Agenda Item 5

Objectives of Agenda Item

The objectives of this Agenda Item are to:

- Brief the Board on the themes and significant issues identified in the responses received on the March 2020 Public Consultation on the *Proposed Non-Authoritative Guidance – Extended External Reporting (EER) Assurance*, and

- Obtain IAASB views about the Task Force's initial proposals for key enhancements to the *Extended External Reporting Assurance* draft guidance, as well as the treatment of material in Supplement A and Supplement B.

Board Discussion

1. The Board discussion will follow the sections as presented in this paper, which provides an analysis of the themes and significant issues noted in responses to the Consultation Paper, and the EER Task Force's initial views on the comments received.

2. The Consultation Paper comprises an Explanatory Memorandum and the proposed non-authoritative guidance document *Extended External Reporting (EER) Assurance* ('the Guidance'), which has an introduction and twelve chapters that address the key challenges for EER assurance engagements included in the scope of this project. Respondents were asked to address each chapter separately in responding to the following two questions:

   - Question 1: Does the draft Guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft Guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

   - Question 2: Is the draft Guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

3. Two supplements (Supplement A *Credibility and Trust Model and Background and Contextual Information*, and Supplement *B Illustrative Examples*) were published in addition to the Consultation Paper and respondents were invited to comment on these supplements should they wish to do so (i.e., the structure and content of each supplement, including whether they are clear and understandable, as well as the relationship of the supplements to the Guidance).

4. This paper is organized as follows:

   - Section I – Analysis of Consultation Paper Responses and Approach to Comments Received

   - Section II – Overarching Themes on the Content of the Guidance

   - Section III – Overarching Themes on the Form and Structure of the Guidance

   - Section IV – Respondent Comments on Supplements A and B

   - Section V – Analysis of Responses on a Chapter-by-Chapter Basis, Including the Introduction to the Guidance

5. This paper has the following appendices:

- Appendix 1 – List of Respondents to the Extended External Reporting (EER) Consultation Paper

- Appendix 2 – NVivo Process of Analyzing Respondents' Comments (the reports and spreadsheets are presented as supplemental documents)

- Appendix 3 – Project Update

6. The following are presented as supplemental documents, which are for reference purposes and will not be discussed during the meeting.

- **Agenda Item 5-A**, Draft – Limited and reasonable assurance – EER Illustrative procedures

- **Agenda Item 5-B**, Nvivo Word reports

- **Agenda Item 5-C**, Nvivo Excel spreadsheet analysis

Matters for IAASB Consideration

7. During the September 2020 IAASB meeting, the EER Task Force Chair will pause after each section, from Section II through V, to receive the Board's feedback on the questions set out below. *Note: Since Section V addresses respondents' comments on a chapter-by-chapter basis, these will be presented in two batches for the Board's feedback – Introduction and Chapters 1-7, and Chapters 8-12.*

Matters for IAASB Consideration for each of Sections II through V
Q1. The Board is asked for its views on whether the Task Force has appropriately identified the themes or issues, as applicable, from the responses to the Consultation Paper.
Q2. The Board is asked for its views on the Task Force's proposed response(s) to the themes or issues, as applicable?
Q3. Has the Board identified any other matters that the Task Force should consider in responding to the comments received on the Consultation Paper?
Additional question on Section II, *Limited and reasonable assurance*
Q4. Does the Board support the Task Force's proposal to include a table in an appendix to the Guidance document to illustrate differences between a limited and reasonable assurance engagement?
*Note: An initial draft of the proposed appendix is included in **Agenda Item 5-A** (supplemental document for reference purposes), which is not for detailed discussion during the Board meeting. Depending on feedback on this approach, the Board will be provided with an opportunity after the September meeting to provide input on the content of the proposed appendix.*
Additional question on Section III, *Diagram 5 in Chapter 3 of the Guidance document*
Q5. What is the Board's preference in relation to Diagram 5, should it be simplified, deleted or retained?
Additional question on Section IV, *Supplements A and B*

Q6.   The Board is asked whether or not Supplement A should be retained and published? If retained, whether both Part I and Part II of Supplement A should be published, or only Part I?

Q7.   What are the Board's views on whether there should be cross refencing between the Guidance document and Supplement B, or whether references should be included only from Supplement B to the Guidance document, but not vice versa on the grounds that the Guidance document has the greater authority?

Section I – **Analysis of Consultation Paper Responses and Approach to Comments Received**

8.   Forty-three responses to the IAASB's Consultation Paper - *'Extended External Reporting (EER) Assurance'* (the 'CP') - have been received from a broad range of stakeholders (see Appendix 1)

9.   Respondents were also asked to comment on Supplement A *Credibility and Trust Model and Background and Contextual Information* and Supplement B *Illustrative Examples*, should they wish to do so.

10.   All responses can be accessed from the IAASB's website

Category of Respondent	No.	Percentage
Investors and Analysts	1	2%
Regulators and Oversight Authorities	0	0%
National Auditing Standard Setters	7	16%
Accounting Firms	8	19%
Public Sector Organizations	4	10%
Member Bodies and Other Professional Organizations	22	51%
Academics	1	2%
Individuals and Others	0	0%
Total	**43**	**100%**

11.   The EER Task Force met at the beginning of August 2020. The Task Force analysed the responses to the two questions posed in the CP and had initial discussions on the appropriate way to address the issues raised. The Task Force has also considered comments received on Supplement A and Supplement B and how those comments might be addressed.

12.   The Task Force has used NVivo to assist with analysing the responses and preparing the high-level summary of responses in this Agenda item. Two of the forty-three respondents sent, directly to the Task Force, additional documents containing detailed editorial suggestions. These documents have not been coded in Nvivo, but are available on request.

13.   A number of respondents provided only a general response to the CP, and did not answer the questions on a chapter-by-chapter basis. In analysing the responses:

- when respondents did not answer the questions on a chapter-by-chapter basis, their responses have generally been coded in Nvivo as 'no comment' on each chapter, unless the respondent's general response was supportive of the Guidance without reservation; in

such a case, their response was coded to each question as 'The Guidance addresses the challenges' for the chapter; and

- even if respondents offered comments that were of an editorial nature only, their responses have been coded as 'Mixed view on the Guidance addressing the challenges', rather than as supportive of the Guidance.

14. All respondents, including those who provided only a general response, either fully supported the Guidance, or largely supported the Guidance, with some recommendations and editorial comments for further enhancement of the Guidance. There were no respondents who disagreed outright with any chapter of the Guidance.

15. Subject to the Board's input, the Task Force proposes to update the Guidance and supplements for presentation to the IAASB at the December Board meeting. Detailed drafting and editorial suggestions made by respondents will also be addressed during that time.

Section II – Overarching Themes on the Content of the Guidance

Supportive comments

16. Respondents commended the IAASB on its initiative in driving forward the discussion on extended external reporting, noting that non-financial information is vital for companies and stakeholders to make sound business decisions, but that stakeholders also need to know that such information can be trusted.

17. Respondent comments included noting: 'investors are increasingly talking about the need for assurance as a technique to provide them with more confidence' in such reporting; 'the importance of the international standards on assurance engagements and accompanying guidance in delivering quality services', that the EER project is 'critically important to the credibility of the global corporate reporting system' and that 'it is timely to release the guidance to promote more robust and consistent practice around the world.'

18. Respondents' overarching comments on the Guidance were largely supportive, with a number commending the IAASB for its response to the comments made on the February 2019 consultation, and noting significant improvements since Phase 1 of the project.

19. A number of respondents commented on the usefulness of the guidance, with comments including that 'there will no doubt be something useful in this comprehensive Guidance for all practitioners in EER assurance...'. On the content of the Guidance, a number of respondents commented, in particular:

- on the helpfulness of the practical examples, noting that they were 'extremely useful' both to practitioners and for teaching purposes;

- on the responsiveness of the IAASB to comments received on the Phase 1 consultation, including in:

  – making the Guidance clearer and more understandable, with a consistent application of key concepts and terminology;

  – changing the terminology from 'materiality process' to 'entity's process to identify reporting topics';

  – anchoring the Guidance to the requirements of International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits*

or Reviews of Historical Financial Information and not overriding, or appearing to extend, the practitioner's responsibilities; and

– reflecting practical experience; and

• that the Guidance will prove very useful in a challenging and rapidly evolving area, and will assist in assurance engagements being conducted in a more consistent manner.

The need for guidance to evolve

20. A number of respondents commented on the rapidly evolving landscape of EER reporting, regulation and assurance, and an increasing recognition by standard-setting bodies, regulators, investors, preparers, practitioners and others that reporting on historical financial information alone is insufficient to provide a holistic view of a company's performance and prospects. The current global environment, including the COVID-19 pandemic, social unrest and climate-related risks, has the potential to further increase the rate of change. A number of respondents emphasized the need for similarly evolving guidance on assurance. Continuing the momentum established by the IAASB will be essential in making sure the Guidance remains relevant as reporting evolves.

21. One area where reporting has already evolved since inception of the EER project is in the increasing integration of financial and non-financial reporting. A number of respondents to the CP noted the challenges that have arisen as a result. These include the following:

• A lack of clarity as to whether ISAE 3000 (Revised) can be applied to financial information when such information is part of an EER report and, if so, under what circumstances, to what extent, and to what level of assurance.

• Whether and how financial information included within a non-financial report should be reconciled to the financial information in the preparer's financial statements.

• Whether the financial statement auditor would generally be expected to perform the non-financial (EER) assurance engagement or whether other practitioners could do so.

• A need for enhanced guidance on 'evaluation', as opposed to 'measurement', techniques when obtaining evidence in relation to qualitative and future-oriented information. Such information is a common feature of more integrated reporting, which includes reporting on an entity's strategy, governance and risks.

22. Several respondents encouraged monitoring of practitioner experience in implementing the Guidance through a post implementation review, with a view to further enhancement of the Guidance as it is 'tried and tested'.

23. Notwithstanding the support expressed, a number of overarching themes for further enhancement of the Guidance as a whole were noted. These are discussed further below in this section in so far as they relate to the content of the Guidance, and in Section III in so far as they relate to the form of the Guidance.

Limited and reasonable assurance

24. Over a third of respondents called for further guidance and practical examples on applying differential requirements for limited and reasonable assurance engagements – from pre-acceptance through to reporting – as, in practice, the differences between limited and reasonable assurance are often misunderstood. Further, the Guidance should not suggest requirements beyond those in ISAE 3000 (Revised).

Task Force Initial View

25.   As noted in feedback on phase 1 of the consultation, the Task Force is of the view that the nature, timing and extent of procedures will be dependent on the individual circumstances of each engagement. Differences are on a continuum between limited and reasonable assurance engagements. However, the Task Force recognizes the challenges practitioners face in knowing 'how much is enough' in applying differential requirements for limited and reasonable assurance engagements. Therefore, the Task Force proposes to summarize, in a table, the key differences and implications,

- using the material in ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements* as a basis for illustrative considerations and procedures,

- making it clear that the summary does not suggest a requirement or best practice, but is included for illustrative purposes only, and

- positioning the table as an appendix to the Guidance.

26.   An initial draft of a table illustrating the differences between limited and reasonable assurance is presented as **Supplemental Document** (**Agenda Item 5-A**) to this Agenda Item.

Use of examples

27.   A majority of respondents who commented on the examples noted the usefulness of examples, with several regarding the comprehensive examples in Supplement B as the most useful aspect of the Guidance. A number of respondents called for further practical examples, in place of lengthy discussion, to illustrate the application of concepts. Calls for examples relating to particular chapters of the Guidance are discussed in Section V - *Analysis of Responses on a Chapter-by-Chapter Basis, Including the Introduction to the Guidance* under the chapters to which they relate.

