



July 15, 2020

Mr. Willie Botha
Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, NY 10017

Re: Public Consultation on Proposed Guidance—*Proposed Non-Authoritative Guidance: Extended External Reporting (EER) Assurance*

Dear Mr. Botha:

The American Institute of Certified Public Accountants (AICPA) Auditing Standards Board (ASB) is pleased to respond to the International Auditing and Assurance Standards Board's (IAASB) above referenced consultation paper.

The AICPA is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education, and consulting. Specifically, the ASB sets U.S. auditing standards (generally accepted auditing standards or GAAS) as well as Statements on Standards for Attestation Engagements for private companies, nonprofit organizations, and federal, state and local governments (nonissuers).

The ASB supports the IAASB's project to provide guidance to practitioners on applying International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, to aspects of assurance engagements that may present unique challenges to practitioners.

For the IAASB's consideration, we offer the following comments on the Guidance:¹

1. Title and Scope of the Guidance

Paragraph 2 of the Introduction indicates that the objective of the Guidance is to assist practitioners in applying ISAE 3000 (Revised) to certain aspects of EER engagements for which

¹ Throughout this comment letter, we use the shortening "EM" to refer to the section of the consultation paper entitled "Explanatory Memorandum" and the shortening "Guidance" to refer to the section entitled "Non-Authoritative Guidance: Special Considerations in Performing Assurance Engagements on Extended External Reporting."

practitioners commonly encounter challenges. The omission of the mention of ISAE 3000 (Revised) in the title of the Guidance is a shortcoming because it may cause readers to be uncertain about what the Guidance addresses and to assume that the Guidance addresses something other than engagements performed under ISAE 3000 (Revised). We believe it would be preferable to give the Guidance a more generic title, such as “Applying ISAE 3000 (Revised) In Certain Circumstances — Underlying Subject Matters That are Difficult to Measure or Evaluate and Criteria That Are Not Sufficiently Detailed,” and to provide illustrations of such circumstances and guidance, beyond what is included in ISAE 3000 (Revised), on how a practitioner might address them.

2. Specifying the Applicability of the Guidance

Appendix 2, “Extended External Reporting (EER) Assurance Phase 1 Feedback Statement” of the EM summarizes the responses to the questions posed to commenters in the February 2019 IAASB consultation paper “Extended External Reporting (EER) Assurance,” and describes how the IAASB responded to those comments. Question 1 asks commenters whether the draft guidance adequately addresses the challenges for practitioners that have been identified as within the scope of the draft guidance developed in phase 1 and, if it does not, where and how the Guidance should be improved. The first response from commenters under Question 1 is “EER engagements should be defined so that it is clear to which engagements the guidance applies, and which engagements it is not intended to cover.”

Question 1 assumes that “the scope of the draft guidance” has been made clear to readers; however, we believe it has not. In the column of Appendix 2 that identifies how the IAASB responded to this comment, the IAASB indicates that it added Table 1 “Types of EER Reports, Example Frameworks Used, and Whether Covered by this Guidance” in an appendix to the Guidance to help readers understand the applicability of the Guidance. Table 1 indicates, in part, that the Guidance does not apply to historical financial statements (which is stated in the first paragraph of ISAE 3000 (Revised)), applies to intellectual capital (interesting information, because it is a relatively new potential underlying subject matter for an assurance engagement), and applies to integrated reporting (an underlying subject matter that is undefined unless it is associated with a particular framework). We believe there is nothing distinctive about the items in this table that clarifies to which underlying subject matters the Guidance does or does not apply. For that reason, we believe the applicability of the Guidance should be described as follows:

This Guidance is intended to assist practitioners in applying ISAE 3000 (Revised) to assurance engagements in which

- professional judgment and the exercise of professional skepticism is particularly important (paragraph 48)
- measurement or evaluation of the underlying subject matter may be subject to considerable subjectivity, management bias, and estimation and evaluation uncertainties (paragraph 48)

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- the criteria for the measurement or evaluation of the underlying subject matter have not been established, have been developed by the entity, or are not sufficiently detailed (Chapter 4)

We believe it is unnecessary to specify which underlying subject matters are addressed by the Guidance, and that readers are better served if the applicability statement describes the nature of the challenges in applying ISAE 3000 that the Guidance is intended to address. In line with our previous comment about the title of the Guidance, the term “extended external reporting” is not found anywhere in the assurance literature and is probably intended to apply to “reporting” by the preparer rather than “reporting” by the practitioner.

