

Beth A. Schneider, CPA  
20 Glen Ridge  
Wilton, CT 06897

June 20, 2019

International Auditing and Assurance Standards Board  
529 Fifth Avenue  
New York, NY 10017

**COMMENTS ON EXTENDED EXTERNAL REPORTING ASSURANCE, IAASB CONSULTATION PAPER DATED FEBRUARY 2019**

As the market for EER reporting widens, I am in favor of developing guidance that could then aid practitioners to serve those desiring assurance on such reports. Accordingly, this project is a positive step forward in that direction.

**RESPONSES TO SPECIFIC QUESTIONS**

***Q1) Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance developed in phase 1?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?***

For the most part, the draft guidance adequately addresses the practitioner's challenges identified for the scope of phase 1; however, additional examples would be most useful as discussed in the response to question 2 below.

While preparing the assurance report has been allocated to phase 2, I expect that matters will be identified in developing such guidance that will require the development of additional guidance for topics addressed in phase 1. Likewise, cross-references to sections to be developed in phase 2 may be needed in phase 1 sections (for example, paragraph 77 discusses what should not be included in the practitioner's report when the practitioner has not met its responsibilities; this same matter should be included in chapter 13 when developed and a cross-reference added here).

In providing guidance on determining the suitability of criteria (as well as in connection with materiality), it might be helpful to discuss the topic(s) in relation to the collective group of intended users vs. certain intended users, and to clearly articulate that while certain intended users may have more specific interests, that these topics are approached from the collective group perspective.

Additional guidance on forming the assurance conclusion should be included in chapter 12 (as alluded to by paragraph 27). This could be developed in conjunction with the development of chapter 13 on preparing the assurance report in phase 2.

***Q2) Is the draft guidance clear and easy to understand, including through the use of examples and diagrams, and the way terminology is used?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?***

Clarity can be improved by avoiding statements that include 'this' without specifying the noun (for example, "This is because . . ."; "This may be . . ."). Such sentences then require the practitioner to go back and read other sentences to figure out what 'this' is actually referencing. Such vague language

might also cause translation difficulties. Additionally, in several places, the draft guidance merely provides a cross-reference to see the requirements in ISAE 3000 (Revised) without categorizing the requirements. It would be more helpful if the nature of the requirements were identified in the guidance.

More specific points on terminology and improving examples, diagrams and guidance points are provided below.

### **Terminology**

The draft guidance uses the term ‘assuring’; such term is not used in ISAE 3000 (Revised). Rather, ISAE 3000 (Revised) uses the phrase ‘obtaining assurance’. Accordingly, I recommend not using ‘assuring’ in the guidance and revising the titles to chapters 10 and 11 to “Obtaining Assurance Over Narrative Information” and “Obtaining Assurance over Future-Oriented Information”, respectively, as well as conforming the titles in Appendix 1.

‘Qualities’ may not be the best term for EER measurements as the discussion of measurements in the draft guidance implies quantities (for example, paragraph 11 provides examples of volume of water intake or discharge); whereas, qualities are often thought of in terms of characteristics (for example, pollution levels of the discharged water or grade of a resource or product).

Because new terminology is introduced, it would be helpful to add a glossary in the final guidance with the definitions for those terms. However, the definition provided for ‘identifiable underlying subject matter’ in paragraph 48 lacks clarity with the use of the phrase ‘distinct from other things’ and, accordingly, should be clarified. Assurance readiness engagements are discussed in paragraphs 50-53 but not clearly defined. Starting with a definition earlier in that section might improve the readability of such section, including the connection to EER assurance engagements.

Paragraphs 67-69 also appear to introduce some new terminology, ‘reporting (information) systems’ and ‘external information source’. While the latter is defined, the former is not but should be for understandability as to what is meant, and the definition of both included in the recommended glossary.

### **Examples**

The example to paragraph 114 might be clarified by adding ‘a bank’ to the water intake example in the first sub-bullet of the first bulleted item. Also, it is unclear what the meaning is of the assumption statement in the second sub-bullet of the second bulleted item and whether that is regardless of whether it is explicitly stated.

The example to paragraph 190 is too vague as it is unclear what the criteria are that is being analyzed in the example.

The example in paragraph 203 requires further clarification on how a forecast is ‘observable’ (namely, that actual results in the future can be compared back to the forecasted amounts).

Examples are needed to provide clarity to paragraph 219 f), g), and i). Further it is unclear what the ‘factors’ and ‘context’ are that are referred to in paragraphs 220 and 221, respectively.



