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Re.: Extended External Reporting (EER) Assurance, IAASB Consultation Paper, February 2019

Dear Willie,

We would like to thank you for the opportunity to provide the IAASB with our comments on the IAASB Consultation Paper "Extended External Reporting (EER) Assurance" of February 2019, which is often referred to as the "draft guidance" in the paper itself and is hereinafter mostly referred to as "the draft".

We have provided our responses to the questions posed in the draft in Appendix 1 to this comment letter. Comments on additional issues that we have identified by paragraph are provided in Appendix 2 to this comment letter. In this comment letter and its appendices, we focus on those areas in which we have concerns, rather than dwelling on those matters with which we agree.

We would like to make the following overall observations about the draft in this letter.

We welcome the efforts of the IAASB to provide more guidance to practitioners seeking to apply ISAE 3000 (Revised) to EER reporting. We also recognize the tremendous amount of work that the IAASB and its relevant task force has undertaken in this project and the efforts of the task force to address the many comments that it received from Board members during the drafting process. However, our reading of the guidance leaves us with the impression that the problems for practitioners do not generally relate to the special problems arising from EER reporting, but the fact that practitioners are having difficulty understanding how ISAE 3000 (Revised) ought to be applied. It seems to us that much of the material is more educational in character for assurance

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engagements generally than real guidance for assurance engagements on EER reporting specifically. We therefore believe that the IAASB seriously needs to consider whether the consultation material ought to be used as educational material for applying ISAE 3000 (Revised) generally, rather than as an IAPN for EER reporting. This might be achieved by clarifying that the guidance on particular issues may apply only if those issues arise.

Our main concerns are reflected in the large number of material comments that we have – in particular those relating to: the use of terminology not in line with ISAE 3000 (Revised) or that is otherwise inappropriate, issues where we have concluded that the draft is not in line with ISAE 3000 (Revised) (Question 4), the issues going beyond ISAE 3000 (Revised) that have not been appropriately addressed (Question 5), and other drafting issues that could have been resolved with more time. Based on the sheer number of important comments, we have concluded that the IAASB allowed the project timetable to be driven by the availability of external resources and other factors rather than the care needed to ensure alignment with ISAE 3000 (Revised) in wording and concepts and to ensure a high-quality draft.

We also note that guidance generally ought to provide reasonable alternatives to practitioners for certain issues. Although some of the guidance in the draft is couched in wording that sounds like guidance, rather than a requirement, we expect that regulators will regard some of the guidance as requirements because no alternative approaches to the ones provided are given. If the material is expected to be issued as an IAPN for assurance engagements on EER reporting at some stage or as educational material for the application of ISAE 3000 (Revised) generally, it will be very important in some cases to provide reasonable alternatives for practitioners so that the guidance is regarded as such by regulators.

Given the concerns we have expressed above, we are also concerned by the plans to issue phase 2 directly within a draft IAPN, rather than having a prior consultation paper. Given the above-noted experience with phase 1, we believe that phase 2 ought to be subject to a consultation paper prior to including those materials in a draft IAPN. In any case, as noted in our comments above, we believe that the material would be better placed as educational material, rather than as an IAPN.

Given the nature and extent of the issues we identified in our comments – particularly those matters identified as being at variance with ISAE 3000 (Revised) – we are concerned that if those issues are not ameliorated, the guidance may

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not achieve general recognition as appropriate guidance on the application of ISAE 3000 (Revised).

We would be pleased to provide you with further information if you have any additional questions about our response and would be pleased to be able to discuss our views with you.

Yours truly,



Melanie Sack
Executive Director



Wolfgang Böhm
Director Assurance Standards,
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Appendix 1 to the Comment Letter:

Responses to Questions Posed in the Consultation Paper

Questions to respondents

- 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?**

There is a high degree of correspondence between the issues identified as the ten key challenges from the discussion paper in 2016 entitled “Supporting Credibility and Trust in Emerging Forms of External Reporting” and the draft guidance for both phases 1 and 2 as contemplated in the proposed scope of the draft guidance as described in paragraph 12 of the Explanatory Memorandum. Since the issues identified in the discussion paper reflect the results of the IAASB’s consultation on the issues causing difficulty for practitioners, and phases 1 and 2 in the proposed draft guidance cover these matters, we believe that *the scope* of the proposed draft guidance for phases 1 and 2 ought to adequately address *the scope* of the challenges for practitioners.

However, we have identified two matters that we believe ought to be addressed in the draft that currently are not. The current draft only deals with the consideration of the materiality of *misstatements* in Chapter 12: the draft does not deal with the consideration of materiality in the planning and performance of the engagement, which is also a key consideration in EER engagements – particularly for narrative information – and goes beyond the contemplated treatment of performance materiality in phase 2. The IDW Standard dealing with assurance on the management report addresses this matter because of its importance, and we believe the draft guidance should also cover this.

The second matter not currently covered is, as noted in ISAE 3000 (Revised) paragraph 3 (b), the importance of the practitioner being a member of a firm being subject to ISQC 1 or other professional requirements, or requirements in law or regulation, regarding the firm’s responsibility for its system of quality control that is just as demanding as ISQC 1. Ethical requirements are addressed in the draft in paragraph 14 and quality control

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at engagement level is addressed in paragraphs 20 to 21, but these are all predicated on the application of ISQC 1 by the firm. We believe that because many practitioners from outside the profession are using ISAE 3000 (Revised), the relevance of ISQC 1 needs to be mentioned in the draft guidance.

The extent to which phase 1 *adequately* addresses those matters within the current scope of phase 1 as contemplated by the draft is addressed in our comment letter, the responses to the other questions posed in the consultation paper in this appendix and our comments by paragraph in Appendix 2 to this comment letter.

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?

On the whole, we believe that the draft, including the examples and diagrams, is understandable for readers prepared to make the effort to read it with diligence. The only exceptions are the narrative guidance in paragraphs 177 to 180 of the draft and the guidance in other than the first sentence of paragraph 15 of the Background and Contextual Information. In relation to paragraphs 177 to 180:

- The second sentence of paragraph 177 is unclear as to what “*categories of assertions* required by one of the five characteristics of suitable criteria” means given the categories of assertions identified in the list in the first sentence; the second sentence it is unclear what “these” refers to: the suitable criteria, the five characteristics, the assertions, or the categories thereof?
- The meaning of paragraph 179 and the example are unclear.
- Paragraph 180 is unclear as to how considering assertions at different “levels” in a “stand-back” (which is not required in ISAE 3000 (Revised)) relates to the accumulation of misstatements and considering them in aggregate as required by ISAE 3000 (Revised) paragraphs 51 and 65, respectively.