In further support of our view concerning the limitations of the description of the applicability of the Guidance, we note that paragraph 1 of the Introduction to the Guidance indicates that the Guidance is intended to assist practitioners in performing assurance engagements in accordance with ISAE 3000 (Revised) on extended external reporting (hereafter ‘EER’). Paragraph 5 of the Introduction indicates that EER encapsulates many different types of reporting that provide information about the financial and non-financial consequences of an entity’s activities and that such information (referred to in this document as ‘EER information’) may be about the consequences of the entity’s activities for the entity’s own resources and relationships, or for the wider well-being of the economy, environment, or society, or both, or the service performance of a public sector or not-for-profit entity. Because paragraph 5 does not clearly define what is and is not an EER engagement, what is being said in paragraph 1 is that the Guidance assists practitioners in performing assurance engagements in accordance with ISAE 3000 on topics that can be reported on under ISAE 3000.

3. Criteria For Determining The Topics To Be Included In The Preparer’s EER Report

Chapter 6 of the Guidance addresses situations in which an EER framework does not provide sufficiently detailed criteria for a preparer to make reliable judgments about which reporting topics should be included in the preparer’s EER report. Paragraph 221 of Chapter 6 states, in part, that in evaluating the suitability of the criteria in these circumstances, the practitioner may need to consider the appropriateness of the judgments made by the preparer “in developing criteria to identify reporting topics.” We question the use of the phrase “developing criteria” when referring to the factors a preparer considers in determining the topics to be included in an entity’s EER report. ISAE 3000 (Revised) consistently and exclusively uses the term criteria to refer to the benchmarks for measuring or evaluating the underlying subject matter.

We understand that the term “criteria” is used in this context in literature of the Global Reporting Initiative (GRI) and certain other organizations. However, we believe the terminology and definitions used in IAASB interpretive assurance literature should be the same as the terminology and definitions used in ISAE 3000 (Revised). Doing so enables the IAASB to build on its assurance standards and create a body of assurance literature that is consistent and meaningful. If the IAASB believes it is helpful to refer to alternative terminology used by the GRI or other organizations, that can be done parenthetically.

4. Appropriateness of Subject Matter

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

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

Another variation of this scenario that might be addressed in the Guidance is whether the underlying subject matter is “appropriate,” as that term is used in paragraph 22b(i) of ISAE 3000 (Revised), if the water conservation program had begun at all 4 locations and the program was effective at locations A and B but not yet effective at locations C and D. Could adequate disclosure remedy the deficiency in the appropriateness of the subject matter and enable the practitioner to accept the engagement? Although the Guidance probably could not be definitive with regard to this scenario, it would be helpful if it presented factors the practitioner may consider in making this decision.

Finally, a different but perhaps related scenario that might occur is that the entity decides to report on activities in which the entity excels (for example, diversity in employment) because doing so may enhance the entity’s reputation and thereby result in investment in the entity and increased sales of the product or service. (For the same reasons the entity may decide not to report on activities in which the entity does not excel, for example, compliance with safety

standards.) It would be helpful if the Guidance provided views on factors that might (or might not) remedy deficiencies in the appropriateness of the underlying subject matter in these circumstances, for example, whether

- diversity in employment and compliance with safety standards are part of a broader framework, and the framework is identified in the preparer's report without disclosing the elements of the framework that are not addressed by the preparer's report
- the organization establishing the framework for the preparer's report does not require that all the topics in the framework be reported on at the same time
- the preparer's report, and as required by paragraph 69c of ISAE 3000 (Revised), the practitioner's report clearly identify what is being reported on.

5. Describing Practitioner Assurance and Subject Matter Competence

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

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

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

Where the proposed level of assurance for the engagement is limited assurance, whether the intended users' need for assurance may even be so great that a reasonable assurance engagement is needed to obtain a meaningful level of assurance.

We do not believe that it is the practitioner's responsibility to make such a determination. Rather, it is the engaging party's responsibility to decide the level of assurance that is likely to satisfy the information needs of intended users. If the practitioner has concerns that the proposed level of assurance will not satisfy intended users' assurance needs, the practitioner may discuss the matter with the engaging party; however, the level of assurance should not be a basis for the

practitioner to refuse to accept the engagement. In addition, the engaging party may not have the funds to pay for a reasonable assurance engagement, and for that reason may engage the practitioner to perform a limited assurance engagement. We believe that one of the considerations in determining whether there is a rational purpose for the engagement is the cost of the engagement.