28.   There were also a number of calls for examples to illustrate the application of specific frameworks, particularly those that relate to assuring information of an integrated financial and non-financial nature, or of an integrated historical and future-oriented nature, or a combination of these. Engagements to assure such subject matter information

- may present greater challenges to a practitioner than assuring purely historical quantitative subject matter information, but

- are being increasingly demanded by users of such information.

29.   While some frameworks are represented by a number of examples in the Guidance and Supplement B, additional examples were called for illustrating:

- the application of the Sustainability Accounting Standards Board ('SASB') standards, which are widely recognised and commonly used;

- the application of the International Integrated Reporting Council's Integrated Reporting Framework in a limited assurance context;

- the assurance of EER reports prepared in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD')

- the assurance of reporting on social value; and

- the application of the Guidance to public sector reporting.

30. Several respondents who called for these examples offered suggestions of useful reference material, and their support in assisting to draft further examples.

Task Force Initial View

31. The Task Force acknowledges the call for further practical examples in place of theoretical discussion to illustrate assurance concepts. The Task Force also recognizes the increasing convergence of financial and non-financial information (see paragraphs 21 and 28 above), the challenges faced by practitioners in assuring such information, and the need for practical examples to illustrate the application of principles, included in the Guidance, to such information.

32. The Task Force therefore proposes including two further longer examples in Supplement B – one illustrating the assurance of reporting in line with the TCFD recommendations, and another illustrating the use of SASB standards, both of which address the reporting of a mix of qualitative and quantitative information, and historical and future-oriented information. The Task Force appreciates the suggestions of materials that may be helpful in finalising the Guidance, and the offers of assistance in drafting the examples. Further consideration will be given to these during the development of the proposed additional Supplement B examples.

33. The Task Force also proposes looking at whether theoretical or conceptual content within the Guidance can be readily replaced by shorter practical examples.

Professional skepticism and professional judgment

34. The majority of respondents either fully supported or did not have comments on the chapter on professional skepticism and professional judgment.

35. A common theme noted in comments from respondents who expressed partial support for the material in Chapter 2 was that the exercise of professional skepticism and professional judgment may be of particular importance in the context of an EER assurance engagement.

36. Unlike financial reporting, EER is at a developmental stage and there is no single generally accepted reporting framework. There is therefore greater opportunity for management bias, and for a preparer to 'cherry pick' to present themselves in a good light. From a practitioner's perspective, it is essential to get the right balance between guarding against management bias, while enabling this area of reporting to evolve. It is therefore critical that practitioners are able to exercise professional skepticism and professional judgment.

37. In spite of the Guidance identifying that the exercise of professional skepticism and professional judgment may be particularly important in an EER assurance engagement, the guidance in this chapter remains too generic; respondents suggested that the guidance in Chapter 2 should be streamlined to focus on:

- the key reasons why the exercise of professional skepticism and professional judgment are important in an EER engagement; and

- any related impediments that are more likely to arise in such engagement,

with more general material of a contextual or educational nature being deleted or moved to Supplement A.

Task Force Initial View

38. The Task force considers that as:

- on balance, those respondents who commented on Chapter 2 recognized the importance of being able to exercise professional skepticism and professional judgment in an engagement to assure EER subject matter information, and

- the exercise of professional skepticism and professional judgment was identified in the IAASB's 2016 discussion paper as one of the ten key challenges,

it is important to retain the guidance, but to focus on its practical application.

39. The Task Force therefore proposes to streamline the guidance in Chapter 2, by focusing on:

- why the exercise of professional skepticism and professional judgment are important in an EER engagement,

- impediments that are more likely to arise in such engagements, and

- including a short EER-specific example within the chapter to illustrate the exercise of professional skepticism and professional judgment in an EER context.

Qualitative information

40. The guidance in Chapter 11 was broadly supported; however, as noted in paragraph 21 above, there is a need for guidance on 'evaluation', as opposed to 'measurement', techniques when obtaining evidence in relation to qualitative and future-oriented information, as these are common features of reporting of an integrated nature.

41. A few respondents questioned whether the guidance on assuring qualitative information should remain in a separate chapter, or be spread throughout the other chapters, where other concepts are discussed. The rationale given for the latter approach was that qualitative information is 'normal' subject matter information in EER engagements, and the guidance in each chapter should therefore cover considerations on both quantitative and qualitative EER information.

42. A number of respondents also called for further practical examples on obtaining evidence and identifying and evaluating qualitative material misstatements in the context of assuring qualitative EER information.

Task Force Initial View

43. The Task Force acknowledges the view that qualitative information is 'normal' in EER engagements; however:

- as the majority of respondents either supported the structure of Chapter 11 or did not have any comment on its structure; and

- it is an area that practitioners identified, in the original discussion paper, as being a key challenge

the Task Force proposes retaining the guidance in a separate chapter. The Task Force also proposes enhancing the linkage between this chapter and the other chapters, where relevant.

44. The Task Force proposes enhancing the guidance on obtaining evidence and the evaluation of qualitative misstatements for qualitative information by:

- including two further examples in Supplement B as discussed in paragraph 32 above, and

- enhancing the guidance on qualitative misstatements in Chapter 11, using the AICPA's recently published '*Materiality considerations for attestation engagements involving aspects of subject matters that cannot be quantitatively measured'* for assistance in doing so.

Multi-location engagements

45. Although not a strong theme, a few respondents called for guidance on multi-location or multi-site engagements, with one respondent suggesting that the Guidance should include considerations similar to those in proposed ISA 600[1] to address the situation where there are subsidiaries, divisions, branches or operational sites at a remote location.

Task Force Initial View

46. Although not identified as a strong theme in the responses to the CP, the Task Force acknowledges that it may be significantly more challenging to scope the assurance procedures to be performed in a multi-location EER context than in the context of a financial statement audit.

47. The Task Force proposes including considerations for the practitioner on multi-location engagements in the table to illustrate the difference between limited and reasonable assurance (**Agenda Item 5-A**), rather than developing detailed guidance to address this matter. The Task Force also proposes emphasizing the importance of understanding the business in making scoping decisions in a multi-location context, and to include illustration in one of the proposed additional practical examples to be included in Supplement B.

Section III – Overarching Themes on the Form and Structure of the Guidance

Supportive comments

48. On the form and structure of the Guidance, respondents strongly supported the:

- restructuring and reordering of the Guidance, noting that the chapters now flow logically to follow the stages of an assurance engagement;

- proposal for enhanced digital accessibility and navigability;

- way in which the Guidance is presented in an easier to read and less 'academic' style;

- 'What', 'Why', and 'How' at the beginning of each chapter; and

- separation of the Guidance from Supplement A and Supplement B

Length and format of the Guidance, and use of language

49. Notwithstanding respondents' strong support for the restructured and simplified Guidance, a number of respondents noted that it is still lengthy. Respondents also commented that developing a well-structured and easily accessible electronic format will be:

- essential in helping to overcome the perceived barrier resulting from the length of the Guidance, and

- important in facilitating both its usefulness to, and successful adoption by, practitioners.

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[1] Proposed ISA 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*

50. The use of digital solutions to enhance the navigability and usefulness of the Guidance was strongly supported by a majority of respondents who commented on structure. This included support for hyperlinking from Diagram 1 to the relevant chapters of the Guidance.

51. Respondents also suggested further close focus on:

- avoiding general educational or conceptual material,

- eliminating repetition of material from ISAE 3000 (Revised), particularly as it has been clarified in the Introduction to the Guidance that the intended audience of the EER Guidance is practitioners, who are already aware of the requirements of that standard, and

- reconsidering whether each diagram is useful for the target audience (i.e. practitioners),

with various suggestions being made on how this might be achieved; these suggestions are discussed further in Section V in the context of each chapter to which they relate.

52. A number of respondents noted that the language used in the Guidance is still overly complex in places, notably in Chapters 4, 6, 7 and 9. This adds to its length, and results in the Guidance being unclear and more likely to result in translation issues. Recommendations included:

- challenging the use of long sentences throughout the Guidance, and using bullet points to help make the meaning of sentences clearer;

- using 'plain English' to help make the Guidance more practical, accessible and user friendly; and

- using EER-specific practical examples instead of theoretical discussion to provide guidance.

Task Force Initial View

53. The Task Force is of the view that the perceived length of the Guidance is inextricably linked with the format in which the Guidance is to be published, and that presenting the Guidance in an innovative, easily accessible manner would, to a large extent, overcome possible barriers to its use as a result of its length. The Task Force proposes exploring ways in which this might be done, with IFAC and IAASB staff. Given the responses received, the Task Force considers this is a matter of urgency, and ideally the digital version will be in place by early 2021.

54. In the immediate term, the Task Force proposes simplifying the language in the Guidance, avoiding duplication of material from ISAE 3000 (Revised), and using practical examples in place of theoretical discussion where possible in the Guidance.

Order of chapters

55. The revised structure of the Guidance and ordering of chapters was supported by the majority of respondents who offered comments on the structure. Respondents noted that the structure is logical, flows well, and that the use of diagrams and examples is generally helpful. Only seven respondents commented on the IAASB's suggestion for an alternative structure with:

- three favouring the suggested three-part structuring, with some suggestions for regrouping the chapters within each part;

- one expressing partial support, noting that such restructuring would help the reader to identify the relevant section of the Guidance related to their specific circumstances, rather than needing to consider the whole document;

- one respondent expressing no strong preference;

- one questioning what additional benefit restructuring would derive if the chapters were still presented in their current order; and

- one suggesting that such a change should not be made.

56. Several respondents were of the view that Chapter 6 should be placed earlier in the Guidance, either after Chapter 3 or Chapter 4. Chapter 6 usefully sets out the context needed to undertake assurance, reinforcing the preparer's role in preparing for assurance before seeking to engage an independent practitioner to opine on the EER subject matter information. Placing the chapter earlier would also be useful in setting relevant context for Chapter 5 on considering the system of internal control.

57. A number of respondents expressed a preference for Chapters 11 and 12 to be positioned before Chapter 10 because the assurance report is the last step in performing the engagement.

58. As noted in paragraph 41 above, a few respondents were of the view that, as qualitative information is common in EER reports, it may be more helpful if the guidance were integrated throughout the Guidance as opposed to being located in a separate standalone chapter.

Task Force Initial View

59. The Task Force proposes repositioning Chapter 6 before Chapter 4, as the guidance on considering the entity's process to identify reporting topics follows logically from the guidance on preconditions (Chapter 3), and reinforces the preparer's role in preparing for assurance. The Task Force also proposes moving Chapter 11 and Chapter 12 to before the reporting chapter (Chapter 10), as reporting is the last stage in an assurance engagement.

Use of diagrams

60. Where respondents commented on the use of diagrams, comments were generally supportive, with some suggestions being made for further enhancements. However, over a quarter of respondents considered Diagram 5 to be overly complex. They suggested the diagram should be simplified – perhaps by using a flow diagram – or deleted. One respondent offered an alternative proposed diagram.

Task Force Initial View

61. The Task Force considered several options for addressing respondent comments on the complexity of Diagram 5, including deleting it, or replacing it with a simpler diagram. The visual representation was initially included to respond to calls for the interrelationships between the preconditions to be emphasized.

62. The Task Force is looking for Board guidance on how to illustrate the concepts and interrelationships in a simpler way. One way might be to set out the determination of the presence of preconditions as a process diagram, with the related text:

- presented as a paragraph alongside the process diagram, if the Guidance is to be presented in pdf format, or

- accessible by clicking on aspects of the diagram, if the Guidance is published in an electronic format.

