

EER Consultation Paper July 2020 (Chapter 5)**Question 1: Does the draft Guidance address the challenges for practitioners****05.1.1 Q1 - The Guidance addresses the challenges****3.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The draft Guidance does adequately address the challenges for practitioners that have been identified as within the scope of the draft Guidance

RSMI - RSM International Limited

Paragraphs 209 and 210 appropriately address scalability and maturity of reporting systems, controls and oversight.

We believe this chapter adequately addresses previous gaps in the EER reporting process, in particular paragraphs 200, 207 and 208. We appreciate the additional guidance around establishing reporting processes, controls and oversight so that those charged with governance are available to establish that the EER report has been produced in accordance with a sound EER framework.

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.

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The draft Guidance adequately addresses challenges identified by practitioners.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.

05.1 Does the draft Guidance address the challenges for practitioners\05.1.2 Q1 - The Guidance does not address the challenges

None

05.1 Does the draft Guidance address the challenges for practitioners\05.1.3 Q1 - Mixed views on the Guidance addressing the challenges

1. Investors and Analysts

ICGN - International Corporate Governance Network

Considering the increasing use of IT systems in non-financial reporting, Chapter 5 paragraph 213 might also put more focus on the importance of IT controls, especially for reasonable assurance engagements, including the need to involve an IT expert in the assurance engagement when appropriate.

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

This chapter highlights the challenges where governance and internal control lack maturity. i.e., acceptance issues or barriers to the practitioner obtaining sufficient appropriate evidence. However, the AUASB considers that the chapter may be overly detailed and could be streamlined.

The content of the chapter seems relatively narrow in focus on the system of internal controls, rather than the broader need for maturity of thinking. There seems to be an over emphasis on the processes and system of internal controls, over and above the importance for a broader concept of maturity of thinking or “integrated thinking” in preparing to report which extends to many forms of EER. Maturity of thinking is a key aspect to be addressed by the governance and management oversight piece.

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

Internal data verification represents an important consideration for EER assurance practitioners and the AUASB suggests considering the following points for coverage in this chapter:

There is a key role for managers to sign off the accuracy and completeness of data reported internally, and potentially then externally, within the system of internal control.

This internal verification process can often be lacking, hence drawing out this potential challenge for assurance practitioners would add value.

For example, has a manager signed off data that differs by more than 10% from the previous year, whilst little change to activities or the operating environment has occurred?

If questions have not been asked, then an assurance practitioner may question the substance of the sign-off process, exercising professional scepticism.

The AUASB also recommends that paragraph 208 (within the section on Governance and Oversight) is moved to before paragraph 207 on Control Activities. The approval of the criteria is also recommended for inclusion in the list of considerations in paragraph 208. Paragraphs 195-199 are not EER-specific and could be condensed into two paragraphs that list the components and summarise the idea that the level of sophistication may vary with the size and complexity of the reporting entity.

CAASB - Canadian Auditing and Assurance Standards Board

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

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

We are concerned that this Chapter may result in the practitioner doing too much work on understanding internal control in limited assurance engagements. Although paragraph 186 directly quotes the requirements in the standard relating to limited and reasonable assurance, the placement of paragraph 194, including the reference to limited assurance requirements, before the guidance on Understanding the Entity’s System of Internal Control is problematic. This is because practitioners may erroneously believe that the guidance

applies to limited assurance engagements and do more work than necessary. We suggest, as a minimum, adding to paragraph 194 that the guidance would need to be adapted in limited assurance engagements to consider the entity's EER reporting process, or moving the content from paragraphs 211 to 213 to follow paragraph 194. Paragraphs 211 to 213 provide context on the difference between limited and reasonable assurance and they should preface the section on Understanding the Entity's System of Internal Control.

Information System and Communication

We support the information included in paragraph 200 as examples of processes or controls that the practitioner may consider when understanding the information system and communication component of internal control. However, we think these suggestions should be characterized as examples and that there could be additional considerations added as a sub-set of "(a) Processes to select or develop criteria, including the entity's process to identify reporting topics, if applicable, to be addressed in the EER report". We suggest the following items be added as bullet points under (a) or they could be placed in Examples 10 or 11 in Supplement B, or both:

Process and/or controls for oversight of the disclosure process including reviewing for selective disclosure and disclosure of changes made to the measurement criteria of the EER information.

