

June 20, 2019

Mr. Arnold Schilder
Chairman
International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue
New York, NY 10017

Dear Mr. Schilder,

Re: IAASB Consultation Paper - Extended External Reporting (EER) Assurance

Chartered Professional Accounts of Canada (CPA Canada) appreciates the opportunity to comment on the first phase of non-authoritative guidance included in the IAASB Consultation Paper (draft guidance). We agree that there is a need for practical guidance on how to apply International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* to EER assurance engagements. Such guidance will be of direct value to assurance providers, and in many respects, to preparers and users of EER information.

CPA Canada is one of the largest national accounting bodies in the world representing more than 217,000 members. CPA Canada conducts research into current and emerging business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. CPA Canada also issues guidance and thought leadership on a variety of technical matters, publishes professional literature and develops education and the Canadian CPA certification programs.

We applaud the IAASB for the significant progress made to date and for reaching out and seeking feedback at this early stage to ensure that the guidance being developed is useful and addresses the significant challenges identified by assurance providers. We offer the following general comments regarding the scope, structure and approach of the draft guidance for your consideration:

EER Definition

The definition of EER provided in Chapter 1 is broad and challenging to apply. There is a wide variety of subject matter and possible forms of reporting which constitute “non-financial information and information that goes beyond that which is contained in traditional financial statements...”. It would be helpful to identify the specific categories of measures and reporting covered by the EER definition for the purposes of applying the draft guidance.

We elaborated on the issue of different types of EER, reporting frameworks, users, and varied expectations about assurance in our comment letter to the IAASB on its 2016 Discussion Paper¹.

Scope of the Draft Guidance

Paragraph 15 notes that the draft guidance is intended to be ‘framework-neutral’ such that it can be applied to assurance engagements over EER reports that are prepared using any EER framework, or entity-developed criteria. While ISAE 3000 (Revised) offers flexibility to provide assurance on a wide range of matters, it often requires considerable work to adapt the requirements depending on the circumstances of the specific engagement.

Attempting to provide broad generic guidance applicable for all EER assurance situations makes the draft guidance unwieldy, complicated and difficult to apply in practice. We recommend developing a phased approach to the draft guidance to enhance its relevance and usefulness to assurance providers. For example, the initial draft guidance developed in phase one could be tailored to reflect the realities of the current reporting environment as described in the responses to your 2016 Discussion Paper (i.e., more limited assurance and subject-matter specific engagements) and the second phase could address the evolution towards more sophisticated engagements (i.e., reasonable assurance engagements sought on whole reports).

The IAASB could also consider structuring the draft guidance in phase one in two parts to address important distinctions in EER engagements depending on the standards, framework or criteria that is being used. For example, the Sustainability Accounting Standards Board standards are designed to assist companies in disclosing financially material sustainability information to investors while the Global Reporting Initiative standards are intended for reporting on sustainability information to a wider range of stakeholders. As such, auditor considerations relating to applicable reporting criteria, materiality assessments, nature of procedures to apply etc. would vary.

We suggest that the first part could address the above noted considerations specific to EER engagements on subject matter whose intended users are primarily investors and providers of financial capital (e.g. non-financial performance measures included in regulatory reports such as Management’s Discussion & Analysis (MD&A)). The second part could then be tailored to address considerations related to EER engagements whose users are other types of stakeholders (e.g. non-financial performance measures in sustainability/corporate social responsibility reports).

Expectation Gap and Narrative Information

Care should be taken to ensure that the draft guidance does not inadvertently create an expectation that all information should be and is capable of being assured. CPA Canada notes that in phase 2 of this project, the IAASB plans to develop further guidance about obtaining evidence in relation to narrative information included in EER. This will be helpful, and CPA Canada recommends that such further guidance include discussion of different types of both

¹ <http://www.ifac.org/system/files/publications/exposure-drafts/comments/IAASBDPEER-CPACanadaresponseletter-FINALFeb32017.pdf>

“factual” and “subjective” narrative information and inherent limitations associated with assurance over certain types of information.

The draft guidance may also make appropriate distinctions and explanations about narrative information included in EER and narrative information encountered by assurance providers in other situations, such as comfort letters for offering documents, notes to financial statements, MD&A etc.

Materiality Process

Chapter 8 introduces considerations related to an entity’s materiality process when the EER framework does not specify in enough detail what topics and related elements are to be included in the EER report. Assurance providers will need to consider whether they have the relevant professional expertise to undertake the evaluation of an entity’s materiality process for purposes of determining whether the criteria are suitable. We believe that the guidance in this chapter is important and should be carved out and shared with preparers as there is limited guidance on the application of materiality outside of a financial statement context.

Because the concept of a “materiality process” is not included in ISAE 3000 (Revised), we recommend that the draft guidance address the interaction and differences between this concept and auditor’s responsibilities with respect to “materiality” outlined in ISAE 3000 (Revised).

Education for preparers and users of EER

We encourage the IAASB to leverage the draft guidance and consider developing and publishing educational/guidance materials for organizations and users. We believe this is important to improving effectiveness and quality of EER assurance engagements and minimizing the risk of misunderstanding with respect to the nature and scope of the EER assurance engagement. Such guidance could cover (i) the nature and different forms of assurance on EER (ii) key issues addressed (e.g. criteria, materiality, narrative information) and typical procedures carried out in such engagements, and (iii) the related responsibilities of management and those charged with governance.

We appreciate the opportunity to participate in this consultation and look forward to seeing the exposure draft of the complete non-authoritative guidance document when it is available for public comment. Please do not hesitate to contact Taryn Abate (tabate@cpacanada.ca) should you wish to discuss any of the matters raised in this letter.

Yours truly,



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