## **Diagrams**

The diagram in paragraph 46 might be improved by the following:

- Addition of a box next to “Criteria are available” that lists the ways criteria may be made available, such as the type of box that is placed next to the “Criteria are suitable” box.
- Placing the box on internal control above the box “Underlying subject matter is appropriate” and connecting the arrows to the latter, which will then naturally flow into the practitioner expects to be able to obtain the evidence needed.
- Moving the sentences in paragraphs 60-61 and 65 regarding internal control and its connection to preconditions to the section in which the diagram appears.

The last box of the diagram in paragraph 89 includes a step to “Confirm criteria will not result in subject matter information or an assurance report which is misleading”; however, the guidance does not address how to go about that.

The diagram in paragraph 130 illustrates steps for the practitioner to perform in reviewing the preparer’s materiality process; it seems that a box should be added with the action to evaluate the results of such steps and that related guidance should be added as well.

It seems like the diagram in paragraph 153 should have ‘high importance’ or similar language placed in the upper right-hand corner to complete the diagram.

It is unclear what is meant in paragraph 216 by “depending upon the circumstances of the engagement” in terms of whether to present the misstatement to the preparer. Further, the diagram above paragraph 216 is inconsistent with the guidance in paragraph 216 regarding when the preparer corrects an identified misstatement. The diagram states “No further action”; whereas the practitioner should consider whether the nature of the misstatement may indicate that other misstatements may exist in other parts of the EER report. Similarly, paragraph 225 should note that such consideration is regardless of whether the identified misstatement was corrected by the preparer.

## **Guidance points**

Paragraph 49 states, in part, “However, an assurance engagement may be considered to have a rational purpose if the practitioner’s conclusion is designed ‘to enhance the degree of confidence of the intended users ... about the subject matter information’.” Given that all requested assurance engagements typically are intended to do so, this does not necessarily make it a rational purpose. In fact, the consideration points listed later in the same paragraph could contradict such statement.

Paragraphs 55-56 contain repetitive points and should be combined and the repetition eliminated.

The first sentence of paragraph 61 should be moved to the end of paragraph 58 to provide better context that while the system of internal control is considered, the existence of a highly-developed system is not a precondition.

Readability of paragraph 94 could be improved as item c) is not readable on its own. Further, the connector of ‘and’ at the end of item b) would need to be ‘or’. However, as item a) would be done in combination with either b) or c), it might be better to rewrite the paragraph so that item a) becomes part of the lead-in text and then the other two actions are listed as further actions to be taken.

Consider eliminating the second sentence of paragraph 97 (namely, “This is because suitable criteria must exhibit the characteristics of relevance.”) to improve its readability as such sentence does not really add anything to the guidance.

Paragraph 116 discusses the situation in which the criteria in an EER framework are less detailed and focuses the guidance on preparer-developed criteria. The discussion should be expanded to the possible use of criteria from other sources, including standards and other frameworks.

Paragraph 150 actually contains two paragraphs and an example. Seemingly both paragraphs should be numbered; however, it is unclear which paragraph the example then relates to and, thus, it may require that lead-in text in another paragraph be added to preface the example. Further, as several of the impacts could occur in any given situation and not just one, the word ‘either’ should be eliminated from the second paragraph of paragraph 150.

Paragraph 156 lists various sources that the guidance states a practitioner “could use some of” in evaluating the completeness of the criteria. It is unclear how many of the items listed are as useful in evaluating the completeness of criteria; accordingly, it would be more helpful if examples were provided for each.

Paragraph 157 lists two considerations in the form of questions for the practitioner in considering the relevance and completeness of the criteria used by the preparer in selecting topics and related elements to include in the EER report but refers to such considerations as key judgments without a discussion of what such judgments might be based on.

Paragraph 164 states that the practitioner may encourage a preparer to give details of what has been left out; it would be helpful if further guidance or examples are provided to illustrate this point so that readers do not expect that a long list of things would be provided.

The clarity of the guidance in paragraph 175 could be improved. It is unclear what the last sentence of the paragraph is saying. At a minimum, an example should be added to clarify what it means. Further it is unclear which characteristics the second sentence is referencing—whether the required characteristics or such other or such additional characteristics. Paragraph 176 later uses the phrase ‘other characteristics.’

It is unclear whether the categories of assertions listed in paragraph 177 for EER engagements are any different than those in ISA 315 and, if not, it would be helpful to identify any nuances specific to EER engagements. Further, why is the neutrality characteristic not included here but instead is discussed in the paragraph that follows?

The last sentence of paragraph 182 states “If the assertions are not misstated, this provides evidence that the information is properly prepared in accordance with the applicable criteria.” However, it seems like it should have said something to the effect that “If the procedures performed did not identify any misstatements of the assertions tested, this provides evidence . . .” Additionally, including an example in this section specific to EER would make the guidance more useful.