Process and / or controls over qualitative EER information and its connectivity to other quantitative EER information.

Controls over comparative information for prior periods, in that the criteria are applied consistently from period to period.

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

The aim of chapter 5 is to provide guidance to the practitioner that is relevant during the planning stage of an EER assurance engagement, in understanding an entity's system of internal control relevant to the preparation of the subject matter information.

We have the following concerns regarding the content of chapter 5:

The Guidance does not address the case where the entity has ineffective internal control and the potential impacts on the work effort in both cases (limited and reasonable assurance engagement). We believe that the Guidance should tackle this issue, especially in paragraphs 211 and 212. The Guidance should also mention that analytical reviews performed by entities on EER information and explanations provided are part of the elements of internal control;

The guidance does not address the case of groups. It should explain that a good practice is to perform initially the evaluation of the operating effectiveness of internal control at corporate level and then at the level of consolidation sub-levels;

Paragraph 201 addresses the case where the EER reporting process involves the use of IT to collect or process data and information, without providing any details on the nature of work that can be done depending on the complexity of IT tools and the level of assurance required. We consider that further guidance should be provided on this issue.

Finally, we regret that the Guidance does not address the matter of SMEs. Such entities are also concerned by EER. Internal control in such entities may be less complex, less structured and less documented than in larger entities. We therefore believe that the IAASB should tackle this issue and explain the potential

impacts on the work effort of practitioner, i.e. more tests of details and a higher coverage rate of the information, sites, entity's activities tested.

IDW - Institut der Wirtschaftsprüfer

Chapter 5: Considering the System of Internal Control

As a general matter in this chapter, under the standard, practitioners are only required to consider internal control in a reasonable assurance engagement, since in a limited assurance engagement their consideration is limited to only part of internal control (the process used to prepare the subject matter information). Through the title and the wording in the chapter, the chapter appears to be extending consideration of internal control beyond reasonable assurance engagements to limited assurance engagements. Furthermore, reference is made to the "internal control system", whereas the relevant requirements for reasonable assurance engagements in the standard refer to "internal control over the preparation of the subject matter information relevant to the engagement". We suggest revising the title to refer to "Considering the Process Used to Prepare, or Internal Control Over the Preparation of, the Subject Matter Information". We have not identified every instance in which a proper distinction between a reasonable and limited assurance treatment of process vs. internal control needs to be undertaken in this chapter, but have identified a number for further consideration. In any case, using "system of internal control" is fine when addressing what the preparers do, but it becomes an issue when dealing with what practitioners are supposed to do. We also note (as in our comments on paragraphs 66, 82 and 83 of the guidance) that reference is made to the EER reporting process in a number of places in this chapter, but how this relates to the process to prepare the EER report as described in paragraph 47L of the standard is unclear.

185. In line with our general comments on this chapter, the end of the first sentence needs to be changed to read: "... in understanding internal control over the preparation of the subject matter information relevant to the engagement for reasonable assurance engagements, or considering the process used to prepare the subject matter information".

186. We are concerned that this paragraph is not in line with the standard as follows:

(a) The reference to the "EER reporting process" can be viewed as broader than just the process used to prepare the EER report. The addition of the words from S.46L "to enable the identification of areas where a material misstatement is likely to arise" suggests that considering the process, used to prepare the EER report, alone enables the practitioner to identify areas where a material misstatement of the EER report is likely to arise, when such identification can only occur in combination with the understanding of the underlying subject matter and other engagement circumstances in addition to considering the process as noted in S.45L. It also ignores the second reason for such consideration, which is set forth in S.45L (b). For these reasons we recommend that the wording in (a) be changed to "to consider the entity's process to prepare the EER report (S.47L)".

