.

The use of terminology such as "engagement partner" may be too narrow in the context of EER. A more encompassing term, such as "engagement leader" may better reflect how assurance practitioners structure their business, not limiting this to a traditional Big 4 structure.

The guidance highlights useful factors to determine the extent of use of an expert and how an expert is used, together with practical examples of consideration of a team's collective competence. A key challenge for the practitioner will be identifying the appropriate experts needed, hence additional examples of the factors to consider in this regard would be especially helpful.

CAASB - Canadian Auditing and Assurance Standards Board

Overall, we believe that Chapter 1 connects well to ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information and provides some useful examples that contrast assurance competence with subject matter competence.

Assignment of the Team with Appropriate Assurance Competence and Subject Matter Competence

Paragraph 26 uses the terms 'practitioner' and 'assurance practitioner'. Assurance practitioner(s) is used twenty-one times in the guidance but "practitioner(s)" is used over five hundred times. It was not clear why assurance practitioner is used in the guidance or whether it should have a specific definition. Paragraph 28 describes skills and techniques demonstrated by an assurance practitioner so perhaps the only difference in the terms is to show how assurance competence may be different than subject matter competence. If so, we believe this should be explicitly stated.

Paragraph 28 of the guidance explains assurance skills and techniques and lists out what seems to be intended as a complete list of skills. Some of the items listed in this paragraph are in paragraph A9 of ISAE 3000 but not all items in A9 are included in paragraph 28, such as planning (risk identification), applying procedures as appropriate to the engagement, documentation and assurance report-writing. We believe the list in the guidance should include all the skills listed in paragraph A9 or a reference should be made to the standard to say, "a list of assurance skills and techniques can be found in S.A9".

Paragraph 29 makes a statement that “all assurance practitioners are likely to need some level of competence in both [assurance competence and subject matter expertise] ...” We believe this is too strong a statement as while this statement may be true for the partner or engagement lead, it will not be true for all engagement team members. We suggest softening this statement by removing the word “all” and changing “are likely” to “may.” This paragraph is also missing any reference to industry or sector knowledge as an important factor in assigning members to the engagement team.

Paragraph 31 states the extent to which the work of experts is used is a matter of professional judgement for the practitioner. We believe this paragraph should instead refer to the engagement partner’s professional judgment. This is consistent with paragraph 32(b) of ISAE 3000, which requires that the engagement partner be satisfied that the practitioner will be able to be involved in the work of a practitioner’s expert where the work of that expert is to be used. We also believe there are other factors the practitioner should take into account to decide on the extent to which the work of experts is used in EER assurance engagements that should be added to this paragraph including:

The degree of judgment involved in identifying the reporting topics for inclusion in the entity’s report on EER information, and

The degree of complexity in agreeing to the perimeter of the subject matter information and its implications on engagement acceptance.

We note that the above two examples expand the concept of using an expert’s “work” (i.e. an audit evidence concept), to using an expert for assistance in other aspects of the engagement, such as identifying subject matter or engagement scope. Our stakeholders indicated that this is an important use of experts on EER engagements and the EER guidance should include specific reference to experts being used for this purpose. This communicates the importance of using experts at this stage of the engagement as well as not implying that experts should only be used for evidence purposes.

Paragraph 33 is general guidance on integrating the collective competence of the assurance practitioner and the practitioner’s expert. There is nothing in this paragraph that is specific to an EER engagement. We suggest either deleting this paragraph or adding a sentence to indicate why this is particularly important in EER assurance engagements.

Competence and Responsibilities of the Engagement Partner

There is useful guidance available in paragraphs A126 – A135 of ISAE 3000 in applying the requirements relating to the work performed by a practitioner’s expert. However, with the breadth of what is being reported under some of the frameworks appearing today, for example, under the Responsible Gold Mining Principles, engagement partners will need to use a practitioner’s expert often. We believe some of the guidance that is in A126 – A135 of the standard could be elaborated in paragraphs 36-38 (or in Chapter 8 on Obtaining Evidence) of the guidance. At a minimum the considerations in A134 on evaluating the adequacy of the practitioner’s expert’s work are worth repeating. In addition, paragraph 37 repeats some of what is in ISAE 3000 paragraph 33 but not all the requirement (items a-c are missing), with no additional context for EER engagements. If there is nothing the IAASB wishes to highlight in addition to the requirement in the standard, we suggest removing this content.