Paragraph 184 states that when an assertion is “not present” in the subject matter information, the information is misstated but fails to explain why that is the case. Further, the parentheticals in paragraph 184 use the phrase ‘failure of’ rather than ‘misstatement of’, which would be more consistent with the rest of the chapter.

The last sentence of paragraph 209, which states that “The practitioner is ordinarily not in a position to ‘predict the future’ to obtain assurance on whether the intended outcomes of a strategy or a target will



be achieved or not” does not really offer much guidance (and yet it is repeated again in paragraph 211). Rather the point should be that there likely is not evidence today that an outcome will be achieved, and that instead the practitioner needs to obtain evidence as to whether the preparer has a reasonable basis for making the assertions that the preparer is making about the future. Accordingly, the guidance should focus on what the practitioner considers in evaluating whether there is a reasonable basis for such disclosures.

Paragraph 210 is extremely lengthy and could be improved by breaking the paragraph into several shorter paragraphs or bulleted points. The third sentence of paragraph 210 (namely, “The existence assertion is closely related to the underlying subject matter needing to be identifiable.”) also does not provide much guidance without an example illustrating what is meant by such statement. The fifth sentence of the paragraph uses the phrase ‘exact criteria are suitable’, but such phrase should probably be the ‘applicable criteria are suitable’.

Paragraph 212 states that evidence will be speculative in nature for future-oriented subject matter information but fails to provide guidance as to what the practitioner should do with such speculative-in-nature evidence.

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

I believe the structure of the guidance following the organization of ISAE 3000 (Revised) is appropriate and should be helpful in practitioners performing assurance engagements on EER matters. Chapter 12 might be better titled “Considering the Materiality of Misstatements and Forming the Assurance Conclusion” to align with the identified content of such chapter. However, as noted above, guidance on forming the assurance conclusion is needed.

***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?***

I am concerned with the draft guidance’s treatment of certain narrative information as “other information” and whether that is consistent with ISAE 3000 (Revised). For example, if the practitioner is engaged to perform an assurance engagement on an EER report, the subject matter of the engagement would be the EER report. The draft guidance appears to treat narrative information within that report for which there is not suitable criteria as other information; whereas ISAE 3000 (Revised) defines other information as information other than the subject matter information. It, therefore, raises a number of questions about scoping the assurance engagement and how the subject matter information is identified in an EER assurance engagement. Accordingly, I believe that paragraphs 161-163 and the discussion in the second paragraph of the example in paragraph 195 should be revisited.

While not necessarily contradicting or conflicting with the requirements or application material of ISAE 3000 (Revised), the following paragraphs of the draft guidance may not be as consistent with the standard:

**Para.**

- 21 Consider whether 'required' is the proper term to use in the second sentence of paragraph 21 or whether it should be replaced with 'necessary'.
- 22 Paragraph 22 seems to soften the use of engagement quality [control] reviewers by using the phrase 'in some cases' rather than 'for those engagements where one is appointed'.
- 30 Paragraph 30 states, in part, "The extent of the procedures required for a reasonable assurance engagement is **likely** to be greater than for a limited assurance engagement." [Emphasis added] If, for particular subject matter information, the extent of procedures in a limited assurance engagement is the same as for a reasonable assurance engagement, it seems like the practitioner should report on highest level of assurance obtained.
- 37 Paragraph 37, which is captioned 'Description of Applicable Criteria' states that "A preparer may need to refer to or describe the applicable criteria as part of fulfilling the requirement to make them available to the intended users." Whereas, paragraph 63 of ISAE 3000 (Revised) states "The practitioner shall evaluate whether the subject matter information adequately refers to or describes the applicable criteria."
- 45 The second sentence of paragraph 45 states "For example, in order for the criteria to be suitable in a limited assurance engagement, the practitioner must be able to determine that they would be suitable in a reasonable assurance engagement." This makes it sound like the practitioner performs additional steps to determine suitability in a limited assurance engagement. ISAE 3000 (Revised) does not state the requirement in such a manner. Accordingly, it might be more appropriate to either say that the practitioner needs to determine whether the criteria is suitable regardless of whether a reasonable or limited assurance engagement is to be performed or to repeat the sentence from ISAE 3000 (Revised) that the suitability of criteria is not affected by the level of assurance.
- 119 It is clear that the guidance was attempting to not create a new requirement in paragraph 119; however, a statement that "A practitioner **may** evaluate the adequacy of the transparency, considering whether the criteria have been disclosed with sufficient detail and clarity such that they are available" [emphasis added] does not provide meaningful guidance as the alternative is that the practitioner may not do so.

