July 13, 2020

Mr. Willie Botha
Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
585 Fifth Avenue – 14th Floor
New York, NY 10017
U.S.A.

Dear Mr. Botha,

Re: The IAASB's Public Consultation on Proposed Non-Authoritative Guidance for Extended External Reporting (EER) Assurance

The Canadian Auditing and Assurance Standards Board (AASB) is pleased to provide its comments on the IAASB's Public Consultation on *Proposed Non-Authoritative Guidance for Extended External Reporting Assurance* (the guidance).

In developing our response, we considered the input provided by our Extended External Reporting Advisory Group whose responsibilities include identifying key issues in the Canadian environment related to EER. The Advisory group consists of a current AASB member and individuals who prepare and assure extended external reports. In our response, "our stakeholders" refers to this Advisory Group. Also, "we" refers to the AASB.

Our comments are set out under the following main headings:

A. [Overall Comments](#); and

B. [Request for Comments.](#)

Editorial comments on the proposed guidance have been provided directly to the IAASB staff.

We hope that these comments will be useful to the IAASB in determining the appropriate next steps relating to this key project. If you have any questions or require additional information,   please contact me at kcharbonneau@aasbcanada.ca or Johanna Field at jfield@aasbcanada.ca.

Yours very truly,

Ken Charbonneau, FCPA, FCA, ICD.D
Chair, Auditing and Assurance Standards Board (Canada)

c.c.   Canadian Auditing and Assurance Standards Board members
        Julie Corden, CPA, CA, IAASB Member
        Eric Turner, CPA, CA, IAASB Member

Contents

A. OVERALL COMMENTS

We support that the IAASB has taken on this very important project. It is timely to provide this guidance given the emerging and increasing use of EER globally. We believe this effort will advance the quality of assurance on EER information which will enhance user confidence in what is reported and promote comparability of information. We appreciate that the consultation paper includes many examples both throughout the main body of guidance and in Supplement B.

We encourage the IAASB to continue to strengthen the EER guidance in the future. We believe the IAASB needs to maintain and improve the guidance in response to new developments (such as new EER frameworks emerging or existing ones disappearing) or emerging practice areas where additional guidance is needed. This could include a commitment to conducting an implementation review of the guidance to make sure it continues to be relevant in this quickly expanding and evolving space. Such an implementation review could consider how the EER guidance is being used, including whether the current structure and format is appropriate.

We also believe there is an opportunity for the IAASB to use this guidance as a tool to inform users and preparers of EER information that practitioners are able to meet their assurance needs on extended external reporting.

Section B of this response letter outlines our detailed comments on the guidance. We have three overarching concerns that are summarized here.

Overall length and language used

Guidance should use everyday business language or plain language to make it easy to understand and use. We suggest the IAASB should consider simplifying the guidance to eliminate long complicated sentences using complex language. The use of the term Chapter to label each section could be contributing to the sense that the guidance is theoretical (i.e., a textbook). The use of Chapters also implies that the guidance needs to be read in a linear fashion as a complete package rather than being available as a reference source, for individual topics. The IAASB could consider renaming the Chapters as Sections.

In some cases we found that the guidance was theoretical or conceptual and did not provide enough practical guidance. We include examples of opportunities to address some practical concerns noted by Canadian stakeholders in our responses on Chapters 4, 8, 10, 11, and 12.

Order and flow of the guidance

We found the ordering of Chapters did not follow the flow of an engagement as was suggested in the explanatory memorandum. The section that caused the most confusion on placement was Chapter 6. Decisions about the suitability of criteria (Chapter 4) are in

practice made after the preparer has decided on the topics which it will report, or whether entity developed criteria are needed to create subject matter information for the reported topics (Chapter 6). Therefore, we believe Chapter 6 should appear before Chapter 4. Regarding Chapters 11 and 12 we believe it is helpful to keep the information on qualitative and future oriented information together in stand alone chapters, with references to other chapters as appropriate. However, Chapters 11 and 12 should come before Chapter 10 on the Assurance Report, as preparing the report is the last step in the engagement.

Chapters 6 & 7: Revisit content or need for separate chapter

Chapters 6 and 7 are the areas of the guidance where we have the most concerns, for the following reasons:

- We believe a careful review should be performed of the use of 'EER report' and 'EER information' throughout the guidance to ensure that when 'EER Report' is used it is only used in the context of an entity issuing a whole report or statement. We support using both terms 'EER report' and 'EER information' but not interchangeably.

- The scope of Chapter 6 is not explicit. It would be helpful to the users of this guidance to understand the circumstances that are presumed in the guidance that is included in Chapter 6.

- Criteria is a term defined in ISAE 3000 and well understood and used by practitioners today. Chapter 6, and other areas of the guidance, use this term in a different context which will create significant confusion. We suggest removing the term "criteria" when referring to identifying reporting topics throughout the guidance and referring instead to "the entities process to identify reporting topics".

- The concept of assertions is not addressed by ISAE 3000 and the content in Chapter 7 is more aligned to background material of a conceptual and theoretical nature. Accordingly, we believe Chapter 7 would be better placed in Supplement A, outside the main guidance.

Details of these concerns are included in section B below.

B. REQUEST FOR COMMENTS

Introduction

Q1. Does the draft Guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft Guidance? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

We generally support the content of the Introduction. We support Diagram 1 and believe it provides an appropriate overview and gateway into the guidance.

Nature of EER and Meaning of 'EER Information' and 'EER Report'

Paragraph 6 explains EER information goes beyond financial information typically included in financial statements, and paragraph 7 explains that EER may be presented as a section in an annual report. While we agree that EER information may be included in an annual report, or a separate report, the guidance should clarify what standards apply in the following circumstance:

- **Audit or review of historical financial information that is required by an EER framework, standard or regulation and issued in a separate EER report.** For example, an EER framework may include dollars spent on community investment. The guidance should clarify whether ISAE 3000 applies for auditing historical financial information included as EER information in an EER report, or whether ISA 805 applies, or both.

Our stakeholders noted operational information is common EER information because it is needed by entities for their operations, even if it is not required by an EER framework, standard or regulation. An example is water used during the period and this information may be presented as part of the entity's annual report as defined under ISA 720 or in a separate EER report. The guidance should clarify that an entity's operational information may be considered EER information, regardless of whether that operational information is part of a framework, standard or regulation. We note that if "Operational information" is added as a Subject in Table 1 of Appendix 2, the column "Example of available reporting frameworks or standards" would likely be blank, which would help reinforce that not all EER information has to be based on a framework.

Table 1 provides examples of assurance engagements on different types of underlying subject matters and whether the guidance is applicable or not. It should be referenced earlier in the guidance. We suggest it be moved from paragraph 15 up to this section of the guidance or the scope section of the Introduction.

Paragraph 7 defines EER report in the following statement:
"In this document, reference to an 'EER report' means EER information presented as one or more such section(s), report(s) or statement(s)."

We believe using the term 'EER report' in this way may be too constrictive as readers may assume the guidance only includes information contained in stand-alone reporting. This especially becomes an issue in later chapters, for instance Chapter 3 paragraph 85 which says "The preparer may propose a perimeter of the subject matter information which may be an entire EER report or only part(s) of an EER report in different circumstances." It also made it difficult to see in later chapters when parts of the guidance were relevant to differently scoped engagements (e.g., assurance on specific key performance indicators, assurance on sections of an EER report, or assurance on an entire EER report). Clarity on the terminology used could help address this challenge. We suggest the sentence noted in paragraph 7 above be removed and that a careful

review be performed of all instances of the use of 'EER report' and 'EER information' throughout the guidance to ensure that when 'EER Report' is used it is only used in the context of an entity issuing a whole report or statement such as a sustainability report, a corporate social responsibility statement, a public sector performance report, a value for money report, or a greenhouse gas statement.