In relation to the Background and Contextual Information, we believe that in the fourth and fifth bullet points of paragraph 6 and 7 (artificially distinguishing criteria from benchmarks) and in paragraph 15 from the second sentence onwards, the description of the use of criteria (and the benchmarks they entail) to classify the manifestations of properties of underlying

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subject matter is very confusing and therefore needs some revision to improve understandability.

Of greater concern to us is the way terminology is used in the draft in a number of cases, and that in some cases the use of terminology is not as stringent as needed.

In particular, we are concerned with the use of the following terms or the way they are used:

- **Materiality process.** We do not agree with the use of the term *materiality process* as proposed. In ISAE 3000 (Revised), the IAASB chose to use a rather narrow default meaning for the concept of *materiality* in paragraph A94 when the criteria do not provide an adequate frame of reference for considering materiality as contemplated in paragraph A93. On this basis, ISAE 3000 (Revised) clearly distinguishes *the application of the characteristics of suitable criteria* – particularly relevance and completeness – *to determine the suitability of criteria* from the concept of *materiality*. As paragraph 31 of the Explanatory Memorandum correctly notes, the *materiality process* as used in the draft involves developing or extending the criteria so that they exhibit the characteristics of the suitable criteria (especially relevance and completeness), whereas ISAE 3000 (Revised) uses the term “materiality” only in the context of potential and identified misstatements. Consequently, even though practitioners appear to be using the term “materiality process” to develop or extend the criteria, we believe that the use of this term in this way perpetuates misunderstanding about the nature of the process (which has no direct connection with the concept of materiality as described in ISAE 3000 (Revised)) – not only among practitioners – but also among preparers. The IAASB should not use terms that tend to mislead those using its standards and guidance. We therefore suggest that another term be used, such as “*criteria process*”, which would be closer to its actual nature.
- **Assertions.** We agree that the term “assertions” should be used in the draft but disagree with how it is used, because the definition in ISAE 3402 (and the exposure draft of ISAE 315 (Revised)) referred to in paragraph 167 confuses **1.** the *actual* representations by the measurer or evaluator, explicit or otherwise, that *are* embodied in the subject matter information, and **2.** the *assertion categories used by the practitioner* to consider the different types of potential misstatements that may occur. In addition, paragraph 168 refers to **3.** the assertions

as the many individual representations that are embodied in the subject matter information if the applicable criteria are properly applied, which essentially describes the *detailed required assertions*. Paragraphs 169 to 172 do describe and distinguish these three concepts further in a useful way but could be clearer (some unclarity results from use of the term “assertions” in the three different senses). Unfortunately, thereafter paragraph 173 again confuses the matter by referring to the existing definition, which, as noted, confuses two of the concepts. We recognize the largely appropriate use of “categories of assertions” in paragraphs 174 to 183 thereafter, but this usage is not systematically applied throughout Chapter 9 and the rest of the draft. Since ISAE 3000 (Revised) does not use the concept of assertions, and the definitions in ISAE 3402 and the Exposure Draft of ISA 315 (Revised) confuse two different concepts, we recommend that the draft not refer to the definition in ISAE 3402 or the exposure draft, but describe what assertions are for the purposes of ISAE 3000 (Revised) and the draft through a description thereof and then distinguish that concept through a description of the other two concepts. We suggest using the following terms and related descriptions in a systematic manner throughout the document:

- *Required assertions*: The many individual representations, implicit or otherwise, that would be embodied in the subject matter information if the applicable criteria were properly applied in measuring or evaluating the underlying subject matter.
- *Actual assertions*: The representations, explicit or otherwise, actually embodied in the subject matter information through the actual measurement or evaluation of the underlying subject matter by the measurer or evaluator.
- *Assertion categories* (also termed “*assertions*”): Categories, of the detailed *required assertions*, used by the practitioner to consider the different types of potential misstatements that may occur.

Chapter 9 would need to be redrafted accordingly.

- **Qualities** (*of subject matter elements*). The draft, and in particular, the Background and Contextual Information, uses the term “qualities” to describe an aspect of underlying subject matter (or as the Background and Contextual Information explains, an aspect of a subject matter element). We disagree with the use of the term “qualities” in this context because the primary definition of the term “quality” relates to, and is therefore more often associated with, the standard of something as measured against other things of a similar kind or the degree

of excellence of something; only secondarily does the word “quality” refer to a distinctive attribute or characteristic possessed by something. Readers may therefore confuse the primary meaning of the word quality with its secondary meaning, particularly upon translation, which would reduce the usefulness of the guidance in the draft. There is a real danger that translators will attribute the primary meaning of the word quality to that term and translate the term with an inappropriate term that applies only to the primary and not secondary meaning. Furthermore, measurement and psychometric theories use the terms “properties” or “attributes”, respectively, to describe an aspect of an underlying subject matter for this and other reasons – not qualities. Using “attributes” or “properties” does not suffer from the same risks of misinterpretation and mistranslation. For these reasons, we recommend that the term “properties” or “attributes”, rather than “qualities”, be used.

- **Credibility vs. Trust.** The Four Key Factor Model for Credibility and Trust in Relation to EER appears to use the terms “credibility” and “trust” interchangeably or ambiguously. The term “trust” is defined differently in sociology, psychology, philosophy and economics, etc., and it is unclear which definition is being applied. There are also different meanings of the term “credibility” in different subject areas, but it is generally associated with the grounds for the strength or intensity with which something can be believed, and in this context relation to assurance engagements, it has been defined as the assurance attributed by the user to an assurance conclusion.¹ We recommend that the draft’s use of the terms “credibility” and “trust” be clarified, distinguished from one another, and then appropriately rationalized.

We are also concerned that the use of some of the terminology is not in line with how particular terms are defined or described in ISAE 3000 (Revised), the use of terminology that is not used in the ISAEs on purpose, and the lack of stringency in the use of some terminology. In particular, we believe that the following terms are not being used in an appropriate manner:

- **Relevance vs. materiality.** Paragraph 98 of the draft provides an excellent explanation of the difference between relevance and materiality as described in ISAE 3000 (Revised). However, we still find a number of instances in which these concepts or terms are not

¹ See FEE Paper „Principles of Assurance“, 2003.

appropriately differentiated. For example, paragraph 99 appears to confuse the requirements in criteria to aggregate or disaggregate information, which is a relevance consideration, versus the consideration as to whether these criteria were appropriately applied, which involves consideration of materiality of misstatements identified. The same applies to paragraph 134 and the example thereafter, in which “materiality” considerations and “material topics” are addressed, when in fact, even if an EER framework uses the term materiality in this context, these are actually relevance considerations: some clarification of this appears to be necessary here. The first bullet of paragraph 13 of the Four Key Factor Model paper speaks of a “materiality principle”, when in fact the principle being applied in this context relates to relevance as described in ISAE 3000 (Revised).