63. Either way, the proposed solution would alleviate the need for both the complex diagram and lengthy text; however, if this is not possible, the Task Force proposes deleting the diagram from this chapter.

Responses to General Questions posed in the Consultation Paper

64. In addition to the requests for specific comments on the Guidance, the IAASB sought comments on the matters set out below:

   a) Stakeholder Perspectives—Respondents representing stakeholders such as preparers (including smaller entities) of EER reports, users of EER reports, and public sector entities are asked to comment on the questions above from their perspective.

   b) Developing Nations—Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment, in particular, on any foreseeable difficulties in using the draft guidance in a developing nation environment.

   c) Translation—Recognizing that many respondents may intend to translate the final guidance for adoption in their own environments, the IAASB welcomes comments on potential translation issues.

65. Most respondents did not provide comments in response to the General questions posed. One respondent noted difficulty in appropriately adopting international standards due to lack of easy access to the website, coupled with translation difficulties; two further respondents foresaw difficulty in translation due to the complexity of language used in the Guidance.

66. On question (a), stakeholder views were reflected in respondents' overall comments or in comments on specific chapters.

Task Force Initial View

67. As discussed in paragraph 54 above, the Task Force proposes further simplifying the language wherever possible, and checking alignment of the Guidance with the terminology used in ISAE 3000 (Revised).

Section IV – Respondent Comments on Supplements A and B

Respondents' comments on Supplement A

68. Nineteen respondents offered comments on Supplement A as follows:

   • Eight were supportive of the material in this supplement

   • Nine expressed some reservations about the content and offered suggestions for improvement of the material

   • Two were of the view that the supplement should not be published at this time.

69. Of the nine respondents expressing reservations:

   • five were supportive of Part I of the Supplement: *Credibility and Trust Model*, with another noting that, although thought-provoking, the points made in the model relate to any form of reporting; this raises the question whether the model might be better suited as a more overarching framework for use in the corporate reporting system

- seven respondents noted varied comments on Part II of the supplement, including that:

  – Part II should be reconsidered, with content that is considered necessary contextual information being included in the body of the Guidance to facilitate an appropriate understanding of the Guidance

  – the material is highly abstract in places, and would benefit from being streamlined and simplified

  – the relationship of Supplement A to the Guidance is unclear

  – the discussion of evidence, including procedures and the characteristics of its pervasiveness and sufficiency, is the focus of the IAASB's project to revise ISA 500, *Audit Evidence*; the guidance in this supplement should be part of that project rather than pre-empting the outcomes of that revision

  – the many cross-references from the Guidance to Supplement A compel the reader to read the supplement to discover what additional content it includes, which largely negates the objective of shortening the Guidance to enhance its perceived readability

  – the International Framework for Assurance Engagements includes useful 'educational' material that is written in a more readily understandable style; a cross reference to that Framework could be made in the Introduction to the Guidance as a source of relevant contextual material on assurance concepts.

70. Two respondents did not support the publication of Supplement A for reasons that included the following:

- The supplement seems to represent conceptual framework-type material that properly belongs in a separate project; such a project would:

  – follow a systematic treatment of conceptual issues that would constitute a proper conceptual framework, rather than drawing out particular issues on an 'eclectic basis';

  – be subject to the due process necessary for such a framework, and

  – avoid the dangers of (i) possible stakeholder expectation that the concepts ought to be applied more widely than to assurance on EER reports – including to audits and reviews of financial statements and (ii) possible pressure on future projects because the IAASB may feel bound to what it had previously approved.

- In a number of instances, the material in Supplement A uses wording or concepts in a manner that is not consistent with IAASB standards – in particular ISAE 3000 (Revised) – or that inappropriately goes beyond the standards.

Task Force Initial View

71. The Task Force has given initial consideration to respondent comments on Supplement A., and notes that a 'no comments' response to Questions 1 and 2 on each chapter of the Guidance has been considered to be a response that is not unsupportive of the guidance in the chapter. The reason for this is that, even if respondents did not comment on a particular chapter, they either:

- offered overall comments that generally supported the Guidance, or

- explicitly stated that they were supportive of the material in the chapters when no comment had been offered on individual chapters.

72. While a similar approach might be taken to 'no comments' on Supplement A, the Task Force questions whether it would be appropriate to do so, on the grounds that respondents were invited to comment on the supplements, should they wish to do so. Over half of respondents chose not to do so, offering no indication of their views on the supplements. As a consequence, an absence of response cannot necessarily be taken as tacit support for the supplement.

73. Of the nineteen who responded, the views were mixed, with eight expressing support and eleven either suggesting improvements or being of the view that Supplement A should not be published. The Task Force therefore asks the Board for its views on whether Supplement A should be retained or deleted.

Respondent comments on Supplement B

74. Twenty-four respondents offered comments on Supplement B, with nine expressing outright support for the material in the supplement. Another respondent noted that there were both benefits and disadvantages to including illustrative examples as supplemental guidance. On one hand, the examples are helpful in providing additional context to specific circumstances, and describing the thought process for those specific areas that are included. The disadvantages are that:

- practitioners may regard the fact patterns as definitive, and not apply them to other situations even when the concepts are applicable, and

- conversely, as it is difficult to create examples that are sufficiently detailed to include all relevant information, practitioners may use them when it is inappropriate to do so;

however, it was considered that the benefits outweigh the disadvantages.

75. Of the remaining respondents, several also noted that the examples were 'comprehensive', 'helpful' or 'useful', with a few noting that they were the most useful aspect of the Guidance.

76. The following themes were noted in respondent comments on Supplement B:

- There is a need for the examples to be representative of the different types of EER engagements practitioners are likely to encounter; at present, the majority of the examples relate to the reporting of non-financial data. Consideration should be given to developing examples for more challenging subject matters, including qualitative information such as business model and strategy, whole reports and disclosures, with a focus on 'evaluation', rather than 'measurement', techniques.

- As discussed in paragraph 29 above, while some frameworks are represented by a number of examples in the Guidance and Supplement B, additional examples illustrating the application of particular standards or frameworks should be developed.

- A call for further practical examples, including on: materiality considerations in various different scenarios; limited versus reasonable assurance; and 'other information'.

77. A few respondents questioned the nature of the connection of both Supplement B and Supplement A with the Guidance, with one expressing the view that no references should be included within the Guidance to the supplements because, in the system of IAASB pronouncements, pronouncements of greater authority do not refer to those of lesser authority.

78. In addition, a number of more detailed suggestions were noted on individual examples. Those detailed suggestions will be taken into account in finalizing the Guidance and supplements.

Task Force Initial View

79. In light of the nature of the comments, described in paragraphs 74-76 above, received from respondents who commented on Supplement B, the Task Force proposes retaining Supplement B. In addition, the Task Force proposes:

- developing two further examples to illustrate a number of concepts in the context of applying the SASB standards, and the assurance of disclosures made by an entity reporting in line with the TCFD recommendations (see paragraph 32 above)

- considering and, where necessary, enhancing the other examples for detailed suggestions and editorials received, when finalizing the Guidance and supplements.

Section V – Analysis of Consultation Paper Responses on a Chapter-by-Chapter Basis, Including the Introduction to the Guidance

Introduction to the EER Guidance

80. While the majority of respondents did not comment on the Introduction to the Guidance, several respondents raised comments on the Introduction as set out below.

Diagram 1

81. Four respondents supported Diagram 1 with comments including that it was particularly helpful, and an excellent reference point on how the Guidance relates to ISAE 3000 (Revised). Two further respondents considered the concept to be useful, but that a different format – tabular or columnar – would enhance the likelihood of its use. To further enhance the flow of the Guidance, it was suggested reproducing the relevant rows from the table at the start of each chapter.

Title and referencing

82. Respondents made several other suggestions for enhancement of the Introduction including that:

- the title of the Guidance should include reference to ISAE 3000 (Revised) so that it is clear that the intention of Guidance is to assist practitioners in applying that standard in the context of EER engagements

- it would be preferable to refer to ISAE 3000 (Revised) throughout the Guidance, rather than to 'the Standard', to retain the connection between the Guidance and ISAE 3000 (Revised), which provides the basis for the Guidance; the abbreviations "S" and "G" should be replaced by references to the 'para' of ISAE 3000 (Revised) or of the Guidance.

Consistency in the Guidance

83. Several suggestions were made relating to consistency of treatment of certain matters in the Guidance. These included the following:

- In some of chapters (Ch 1, 3, 4, 5, 6, 8, 9), the relevant paragraphs of ISAE 3000 (Revised) are listed at the start of the chapter; in the other chapters (Ch 2, 7, 10) references to that standard's paragraphs are included within the text. It would be helpful if all chapters consistently start with the reference to ISAE 3000 (Revised)'s relevant paragraphs.

- Each chapter includes several paragraphs that describe 'Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners'. The matters set out in these sections do not consistently describe 'circumstances' and often read like additional elements of guidance or considerations for the practitioner. A consistent approach should be adopted so that they first clearly describe the relevant circumstance and then explain any relevant context.

- The Guidance's use of boxes to focus attention on definitions and examples is not consistently applied throughout the document. For example, paragraph 41 indicates that it is an example but is not in a separate box.

Task Force Initial View

84. Having considered respondent comments on the Introduction, the Task Force proposes:

- amending the title to reflect that the Guidance provides guidance on applying the requirements of ISAE 3000 (Revised); the Task Force proposes '*Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements*'

- retaining references to 'the Standard' on the basis that ISAE 3000 (Revised) will be referred to in the title of the document

- replacing references to S. and G. on the basis that the Guidance is not intended to be read from cover to cover and, as the use of these abbreviations is not intuitive, and readers may not have read the Introduction, it would be clearer to refer to 'para'

- checking the consistency of referencing, format and terminology throughout the Guidance.

Chapter 1 *Applying Appropriate Competence and Capabilities*

Responses on Question 1:

85. Over half of the respondents agreed, without further suggestions for improvement, that the guidance in Chapter 1 adequately addressed the challenges identified as within scope of the Guidance or had no particular comments on the material in this chapter. The remaining respondents were generally supportive of the guidance in this chapter, but offered observations on particular aspects of the guidance in this chapter, mainly related to the use of experts.

Using the work of experts

86. Although the guidance in the chapter is aligned with the requirement of paragraph 31 (c) of ISAE 3000 (Revised) in requiring the engagement partner to have 'sufficient subject matter competence in the underlying subject matter to accept responsibility for the assurance conclusion', further clarification would be helpful on the difference between the engagement partner being sufficiently competent in the underlying subject matter, and the need to use the work of experts who possess specialized competence in a particular area.

87. Several respondents noted that the level of assurance to be obtained should not affect the need to use the work of experts. Rather, the need to use the work of experts is considered based on the nature of the underlying subject matter. Another respondent noted that, in paragraphs 26 through 34, the references to 'complex' engagement should be deleted because the complexity of the engagement does not, in itself, create the need to use the work of an expert.

88. A few respondents commented on the need for the expert to have assurance competence, while another noted that ISAE 3000 (Revised) does not require the practitioner's expert to have assurance competence, but only to have a sufficient understanding of that standard. The latter suggested rephrasing paragraph 27 in Chapter 1 to refer to the principles stated in ISA 620, *Using the Work of an Auditor's Expert*.

89. It was also noted that, while the guidance in Chapter 1 has good focus on the independence of the practitioner, it does not sufficiently address how to evaluate the competence, capabilities and objectivity of the practitioner's expert, including any interests and relationships that may create a threat to that expert's objectivity.