Direction, supervision and review

We support Diagrams 2 and 3 in the guidance. The text explains the concepts well and these diagrams provide a useful color coding to assist in focusing the reader on areas that may need more attention.

Other Quality Control Considerations

The guidance on quality control considerations is limited to paragraphs 42 to 45. It can be very challenging to create policies and procedures around engagements performed under ISAE 3000 because they are so diverse. We suggest adding some considerations specific to EER assurance engagements that practitioners may need to think about in setting up quality control policies and procedures.

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

Appropriate assurance competence and subject matter competence

Based on the challenges that arises in meeting the public interest on EER assurance engagements, we consider there is an increased need for a high level of assurance competence as well as extensive subject matter competence to be able to perform such engagements.

Paragraph 28 of the Guidance details the specific skills required:

the application of professional skepticism and professional judgment;

obtaining and evaluating evidence;

understanding information systems and the role and limitations of internal control; and

linking the consideration of materiality and engagement risks to the nature, timing and extent of procedures.

Accordingly, these skills involve far more than the application of subject matter competence.

We fully agree with the statement of this paragraph but, we consider that it should be further strengthened.

As a matter of fact, we consider that providing NFI or EER assurance services requires a very high level of education in, and practical experience with, a broad range of matter. These include environmental and human resources management processes and reporting, societal issues, but also corporate governance, risk management, audit process, and, to some extent, IT risks, accountancy, tax and financial matters because of the connectivity between financial and non-financial information. Assurance service providers must have a deep understanding of the sector, strategy, risks and opportunities, governance, economic, financial and reporting issues of the company.

Yet, if quality and environmental management certification skills are needed, providing assurance on information reported or disclosed is very different from certifying a management process (e.g. ISO9001, ISO14001, OHSAS18000...).

Assurance service providers have to be able to assess the business as a whole. Therefore, they must have a sufficient understanding of the reporting entity's sector, its strategy and governance as well as economic conditions in its operating environment. This understanding is key to be able to integrate opinions of other experts working on the engagement team and form a comprehensive opinion. The opinion will be formed based on evaluating the effectiveness of internal control and performing other procedures described in professional standards.

Professional practice is still evolving. It is important to involve experts to ensure a diverse skill base to deliver quality service and to meet business needs. The multidisciplinary model of most auditing firms is a reliable mechanism to develop skills and expertise, and the accountancy profession has a long-standing experience in involving experts with relevant expertise, may it be in environment, social, governance, risk matters or other key skills.

Finally, we believe that assurance will enhance the credibility of EER only if the assurance practitioner fulfils certain criteria, which are

independence;

compliance with a professional ethical framework;

applying quality control procedures.

Situation when the entity has subsidiaries, divisions, branches or operational sites at a remote location or in a different jurisdiction

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”.

HKICPA - Hong Kong Institute of Certified Public Accountants

Chapter 1: Applying Appropriate Competence and Capabilities

Competence and Responsibilities of the Engagement Partner

Paragraph 35 of the Guidance sets out the required competence of an engagement partner, which includes assurance skills and techniques, as well as “sufficient subject matter competence to accept responsibility for the assurance conclusion”. This is aligned with paragraph 31(c) of ISAE 300 (Revised), which requires the engagement partner to have “sufficient competence in the underlying subject matter and its measurement or evaluation to accept responsibility for the assurance conclusion”.

Given the diversity and subjectivity of EER information, we suggest the Guidance clarifies what constitutes “sufficient subject matter competence in the underlying subject matter” expected of the engagement partner. Also, it may be helpful if the Guidance could clarify the difference between an engagement partner being sufficiently competent in the underlying subject matter, and the need to involve or use the work of external experts who possess specialised competence in a particular area, since such differentiation is judgemental and could be blurred.

Quality Control Considerations

Paragraph 43 of the Guidance states that under ISAE 3000 (Revised), “a competent practitioner other than a professional accountant may choose to represent compliance with the Standard... and that they are able to evidence that they are a member of a firm that is subject to quality control requirements at least as demanding as ISQC 1”.

Part of the value of an EER assurance is to build credibility in published EER reports so that they can be relied upon by intended users. Hence, the quality of an EER assurance engagement should be on par with that of an audit of financial statements. However, it has been observed that some non-accounting organisations in Hong Kong have provided “assurance” reports on sustainability reports. They performed the engagements “based on”, “with reference to” or “against the criteria of” ISAE 3000 (Revised), but the reports were not properly structured according to ISAE 3000 (Revised) requirements and did not state which independence, ethical and quality control frameworks they have complied with when performing the engagement. Given the wide-range of EER assurance providers whose organisational structure vary from professional accounting firms, we suggest the IAASB elaborate and illustrate the quality control requirements expected from a non-accountant practitioner in the context of ISQC 1.