- **Relevant or complete vs. assist decision-making by intended users.** In the draft – especially in Chapter 7 – we note a good number of instances in which “assist decision-making by intended users” is used when relevance is meant, which suggests that the “definition” of relevance is being overused, rather than applying the term “relevance” when appropriate. To be helpful to you, we will identify these instances in our comments by paragraph in Appendix 2.
- **Relevance vs. reliability.** The term “reliability” is used differently in different contexts (e.g., engineering, measurement theory and psychometrics, accounting theory, and other assurance or attestation standards). This is discussed further in the FEE Paper from 2003 “Principles of Assurance”, which posits a broader concept of reliability. However, ISAE 3000 (Revised) restricts the meaning of reliability narrowly in its description thereof in paragraph A45 (c) to “reasonably consistent measurement or evaluation of the underlying subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by different practitioners”. In short, the meaning is narrowed to “reasonable repeatability” in similar circumstances by different practitioners. This “reasonable repeatability” meaning implies that issues associated with the needed precision and accuracy, and the needed freedom from measurement and evaluation error other than repeatability (i.e., when is the repeatability “reasonable?”), are then actually covered by the concept of “relevance” (which is congruous to the concept of “validity” in measurement theory) – not “reliability”. In particular, Chapter 7 of the draft appears to confuse the narrower meaning of reliability used in ISAE 3000 (Revised) with the broader one often encountered in other fields of endeavor. We believe

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that the draft needs to apply the concept of “reliability” as contemplated in ISAE 3000 (Revised) rather than using a concept at variance with the usage in ISAE 3000 (Revised). To be helpful to you, we will identify our instances of inappropriate use of the term “reliability” in our comments by paragraph in Appendix 2.

- **Substantive approach and substantive procedures.** Paragraph 78 refers to “substantive approach” and “substantive procedures”. Neither term is used on purpose in the ISAEs in general, or ISAE 3000 (Revised) in particular, because ISAE 3000 also applies to assurance on systems, processes and controls, for which these terms are not really useful. EER reporting often includes information on systems, processes and controls. For this reason, we do not believe that these terms ought to be used in the draft. We suggest that the draft use the phrase “perform only procedures other than tests of controls to respond to risks of material misstatement” instead of “adopt a fully substantive approach” and use “because procedures other than tests of controls to respond to risks of material misstatement” instead of “because substantive procedures”.
- **Secure, robust, reliable and adequately maintained.** The example in paragraph 70 speaks of IT controls supporting any IT systems in being appropriately “secure, robust, reliable and adequately maintained”. The series of adjectives in this sentence suggests the use of a “shotgun approach” to address control objectives for IT systems without a clear, systematic use of concepts. We suggest that reference be made to “IT controls supporting IT systems in being secure and operating effectively”, the latter of which (“operating effectively”) would cover robustness, reliability, and adequate maintenance, among other matters.

Lastly, we note that the use of some verbs to indicate actions by practitioners are not in line with the verbs used by ISAE 3000 (Revised). In particular, this relates to the use of the verbs **evaluate**, **review** or **confirm** vs. **consider** and **determine**. To be helpful to you, we will identify our issues with the use of these verbs in our comments by paragraph in Appendix 2.

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

We agree with the proposed structure of the draft guidance with the exception of Chapter 6 on considering the system of internal control, Chapter

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7 on determining the suitability of criteria and Chapter 8 on considering the entity's materiality process. It seems to us that Chapter 6 appears to focus on the consideration of internal control as a de facto precondition for the assurance engagement, rather than dealing with the consideration of internal control in planning and performing the engagement. Likewise, both Chapters 7 and 8 deal with the preconditions of the engagement (suitability of criteria and "materiality process", which involves extending the criteria so that they are suitable). For these reasons, we believe that these three chapters ought to be placed prior to the planned Chapter 4 on applying appropriate skills (under the presumption that this chapter is about the application of appropriate skills, as opposed to the need to have them as a prerequisite for performing the engagement). In any case, these three chapters (6, 7 and 8) ought to be placed prior to Chapter 5 on exercising professional skepticism and professional judgment, which relates to planning and performing the engagement, rather than engagement acceptance.

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?

We refer to the comments made in our response to Question 2 that the following terms are being used in a manner that conflicts with the use of those terms in ISAE 3000 (Revised):

- *Relevance vs. materiality*
- *Relevant vs. assist decision-making by intended users*
- *Relevance vs. reliability*
- *Substantive approach and substantive procedures*
- *The use of the verbs evaluate, review or confirm vs. consider and determine*

In relation to the second, third and fifth bullet points, to be helpful we identify the instances of inappropriate use of these terms in Appendix 2, which contains our comments by paragraph.

We also believe the draft guidance contradicts or conflicts with the requirements or application material of ISAE 3000 (Revised) or appears to introduce new requirements in the following instances:

- **Paragraph 48** appears to be setting a requirement beyond those contemplated in ISAE 3000 (Revised). The paragraph states that “identifiable underlying subject matter means that the subject matter elements are well-defined and distinct from other things”. ISAE 3000 (Revised) requires the underlying subject matter to be identifiable, which means it can be distinguished from other matters, but ISAE 3000 (Revised) does not require, nor does ISAE 3000 (Revised) imply, that aspects of that underlying subject matter (subject matter elements) need to be identifiable as a prerequisite for an assurance engagement. Whether aspects (subject matter elements) need to be identifiable depends upon whether the underlying subject matter can only be measured or evaluated through its elements. The example following paragraph 48 is not really helpful because it supports the need for the underlying subject matter (green house gas emissions) to be identifiable – not necessarily any elements thereof. We suggest that paragraph 48 be revised so that it does not suggest a requirement or prerequisite for an assurance engagement that may not always be necessary. The example may need to be changed accordingly.
- **The fourth sentence of paragraph 49** appears to be setting a requirement beyond ISAE 3000 (Revised). The fourth sentence suggests that an enhancement of the degree of confidence about the subject matter information needs to be logical, coherent and appropriate in the engagement circumstances: the fourth sentence appears to use a “shotgun approach” to concepts, since being “appropriate in the circumstances” cannot be fulfilled if being logical and coherent is not. Furthermore, being appropriate in the circumstances is not really helpful guidance. For these reasons, we believe this sentence can be deleted without any impairment of the meaning of this paragraph.
- **The final sentence in paragraph 49 and the following example** conflict with the application material in ISAE 3000 (Revised). The final sentence suggests that the examples stem from paragraph A56 of ISAE 3000 (Revised), when in fact some of the text stems from paragraph A7. The wording of the examples also appears to mix the wording from paragraphs A7 and A56. We recommend that the wording in the examples clearly distinguish between those matters that relate to the meaningfulness of the level of assurance (from paragraph A7) and those that relate to other matters (such as scope as described in the third-last bullet point) concerning a rational purpose (from paragraph A56). To this effect, the wording in each of the examples should be closer to that in each of A7 and A56 of ISAE 3000 (Revised).