7. Language In Chapter 4 That Addresses The Suitability Of Criteria

The following highlighted paragraphs or portions of paragraphs in Chapter 4, under the subheading “Determining the Suitability of Criteria,” are difficult to understand and likely to cause practitioners to come to varying conclusions about what is being said:

133 The explanations of the five characteristics of suitable criteria (S.A.45) describe attributes of subject matter information that results from applying criteria that have such characteristics (see G.139-160). The five characteristics are in many cases inter-related. Although each characteristic must be exhibited, the relative importance of each and the degree to which they are exhibited by individual criteria may vary with the engagement circumstances.

134 In addition to exhibiting the characteristics of suitable criteria, an overarching principle is that criteria developed by the entity would not be suitable if they result in subject matter information that is misleading to the intended users (S.A50). The subject matter information could be misleading if the characteristics of suitable criteria are not sufficiently exhibited by some of the criteria, for example reliability may be insufficiently exhibited if the measurement or evaluation criteria, taken together with related disclosure criteria, are overly subjective.

136 When the applicable criteria are not established criteria or prescribed by law or regulation, or the framework includes high-level principles but those principles are not expressed at a sufficient level of detail to comprise suitable criteria in themselves, the practitioner may find it helpful to consider the extent to which the criteria include qualitative characteristics of the required EER information and, if so, how they compare with the attributes of subject matter information that results from applying criteria that exhibit the characteristics of suitable criteria.

137 Many of the commonly used EER frameworks use different terms to describe qualitative characteristics of EER information that are similar to such attributes of subject matter information. Additionally, some qualitative characteristics of the EER information required by a framework may be implicit in the reporting requirements rather than being explicitly identified in the EER framework.

138 The engagement circumstances may include use of an EER framework that implicitly or explicitly requires different or more specific characteristics of the applicable criteria than the characteristics of suitable criteria required by the Standard. Where an EER framework includes such additional or more specific characteristics of criteria, it is still necessary for the applicable criteria to exhibit each of the five required

characteristics of suitable criteria. For instance, when an EER framework requires characteristics of EER information such as comparability and conciseness (see G.156, G.160), the criteria may be seen as requiring characteristics that are more specific aspects of understandability and relevance, respectively.

The discussion of suitable criteria in ISAE 3000 (Revised) is much clearer. If the specified paragraphs in the Guidance contain new information that is not covered by ISAE 3000 (Revised) it is difficult to determine what that new information is.

8. Mapping of Paragraphs In ISAE 3000 To Related Chapters in the Guidance

Paragraph 20 of the Introduction to the Guidance is followed by Diagram 1, “Relationships Between Stages of Engagement, Standard Requirements, and this Guidance,” Paragraph 20 states the following:

Diagram 1 below provides an overview of all the aspects of the performance of an EER assurance engagement under the Standard (see green bands, rows and column headings). The diagram associates each of the requirements of the Standard (see green bands) and each chapter of this document (see brown boxes), with those aspects of the performance of an EER assurance engagement to which they relate. The diagram also indicates (see green arrows) the requirements of the Standard addressed by each chapter, and chapters that reference guidance in an earlier chapter. Those aspects of the performance of an EER assurance engagement and those requirements of the Standard that are not addressed in this document are shown in grey text.

We concur that the diagram references all the requirement paragraphs in ISAE 3000 (Revised). However, we find the diagram to be very confusing, particularly the formatting, for the following reasons:

- Five categories of requirements in ISAE 3000 (Revised) (quality control, ethical requirements, competence, professional judgement and professional skepticism, and documentation) that have no subcategories in the diagram, are each shown in separate green rows that extend across the width of the diagram. (The first 4 categories are at the top of the diagram and documentation is at the bottom of the diagram).
- In the fifth row are 2 categories of requirements (planning, and procedures to obtain sufficient appropriate evidence) that do have subcategories in the diagram, with the related subcategories shown as vertical outgrowths of the primary categories. The fifth row also contains 4 categories of requirements (conduct of assurance engagement, acceptance and continuance, forming the assurance conclusion, and preparing the assurance report and other communications) that do not have subcategories.
- Brown boxes have been inserted either beside the primary category or following an arrow beneath the category or subcategory to indicate where the specified requirement is addressed in the Guidance.

- Requirement paragraphs in ISAE 3000 (Revised) that are not addressed in the Guidance are shown in grey font, which makes them difficult to see.