(b) Reference is made in the first sentence to "internal control over the preparation of the subject matter information" without referring to "relevant to the engagement" as required by S.47R: this needs to be added after the words "subject matter information". The phrase "to enable the identification and assessment of the risks of material misstatement" needs to be deleted because by including this phrase, (b) suggests obtaining the understanding of internal control alone enables the practitioner to identify risks of material misstatement and assess them, whereas S.46R clarifies that such identification and assessment can only occur in combination with the understanding of the underlying subject matter and the other

engagement circumstances. It also ignores the second reason for such consideration, which is set forth in S.45R (b). For these reasons, the second sentence of (b) should be deleted.

187. The meaning of this paragraph is unclear until paragraph 188 of the guidance has been read. Furthermore, the connection between the two sentences in paragraph 188 of the guidance is unclear because the second sentence refers to the situation after the engagement has been accepted. We suggest moving the sentence in paragraph 187 of the guidance to in between the first and second sentences of paragraph 188 of the guidance.

194. As noted in our general comments on this chapter and in our comments on paragraphs 82 and 83 of the guidance, we are not convinced that prior to accepting the engagement practitioners would consider the internal control system to determine whether the prerequisite for the preparer to have a reasonable basis for the EER report is fulfilled (particularly since in a limited assurance engagement, consideration is limited to the process to prepare the EER report). We suggest that this paragraph be changed accordingly and not to refer to the vague “the preconditions are present”, but clarify that it is about fulfilling the prerequisite for the preparer to have a reasonable basis for the EER report.

As we point out in our general comments to this chapter, the term “understanding the entity’s system of internal control” goes beyond what the standard requires for limited assurance engagements, so we believe the title following this paragraph should be changed in line with those comments.

198. It is unclear where below the examples of aspects are given.

199. In line with paragraph A39 of the standard, the words “to take responsibility for the subject matter information being” should be changed to read “that the subject matter information is”. We also note that the reference to G.67-71 should be to G.69-71.

200. We note our comments to paragraphs 66, 82 and 83 of the guidance on the fact that it is unclear how the EER reporting process relates to the process to prepare the EER report as described in paragraph 47L of the standard. Further confusion is caused by the claim made in this paragraph that the EER reporting process is a subset of the information system and communication, but how this is so is not explained.

201. This paragraph refers to the EER reporting process, rather than information system and communication, but it is

unclear why this is so. The last sentence suggests that the preparer “obtains an understanding” under paragraphs S.47L/R, which is not the case, since S.47L only requires the practitioner to consider the process used to prepare the EER report. The paragraph should be changed accordingly.

202. We note the unclear reference to the EER reporting process as described in our general comments and the other comments above. The final sentence of this paragraph is not in line with the standard: if the EER reporting process and other related controls (another new term that we do not understand) do not provide the preparer with a reasonable basis for the subject matter information, the consequence is that the practitioner cannot perform an attestation engagement on the EER report at all – not the other consequences listed in the paragraph.

203. The term “entity’s system of internal control relevant to the preparation of the subject matter information” (as opposed to relevant to the engagement as set forth in paragraph 47R of the standard) is used in this paragraph, but it is unclear what that means in this case and how it is relevant to the practitioner. We suggest changing this to “internal control over the preparation of the subject matter information relevant to the engagement.”

204. It seems to us that the reference to an external laboratory test of effluent quality for a particular production facility generally represents using the work of an expert (unless taken from a report surveying the results of the tests of a number of production facilities where the expert is neither a practitioner's nor management's expert) – not obtaining data or information from an external source, which is a different situation. The paragraph needs to clarify this.

205. Through the reference to controls, the paragraph presumes that limited assurance engagements are required to obtain an understanding of controls, which is not the case. This applies particularly to the situation of controls at a service organization. The paragraph needs to be redrafted to take into account the situation for limited assurance engagements.

207. It seems to us that this paragraph and the box of examples of types of control activities that practitioners might consider is very useful for a reasonable assurance engagement, but may not be useful in a limited assurance engagement in which the practitioner only considers the process used to prepare the EER report. The paragraph needs to be clarified accordingly.

