EER Consultation Paper July 2020 (Chapter 3)

Question 1: Does the draft Guidance address the challenges for practitioners

03.1.1 Q1 - The Guidance addresses the challenges

2. National Auditing Standard Setters

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

We have no specific point to report

3. Accounting Firms

BDO - BDO International Limited

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

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The draft Guidance does adequately address the challenges for practitioners that have been identified as within the scope of the draft Guidance

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We believe that the draft guidance addresses the challenges for practitioners that have been identified as within the scope of the draft guidance.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The draft Guidance adequately addresses challenges identified by practitioners.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).

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.

03.1.2 Q1 - The Guidance does not address the challenges

None

03.1.3 Q1 - Mixed views on the Guidance addressing the challenges

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.

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

The AUASB has heard from a number of practitioners undertaking "assurance readiness engagements" or "maturity assessments" coupled with our survey of Australian EER assurance practitioners, to which approximately 70% of respondents indicated that they perform assurance readiness or maturity assessments prior to undertaking any assurance. Whilst there is some coverage of these approaches in paragraphs 104, 107 (b) and 108, the AUASB considers that an upfront subsection on this type of work, as was included in the Phase 1 EER guidance under "Assurance Readiness Engagements and "Maturity Assessments""(paragraphs 50-54), would continue to add value for an EER assurance practitioner navigating preconditions and scope.

The AUASB continues to believe that Chapter 3, together with the detailed examples on preconditions in the supplementary material, will be very useful in practice. The guidance related to the work effort required, independence considerations and responses where the preconditions are not met will be especially helpful.

CAASB - Canadian Auditing and Assurance Standards Board

Chapter 6 (referenced at end of paragraph 81) discusses "criteria" for the identification and selection of topics to be included in an EER report. Some EER frameworks (e.g. Global Reporting Initiative standards) give direction as to what topics should be included in an EER report, as well as directions ("criteria") for the measurement or evaluation of underlying subject matter to be covered within an EER report, resulting in the reported subject matter information. Some EER frameworks give broad direction as to topics and less direction, if any, about preparing subject matter information from the underlying subject matter.

Clarification of the meaning of "criteria" as used in the guidance will be helpful not only to ensure that Chapter 3 is clear and practical, but also Chapters 4 and 6. For example, paragraph 214 in Chapter 6, discusses both the use of "criteria" for identification of reporting topics, and the use of "criteria" to develop subject matter information.

Considering a proposed perimeter of the subject matter information that varies cyclically from period to period (a 'rolling program')

The distinction between, and description of, the boundaries of subject matter information that varies (rolling, cyclical, rotational) is not clear. We believe it is confusing to use both cyclical and rolling if they are describing the same situation. We suggest that only one term be used to describe each item in this section. For example, paragraphs 96 and 97 could be edited as follows:

A rolling program of the subject matter information means there will be a cyclical variation in the perimeter of the subject matter information of a proposed recurring assurance engagement from period to period. This raises questions related to determining the scope of the assurance engagement and assessing the preconditions for assurance.

When the preparer proposes such an EER a rolling program assurance engagement, the practitioner may need to understand the reasons and consider whether those reasons are appropriate in the context of the preconditions for acceptance, taking into account the assurance needs of the intended users.

We also note the EER guidance should include examples of specific situations where the practitioner would need to consider the relevant ethical requirements. A practitioner accepting an EER assurance engagement that includes an expanding or rolling program of reporting is one example where the considerations of the

relevant ethical requirements could be highlighted, especially since the guidance references "misleading" in paragraph 97 but does not specifically refer to the IESBA code.

Initial engagements

Paragraphs 106 through to 116 provide useful guidance on performing initial advisory engagements. However, these engagements would not need to be performed under ISAE 3000 therefore we suggest that an explicit statement be added to this effect.

Determining whether the preconditions are present in an EER assurance engagement

While we believe the section of the standard on determining whether the preconditions are present needs a visual to assist practitioners in reading this guidance, we do not support diagram 5 under paragraph 69. The number of concepts covered is too many for it to be useful. Readers found the grey pentagons, the number of arrows used, and the references in boxes overlaying the blue shape describing engagement circumstances to be confusing. We suggest refocusing the diagram by using the requirements for preconditions as a starting point.

We believe it is important to highlight in the acceptance and continuance section that there will be some consideration needed for using a practitioner's expert. Although it is implicit under "J. (c) Do those who are to perform the engagement collectively have the appropriate competence and capabilities to do so?", we believe a more explicit statement on considering the need for an expert would be helpful. We suggest adding ", including when using a practitioner's expert" to the end of the sentence.

We also suggest adding a paragraph providing guidance for the practitioner to step back and consider whether all the requirements relating to engagement acceptance have been met. This may be particularly relevant when only a portion of an established framework will be reported on.

Considering whether the engagement has a rational purpose

We believe the application material in paragraph A56 of ISAE 3000 is useful for practitioners in determining whether the engagement has a rational purpose. However, items (c), (f), and (g) listed in the box under paragraph 72 in the guidance go beyond that guidance. Including a list that is more detailed than what is in the application material may be read as the checklist the practitioner needs to complete in determining whether the engagement has a rational purpose. The requirement in paragraph 24(b)(vi) already points specifically to the practitioner expecting to be able to obtain a meaningful level of assurance. We suggest removing items (c), (f), and (g) from the list in the box.

Missing from the considerations on whether the engagement has a rational purpose is that often with these engagements it is not possible to narrow the users to one group or even one purpose. There could be many users with conflicting objectives. The practitioner must determine whether there are multiple rational purposes, or they must consider whether there is one purpose that serves multiple users. We suggest adding this consideration to paragraph 72 or adding a cross reference to paragraphs 232 – 238 in Chapter 6.

Considering whether the criteria are suitable

Paragraphs 80 and 81 of the guidance raise a fundamental definitional issue of the term "criteria". Criteria are defined in paragraph 12(c) of ISAE 3000, as the benchmarks used to measure or evaluate the underlying subject matter. The term "criteria" in paragraphs 80-81 of Chapter 3 refers both to identification of reporting topics in an EER report as well as to measurement or evaluation of specific underlying subject matter.

IDW - Institut der Wirtschaftsprüfer

Chapter 3: Determining Preconditions and Agreeing the Scope

66.   This paragraph refers to the "EER reporting process" for the first time. We refer to the definition in Appendix 1 of the guidance and note that important parts of the process (choosing the criteria, establishing appropriate internal control or process over preparing the EER information, the identification of reporting topics) do not appear to be included in the definition. We also do not understand whether there is a difference between the EER reporting process and what paragraph 47L in the standard describes as the process to prepare the subject matter information. We suggest the definition, or perhaps even the need for the term, be re-considered unless some connection can be made between the term and what is used in paragraph 47L of the standard.