Other comments on this chapter

90. Respondents comments include the following:

    • Competence evolves over time on a continuum; consequently, it would be more appropriate to refer to 'greater' or 'extensive' experience and assurance competence, rather than 'high' and 'low'. However, another respondent commented that referring to high or low levels of competence, or extensive or limited subject matter expertise does not send the right message; instead, the guidance in this chapter should make the point that a variety of factors influences the appropriate assurance competence and subject matter expertise to perform an EER assurance engagement.

    • EER engagements require a high level of education in, and practical experience with, a broad range of subject matters, including, to some extent, IT, accountancy, tax and financial matters because of the connectivity between financial and non-financial information. Practitioners therefore need a deep understanding of the sector, strategy, risks and opportunities, governance, economic, financial and reporting issues of the entity; they have to be able to assess the business as a whole. This understanding is key to being able to integrate the work of experts and form a comprehensive opinion.

Responses on Question 2:

91. The majority of respondents agreed that the draft guidance in Chapter 1 is structured in a way that is easy to understand or had no specific comments on the structure of the chapter.

92. A few respondents expressed views on structure, but these were largely to do with the structure of the Guidance overall and have been discussed in Section III and paragraph 83 above.

Task Force Initial View

93. The Task Force proposes clarifying the guidance on the use of work of experts as follows:

    • Use of the work of experts is not determined by the level of assurance or by whether the subject matter information is financial or non-financial information, but by factors such as the nature, inherent uncertainty or complexity of, and the specialist training or skills needed to measure or evaluate, the underlying subject matter.

    • As the particular circumstances of each engagement could differ significantly, it is a matter of the engagement partner's professional judgment as to whether the engagement team has sufficient subject matter competence to be able perform the engagement or whether to use the work of a practitioner's expert. The Task Force proposes including, in one of the additional Supplement B examples to be developed (see paragraph 32), the illustration of

the exercise of such judgment, and considerations for practitioners in assessing the competence and objectivity of experts.

94.   The Task Force proposes to further consider the comments noted in paragraph 90 above, together with other detailed suggestions and editorials received, when finalizing the Guidance.

Chapter 2 *Exercising Professional Skepticism and Professional Judgment*

Responses on Question 1:

95.   A majority of respondents considered that the guidance in this chapter adequately addresses the identified challenge on professional skepticism or had no particular comments on the draft guidance in this chapter.

Guidance to be EER specific

96.   Although the remaining respondents generally supported the guidance, several commented that the purpose of the guidance on in this chapter should not be to 'teach' how to apply professional judgment or professional skepticism, but, as discussed in paragraph 37 above, should focus on their specific application in performing EER assurance engagements.

97.   The guidance on professional skepticism should also not go beyond ISAE 3000 (Revised) or seek to provide aspects of a conceptual framework for the exercise of professional skepticism, for example in paragraphs 55-58 of the Guidance.

98.   A few respondents noted similar comments on Diagram 4, with another noting that:

- the diagram does not reconcile the impediments to non-compliance with the fundamental principles of the IESBA Code of Ethics; and

- some of the traits and behaviours listed as supporting the exercise of professional skepticism may, in some circumstances, be counterproductive to the appropriate exercise of professional skepticism.

Use of icons

99.   Several respondents commented that the PS and PJ icons were useful in demonstrating the exercise of professional skepticism and professional judgment; however a few questioned why the icons were not used every time professional judgment or professional skepticsim were mentioned as readers might infer that, when the symbol is not included beside the text, the exercise of professional judgment or professional skepticism is not necessary. Another respondent questioned the use of the icons and considered them to be a distraction.

Responses on Question 2:

100.   The majority of respondents either supported, or had no comments on, the structure of the Chapter 2. One respondent suggested that the guidance on professional skepticism and professional judgment should be separated, while another suggested consolidating the content of Chapters 1 and 2 on the grounds that the first key decision the practitioner makes is to determine whether the preconditions for assurance are in place. As preconditions are not discussed until Chapter 3, their importance is not sufficiently emphasized. Combining the first two chapters would allow the guidance on preconditions to be addressed earlier.

Task Force Initial View

101. As discussed in paragraphs 38-39 above, the Task Force proposes retaining the guidance on professional skepticism and professional judgment in a separate chapter, and focusing on practical application in an EER-specific context.

102. As respondents generally considered the use of the 'PS' and 'PJ' icons to be useful, or did not specifically comment on their use, it is proposed to retain the use icons as is.

103. The Task Force proposes to give further consideration to Diagram 4 in considering respondents' detailed comments and finalizing the Guidance.

Chapter 3 *Determining Preconditions and Agreeing the Scope of an EER Assurance Engagement*

Responses on Question 1:

104. Over half of respondents either supported the guidance in Chapter 3 or did not have specific comments on the guidance in this chapter. While the remaining respondents were broadly supportive of the guidance in this chapter, several themes were noted in their suggestions for enhancement of Chapter 3. Limited and reasonable assurance is covered in paragraphs 24-26 above, and Diagram 5 is discussed in paragraphs 60-63 above; the discussions are not repeated in this section.

Readiness and maturity assessments

105. Respondents welcomed the additional guidance on pre-acceptance engagements, but comments suggested that further practical guidance would be helpful to clearly explain the nature of, and rationale for, such an engagement. While there is some coverage in paragraphs 104, 107 (b) and 108, further guidance would be helpful in addressing some of the practical challenges that may arise, for example:

- The preparer may not be willing to incur costs or expend resources on a pre-acceptance engagement, or may be unwilling to share sufficient information with the practitioner pre-acceptance.

- In a competitive market, practitioners who insist on conducting a pre-acceptance engagement could lose out to a practitioner who agrees to taking up an assurance engagement without conducting a pre-acceptance engagement.

- Independence threats may arise when the practitioner performing the pre-acceptance engagement subsequently accepts the assurance engagement.

- There may be selection bias by preparers as the entity may select a firm that is familiar with their systems, for example the financial statement auditor of the entity.

Maintaining a work effort consistent with the expectations of ISAE 3000 (Revised)

106. It was noted that, although the Guidance uses sufficient conditional language to reduce the risk that it could be seen to conflict with ISAE 3000 (Revised), in places the nature and volume of the guidance could infer a work effort to achieve the requirements in ISAE 3000 (Revised) that is neither appropriate nor necessary, for example:

- Paragraph 71 seems to expand on the content of ISAE 3000 (Revised), yet remains theoretical.

- The suggestion in paragraph 72(g) of the Guidance is not an appropriate consideration for the practitioner to focus on when determining whether meaningful assurance is obtained; the guidance in the paragraph should revert to the wording in ISAE 3000 (Revised).47.

- There are no guidelines on the market expectations of EER reporting as, in many cases, EER reporting is voluntary. It is neither necessary nor practical for the practitioner to consider market expectations; paragraph 93 should therefore be modified or deleted.

Proposed perimeter of the subject matter information

107. A number of respondents noted opportunity for further clarification of the guidance on considering the proposed perimeter of the subject matter information. Comments included:

- The rationale for a 'rolling program' of assurance should be materiality, user requirements, and risk considerations, rather than cost.

- Paragraphs 149-151 do not discuss whether the subject matter information is complete when it includes only part of a report or is rolling or cyclical. The guidance should articulate that completeness is in relation to what is within the agreed boundary for assurance.

- The guidance states that the scope of the engagement should focus on information that is 'relatively more important to decision-making'; however, there is value in assuring what can be assured at present, and having the preparer transparently disclose what cannot yet be assured together with the reason(s).

- In contrast to the view expressed in the preceding bullet point, one respondent considered the guidance on considering a proposed perimeter that increases progressively to be sound. However, additional considerations should include: reviewing progress annually or when there are major changes at the entity; and if the entity is falling behind in plans to increase the subject matter information to be assured, whether to continue to undertake the engagement.

- A call for an example of how the scope paragraph of the assurance report would describe the 'rolling program'.

Stand back

108. Two respondents called for guidance on a stand back by the practitioner before making the acceptance or continuance decision, which is the first key decision the practitioner makes. Because there is not a generally accepted framework for EER reporting, the risks of inaccurate or unbalanced reporting are significant. One of these respondents noted that it would be helpful for the guidance in this chapter to be clearer on matters to be considered by the practitioner in making their decision, and suggested several questions the practitioner might ask. This matter has not been yet been assessed by the Task Force.

Responses on Question 2:

109. Respondents fully supported the structure of this chapter, had no particular comments on the structure, or had comments that were related to the structure of the Guidance overall, rather than to the structure of Chapter 3; the comments relating to the structure of the Guidance overall have been discussed in Section III and paragraph 83 above, and are not repeated here.

Task Force Initial View

Readiness and maturity assessments

110.   The Task Force acknowledges the practical challenges that practitioners may face in considering whether to undertake a readiness assessment. The Task Force is of the view that it will be helpful to enhance the guidance in this chapter by including one or two short examples to illustrate practitioner considerations in structuring and conducting such assessments.

Maintaining a work effort consistent with the expectations of ISAE 3000 (Revised)

111.   The Task Force understands the comments noted in paragraph 106 above. As discussed in paragraph 54, the Task Force proposes simplifying the language in the Guidance, avoiding duplication of material from ISAE 3000 (Revised), and using practical examples in place of theoretical discussion, where possible. In doing so, the Task Force also proposes to carefully consider the wording of the Guidance to avoid any suggestion of requirements beyond those set out in ISAE 3000 (Revised).

Proposed perimeter of subject matter information

112.   The Task Force considers that the guidance in this chapter would benefit from greater clarity as follows:

• The rationale for a 'rolling program' of assurance should be user needs, rather than only cost considerations. While cost might be a factor, that should not negate the need to consider whether there is a rational purpose. While this is clear from the example in paragraph 99 of the Guidance, the Task Force agrees that the point could be more clearly brought out in paragraph 94.

• The subject matter information changes over time and completeness is considered in relation to what is within the agreed boundary for assurance. A short example to illustrate this point is proposed.

113.   The Task Force proposes clarifying that the primary test, irrespective of how broad or narrow the scope is, should be whether the scope of the engagement has a rational purpose, or could be misleading to intended users. If the entity is falling behind in plans to increase subject matter information to be assured, it may call into question whether there is a rational purpose.

114.   The Task Force is of the view that there is no need for an illustrative example of how to describe a rolling program in the assurance report because the assurance report would simply identify the subject matter information being assured. It is the preparer's responsibility to disclose criteria, which would include details of the rolling program. The Task Force proposes clarifying this in Chapter 3.

Chapter 4 *Determining the Suitability and Availability of Criteria*

Responses on Question 1:

115.   This chapter was considered to be an important chapter addressing a challenging area for practitioners. A majority of respondents either fully supported the content of Chapter 4 or did not have any particular comment on the guidance in this chapter.

116.   Respondents who partially supported the guidance in this chapter offered a number of suggestions for further enhancement of the material.

Practical guidance on what criteria are

117. It was suggested that 'criteria' is not a term that practitioners readily engage with, and may pose a barrier to a practitioner's understanding and use of the Guidance. It would be helpful to clarify that in an EER engagement the term 'criteria' encompasses many layers, including:

- identification of the reporting topics,

- the detail of how to measure or evaluate the identified topics, and

- instruction on how to present and disclose the outcome of the measurement or evaluation.

118. Some reporting frameworks address all of these layers, and with sufficient granularity – as is the case in a financial reporting framework – whereas many EER frameworks set out only high-level principles. Consequently, the preparer needs to develop their own specific basis of preparation. The use of simpler, 'plain English' language (using the analogy of 'layers of an onion' to uncover further detail) would promote a better understanding of this term, and overcome the barrier that the term 'criteria' might create.

