

EER Consultation Paper July 2020 (Chapter 7)**Question 1: Does the draft Guidance address the challenges for practitioners****07.1.1 Q1 - The Guidance addresses the challenges****1. Investors and Analysts****ICGN - International Corporate Governance Network**

The Guidance has addressed the challenges for practitioners that have been identified as within the scope of the draft Guidance.

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The draft Guidance does adequately address the challenges for practitioners that have been identified as within the scope of the draft Guidance.

EYG - Ernst & Young Global Limited

Yes, the EER Guidance comprehensively covers the areas identified within the scope of the draft Guidance and we believe that it does include useful guidance to address practical challenges

RSMI - RSM International Limited

Chapter 7: We believe that this chapter is very useful as the criteria are related to assertions, providing the practitioner with practical guidance regarding the qualitative aspects. We welcome the explanations of assertions in paragraphs 264-265 of the guidance because the concept and application of assertions may be less intuitive for practitioners who are not financial auditors.

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We believe that the draft guidance addresses the challenges for practitioners that have been identified as within the scope of the draft guidance.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The draft Guidance adequately addresses challenges identified by practitioners.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

SVI - Social Value International

Overall we are supportive of the draft.

07.1.2 Q1 - The Guidance does not address the challenges

None

07.1.3 Q1 - Mixed views on the Guidance addressing the challenges

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

The AUASB encourages the IAASB to be specific about what an assertion is (rather than stating what it isn't or referring to other information sources on assertions) and provide specific EER examples. This terminology may be new to some EER assurance practitioners, hence clarity is critical from the outset of this chapter re: what is being discussed.

CAASB - Canadian Auditing and Assurance Standards Board

Matters Addressed by the Guidance in this Chapter

We note that the explanatory memorandum explains the IAASB responded to feedback to make the material on assertions more practical, with more examples, to use categories of assertions in other IAASB standards, and that some content on assertions was already moved into Supplement A after Phase 1 of the consultation. However, the feedback we received on this Chapter was that there was no need for a separate chapter on using assertions. “Assertions” as used in Chapter 7 is not defined in Appendix 1 Terms Used in this Guidance, nor is it defined in ISAE 3000. While the Chapter acknowledges that using assertions is not required by the Standard, we believe the guidance found in this Chapter would be better placed in Supplement A, outside the main guidance. This is because the use of assertions is not required by ISAE 3000 and the content in Chapter 7 is more aligned to background material of a conceptual and theoretical nature.

The use of assertions could be briefly mentioned in Chapter 8 or Chapter 11 as an aspect of the practitioner’s decisions about obtaining evidence. The guidance should focus on how to apply assertions to qualitative information as applying them to quantitative information already has standards and guidance available within the suite of ISAs.

If Chapter 7 is retained as a separate chapter, then we believe paragraph 257 needs to be clearer on how assertions apply to help the practitioner identify potential misstatements. The purpose of the suggestion of “categorizing all the potential misstatements into types” at the end of the paragraph is not clear. If this is intended as a form of aggregation of misstatements, then it should be described as such. Also, more is needed in the guidance on types of misstatements. The guidance could suggest the practitioner should consider the cause of the problems or misstatements and include examples of types of misstatements, such as: human error, process flaws, management bias, or fraud.

Considering types of potential misstatements in designing procedures

We found the reference “A & B” to the right of Table 2 confusing. We did not understand what the A & B represented. We believe that Table 2 and the description underneath in paragraphs 264 and 265 could be simplified in that the references to “A & B” to the right of the Table are not needed. Paragraph 264 and 265 could be combined into one paragraph and simplified as all the example sentences have the same lead-in text.

Types of potential misstatement

Paragraph 268 does not address misstatements that could arise out of misuse of the criteria. For example, inappropriately changing the measurement basis or evaluation method. We believe this should be added to paragraph 268.

The concept of assertions is not addressed by ISAE 3000 and the content in Chapter 7 is more aligned to background material of a conceptual and theoretical nature. Accordingly, we believe Chapter 7 would be better placed in Supplement A, outside the main guidance.

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

Chapter 7 provides guidance on how assertions may be used by a practitioner as a tool to consider the different types of potential misstatements that may occur in the subject matter information, and to assist the practitioner in designing assurance procedures to obtain evidence about whether the subject matter information has been prepared in accordance with the criteria, or whether it is misstated.

We consider that, in the context of EER information, “relevance” could be added as an assertion, i.e. relevance of the suitable criteria and the information provided.