We do not understand the logic behind the formatting of the diagram. For the sake of readability, we suggest that the diagram be reformatted as shown below because we believe this alternative presentation is easier to follow.

Topic	Related Requirement Paragraph(s) in ISAE 3000	Related Chapter in the Guidance	Chapters in the Guidance That Reference Guidance in an Earlier Chapter
Quality Control	31-36	Not addressed in the Guidance	Not applicable
Ethical Requirements	20	Not addressed in the Guidance	Not applicable
Competence	31(b)-(c), 32(a), 39, 52(a), 53	Chapter 1, “Applying Appropriate Competence and Capabilities”	Not applicable
Professional Judgment and Professional Skepticism	37-38	Chapter 2, “Exercising Professional Skepticism and Professional Judgement”	Not applicable
Conduct of Assurance Engagement	14-19	Not addressed in the Guidance	Not applicable
Acceptance and Continuance	21-30	Chapter 3, “Determining Preconditions and Agreeing the Scope”	Chapter 11, “Addressing Qualitative EER Information” Chapter 12, “Addressing Future Oriented EER Information”
Planning	40, 42-43	Not addressed in the Guidance	Not applicable
Understanding the Engagement Circumstances and the Likelihood or Risks of Material Misstatement	41, 44(a), 45, 46L/R, 47 L/R	Chapter 4, “Determining the Suitability and Availability of Criteria” Chapter 5, “Considering the System of Internal Control”	Chapter 6, “Considering the Entity’s Process to Identify Reporting Topics” Chapter 11 Chapter 12
Procedures to Obtain Sufficient Appropriate Evidence			
Design	48L/R(a)	Chapter 8, “Obtaining Evidence”	Chapter 7, “Using Assertions” Chapter 11 Chapter 12

Topic	Related Requirement Paragraph(s) in ISAE 3000	Related Chapter in the Guidance	Chapters in the Guidance That Reference Guidance in an Earlier Chapter
Performance	48L/R(b), 49, 50-51	Chapter 8	Chapter 11 Chapter 12
Other	52-63	Not addressed in the Guidance	Not applicable
Forming the Assurance Conclusion	44(b), 64-66	Chapter 8	Chapter 9, “Considering the Materiality of Misstatements” Chapter 11 Chapter 12
Preparing the Assurance Report, and Other Communications	67-70, 71-77, 78	Chapter 10, “Preparing the Assurance Report” Pars 71-77, 78 are not addressed in the Guidance	Chapter 11 Chapter 12
Documentation	79-83	Not addressed in the Guidance	

9. The Need to Use the Work of an Expert

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

10. Placement of Discussion Of Suitability And Availability Of Criteria

Paragraph 24 of ISAE 3000 (Revised) identifies the preconditions for an assurance engagement, including that the criteria the practitioner expects to be applied in the preparation of the subject matter information are suitable and will be available to the intended users. Chapter 4 of the Guidance addresses the practitioner’s evaluation of the suitability and availability of criteria. We suggest moving the material in Chapter 4 related to the evaluation of the suitability and availability of criteria to Chapter 3, “Determining Preconditions and Agreeing the Scope of the EER Assurance Engagement.” Additional support for moving this material to Chapter 3 is that

Diagram 5, “Acceptance and Continuance Considerations,” in paragraph 69 of Chapter 3, identifies suitable and available criteria as a precondition for an assurance engagement. If the IAASB concludes that the discussion of preconditions and the discussion of evaluating the suitability and availability of criteria should remain in separate chapters, we suggest that paragraphs 78–81, which are currently in Chapter 3 and address considering whether criteria are suitable, be moved to Chapter 4.

11. Readiness Engagements And Effect On Independence

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

12. Explanatory Memorandum

The section of the EM that explains how the IAASB responded to comments on the February 2019 IAASB consultation paper is helpful, but we recommend that the IAASB look at the other items included in the EM to determine whether any of those items needs to be included in the Guidance itself. We question why the EM includes a summary of the contents of each chapter when there is a similar, but shorter, summary at the beginning of each of the chapters. The subject matter of the Guidance is reporting under ISAE 3000, which is not a new standard. The EM is 50 pages long which is relatively long for introductory material. The length of the EM may be an indicator that the IAASB believes that readers will need help in understanding the content of the Guidance. If that is the case, the content of the Guidance may need to be further clarified.

13. EER Guidance Enhancement Considerations

Although the Guidance comprehensively covers the areas identified within its scope, the addition of material that addresses the following topics could be valuable to practitioners:

- The challenges encountered by practitioners on multi-location or multi-site engagements.