208. There appears to be a presumption in this paragraph and the box of examples following that practitioners are required or expected to consider governance and oversight over the EER reporting process because the sentence begins with "Aspects of". Other than dealing with communications with appropriate parties or those charged with governance, the standard does not deal with governance and oversight. We agree that some of this guidance may be useful, but we believe it has not been placed into a proper context through the introductory sentence. There is also a question of whether some of the matters addressed in the examples apply to a two-board system (in particular (a), (f), (g) and (h)). We also note that items (g) and (h) are unlikely to be relevant for a limited assurance engagement in which the process used to prepare the EER report is considered. Overall, this paragraph and the examples need some reconsideration.

209. Reference is made to control activities here, whereas in other prior paragraphs reference is made to other controls (beyond the EER reporting process).

211. In line with our comments on paragraph 186 of the guidance, the wording in this paragraph needs to be amended to be in line with the standard.

NZAASB - New Zealand Auditing and Assurance Standards Board

Footnote 7 before Diagram 7 Components of System of Internal Control should be updated to reflect that ISA 315 (Revised 2019) has been issued.

In paragraph 186, the draft guidance highlights that in a limited assurance engagement, the practitioner considers the entity's reporting process whereas in a reasonable assurance engagement the practitioner obtains an understanding of internal control and evaluates the design and implementation. Paragraphs 195 to 208 fall under a heading of "Understanding the entity's system on internal control", which follows on from the highlighted requirements for a reasonable assurance engagement. Practitioners requested additional guidance on the expected difference in work effort for a limited assurance engagement, especially given that the majority of EER engagements, other than engagements that include service performance information in New Zealand, are limited assurance engagements. Paragraphs 195-199 are not EER specific and could possibly be condensed into two paragraphs to list the components and summarise the idea that the level of sophistication may vary with the size and complexity. (In fact, may already be done in paragraph 209 on). The paragraphs on information from an external source are useful; however, we recommend that paragraphs 204-206 could be clarified to make it clearer why this section includes third parties. It may also be a useful place to clarify and provide examples of the expected differences between limited and

reasonable assurance engagements. We recommend that paragraph 208 (heading Governance and Oversight) should precede paragraph 207 on Control Activities. We also recommend that the approval of the criteria be included in the list of considerations in paragraph 208

The chapter itself seems overly focussed on the details of the components in the triangle, whereas we recommend that more emphasis is placed on the need for the overarching role that is played by governance and management oversight. Re-ordering Chapter 6 to the front of the guidance and linking the need for governance and management oversight over the entity's process to identify reporting topics may be a useful way to emphasize this challenge in EER assurance. The content of the chapter seems narrowly focussed on the system of internal controls rather than the broader need for maturity of thinking. The NZAuASB is concerned at the over emphasis of the processes and system of internal controls above the importance for a broader concept of maturity of thinking in preparing to report (we refer to this as "integrated thinking", a concept drawn from integrated reporting; however this broader readiness to report is not limited to integrated reporting, but will extend to many forms of EER). Maturity of thinking is a key aspect to be addressed by the governance and management oversight piece, as it would be expected that those charged with governance would take a readiness approach that is not limited to considering the internal control environment.

The NZAuASB considers that the guidance in this chapter will serve the public interest by highlighting the challenges where governance and internal control lack maturity. i.e., acceptance issues or barriers to the practitioner obtaining sufficient appropriate evidence. However, the NZAuASB considers that the chapter may be overly detailed and could be streamlined.

3. Accounting Firms

DTT - Deloitte Touche Tohmatsu Limited

Par. 186(b) makes reference to "controls relevant to the engagement." As it can be challenging to define what is a 'relevant' control in an audit situation, more guidance would be helpful on how to assess the relevance of a control, especially where many controls may be considered relevant. This is somewhat covered by the examples in pars. 207 and 208, however, if more precise, granular controls from par. 207 have been identified what is the expectation to also cover higher level controls from par. 208? A comment that controls from the par. 207 list of control activities tend to be more precise and robust than higher level governance and oversight controls from par. 208 could be helpful to guide practitioners to select the most appropriate range of controls from those that may be considered relevant.

For relevant controls identified, more guidance on testing the completeness and accuracy of the information used in those controls would be helpful, e.g. on whether this can be done substantively or whether a controls testing approach is expected.

Par. 187 cross-references the Standard for the practitioner's response if it is discovered after the engagement has been accepted that one or more preconditions for an assurance engagement is/are not present. As drafted, there appears to be no obvious relationship between the substance of the paragraph and internal control considerations, which are the matters to be addressed in Chapter 5.