Further, as we highlighted in our comment letter to the IAASB’s Consultation Paper in June 2019, we suggest a non-accountant practitioner includes a statement in the report that he/she is not subject to any monitoring regime in his/her jurisdiction to distinguish the reporting between professional accountants and non-accountants for users to assess the objectivity, professional competence etc. of the practitioner.

In addition, we encourage the IAASB to describe more fully the value of an EER assurance performed by a professional assurance practitioner under ISAE 3000 (Revised), who processes assurance skills and experience, performs the engagement based on a robust framework, i.e. ISAE 3000 (Revised) and complies with stringent quality control requirements, to differentiate it from other EER assurance services offered by non-accountants.

IDW - Institut der Wirtschaftsprüfer

Chapter 1: Applying Appropriate Competence and Capabilities

29. Since the term “assurance practitioner” as defined in the standard can refer to the firm, the engagement team, or the engagement partner, in the second sentence, the phrase “assurance practitioners, other than the engagement partner” is ambiguous. We therefore suggest changing the term “assurance practitioners” to “members of the engagement team”. The last sentence appears to require assurance practitioners to “be able to understand and consider the perspectives of a wider range of users”. While the standard does address the practitioner considering the information needs of intended users (when: 1. determining the appropriate level of assurance, 2. considering the decision-making of intended users when determining the suitability of criteria, 3. considering who the intended users are when considering whether the engagement has a rational purpose, 4. considering whether the underlying subject matter is appropriate, 5. considering materiality, 6. designing procedures to obtain evidence, 7. considering the nature and content of the report, and 8. generally considering the engagement circumstances), standard does not require the practitioner “to be able to understand and consider the perspectives of a wider range of users”. In light of what is actually stated in the standard, we suggest changing this phrase to read “consider the information needs of intended users”.
31. The way this paragraph is written, it suggests that factors need to be taken into account, of which the list thereafter provides examples. To avoid the intimation of a requirement, we suggest changing the wording to read “...for the practitioner and may involve taking into account factors such as...”
34. In relation to the last paragraph in the example following paragraph 34, we cannot understand the reference to solely a biologist, since the effluent from energy companies involves chemicals (or in the

case of a nuclear power plant, radioactive isotopes), rather than biological waste. It seems to us that reference should be made to a chemist or physicist as appropriate in addition to a biologist.

36. We do not understand the meaning of the phrase “in the context of the engagement and as viewed from a user perspective”. What is the “context of the engagement” and how does the user perspective relate to whether the expert answers make sense? We suggest that instead the noted phrase be replaced with “in the engagement circumstances”, since this is a defined term in the standard that covers all of the matters that might be relevant.
41. In the upper left hand box in the box diagram following this paragraph, reference is made to “supervision and review of assurance practitioners”. Since the defined term “assurance practitioner” can refer to the firm, the engagement team or the engagement partner (who surely does not supervise and review his- or herself), this reference to “assurance practitioners” is inappropriate. We suggest it be change to “engagement team members”. We also note that this box and the upper left hand box both refer to “assurance engagement team”, which is not a term used in IAASB pronouncements. We therefore suggest that the reference to “assurance” be dropped in both cases.
45. This paragraph refers to being a member of the same network of firms subject to common systems and processes to comply with ISQC 1 as being a factor in considering the appropriate degree of direction, supervision and review that may be necessary. While this is true, we regard this guidance to be misleading, because as both current ISA 600 (paragraph A33) and the Exposure Draft of ISA 600 point out, there are many other important factors that may need to be taken into account in such a decision. Consequently, at the very least the words “among other factors” should be inserted in between the words “be a factor” and “that can be taken into account”.

NZAASB - New Zealand Auditing and Assurance Standards Board

This chapter serves the public interest by recognising the practical need to combine assurance expertise with a subject matter expert to effectively challenge management. Multi-disciplinary assurance teams are becoming more common. On complex EER engagements, there may be a need for multidisciplinary teams as well as an increased use of the work of experts.

There is an opportunity to streamline this chapter by deleting generic assurance material, to improve the focus on how to address the challenge

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.