70.   The first sentence refers to the diagram below, when it is above.

71.   In D.(a) in the table subsequent to this paragraph, reference is made to whether the underlying subject matter is capable of consistent measurement or evaluation, "at an appropriate level of aggregation or disaggregation". We believe this to be a misleading way to describe the issue given how the standard addresses that matter. Subject matter information can be presented at different levels of aggregation or disaggregation, but the measurement or evaluation of underlying subject matter beyond the underlying subject matter as whole is dealt with in the standard under the concepts of "aspects" of underlying subject matter and only the level of detail of measurement or evaluation can be varied – underlying subject matter itself cannot be "aggregated or disaggregated" separately from the level of detail of its measurement or evaluation. Consequently, the phrase "at an appropriate level of aggregation or disaggregation" should be replaced with "including aspects thereof to the level of detail as appropriate".

With respect to G in the table, the use of the phrase "needed to support the limited or reasonable assurance conclusion, as applicable" suggests that for a limited assurance engagement the practitioner only needs to be able to obtain the evidence needed for the limited assurance conclusion. This is incorrect: even for a limited assurance engagement, the practitioner needs to be able to obtain the evidence for a reasonable assurance engagement because if the procedures designed to obtain limited assurance indicate that there may be a material misstatement, the practitioner is required by the standard to obtain more evidence. Hence, in line with the wording in paragraph 24 (b) (iv) of the standard, the words "limited or reasonable" and "as applicable", should be deleted.

Item G (a) in the table asks the practitioner to consider the implications for the practitioner obtaining evidence if the preparer's process to prepare the subject matter information does not provide a reasonable basis for that information. The relevant matter in this case is not the implication for the practitioner obtaining evidence: if the preparer's process to prepare the subject matter information does not provide a reasonable basis for that information, then the engagement cannot be performed as an attestation engagement under the standard because the prerequisites for an attestation engagement have not been fulfilled. This implies that either the practitioner withdraws from the engagement, if possible, or determines whether it is acceptable to perform a direct engagement. Consequently, this item needs revision accordingly.

In relation to G (b) in the table, we note that the reference to the standard should be to S.A156 (c) – not S.A155 (c).

Item I. in the table relates to the perimeter of the subject matter information and the unbiased selection of only parts of the EER report. This is dealt with in paragraph A44 in the standard in relation to the appropriateness of the underlying subject matter (in which case the matter should be dealt with in D in this

table) and the second bullet point in paragraph A56 of the standard on rational purpose (in which case the matter should be dealt with in the table following paragraph 72 in the guidance. We suggest doing the latter.

72. In the fifth sentence, reference is made to enhancing user confidence in a way that is "logical, consistent, and appropriate". This list of qualifiers appears to be using a shotgun approach to refer to what is needed. It seems to us that if a way is not logical or consistent, then it cannot be appropriate. We therefore suggest that the terms "logical" and "consistent" be deleted, or to rephrase this to say "appropriate, including logical and consistent".

We have the following comments on the items in the table following this paragraph:

(b) The use of the term "either" suggests that the assurance report and its subject matter information (the EER report) can be distributed separately from one another, which we do not believe is appropriate: each should always accompany the other. We therefore suggest that the words "either is" be replaced with "these are". The reference to "proposed addressees" is not in line with the first bullet point of paragraph A56 of the standard because, under the standard, the addressee is ordinarily the engaging party (see paragraph A163 of the standard), who would always be an intended user, but can never be the only intended user, since then the engagement would not fulfill the prerequisite for a three-party engagement under the standard. Consequently, in line with paragraph A86 of the standard, the term "addressees" should be replaced with "intended users".

(d) The standard does not refer to "significant" information needs of the intended users, only to their information needs, so the term "significant" should be deleted.

(f) To align the wording here with that in paragraph A7 of the standard, which is the source for this consideration, we suggest changing the words "to reduce engagement risk to a level which is" to "to be" because it is the level of assurance that is meaningful as described in the standard – not the level of engagement risk directly.

(h) The reference to S.26 and S.A54-55 is incorrect. S.26 relates to whether a scope limitation would lead to a disclaimer of conclusion that would cause the practitioner not to accept the engagement, and S.A54-55 relate to access to records – not scope limitations. Neither S.26 nor S.A54-55 relate to the consideration of whether the engagement can be accepted because it has a rational purpose. The appropriate reference would be to paragraph A56 in the standard, since that is where the impact of scope limitations on whether the engagement has a rational purpose is dealt with.

(k) Since paragraph A56 (of the standard), which deals with the matter addressed prior to the comma, does not refer to the matter addressed after the comma, and the guidance should not give the impression that when the consideration in the relevant bullet point in paragraph A56 of the standard is addressed, then automatically the matter after the bullet point also needs to be addressed (which would be going beyond the standard), we suggest that the word "including" be replaced with "which may include".

74. The standard does not require that the different aspects of the underlying subject matter are well-defined and distinct from other things for the underlying subject matter to be identifiable. However, we recognize that if in the engagement different aspects of the underlying subject matter will be measured or evaluated, then this can only occur if each of these aspects is identifiable and capable of consistent measurement or evaluation against the applicable criteria (see paragraph A40 of the standard). We therefore suggest that the wording be changed to read as follows: "When different aspects of the underlying subject matter will be measured and evaluated, then these also need to be identifiable and capable of consistent measurement or evaluation against the applicable criteria (see example below)."

The use of the phrase "coherent relationship between the underlying subject matter, the criteria and the subject matter information" is rather vague and therefore confusing. We suggest that instead reference be made to "the measurement or evaluation, using the applicable criteria, of the underlying subject matter information within the defined boundary results in the boundary of the actual subject matter information within the scope of the engagement". Hence the wording in the last sentence would read: "As discussed in G.87-89, when considering whether the scope of the engagement leads to the determination that the engagement has a rational purpose, it may be necessary to consider whether the measurement or evaluation, using the applicable criteria, of the underlying subject matter information within the contemplated boundary results in the boundary of the actual subject matter information within the scope of the engagement."

76. In line with our comments and reasoning on paragraph 71 of the guidance, the phrase "The level of aggregation or disaggregation" should be replaced with "The level of detail of the aspects".