Principles-based criteria

119. Several respondents noted that some EER frameworks may be principles-based and less prescriptive than criteria for more established engagement types; they may therefore allow for criteria to evolve and develop over time as practice matures. Further guidance on the application of the criteria as they are developing, as well as the reporting consequences, would be helpful, including on:

- disclosures of updates or enhancements to the criteria, and

- the need for restatements within the subject matter information, similar to the requirements of financial reporting frameworks.

120. Principles-based frameworks may also not specify disclosure or presentation criteria. The 'neutrality' aspect of suitable criteria is critical in ensuring that information is balanced, and that the subject matter information is free from bias. It would be helpful for the Guidance to emphasize the need for criteria for presentation and disclosure as, without suitable criteria, there is the opportunity for bias even if the criteria for the measurement or evaluation of the underlying subject matter are suitable.

121. Gaps in the suitability of the criteria are often filled by the practitioner asking the preparer to disclose more in the EER report; however, at the time of acceptance, the preparer's report may not be fully prepared, making it difficult for the practitioner to determine the suitability of criteria. The Guidance could usefully emphasise the need to exercise professional judgment, particularly when determining completeness of criteria. The addition of an example to demonstrate the determination of completeness as discussed in paragraphs 149-151 of the Guidance would also be helpful.

Responses on Question 2:

122. Respondents were generally supportive of the structure of the guidance in this chapter. However, several respondents were of the view that this chapter should be positioned after Chapter 6. This has been discussed in paragraphs 56 and 59 above, and is not repeated here.

123. One respondent suggested moving the material in Chapter 4 on the evaluation of the suitability and availability of criteria to Chapter 3 *Determining Preconditions and Agreeing the Scope of the EER Assurance Engagement.*

Task Force Initial View

Practical guidance on what criteria are

124. The Task Force proposes that, throughout the Guidance, the term 'criteria' be used as it is in ISAE 3000 (Revised). The Task Force considers that it will be helpful to use an analogy of 'layers' to explain the concept of criteria in plain English, and proposes to do so, but is of the view that the term 'layers' should not be used interchangeably with the term 'criteria'.

Principles-based criteria

125. The Task Force proposes enhancing the guidance in this chapter to emphasize the need for suitable criteria for disclosure and presentation, including when the criteria have changed from previous periods.

126. The Task Force proposes emphasizing the importance of completeness of criteria, and clarifying that, if the criteria are still in the process of being developed, the preconditions will not have been met. While the documentation of the criteria may need refining by the preparer to prepare them for being made available to the intended users, ISAE 3000 (Revised) is clear that suitable criteria are required to demonstrate the characteristic of completeness. The Task Force proposes including a short example on criteria that are incomplete.

Chapter 5 *Considering the System of Internal Control*

Responses on Question 1:

127. Respondents generally supported the guidance on the consideration of internal controls, including as part of determining whether the preconditions for assurance are present. While the comments received from respondents expressing partial support for this chapter were largely individual comments, a few common themes were noted:

Maintaining a work effort consistent with the expectations of ISAE 3000 (Revised)

128. A number of respondents commented that the Guidance should not imply a greater work effort than is envisaged by ISAE 3000 (Revised) either:

- when determining the presence of the preconditions, or

- for limited assurance engagements.

129. For example, while the Guidance suggests that the practitioner perform a walkthrough for a limited assurance engagement when the entity and subject matter are complex, ISAE 3000 (Revised) does not require a walkthrough for a limited assurance engagement, and paragraph A107 of ISAE 3000 (Revised) does not imply that a practitioner would do more than make inquiries.

130. Further, paragraph 208 appears to be bringing in the requirements of the ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement,* even though it does not apply.

Use of IT to collect and process EER information

131. It was noted that, in light of the increasing use of IT systems in non-financial reporting, there is a need to focus on the importance of IT controls. Several respondents noted that paragraph 201 addresses the case where the EER reporting process involves the use of IT to collect or process data and information, without providing details on the nature of work that might be performed, depending on the complexity of IT tools and the level of assurance required. Additional guidance on this aspect would be useful, including on the need to involve an IT expert in the assurance engagement, when appropriate.

Less developed internal controls

132. Several respondents called for guidance in the context of internal control systems that are less structured with little segregation of duties, or when internal controls are deficient in design or ineffective in operation, and the potential impacts on the work effort for both limited assurance and reasonable assurance in these contexts.

Governance and oversight

133. It was noted that the chapter would benefit from a focus, broader than on the system of internal controls, on the need for maturity of thinking or 'integrated thinking' in preparing to report, and that this key aspect should be addressed in the guidance on governance and management oversight.

134. It was further noted that the guidance in this chapter should emphasize management's responsibility to provide documentation of the components of the system of internal control, and to provide evidence of management oversight of the data or information subject to assurance. When such an oversight process is weak or lacking, or the appropriate questions have not been asked within the entity, the practitioner may question the substance of the oversight process, thereby demonstrating the exercise of professional skepticism.

External sources of information used in reporting process

135. A few respondents recommended enhancing the guidance in this chapter to address the circumstances in which an EER reporting process uses data or information from an external source (paragraphs 204-206), which can be common in EER engagements.

136. One respondent commented that, although it is not within the IAASB's remit to require such a statement, the preparer should include a clear reference to any publicly available reference data, if used.

137. Another respondent noted that, in light of the recent revision to ISA 540, *Auditing Accounting Estimates and Related Disclosures*, and related conforming amendment to ISA 500, there is a risk of confusion in using a service organization as an example of an external information source. A different example should be used in paragraph 205.

Responses on Question 2:

138. Two respondents had specific comments on the structure of the guidance in this chapter which the Task Force anticipates will be partially addressed by the Task Force's proposals to address comments on governance and oversight (see paragraph 143 below). Respondents' specific comments will be considered further in finalizing the Guidance.

Task Force Initial View

Maintaining a work effort consistent with the expectations of ISAE 3000 (Revised)

139. As discussed in paragraph 25 above, the Task Force considers it will be helpful to include, in an appendix to the Guidance, a table to illustrate the difference between limited and reasonable assurance procedures. The Task Force also proposes carefully considering the wording in this chapter during finalization of the Guidance to avoid any suggestion of requirements beyond those set out in ISAE 3000 (Revised).

Use of IT to collect and process EER information

140. The Task Force acknowledges the suggestion that, in light of the increasing use of IT systems to record and process non-financial information, there may be a need for the practitioner to give greater focus to IT controls. The Task Force proposes including a paragraph to address this point, and to give guidance that, when there are complex IT systems in place and the practitioner intends to place reliance on internal controls, there may be a need to use the work of an IT expert.

141. However, the Task Force is of the view that the testing of controls, IT or otherwise, over the preparation of EER information is no different, in principle, from testing controls over financial or any other subject matter information. Similarly, the practitioner's considerations when controls are less developed or deficient are no different, in principle, in the context of an EER engagement from those in any other assurance engagement. As the purpose of the Guidance is to address EER-specific considerations for the ten key challenges identified, the Task Force is of the view that further guidance on testing internal controls is not needed.

Less developed internal controls

142. The Task Force proposes making it clearer in Chapter 5 that a mature system of internal control is not a prerequisite for assurance, and that, even when controls are immature, there may be a simple process that the preparer follows to prepare the subject matter information. The practitioner obtains an understanding of that process to consider whether it provides a reasonable basis for designing and performing their substantive procedures.

Governance and oversight

143. The Task Force agrees that overarching oversight by management is important, and proposes to look at making this more prominent in this chapter.

External sources of information used in reporting process

144. The Task Force proposes replacing the example of a service organization in paragraph 205 of the Guidance with a different example of information obtained from a third party. The Task Force further proposes strengthening the guidance in this area by providing considerations for the practitioner when data or information from a third party is used by the preparer.

Chapter 6 *Considering the Entity's Process to Identify Reporting Topics*

Responses on Question 1:

145. A majority of respondents either fully supported the guidance in Chapter 6 or had no particular comment on the chapter. In addition, a number of respondents who partially supported the Chapter 6 content commented on the usefulness and value of the guidance in this chapter, noting

that both preparers of EER information and practitioners would find the content of Chapter 6 useful. A number of suggestions for further clarification and enhancement of the Chapter 6 guidance were noted.

Setting the scene for the chapter

146. In contrast to the view noted in paragraph 145 above, one respondent commented that, in outreach, stakeholders had indicated that the chapter could read as guidance for preparers in choosing what to include in the reported EER information, rather than assisting the practitioner in determining whether there is alignment between what they are being asked to assure, and the reporting topics that the preparer considers important to meeting users' information needs.

147. It was further noted that the Guidance would benefit from clarification of the scope of this chapter to enable users of the Guidance to understand the circumstances that are presumed in the chapter's guidance – i.e. that the preparer must establish a process to decide what to include in their reported EER information when:

- there is no framework, standard or regulation to follow, or

- the framework, standard or regulation does not sufficiently specify information to be reported.

Use of the term 'criteria'

148. A number of respondents noted that the term 'criteria' is defined in ISAE 3000 (Revised) as 'the benchmarks used to measure or evaluate the underlying subject matter'. Using this term in the different context discussed in Chapter 6 could create confusion. For example, there is reference to 'criteria to identify reporting topics', which suggests that the preparer uses one set of criteria to decide what to include in the EER information, and another set of criteria to measure or evaluate what is included in the EER information. It was suggested that it would be preferable to refer to 'the entity's process to identify reporting topics' throughout the Guidance, rather than to 'criteria' when used in the context of the process of identifying reporting topics.

149. One respondent also suggested reviewing the discussion on criteria in this chapter as there is repetition with the discussion in Chapter 4.

Practitioner responsibilities for the entity's process to identify reporting topics

150. A few respondents noted that while the chapter outlines issues practitioners might face in practice, it could provide more help on how to solve these. For example, paragraph 226 states that 'the practitioner may need to consider whether this suggests the preconditions for an assurance engagement are not all present,' but it is unclear what the practitioner should do in this situation, and the matter is also not addressed in, or linked to, Chapter 3, which deals with preconditions.

151. The statement referred to in paragraph 150 above also raised questions on the extent of the procedures that should be carried out before acceptance of an engagement, whether for a limited assurance engagement ('considering the process used to prepare the subject matter information'), or in connection with a reasonable assurance engagement ('obtaining an understanding of internal control over the preparation of the subject matter information'). Conducting extended procedures on the entity's process to identify reporting topics before the acceptance of the engagement may not be practically feasible.

152. While many EER frameworks are worded in such a way that leaves room for interpretation, it is important not to convey an impression that the practitioner is capable of independently determining what should be reported. The practitioner may express views to the preparer that what is being reported may not appear appropriate or relevant, but the Guidance should not imply that the practitioner is the arbiter on this point. The reference to how 'effective' the entity's 'materiality process' is in Diagram 8 is therefore unhelpful. The key test should be whether the entity's process identified the reporting topics that management had determined would assist users' decision-making.

153. In this same context, it was noted that the reference to considering the 'appropriateness' of criteria was confusing as it is unclear how 'appropriateness' differs from 'suitability' or how a practitioner would consider the criteria's 'appropriateness'.

'Double materiality'

154. A few respondents noted that paragraphs 244-246 of the Guidance refer to the concept of impact, in a similar way to the 'double materiality' concept described in the new consultation on the EU Non-financial Reporting Directive, which requires that companies disclose not only how sustainability issues may affect the company, but also how the company affects society and environments. These paragraphs should better clarify this concept.