The guidance highlights useful factors to determine the extent of use of an expert and how an expert is used, together with practical examples of consideration of a team’s collective competence. A key challenge for the practitioner will be to navigate who the appropriate experts to consult will be. Additional examples of the factors to consider to navigate and find the relevant expert would be especially helpful. The NZAuASB considers that paragraph 36 highlights the challenges related to the competence and responsibilities of the

engagement partner, but observes that this is setting a high bar. This is especially so due to the wide range of expert knowledge likely to be required in an EER engagement. In practice, assurance practitioners who are not professional accountants may not be familiar with ISQC 1. There is a need to assist broader assurance practitioners to know whether their own quality control requirements are at least as demanding as ISQC 1.

3. Accounting Firms

BDO - BDO International Limited

Question 1: We believe being more explicit about the need to improve the assurance competence of a subject matter expert by working alongside more established assurance practitioners and vice versa will support the multi-disciplinary approach to delivering quality engagements.

DTT - Deloitte Touche Tohmatsu Limited

Par. 32 suggests that the practitioner may find it helpful to draw up a skills matrix in more complex engagements to help with identifying the assurance and subject matter competencies. We believe it might be helpful to provide an example in Supplement B of what a skills matrix might look like and how it is utilized to determine the competencies necessary to perform an EER assurance engagement.

EYG - Ernst & Young Global Limited

EER Guidance Chapter 1 paragraph 31(d) indicates “the level of assurance to be obtained” as a factor in determining the extent to which the practitioner uses the work of experts. We do not believe that the level of assurance being provided is a relevant factor in determining the expertise within the practitioner’s team, including the use of experts. We suggest that this bullet be removed since the use of an expert would normally be considered based on the nature of the subject matter and not the level of assurance that is being obtained.

GTI - Grant Thornton International Ltd

We support the emphasis on assembling an engagement team with the appropriate competence and capabilities to perform the engagement and, in particular, this may result in a multi-disciplinary team from different service lines within the firm undertaking the assurance work. We also support highlighting that external experts in specialist subject matters may be needed to support such engagement teams.

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.

Further, we are of the view the example provided in paragraph 34 is a very simplistic example. We recommend this example be deleted.

PwC - PriceWaterhouseCoopers

We do not support explicit references to “levels” of assurance competence. Competence evolves over time on a continuum. It would be more appropriate to refer to “greater” or “extensive” experience and assurance competence than arbitrary levels of “high” and “low”. In that regard, we recommend replacing these terms in Diagrams 2 and 3 with “Greater” and “Lesser” (or “more” and “less”) and to delete reference to “Level of” and simply refer to “Assurance Competence” and “Subject Matter Competence”.

We believe that additional consideration should be given to describing the importance of evaluating the competence of any proposed practitioner’s expert. In particular, this should include evaluating whether, based on the work they are being asked to perform, the expert has a sufficient understanding of the concept of evidence. The importance of sufficient direction of practitioners’ experts could also be further highlighted.

Given the potentially wide-range of EER assurance providers who may not be professional accountants, it would be helpful if the Guidance could emphasise the expectations for compliance with quality control requirements, in the context of ISQC 1.

4. Public Sector Organizations

AGNZ - Auditor-General of New Zealand

Chapters 1 and 2

These Chapters discuss critically important issues, but serve as background to the assurance engagement. We recommend that the content of these Chapters be consolidated and streamlined. The first part of Chapter 1 was generally useful; however, we recommend that the section on Direction, supervision and review be reviewed and streamlined.

We also recommend that this part of the Guidance provide stronger emphasis on the importance of the practitioner’s “subject matter competence” and professional scepticism and judgment on:

making their acceptance/continuance decision; and

developing expectations about the EER, and the suitability of the components that are used by the preparer in constructing the EER.

5. Member Bodies and Other Professional Organizations

AICPA - The American Institute of Certified Public Accountants

The references in paragraph 25 of Chapter 1 to “a high level of assurance competence” and “extensive subject matter competence” cause us concern. The idea of having high and low levels of competence or extensive and limited subject matter expertise seems to send the wrong message. Instead of stating “all these matters may increase the need for a high level of assurance competence as well as extensive subject matter expertise” consider revising this to state, “all these matters influence the appropriate assurance competence and subject matter expertise needed to perform an EER assurance engagement.” Also, related to the subject of practitioner competence, the lower left quadrant of Diagram 2 “Relating Competence Levels to Direction, Supervision and Review,” in paragraph 38 of Chapter 1 implies that assurance engagements may be performed in which assurance team members have a low level of assurance competence, which also seems to send the wrong message.