79. The words "assess" should be replaced with "determine", since the word "assess" in the IAASB Glossary of Terms is limited to the assessment of risk and the verb used in the standard for this matter is "determine".

82. In line with paragraph 24 (a) of the standard, the words "in the circumstances" needs to be added to the words "suitable" at the end of the first sentence. In line with our comments on Chapter 5 of the guidance, this paragraph appears to presume that practitioners will consider the system of internal control, even though in a limited assurance engagement at most the practitioner would consider the process to prepare the EER report (as noted in our comment on paragraph 66 of the guidance, it is unclear whether this is the same or different that the EER reporting process as defined and used in the guidance), which may suffice for determining whether the prerequisite for the preparer to have a reasonable basis for the EER report is fulfilled. We note that paragraph A39 in the standard only refers to internal control in relation to extensive internal controls for some cases. This paragraph should be redrafted accordingly.

83. In line with our comments on paragraph 82 and Chapter 5 of the guidance, we believe that considering the process to prepare the EER report ought to suffice when determining whether the prerequisite for the preparer to have a reasonable basis for the EER report is fulfilled, which would eliminate the difference between limited and reasonable assurance engagements. This paragraph should be redrafted accordingly.

88. In line with our comments and reasoning on paragraph 74, we suggest that the part of the sentence beginning with "but there still needs to be" to the end of that sentence be replaced with "but when considering whether the scope of the engagement leads to the determination that the engagement has a rational purpose, it may be necessary to consider whether the measurement or evaluation, using the applicable criteria, of the underlying subject matter information within the contemplated narrower boundary results in the narrower boundary of the actual subject matter information within the scope of the engagement."

89. In line with our comments on paragraphs 74 and 88 of the guidance, we suggest that the wording in the second sentence beginning with "unless the selected" up to "coherent relationship" be replaced with "unless the measurement or evaluation, using the applicable criteria, of the underlying subject matter information within the contemplated narrower boundary results in the narrower boundary of the actual subject matter information within the scope of the engagement."

As we discuss in our comments on particular paragraphs in Chapter 4 of the guidance in similar circumstances, the term "in assisting decision-making by the intended users" is being used inappropriately –

in this case because the description of the criterion of "neutrality" in the standard does not make reference to "assisting the decision-making of intended users" except through the reference to "engagements circumstances". The definition of "engagement circumstances" in the standard does make this reference, but also includes a large number of other factors, which means that the guidance then inappropriately deemphasizes these other factors in this context. We therefore recommend that the part sentence beginning with the phrase "in the circumstances" to the end of that sentence be replaced with "in the engagement circumstances". This shortens the sentence considerably, makes it more understandable, and ensures that the sentence is in line with the standard.

96.   Within the standard, no reference is made to "assess the preconditions for assurance" as stated at the end of the sentence. In line with the standard and the usage of the word "assess" in the Glossary of Terms this statement should be changed to "determining whether the prerequisites for accepting an assurance engagement are present".

99.   The second paragraph in the box with the example following this paragraph states that users are likely to be interested in water consumption. Based on the previous paragraph in the example, it seems to us that users would be far more interested in whether the wastewater produced does not exceed levels considered to be safe.

106.-117.

        These paragraphs are focused solely upon attestation engagements – they do not recognize the possibilities that practitioners have to perform direct engagements in relation to EER reports. Of course, these need to be clearly distinguished from attestation engagements by clarifying in the report that the practitioner is not independent of the subject matter information. In this vein, paragraphs 107 to 111 of the guidance do not recognize direct engagements as an alternative and do not deal with the implications. The same applies to paragraphs 112 and 114 of the guidance. In paragraph 113 of the guidance, the second sentence incorrectly states that a practitioner cannot be involved in the preparation of the subject matter information – this is true only for an attestation engagement and therefore the words "for an attestation engagement" need to be added to the end of that sentence. Paragraph 115 of the guidance does not deal with the new requirements and guidance in the IESBA Code of Ethics in relation to direct engagements.

JICPA - Japanese Institute of Certified Public Accountants

Chapter 3 paragraph 72

With regard to identifying intended users, in Chapter 3 paragraph 72 (a) it is stated that this shall be determined by the preparer, and (b) mentions the expectations of the practitioner in relation to the users of the report. We believe it is necessary to provide a reference to ISAE 3000 24(a) in order to clarify the relationship with the requirements of ISAE 3000.

Chapter 3 paragraph 89

In Chapter 3 paragraph 89, use of the example alone may lead to the misunderstanding that a narrow scope engagement is limited, so it should be explained when a narrow scope engagement may have a rational purpose.

Chapter 3 paragraphs 85, 94

The description of "Agreeing the Scope of the Engagement" is generally abstract and difficult to understand, and the examples are also limited. First, in paragraph 85 it should be made clear that, depending on the subject matter set, there could be cases in which the subject matter information consists of (1) the entire

report, or (2) specific areas of information within the report, or (3) individual items within specific areas of information.

On that basis, if the explanation of the rolling program after paragraph 94 were made clearly which case is being assumed, it would make it easier to understand. In particular, it would be helpful if the example provided in paragraph 99 explained that the subject matter selected for assurance consists of individual items such as "water usage," "volume of wastewater," "waste water pollution," and "initiatives for improvement" and thus corresponds to (3) above, and that these in turn are contained within areas of information related to "water" which thus corresponds to (2) above. What information should be indispensable should also be discussed.

With regard to the rolling program, cases in which the environment in general is designated as subject matter should be distinguished from cases that could also be changed within (2), such as "climate change," "water," and "chemical substances."

NZAASB - New Zealand Auditing and Assurance Standards Board

In practice, assurance practitioners who are not professional accountants may not be familiar with the IESBA Code of Ethics and therefore not be able to know whether their Code or professional

1 NZ AS 1 The Audit of Service Performance Information 6

requirements are at least as demanding. It would be useful for the guidance to signal the conceptual basis for independence to assist non-accountants.

While the NZAuASB agrees that the considerations for determining whether there is a rational purpose are helpful, the NZAuASB continues to caution against setting the assurance "bar" too high, recognising that this is an iterative process, whereby the preparer is on a journey and the practitioner's aim should be to provide as much assurance as possible, to the extent that the preparer is ready for assurance, to enhance the degree of confidence of the intended users. For example, an entity may exclude some aspects of the subject matter information on the basis that it is still evolving and does not yet meet all the preconditions for engagement acceptance, but there may be some aspects that do. Further flexibility in the assurance report, to explain this, may be an appropriate response in an area that continues to evolve, rather than an inability to accept the engagement at all. A reference or link to acknowledge more flexibility in the assurance report might assist (for example, in paragraph 93).