Circumstances Commonly Encountered in Relation to EER Assurance Engagements

We agree with the statement in Paragraph 9 that there may be greater opportunity for management bias in the selection or development of criteria due to the wide range of frameworks available and the fact that the entity may develop its own criteria. We suggest adding a sentence to this paragraph that it is important the practitioner exercises professional skepticism in these engagements as management may be biased to choose a framework or certain criteria that shows the entity in a more favourable light.

Q2. Is the draft Guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements? If not, where and how should it be improved to better serve the public interest in EER assurance engagements?

As suggested in paragraphs 24 and 25 of the Explanatory Memorandum, we support the hyperlinking of the guidance to the supplements and that Diagram 1 in the Introduction be linked to the Chapters within the guidance. This will enhance the ease of use of the document.

We partially support the suggestion in paragraph 18 of the Explanatory Memorandum to structure the guidance into three parts:

- Part A - Behavioral attributes (Chapters 1 and 2)
- Part B - Process of an EER engagement (Chapters 3 to 10)
- Part C - Specific considerations (Chapters 11 and 12)

This would help the reader to identify the relevant section for guidance related to their specific circumstance versus needing to consider the whole document. As noted in our response to Question 2 in Chapters 11 and 12, we suggest that Chapters 11 and 12 should appear before Chapter 10. Therefore, we suggest that Part B be renamed "work effort in an EER engagement", and a Part D named "Assurance Report on an EER engagement" be added for Chapter 10 (moved after Chapters 11 and 12).

The use of Chapters also implies that the guidance needs to be read in a linear fashion as a complete package rather than being available as a reference source, for individual topics. The IAASB could consider renaming the Chapters as Sections.

Chapter 1 – Applying Appropriate Competence and Capabilities

Q1. Does the draft Guidance adequately address the challenges for practitioners? If not, where and how should it be improved?

Overall, we believe that Chapter 1 connects well to ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and provides some useful examples that contrast assurance competence with subject matter competence.

Assignment of the Team with Appropriate Assurance Competence and Subject Matter Competence

Paragraph 26 uses the terms 'practitioner' and 'assurance practitioner'. Assurance practitioner(s) is used twenty-one times in the guidance but "practitioner(s)" is used over five hundred times. It was not clear why assurance practitioner is used in the guidance or whether it should have a specific definition. Paragraph 28 describes skills and techniques demonstrated by an assurance practitioner so perhaps the only difference in the terms is to show how assurance competence may be different than subject mater competence. If so, we believe this should be explicitly stated.

Paragraph 28 of the guidance explains assurance skills and techniques and lists out what seems to be intended as a complete list of skills. Some of the items listed in this paragraph are in paragraph A9 of ISAE 3000 but not all items in A9 are included in paragraph 28, such as planning (risk identification), applying procedures as appropriate to the engagement, documentation and assurance report-writing. We believe the list in the guidance should include all the skills listed in paragraph A9 or a reference should be made to the standard to say, "a list of assurance skills and techniques can be found in S.A9".

Paragraph 29 makes a statement that "all assurance practitioners are likely to need some level of competence in both [assurance competence and subject matter expertise] …" We believe this is too strong a statement as while this statement may be true for the partner or engagement lead, it will not be true for all engagement team members. We suggest softening this statement by removing the word "all" and changing "are likely" to "may." This paragraph is also missing any reference to industry or sector knowledge as an important factor in assigning members to the engagement team.

Paragraph 31 states the extent to which the work of experts is used is a matter of professional judgement for the <u>practitioner</u>. We believe this paragraph should instead refer to the <u>engagement partner's</u> professional judgment. This is consistent with paragraph 32(b) of ISAE 3000, which requires that the engagement partner be satisfied that the practitioner will be able to be involved in the work of a practitioner's expert where the work of that expert is to be used. We also believe there are other factors the

practitioner should take into account to decide on the extent to which the work of experts is used in EER assurance engagements that should be added to this paragraph including:

- The degree of judgment involved in identifying the reporting topics for inclusion in the entity's report on EER information, and

- The degree of complexity in agreeing to the perimeter of the subject matter information and its implications on engagement acceptance.

We note that the above two examples expand the concept of using an expert's "work" (i.e. an audit evidence concept), to using an expert for assistance in other aspects of the engagement, such as identifying subject matter or engagement scope. Our stakeholders indicated that this is an important use of experts on EER engagements and the EER guidance should include specific reference to experts being used for this purpose. This communicates the importance of using experts at this stage of the engagement as well as not implying that experts should only be used for evidence purposes.

Paragraph 33 is general guidance on integrating the collective competence of the assurance practitioner and the practitioner's expert. There is nothing in this paragraph that is specific to an EER engagement. We suggest either deleting this paragraph or adding a sentence to indicate why this is particularly important in EER assurance engagements.

Competence and Responsibilities of the Engagement Partner

There is useful guidance available in paragraphs A126 – A135 of ISAE 3000 in applying the requirements relating to the work performed by a practitioner's expert. However, with the breadth of what is being reported under some of the frameworks appearing today, for example, under the Responsible Gold Mining Principles, engagement partners will need to use a practitioner's expert often. We believe some of the guidance that is in A126 – A135 of the standard could be elaborated in paragraphs 36-38 (or in Chapter 8 on Obtaining Evidence) of the guidance. At a minimum the considerations in A134 on evaluating the adequacy of the practitioner's expert's work are worth repeating. In addition, paragraph 37 repeats some of what is in ISAE 3000 paragraph 33 but not all the requirement (items a-c are missing), with no additional context for EER engagements. If there is nothing the IAASB wishes to highlight in addition to the requirement in the standard, we suggest removing this content.

Direction, supervision and review

We support Diagrams 2 and 3 in the guidance. The text explains the concepts well and these diagrams provide a useful color coding to assist in focusing the reader on areas that may need more attention.

Other Quality Control Considerations

The guidance on quality control considerations is limited to paragraphs 42 to 45. It can be very challenging to create policies and procedures around engagements performed under ISAE 3000 because they are so diverse. We suggest adding some considerations specific to EER assurance engagements that practitioners may need to think about in setting up quality control policies and procedures.

Q2. Is the draft Guidance structured in a way that is easy for practitioners to understand and use? If not, where and how should it be improved?

We have no comments on this question.

Chapter 2 – Exercising Professional Skepticism and Professional Judgment

Q1. Does the draft Guidance adequately address the challenges for practitioners? If not, where and how should it be improved?

We support Diagram 4 as it provides thought provoking factors regarding supports and impediments to professional skepticism.

However, paragraphs 57 - 59 describing external pressures and internal impediments do not include guidance that is specific to an EER assurance engagement. The guidance in these paragraphs could be applied to any assurance engagement. We suggest these paragraphs provide some pressures and impediments specific to EER or they be removed.

Q2. Is the draft Guidance structured in a way that is easy for practitioners to understand and use? If not, where and how should it be improved?