9. The Need to Use the Work of an Expert

The first sentence in paragraph 27 of Chapter 1 states “When the subject matter competence needed on a complex engagement goes beyond that ordinarily possessed by most assurance practitioners, the practitioner may need to use the work of a practitioner’s expert.” We suggest that the word “complex” be deleted because the complexity of the engagement does not create the need for the practitioner to use the work of an expert. Based on the definition of practitioner’s expert in paragraph 12s of ISAE 3000 (Revised), it is the practitioner’s need for expertise in a field other than assurance to assist the practitioner in obtaining sufficient appropriate evidence that creates the need to use the work of an expert. This comment also applies to use of the word “complex” in paragraph 26, and other paragraphs, for example, 29, 32, 33, and 34.

Assirevi

Paragraph 24 includes a significant sentence: “The competence needed to perform an assurance engagement includes both competence in assurance skills and techniques (hereafter “assurance competence”) and competence in the underlying subject matter of the engagement and in its measurement or evaluation (hereafter “subject matter competence”).”

We suggest underlining this sentence by separating it from the additional text because it contains a fundamental principle for EER assurance.

With reference to Paragraph 26 we would suggest not to mention the existence of competence in both auditing skills and techniques and in financial accounting in a financial statement audit engagement. Auditors’ competences are already far beyond those mentioned (e.g. legal, tax, cost control issues) – and they can use appropriate specialists when needed. Also, if we consider the recent digitization and automation of accounting, we must conclude that today a more extensive expertise is already needed for a financial statement audit engagement. The paragraph seems to imply that a practitioner performing financial statement audit engagements may have a level of subject matter competence lower than what is required by a complex EER reporting engagement. The difference, however, is not between financial and non-financial assurance engagements, but between simple and complex engagements: auditors may use the work of experts in complex engagements.

We would therefore suggest to reconsider paragraph 26.

As regards paragraph 27, it refers to using the work of an expert. It also clarifies that the expert is not required to have assurance competence, and only needs sufficient understanding of ISAE 3000. We would suggest to rephrase the paragraph by referring to the principles already stated in ISA 620.

Paragraph 38, and Diagram 2, are not clear in our opinion: this paragraph seems to refer to ISQC1, while the diagram seems to use the same wording as ISQM. At the moment, it should refer to ISQC1 and the paragraph should be updated when ISQM is in force.

In paragraph 43, the definitions of “professional accountant” and “assurance practitioner” should be improved: actually, the paragraph does not clarify the differences.

FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas

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.

FAR - Institute for the Accountancy Profession in Sweden

Chapter 1

Paragraph 31 d): The level of assurance to be obtained should not have an effect on the level of experts used it is rather a question of dept of assurance procedures.

Paragraph 32: FAR read paragraph 32 as having a skills matrix is not a requirement. As it is written now, we believe that the wording could be made even clearer that it is not a requirement for the practitioner.

No comment on structure

IIA - Institute of Internal Auditors

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.

MIA - Malaysian Institute of Accountants

Chapter 1: Competence and capabilities

The Guidance should be further expanded to encompass practical examples on how to deal with practitioner's experts. The Guidance should also consider having more specific examples or illustration on the competency requirements for more complex EER assurance engagements.

It would be beneficial to provide guidance on how to address the inherent limitations arising partly from the practitioner's lack of competency and capabilities in the subject matter despite having engaged a practitioner's expert.

01.1.4 Q1 - Other comments and recommendations

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

The AUASB recommends additional guidance to elaborate on what constitutes a practitioner expert. The use of Plain English terminology may help to clarify this chapter, avoiding switching between terms such as "practitioner expert" and "subject matter expert", rather using simpler terms to explain who team members are and who experts are.

The use of terminology such as "engagement partner" may be too narrow in the context of EER. A more encompassing term, such as "engagement leader" may better reflect how assurance practitioners structure their business, not limiting this to a traditional Big 4 structure.

The guidance highlights useful factors to determine the extent of use of an expert and how an expert is used, together with practical examples of consideration of a team's collective competence. A key challenge for the practitioner will be identifying the appropriate experts needed, hence additional examples of the factors to consider in this regard would be especially helpful.