The NZAuASB agrees the references to other information will be a useful addition in practice, for example, in considerations related to a rolling program of assurance.

The NZAuASB considers the sentence in paragraph 65, that reads "In addition, the criteria used to measure or evaluate the underlying subject matter may include a significant element of entitydeveloped criteria" is an especially useful statement. The questions posed to the practitioner under paragraph 71 usefully demonstrate some of the professional judgements that are involved. The NZAuASB recommends that the IAASB add a question under C to recognise that the preparer has the responsibility to identify (and if necessary develop) suitable criteria. The NZAuASB identified that this was an important step that should be acknowledged when agreeing the terms of the engagement. We recommend the following editorial clarifications: • paragraph 70 refers to the diagram below, however the diagram is above. • to the example in paragraph 74: "The greenhouse gas emissions of an entity would generallymight be identifiable underlying subject matter…".

• in paragraph 89, it may be helpful to highlight that GHG emissions are a common example of EER information reported and assured on a standalone basis.

• a stakeholder queried whether the example in paragraph 99 should refer to the materiality of the sites that may be excluded.

It may be helpful to add an example to clarify what is meant by paragraphs 100 and 101, considering the proposed level of assurance to be obtained.

The NZAuASB has previously commented on and continues to believe that chapter 3, together with the detailed examples in the supplementary material on the preconditions will be very useful in practice. This material reflects many of the ideas that the NZAuASB explored in the development of the domestic standard on service performance information, NZ AS 11. The NZAuASB considers that the guidance related to the work effort required, independence considerations and responses where the preconditions are not met will be helpful.

3. Accounting Firms

DTT - Deloitte Touche Tohmatsu Limited

Throughout the document, references are made to discussions between the practitioner and the preparer. The draft guidance could be strengthened to support the practitioner by giving clarity as to whom within the preparer's organization this conversation ought to be with. In particular, the section "Agreeing the Scope of the Engagement" covered in paragraphs 84-101 can be enhanced to highlight that holding discussions with the audit committee or those charged with governance may provide a more holistic view of all the assurance the company is receiving and may allow for more meaningful discussions around the importance of EER information to the intended users.

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.

Pars. 72 (d, g, & h), 89 state practical challenges regarding 'rolling assurance engagements.' The scope of the assurance engagement should comprise the aspects that are most relevant for users. The draft guidance implies that the practitioner has opportunities to engage on and influence the scope of the engagement, but in reality, this can be limited, especially if the practitioner is responding to a preparer's request for proposals stating the exact scope required. Moreover, there may be instances where it is not obvious that the scope might be "too narrow." DTTL would welcome clarification about how the practitioner should proceed.

Par. 92 describes a situation where the practitioner is aware of deficiencies in the reporting process for information that is not in scope of the engagement. DTTL would welcome clarification about how the practitioner should proceed if this becomes apparent (i) pre-acceptance and (ii) post acceptance. In particular, as these deficiencies may not be apparent to the practitioner during acceptance, especially in the first year of work.

Pars. 94-99 highlight a number of challenges associated with the concept of a "rolling program" of assurance. DTTL suggests adding additional considerations as to why or when a rolling program would be appropriate beyond preparer concerns regarding cost. Par. 94 describes the situation where a preparer may have a rolling assurance program but gives the rationale for this as 'cost.' In our view, the rationale should

be materiality and user requirements. For example, a company may have a number of non-financial KPIs which are key (e.g., linked to strategy, risk, remuneration) but will have others that they will want to be confident in, but they are not so key (material). These latter ones could be assured on a rolling basis e.g., every other year. DTTL strongly suggests this paragraph be updated to reflect this i.e., to include and give prominence to factors beyond cost as important in determining the suitability and scope for a rolling assurance program.

Par. 95 states the differences between a rolling program of assurance on parts of an EER report and selective testing when the whole EER report is within the perimeter of the subject matter information. DTTL suggests clarifying selective testing can also be undertaken within a rolling program of assurance.

Par 107a refers to a 'no separate engagement performed' option whereby the practitioner undertakes 'more extensive pre-acceptance procedures.' This could be interpreted by a preparer as being an option available to encourage the practitioner to do more work than they might want to prior to an engagement. On a practical level, it is hard to imagine a practitioner undertaking significant pre-acceptance work without a signed term of engagement and, presumably, a basis for charging for this work. Additionally, a preparer is unlikely to disclose information without appropriate safeguards, confidentiality etc. in place. We believe it needs to be clear that some form of engagement terms should be in place prior to conducting 'more extensive pre-acceptance procedures' with clarity within these that completion of such additional work does not necessarily lead to acceptance by the practitioner.

The headline for pars. 112-116 is 'Independence considerations': DTTL suggests revising the headline to "Independence and ethical considerations".

EYG - Ernst & Young Global Limited

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.

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,

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 are 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.

EER Guidance Chapter 3 paragraph 93 states "Although there may be some rational purpose to the entity continuing to obtain assurance on only some parts of its EER reporting, if the entity is falling behind market expectations for what is reported and assured … call into question the entity's reasons for reporting the subject matter information and whether the assurance engagement has a rational purpose." There are no specific guidelines that exist on the market expectation of EER reporting since in many cases this is voluntary reporting. We do not believe it is necessary or practical for the practitioner to consider market expectations over EER reporting and therefore we suggest that this section of the paragraph either be removed or that the words "the entity is falling behind market expectations" are replaced with "the entity is not meeting users' expectations."

We believe EER Guidance Chapter 3 paragraph 107 overstates the work effort required to assess whether the preconditions are present. The EER Guidance needs to provide a proper balance between the procedures that are relevant during the engagement acceptance stage and those during the performance of the assurance engagement. Related to evaluating whether the preconditions are present, ISAE 3000.24 provides the following important context to the work effort involved: "The practitioner shall, on the basis of a preliminary knowledge of the engagement circumstances and discussion with the appropriate party(ies), determine whether …". In our view (which is consistent with current practice), this determination should be able to be made through inquiries in most circumstances, because it is a preliminary determination and therefore we believe that the inference to "significant procedures" or separate engagements, that is described in paragraph 107 just for the purpose of meeting the pre-condition requirement in the standard, is overstated.

