

June 21, 2019

Mr. Arnold Schilder,
Chairman
International Audit and Assurance Standards Board
529 Fifth Avenue
New York, NY 10017

Submitted via the [IAASB website](#)

Re: IAASB Consultation Paper, [Extended External Reporting \(EER\) Assurance](#)

Dear Arnold,

The International Federation of Accountants (IFAC) Professional Accountants in Business (PAIB) Committee values the opportunity to comment on the International Audit and Assurance Standards Board (IAASB)'s Consultation Paper on Extended External Reporting (EER) Assurance. This response reflects the views of the PAIB Committee and those professional accountants who provide business information for internal and external purposes.

Financial capital (shareholders' funds) represents only a small proportion of enterprise market values and therefore non-financial information is as important as financial in understanding and communicating value. Consequently, the relevance of professional accountants in business very much depends on them accounting for the business beyond the financials, and for practitioners it is just as important to provide pre-assurance and assurance engagements to deliver confidence in wider information.

IFAC supports multi-capital reporting (in particular integrated reporting) that produces information on which assurance conclusions can be expressed, in accordance with high-quality international assurance standards¹. The PAIB Committee therefore welcomes the IAASB's efforts to enhance trust in assurance reports over EER through the development of non-authoritative guidance to enable more consistent and appropriate application of ISAE 3000 (Revised) to EER.

There is a common perception that EER reports are often unbalanced², with a greater emphasis on more positive results. While assurance alone does not fully address this issue, an appropriate level of assurance on decision useful financial and non-financial information does provide greater confidence to investors and others that reports are fair and balanced. It can also assist organizations in developing their systems and processes for collecting and reporting non-financial information. We therefore believe that

¹ As set out in IFAC's Policy Position Paper #8, [Enhanced Organizational Reporting: Integrated Reporting Key](#)

² For example, ACCA study of 48 corporate reports highlights perceived lack of balance as a 'chief issue', [Insights into integrated reporting 3.0: The drive for authenticity](#)



assurance is crucial in supporting high-quality organizational reporting and that strengthening EER assurance practices is of significant importance.

General comments

Understanding the preparer's role in supporting EER assurance

The draft guidance includes some detail about the preparer's role in relation to an assurance engagement, which is for the benefit of practitioners in understanding the nature of the preparer's role.

However, we believe it is important that practitioners *and* preparers have a mutual understanding of their respective roles and responsibilities in relation to EER assurance. There is information in both the draft guidance and the accompanying material in the 'Contextual Information', and 'Credibility and Trust Model' that may be of relevance and interest to preparers of EER reports. Although the 'Contextual Information' states that much of the material relates to the role of a preparer of EER reports, we do not believe it serves the purpose of helping such preparers fully understand their role.

The PAIB Committee is of the view that professional accountants in business play a crucial role in capturing broader aspects of value creation by advancing integrated thinking and reporting in their organizations, which includes establishing strong governance and robust processes, systems and controls over wider information collection systems for non-financial data. This contributes to an effective assurance engagement by ensuring that non-financial information can be assured.

It would be helpful if supplementary material to the draft guidance was available specifically for professional accountants in business, in order to help them understand their role in supporting EER assurance.

Challenges of framework-neutral guidance

There are increasing calls in the market from investors, businesses and other stakeholders with an interest in EER for harmonization of non-financial reporting frameworks, metrics, standards and other requirements. And while many initiatives have been established to seek alignment (such as the [Corporate Reporting Dialogue](#) and the [Embankment Project for Inclusive Capitalism](#)), the reality of the current corporate reporting landscape is that it remains complex, fragmented and inconsistent, which challenges the development of EER assurance. While EER is still a developing field, we support the current approach to enable more consistent and appropriate application of existing assurance standard ISAE 3000 (Revised) to EER.

However, given that EER is such a broad topic, producing non-authoritative guidance that is 'framework-neutral' may not fully address the challenges practitioners have in applying the standard to a report prepared under a specific framework or requirement. 'Framework-neutral' guidance also seems to lead to longer and more generic guidance that might not be perceived as useful as framework-specific guidance.

We believe that further application guidance using case studies and more practical examples of how to apply ISAE 3000 (Revised) to specific frameworks and requirements will be needed. As set out in our [response to the IAASB's previous consultation 'Supporting Credibility and Trust in Emerging Forms of](#)



[External Reporting](#)', IFAC's focus is primarily on integrated reporting as an umbrella Framework. To remain relevant in the future, we believe that the accountancy profession in all its forms has to embrace integrated reporting by reporting on the business in its entirety and needs to build trust and confidence in this reporting. We therefore think it is important that the guidance references the International Integrated Reporting Framework and addresses assurance in the context of this framework. Practices around integrated reporting assurance are emerging. For example, the auditors of ABN AMRO perform a limited assurance engagement on the [ABN AMRO Annual Integrated Review](#).

Another example of a framework specific approach is the [Future-Fit Business Benchmark](#) initiative, which includes a section within its [implementation guidance](#) on how to apply ISAE 3000 (Revised), as well as sections on assurance in [action guides](#) on each of the initiative's goals.

Repetition between the standard and the draft guidance

There are some sections, for example in chapter 3, where the guidance heavily repeats material already in the requirements and application material of ISAE 3000 (Revised).

The draft guidance is already very lengthy with half of it yet to be drafted. We believe that it should focus more on examples and should minimize repetition of material already in the standard, given that a practitioner undertaking an assurance engagement is required to read the standard in full. There is risk that this guidance is read instead of, rather than in addition to, the standard.

In Appendix 1 to this letter, we have answered most of the questions in the Consultation Paper, and I hope this response is of use to the IAASB in continuing to develop its non-authoritative guidance in applying ISAE 3000 (Revised) to EER. If you require additional clarification, please do not hesitate to contact me.

Yours sincerely,

Charles Tilley

A handwritten signature in black ink that reads 'Charles Tilley' in a cursive style.

Chair

IFAC Professional Accountants in Business Committee



Appendix 1

Q1) 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?

See general comments above.

Q2) 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?

Overall the draft guidance is too conceptual, which limits its practical usefulness. The inclusion of examples is the most helpful aspect of the guidance. However, as noted in our general comments above, the draft guidance would benefit from more framework specific examples.

Q3) Do you support the proposed structure of the draft guidance? If not, how could it be better structured?

We agree with the approach taken to structure the guidance around the requirements of ISAE 3000 (Revised).

Q4) 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 agree that the guidance does not contradict or conflict with the requirements or application material of ISAE 3000 (Revised) and does not introduce any new requirements.

Q5) Do you agree with the way that the draft guidance covers matters that are not addressed in ISAE 3000 (Revised)?

It would be helpful if the guidance made it clearer where material is related directly to a requirement of the standard and where matters not under the scope of ISAE 3000 (Revised) have been included to address the 'Ten Key Challenges' previously identified.

Q6) Do you agree that the additional papers contain further helpful information and that they should be published alongside the non-authoritative guidance document?

The 'Credibility and Trust Model' provides a very useful overview of the factors enhancing the credibility of EER reports.

The 'Contextual Information' is less useful in places and offers little more value over and above what is already included in the draft guidance.

The analogy of the apple on pages 73 and 75 is not helpful. It would be better to use a realistic example in the context of an actual EER report. Paragraphs 6 and 7 are useful.