We believe the box below paragraph 51 titled "The Meaning of 'Engagement Circumstances'" seems out of place and that it would fit better following paragraph 16 as that is the first reference in the Guidance to 'Engagement Circumstance'.

Regarding the symbols for professional skepticism and professional judgment used throughout the document and introduced in paragraph 61, our outreach indicated the use of the symbols was an innovative way to improve the density of the guidance. However, some questioned why the symbols were not used every time professional skepticism or professional judgement were mentioned, and that this could be a risk to readers who may think when the symbol is not beside the text, professional judgement or skepticism does not need to be applied. For instance, we counted the number of times the symbols were used throughout the guidance and professional skepticism is used only three times in the main body of the guidance while professional judgement is used seventeen times in a total of 446 paragraphs. Including the symbols in only these paragraphs is understating when professional skepticism and professional judgement should be used. We suggest using the symbols throughout the guidance when each

term is mentioned.

Chapter 3 – Determining Preconditions and Agreeing the Scope of the EER Assurance Engagement

Q1. Does the draft Guidance adequately address the challenges for practitioners? If not, where and how should it be improved?

Determining whether the preconditions are present in an EER assurance engagement

While we believe the section of the standard on determining whether the preconditions are present needs a visual to assist practitioners in reading this guidance, we do not support diagram 5 under paragraph 69. The number of concepts covered is too many for it to be useful. Readers found the grey pentagons, the number of arrows used, and the references in boxes overlaying the blue shape describing engagement circumstances to be confusing. We suggest refocusing the diagram by using the requirements for preconditions as a starting point.

We believe it is important to highlight in the acceptance and continuance section that there will be some consideration needed for using a practitioner's expert. Although it is implicit under "J. (c) Do those who are to perform the engagement collectively have the appropriate competence and capabilities to do so?", we believe a more explicit statement on considering the need for an expert would be helpful. We suggest adding ", including when using a practitioner's expert" to the end of the sentence.

We also suggest adding a paragraph providing guidance for the practitioner to step back and consider whether all the requirements relating to engagement acceptance have been met. This may be particularly relevant when only a portion of an established framework will be reported on.

Considering whether the engagement has a rational purpose

We believe the application material in paragraph A56 of ISAE 3000 is useful for practitioners in determining whether the engagement has a rational purpose. However, items (c), (f), and (g) listed in the box under paragraph 72 in the guidance go beyond that guidance. Including a list that is more detailed than what is in the application material may be read as the checklist the practitioner needs to complete in determining whether the engagement has a rational purpose. The requirement in paragraph 24(b)(vi) already points specifically to the practitioner expecting to be able to obtain a meaningful level of assurance. We suggest removing items (c), (f), and (g) from the list in the box.

Missing from the considerations on whether the engagement has a rational purpose is that often with these engagements it is not possible to narrow the users to one group or even one purpose. There could be many users with conflicting objectives. The

practitioner must determine whether there are multiple rational purposes, or they must consider whether there is one purpose that serves multiple users. We suggest adding this consideration to paragraph 72 or adding a cross reference to paragraphs 232 – 238 in Chapter 6.

Considering whether the criteria are suitable

Paragraphs 80 and 81 of the guidance raise a fundamental definitional issue of the term "criteria". Criteria are defined in paragraph 12(c) of ISAE 3000, as the benchmarks used to measure or evaluate the underlying subject matter. The term "criteria" in paragraphs 80-81 of Chapter 3 refers both to identification of reporting topics in an EER report as well as to measurement or evaluation of specific underlying subject matter.

Chapter 6 (referenced at end of paragraph 81) discusses "criteria" for the identification and selection of topics to be included in an EER report. Some EER frameworks (e.g. Global Reporting Initiative standards) give direction as to what topics should be included in an EER report, as well as directions ("criteria") for the measurement or evaluation of underlying subject matter to be covered within an EER report, resulting in the reported subject matter information. Some EER frameworks give broad direction as to topics and less direction, if any, about preparing subject matter information from the underlying subject matter.

Clarification of the meaning of "criteria" as used in the guidance will be helpful not only to ensure that Chapter 3 is clear and practical, but also Chapters 4 and 6. For example, paragraph 214 in Chapter 6, discusses both the use of "criteria" for identification of reporting topics, and the use of "criteria" to develop subject matter information.

Considering a proposed perimeter of the subject matter information that varies cyclically from period to period (a 'rolling program')

The distinction between, and description of, the boundaries of subject matter information that varies (rolling, cyclical, rotational) is not clear. We believe it is confusing to use both cyclical and rolling if they are describing the same situation. We suggest that only one term be used to describe each item in this section. For example, paragraphs 96 and 97 could be edited as follows:

96. A rolling program of the subject matter information means there will be a cyclical variation in the perimeter of the subject matter information of a proposed recurring assurance engagement from period to period. This raises questions related to determining the scope of the assurance engagement and assessing the preconditions for assurance.

97. When the preparer proposes ~~such an EER~~ a rolling program assurance engagement, the practitioner may need to understand the reasons and consider whether those reasons are appropriate in the context of the preconditions for acceptance, taking into account the assurance needs of the intended users.

We also note the EER guidance should include examples of specific situations where the practitioner would need to consider the relevant ethical requirements. A practitioner accepting an EER assurance engagement that includes an expanding or rolling program of reporting is one example where the considerations of the relevant ethical requirements could be highlighted, especially since the guidance references "misleading" in paragraph 97 but does not specifically refer to the IESBA code.

Initial engagements

Paragraphs 106 through to 116 provide useful guidance on performing initial advisory engagements. However, these engagements would not need to be performed under ISAE 3000 therefore we suggest that an explicit statement be added to this effect.

Q2. Is the draft Guidance structured in a way that is easy for practitioners to understand and use? If not, where and how should it be improved?

We find the lines that break up the table on pages 75 and 76 confusing (between sections C & D and G & H) because all items in the table are considerations for practitioners. The lines give the impression the different sections mean something different.

Also, we suggest that paragraphs 102-105, and perhaps 106-116 regarding work effort in determining whether the preconditions are present be moved forward and placed after paragraph 83 because the "Work Effort in Determining Whether the Preconditions are Present (see G.102-105)" is referred to in paragraph 83.

Chapter 4 – Determining the Suitability and Availability of Criteria

Q1. Does the draft Guidance adequately address the challenges for practitioners? If not, where and how should it be improved?

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

Further to our comments in response to question 1 on Chapter 3 on the definition of "criteria", Chapter 4 should focus only on the suitability of criteria as expressed in paragraph 124 and the first sentence of paragraph 132. Paragraphs 125, 128 and 130 confuse this by mentioning criteria for identifying reporting topics, as covered in Chapter 6. We suggest that the term criteria not be used in the context of identifying reporting topics.

Qualitative characteristics of EER information required by an EER Framework

The box in the top left corner in Diagram 6 should refer to "availability of criteria expected to be applied" as in the acceptance stage the criteria may not have been fully finalized. Similarly, in the first box in the top row under planning, the reference to

"expected to be applied" should be removed as in paragraph 41 of ISAE 3000, which is referenced in the box, the practitioner must determine whether the criteria are suitable. They are no longer "expected to be applied" at that stage.

The last two blue boxes in Diagram 6 reference criteria being made available "in a suitable manner". This phrase is not in ISAE 3000 and there is no reference to the standard in the top right blue box. If this is referring to what is in paragraph A51-A52 of ISAE 3000 this should be made clearer. We suggest adding a reference to "S.A51-A52" in Diagram 6.