GTI - Grant Thornton International Ltd

We believe this chapter would benefit from further simplification. In particular, we found Diagram 5 – Acceptance and Continuance Considerations, overly complex and somewhat confusing. The 'jellyfish' tries to capture too much information and the table included below adds to the complexity. We would recommend one of two ways to simplify the diagram, either to present the concepts as a process flow or to represent the concepts in a number of smaller diagrams. In addition, our view is the discussion following the diagram does not flow logically.

KPMG - KPMG Network

Inter-relationship of Preconditions

We welcome the enhancements to the Guidance Document in respect of ensuring that the preconditions for an assurance engagement are all present, including the introduction of the diagram on page 74.

We suggest that greater emphasis be included in the guidance on the inter-relatedness of the preconditions. For example, for certain engagements, e.g. assurance over information set out in Management's Discussion and Analysis (MD&A) in an entity's annual report, the practitioner needs to determine whether the underlying subject matter is appropriate, including whether the aspects for measurement/evaluation for inclusion in the subject matter information are sufficiently distinct (and, by extension, it may be particularly challenging to identify the aspects of a particular matter/set of information that constitute the subject matter information). As a result, in considering whether the subject matter information is complete in accordance with the criteria, the practitioner would also need to consider whether the criteria are suitable for the needs of the intended users and whether there is a rational purpose to the engagement. We suggest that certain of the illustrative examples expand on this point by addressing consideration of different aspects of the preconditions within a particular example, to confront this challenge more directly/explicitly.

As a result of this inter-relationship of aspects of the preconditions, we note that at certain points in the guidance concepts appear to have become co-mingled, or descriptions may imply this, e.g. assertions and criteria, identifiability of subject matter information/aspects of the underlying subject matter to include and suitability of criteria, and we recommend that the IAASB ensure that the correct terminology be applied.

PwC - PriceWaterhouseCoopers

We find Diagram 5 to be convoluted and question whether, in this instance, a visual representation actually aids understanding. We would recommend simplifying or deleting.

With respect to "considering a proposed perimeter of the subject matter information that includes only part(s) of an EER report", we question the assertion that the scope of the engagement should necessarily focus on information that is 'relatively more important to decision-making'. If a broad intent of the guidance is to support evolution in reporting, we believe that there is merit - and value - in assuring what can be assured at a particular point in time and providing transparency about what can't yet be assured and why. Otherwise, the guidance could be read as implying that no assurance can be provided until it is possible to include all information important to decision-making in the scope of the engagement. While it is true that a scope that is clearly trivial is unlikely to be appropriate, that risk can be addressed by requiring the practitioner to reflect on whether the scope of the engagement could be misleading to users. Any assurance must not be misleading. That should be the primary consideration and test. Otherwise, however, the guidance should not inadvertently be seen as restricting or discouraging evolution in EER.

RSMI - RSM International Limited

Diagram 5 is complex and difficult to follow. In addition, it appears that many of the paragraphs within chapter 3 are a repetition of ISAE 3000 and perhaps these could be dealt with by cross referencing and/or hyperlinks.

When agreeing the scope of the engagement, a practitioner needs to consider excluding information which can be manipulated, altered or changed, e.g. information held on an intranet or on an external website which can be updated with no audit trail. This is a particular concern with forward looking information. It may be helpful to link these procedures to chapter 5 paragraphs 192 and 194 which make reference to evolving technologies used to record, process and report EER information.

4. Public Sector Organizations

AGA - Office of the Auditor General Alberta

In Chapter 3, paragraphs 87-93, the guidance on considering a proposed perimeter of the subject matter that increases progressively from period to period is sound. It recognizes that where an entity's governance and controls over EER are in the process of developing the preparer may not have a reasonable basis for reporting on all aspects of the underlying subject matters or for all the information in the EER report.

We suggest that the guidance should also indicate:

that progress on progressive reporting be reviewed annually by the practitioner during the planning stage of an existing engagement or when there are major changes in management

if the entity is falling behind in plans to progressively increase subject matter to be assured, the practitioner should consider the impact on the decision of whether to continue to undertake the engagement

AGNZ - Auditor-General of New Zealand

Determining if the necessary pre-conditions are in place before acceptance/continuance is the first key decision to be made. Because there is no generally accepted framework for EER, the risks of inaccurate or unbalanced reporting are significant. The Guidance should be clearer and more assertive on the matters to be considered by the practitioner in making their acceptance/continuance decision.

Before acceptance/continuance, the practitioner should ask these questions:

Do I know enough about this organisation and the industry in which it operates to be confident I can make a reasonable assessment about factual and balanced EER?

Do I have the competence (or can I acquire the necessary competence) to carry out the engagement?

Is the organisation committed to factual and balanced reporting?

Is the organisation sufficiently equipped to prepare a factual and balanced report?

Has the preparer adequately identified the purpose of the EER report (paragraphs 230 and 231)?

Has the preparer appropriately identified the EER report's intended users (paragraphs 232 to 238)?

If I am not the auditor of the organisation's financial information, do I have unencumbered access to the financial auditor?

A "no" to any of the above questions should lead to an immediate decision to decline the engagement. A decision tree might be useful to illustrate the engagement acceptance/continuance process.

5. Member Bodies and Other Professional Organizations

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

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.

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.

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.

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.

AICPA - The American Institute of Certified Public Accountants

In Chapter 1, under the heading "Considering whether the underlying subject matter is appropriate," paragraph 77 refers to a situation in which the reporting entity decides to report on only certain elements of a broader underlying subject matter. For example, when an entity that has four locations decides to report on water consumption at locations A and B (where water consumption has been significantly reduced) and not to report on water consumption at locations C and D (where this reduction has not occurred). In these circumstances, both the preparer's and practitioner's report may be misleading to report users because report users may incorrectly conclude that the preparer's and practitioner's report apply to all the locations. This situation is described in paragraph A44 of ISAE 3000 (Revised), which states in part "…in such cases, it may be appropriate for the practitioner to consider whether information about the aspect on which the practitioner is asked to report is likely to meet the information needs of intended users as a group, and also how the subject matter information will be presented and distributed, for example, whether there are more significant programs with less favorable outcomes that the entity is not reporting upon."

We would find it helpful to have follow-up implementation guidance on this topic because it would assist practitioners in making engagement acceptance and continuance decisions. For example, if the practitioner concludes that a preparer's report that addresses only certain elements of a broader underlying subject matter is misleading, what factors might the practitioner consider in determining whether it is acceptable for the practitioner to accept the engagement if the preparer provides sufficient disclosure in its report? (In this example additional disclosure might state that the entity has 4 locations and that the preparer's report only addresses water consumption at locations A and B and does not address water consumption at locations C and D, where the entity's water conservation program has not yet begun.) In addition, the guidance might recommend that a paragraph be included in the practitioner's report pointing to, or restating, the disclosure in the preparer's report, followed by a statement in the practitioner's report that the practitioner does not express an opinion on water consumption at locations C and D.