5. Member Bodies and Other Professional Organizations

BICA - Botswana Institute of Chartered Accountants

The Guidance makes reference to ISQC 1. Given that IAASB has a project to replace ISQC 1 with ISQM standards, we propose that ISQC 1 be replaced where used with ISQM or with a phrase "relevant quality control standard" to be accommodative of the development.

Maintaining ISQC 1 references may make the sections of the Guidance making this reference redundant once the new standard has been implemented.

SAICA - South African Institute of Chartered Accountants

SAICA is in support of the inclusion of guidance on the competence and skills requirements of assurance teams. Having both assurance competence and subject matter expertise is critical in being able to contextualise the engagement and conduct and interpret the analysis of the subject matters (both quantitative and qualitative), but especially for the broader subject matters described in narrative and future-looking information.

01.1.5 Q1 - Comments on Diagram 2

2. National Auditing Standard Setters

NZAASB - New Zealand Auditing and Assurance Standards Board

We consider Diagram 2 is an example of generic material which could be omitted.

5. Member Bodies and Other Professional Organizations

ISCA - Institute of Singapore Chartered Accountants

Diagram 2 (paragraph 38) is useful because it combines the two dimensions required for effective assurance i.e. assurance competence and subject matter competence. The relationship is shown simply and clearly and reflects the reality that the assurance team will comprise some mix of staff with differing levels of competence across both dimensions. It would indicate which team members should work together, and how.

01.1.6 Q1 - Comments on Diagram 3

None

01.1.7 Q1 - No comment

2. National Auditing Standard Setters

JICPA - Japanese Institute of Certified Public Accountants

No comment

3. Accounting Firms

KPMG - KPMG Network

No comments on chapter

4. Public Sector Organizations

AGA - Office of the Auditor General Alberta

No comment

5. Member Bodies and Other Professional Organizations

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

No comments

AE - Accountancy Europe

No comment

BRLF - Australian Business Reporting Leaders Forum

No comment on Questions 1 and 2 on a chapter by chapter basis

CPAA - CPA Australia

No comment on chapter

ICAS - Institute of Chartered Accountants Scotland

No comments on a chapter-by-chapter basis

IIRC - International Integrated Reporting Council

No response to Question 1 and Question 2 on a chapter by chapter basis

MICPA - Malaysian Institute of Certified Public Accountants

No comment for this chapter

SASB - Sustainability Accounting Standards Board

No comment on chapter

6. Academics

DEAKIN - Deakin University Integrated Reporting Centre

No comment on Question 1 or 2 on a chapter by chapter by chapter basis.

No comment on Introduction.

Question 2: Is the draft Guidance structured in a way that is easy to understand

01.2.1 Q2 - The Guidance is structured in a way that is easy to understand

2. National Auditing Standard Setters

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.

3. Accounting Firms

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.

We trust that our comments assist IAASB in completing the EER project. We shall be pleased to discuss our comments further with you.

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.

GTI - Grant Thornton International Ltd

We are of the view the draft Guidance is structured in a way that practitioners will be able to navigate and use in performing EER assurance engagements. As noted in our comments above, we found the table in the Introduction to be particularly helpful. We are also supportive of the behavioural aspects being located at the beginning of the draft Guidance with the following chapters being structured in the manner of an engagement. As noted above we recommend that chapter 6 is located earlier in the structure, but otherwise find this ordering of the topics to be very helpful.

Further, the use and presentation of examples and diagrams overall enhance the understandability of the proposed draft Guidance.

To help navigate within each individual chapter within the draft Guidance, we would recommend including an index or contents table at the beginning of each chapter that includes the main topics discussed within the chapter with hyperlinks to where that topic is discussed.

KPMG - KPMG Network

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.

PwC - PriceWaterhouseCoopers

Where chapters are not listed below, we have no specific comments.

RSMI - RSM International Limited

The draft guidance is easy to understand and the form and structure as suggested in paragraph 18 are appropriate. The diagrams are generally well presented. The guidance is, though, very long and this may deter practitioners from using it.

5. Member Bodies and Other Professional Organizations

BICA - Botswana Institute of Chartered Accountants

The draft Guidance is structured in a way that is easy for practitioners to understand and use during EER assurance engagements.

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

GRI - Global Reporting Initiative

The consultation paper suggests some different ways of structuring or ordering the chapters, but the order in which they are currently given is satisfactory, in that they provide a sequential order of moving through the various stages of an assurance engagement.