Also, we believe paragraphs 136-138 should be clarified in what they discuss about qualitative characteristics of information / disclosures called for in an EER framework. We believe these paragraphs are addressing situations when the framework uses different qualitative criteria than the five characteristics listed in the standard in paragraph 24(b)(ii). In these situations, the practitioner would either map the additional specific characteristic back to one of the five listed in the standard or note them as an additional characteristic from the five listed in the standard. It should be clear the practitioner cannot substitute any of the five characteristics of suitable criteria with the criteria specified in the framework. We suggest the descriptions in paragraphs 136–138 could be improved to explain this using plainer language.

Characteristics of suitable criteria - Relevance

We support the example following paragraph 143. It does raise a practical challenge that when the practitioner accepts the engagement, the preparer's report typically is not yet prepared, so it is hard for the practitioner to know if the criteria are well enough developed. Gaps in the suitability of criteria are often filled by asking the preparer to disclose more in the report. It is often taken in good faith that the preparer will agree to the additional disclosure in the report. We suggest this could be useful to acknowledge in this section of the guidance.

Characteristics of suitable criteria - Completeness

We believe there is a gap in paragraphs 149 to 151 in that they do not discuss whether the subject matter information is complete when it includes only part of a report or is rolling or cyclical. This section of the guidance should articulate that completeness is in relation to what is within the agreed upon boundary for assurance. It could use the example of an entity that reports on greenhouse gas emissions scope 1 (sources owned or controlled) and scope 2 (sources purchased by the entity) in the first year and then in year 2 brings in scope 3 (sources not owned or directly controlled) into the report. The subject matter information changes over time and therefore the characteristic of completeness may vary depending on the agreed upon scope of the report.

Considering Changes to Criteria Over Time

Our outreach indicated practitioners were uncomfortable with the example below paragraph 175. The description indicates the criteria initially used were not suitable because they did not result in consistent measurements. The last sentence on additional information indicated the numbers reported using the previous criteria may have been incorrect. The example should be adjusted so that it is clear the criteria the preparer used in the first year were suitable and the reports were capable of being assured, and the additional information applied in the second year improves the measurement method.

Q2. Is the draft Guidance structured in a way that is easy for practitioners to understand and use? If not, where and how should it be improved?

Paragraph 130 covers both opportunity for management bias and the practitioner's need for subject matter competence. These two concepts should be separated into two distinct paragraphs as they cover different points.

Also, if Chapter 6 is retained as a separate chapter (see our suggestions in response to the questions on Chapter 6 to move it before Chapter 4), there is an opportunity to insert a reference in paragraph 130 because it refers to the identification of reporting topics.

Chapter 5 – Considering the System of Internal Control

Q1. Does the draft Guidance adequately address the challenges for practitioners? If not, where and how should it be improved?

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

Paragraph 194 states that "the guidance in this chapter addresses the application of S.47L/R and S.42-43, but may also assist the practitioner when considering aspects of the entity's system of internal control in determining whether the preconditions are present (G.Ch3)." This paragraph appears directly above the heading "Understanding the Entity's System of Internal Control".

We are concerned that this Chapter may result in the practitioner doing too much work on understanding internal control in limited assurance engagements. Although paragraph 186 directly quotes the requirements in the standard relating to limited and reasonable assurance, the placement of paragraph 194, including the reference to limited assurance requirements, before the guidance on Understanding the Entity's System of Internal Control is problematic. This is because practitioners may erroneously believe that the guidance applies to limited assurance engagements and do more work than necessary. We suggest, as a minimum, adding to paragraph 194 that the guidance

would need to be adapted in limited assurance engagements to consider the entity's EER reporting process, or moving the content from paragraphs 211 to 213 to follow paragraph 194. Paragraphs 211 to 213 provide context on the difference between limited and reasonable assurance and they should preface the section on Understanding the Entity's System of Internal Control.

Information System and Communication

We support the information included in paragraph 200 as examples of processes or controls that the practitioner may consider when understanding the information system and communication component of internal control. However, we think these suggestions should be characterized as examples and that there could be additional considerations added as a sub-set of "(a) Processes to select or develop criteria, including the entity's process to identify reporting topics, if applicable, to be addressed in the EER report". We suggest the following items be added as bullet points under (a) or they could be placed in Examples 10 or 11 in Supplement B, or both:

- Process and/or controls for oversight of the disclosure process including reviewing for selective disclosure and disclosure of changes made to the measurement criteria of the EER information.
- Process and / or controls over qualitative EER information and its connectivity to other quantitative EER information.
- Controls over comparative information for prior periods, in that the criteria are applied consistently from period to period.

Q2. Is the draft Guidance structured in a way that is easy for practitioners to understand and use? If not, where and how should it be improved?

We have no comments on this question.

Chapter 6 – Considering the Entity's Process to Identify Reporting Topics

Q1. Does the draft Guidance adequately address the challenges for practitioners? If not, where and how should it be improved?

We recognize this Chapter was significantly modified to respond to the comments received on Phase 1 of the consultation as described in section 3.6 of the explanatory memorandum. We agree that there is a need for practitioner guidance on the entity's process to identify reporting topics. However, we have significant concerns that the scope of this Chapter is not explicit, and about certain terminology. Our concerns are as follows.

Scope of this Chapter

It would be helpful to the users of this guidance to understand the circumstances that are presumed in the guidance that is included in Chapter 6. For example, our

stakeholders believe these were the circumstances that would cause a practitioner to want to refer to this chapter:

- The practitioner has been asked to provide assurance and the preparer must establish a process to decide what to include in their reported EER information because:
    - There is no framework, standard or regulation to follow, or
    - The framework, standard or regulation does not sufficiently specify information to be reported, whether due to:
        - no clearly defined process for identifying reporting topics, or
        - the ability to report on everything defined in the framework, standard or regulation is not practicable.

Also, some stakeholders indicated they read this Chapter as a guide for preparers in choosing what to include in the reported EER information, instead of assisting the practitioner in determining whether there is alignment between what they are being asked to assure and reporting topics that the preparer considers important to meeting users' information needs. It was also confusing to see this guidance placed after Chapter 4 which discusses the suitability of criteria (measuring the underlying subject matter) because it is providing guidance on when the preparer has to identify the underlying subject matter (before it is measured).

We considered two options on how the content of this guidance could be amended to address our concerns on the scope of this Chapter:

a) Significantly amending the content of this Chapter to be clearer on the scope of the guidance in this Chapter, and the Chapter moved before Chapter 4. Decisions about suitability of criteria (in the sense defined in ISAE 3000) are in practice made after decisions have been made by the preparer on the topics on which it will report, and/or whether entity developed criteria will be called for to decide which subject matter information will be topics reported. We believe the first two sections (paragraphs 214 to 219) should be revised to be clear that the guidance in this Chapter is only relevant for the specific scenario when the practitioner has been asked to provide assurance and the preparer has to establish a process to decide what to include in their reported EER information because:

- There is no framework, standard or regulation to follow, or
- The framework, standard or regulation does not sufficiently specify information to be reported, whether due to:
    - no clearly defined process for identifying reporting topics, or
    - the ability to report on everything defined in the framework, standard or regulation is not practicable.

The amended guidance should also make a direct link to ISAE 3000 by including the concept of reporting topics being clearly identified as part of understanding and evaluating the suitability of the underlying subject matter (ISAE 3000 paragraph 24(b)(i)).