Another variation of this scenario that might be addressed in the Guidance is whether the underlying subject matter is "appropriate," as that term is used in paragraph 22b(i) of ISAE 3000 (Revised), if the water

conservation program had begun at all 4 locations and the program was effective at locations A and B but not yet effective at locations C and D. Could adequate disclosure remedy the deficiency in the appropriateness of the subject matter and enable the practitioner to accept the engagement? Although the Guidance probably could not be definitive with regard to this scenario, it would be helpful if it presented factors the practitioner may consider in making this decision.

Finally, a different but perhaps related scenario that might occur is that the entity decides to report on activities in which the entity excels (for example, diversity in employment) because doing so may enhance the entity's reputation and thereby result in investment in the entity and increased sales of the product or service. (For the same reasons the entity may decide not to report on activities in which the entity does not excel, for example, compliance with safety standards.) It would be helpful if the Guidance provided views on factors that might (or might not) remedy deficiencies in the appropriateness of the underlying subject matter in these circumstances, for example, whether

• diversity in employment and compliance with safety standards are part of a broader framework, and the framework is identified in the preparer's report without disclosing the elements of the framework that are not addressed by the preparer's report

• the organization establishing the framework for the preparer's report does not require that all the topics in the framework be reported on at the same time

• the preparer's report, and as required by paragraph 69c of ISAE 3000 (Revised), the practitioner's report clearly identify what is being reported on

6. Practitioner's Responsibility For Evaluating Whether The Level of Assurance Is Appropriate

One of the preconditions for an assurance engagement identified in paragraph 22b(vi) of ISAE 3000 (Revised) is that there be a rational purpose for the engagement, including in the case of a limited assurance engagement that the practitioner expects to be able to obtain a meaningful level of assurance. Paragraph 72 of the Guidance presents considerations to assist the practitioner in determining whether there is a rational purpose for the engagement, and item g of paragraph 72 indicates that one of those considerations is the following:

Where the proposed level of assurance for the engagement is limited assurance, 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 it is the practitioner's responsibility to make such a determination.   Rather, it is the engaging party's responsibility to decide the level of assurance that is likely to satisfy the information needs of intended users. If the practitioner has concerns that the proposed level of assurance will not satisfy intended users' assurance needs, the practitioner may discuss the matter with the engaging party; however, the level of assurance should not be a basis for the practitioner to refuse to accept the engagement. In addition, the engaging party may not have the funds to pay for a reasonable assurance engagement, and for that reason may engage the practitioner to perform a limited assurance engagement. We believe that one of the considerations in determining whether there is a rational purpose for the engagement is the cost of the engagement.

We find it difficult to differentiate between what the practitioner needs to understand about an entity's internal control when determining whether the preconditions for an assurance engagement are present (paragraphs 82–83 of Chapter 3) and what the practitioner needs to understand about internal control when

planning the engagement. Paragraphs 188, 193, and 194 of Chapter 5 provide some discussion of this matter, but we believe some additional discussion would be helpful to the practitioner.

Assirevi

In paragraph 69, diagram 5 is not sufficiently clear nor detailed. The link between circumstances and preconditions could be better highlighted and detailed.

The content of paragraphs 78-81 is further explained in Chapter 4. A simple cross-reference would therefore be enough.

In our view, the narrative example included in the second sentence of paragraph 95 in Chapter 3 ("Similarly in the context ……") does not cover the definition of the scope of the engagement because it depicts the testing strategy and approach determined by the practitioner in accordance with his/her professional judgement (and relevant professional standards). To avoid any unintended consequences, we also suggest to include – on top of example 3 presented in Appendix B (or in a separate example) how the scope paragraph of the assurance report would describe the so called "rolling program".

Paragraph 104 in Chapter 3 explains the nature of a "separate pre-acceptance engagement" as being an "assurance readiness engagement". However, paragraph 107.b affirms that such engagement is performed in accordance with "agreed terms". To avoid unintended consequences we believe that the Guidance should clearly explain the nature (and rationale) of such "pre-acceptance engagement", consistently with professional standards.

In paragraph 83 it would be useful to better outline the kind of analysis that the practitioner has to conduct on the internal control system (in particular the internal control system related to non-financial information) in the acceptance phase of the engagement. In particular, it would be helpful to provide an overview of the different approach and procedures to be performed for a reasonable assurance engagement and a limited assurance engagement.

Considering paragraph 84 et seq., it would be useful to add a specific note to clarify that the information within the perimeter should be easily identified. Intended users should have a clear understanding that the perimeter of the activities of the practitioner is limited to certain items.

CPAA - CPA Australia

Assurance readiness: A more fulsome consideration of readiness reviews, including when they would be provided as an assurance engagement and what such engagements would entail, would be useful.

Assurance readiness: Readiness, which is raised in para.66 and explored in para.107, could be more fully addressed in Chapter 3 as a pre-condition to the assurance engagement, along with readiness reviews as a precursor to an assurance engagement on the subject matter. The Guidance describes these readiness reviews as advisory engagements, however, we consider that they can also be provided as an assurance engagement, albeit of a different type to assurance on EER. This readiness review could include an assurance engagement on the design and implementation of controls over governance or the measurement and evaluation criteria, which is partially reflected in para.111. We suggest that the approach in para.107(c) could include an assurance engagement as well as an advisory engagement. This is because advisory engagements are often conducted by non-assurance practitioners who may not appreciate the preconditions required to be met for an assurance engagement, including controls relevant to measurement or evaluation against the criteria. Consequently, an assurance engagement may be a valuable option and may overcome the independence challenges of advising on the systems and controls needed in preparation

for assurance, which as the Guidance quite rightly points out would preclude the practitioner from obtaining assurance subsequently.

ISCA - Institute of Singapore Chartered Accountants

Some of the key points that in our view should be more prominently presented include:

Determining the Scope for Meaningful Assurance

In determining the scope for assurance, ISAE 3000 (Revised) allows the practitioner flexibility to agree on the scope of work with the entity. However, the practitioner needs to exercise professional judgement when assessing whether the scope of work and level of assurance are meaningful.