Limited and reasonable assurance

155. There were a number of calls for further guidance on limited and reasonable assurance. This topic is covered in paragraphs 24-25 above and is not repeated here.

Diagram 8

156. Six respondents commented specifically on Diagram 8, with mixed views being expressed. Several considered it to be useful, with others suggesting:

- improved mapping to the guidance in the chapter, and

- other enhancements, such as the addition of a legend to explain the colour coding.

157. One respondent noted that it is unhelpful to refer to how 'effective' the entity's 'materiality process' is, as effectiveness is a subjective concept (see also above in paragraph 152). Another respondent found Diagram 8 to be confusing.

Responses on Question 2:

158. As noted in paragraph 56 above, several respondents suggested repositioning Chapter 6 earlier in the Guidance. One of these respondents suggested that, as an alternative, the guidance in Chapter 6 be placed throughout the chapters where it makes sense to do so, such as in Chapter 3 or in Chapter 4 in the section on 'Entity-developed criteria and criteria selected from multiple frameworks'. Another respondent suggested that some of the content of this chapter might be better placed in Chapter 9.

Task Force Initial View

159. Having considered respondent comments and suggestions, the Task Force proposes:

- clarifying when the chapter might be useful to practitioners, as suggested in paragraph 147 above

- retaining the preparer and practitioner considerations, which received positive feedback in Phase 1, but emphasizing that, although the preparer is responsible for identifying reporting topics, the chapter is intended to guide the practitioner in evaluating the criteria the entity has used to prepare the EER report

- checking for consistency of use of the term 'criteria' and aligning it to the ISAE 3000 (Revised) definition, avoiding multiple uses of the term throughout this chapter and the rest of the Guidance

- clarifying that the practitioner is required to consider the entity's process to prepare the subject matter information – which would include the process to identify reporting topics - and avoiding the suggestion that the practitioner is responsible for reviewing the process or determining its 'appropriateness'

- as discussed in paragraph 25 above, developing a separate table to illustrate limited and reasonable assurance procedures

- improving the linkage between Diagram 8 to the chapter content, and from this chapter to other chapters, where relevant

- reordering Chapter 6 to directly after Chapter 3 (see paragraph 59 above), which will also assist in improved linkage between the guidance in this chapter and the guidance on preconditions in Chapter 3

160. The Task Force is still considering 'double materiality'.

Chapter 7 *Using Assertions*

Responses on Question 1:

161. Two thirds of respondents to the CP either fully supported the guidance in Chapter 7 or offered no comments on the content of the chapter. Relatively few comments were noted from those respondents expressing partial support for the guidance in this chapter. The two key themes in their responses were:

- the need for simpler language and more practical, EER-specific examples, and

- aligning the assertions discussed in Chapter 7 with those in ISAE 3410 and ISA 315 (Revised).

Use of language and need for practical examples

162. Several respondents who expressed partial support for the guidance in this chapter commented that, even though the use of assertions is not required by ISAE 3000 (Revised), it is useful to have guidance for the practitioner on how assertions might be used as a tool to:

- consider the different types of misstatements that may occur in EER information, and

- design assurance procedures accordingly;

however, the material in Chapter 7 would benefit from being more practical, and by using less complex language that is consistent with the language used in the rest of the Guidance.

163. It was noted that, as currently written, the chapter may be of limited help for practitioners because:

- it is not EER specific, and

- some practitioners may not be familiar with assertions, or with ISAE 3410 and ISA 315 (Revised).

164. While the concept of assertions may be well understood by those practitioners who perform audits and other assurance engagements, the inclusion of practical examples of applying assertions, for example in Supplement B, may further assist those practitioners who are not as familiar with using assertions. In addition, it would be helpful to have short examples within the chapter for each assertion, including for rights and obligations, for which there is currently no example.

ISAE 3410 and ISA 315 (Revised) assertions

165. One respondent continued to find the description of 'categories' of assertions unnecessarily complicated. It would be preferable to simply refer to the assertions in ISAE 3410 and ISA 315 (Revised) and dispense with an explanation of 'categories' of assertions.

166. Several other respondents expressed a similar preference for using the definition in ISA 315 (Revised) and ISAE 3410, with one expressing a concern that the guidance in this chapter, as it stands, would allow too much flexibility in the use of assertions. It was recommended that the Guidance should not provide options but should take an approach similar to that in ISA 315 (Revised).

167. A few respondents suggested including further guidance on the causes of misstatements, for example human error, process flaws, management bias, or fraud.

Responses on Question 2:

168. A few respondents commented specifically on the structure of Chapter 7, noting that the concept of assertions is not addressed by ISAE 3000 (Revised), and the content in Chapter 7 is more aligned to background material of a conceptual and theoretical nature. Chapter 7 would be better placed in Supplement A. 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.

Task Force Initial View

169. As noted in paragraph 161 above, the guidance in this chapter was, on the whole, positively received. The Task Force was therefore unanimously of the view that Chapter 7 should remain within the Guidance, on the grounds that:

- using assertions was identified as one of the ten key challenges to be addressed by the Guidance, and

- the guidance in the chapter is consistent with ISA 315 (Revised) for those with an audit background, and useful for those without audit background.

170. The Task Force therefore proposes retaining the guidance in this chapter, simplifying the language, and including a few short EER-specific examples to address respondent comments noted in paragraph 164 above.

171. The Task Force believes that the discussion in paragraph 262 of the Guidance aligns the assertions with ISAE 3410 and ISA 315 (Revised), but that it is important to retain flexibility in how a practitioner considers the way in which misstatement might arise. The Task Force therefore

proposes retaining the guidance in paragraph 270 that recognizes that there may be other ways in which the practitioner considers how misstatements might arise.

172. The Task Force proposes enhancing the Guidance to refer to potential causes of misstatement, setting out in a table the assertions, examples of types of misstatement that might arise in an EER context, and possible causes, also:

- making a link between paragraphs 257 and 268, and

- changing the subsection title to 'Types of potential misstatements and possible causes'.

Chapter 8 *Obtaining Evidence*

Responses on Question 1:

173. A majority of respondents either supported the guidance in this chapter, without suggestions for improvement, or had no comment on the content of this chapter.

174. A number of common themes were noted in comments received from the respondents who partially supported the guidance in this chapter. These themes are set out below.

Limited and reasonable assurance

175. Respondents noted that the aim of Chapter 8 was to provide guidance on:

- the requirements of ISAE 3000 (Revised) in obtaining evidence, and

- determining how much evidence is enough in both limited and reasonable assurance engagements;

however, although the Guidance discusses that the nature of evidence varies between limited assurance and reasonable assurance, it does not discuss *how* the nature, timing and extent of procedures might differ:

- between limited assurance and reasonable assurance engagements, or

- between assurance engagements on historical financial information and on non-financial information.

176. Further, the guidance in paragraphs 277-280 currently combines limited and reasonable assurance which could cause confusion for users of the guidance in this chapter.

177. A number of respondents called for the Guidance to further detail the work effort that might be expected in a limited assurance engagement and a reasonable assurance engagement, respectively, with one respondent noting that, in many cases, the main difference is in the extent, rather than in the nature, of procedures performed. While Example 7 in Supplement B illustrates considerations in obtaining evidence in a limited assurance engagement, and Example 9 illustrates considerations in the context of a reasonable assurance engagement, clarification or illustration of how evidence might differ would be helpful. One respondent suggested referring to France's '*Déclaration de Performance Extra-Financière*' as a helpful reference for the IAASB.

178. One respondent additionally noted that the Guidance primarily addresses planning and reporting, but is somewhat light on execution procedures. Practitioners would benefit from additional practical examples of inquiry, analytical procedures, and substantive testing.

179. Another respondent considered that it is important for the Guidance to make the point that EER reporting is a juxtaposition of different types of information, often prepared with few internal

controls and with no specific rules – such as double entry – unlike for financial reporting. Consequently, procedures performed cannot be limited to interviews and analytical procedures – as is the case for a review of financial information – but should systematically include tests of details even in a limited assurance engagement.

Generic material and EER-specific examples

180. It was acknowledged that the inclusion of generic material in Chapter 8 provides context to the later chapters on qualitative and future-oriented information; however, a number of respondents questioned whether the considerations set out in paragraphs 277–286 added much to the discussion of determining the sufficiency of evidence beyond what is already in ISAE 3000 (Revised). The discussion in these paragraphs seems to be generic assurance guidance without the benefit of an EER lens. Similar considerations apply to paragraphs 287–298 on addressing aggregation risk.

181. It was further noted that the focus of the guidance in this chapter appears to be on the quantity of evidence obtained, whereas it should be on whether sufficient appropriate evidence has been obtained. It was suggested that the title of this chapter should be amended to read 'Obtaining Sufficient Appropriate Evidence'.

182. Another respondent suggested restructuring the considerations in paragraph 284 under the concept of risk assessment to assist with the design of assurance procedures to obtain sufficient appropriate evidence.

Evidence from external sources

183. Several respondents called for enhancement of the guidance on obtaining evidence from external or third-party sources, especially given the prevalence of external sources of information in EER reporting. ISA 500 paragraph A41 was suggested as a useful reference source in enhancing the Guidance in this respect.

Responses on Question 2:

184. Several respondents considered obtaining evidence to support qualitative reporting to be a key challenge in EER engagements, and that it may be more useful to include guidance on obtaining evidence for qualitative EER information in Chapter 8, rather than in a separate Chapter 11. This has been considered in paragraphs 43-44 above, and is not repeated here. One respondent further noted that the example on page 149 would work better in the evidence chapter.

185. One respondent noted that paragraph 284 includes a table with considerations for the practitioner in obtaining evidence. While the table is valuable, it contains a great deal of information, and breaking it down by sub-theme or goal might be helpful.

186. Several respondents noted that paragraphs 294 to 298, which discuss performance materiality, may be better positioned in Chapter 9 *Considering the Materiality of Misstatements.*

Task Force Initial View

Limited and reasonable assurance

187. As discussed in paragraph 25 above, the Task Force proposes to summarize, in a table, the key differences between limited and reasonable assurance.

Generic material and EER-specific examples

188. Regarding respondent suggestions that the guidance in this chapter would benefit from being more EER specific, the Task Force notes that:

- in responding to Phase 1 feedback, it was considered that it would be useful to include generic considerations on obtaining evidence before discussing the specifics that might apply in the context of qualitative and future-oriented information, and

- some respondents commented that the guidance in paragraph 284 was useful.

189. The Task Force therefore proposes retaining the guidance in paragraph 284, but proposes to give greater focus to:

- obtaining evidence as a response to the practitioner's assessment of risk, and

- EER-specific considerations,

and proposes breaking up the table into three separate sets of considerations for each of planning, execution and completion, with explanatory text between them, making the content easier to read, and addressing the comment noted in paragraph 185 above.

Evidence from external sources

190. As discussed in paragraph 144, the Task Force proposes strengthening the guidance in this area by providing considerations for the practitioner when data or information from a third party is used by the preparer.

Structure of this chapter

191. The Task Force has considered respondent comments that the guidance on performance materiality may be better positioned in Chapter 9. However, the Task Force is of the view that, as performance materiality is designed to address aggregation risk and is considered before designing procedures to obtain evidence, it is appropriate to retain the guidance within Chapter 8. In order to improve the flow of the Guidance, the Task Force proposes noting in Chapter 8 that the materiality of misstatements is considered in Chapter 9.

Chapter 9 *Considering the Materiality of Misstatements*

Responses on Question 1:

192. Respondents generally considered that Chapter 9 provides useful guidance to assist practitioners in understanding the materiality of misstatements as it is a complex area. However, respondents commented on several broad matters as discussed below.