IAAA - Inter-American Accounting Association

Yes, the guide draft is structured in a way that is easy to understand and, we are certain, that once the professionals become familiar with its use, it will be user-friendly. In our opinion the document is excellent; especially the examples and diagrams will help a lot in its application and for a proper understanding of the purpose of the guide.

ICPAR - Institute of Certified Public Accountants of Rwanda

Yes. We agree that the draft Guidance is structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements.

ICPAU - Institute of Certified Public Accountants of Uganda

ICPAU believes that the draft Guidance is structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements. The structure addresses specific issues per chapter and this will make it easy for practitioners to quickly navigate through the Guidance to the exact information they require as they perform the EER Assurance engagements.

MICPA - Malaysian Institute of Certified Public Accountants

The structure is clear for practitioners to understand and use in performing EER assurance engagement

SAICA - South African Institute of Chartered Accountants

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.

SVI - Social Value International

The guidance is structured in a way that is easy for practitioners to understand and use

01.2.2 Q2 - The Guidance is not structured in a way that is easy to understand

None

01.2.3 Q2 - Mixed views on the structure of the Guidance

1. Investors and Analysts

ICGN - International Corporate Governance Network

The draft Guidance is well structured. The structure of the discussion of “What” is addressed in the chapter, “Why” they are relevant and “How” to overcome the challenges for each chapter is clear and consistent across all chapters.

We, however, observe that while some in some chapters of the Guidance (Ch1, 3, 4, 5, 6, 8, 9), the relevant paragraphs of the Standards are listed right at the beginning, in the other chapters (Ch2, 7, 10) the reference to the Standard paragraphs are blended in the explanatory text. It would be helpful for users of the Guidance if all chapters consistently start with the reference to the relevant Standard's paragraphs. Detailed reference to the Standards can still be kept in the discussion text of the chapters

2. National Auditing Standard Setters

NZAASB - New Zealand Auditing and Assurance Standards Board

There is an opportunity to streamline this chapter by deleting generic assurance material, to improve the focus on how to address the challenge.

4. Public Sector Organizations

AGNZ - Auditor-General of New Zealand

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;

GAO - United States Government Accountability Office

For example, in paragraph 67 the guidance states one of the preconditions, but does not reference the related standard. The standard is not introduced until paragraph 69 and the related diagram 5.

Also, the guidance's use of boxes to focus attention on definitions and examples are not consistently applied throughout the document. For example, paragraph 41 indicates that it is an example but is not in a separate box. There should be more citing of the related standards when the guidance refers to “the Standard” to ensure clarity.

01.2.4 Q2 - Other comments and recommendations

5. Member Bodies and Other Professional Organizations

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.

01.2.5 Q2 - No comment

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

No comment on structure

CAASB - Canadian Auditing and Assurance Standards Board

We have no comments on this question.

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

We have no comment.

HKICPA - Hong Kong Institute of Certified Public Accountants

No comment

JICPA - Japanese Institute of Certified Public Accountants

No comment

3. Accounting Firms

BDO - BDO International Limited

Question 2: No comments.

DTT - Deloitte Touche Tohmatsu Limited

No comment on structure of chapter

4. Public Sector Organizations

AGA - Office of the Auditor General Alberta

No comment

AGSA - Auditor-General of South African

No additional comments.

5. Member Bodies and Other Professional Organizations

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

No comments

AE - Accountancy Europe

No comment

AICPA - The American Institute of Certified Public Accountants

No comment on chapter

Assirevi

No comment on structure

BRLF - Australian Business Reporting Leaders Forum

No comment on Questions 1 and 2 on a chapter by chapter basis

CPAA - CPA Australia

No comment on chapter

FAR - Institute for the Accountancy Profession in Sweden

No comment on structure

ICAS - Institute of Chartered Accountants Scotland

No comments on a chapter-by-chapter basis

IIA - Institute of Internal Auditors

No responses to Question 1 or Question 2 on a chapter by chapter basis

IIRC - International Integrated Reporting Council

No response to Question 1 and Question 2 on a chapter by chapter basis

ISCA - Institute of Singapore Chartered Accountants

No comment on chapter

MIA - Malaysian Institute of Accountants

No comment

SASB - Sustainability Accounting Standards Board

No comment on chapter

6. Academics

DEAKIN - Deakin University Integrated Reporting Centre

No comment on Question 1 or 2 on a chapter by chapter by chapter basis.

No comment on Introduction.