Par. 206 suggests considerations by the preparer when using information from external sources. Though it is not within the IAASB's remit to require such a statement, we believe in such cases, the preparer should include a clear reference to any publicly available reference data if and where used.

Pars. 207 & 208 refer to process level controls and higher level governance controls respectively. We suggest clarifying whether there a difference in expected testing on these. If they are relevant controls, the expectation should, in our view, be the same.

Par. 212 covers considerations of internal controls in a reasonable assurance engagement. DTTL believes that within a reasonable assurance engagement, if the practitioner intends to place reliance on internal controls, the practitioner would have to test the operating effectiveness of controls as well.

Further guidance might be developed on the following aspects of the EER data consolidation process:

Guidance on the design factors to look at when assessing if a control is appropriately designed

Guidance on what to do where control deficiencies are noted

Guidance on what to do in less complex entities where internal control is less structured and with little segregation of duties

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

In most cases EER reporting operationally links to already existing and available management data (e.g., environmental data like waste or emissions, in accordance to local regulatory environmental requirements, social data with regard to diversity, etc.). Mostly EER reporting therefore links into a heterogenous process landscape and acts in some form of an aggregated consolidation reporting.

We have made further suggestions regarding directors' duties to maintain adequate evidence, building upon robust reporting systems and internal controls, in comments on chapter 8: Obtaining evidence.

The draft guidance helps to provide additional clarity regarding each of the challenges identified. Chapters 5 and 8 better display “how much evidence is enough” within a limited assurance engagement. However, we have further suggestions with regards to chapter 5 (Considering the system of internal controls) in the appendix to this letter.

EYG - Ernst & Young Global Limited

Considering the increasing use of IT systems in non-financial reporting, Chapter 5 paragraph 213 might also put more focus on the importance of IT controls, especially for reasonable assurance engagements, including the need to involve an IT expert in the assurance engagement when appropriate.

EER Guidance Chapter 5 paragraphs 188, 193 and 194 appear to indicate that the practitioner considers the entity's reporting processes and internal controls before engagement acceptance, as well as during the engagement, for both a limited and reasonable assurance engagement. The Standard does not require the practitioner to consider the reporting processes and controls before engagement acceptance. We believe that the reader could misinterpret the EER Guidance as overstating the work effort during the client acceptance process. We therefore recommend that paragraphs 193 and 194 be deleted and that the words “is likely” in paragraph 188 be replaced with “may, in some cases” to help prevent misinterpretations around the required work effort prior to engagement acceptance.

EER Guidance Chapter 5 paragraph 211 appears to be suggesting that the practitioner perform a walkthrough for a limited assurance engagement when the entity and subject matter are more complex. Since the Standard does not require a walkthrough for a limited assurance engagement and paragraph

A107 of the Standard does not infer that a practitioner would do more than make inquiries, we suggest a different example be used, to avoid inferring a greater work effort than the expectations of the Standard.

EER Guidance Chapter 5 paragraphs 337(e), 343(a) and the last sentence in the example to paragraph 345 appear to indicate the practitioner should consider whether the practitioner's report will convey sufficiently to the users of the information how the level of assurance "may affect the confidence that the user can have in the subject matter information." This appears to be unnecessary and exceeds the reporting requirements of the Standard, since ISAE 3000.69(c) only requires "an identification or description of the level of assurance, the subject matter information and, when appropriate, the underlying subject matter". We therefore recommend that each of the clauses referring to the degree of confidence a user can have in the subject matter information be removed from these paragraphs of the EER Guidance.

GTI - Grant Thornton International Ltd

We found the discussion of the various considerations for practitioners to be very helpful and believe an appropriate balance has been achieved in the amount of detail incorporated. We did, however, have a specific comment in respect of the example included in paragraph 210. To us this example appears to be incomplete or unfinished. The example is highlighted, through the incorporation of the professional judgment symbol, as a situation in which professional judgment would be applied. It would therefore be helpful to practitioners to extend the discussion of this example to include what the application of professional judgment would look like, rather than simply highlighting this as an example of where professional judgment may be applied.