IDW - Institut der Wirtschaftsprüfer

Chapter 7: Using Assertions

As a general comment, if assertions are used, they are used in reasonable assurance engagements not only in the consideration of materiality in planning and performing the engagement and considering whether misstatements are material, but also in the identification and assessment of risks of material misstatement and the design and performance of procedures to respond to those risks, which implies that when assertions are used, such risk identification and assessment and design of procedures would be performed at assertion level. For limited assurance engagements when assertions are used, they would be required to be used in the consideration of materiality in planning and performing the engagement and considering whether misstatements are material, but are not required to be used in the identification and assessment of risks of material misstatement and the design and performance of procedures to respond to those risks, since the practitioner is only required by paragraph 48L of the standard to identify areas where a material misstatement of the subject matter information is likely to arise and design and perform procedures to address those areas (and to obtain limited assurance to support the practitioner's conclusion). The use of “areas” means that that the consideration of the areas of likelihood of material misstatement would not take place at assertion level. For this reason, assertions play a very different role in reasonable compared to limited assurance engagements (unless risk assessment and risk responses are required by a standard for limited assurance engagements – like in ISAE 3410). In our view, the guidance in this chapter does not adequately address this important difference.

As another general comment, since ISA 315 (Revised 2019) has now been issued, the description of assertions and references to the ISA 315 need to be updated.

257. This paragraph provides only one alternative to the use of assertions – using the potential types of misstatements that arise directly from the criteria. However, there are other means of dealing with this issue, such as using the concepts from measurement theory or psychometrics, or setting requirements for specific matters rather than using assertions. We believe it to be inappropriate to suggest there is only one alternative to the use of assertions, an alternative which may often involve greater work effort than their use and therefore de facto makes the use of assertions mandatory. To leave the other options open to practitioners, we suggest that the words at the beginning of the paragraph be changed to “If the practitioner does not use assertions, one alternative that the practitioner may use is to consider”.

264.-265.

After having read these paragraphs a number of times, we are convinced that they have the potential to confuse practitioners more than they would actually help them apply the concept of assertions. We therefore believe that they ought to be deleted.

267. In line with our comments on paragraphs 71 and 76 of the guidance, the word “disaggregation” in relation to underlying subject matter should be replaced with “detail”.

NZAASB - New Zealand Auditing and Assurance Standards Board

New Zealand practitioners responded to our survey indicating that building assertions is the third highest ranking challenge. Although use of assertions is not required by the standard, the NZAuASB, together with the stakeholders we consulted, considers that it is useful to provide guidance on how assertions may be

helpful as a tool to consider the different types of misstatements that may occur in EER information and to design assurance procedures accordingly. Assertions are a critical concept to understand and apply. We encourage the IAASB to consider the addition of short practical examples in this chapter, together with examples that demonstrate what it means for both reasonable and limited assurance.

Paragraph 260 would benefit from the use of plainer English, for example reference to “identifying and assessing the risk of material misstatement” as more direct language to help with context.

3. Accounting Firms

DTT - Deloitte Touche Tohmatsu Limited

The guidance states the practitioner is not required to use assertions in ISAE 3000 engagements (par. 261). We understand that because ISAE 3000 can be applied to many different reports, assertions can take different forms and therefore don't lend themselves to standardization. However, we believe this section is of limited help for practitioners in practice, i.e., because it seems to not be well linked to EER assurance issues and because some might not be familiar with assertions and ISAE 3410 and ISA 315.

GTI - Grant Thornton International Ltd

Overall, we are of the view this chapter is too conceptual and it would benefit from more practical guidance. We note the language used in this chapter appears inconsistent with that used in the rest of the draft guidance. We therefore recommend that consideration is given to redrafting this entire chapter using the more simplistic language found in the other chapters.

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

We are also concerned the guidance will allow too much flexibility in the use of assertions in assurance engagements; given the importance of appropriately defining the assertions for which evidence is being obtained. For example, as noted in our comments above, we view completeness as a particularly important assertion in these types of assurance engagements and do not believe it is appropriate to imply that a practitioner may not need to consider this assertion. We would recommend that the guidance not provide options but takes an approach that is similar to the approach to that in ISA 315 (Revised 2019).

Paragraph 251 of the draft Guidance includes a list of internal resources that the practitioner may use in considering the completeness of the criteria. We recommend the following sources be added to the internal sources:

The reporting entity's regulatory filings such as Form-10K or annual reports, which would be a good source of the entity's risk analyses.

Ethics 'hot topics' and communications from compliance channels, which are often used as ways to establish relationships with stakeholders.

Environment, health and safety systems and process, which are often maintained separately from financial processes

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

PwC - PriceWaterhouseCoopers

We support the guidance on considering assertions during an EER Assurance engagement and believe that doing so is reflective of current practice. However, while less confusing than the Phase 1 drafting, we continue to find the description of “categories” of assertions to be unnecessarily complicated. In our view, this detracts from the usefulness of the guidance on assertions. We recommend simply referring to the assertions in ISAE 3410 and ISA 315 and dispensing with an explanation of “categories” of assertions.

