



Consultation Paper – Extended External Reporting (EER)



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21 June 2019

The Technical Director
IAASB Technical Director

Dear Sir/Madam

**Chartered Accountants Academy (CAA) and Training and Advisory Services (TAS) Submission –
Extended External Reporting (EER) Assurance**

In response to your request for comments for **Exposure Draft, Extended External Reporting (EER) Assurance**, attached is the comment letter prepared by Chartered Accountants Academy and Training & Advisory Services. The comment letter is a result of deliberations of members of CAA and TAS which comprises chartered accountants who have experience in auditing, IFRS specialists and academics.

We are grateful for the opportunity to provide our comments on this project.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

Cleopatra Munjoma (TAS)
Project Director (TAS)

Project team: Innocent Sithole, Davidzo Paradzai

Request for comments

1. Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance developed in phase 1? If not, where and how should it be improved?

Yes.

The draft guidance adequately addresses the challenges for practitioners that have been identified as within the scope of the draft guidance developed in phase 1 because the scope of the non-authoritative guidance document is only specific aspects of applying ISAE 3000 (Revised) decided as a result of responses to the discussion paper 2 issued by the IAASB (“the 2016 discussion paper”) that identified ten challenges where a practitioner may find guidance useful , all ten have been adequately addressed. There may be need to source information in the market if there have been any changes post the 2016 discussion paper given the increase in integrated reporting, sustainability reporting and other reporting by entities about environmental, social and governance matters

2. Is the draft guidance clear and easy to understand, including through the use of examples and diagrams, and the way terminology is used? If not, where and how should it be improved?

Yes.

The draft guidance is clear and easy to understand therefore a useful resource because of the examples and diagrams that were included to help make the guidance easier to understand. Terminology is consistent with ISAE 3000 (Revised), the draft guidance acknowledges other terms used commonly in practice where practitioners with experience in this area will easily understand the terms. The terminology used is sufficiently simple and accessible, while maintaining the required level of technical accuracy and consistency with other IAASB literature in general and ISAE 3000 (Revised).

3. Do you support the proposed structure of the draft guidance? If not, how could it be better structured?

Yes.

We support the proposed structure of the draft guidance it is straightforward for practitioners to find guidance in the areas they want since the draft guidance is structured into chapters. Each chapter covering a different aspect of undertaking an assurance engagement.

4. Do you agree that the draft guidance does not contradict or conflict with the requirements or application material of ISAE 3000 (Revised), and that the draft guidance does not introduce any new requirements?

Yes.

We agree that the draft guidance does not contradict or conflict with the requirements or application material of ISAE 3000 (Revised). The draft guidance is in line with the project's scope and does not remove or change any of the requirements or application material in ISAE 3000 (Revised). The draft guidance does not introduce any new requirements but clearly explains matters not addressed in ISAE 3000 (Revised) i.e. 'materiality process' and whether or how to use assertions, it is understandable that the IAASB agreed these were areas of challenge for practitioners in light of responses to the 2016 discussion paper.

However, we do feel that the guidance has a number of sections where it repeats information already presented in ISAE 3000 (Revised). Because this is guidance, it will be wise for the guidance to not be lengthy, we currently feel that if this guidance is not concise, it may not be applied effectively.

5. Do you agree with the way that the draft guidance covers matters that are not addressed in ISAE 3000 (Revised)?

Yes, we agree.

The draft guidance considers materiality and assertions in the context of EER. The draft guidance gives more detail for the practitioner but also for the preparer which is quite critical as the preparer may sometimes be outsourced and as such they need to understand the use of assertions and materiality considerations.

6. Do you agree that the additional papers contain further helpful information and that they should be published alongside the non-authoritative guidance document?

Yes, we agree.

With EERs, trust and competence are key as these are not necessarily prepared according to a standard such as the IFRS and IPSAS reporting frameworks. Because of this peculiarity, it is important that preparers and practitioners all understand the process of compiling an EER and the significance.

The additional papers will help the users with an understanding of the reason for the EER and why it makes sense. Also, it compels users to ensure that they are trustworthy in their reports.

7. In addition to the requests for specific comments above, the IAASB is also seeking 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.

The guidance should be more prescriptive as that would assist smaller entities to easily apply it. The cost versus benefit consideration is always a major consideration for smaller entities and as such the standards should be scalable in such a way that smaller entities can apply the requirements with a reasonable cost and yet still enjoy the benefits. Because EER has fewer guidance in terms of standards and frameworks, it leaves room for a lot of judgement which may mean hiring experts to assist entities in applying the requirements. It will be beneficial for smaller entities if the requirements for EER are less stringent for smaller entities. It could also be useful for the IAASB to then have criteria for smaller entities which can be applied internationally. Given that it is not only balance sheet values which define a small entity, the IAASB should use more than just monetary metrics to define what a small entity is.

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.

Many entities are barely complying with the current international standards issued. Some of struggling to apply the amendments as and when they become effective. Because of this, EER has not yet become a major consideration for many of the entities and as such they may not adopt EER early on. Therefore, implementation may not be timely for developing nations.

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.

Zimbabwe does not normally translate standards for adoption and we do not foresee a translation of EER and as such no translation issues are anticipated.