This is an important consideration for EER assurance, for instance it may not be meaningful to assure only the quantitative disclosures in EER reports when the qualitative information is more important for contextual understanding.

While the guidance cautions exercising professional judgement over this area under paragraph 72, we are concerned that this important message is not prominently presented in the Guidance.

It is worth noting that there may be practical challenges for a practitioner to assess the information needs and level of assurance required by the "intended" users, particularly given the limited avenue for interaction with such users. In this regard, further guidance with practical solutions may be helpful.

Considering perimeter of subject matter information that varies cyclically

Paragraph 94, read in context with the subsequent paragraphs, cautions practitioners that the entity may take into account cost considerations when deciding to establish a programme to systematically vary the perimeter of the subject matter information year on year. While the purpose of this paragraph is to highlight such possible risk, the way it is worded could lead to entities misinterpreting that it is a recommendation for them to establish this programme based on cost considerations instead of risk considerations.

Practical challenges in determining preconditions

Paragraph 107 suggests various possible approaches to determine whether preconditions for EER reporting are present, including carrying out a separate pre-acceptance engagement under paragraph 107(b).

In an ideal situation, conducting such a pre-acceptance engagement would help the practitioner make an assessment of the preconditions and report to management internally on their assessment of the entity's readiness to adopt EER reporting. This can be viewed as a "two-step engagement", where the purpose of the pre-audit is to help the entity put in place the necessary systems to support EER reporting.

While ideal, we would like to highlight several practical challenges of conducting such a pre-acceptance engagement, such as:

Entity may not be willing to incur costs or expend resources on a pre-acceptance engagement;

Entity may not be willing to share sufficient information for the practitioner to perform a robust assessment during such a pre-acceptance engagement;

In a competitive market situation, the practitioner who insists on conducting a pre-acceptance could lose out to a competing practitioner who agrees to taking up an assurance engagement upfront as desired by the entity. Thus, the risk of non-application of a uniform standard of care in approaching the same prospective engagement by different practitioners;

Independence concerns arise when the practitioner performing the pre-acceptance engagement would subsequently be the assurance provider; and

This may induce selection bias as the entity may likely select an accounting firm that is familiar with their systems (for example, their existing financial statements auditor).

Due to some of these practical challenges, such a pre-acceptance engagement is currently not performed in practice. A possible suggestion to help practitioners assess the preconditions is to develop a checklist for the entity to complete prior to engagement acceptance. Because the nature of EER reporting is such that underlying subject matter and subject matter information are entity-specific and possibly unique even among entities in the same sector, a template may not be able to capture all potential considerations. However, it may be a good starting point for preliminary assessment by practitioners.

MIA - Malaysian Institute of Accountants

Chapter 3: Determining preconditions and agreeing the scope of EER engagements

Chapter 4: Determining the suitability and availability of criteria

For assurance work on key performance indicators (KPIs), it would be useful to have benchmarks of KPIs for specific industries to enable comparability of entities within similar industries.

03.1.4 Q1 - Other comments

5. Member Bodies and Other Professional Organizations

AICPA - The American Institute of Certified Public Accountants

11. Readiness Engagements And Effect On Independence

Paragraph 65 indicates that factors such as limitations of an entity's system of internal control, entity-developed criteria, and the cost of preparing the entity's EER report may result in an incomplete preparer report, which in turn, may prevent the practitioner from accepting or continuing the engagement. Paragraph 66 indicates that in these circumstances, prior to undergoing an examination of the preparer's report, it may be valuable for the preparer to undergo a separate non-assurance engagement to evaluate the readiness of the preparer's reporting process.   Paragraph 66 also points out that performing such a readiness engagement may give rise to potential threats to the practitioner's independence if the practitioner is also to perform the examination of the preparer's report. Paragraphs 112–116 of the Guidance provide additional information on independence considerations and clarify how not assuming a management responsibility would prevent the practitioner's independence from being impaired when performing such an engagement. For that reason, we suggest that a reference to paragraphs 112–116 be added to paragraph 66.

BICA - Botswana Institute of Chartered Accountants

The table on pages 75 and page 76 is segregated into two, however is it not clear that the upper part of the table relates to as it is not labelled.

Chapter 3 of the draft Guidance paragraph 70 refers to the diagram as 'below' instead of 'above'

SAICA - South African Institute of Chartered Accountants

Editorial: Paragraph 70 should be referring to diagram above, not below.

03.1.5 Q1 - Comments on Diagram 5

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

The AUASB considers that Diagram 5 Acceptance and Continuance Considerations is overly complex. A flowchart may communicate the concepts more effectively alongside the questions on pages 75 and 76, as a visual walk through the process.

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

We have the following comments on the diagram of paragraph 69:

The reference in the boxes relating to the Quality Management Considerations for Practitioner Firm should be ISQC1 and not ISQC;

We do not understand the place and the meaning of the boxes "SMI" and "Process to prepare SMI";

We do not understand the connection between the diagram and the rest of the document.

We recommend the IAASB to further clarify the diagram and its connections with the rest of the Guidance

NZAASB - New Zealand Auditing and Assurance Standards Board

The NZAuASB considers that Diagram 5 Acceptance and Continuance Considerations is overly complex. A flowchart may help to simplify the diagram. Such a flowchart may be more usefully illustrated alongside the questions on pages 75 and 76, as a visual walk through of the process.

3. Accounting Firms

BDO - BDO International Limited

Diagram 5 (p74) underlines our earlier point that practitioners without a firm background in assurance will not be able to understand and apply the concepts of engagement 'circumstances' and 'preconditions'. To further aid comprehension an illustration explaining the process of checking preconditions with relevant exerts from the ISAE 3000 (revised) and other linked materials would underline the importance of this phase.

Question 2:

GTI - Grant Thornton International Ltd

In particular, we found Diagram 5 – Acceptance and Continuance Considerations, overly complex and somewhat confusing. The 'jellyfish' tries to capture too much information and the table included below adds to the complexity. We would recommend one of two ways to simplify the diagram, either to present the concepts as a process flow or to represent the concepts in a number of smaller diagrams. In addition, our view is the discussion following the diagram does not flow logically.

PwC - PriceWaterhouseCoopers

We find Diagram 5 to be convoluted and question whether, in this instance, a visual representation actually aids understanding. We would recommend simplifying or deleting.

RSMI - RSM International Limited

Diagram 5 is complex and difficult to follow. In addition, it appears that many of the paragraphs within chapter 3 are a repetition of ISAE 3000 and perhaps these could be dealt with by cross referencing and/or hyperlinks.