Focus on intended users

193. Several respondents noted the importance of the practitioner having a sufficient understanding of the intended users and their intended use of the report, in order to appropriately evaluate the materiality of misstatements and communicate the findings effectively in the assurance report. Several suggestions were made for enhancement of the guidance in Chapter 9 including:

- Avoiding using the terms 'intended users' and 'stakeholders' interchangeably, and focusing more specifically on intended users as defined by ISAE 3000 (Revised).12(m)

- Contrasting the potentially broader range of intended users in an EER engagement with a financial statement audit, where the intended users, and the duty of care owed to them, by

the practitioner, are more clearly identifiable, defined by laws and regulation or by legal precedent

- Linking the material to the discussion in Chapter 3 on rational purpose

- Including or referring to some of the considerations in paragraph A56 of ISAE 3000 (Revised) to guide the practitioner's understanding of the users.

194. The Guidance should also address 'misstatement by omission' and link such guidance to the chapter on the entity's process to identify reporting topics. It is important for practitioners to iteratively consider whether there are missing reporting topics as this could result in a material misstatement.

Examples, including of identification of misstatements

195. A number of respondents called for further practical examples in this chapter, particularly on the accumulation and evaluation of misstatements in qualitative information, future-oriented information or when an EER report comprises multiple diverse elements in an overall set of subject matter information. This has been discussed in paragraphs 32, 76 and 79 above and is not repeated here.

196. Respondents recommended that the Guidance also explore the application of the concept of materiality in the identification of material misstatements.

Presentation and disclosure

197. A few respondents suggested providing a clearer link to consideration of the 'presentation and disclosure' assertion to assist practitioners when considering whether there may be material misstatements of qualitative information and future-oriented information, as presentational misstatement goes beyond use of wording, to include:

- the structure of the overall report, and the priority with which subject matter information is presented,

- the connectivity of the subject matter information as a whole, especially when subject matter information comprises multiple diverse underlying subject matters or elements of these, and

- the relative degree of emphasis given to a particular aspect over other aspects.

Diagram 10

198. Respondents' comments on Diagram 10 included the following:

- The diagram implies that misstatements are accumulated before being considered at an individual level; it should be amended to include the stage at which the misstatement is considered at an individual level

- The diagram may be confusing to readers, particularly as it does not indicate that misstatements are considered individually and in aggregate, while the guidance in paragraph 308 does

- Should the diagram be retained, it should address the impact of misstatements on the assurance conclusion

- The diagram seems to suggest that no further action is needed for corrected misstatements; it should clarify that, when the practitioner identifies misstatements, the practitioner assesses: (i) the impact of those misstatements on assurance procedures, and (ii) the nature and extent of the misstatements identified, regardless of whether the entity corrects these misstatements

- It is unclear how Diagram 10 and paragraphs 304–309 help to provide guidance on the unique conditions noted in paragraph 300–303; the discussion lacks an EER context.

Other comments on this chapter

199. The Guidance should clarify that the practitioner should evaluate not only the materiality of the uncorrected misstatements, but also their pervasiveness, in order to conclude whether the subject matter information is materially misstated.

200. Several respondents noted that paragraphs 322(h) and 322(i) do not recognize that (i) a preparer may contend that a misstatement is immaterial even when they have other reasons why they are reluctant to correct the misstatement, because this is a way to conceal the real reason and (ii) the preparer may contend that a misstatement is immaterial, and the practitioner disagrees. It was suggested that the wording of these bullets be amended to recognize these situations.

Responses on Question 2:

201. Several respondents commented that it would be helpful to include aspects related to addressing qualitative EER information in this chapter, rather than having a separate chapter. This has been considered in paragraphs 43-44 above and is not repeated here.

202. Supplement A contains nineteen paragraphs that deal with materiality. It would be preferable to include all the guidance in one document only, i.e. in the proposed non-authoritative Guidance.

203. As noted under Chapter 8, a few respondents considered that the material on performance materiality would be better placed in Chapter 9. This has been discussed in paragraphs 186 and 191 above and is not repeated here.

Task Force Initial View

Focus on intended users

204. The Task Force proposes explicitly linking the guidance in this chapter to the discussion on rational purpose and the needs of intended users in Chapter 3, emphasising the importance of the preparer identifying the intended users and purpose of the report at the outset of the engagement. In addition, the Task Force proposes to include a reference to paragraph A56 of ISAE 3000 (Revised) to guide the practitioner's understanding of the intended users.

205. The Task Force also proposes adding a paragraph to explicitly address 'misstatement by omission' of reporting topics, and linking that paragraph to the guidance on the entity's process to identify reporting topics.

Examples, including of identification of misstatements

206. The Task Force agrees that it would be helpful to include guidance on identifying misstatements, and proposes to do this by:

- adding brief guidance in Chapter 9 on factors to consider in identifying misstatements, and

- illustrating in one of the proposed additional examples to be developed for Supplement B how both quantitative and qualitative misstatements in EER information might be identified.

Presentation and disclosure

207. The Task Force agrees it will be helpful to emphasize the ways in which misstatements can arise in presentation and disclosure of EER information, and proposes making an explicit link between the consideration of the 'presentation and disclosure' assertion in Chapter 7 and the guidance in this chapter.

Diagram 10

208. Having considered respondent comments on Diagram 10, the Task Force acknowledges that the process is more complex than is represented in the diagram. As the evaluation of misstatements can be challenging, the Task Force proposes enhancing the diagram to better depict the practitioner's considerations in identifying and evaluating misstatements.

Other comments on this chapter

209. The Task Force proposes enhancing the guidance in this chapter by including the suggestions made in paragraphs 199-200 above.

Structure of this chapter

210. Having considered respondents' comments on structure of the guidance in this chapter, the Task Force proposes retaining the structure as it is, but improving the linkage with other chapters, where appropriate. The Task Force does not propose to bring back material from Supplement A on the grounds that the material in the supplement is more conceptual in nature. However, the Task Force proposes illustrating important concepts, whether those are currently included in Chapter 9 or Supplement A, through the use of further practical examples.

Chapter 10 *Preparing the Assurance Report*

Responses on Question 1:

211. A majority of respondents' either expressed support for the guidance in this chapter or did not have any particular comment on this chapter. Respondents who partially supported this chapter provided several suggestions for further enhancement of the Guidance. Common themes in these suggestions are set out below.

Addressee of the assurance report

212. The guidance on the addressee and intended users is confusing as the concept is not explained in ISAE 3000 (Revised) or other ISAEs. Further, the statement 'in cases where the intended user is not clear, the expression 'in all material respects' is incomplete', could be read as prohibiting the use of the expression when the report is prepared for a wide range of intended users.

213. It was recommended that the Guidance should refer to ISAE 3000 (Revised).A163: 'An addressee identifies the party or parties to whom the assurance report is directed' and simply direct practitioners to consider stating who the intended users are other than the engaging party.

Inherent limitations and emphases of matter

214. Paragraph 358 gives guidance on inherent limitations, with a specific example given on measurement uncertainties. A few respondents noted that this raises a question on how to differentiate between inherent limitations and emphasis of matter paragraphs. ISAE 3000 (Revised) requires the practitioner to include an emphasis of matter paragraph if it is necessary to draw intended users' attention to a matter presented or disclosed in the subject matter information that is of such importance that it is fundamental to a user's understanding of the subject matter information. Such a matter may include inherent limitations. The Guidance should address the determination of when an emphasis of matter paragraph is appropriate (or not), how it should be positioned in the assurance report, and provide an example.

User understanding of scope and level of assurance

215. Several respondents expressed a view that the guidance for the assurance report to clearly identify the information not subject to assurance:

- appears to conflict with paragraphs 69(c) and A163 of ISAE 3000 (Revised), which only require the assurance report to identify information that is subject to assurance, and

- may be very onerous, particularly when assuring an Integrated Report, which includes a great deal of information other than selected metrics subject to assurance.

216. As it is a common scenario to have information subject to assurance and 'other information' in one EER report, the guidance in this chapter would benefit from the addition of an example of how this scope might be described by the practitioner within the assurance report.

Responses on Question 2:

217. As noted in paragraph 57 above, several respondents were of the view that Chapter 10 would be better placed after Chapters 11 and 12.

218. A few respondents considered the chapter to be long compared to other chapters, and suggested various ways in which the guidance in Chapter 10 could be streamlined. Flowing a typical example assurance report through the chapter may help to reduce the length, and to condense the guidance under the 'Assurance Report Content' paragraphs 340-375.

Task Force Initial View

Addressee of the assurance report

219. Having considered respondent comments, the Task Force is of the view that the unintended consequences noted by respondents could be addressed by adopting the suggestion in paragraph 213 above, and proposes to do so.

Inherent limitations and emphases of matter

220. The Task Force considers that it will be helpful to include brief guidance and an example on when an emphasis of matter might be necessary to address the comment noted in paragraph 214 above.

User understanding of scope and level of assurance

221. The Task Force proposes illustrating, in an illustrative example assurance report (see also paragraph 223 below), how EER information subject to assurance might be referred to from the practitioner's assurance report.

222. The Task Force also proposes clarifying that it is the subject matter information subject to assurance that is to be identified. By implication, other information in the same documents as the identified assured information becomes 'other information'.

Structure of this chapter

223. Having giving consideration to respondents' general calls for practical examples, and for the need to streamline the content of the chapter, the Task Force considers that it will be helpful to include, in the Guidance, an illustrative report, annotated to:

- identify the basic elements of the assurance report required by paragraph 69 of ISAE 3000 (Revised),

- include some of the text, currently set out in paragraphs 340-375 of the Guidance, in annotations on the illustrative report instead, to explain how the basic elements might be added to by the practitioner to communicate effectively in the assurance report,

as this would place each element of the report into its context, and allow the current text in this chapter to be more succinctly presented, thus reducing the length of the chapter.

224. As noted in paragraph 59, the Task Force proposes re-ordering the chapters to position Chapter 10 after Chapters 11 and 12 so that it becomes the last chapter in the Guidance.

Chapter 11 *Addressing Qualitative EER Information*

Responses on Question 1

225. Respondents were generally supportive of the guidance on qualitative information. However, a number of respondents provided varied suggestions for further enhancement of the Guidance.

Circumstances in which the Guidance may be of assistance to practitioners

226. One respondent noted that, while there are challenges in assuring qualitative information, the chapter should not suggest that assuring such information is problematic. To alleviate such a suggestion, paragraphs 377-380 could be simplified and clarified by replacing them with a bulleted list indicating that the chapter will be of assistance to practitioners when evaluating qualitative EER information because such information can be:

- inherently uncertain,

- difficult to determine the suitability of the criteria, and

- more open to bias.

and that the Guidance includes information on challenges practitioners may face in:

- availability and quality of supporting evidence,

- processes and controls over qualitative information, and

- delineating between subject matter information and other information.

Use of practical examples

227. In addition to the call for practical examples discussed in paragraphs 27-29 above, a few respondents called for guidance and examples on obtaining evidence:

- when preparers rely on third parties for information that is not recorded within preparers' own systems,

- through tests of internal controls,

- in relation to estimates and qualitative prior period errors.

228. Several respondents called for examples of misstatements in qualitative information, with one respondent offering several examples of how misstatements in qualitative subject matter information could arise, and suggesting that they could be added to paragraph 396(a)-(h). There was also a call for more practical guidance on the evaluation of qualitative misstatements discussed in paragraphs 400-405.

Distinguishing 'other information'

229. A common theme noted was the need for clarification and practical examples on distinguishing between subject matter information and 'other information', with several respondents noting that, just because data and information within the scope of the assurance engagement cannot be assured, it does not make them 'other information'.