- Considerations related to the increased use of IT systems in nonfinancial reporting. (The examples mentioned in paragraph 213 of Chapter 5 would benefit from greater focus on the importance of IT controls, especially in reasonable assurance engagements, including the need to involve an IT expert in the assurance engagement when appropriate.)
- In paragraphs 322(h) and 322(i) of Chapter 9, the discussion of preparer behaviors does not recognize that a preparer may argue that a misstatement is immaterial when there are really other reasons for the preparer's reluctance to correct the misstatement and the preparer wishes to conceal these reasons.
- The Guidance primarily addresses planning and reporting and contains very little on execution procedures. Practitioners would benefit from additional practical examples of inquiry, analytics, and substantive testing.

14. Lengthy Explanations

The Guidance still appears to be lengthier and more detailed than necessary. Key points could be made more prominent and lengthy explanations could be edited to make the Guidance easier to understand and apply. Some sentences or paragraphs are overly verbose, which results in the text either being unclear or likely to cause translation issues. We recommend that the IAASB challenge long sentences and use bullets more frequently to make the text easier to read.

Paragraph Level Comments

- We suggest that the following edit be made to the first sentence in paragraph 4 of the Introduction:

The intended audience of the Guidance is practitioners carrying out EER assurance engagements in accordance with ISAE 3000 (Revised).
- Most of the factors at the top of Diagram 4, “Professional Skepticism Factors,” in Chapter 2, are not likely to be more problematic in an EER engagement than they would be in any other engagement. Paragraphs 1 and 2 of the Guidance indicate that the Guidance is focused on practitioners performing EER engagements. It is our understanding that the Guidance is intended to highlight EER specific issues. Yet the factors cited in paragraphs 55 – 58 seem applicable to many engagements – including financial statement audits. We are not clear why it is necessary to highlight these specific factors in the Guidance.

If Diagram 4 is retained, it would be helpful to have greater alignment between the diagram and the discussion of the diagram. For example, paragraph 56 refers to external factors, which is labeled in the diagram. However, paragraph 57 refers to external pressures, and paragraph 58 refers to internal impediments, neither of which is labeled in the diagram. (As a minor comment, the text in paragraph 55 refers to attributes and behaviors, yet Diagram 4 does not include the term “attributes.”)

- Paragraph 61 of Chapter 2 refers to the “lifecycle” of an EER engagement; whereas, paragraph 17 and the title of Diagram 1 in the Introduction refer to “stages” of an engagement. We recommend that one consistent term be used throughout the document.
- We find it difficult to differentiate between what the practitioner needs to understand about an entity’s internal control when determining whether the preconditions for an assurance engagement are present (paragraphs 82–83 of Chapter 3) and what the practitioner needs to understand about internal control when planning the engagement. Paragraphs 188, 193, and 194 of Chapter 5 provide some discussion of this matter, but we believe some additional discussion would be helpful to the practitioner.
- The subheading above paragraph 132 in Chapter 4 references the suitability of the criteria, yet the discussion in this section includes both suitability and availability of the criteria (see, for example, the text in paragraph 135 and Diagram 6, “Considering Suitability and Availability of Criteria.”) We suggest that the word “Availability” be added to the subheading.
- We suggest that the following edits be made to paragraph 185 of Chapter 5 to make that paragraph easier to understand:

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

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

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

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

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

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

Entities producing EER reports typically implement gradual changes to their system of internal control to support such reporting as it becomes more established and formal. ~~At an early stage, An entity's EER reporting process is part of the information system and communication component of the entity's~~ the system of internal control. ~~generally, includes an EER reporting process~~