PwC - PriceWaterhouseCoopers

We agree that the level of understanding needed will be affected by the size and complexity of the entity, but that this will also be affected, often more so, by the complexity of the subject matter and its related measurement/evaluation. This could be made clearer in this section.

We believe it is also important to make clearer that a mature system of internal control is not an absolute prerequisite for assurance, so long as the practitioner is satisfied that the pre-conditions for assurance contemplated by ISAE 3000 (Revised) can be met.

There is a risk of confusion arising in the guidance addressing external information sources by using a service organisation as an example (paragraph 205). For example, the recent revision to ISA 540 and related conforming amendment to ISA 500 specifically stated that a service organisation was not an external information source when providing information in that capacity. Practitioners may be familiar with that distinction. We recommend a short section addressing service organisations be included as separate guidance, if deemed necessary, and a different example be used within the external sources section.

4. Public Sector Organizations

AGA - Office of the Auditor General Alberta

In chapter 5, paragraphs 195-199, the guidance on understanding the entity's system of internal control is sound. The graphic illustrating the components of systems of internal control is very helpful in communicating the components as well as management responsibility and oversight for these systems.

We suggest that the guidance should emphasize likely by way of an engagement letter that management agrees to provide:

documentation of the components of the system of internal control

evidence of management oversight of the data subject to assurance by the practitioner prior to the commencement of the assurance engagement

The intent is that entity management and staff clearly understand their responsibility for preparing data in accordance with stated criteria. This is particularly important when entity management and staff are from non-financial backgrounds and may not be familiar with requirements for reasonable and limited assurance.

AGNZ - Auditor-General of New Zealand

In our experience on auditing this kind of reporting, we see risks in overplaying the importance of internal control in the context of EER and the assumption that providing assurance on internal systems and controls will lead to effective assurance over the EER. This assumption is misplaced because the important information that pertains to EER often lies outside the systems and processes. Our general concern is that an emphasis on the entity's system of internal control is simply a transfer of a financial audit methodology to a different "underlying subject matter" scenario around EER.

In the case of third-party reporting, the Guidance notes that the practitioner should consider the source, scope, processes, and controls, but there is no guidance on how to assess and what degree of assurance should be sought in assessing these considerations. We recommend that the Guidance on this be strengthened.

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. However, the guidance related to internal control assumes a less mature internal control framework, and it does not contain sufficient EER information. The internal control guidance should discuss the components and considerations specific to EER, which include steps related to how a practitioner evaluates the controls specific to the EER assurance engagement.

In addition, the guidance focuses on management preparing the EER report rather than the perspective of the practitioner. For example, chapter 5 discusses criteria at length, but the focus is on the preparer of the EER report. The guide should focus on the practitioner's perspective on evaluating the criteria the entity used to prepare the EER report.

5. Member Bodies and Other Professional Organizations

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

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

AE - Accountancy Europe

chapter 5 seems to start with the presumption that an understanding of internal control is required even though ISAE 3000 does not require this for limited assurance engagements (this also applies to the heading prior to paragraph 195)

paragraph 186 (a) is not in line with paragraphs 47L and A107 of ISAE 3000

paragraph 186 (b) is not in line with paragraphs 47R and A 106 of ISAE 3000

paragraph 208 appears to be transplanting the requirements in new ISA 315, even though it does not apply to ISAE 3000

AICPA - The American Institute of Certified Public Accountants

Considerations related to the increased use of IT systems in nonfinancial reporting. (The examples mentioned in paragraph 213 of Chapter 5 would benefit from greater focus on the importance of IT controls, especially in reasonable assurance engagements, including the need to involve an IT expert in the assurance engagement when appropriate.)

We suggest that the following edits be made to paragraph 185 of Chapter 5 to make that paragraph easier to understand:

185 This Chapter provides guidance to the practitioner that is relevant during the planning stage of an EER assurance engagement, in on understanding an entity's system of internal control relevant to the preparation of the subject matter information. This guidance is particularly relevant when an entity's EER reporting process and related controls are still developing, and when that process involves obtaining data or information from external sources.

It would also be helpful to have clarification about what the highlighted words in the paragraph mean.