230. It was also noted that, in cases when subjective information is included in qualitative information, preventing it from being considered subject matter information, the three options of:

- removing such subjective information

- delineating it as other information that is not covered by the assurance, or

- eliminating the subjectivity by developing suitable criteria,

are presented as parallel options for dealing with the situation. The guidance in this chapter should clarify that the usual approach would be for the second option to be considered first and, when that is not possible, either of the other methods should be used. However, if the last option is used, the response described in Example 8 in Supplement B requires the setting of excessively detailed criteria in relation to subject matter, and would be difficult to follow in practice. As such, Example 8 should be reviewed and amended.

231. Example 8 in Supplement B also describes the boundary between subject matter information and 'other information' as being the result of the assessment of several aspects ('the extent to which the evidence may be needed', 'the likelihood of it being materially misstated or misleading in this case', 'and that the intended users may not pay much attention to it'). However, Chapter 11 should clearly explain that the established criteria, if available, represent the appropriate direction for distinguishing between subject matter and 'other information'.

Responses on Question 2:

232. As discussed in paragraph 41 above, a number of respondents suggested integrating the material in this chapter into the other chapters, rather than having the guidance on qualitative EER information in a separate chapter; or reordering Chapters 11 and 12 to before Chapter 10.

233. In addition, it was noted that there are several instances in this chapter where the guidance would apply to both quantitative and qualitative information, for example paragraphs 389-390, 391, 407-

410. However, the matters discussed are not addressed in the earlier chapters. It would be helpful to move the guidance to the relevant earlier chapter, and include a link from Chapter 11 to the earlier chapter(s).

Task Force Initial View

234. The Task Force discussed how respondent comments on Chapter 11 might be addressed, and acknowledges that qualitative information is 'normal' in EER reporting, and, indeed, may even be more prevalent than quantitative information in such reporting. As such, the Task Force agrees that the Guidance should not suggest that qualitative information is problematic, but should address the challenges by providing practical guidance. The Task Force therefore proposes:

- simplifying the guidance in paragraphs 377 to 380 as suggested in paragraph 226 above

- as noted in paragraph 32 above, developing two further examples for inclusion in Supplement B, both focusing on evaluating techniques when obtaining evidence for qualitative information and illustrating some of the considerations set out in paragraphs 227-228 above

- revisiting the guidance on 'other information' in finalizing the Guidance, and illustrating through the use of an example, how 'other information' might be separately identified to address the comments set out in paragraphs 229-231 above; in addition, as noted in paragraph 78 above, comments on individual examples will be taken into account in finalizing the Guidance.

Chapter 12 *Addressing Future-Oriented EER Information*

Responses on Question 1:

235. Just under two thirds of respondents either fully supported the guidance in Chapter 12 or had no particular comments. A few of those who partially supported the guidance in this chapter also noted several instances where the guidance in this chapter was very helpful, notably the guidance on the distinction between a forecast and a projection, and the distinction of the three categories of misstatements.

236. The key theme arising in comments from respondents who partially supported the guidance in this chapter was the need for more specific guidance and practical examples.

More specific guidance and practical examples

237. The guidance in this chapter addresses general considerations, but there is scope for providing more specific guidance and examples in the context of future-oriented information, including to set the scene at the start of the chapter as to why forward-looking information is important.

238. A few respondents commented that, in outreach, stakeholders had indicated that there is a general reluctance by practitioners to accept assurance engagements on future-oriented EER information because of the inherent risk and uncertainty associated with it. However, while practitioners may be reluctant to assure future-oriented EER information until assurance is mandated, users are increasingly asking whether, and to what extent, future-oriented information has been assured.

239. While ISAE 3000 (Revised) allows for assurance on future-oriented information, there is not a great deal of guidance within ISAE 3000 (Revised) itself. As this is an area of practice that is broadening, this chapter would be enhanced by including guidance on:

- the factors that make it suitable to accept these types of engagements;

- the elements – such as assumptions – of future-oriented information on which assurance is possible;

- the inclusion of examples of statements that can be subject to assurance and the reasons why, as well as some that cannot be assured and why they cannot be assured, and

- when the practitioner might consider declining the engagement if a meaningful level of assurance cannot be obtained.

External sources of evidence

240. External sources of evidence may be particularly important in evaluating the reasonableness of assumptions and disclosures in future-oriented subject matter information, and in engendering more trust in the subject matter information and assurance report. It was recommended by several respondents that the guidance in this chapter be enhanced by including further discussion on external sources of evidence.

Responses on Question 2:

241. Several respondents suggested either integrating the material in this chapter into the other chapters or reordering Chapters 11 and 12 to before Chapter 10. These proposals have been discussed in Sections II and III above and are not repeated here.

Task Force Initial View

More specific guidance and practical examples

242. As discussed in paragraph 32 above, the Task Force proposes developing two further examples for Supplement B; both of which are planned to include future-oriented information, including considerations of the matters identified in paragraph 239 above.

243. In addition, the Task Force proposes setting the scene in the introduction to this chapter by explaining that forward-looking information may be increasingly important, for example in the transition to a sustainable economy compatible with an IPCC 2°C scenario, and as entities assess the risks and potential impacts of uncertain future climate-related scenarios.

External sources of evidence

244. As discussed in paragraphs 144 and 190 above, the Task Force proposes strengthening the guidance in this area by providing considerations for the practitioner when data or information from a third party is used by the preparer.

Appendix 1

List of Respondents to the Extended External Reporting (EER) Consultation Paper

#	Abbrev.	Respondent (43)	Region
Investors and Analysts (1)			
1.	ICGN	International Corporate Governance Network	GLOBAL
National Auditing Standard Setters (7)			
2.	AUASB	Australian Auditing and Assurance Standards Board	AP
3.	CAASB	Canadian Auditing and Assurance Standards Board	NA
4.	CNCC-CSOEC	Compagnie Nationale des Commissaires aux Comptes and the Conseil Superieur de l'Ordre des Experts-Comptables	EU
5.	HKICPA	Hong Kong Institute of Certified Public Accountants	AP
6.	IDW	Institut der Wirtschaftsprüfer	EU
7.	JICPA	The Japanese Institute of Certified Public Accountants	AP
8.	NZAASB	New Zealand Auditing and Assurance Standards Board	AP
Accounting Firms (8)[2]			
9.	BDO*	BDO International Limited	GLOBAL
10.	CG*	Crowe Global	GLOBAL
11.	DTT*	Deloitte Touche Tohmatsu Limited	GLOBAL
12.	EYG*	Ernst & Young Global Limited	GLOBAL
13.	GTI*	Grant Thornton International Ltd	GLOBAL
14.	KPMG*	KPMG IFRG Limited	GLOBAL
15.	PWC*	PricewaterhouseCoopers International Limited	GLOBAL
16.	RSMI*	RSM International	GLOBAL
Public Sector Organizations (4)			
17.	AGA	Office of the Auditor General of Alberta	NA
18.	AGNZ	Office of the Auditor General New Zealand	AP
19.	AGSA	Auditor General of South Africa	MEA
20.	GAO	United States Government Accountability Office	NA
Member Bodies and Other Professional Organizations (22)			
21.	ACCA-CAANZ	Association of Chartered Certified Accountants – Chartered Accountants Australia and New Zealand	GLOBAL
22.	AE	Accountancy Europe	EU

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[2]   Forum of Firms members are indicated with a *. The Forum of Firms is an association of international networks of accounting firms that perform transnational audits.

23.	AICPA	American Institute of Certified Public Accountants	NA
24.	ASSIREVI	Associazione Italiana Revisori Contabili	EU
25.	BICA	Botswana Institute of Chartered Accountants	MEA
26.	BRLF	Australian Business Reporting Leaders Forum	AP
27.	CPAA	CPA Australia	AP
28.	FACPCE	Federación Argentina de Consejos Profesionales de Ciencias Económicas (Argentine Federation of Professionals Councils of Economic Sciences)	SA
29.	FAR	Institute for the Accountancy Profession in Sweden	EU
30.	GRI	The Global Reporting Initiative	GLOBAL
31.	IAAA	Inter-American Accounting Association	SA
32.	IIA	Institute of Internal Auditors	GLOBAL
33.	IIRC	International Integrated Reporting Council	GLOBAL
34.	ICPAR	Institute of Certified Public Accountants of Rwanda	MEA
35.	ICAS	Institute of Chartered Accountants of Scotland	EU
36.	ICPAU	Institute of Certified Public Accountants of Uganda	MEA
37.	ISCA	Institute of Singapore Chartered Accountants	AP
38.	MIA	Malaysian Institute of Accountants	AP
39.	MICPA	Malaysian Institute of Certified Public Accountants	AP
40.	SAICA	South African Institute of Chartered Accountants	MEA
41.	SASB	Sustainability Accounting Standards Board	GLOBAL
42.	SVI	Social Value international	GLOBAL
Academics (1)			
43.	DU	Deakin University	AP

Appendix 2

NVivo Process of Analyzing Respondents' Comments

1. The Task Force has used NVivo to assist with the analysis of comments. The high-level summary of respondents' comments included within this Agenda Item is based on the NVivo analysis. It identifies the common themes in answers and comments in the responses to each question posed in the CP. The summary also indicates the general nature of the changes that the Task Force proposes to make to the draft EER Guidance, to address the matters reflected in those themes. The summary does not include the many detailed drafting suggestions provided by certain respondents and does not include all the detailed matters raised by respondents. In arriving at its conclusions, however, the Task Force has considered all comments made by respondents.

2. Based on the NVivo analysis, Excel summary spreadsheets have been prepared for each question posed in the CP, to provide a tabular analysis of respondents' answers and of the broad themes in their comments related to the question. In many cases, respondents did not expressly answer a question as 'Agreed' or 'Disagreed' but may have expressed a level of support, together with a number of comments. In those cases, determining the respondent's answer was an interpretative exercise, based on their comments. The spreadsheets assist in summarising the overall nature of respondents' answers to each of the questions posed and in identifying the common themes in respondents' comments related to the question.

3. The Excel summary spreadsheet for each question is linked to an NVivo report that includes extracts of each respondent's answers and comments (but not detailed drafting suggestions) related to the question. It therefore also assists in navigating between the high-level summary of responses to that question in this Agenda Item and the individual responses.

4. In order to analyse the responses by chapter and theme, where a comment is clearly related to the particular chapter, it has been treated in that spreadsheet as a response to that question, even if the comment is included in the response as a general comment or as part of a response to a different question. Respondents' comments not clearly related to a particular question are included in a separate NVivo report. These comments are also included in the high-level summary of responses in this Agenda Item.

5. A listing of the NVivo reports and the corresponding Excel summary spreadsheets is set out in Supplementary Document 5-B to this Agenda Item.

Appendix 3

Project Update

Task Force

1. The Task Force members are listed on the [Project Page](#) on the IAASB website.

2. There are three observers to Task Force meetings; representatives from the World Business Council for Sustainable Development, the Corporate Reporting Dialogue, and Principles for Responsible Investment.

3. The Project Advisory Panel now has 27 members, with good representation across stakeholder groups and global regions. It last met via conference call on the 21st November 2019, and is due to meet again on the 22nd September 2020 to consider the matters raised in this Issues Paper.

Plan for Board Meetings in 2020/2021

September 2020

- EER Consultation Paper responses and Task Force initial proposals

December 2020

- Updates to the EER draft Guidance
- Updates to the draft supplement(s)

March 2021

- Seek approval of final EER Guidance and supplements

Plan for Task Force Meetings in 2020

October 4th-9th: series of 4 videoconferences