- We recommend that the following revisions be made to paragraph 198 of Chapter 5
The components of an entity's internal control and ~~Some~~ examples of aspects of those components ~~of an entity's system of internal control~~ that a practitioner may consider are presented in paragraphs 200 -213 given below. ~~The three components shown in the top three boxes in the diagram in G.195 (The control environment, the risk assessment process, and the process to monitor the system of internal control are considered together under the label heading 'governance management oversight of the EER reporting process.~~
- The first sentence of paragraph 214 of Chapter 6 states, "This Chapter provides guidance to the practitioner on considering an entity's process to identify reporting topics for inclusion in its EER report and the outputs of that process." We are uncertain about the meaning of the word "outputs" in that sentence. If "outputs" is intended to mean the resulting EER information, then the word "outputs" is appropriate. If not, it might be helpful to provide examples of the outputs to help the reader better understand this concept.
- Consider revising the title of Chapter 8 so that it reads "Obtaining Sufficient Appropriate Evidence." Also, in paragraphs 271, 276, and elsewhere in Chapter 8, the focus appears to be on the quantity of evidence obtained. We believe the focus should be on whether sufficient appropriate evidence has been obtained.
- We question whether paragraphs 277–286 in Chapter 8 add much to the discussion of determining the sufficiency of evidence in EER assurance engagements, beyond what is already in ISAE 3000 (Revised). This discussion seems to be basic assurance guidance without much of an EER lens. The same is true of paragraphs 287–298 on addressing aggregation risk, with the exception of the addition of the term "aggregation risk." With regard to that term, it seems odd to develop a new term in guidance that describes a process that is already described in the assurance literature. For that reason, what might be more useful would be examples of this process in the EER context. In the same vein, we question how Diagram 10, "Practitioner Responsibilities in Relation to Identified Misstatements" and paragraphs 304–309 in Chapter 9 help to provide guidance related to the unique conditions noted in paragraph 300–303, which address circumstances in which the guidance in the chapter may be of assistance to practitioners. This discussion

generally reads like a materiality discussion without an EER context.

- We find the information in Chapter 11, “Addressing Qualitative EER Information” to be valuable and wonder if it would be more useful if it were integrated into earlier chapters. For example, paragraphs 386–390 would seem to relate to Chapter 4, paragraphs 391–395 would seem to relate to Chapter 8, and paragraphs 383-385 could be added to the Introduction section of the Guidance. We believe it would be more helpful to readers if this material appeared earlier in the Guidance, rather than at the end. We have a similar observation about Chapter 12. “Addressing Future-Oriented EER Information.”

General Comments

- In paragraph 1 and throughout the Guidance, ISAE 3000 (Revised) is referred to as “the Standard.” We understand that the term “the Standard” is used because it is shorter, but even though that is the case, we believe it would be preferable to refer to ISAE 3000 (Revised) to retain the connection between the Guidance and ISAE 3000 (Revised), which provides a basis for the Guidance.
- Each chapter of the Guidance is structured to answer the “What,” “Why,” and “How” of the guidance in the chapter. The “Why” sections are intended to describe circumstances that would cause the practitioner to need additional guidance. If possible, we suggest that a list that accumulates all of the circumstances that could cause the practitioner to need additional guidance that are identified in each of the chapters be developed because it would be helpful for readers to have an overall understanding of why this guidance is useful. Certain of the circumstances are repeated in more than one chapter, which makes sense because we would expect some circumstances to be relevant to many different matters. Rather than including the longer narratives describing these circumstances in each chapter, consider summarizing the circumstance in a few words, and then, in the list we have suggested, provide the more complete description, along with the short description.
- Paragraph 21 of the Introduction to the Guidance states, “The Guidance uses the terminology used in the Standard when the concepts being discussed are addressed in the Standard. When necessary, other terms are identified and explained in the Guidance and summarized in a list of terms set out in Appendix 1.” It would be helpful if a convention were used to identify new terms, such as the use of boldface italics when the term first appears. If the convention were used, paragraph 21 might be one place to identify the convention, although new terms are introduced in earlier paragraphs, for example, paragraphs 5 and 6 of the Introduction.

Structure of the Guidance

We think the following are helpful features in the structure of the Guidance:

- The use of hyperlinks to aid in navigating between the Guidance and the supplements, within the Guidance, and between the Guidance and ISAE 3000 (Revised)

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- The subheadings within each of the chapters, and how they structure the chapters around “What, Why, and How” (However, we suggest that subheadings related to “How” (similar to those for “What “ and “Why”) be added to clearly indicate when the reader gets to the “How” section, for example, “Approaches for Addressing Possible Challenges.”
- The insertion of blue and yellow symbols to highlight decision points in an assurance engagement in which the exercise of professional skepticism and professional judgment are needed.

We tend to favor the suggested three-part structuring recommended in paragraph 18, with Parts A, B, and C. If this approach is taken, Part B should include references to relevant material included in Chapter 11 and 12.

Thank you for the opportunity to comment on this consultation paper. If you have any questions regarding the comments in this comment letter, please contact me at tharding@berrydunn.com or Judith Sherinsky at Judith.Sherinsky@aicpa-cima.com.

Respectfully submitted,

/s/ Tracy W. Harding

Chair, Auditing Standards Board