This option would fully address our concerns by making the scope explicit and moving the content earlier in the guidance, aligned with when the practitioner would need this guidance in providing assurance on EER.

b) Another option we considered was that the amended guidance be placed throughout other Chapters in the guidance where it makes sense, such as in Chapter 3, Determining Preconditions and Agreeing the Scope and/or Chapter 4 in the section on "*Entity-developed criteria and criteria selected from multiple frameworks:* Considering the entity's process to develop or select criteria".

In this option, Chapter 3 could specify that in setting the scope of the engagement the practitioner will need to consider whether it is reasonable to assure the selected subject matter information, and whether there is alignment between the subject matter information the practitioner is being asked to assure and the reporting topics expected to be chosen by the preparer. We believe under this option Chapter 6 could be removed from the Guidance.

While we considered this option as it would address the concern that the scope of the guidance is not clear because it would not be a separate stand-alone Chapter, we do not prefer this option. Incorporating some of the guidance on the entity's process to identify reporting topics into Chapters 3 and 4 would mean that guidance that is only necessary for a specific scenario is combined with other guidance that is always applicable. This could cause users of the guidance further confusion and make needed guidance harder to locate.

Our preferred solution is option (a) as it will focus related guidance in one place for an area which is often complex when there are no established frameworks.

Other areas of the guidance in Chapter 6 that we believe need clarification regardless of the option chosen to clarify the scope of the Chapter

Criteria

Criteria is a term defined in ISAE 3000 and well understood and used by practitioners today. Chapter 6, and other areas of the guidance, use this term in a different context which will create significant confusion. For example:

• Criteria is defined in ISAE 3000 paragraph 12(c) as:

"The benchmarks used to measure or evaluate the underlying subject matter. The "applicable criteria" are the criteria used for the particular engagement."

- Paragraphs 216, 218 and 219 refer to "criteria to identify reporting topics". This reads like the preparer is using one set of criteria to decide what to include in the EER information, and another set of criteria to then measure or evaluate what is included in the EER information.

- Paragraphs 220 and 221 have further examples where the terms "criteria" and "suitability" are confusing as they are used in two different contexts; one for identifying reporting topics, and another for considering the suitability for developing subject matter information (as discussed in Chapter 4).

- Paragraph 228 is an example where the guidance uses the term "considerations" to identify material reporting topics included in the EER framework.

- Paragraph 255 is about disclosure of the preparer's process to identify reporting topics but talks about the process used by the preparer to develop criteria for deciding what to include in the EER report and what to leave out.

- Earlier references in Chapter 4 of the guidance (paragraph 124) indicate that EER criteria may (a) specify how to identify, measure or evaluate, or (b) make disclosures about relevant (aspects) of underlying subject matter, to be referred to thereafter as 'reporting topics', or (c) address how to present the subject matter information in the EER report.

- Throughout other chapters in the guidance there are many different uses of the term criteria, such as: framework criteria (paragraph 8), entity developed criteria (paragraph 8), measurement or evaluation criteria (paragraph 51), applicable criteria (paragraph 126), etc.

This results in many different meanings for EER criteria.

We suggest removing the term "criteria" when referring to identifying reporting topics throughout the guidance and referring instead to "the entities process to identify reporting topics". We suggest the guidance should be reviewed to ensure this terminology is used consistently.

EER report versus EER information

As discussed in our response to question 1 on the Introduction, we believe a careful review should be performed of all instances of the use of 'EER report' and 'EER information' throughout the guidance to ensure that when 'EER Report' is used it is only used in the context of an entity issuing a whole report or statement such as a sustainability report, a corporate social responsibility statement, a public sector performance report, value for money report, or a greenhouse gas statement. We support using both terms 'EER report' and 'EER information' but not interchangeably.

Having the term 'EER report' defined in paragraph 7 of the guidance makes it difficult to determine which parts of the guidance apply when providing assurance on only

elements of the EER information and not a full EER Report.

Q2. Is the draft Guidance structured in a way that is easy for practitioners to understand and use? If not, where and how should it be improved?

We do not believe that Chapter 6 is easy for practitioners to understand and use. As indicated in our response to Chapter 6, question 1, we believe the scope is not clear and it is re-defining or misapplying well defined concepts used by practitioners today which will create significant confusion. We have made suggestions in response to question 1 on how to structure the content of this guidance, such as:

- Being more explicit on the scope of this guidance, that Chapter 6 is only relevant for a specific scenario;

- Replacing the term "criteria" with "the entities process to identify reporting topics"; and

- Performing a careful review of the use of the terms "EER report" and "EER information" throughout the guidance.

As discussed in response to question 1, if Chapter 6 is retained as a separate chapter we also believe the content, redrafted as suggested in our response to question 1, should be placed before Chapter 4. Decisions about suitability of criteria (in the sense defined in ISAE 3000) are in practice made after decisions have been made by the preparer on the topics on which it will report, or whether entity developed criteria will be called for to create subject matter information for the topics to be reported.

The concept of completeness when identifying reporting topics is included in Chapter 6 but is located at paragraph 251 and the example in paragraph 254. It appears too late in the guidance. We suggest moving it nearer to the beginning of the Chapter, for example near paragraph 219.

We also believe that if the content of Chapter 6 remains as a separate chapter (although positioned before Chapter 4 as we suggest above), only high-level introductory guidance should be left in the guidance and the detailed steps, especially paragraphs 238 onwards, should be moved to an appendix or supplement of the guidance. We believe this content should be moved out of the main guidance because paragraphs 225-250, and Diagram 9, seem to focus on sustainability reporting which is only one type of EER. It reads like an introduction to sustainability reporting for practitioners with little or no subject matter competence.

We noted that the Global Sustainability Standards Board issued an Exposure Draft of their universal standards for comment until September 9, 2020. In it they are proposing a more focused approach to identifying material topics. This approach could have relevant information that could impact the content of this Chapter.

Chapter 7 – Using Assertions

Q1. Does the draft Guidance adequately address the challenges for practitioners? If not, where and how should it be improved?

Matters Addressed by the Guidance in this Chapter

We note that the explanatory memorandum explains the IAASB responded to feedback to make the material on assertions more practical, with more examples, to use categories of assertions in other IAASB standards, and that some content on assertions was already moved into Supplement A after Phase 1 of the consultation. However, the feedback we received on this Chapter was that there was no need for a separate chapter on using assertions. "Assertions" as used in Chapter 7 is not defined in Appendix 1 *Terms Used in this Guidance*, nor is it defined in ISAE 3000. While the Chapter acknowledges that using assertions is not required by the Standard, we believe the guidance found in this Chapter would be better placed in Supplement A, outside the main guidance. This is because the use of assertions is not required by ISAE 3000 and the content in Chapter 7 is more aligned to background material of a conceptual and theoretical nature.

The use of assertions could be briefly mentioned in Chapter 8 or Chapter 11 as an aspect of the practitioner's decisions about obtaining evidence. The guidance should focus on how to apply assertions to qualitative information as applying them to quantitative information already has standards and guidance available within the suite of ISAs.

If Chapter 7 is retained as a separate chapter, then we believe paragraph 257 needs to be clearer on how assertions apply to help the practitioner identify potential misstatements. The purpose of the suggestion of "categorizing all the potential misstatements into types" at the end of the paragraph is not clear. If this is intended as a form of aggregation of misstatements, then it should be described as such. Also, more is needed in the guidance on types of misstatements. The guidance could suggest the practitioner should consider the cause of the problems or misstatements and include examples of types of misstatements, such as: human error, process flaws, management bias, or fraud.