- We suggest that the following edit be made to the first sentence of paragraph 188 of Chapter 5 to better align it with ISAE 3000 (Revised):

As discussed in G.Ch3, the nature of the entity's EER reporting process is likely to be an important consideration when determining if the preparer has a reasonable basis for the subject matter information in determining whether the preconditions are present.

We suggest this edit because paragraphs 22–25 of ISAE 3000 (Revised), which contain the preconditions for an assurance engagement, do not include a requirement for the practitioner to determine whether the responsible party has a reasonable basis for the subject matter information. The relevant precondition is in paragraph 24a of ISAE 3000 (Revised), which states “the roles and responsibilities of the appropriate parties are suitable in the circumstances.” Paragraph A39 of ISAE 3000 (Revised) then states that the measurer or evaluator is responsible for having a reasonable basis for the subject matter information.

- We recommend that the following revisions be made to paragraph 189 of Chapter 5 because it is our understanding that if the entity is reporting on EER, it must have a reporting process, regardless of the stage of the entity's internal control;

Entities producing EER reports typically implement gradual changes to their system of internal control to support such reporting as it becomes more established and formal. At an early stage, An entity's EER

reporting process is part of the information system and communication component of the entity's the system of internal control. generally, includes an EER reporting process

We recommend that the following revisions be made to paragraph 198 of Chapter 5

The components of an entity's internal control and Some examples of aspects of those components of an entity's system of internal control that a practitioner may consider are presented in paragraphs 200 -213 given below. The three components shown in the top three boxes in the diagram in G.195 (The control environment, the risk assessment process, and the process to monitor the system of internal control are considered together under the label heading 'governance management oversight of the EER reporting process.

Assirevi

We note that some areas of improvement do exist in order to provide more specific guidance for practitioners. Our recommendations concern particular circumstances in which an EER reporting process obtains data or information from an external source (paragraphs 204-206). The Guidance clearly describes examples of possible information obtained from an external source and possible approaches for the Reporting Entity to implement an internal control system; however, more detailed guidance and examples could be provided to practitioners (paragraphs 211-213) about how to provide limited or reasonable assurance on such information.

As already mentioned, the Guidance is focalized on the description of possible situations that the practitioner could face – but it does not provide indications on the assurance approach to adopt in those specific situations

CPAA - CPA Australia

We understand the example in paragraph 210 is seeking to illustrate different levels of complexity in the internal control system and the professional judgement required in assessing those controls. This being the case, we believe it may need redrafting to better address those matters. The small entity scenario does not include any controls over the data captured and stored, whereas it should, at the very least, include the simpler controls which may suffice in this circumstance. Additionally, the particular need for professional judgement is not illustrated for either scenario.

Internal Controls: We consider that Chapter 5 could be directly aligned and referenced to the COSO Internal Control Framework rather than setting its own components and diagram, which are largely aligned anyway. Also, discussion of the components should preferably start with the control environment as part of the overarching governance and oversight arrangements, and then proceed to work down through the components, rather than the reverse. The thought process and focus needed with respect to governance and oversight arrangements to enable development of a robust EER system, that is suitable to be assured, could be more fully addressed. The example of integrated thinking, which is required to produce an integrated report, would be useful to illustrate the importance of robust governance arrangements in establishing effective EER, along with the system of control to underpin robust and reliable reporting. Governance and oversight arrangements could also include approval of the reporting frameworks to be applied, the reporting topics and the criteria for its measurement or evaluation.

Reference to readiness reviews should be included in Chapter 5, as such reviews focus primarily on the suitability of the system of controls relevant to the EER report.

ICAS - Institute of Chartered Accountants Scotland

One area where the guidance is currently lacking is in relation to assurance over internal processes. The guidance currently considers the internal control environment, however, it is silent on the processes from which some of the information reported will be derived. This is an unfortunate omission, as, specifically in relation to non-financial information, the process used to produce this information will be key to its reliability and credibility. We note that Section 5 of the guidance considers the internal control environment but does not include any expectation for the practitioner to assess or consider the process followed in the preparation of the information. We believe that the provision of assurance on such processes would be extremely valuable for users and key stakeholders.