5. Member Bodies and Other Professional Organizations

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

The diagram in paragraph 69 of the proposed Guidance appears to be a complex process, while there might be a simpler approach practically. However, this updated version from the original one (in paragraph 46 of the Phase 1 Consultation Paper) is more 'user friendly' and understandable. Preparer constituents have commended the new diagram and found it to be quite helpful in understanding the EER process.

Assirevi

In paragraph 69, diagram 5 is not sufficiently clear nor detailed. The link between circumstances and preconditions could be better highlighted and detailed.

CPAA - CPA Australia

Diagram 5 is confusing, exacerbated by the sections of the umbrella not aligning with the flowchart below it. This is illustrated by the number of arrows needed to make the circumstances fit with the preconditions. Coupled with the diagram's complexity, use of the abbreviation "SMI" and other referencing without any legend to explain them is confusing. SMI is an abbreviation for "subject matter information", which is not intuitive, even for those familiar with this term. As we have already noted this is not a meaningful term in plain English, and so the chances are low that those unfamiliar with the IAASB's lexicon will know where to look for the meaning of this abbreviation.

Diagrams: The diagrams need to be reviewed to ensure that they clearly convey the information intended and provide an aid to communication of the Guidance. Specifically, we consider that diagrams 5 and 8 could simplified or restructured and diagram 7 could reflect the COSO internal controls framework.

SAICA - South African Institute of Chartered Accountants

Diagram 5 – Acceptance and continuance considerations, still appears to be too complex. We urge the IAASB to consider whether there is a need to retain the diagram given that the questionnaire format used in paragraph 71 illustrates the principles succinctly. Should the diagram be retained in order to create a visual summary, it needs to be simplified so that it does not lose its usefulness. Regarding the existing diagram, it is the "umbrella" component that is difficult to decipher. The questions in the pink "snake" are clear, as are the quality management considerations for the practitioner firm. Refer to Annexure 1 for a proposed diagram. The references in that diagram relate to paragraph 71 of the Draft Guidance and ISAE 3000 (Revised).

03.1.6 Q1 - No comment

2. National Auditing Standard Setters

HKICPA - Hong Kong Institute of Certified Public Accountants

No comment

5. Member Bodies and Other Professional Organizations

AE - Accountancy Europe

No comment

BRLF - Australian Business Reporting Leaders Forum

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

FACPCE - Federación Argentina de Consejos Profesionales de Ciencias Económicas

No comment on chapter

FAR - Institute for the Accountancy Profession in Sweden

Chapter 3

No comments.

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

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

03.2.1 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

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.

SVI - Social Value International

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

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

None

03.2.3 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

AUASB - Australian Auditing and Assurance Standards Board

A lack of maturity in EER preparation may represent a key challenge for an assurance practitioner. Hence, the AUASB recommends relocating Chapter 6 on Considering the Entity's Process for Determining Reporting Topics to appear directly before this chapter, to provide some essential context prior to determining the assurance scope. The AUASB suggests that this change would more appropriately reflect the balance of responsibility between a preparer and the assurance practitioner in determining the scope and ensuring that the preconditions for assurance are met. There may be other assurance readiness work that could assist preparers develop their own internal credibility enhancing techniques before seeking an assurance engagement. As currently ordered, the guidance may imply a higher threshold or work effort for a practitioner than that required for an audit of financial statements and might create a barrier to assurance. Re-ordering the guidance as suggested might more appropriately shift the weight of getting ready back on the preparer and not imply that the assurance practitioner's role is to get the preparer ready for assurance.

Placing Chapter 6 ahead of this chapter in the guidance, would also facilitate the link between reporting topics as a focus in determining the scope of assurance, i.e. it is important that the assurance focuses on the material issues and related datasets and information. This links to the concept of a rolling program of material issues as a basis for EER assurance.

CAASB - Canadian Auditing and Assurance Standards Board

We find the lines that break up the table on pages 75 and 76 confusing (between sections C & D and G & H) because all items in the table are considerations for practitioners. The lines give the impression the different sections mean something different.

Also, we suggest that paragraphs 102-105, and perhaps 106-116 regarding work effort in determining whether the preconditions are present be moved forward and placed after paragraph 83 because the "Work Effort in Determining Whether the Preconditions are Present (see G.102-105)" is referred to in paragraph 83.

NZAASB - New Zealand Auditing and Assurance Standards Board

A lack of maturity in the EER reporting frameworks and/or in a preparer's journey to prepare an EER report may be a key challenge for an assurance practitioner. We recommend relocating Chapter 6 to the front of the document, as Chapter 1, with some amendments for context, to more appropriately reflect the balance of responsibility between a preparer and the assurance practitioner in determining the scope and ensuring that the preconditions for assurance are met. There may be other assurance readiness work that could assist preparers develop their own internal credibility enhancing techniques before seeking an assurance engagement. As currently ordered, the guidance may imply a higher threshold or work effort for a practitioner than that required for an audit of financial statements and might create a barrier to assurance. Reordering the guidance as suggested might more appropriately shift the weight of getting ready back on the preparer and not imply that the assurance practitioner's role is to get the preparer ready for assurance.

3. Accounting Firms

DTT - Deloitte Touche Tohmatsu Limited

Pars 78-81 state considerations whether the EER reporting criteria are suitable. Suitability of criteria is covered in Chapter 4 and it should be sufficient here to cross-reference to Chapter 4.

PwC - PriceWaterhouseCoopers

As this chapter is where the characteristics of suitable criteria are first discussed in detail (paragraph 79), we recommend it would be helpful in this first instance to set out, in a box, what the five characteristics of suitable criteria are, as necessary contextual material, rather than simply referring to ISAE 3000 (Revised). Paragraph 133 could then also cross-refer to this description.

This chapter addresses agreeing the scope of the engagement. There is the potential for confusion between the matters set out within this chapter and Chapter 6 on the entity's process to identify reporting topics. The introductory section of this chapter could seek to explain that close relationship, setting out the matters addressed in this chapter and what guidance is addressed in Chapter 6.

4. Public Sector Organizations

AGNZ - Auditor-General of New Zealand

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.

GAO - United States Government Accountability Office

The guidance inconsistently links requirements to the standards throughout the document, which can create confusion to users and may make it difficult to update in the future when standards change. 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.

03.2.4 Q2 - Other comments

None

03.2.5 Q2 - No comment

2. National Auditing Standard Setters

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

No comment on structure

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

No comment

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

Chapter 3

No comments.

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.