- **The second sentence of paragraph 82** posits that the purpose of suitable criteria is to have their application result in information that assists decision-making by intended users, which is not in line with ISAE 3000 (Revised). The description of the characteristics of suitable criteria in ISAE 3000 (Revised) only relates relevance to assisting decision-making by intended users, completeness to the omission of relevant factors to the affect on decision-making by intended users, and understandability to understanding by intended users. Unlike some financial reporting frameworks, such as IFRS, assisting decision-making by intended users as defined in that context may not be the objective of every EER report (it could be, for example, stewardship, or another objective). ISAE 3000 (Revised) was purposely silent on what the underlying objective of the criteria as a whole might be. Consequently, the phrase in the second sentence beginning with “resulting information ...” should be deleted.
- **The diagram below paragraph 89** appears to add a requirement that practitioners must “confirm” that criteria will not result in subject matter information or an assurance report that is misleading. Rather, paragraph 41 of ISAE 3000 (Revised) requires that practitioners determine whether the criteria are suitable in accordance with 24 (b) (ii) and then paragraph A50 alerts practitioners that if criteria are specifically designed for the purpose of preparing the subject matter information in the particular circumstances of the engagement, those criteria are not suitable if they result in subject matter information or an assurance report that is misleading to intended users. This means that there is no additional “confirm whether the criteria will result in subject matter information or an assurance report that is misleading” step envisaged by ISAE 3000 (Revised). Rather, in certain circumstances, like the one mentioned in paragraph A50, practitioners may need to be aware that the criteria may result in subject matter information or an assurance report that is misleading and act accordingly when they become aware of such situations.
- **Paragraph 102** is not in line with the meaning of materiality as described in ISAE 3000 (Revised) because it confuses the term, which is described in relation to misstatements, with relevance. Factors that should not be omitted because they “affect decisions of intended users” means that relevant factors need to be included so that the criteria are complete. The word “material” therefore should be replaced with “relevant”. Furthermore, the description of completeness speaks

of “relevant factors”, not “all relevant factors”, so the word “all” should be deleted from **paragraph 103**.

- **Paragraph 105** sets requirements that are not in ISAE 3000 (Revised), that upon closer examination are not appropriate, and deals with issues about relevance that belong in the section on relevance – not in the section on reliability. The paragraph states that subject matter information can be sufficiently accurate if it is as precise as possible, results from applying a well-defined process without undue error, and if it includes information about the inherent limitations in its precision. First, subject matter information does not need to be as precise as possible: it needs to be as precise as required to be relevant. Second, even if a process is not well-defined, a practitioner may be able to repeat the measurement reasonably consistently using another process, so having a well-defined process is only needed if the same process needs to be repeated. Third, the reference to undue error is superfluous since error is covered by precision. Fourth, information about inherent limitations in precision only needs to be provided if those inherent limitations are relevant. We also note that although the paragraph distinguishes accuracy from precision, the paragraph does not explain what the difference is. The paragraph also contradicts itself in that it equates the necessary degree of accuracy with freedom from error in one sentence and then makes lack of undue error a component of accuracy in the next. Overall the paragraph should have linked the concept of “*reasonably consistent*” to relevance and then provided this additional guidance on relevance in the section on relevance. In line with the comments on paragraph 105, the example after paragraph 105 also needs to replace “as is reasonably possible” with “as needed to be relevant”.
- **The second sentence of paragraph 107** sets a requirement beyond ISAE 3000 (Revised) for underlying data and source information to be sufficiently accurate and complete for it to be collected and processed in a manner that is neutral and maintains its integrity (in fact, the sentence thereafter identifies this as a “requirement”). To avoid writing a requirement, assertions about underlying data and source information need to be phrased in terms of the impact of the nature and extent of these on the ability to prepare an EER report using criteria that meet the characteristics of suitable criteria. In this vein, the sentence also appears to be addressing the neutrality of a process, rather than of the information, as set forth by the characteristic of suitable criteria neutrality and addresses the maintenance of integrity of the data and

information as part of that process. Furthermore, sufficient accuracy relates to relevance – not reliability, and should be treated in the section on relevance, just as completeness relates to the completeness characteristic.

- **Paragraph 108** misinterprets the description of neutrality in ISAE 3000 (Revised) by stating that neutral criteria would normally be designed to cover both favorable and unfavorable aspects. The description of neutrality purposely includes a phrase not included in the other descriptions of characteristics “as appropriate in the engagement circumstances” because some assurance engagements may be focused only on certain negative or positive aspects and in this case the criteria are not designed to be neutral overall, but only neutral in respect to the matter at hand, which itself may not be neutral. Consequently, the sentence would need to clarify that for EER reports not designed to cover only certain favorable or unfavorable aspects as needed by and agreed with users (e.g., special purpose EER reports), neutral criteria are ordinarily designed to cover both favorable and unfavorable aspects.
- **The diagram after paragraph 130, as well as paragraph 134 and the example after paragraph 157**, appear to be adding a requirement. These paragraphs address having the practitioner answer the question whether the preparer’s “materiality process” was effective in identifying topics and related elements, information about which is “relevant” (paragraph 134 actually takes this further by stating that the practitioner considers the direction on materiality considerations in the EER Framework “to determine whether the process undertaken by the preparer is appropriate”). While the practitioner’s actions in relation to the decision on the effectiveness of the process are couched in terms of a “suggested process for a practitioner” (paragraph 130) or a key judgement that a practitioner may make (paragraph 157), the emphasis on deciding on the effectiveness of the process, rather than on the outcome of the process (the suitability of the criteria), together with the use of the term “to determine whether the process... is appropriate” in paragraph 134 would lead readers to conclude that this decision or determination on the effectiveness or appropriateness of the process is effectively required and that this might involve some form of testing of the operating effectiveness or appropriateness of the process. Based on ISAE 3000 (Revised), which only requires a determination of the suitability of the criteria, “considering the process so as to obtain an understanding as to how the criteria were developed”

(with the words as we suggest here, as opposed to determining the appropriateness of effectiveness of the process, which suggests some form of tests of control) is a step that is only needed to the extent that the practitioner is not able to determine the suitability of the criteria without such consideration: this needs to be absolutely clear in the draft. The noted paragraphs and diagram need to be amended accordingly.