Considering types of potential misstatements in designing procedures

We found the reference "A & B" to the right of Table 2 confusing. We did not understand what the A & B represented. We believe that Table 2 and the description underneath in paragraphs 264 and 265 could be simplified in that the references to "A & B" to the right of the Table are not needed. Paragraph 264 and 265 could be combined into one paragraph and simplified as all the example sentences have the same lead-in text.

Types of potential misstatement

Paragraph 268 does not address misstatements that could arise out of misuse of the criteria. For example, inappropriately changing the measurement basis or evaluation method. We believe this should be added to paragraph 268.

Q2. Is the draft Guidance structured in a way that is easy for practitioners to understand and use? If not, where and how should it be improved?

See our response to question 1 above. We believe the guidance in this Chapter would be better placed in Supplement A, with a brief mention of how to apply assertions to qualitative information in Chapter 8 or Chapter 11.

Chapter 8 – Obtaining Evidence

Q1. Does the draft Guidance adequately address the challenges for practitioners? If not, where and how should it be improved?

Matters Addressed by the Guidance in this Chapter

Although the Chapter discusses that the nature of evidence varies, it does not specifically discuss the nature of procedures. Of course, the procedures vary in nature, timing and extent between reasonable assurance and limited assurance, and between engagements over historical financial information and non-financial information. In the practitioner's report on these engagements, the difference between limited assurance and reasonable assurance is the nature, timing and extent of the procedures that were performed. The guidance in paragraphs 277 – 280 currently combines limited and reasonable assurance and this could cause confusion for users of the guidance. We suggest the paragraphs should be clear when the guidance shifts from limited to reasonable assurance.

On the considerations provided in the table under paragraph 284, we see these as general evidence considerations and they do not distinguish between the evidence you would need in a limited assurance engagement versus a reasonable assurance engagement. Therefore, we suggest clarifying how the practitioner would apply these considerations to a limited and reasonable assurance engagement.

We also believe there is an opportunity in this Chapter to alert practitioners to the practical challenge of work effort required when obtaining reports from external or third-party sources, including experts and specialists. Many reports from experts and external sources are used as pieces of evidence in EER engagements and the practitioner needs help understanding how much, and type of, work effort required to use those reports as evidence.

We note that Chapter 5, paragraphs 204-206, discuss external source information, with a reference to a discussion in Chapter 8. Chapter 8 does not elaborate much more on

external sources of information. We suggest the guidance be enhanced, especially given the prevalence of external source information in EER, using the content in ISA 500, *Audit Evidence*, paragraph A41 as a reference.

As noted in our response to Chapter 2, we believe the professional judgement and professional skepticism symbols should be used more frequently throughout the guidance when the terms are mentioned and not just on the examples. This is a chapter where we would expect there would be increased use of the symbols.

Addressing Aggregation Risk in an EER Assurance Engagement

We believe a paragraph should be added to this section to say aggregation risk only applies in some circumstances. For example, if assurance is only on selected indicators and there is no relationship between them (e.g.: dollars spent on training and energy use), then aggregation risk would not apply.

Q2. Is the draft Guidance structured in a way that is easy for practitioners to understand and use? If not, where and how should it be improved?

See our response to question 1 above. We believe the guidance in this Chapter should address and differentiate between the nature, timing and extent of procedures performed in a limited versus reasonable assurance engagement.

Chapter 9 – Considering the Materiality of Misstatements

Q1. Does the draft Guidance adequately address the challenges for practitioners? If not, where and how should it be improved?

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

Paragraph 302 is an important paragraph which lays the foundation for Chapters 9 and 10. We believe there is more needed in this paragraph to set an appropriate foundation, as follows:

- There should be a reference here to the discussion in Chapter 3 of the need for the practitioner to have a fulsome understanding of the intended users and their intended use of the report. This understanding is critical for the practitioner to appropriately assess the materiality of misstatements and communicate the findings effectively through the assurance report.

- We suggest the second sentence of paragraph 342 should be moved to paragraph 302 because it introduces the importance of identifying intended users when the practitioner evaluates the materiality of misstatements.

- Including some of the considerations in paragraph A56 of ISAE 3000 could also guide the practitioner's understanding of the users, and that it could influence their

assessment of the materiality of misstatements.

Diagram 10 on the practitioner's responsibilities in relation to identified misstatements is not specifically referred to in the paragraphs in this section. The context and purpose of this diagram is not clear, and we found it too simplistic. We suggest this diagram should be removed from the guidance because it may be confusing to readers, particularly as it does not talk about looking at misstatements individually and in the aggregate, while the guidance in paragraph 308 does. If the IAASB decides to keep this diagram, then we believe it should address what the impact would be on the assurance conclusion. Further, it would be important to make sure that the diagram is consistent with the related text.

Q2. Is the draft Guidance structured in a way that is easy for practitioners to understand and use? If not, where and how should it be improved?

Implications of misstatements due to fraud

We note that while this Chapter focuses on evaluating misstatements, the guidance in paragraphs 317 to 319 links to paragraph A86 of ISAE 3000 which is in the planning section of the standard. We suggest these paragraphs be moved earlier in the guidance to either Chapter 4 or the revised Chapter 6 (as we suggested would come before Chapter 4).

Chapter 10 – Preparing the Assurance Report

Q1. Does the draft Guidance adequately address the challenges for practitioners? If not, where and how should it be improved?

One of the areas our stakeholders tell us they are looking for more guidance is when an emphasis of matter paragraph is necessary. We believe there is a gap in the guidance and it should address the determination of when an emphasis of matter paragraph is appropriate (or not), how it should be positioned in the report, and provide an example.

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

The intent of paragraph 330 is not clear. We agree that the practitioner should communicate the matters listed in (a) through (h) in the assurance report. We do not believe it is practical to communicate the **implications** of these matters, as stated in the first sentence of the paragraph. We suggest the first sentence in paragraph 330 should remove the reference to implications.

We also have concerns with the language used in paragraph 331. This paragraph refers to "expectation gaps" and to "the assurance conclusion that intended users may believe is warranted". No further explanation of the expectation gap is provided, and it is not clear what warranted means in this context or what it would be based on. We believe this paragraph should be replaced with a simple statement that clear

communication in the assurance report helps the users understand the assurance conclusion.

An identification or description of the level of assurance, the subject matter information and, when appropriate, the underlying subject matter (S. 69.c)

We understand the use of the phrase "degree of confidence" throughout this Chapter refers to its use in the definition of an assurance engagement from ISAE 3000 which says the assurance conclusion is designed to enhance the degree of confidence of the intended users about the outcome. However, the practitioner is not conveying the level of confidence the intended user can have in the subject matter information but rather providing a conclusion from which the intended user may derive confidence that the subject matter information is free of material misstatement. For example, paragraph 346 refers to users understanding which parts of the EER report they are "justified in having confidence in". We don't believe the use of the term "justified" is appropriate and suggest instead this part of the sentence be replaced with "which parts of the EER report have been subject to assurance procedures and which parts have not."

S.69.i and S.69.j

Paragraphs 367 and 368 do not provide any additional guidance and only refer the reader back to the application material in the standard which is already linked to the requirement. Our preference would be to replace these two paragraphs with one paragraph that says there is no further guidance on paragraphs 69i and 69j of the standard.