ISCA - Institute of Singapore Chartered Accountants

Diagram 7 (paragraph 195) depicts “monitoring” and “information system and communication” as layers, rather than as flows, in the system of internal control.

MIA - Malaysian Institute of Accountants

Chapter 5: Considering the system of internal control

It would be beneficial to consider the following scenarios to be addressed in the Guidance:

It is possible that an SMI may not be directly covered by a particular internal control within the entity and hence, the management may consider engaging an external service provider to address the SMI.

There may be occasions where internal controls are not robust or are deficient and require the gathering of additional persuasive evidence.

G.205 may give rise to confusion as recent revisions to ISAs 540 and 500 state that service organizations are not considered as external information sources when providing such information in that capacity. Paragraph A9 of ISA 500 states that “information from sources independent of the entity that the auditor may use as audit evidence may include confirmations from third parties, and information from an external information source, including analysts’ reports, and comparable data about competitors (benchmarking data).”

05.1.4 Q1 - Other comments and recommendations

3. Accounting Firms

RSMI - RSM International Limited

Elements which are broader such as environmental and social impact may not be embedded in the entity’s strategic and operational process, therefore illustrations of how a practitioner can address such instances would be useful

05.1.5 Q1 - Comments on Diagram 7

2. National Auditing Standard Setters

NZAASB - New Zealand Auditing and Assurance Standards Board

This diagram provides a useful visual reminder of the overarching role of governance and management oversight which sits above the triangle and the detailed components of the system of internal control.

5. Member Bodies and Other Professional Organizations

CPAA - CPA Australia

Diagram 7 could reflect the COSO framework in line with our recommendations in question 1 above with respect to internal controls.

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 be simplified or restructured and diagram 7 could reflect the COSO internal controls framework.

ISCA - Institute of Singapore Chartered Accountants

Diagram 7 (paragraph 195) depicts “monitoring” and “information system and communication” as layers, rather than as flows, in the system of internal control.

MIA - Malaysian Institute of Accountants

Chapter 5: Considering the system of internal control

Diagram 7 is useful but the pyramid may be misleading in relation to the relative volume or breadth of the matters covered. A different type of diagram may illustrate them better. The sequence in the diagram should follow the sequence of the explanatory text with control activities at the bottom after information systems.

05.1.6 Q1 - No comment

2. National Auditing Standard Setters

HKICPA - Hong Kong Institute of Certified Public Accountants

No comment

JICPA - Japanese Institute of Certified Public Accountants

No comment

3. Accounting Firms

KPMG - KPMG Network

No comments on chapter

5. Member Bodies and Other Professional Organizations

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

No comments.

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

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

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

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.

SVI - Social Value International

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

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

None

05.2.3 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

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

We do not understand the positioning of the paragraph 187 (preconditions for an assurance engagement) within chapter 5 (considering the system of internal control). We therefore believe that the paragraph 187 should be deleted

IDW - Institut der Wirtschaftsprüfer

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

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

NZAASB - New Zealand Auditing and Assurance Standards Board

The chapter itself seems overly focussed on the details of the components in the triangle, whereas we recommend that more emphasis is placed on the need for the overarching role that is played by governance and management oversight. Re-ordering Chapter 6 to the front of the guidance and linking the need for governance and management oversight over the entity's process to identify reporting topics may be a useful way to emphasize this challenge in EER assurance.

3. Accounting Firms

DTT - Deloitte Touche Tohmatsu Limited

Par. 186 on relevant controls might reference to where the examples are in par. 207.

Cross-references between paragraphs within the chapter would be useful.

4. Public Sector Organizations

AGNZ - Auditor-General of New Zealand

We recommend that the content of Chapter 6 and Diagram 8 be moved forward in the Guidance, followed by Chapters 4 and 5; and

We recommend that this Chapter follow Chapters 6 and 4.

05.2.4 Q2 - Other comments and recommendations

None

05.2.5 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.

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 comments.

4. Public Sector Organizations

AGA - Office of the Auditor General Alberta

No comment

AGSA - Auditor-General of South African

No additional comments.

GAO - United States Government Accountability Office

GAO's

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 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.