Chapter 3 (paragraph 76) states that “For further discussion on the appropriateness of the underlying subject matter and how aspects of the underlying subject matter may be addressed at different levels of aggregation or disaggregation, refer to SupA.II.115. It would be useful in this chapter, in considering the potential types of misstatements that may occur (paragraph 257), to highlight the need to consider the level of aggregation/disaggregation of the subject matter and/or to again cross-refer to the supplemental guidance. Paragraph 267 could be expanded in that regard.

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. However, when considering materiality, execution, evaluation and concluding stages, further practical guidance and considerations can be included, more specifically in relation to the application of in these phases of the audit in different scenarios. For example, taking into account different subject matters and subject matter information and the possible considerations and impact on the audit process.

5. Member Bodies and Other Professional Organizations

Assirevi

No comment on structure.

As regard Paragraph 261, this new draft Guidance clarifies that the use of assertions is not required but may be a useful tool for practitioners in considering how misstatements might arise in the subject matter information.

Considering paragraph 259, in order to have a clear and complete definition of "assertion" for the practitioners, we suggest to use the definition contained in standards ISA 315 and ISAE 3410 par 33L.33R - A81-A82 (using for example hyperlinks).

No comment on structure.

CPAA - CPA Australia

Assertions: It would be helpful to develop a non-exhaustive list of assertions in, or referenced to, Chapter 7, from which practitioners could select to plan procedures for testing elements of an EER. These assertions could be grouped by the type of information which those assertions would be used to evaluate.

FAR - Institute for the Accountancy Profession in Sweden

The language in Chapter 7 is different than the rest of the document and is very Audit driven. E.g. in paragraph 258 there is reference to Auditor and not practitioner as in the rest of the document.

Paragraph 268: FAR believe that it would be beneficial if there are examples for each assertion, e.g. currently no example is given for Rights and obligations.

MIA - Malaysian Institute of Accountants

Chapter 7: Using assertions

Splitting the assertions to both period and point in time may be confusing to non-financial practitioners or experts.

SAICA - South African Institute of Chartered Accountants

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

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

07.1.4 Q1 - Other comments and recommendations

5. Member Bodies and Other Professional Organizations

BICA - Botswana Institute of Chartered Accountants

Draft Guidance paragraph 264 (a) has a duplicate 'that have occurred'

SAICA - South African Institute of Chartered Accountants

Editorial change:

Paragraph 265: The nature of the assertions in the categories in the rows in region B of the table is that they are are ...

07.1.5 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

4. Public Sector Organizations

AGA - Office of the Auditor General Alberta

No comment

AGNZ - Auditor-General of New Zealand

We did not have any comments on this Chapter.

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

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

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

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

07.2.1 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.

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

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

None

07.2.3 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

CAASB - Canadian Auditing and Assurance Standards Board

See our response to question 1 above. We believe the guidance in this Chapter would be better placed in Supplement A, with a brief mention of how to apply assertions to qualitative information in Chapter 8 or Chapter 11.

The concept of assertions is not addressed by ISAE 3000 and the content in Chapter 7 is more aligned to background material of a conceptual and theoretical nature. Accordingly, we believe Chapter 7 would be better placed in Supplement A, outside the main guidance.

07.2.4 Q2 - Other comments and recommendations

None

07.2.5 Q2 - No comment

2. National Auditing Standard Setters

AUASB - Australian Auditing and Assurance Standards Board

No comment on structure

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

We have no specific point to report on that question.

HKICPA - Hong Kong Institute of Certified Public Accountants

No comment

JICPA - Japanese Institute of Certified Public Accountants

No comment

NZAASB - New Zealand Auditing and Assurance Standards Board

Response

3. Accounting Firms

BDO - BDO International Limited

No comments.

DTT - Deloitte Touche Tohmatsu Limited

No comment on structure of chapter

4. Public Sector Organizations

AGA - Office of the Auditor General Alberta

No comment

AGNZ - Auditor-General of New Zealand

We did not have any comments on this Chapter.

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.

No comment on structure.

BRLF - Australian Business Reporting Leaders Forum

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

CPAA - CPA Australia

No comment on chapter

FAR - Institute for the Accountancy Profession in Sweden

No comment on structure

ICAS - Institute of Chartered Accountants Scotland

No comments on a chapter-by-chapter basis

IIA - Institute of Internal Auditors

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

IIRC - International Integrated Reporting Council

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

ISCA - Institute of Singapore Chartered Accountants

No comment on chapter

MIA - Malaysian Institute of Accountants

No comment

SASB - Sustainability Accounting Standards Board

No comment on chapter

6. Academics

DEAKIN - Deakin University Integrated Reporting Centre

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

No comment on Introduction.