



13 July 2020

Our Ref.: C/AASC

International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
New York
NY 10017
USA

Dear Sirs,

IAASB PROPOSED NON-AUTHORITATIVE GUIDANCE, *EXTENDED EXTERNAL REPORTING (EER) ASSURANCE*

The Hong Kong Institute of Certified Public Accountants is the only body authorised by law to set and promulgate financial reporting, auditing and ethical standards for professional accountants in Hong Kong. We are grateful for the opportunity to provide you with our comments on this Proposed Non-Authoritative Guidance (“Guidance”).

We are supportive of the material set out in the Guidance. We recognise that it has responded to key messages from respondents to the IAASB Consultation Paper, *Extended External Reporting (EER) Assurance* (“Consultation Paper”), and made significant enhancements in many areas, such as expanding illustrative examples to a broader range to illustrate different EER reports and frameworks used rather than focusing on GRI and sustainability engagements; structuring each chapter into “What”, “Why” and “How” to address different phases of an EER engagement.

We have several observations and recommendations to enhance the clarity and completeness of the Guidance. The details of our comments are in Annex 1 attached.

We trust that our comments are of assistance to the IAASB in developing the final Guidance. If you have any questions regarding the matters raised above, please contact Selene Ho, Deputy Director of the Standard Setting Department (selene@hkicpa.org.hk).

Yours faithfully,

Chris Joy
Executive Director

CJ/SH

Chapter 1: Applying Appropriate Competence and Capabilities

Competence and Responsibilities of the Engagement Partner

Paragraph 35 of the Guidance sets out the required competence of an engagement partner, which includes assurance skills and techniques, as well as “sufficient subject matter competence to accept responsibility for the assurance conclusion”. This is aligned with paragraph 31(c) of ISAE 300 (Revised), which requires the engagement partner to have “sufficient competence in the underlying subject matter and its measurement or evaluation to accept responsibility for the assurance conclusion”.

Given the diversity and subjectivity of EER information, we suggest the Guidance clarifies what constitutes “sufficient subject matter competence in the underlying subject matter” expected of the engagement partner. Also, it may be helpful if the Guidance could clarify the difference between an engagement partner being sufficiently competent in the underlying subject matter, and the need to involve or use the work of external experts who process specialised competence in a particular area, since such differentiation is judgemental and could be blurred.

Quality Control Considerations

Paragraph 43 of the Guidance states that under ISAE 3000 (Revised), “a competent practitioner other than a professional accountant may choose to represent compliance with the Standard... and that they are able to evidence that they are a member of a firm that is subject to quality control requirements at least as demanding as ISQC 1”.

Part of the value of an EER assurance is to build credibility in published EER reports so that they can be relied upon by intended users. Hence, the quality of an EER assurance engagement should be on par with that of an audit of financial statements. However, it has been observed that some non-accounting organisations in Hong Kong have provided “assurance” reports on sustainability reports. They performed the engagements “based on”, “with reference to” or “against the criteria of” ISAE 3000 (Revised), but the reports were not properly structured according to ISAE 3000 (Revised) requirements and did not state which independence, ethical and quality control frameworks they have complied with when performing the engagement. Given the a wide-range of EER assurance providers whose organisational structure vary from professional accounting firms, we suggest the IAASB elaborate and illustrate the quality control requirements expected from a non-accountant practitioner in the context of ISQC 1.

Further, as we highlighted in our comment letter to the IAASB’s Consultation Paper in June 2019, we suggest a non-accountant practitioner includes a statement in the report that he/she is not subject to any monitoring regime in his/her jurisdiction to distinguish the reporting between professional accountants and non-accountants for users to assess the objectivity, professional competence etc. of the practitioner.

In addition, we encourage the IAASB to describe more fully the value of an EER assurance performed by a professional assurance practitioner under ISAE 3000 (Revised), who processes assurance skills and experience, performs the engagement based on a robust framework, i.e. ISAE 3000 (Revised) and complies with stringent quality control

requirements, to differentiate it from other EER assurance services offered by non-accountants.

Chapter 8: Obtaining Evidence

Chapter 8 provides guidance on determining how much evidence is enough in an EER assurance engagement, and sets out considerations for practitioners on what evidence and procedures may be needed, and to evaluate evidence obtained. While Supplement B to the Guidance illustrates practitioner's considerations in obtaining evidence in a limited assurance engagement (Example 7) and a reasonable assurance engagement (Example 9), the Guidance and examples in Supplement B do not distinguish how evidence could be different between the two types of assurance. We suggest adding clarification or illustration in this area.

In addition, we note that an EER report may be presented in various innovative formats as opposed to a traditional, printed report e.g. interactive web-based EER report. We suggest the IAASB provides guidance in this regard, for example, areas that a practitioner should consider when providing assurance on an interactive web-based EER report.

Chapter 10: Preparing the Assurance Report

Use of "in all material respects"

We noted that in paragraphs 342 and 373(c) explain the concept that "in all material respects" may not be understood, especially if the users are not identified. We found the guidance confusing as such concept is not explained in ISAE 3000 (Revised) and other ISAE pronouncements. It only first appeared in this guidance. We are of the view that as this guidance uses ISAE 3000 (Revised) as the reporting framework, it should not be introducing "new" concepts which have not been explained in ISAE 3000 (Revised). In other ISAE pronouncements, "in all material respects" are included in the objectives of the practitioners. The illustrative example reports in the ISAE 3000 series have also included such wording.

It is unclear as to the intention of the sentences in paragraph 342 "However, if users are not identified,...influence the decisions of intended users." The guidance should just directly guide practitioners to consider stating who the intended users are other than the engaging party or the directors / management.

Inherent limitation and Emphasis of Matter paragraphs

Paragraph 358 gives guidance on inherent limitation, with specific example given on the measurement uncertainties. This raises confusion as to how to differentiate between inherent limitations and emphasis of matter paragraphs. Paragraph 73(a) of ISAE 3000 sets out that a practitioner includes an Emphasis of Matter paragraph if he considers it necessary draw intended users' attention to a matter presented / disclosed in the subject matter information that is of such importance. These matters may include inherent limitation and its implication which are presented/ disclosed in the subject matter information.

We would suggest the IAASB to include guidance on "Emphasis of Matter" paragraph.