An informative summary of the work performed as the basis for the practitioner's conclusion (S.69.k)

Paragraph 369 refers to infinite variations in procedures being possible. We believe it would improve this paragraph to make a statement that it would be difficult to use boilerplate or templated language in the assurance report to describe the work performed.

The practitioner's conclusion (S.69.l)

We believe there are two gaps in this section of Chapter 10:

- We believe this section should provide further guidance on when one of the three options provided in S.69.l.(iv) would be more appropriate or what the pros and cons of using each phrase are.

- It does not mention communicating deficiencies in internal control. Paragraph 373 talks about communicating matters of "good practice" or recommendations or other observations in (e) and (f) but it is not clear whether this covers

communication of deficiencies. If the guidance is updated to discuss communicating deficiencies, we suggest the IAASB should consider whether the guidance should also include information similar to the requirement in ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance*, paragraph 11, updated for the purpose of an assurance engagement performed under ISAE 3000.

Q2. Is the draft Guidance structured in a way that is easy for practitioners to understand and use? If not, where and how should it be improved?

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

Paragraphs 330 and 331 seem to emphasize the importance of clear communication in the assurance report but do not address when the Chapter applies. The guidance under this heading should be very straight forward to say this Chapter applies when writing the assurance report. It could reference the application material in paragraph A160 of ISAE 3000 that says the standard does not require a standardized format for reporting and that this guidance assists the practitioner in providing more detail on the basic elements to include in the assurance report. Paragraph 330 could then move under the heading "Communicating Effectively in the Assurance Report".

An addressee (S.69.b)

We believe the guidance in this section, specifically paragraph 342 and the example provided, seems to be linked to the incorrect requirement in the standard. Paragraph 342 seems aligned with paragraph A168 of the standard that says:

"In addition to the alert required by paragraph C69(f), the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the engagement circumstances, for example, the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the assurance report. While an assurance report may be restricted in this way, the absence of a restriction regarding a particular user or purpose does not itself indicate that a legal responsibility is owed by the practitioner in relation to that user or for that purpose. Whether a legal responsibility is owed will depend on the legal circumstances of each case and the relevant jurisdiction."

Therefore, the material in paragraph 342, and the second sentence in the example box below the paragraph, would be better placed as guidance to (S. 69.f) near paragraph 360 in the guidance.

We also suggest that the guidance in this paragraph should be more consistent with the text in paragraph A168 from ISAE 3000. For example, the second sentence[1] is not

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[1] The second sentence of paragraph 342 in the guidance: "However, if users are not identified, the context for the assurance conclusion being expressed in terms of 'in all material respects' is incomplete as materiality considerations take account of what could reasonably be expected to influence the decisions of intended users."

needed as the reference to "if users are not identified" is confusing. ISAE 3000 makes it clear that the intended users are one of three parties needed in an assurance engagement. Our response to question 1 on Chapter 9 suggests this second sentence of paragraph 342 may fit better in paragraph 302 of the guidance. Paragraph 342 guidance should instead focus on considerations for communicating when the applicable criteria are designed for a specific purpose, i.e., that the assurance report is intended solely for specific users.

Chapter 11 – Addressing Qualitative EER Information

Q1. Does the draft Guidance adequately address the challenges for practitioners? If not, where and how should it be improved?

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

Paragraph 381 was interpreted by some stakeholders as inferring that the level of assurance provided (limited or reasonable) is correlated to the quality of the underlying evidence because of the reference to "a reasonable basis" in the first sentence. These stakeholders were concerned that readers may misunderstand the guidance as implying that if the entity has less reliable processes and controls that it may be acceptable to provide limited assurance rather than reasonable assurance. While we do not believe this is the intention of the guidance, we suggest that this paragraph be updated to remove the reference to reasonable and that the chapter be reviewed for other language that could infer this. Further, we also recommend that the chapter refer to the guidance in paragraph A7 of ISAE 3000 that provides factors relevant to consider in what constitutes meaningful assurance and how they might apply to qualitative information. Reference to paragraph A41 of ISAE 3000 may also help clarify this point.

The Nature of Qualitative EER Information

We support the example provided in paragraph 385. It is easy to understand and helpful in illustrating factual and subjective qualitative subject matter information. We think this will help readers understand that as the subjectivity of information increases, so does the risk and challenge around providing assurance.

Specific Considerations for Determining the Suitability of Criteria for Qualitative Information

Paragraphs 389 and 390 discuss the situation when criteria are not suitable and what the impact might be on the assurance conclusion. Since the suitability of the criteria are part of the preconditions for the assurance engagement, we believe these paragraphs should point out the impact of the criteria not being suitable on acceptance and continuance.

Specific Considerations for Obtaining Evidence about Qualitative Information

There is an opportunity for the guidance in paragraph 392 to be expanded. One of the key challenges for practitioners in providing assurance on EER information is testing qualitative information and how the practitioner can use assertions to identify potential misstatements. We support the list provided in paragraph 396, but it focuses on the evaluation of misstatements versus identifying potential misstatements. We suggest adding a paragraph or some examples of the types of assertions the practitioner could use to help identify misstatements with qualitative information.

Specific Considerations for Evaluating Misstatements in Qualitative Information

In paragraph 401, the guidance presents one way of potentially aggregating misstatements. Comments provided by stakeholders indicate they approach the evaluation of misstatements by focusing on the materiality of the reporting topics to the intended users, as stated in paragraph 400. For example, health and safety might be critical to a mining company but if that company is in a water rich location, a misstatement in water scarcity would not warrant as much attention. We suggest that paragraph 401 should be better linked to paragraph 400. One way to do this would be to add to paragraph 401 that the practitioner should consider both the industry and the geographic location of the entity when evaluating misstatements.

Q2. Is the draft Guidance structured in a way that is easy for practitioners to understand and use? If not, where and how should it be improved?

Positioning of the Chapter in the Guidance

We acknowledge the explanatory memorandum explains the intent was to set out the chapters to generally follow the flow of the performance of an engagement, except for chapters 11 and 12 which were positioned at the end of the guidance as they cover a range of specific considerations from acceptance through to reporting. Our preference is for Chapters 11 and 12 to appear before Chapter 10 on reporting because preparing the assurance report is the last step in performing the engagement. We also suggest that the previous Chapters could be linked directly to the related content in Chapters 11 and 12 using hyperlinks. In this way, when a practitioner is reading the guidance on determining the suitability of the criteria and they want to know how to apply that determination to qualitative or future oriented information they can click a link and go directly to the content in Chapter 11 or 12.

Circumstances in which the Guidance in this Chapter May be of Assistance to Practitioners

This chapter has an overall underlying tone that qualitative information is problematic. A significant portion of EER information and reports is qualitative. While there are challenges in providing assurance over qualitative information, we do not believe it

should be seen as problematic or inferior. We believe our suggestions below would help alleviate this concern.

We think paragraphs 377-380 could be simplified and clarified by replacing them with a bulleted list indicating:

"This Chapter may be of assistance to practitioners when evaluating qualitative EER information because it can be:

- Inherently uncertain,

- Difficult to determine the suitability of the criteria, and

- More open to bias.

Also, when working with qualitative information the guidance includes information on challenges practitioners may face in:

- availability and quality of supporting evidence,

- processes and controls over qualitative information, and

- delineating between subject matter information and other information."