- **Paragraph 158** appears to set an additional requirement through the use of the present tense phrase “in doing so the practitioner uses professional judgement and professional skepticism to evaluate the preparer’s decisions”. In addition, the wording suggests that an “evaluation” is required (even though, as we point out in our comments on paragraphs 130, 134, and 157, it is not) and the use of the term “evaluate” as defined in the IAASB Glossary of Terms may involve the performance of procedures to form a conclusion, whereas applying the practitioners mind and therefore the use of the word “consider” suffices. This paragraph should be amended accordingly.
- **Paragraph 180 appears to be suggesting** that there may be a requirement that the practitioner may need to design procedures to “stand back” and consider potential types of misstatements of the EER report as a whole, even though each individual item of information in the EER report is not materially misstated, individually or in aggregate (see our response to Question 2 on the difficulty in distinguishing misstatements in aggregate from the “stand-back”). In our view, there needs to be a clear distinction between those EER frameworks that require some form of “fair presentation” (in the sense of a “fair presentation framework” as defined in ISA 200 and also addressed in ISAE 3000 (Revised) paragraph A182) so that even if there are no misstatements of the individual pieces of information, both the preparer and the practitioner are required to determine whether the EER report as a whole is materially misstated, and those EER frameworks that are “compliance frameworks” (as defined in ISA 200 and addressed in ISAE 3000 (Revised) paragraph A182), for which such an evaluation of “fair presentation”, beyond the practitioner’s consideration under the IESBA Code as to whether the practitioner is being associated with an EER report that is misleading, is not relevant.
- **Paragraph 208** appears to be adding a requirement beyond ISAE 3000 (Revised) by stating that good disclosure of assumptions and

the context of subject matter information “is” necessary. We suggest changing “is” to “may be”.

- **Paragraph 217 and the diagram above paragraph 216** of the draft are both not in line with the requirement in paragraph 65 of ISAE 3000 (Revised). In particular, both paragraph 217 and the diagram refer to a “detailed” materiality consideration. The use of the word “detailed” suggests that something more detailed needs to be done than what paragraph 65 of ISAE 3000 (Revised) requires. In addition, paragraph 217 appears to suggest that further consideration of uncorrected misstatements is not required by using the words “may need to undertake a more detailed consideration”, when in fact paragraph 65 of ISAE 3000 (Revised) requires an “evaluation” of the materiality of uncorrected misstatements. Paragraph 217 and the diagram should be amended accordingly.
- **Paragraph 218 (in the third sentence)** appears to be setting a definition of materiality even though ISAE 3000 (Revised) – like ISA 320 – does not define materiality, because if materiality is defined by the criteria (or, in the case of financial statements, the financial reporting framework), then that definition should be used (we note, in particular, that IFRS and US GAAP now have definitions of materiality that are not consistent with each other) unless the practitioner determines on the basis of persuasive grounds that the definition is not appropriate in the circumstances. The description in paragraph A94 is application material that needs to be applied when the criteria do not define materiality or that definition is inadequate. The way paragraph 218 is written, it suggests that the definition is always applicable, which was not intended when ISAE 3000 (Revised) was written. Furthermore, the sentence thereafter suggests that “influence relevant decisions” means that users make a “different decision”. A decision may be influenced in terms of the basis for the decision being changed even though the decision itself is not. We therefore recommend that paragraph 218 provide a more fulsome discussion of situations where the criteria define materiality and the role of the description in paragraph A94 of ISAE 3000 (Revised) and not equate influencing a decision with changing a decision.
- **The first sentence of paragraph 222** suggests, through the use of the words “may need to consider”, that evaluating uncorrected misstatements in combination with others is not required by ISAE 3000 (Revised). In fact, paragraph 65 of ISAE 3000 (Revised) requires the “evaluation” of such misstatements individually *and in aggregate*. We

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suggest that the first sentence of paragraph 222 be amended accordingly.

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

We generally agree with the way the draft guidance covers matters that are not addressed in ISAE 3000 (Revised), but we have a serious general concern and a good number of issues in relation in this respect in relation to the guidance in particular paragraphs.

Our general concern relates to the nature of guidance in a separate document as opposed to the application material in a standard. The application material in a standard includes material that provides suggestions on how to apply requirements and additional guidance and is subject to a certain due process. Guidance in a separate document, such as an IAPN or a consultation paper, is not subject to the same stringent due process and therefore does not have the same level of authority. Consequently, guidance in such separate documents should not convey the impression that the suggestions provided are the ONLY way to address the requirements and application material in a standard. This generally needs to be done by providing practitioners with more than one option (at least two) in how to address the matters upon which guidance is given. Providing only one option conveys the message that there is only one solution. The current draft often only provides one solution to certain matters, rather than exploring different ways to address the same issue.

For example, the draft introduces the concept of “assertions” (more specifically, “assertion categories” – see our response to Question 2), but does not recognize explicitly that there are other ways to deal with the issue giving rise to the potential usefulness of a tool like “assertion categories”, such as addressing the “required assertions”, which may be more detailed than assertion categories. Another option would be to use the concepts from measurement theory or psychometrics. A further example is the reference to “subject matter elements”, which only becomes relevant when underlying subject matter can only be measured through certain aspects thereof. Another (perhaps simpler) approach would be to recognize that EER reports contain multiple underlying subject matters and that the subject matter information (the EER report) involves the result of the measurement or evaluation of these different underlying subject matters.

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Overall, if the draft guidance is supposed to be regarded as guidance, rather than as some form of light requirement, more than one option to resolve issues needs to be presented to readers.

Our issues with specific paragraphs that deal with matters going beyond ISAE 3000 (Revised) are as follows:

- **Paragraphs 19, 55 and 56** explain that narrowing the assurance scope may increase the risk of the engagement lacking a rational purpose or misleading readers of the EER report. However, the draft guidance also needs to discuss that there are also risks to expanding the assurance scope, including increasing the risk that non-assurable information is included within the scope and that the cost of expanding the scope may exceed the benefits of the expanded scope to users.
- **The second half of the sentence with the example in paragraph 79** suggests that examples in which substantive procedures alone do not provide sufficient appropriate evidence are when those procedures are not possible or practicable. There may be many cases in which such procedures are possible or practicable, but are not effective (i.e., do not appropriately respond to the risk of material misstatement being addressed) or efficient (it is more efficient to perform tests of controls than other procedures alone). In line with this matter and our comment in our response to Question 2 on the use of the term “substantive procedures”, we suggest that the words in this phrase be:
“... for example, because such other procedures do not respond appropriately to the risk of material misstatement or may not be efficient”.
- **Paragraph 150 et seq.** introduces the concept of “impact” as being distinguishable from “interests”. Given the example after this paragraph, we fail to see the need for a concept of “impact” beyond the interests of intended users because, using the example, local communities using the river for fishing or water supply do have interests in relation to pollutants that affect their use of the water. Furthermore, indirect impacts on the company itself imply that the interests of the company are affected. For these reasons, we believe that the concept of “impacts” is not adequately distinguishable from “interests” and should therefore not be introduced. The IAASB should therefore reconsider the content of paragraphs 150 to 151.
- **Paragraph 159** introduces a potential “public interest” test for confidential information. This obviously draws upon the requirement in

relation to the non-communication of a key audit matter in paragraph 14 (b) of ISA 701 and the related application material in paragraphs A43 to A56. However, we would like to point out that key audit matters deal with auditor reporting in the auditor's report – not directly with the suitability of relevance and completeness of the criteria determining what the preparer is required to report, which is what paragraph 159 addresses. Furthermore, a public interest test in this form is unenforceable in most jurisdictions of which we are aware. We believe that rather than suggesting the use of a public interest test for the suitability of criteria, this paragraph ought to draw on the ethical responsibilities of the practitioner under the IESBA Code not to be associated with misleading information. If the application of the criteria leads to misleading information in the EER, then the requirements of the Code “kick-in” with the concomitant consequences for the practitioner without needing to consider the suitability of the criteria as an additional step.

- **Paragraphs 161 and 162** suggest that information may be included in the EER report that may not result from criteria that are suitable or available, or may not even result from any criteria, and that such information may be of little consequence. If that is the case, it begs the question as to why such information is included in the report. When writing our standard for assurance on the management report in Germany, we sought to steer practitioners to seek to have management remove such non-assurable information, or at least to redraft it so that it is assurable. In addition, if such non-assurable information is not removed from the report or appropriately redrafted, guidance needs to be given that the preparer and the practitioner clarify in the EER report and the practitioner's report (the scope paragraph and conclusion paragraph), respectively, which information has been subjected to the assurance engagement and which has not. We suggest that paragraphs 161 and 162 be augmented accordingly.
- **Paragraph 164** suggests that if a description of the process used to develop the criteria is needed to understand the criteria, then such a description should be included in the report or elsewhere, such as on a website. We agree with the former placement, but have concerns about the latter placement elsewhere, such as on a website. If the description is needed to understand the criteria, then this should be in the report. If it is not in the report, then placing the description elsewhere to where intended users have access means that at the very least a reference would need to be made from the report to that

description to inform users of the existence of that description. However, such a reference from the report entails having the practitioner clarify in his or her report whether that description is covered by the assurance conclusion or represents other information.

- **Paragraph 165** suggests that assertions (i.e., the assertion categories) are tools used in performing risk assessment procedures. First, we would like to clarify that ISAE 3000 (Revised), unlike ISA 315, does not use the term “risk assessment procedures”, so the reference should be changed to “assessing the risks of material misstatement”. Then this statement would be true but assessing the risks of material misstatement is only required in ISAE 3000 (Revised) for reasonable assurance engagements. Assertions categories can also be used in limited assurance engagements to identify areas where a material misstatement is likely to arise. Paragraph 165 needs to be amended accordingly.
- **In line with our general comments to this question above, paragraph 166** should explain the alternatives to the use of categories of assertions.
- **In relation to paragraphs 175 and 176**, we ask ourselves what “other characteristics of applicable criteria” there might be that cannot be subsumed under those set forth in ISAE 3000 (Revised). Hence, while further characteristics might be included in EER frameworks, there needs to be some clarity as to whether these are just more detailed aspects of those characteristics set forth in ISAE 3000 (Revised), actually represent “required assertions”, or are in fact “additional” characteristics.
- **The last sentence of Paragraph 183** correctly points out that the nature of the procedures that a practitioner plans to perform may be informed by the assessment of the risks of material misstatement of an assertion *for reasonable assurance engagements*. However, the nature of the procedures that a practitioner plans to perform may be also informed by the identification of areas where a material misstatement is likely to arise *for a limited assurance engagement*. Paragraph 183 needs to be amended accordingly.
- **In the example after paragraph 195 the treatment of sentence (1)** claims that this sentence is vague, may be unsubstantiated, is not based on criteria, may be other information, and would not require practitioner attention. We disagree: The first two phrases of that sentence are factual general knowledge that need no further verification. However, the third phrase represents a logical implication (if water is

a scarce resource in some parts of the world, then we are required to use water responsibly in our all our operations) that does require verification because the consequent does not necessarily follow from the antecedent. For example, if some of the operations are in Northern Canada or Northern Finland, where fresh water is more than plentiful (presuming fresh water is being used) then using water responsibly (whatever that means) in such an environment is an entirely different proposition than if the operations are in Saudi Arabia. In line with our comments on paragraph 161 and 162, practitioners should be seeking to have preparers either redraft such phrases so that they are assurable or to delete such phrases if they are not. If such non-assurable information is not removed from the report or appropriately redrafted, guidance needs to be given that the preparer and the practitioner clarify in the EER report and the practitioner's report (the scope paragraph and conclusion paragraph), respectively, which information has been subjected to the assurance engagement and which has not. The treatment of sentence (1) in the example should be amended accordingly.

- **In paragraph 204**, reference is made to future-oriented information being subject to estimation uncertainty. However, future-oriented information is also subject to recognition uncertainty (i.e., whether an event occurs at all). This paragraph should be augmented accordingly.
- **Paragraphs 208 and 277** refer to “inherent measurement or evaluation uncertainty”. The term “inherent measurement uncertainty” is being used in two different senses in the draft: 1. measurement uncertainty as defined in ISA 540 (Revised), which does not relate to uncertainty about recognition, and 2. uncertainty about measurement (including recognition), where measurement means that evaluation of quantitative information. We believe that paragraph 208 is referring to the latter due to the juxtaposition of “measurement and evaluation”, but some clarification here (particularly in relation to paragraph 204 – see comment above) would be helpful.
- **Paragraph 210** addresses the assurance issues in relation to future risks and opportunities. At the IDW we have gained considerable standard setting experience with this issue because a statutory audit of the financial statements in Germany includes assurance on the management report, including a separate assurance conclusion on whether the management report appropriately presents the risks and opportunities of future development. In particular, our standard

recognizes that in more complex environments, providing such an assurance conclusion may not be practicable without the practitioner relying on the part of the entity's risk management system used to identify and assess risks to the entity, and that therefore the practitioner must test whether this part of the risk management system is appropriately designed and is operating effectively. We suggest that paragraph 210 be augmented to reflect this matter.