Specific Considerations (various sections)

We recognize that this chapter is supposed to focus on specific considerations when providing assurance on qualitative EER information. We found several examples where the challenges or considerations noted in the guidance would apply to both quantitative and qualitative information. The following paragraphs are examples of areas in the guidance where we believe this applies.

- Paragraphs 389 and 390 provide guidance on when the criteria are not suitable. These paragraphs would also apply to quantitative information and should also be included in Chapter 4 around paragraph 184 which discusses consequences where criteria are not suitable or available. A hyperlink could be inserted to the section in Chapter 11 that focuses on qualitative aspects only.

- Paragraph 391(b) discusses using internal sources as a basis for reporting information. The challenges identified with internally sourced information in the first sentence of this paragraph are also applicable to quantitative information. We note that Chapter 8 on obtaining evidence does not address these challenges. Therefore, this content should be moved to Chapter 8, with a hyperlink to the section in Chapter 11 that focuses on qualitative aspects only.

- Paragraph 391(c) has an important message about obtaining the entity's draft EER report early to allow the practitioner sufficient time "to evaluate the suitability of the criteria and to plan and perform procedures to obtain evidence in relation to

both the quantitative and non-quantitative (i.e. qualitative) subject matter information, and for the preparer to consider making adjustments to the subject matter information, if appropriate." Related to our comment in response to question 1 on Chapter 4 on the characteristic of relevance, we believe the content of this paragraph should also be included earlier in the Guidance in Chapter 4. A hyperlink could be inserted to the section in Chapter 11 that focuses on qualitative aspects only.

- Paragraphs 407 to 410 are not unique to qualitative information. The issue of congruence between qualitative information and other information highlighted in paragraph 409 could equally apply to the congruence of quantitative information and other information. We suggest these paragraphs should be moved to Chapter 8, in the same section as paragraph 286. A brief reference could be made in Chapter 11 that the practitioner should remember that qualitative information can be presented alongside other information as well as the other information itself being qualitative. We also suggest hyperlinking the section in Chapter 8 to the related section in Chapter 11.

Specific Considerations for Evaluating Misstatements in Qualitative Information

In our response to question 1 on Chapter 8 we asked for an additional statement that aggregation risk only applies in some circumstances. We believe the content in paragraphs 397 – 405 helps to address this from a qualitative perspective. If the content is added to Chapter 8, we suggest there should be a hyperlink to this section of Chapter 11 to connect the concepts of evaluating misstatements.

Chapter 12 – Addressing Future-Oriented EER Information

Q1. Does the draft Guidance adequately address the challenges for practitioners? If not, where and how should it be improved?

Matters Addressed by the Guidance in this Chapter

Stakeholders told us there is a general reluctance to accept assurance engagements on future oriented EER information because of the inherent risk and uncertainty associated with future oriented information. These stakeholders expected this Chapter would have guidance on:

- the factors that make it suitable to accept these types of engagements,

- the elements, such as assumptions, of future oriented information practitioners can provide assurance on, and

- when the practitioner might consider declining the engagement if a meaningful level of assurance cannot be provided.

We note that ISAE 3000 allows for assurance on future oriented information but there is not a lot of guidance within the standard itself. Paragraph 432 of the guidance touches on whether the assumptions used are reasonable and are supported by evidence. However, we believe this is an area of practice that is broadening, so more guidance is needed on accepting these types of engagements and the elements of future oriented information that can be assured.

Specific Considerations for Evaluating Misstatements in Future-Oriented Information

We support paragraph 441. It provides a helpful distinction on misstatements by separating them into three categories.

Q2. Is the draft Guidance structured in a way that is easy for practitioners to understand and use? If not, where and how should it be improved?

Positioning of the Chapter in the Guidance

We acknowledge the explanatory memorandum explains the intent was to set out the chapters to generally follow the flow of the performance of an engagement, except for Chapters 11 and 12 which were positioned at the end of the guidance as they cover a range of specific considerations from acceptance through to reporting. Our preference is for Chapters 11 and 12 to appear before Chapter 10. We also suggest that the previous Chapters could be linked directly to the related content in Chapters 11 and 12 using hyperlinks. In this way, when a practitioner is reading the guidance on determining the suitability of the criteria and they want to know how to apply that determination to qualitative or future oriented information they can click a link and go directly to the content in Chapter 11 or 12.

Matters Addressed by the Guidance in this Chapter

If Chapters 11 and 12 are retained as separate stand-alone chapters then we suggest Chapter 12 should, like Chapter 11, also have a section that covers when future oriented information is presented alongside other information. Related to our response to question 2 on Chapter 11, if this section is added we believe the majority of the content on other information should be placed in Chapter 8 and there should be a hyperlink to the specific guidance on qualitative and future oriented information in Chapters 11 and 12.

Supplement A: Credibility and Trust Model and Background and Contextual Information

Section II: 1. Underlying Subject Matter, Criteria and Subject Matter Information

There is a lot of guidance in this section on subject matter elements. However, that term is only mentioned once in the main body of the guidance. We don't believe the detail on subject matter elements in Supplement A is needed as it delves into a level below subject matter information that is not needed to understand that concept, and it is not used to support the main guidance document.

Supplement B: Illustrative Examples

Example 1 - Illustrating practitioner judgments about the competence of the engagement team

At the top of page 4, the example seems to switch between referring to practitioner and audit engagement partner which is not clear whether this is referring to the same person or different engagement team members. It also infers that the engagement is always performed by a partner led firm which may not be the case.

We suggest using terminology such as "engagement lead" and "engagement team" throughout the illustrative examples.

Example 2 - Illustrating an EER assurance engagement that may not have a rational purpose

The stakeholders who provided feedback on this example thought the concept of materiality was missing. In practice they would consider materiality as one of the considerations of whether it is acceptable for the preparer to exclude the South African operations in their assurance request.

Example 3 - Illustrating a 'rolling program' of assurance that may have a rational purpose

We support this example.

Example 6 - Illustrating how the practitioner might use assertions in considering the type of misstatements that might arise in the subject matter information

We believe Supplement B should consider adding to this example, or adding a separate example, that applies assertions to narrative or qualitative information. Example 6 only considers key performance indicators but often the practitioner needs more help in evaluating qualitative information.

Also, Chapter 7 on assertions should have a reference to this example. The current paragraph referred to at the top of the example is in Chapter 11.

Example 7 - Illustrating practitioner considerations in obtaining evidence relating to public sector reporting on the quality of healthcare in a hospital

Media Search (pg. 25) - Last sentence does not make sense and may be combining two thoughts. Possible clarification:

"Media search: The engagement team intend to do a media search to help identify whether there is any information that comes to light that might suggest a likelihood of misstatement in the subject matter information (for example, reports of legal proceedings by the family of a patient who acquired MRSA during an inpatient stay at the hospital, or reports of increased MRSA cases in the community, when that hospital is the only hospital in the community). The engagement partner agrees that it the media search may be useful to help identify where a misstatement of the subject matter information is likely to arise, or as a supplementary source of evidence, but it is insufficient on its own."

General Questions

(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 Advisory Group who provided input to the AASB for this response letter included members who are preparers of EER reports as well as a public sector member. Their perspectives are included in the responses to the questions above.

(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 daft guidance in a developing nation environment.

We have no comments on this question.

(c) Translations—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.

We have no comments on this question.