- **Paragraph 228** posits that subject matter information with inherent variability may be sufficiently accurate if it is as precise as it reasonably can be and the information about the inherent uncertainty is also disclosed. As we note in our response to Question 2, accuracy is a question of relevance (as described for a characteristic of suitable criteria), and therefore the appropriate degree of accuracy depends upon the accuracy that is needed to be relevant. Consequently, accuracy need not be as precise as it reasonably can be: it only needs to be as precise as needed to be relevant. Furthermore, only if the inherent uncertainty is relevant does such an uncertainty need to be disclosed. For these reasons, the first sentence of paragraph 228 should be changed to read "...may be sufficiently accurate if it is precise as needed to be relevant, and information about inherent uncertainty may need to be disclosed to the extent that information is relevant".
- **Paragraph 229** asserts that uncertainty that is not inherent because the preparer has not measured or evaluated the underlying subject matter as precisely as would be possible may give rise to misstatements. In line with our comment on paragraph 228, the needed precision in measurement or evaluation depends upon the degree of precision required to be relevant and therefore imprecision that is not relevant cannot lead to a misstatement (this should be clearly distinguished from materiality considerations). The sentence should therefore be changed to read "...as precisely as needed to be relevant".

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

We agree that the additional papers contain further helpful information and that they should be published alongside the non-authoritative guidance document. However, in relation to the Background and Contextual Information, we believe that reference needs to be made to the literature that

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formed much of the basis for ISAE 3000 and ISAE 3000 (Revised), which was the FEE Paper from 2003 entitled “Principles of Assurance”, which provides a helpful source for the underlying theory of the nature of the relationship between underlying subject matter, criteria, and subject matter information, among other matters (even if other terms are used). We have the following comments on each of the two additional papers beyond those addressed in the previous questions.

Background and Contextual Information

In relation to paragraph 9, there seems to be an underlying presumption of a requirement that not only the outcome of a measurement or evaluation must be disclosed, but also how the measurement or evaluation was made. While this may be necessary in some cases, it is certainly not necessary in many cases. We therefore suggest that the words “and to the extent necessary,” be inserted prior to the word “together”.

In relation to paragraph 16, we would be hesitant about classifying an ordinal scale (the natural ordering noted in paragraph 16: small, medium and large) as being “non-quantitative” because, for example, ordinal and interval scales (e.g. Likert scales) are often subjected to quantitative analysis, for example, by assigning numbers using an assignment rule and then using non-parametric mathematical methods. Only nominal scales without any natural ordering are truly “non-quantitative” in a mathematical, rather than logical, sense. It is, in our view, somewhat misleading therefore to use the adjective “non-quantitative” for scales that can be subjected to quantitative analysis.

Paragraph 18 asserts that all standardized measures are based on a clearly specified point of reference. It is unclear to us what a “standardized measure” means in this context. If a standardized measure means a standard unit of a physical phenomenon used as a point of reference for measuring the magnitude of a certain quantity, then paragraph 18 is a true statement. However, if a specified point of reference refers to a unique and non-arbitrary zero point, then the statement would not be true because ordinal and interval scales do not have such a point, even though they may use a standardized measure in the first sense. Clarification of the meaning would be helpful here.

Paragraph 20 refers to the term “repeatable measures”, which relates to the “definition” of reliability. Hence, that term should be replaced with “reliable measures”.

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Paragraph 21 states that “in practice” measurement instruments have an inherent limit of precision. This is not only true in practice, but in theory, so “In practice” can be deleted.

Four Key Factor Model

Paragraph 13 refers to “more susceptible to the risk of preparer bias” and, in the second bullet point, to “Inherently greater susceptibility to prepare bias risk”. This begs the question as to “more than or greater than what?”. We suggest that the word “more” and “greater” be deleted. In the first bullet point, reference is made to the “materiality principle”, which actually refers to the concept of suitable criteria (in particular, relevance, completeness, and understandability, but also neutrality), since the materiality concept in ISAE 3000 (Revised) is limited to the consideration of misstatements. We suggest that “a strong materiality principle” etc. be replaced by “the existence or development of suitable criteria and the potential need for stakeholder engagement in any such development”.

Paragraph 16 states that preparers should “behave in a way that is consistent with the spirit of the objectives of the relevant EER framework”. In most jurisdictions, exhortations to meet the “spirit” of any objectives or criteria will be regarded as unenforceable, whether by assurance practitioners or other authorities. We therefore suggest that the words “the spirit of” be deleted.

Paragraph 23 and 27 inappropriately use the superlative “most”, which should be deleted.

In paragraph 35 the words “and the levels of assurance that can be obtained from them” can be viewed as indicating that decisions about levels of assurance are determined by the level that can be obtained (i.e. the erroneous view that if reasonable assurance cannot be obtained, then limited assurance might still be possible). Since this is not what is meant, the phrase should be changed to read “and the inherent limitations of assurance engagements and the resulting consequences for the meaning of assurance”.

In paragraph 36, we suggest changing “assurance providers’ work to” to “practitioners’ work to, if any” because not all services provided by practitioners in this space are assurance engagements (which means that “assurance providers” is inappropriate) and because not all services provided are subject to standards (the reason for the addition of “if any”).

Request for General Comments

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.**

As we do not represent preparers, users or public sector entities, we do not respond to this question.

- 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.**

As we do not represent an organization from a developing nation, we do not respond to this question.

- 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.**

As noted in our response to Question 2, we disagree with the use of the term “qualities” because the term “quality” is more often associated with the standard of something as measured against other things of a similar kind or the degree of excellence of something; only secondarily does the word “quality” refer to a distinctive attribute or characteristic possessed by something. Translators may therefore confuse the primary meaning of the word quality with its secondary meaning, which would reduce the usefulness of the guidance in the draft. There is a real danger that translators will attribute the primary meaning of the word quality to that term and translate the term with an inappropriate term that applies only to the primary and not secondary meaning. Using “attributes” or “properties” does not suffer from the same risks of mistranslation.

Appendix 2 to the Comment Letter: Comments by Paragraph

77. The first sentence of this paragraph refers to a situation that is dealt with in the requirements of paragraph 42 and 43 in ISAE 3000 (Revised). The paragraph should refer to these paragraphs so that readers recognize which specific requirements apply in this case.
81. In line with our response to Question 2 on the use of the definition of relevance rather than the term, the words “assists decision-making by the intended users” in the second-last sentence can be replaced with “is relevant”.
94. In line with our response to Question 2 on the use of verbs, the use of the verb “evaluating” in (b) based on the meaning of “evaluate” in the IAASB Glossary of Terms signifies a level of work effort that may not be appropriate in every case. This applies even if this paragraph is only guidance, because if the guidance is applied, then the verb “evaluating” applies. The verb should therefore be replaced with “considering”, which means “to apply one’s mind” under the clarity conventions.
96. In line with our response to Question 2 on the confusion between the meaning of relevance and reliability in ISAE 3000 (Revised), we note that the last sentence refers to the need for supporting information about the nature and extent of an uncertainty for the related criteria to be relevant, when in fact such information, when needed, is covered under the description of “reliability” in ISAE 3000 (Revised). The sentence needs to be amended accordingly. The example after this paragraph also confuses sampling (which involves representative selection) and selecting specific items, such as to cover a percentage of total customers. Furthermore, the example addresses sampling in relation to the precision achieved, but not the confidence level obtained. These matters ought to be ameliorated.
97. In line with our response to Question 2 on the appropriate use of the terms for the qualitative characteristics of suitable criteria, the word “suitable” at the beginning of the first sentence should be replaced with “relevant”, as the rest of the sentence just repeats the meaning of “relevant”. The next two sentences are circular and redundant and ought to be deleted. In the next sentence, the word “necessarily” needs to be inserted in between the words “not” and “binary” because sometimes the relevance of a criterion is binary; in consequence, the word “sometimes” ought to be inserted in between the words “may” and “be” in the sentence thereafter.

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98. In the first sentence of the example following this paragraph, in line with our response to Question 2 on the use of the definition of relevance rather than the term, the words “assist decision making by intended users” should be replaced by “be relevant”. The same applies to the first sentence of the following paragraph within the example (with the addition of “to” after “relevant”).
101. Since comparability is an aspect of relevance, in the first sentence the words “more relevant and comparable across entities” should be replaced with “comparable across entities and therefore more relevant”. The phrase within the parentheses in the next sentence “that are also reliable” should be replaced with “that satisfy the other characteristics of suitable criteria”, since all other characteristics must be satisfied and there is no point to singling out reliability in this case.
106. The statement that reliable criteria may need to be based on strong definitions with little or no ambiguity needs to be augmented by the words “or additional criteria that reduce such ambiguity”, since ambiguous criteria can always be supplemented by additional criteria.
107. The first sentence inappropriately suggests that if the criteria are reliable, sufficient appropriate evidence can be obtained, which means that the subject matter information is capable of being subjected to an assurance engagement. Reliable criteria are a necessary – but not sufficient – condition – for obtaining sufficient appropriate evidence (the criteria need to fulfill the other characteristics of suitable criteria too). Hence the first sentence needs to be changed accordingly.
110. In line with our response to Question 2 on the use of verbs, the use of the verb “evaluating” should be replaced by “determining”, since under ISAE 3000 (Revised) the practitioner is required to “determine” the suitability of criteria.
111. We found the guidance in this paragraph and paragraph 112 to be somewhat helpful, but rather vague and unstructured. If the IAASB wishes to augment this guidance, it may be able to draw upon the work done in the FEE Paper “Principles of Assurance” from 2003 (see pp. 188 to 190 and p. 199), which explains how the understandability of information is a function of the factors determining the user profile and factors determining the information profile. A discussion of the user profile and the information profile and their factors would provide the guidance with more structure and make this section much clearer.

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114. The example after this paragraph suffers from a number of the issues with terminology that we address in our response to Question 2, and a few other issues. In particular:
- The second sentence refers to “a natural resource, that assists intended users’ decision-making”. First, it is information about a natural resource or intake thereof that assists users’ decision-making, not the natural resource or intake thereof itself. Second, “assists users’ decision-making” is the description of relevance. Hence this sentence should be changed to read “a natural resource, information about which is relevant”.
 - In both the third sub-bullet of the first bullet, as well as in the second bullet, “assist intended users’ decision-making” should be replaced with “be relevant”.
 - In relation to the third bullet:
 - The meaning of the first sub-bullet is unclear
 - The second sub-bullet relates to completeness, not reliability, which is the topic of the third bullet
 - The fourth sub-bullet deals with the unit of measure and the issue of comparability, both of which relate to relevance, not reliability, which is the topic of the third bullet.
115. It is correct that established criteria are presumed to be suitable under ISAE 3000 (Revised), but clarification is needed that this is true only when used for their intended purpose.
117. The example after this paragraph asserts that changes to criteria may still be understandable and reliable under certain conditions. However, limiting this to understandability and reliability is inappropriate: the sentence needs to be rephrased that the criteria may still be suitable (which covers all of the characteristics, including relevance, completeness, and neutrality).
119. This paragraph introduces a new concept “transparency of the criteria”, that is not necessary: the paragraph should stick to the concept of “availability” as set forth in ISAE 3000 (Revised).
124. In this paragraph and in paragraphs 126, 128, 129 130 (and the diagram and heading thereafter), and 131 speak of the practitioner “reviewing” the “judgments” or “materiality process” or something related to it. The verb “review” in the context of those verbs used to describe work effort in ISAE 3000 (Revised) is inappropriate because it relates neither to a review under ISAE 2400 or 2410 nor to a review procedure in the sense of

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ISA 220. We suggest that, in line the usage in these circumstances in ISAE 3000 (Revised), the verb “consider” be used instead.

127. Both the first and second sentence relate to extending and developing the criteria further to only relevance and completeness, even though sometimes criteria may need to be extended to improve reliability, neutrality or understandability. We suggest that reference to “as they may lack relevance and completeness” be deleted from the first sentence and “exhibit the characteristic of relevance” be replaced with “are suitable”. In the first sentence the phrases “assist the decision-making of intended users” should be replaced with “relevant” and in the second sentence the phrase beginning with “and the resulting” can be deleted without any loss of meaning. In the example thereafter “assist intended users’ decision making” should be replaced with “be relevant” in the first case and “is relevant” in the second.
145. The heading speaks of “reviewing” the selection of topics: in line with our previous comments, this should be changed to “consider”.
177. In line with our response to Question 2 on the appropriate use of terminology relating to the characteristics of suitable criteria, we disagree with the allocation of some of the categories of assertions to related characteristics of suitable criteria: accuracy and freedom from error are issues related to relevance – not reliability as “defined” by ISAE 3000 (Revised). Furthermore, cutoff relates to both relevance and completeness, as do existence and occurrence.
197. The third sentence refers to both “neutral and free from bias”, which is redundant: one of the two needs to be deleted.
211. In the last sentence, in line with ISAE 3400, reference needs to be made to whether the subject matter information has been properly prepared “on the basis of those assumptions and presented in accordance with the applicable criteria”.
213. In line with the usage of the concept of materiality in ISAE 3000 (Revised), the words “for material topics and related elements” need to be deleted, since materiality is connected to the consideration of the misstatements – not to the topics and related elements and their “materiality”.
219. The use of the word “error” in (e) is not appropriate in this case in in paragraph 220 because neither item is an error; the former should be changed to “deviation” and the latter to “misstatement”.