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

While ISAE 3000 (Revised) explicitly states that there are other standards for which compliance is required as part of an assurance engagement under ISAE 3000 (Revised), it would be helpful if paragraph 13 emphasized that ISAE 3000 (Revised) requires compliance with other IAASB standards such as the ethical requirements mentioned in paragraph 14. Further, it would be beneficial, and in the public interest, if the guidance explicitly stated that it would be inappropriate to refer to ISAE 3000 (Revised) in manners such as that the engagement was conducted by the assurance practitioner in accordance with internally-developed methodology that is similar to or based on ISAE 3000 (Revised), phraseology that is frequently used by assurance practitioners other than a professional accountant in public practice to get around not complying with such other ethics requirements and to avoid making reference to their noncompliance.



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

As assurance on EER matters is often misunderstood, it is important to have educational materials to help reduce such misunderstandings. Accordingly, I believe that both documents should be separately published, particularly the four key factor model, with some modifications as described below.

**Background and Contextual Information on Understanding How Subject Matter Information Results From Measuring or Evaluating Subject Matter Elements Against the Criteria**

The introduction is a bit confusing as paragraphs 1 and 2 seem to contradict each other (“intended to provide context to practitioners” vs. “Much of the material relates to the role of a preparer”). This contradiction might be eliminated through rewriting the two paragraphs as one with the focus on that it “provides information regarding the role of the preparer to better provide practitioners with context in applying the draft guidance to such aspects.” Further, ‘this section’ in paragraph 3 should be replaced with ‘this document’.

Additionally, to be most meaningful, the examples should be clear; for example:

- The point of the example in paragraph 13 is unclear, perhaps because the discussion of the causes of variations in color is not as accurately portrayed.
- The example in paragraph 20 is too vague. Some of the sentences actually seem like they should be paragraphs of guidance rather than examples illustrating the guidance.
- Certain terminology used in the example in paragraph 10 is not universal when referring to characteristics of fruit (e.g., pips and stalk); and accordingly, should list other frequently used terms in conjunction with such terms (e.g., pips/seeds, stalk/stems). Such descriptions also might enable better translations if such document is translated into other languages.

The IAASB also might give consideration to ending the document with some form of summary or conclusion as readers may be left hanging with the way it currently ends and feel that the document is incomplete.

**Four Key Factor Model for Credibility and Trust in Relation to EER**

Paragraph 2 should be referencing “providers of EER **reports** and users of EER **reports**.” [Added text shown in bold, underlined text].

Paragraph 4 not only lacks parallel construct but makes it harder to follow the connection of the text following the long dashes. Perhaps the initial caps and long dashes should be eliminated from the bulleted list and more understandable sentences be formulated or more appropriate definitions created for what is meant by the text preceding the long dashes. For example:

- A sound EER framework—**one** that is....
- Strong governance over the reporting process—**governance** that satisfies the user....
- Consistent wider information—**consistency** that satisfies the user...
- External professional services and other reports—**availability of** independent external service reports...

Further, Figure 1, uses slightly different language than paragraph 4. For example, Figure 1 discusses the sound EER framework in terms of having objectives that are closely aligned to the user's information needs. Figure 1 also discusses consistency in terms of the users performing their own evaluation; such language is not mentioned in the reference in paragraph 4.

Paragraph 36 mentions the danger of reading assurance reports without experience. This paragraph leaves the reader hanging as to what to do about that. Accordingly, to be useful, further elaboration or clarification of that scenario is needed.

\* \* \* \* \*

I also have listed some editorial matters in the accompanying appendix for the IAASB's consideration.

Please contact me at 203-834-9986 or [beth.schneider.usa@gmail.com](mailto:beth.schneider.usa@gmail.com) if you have any questions or wish to discuss any of these points further.

Yours truly,





## EDITORIAL COMMENTS

The table of contents should list all sections contained within a chapter; at this time, none of the sections of chapter 2 are listed there.

Throughout the document, the terminology switches between referring to itself as 'this guidance' and 'this guidance document'. For clarity purposes, it would be beneficial if 'this guidance document' was used throughout when referring to the document itself and 'this guidance' when referring to a specific section or paragraph.

Cross-references to specific paragraphs of ISAE 3000 (Revised) have been included in various paragraphs throughout the draft guidance but not in others. Consider adding cross-references to ISAE 3000 (Revised) in paragraphs 41 and 42, and other paragraphs that refer to the standard.

Presumably, all documents will go through an editorial review to eliminate inconsistencies between use of 'for example' and 'e.g.', and 'organization' vs. 'organisation, as well as implement the appropriate use of commas and semicolons.

The following revisions are proposed to the text in the paragraphs listed below; additions are shown in bold underlined text and deletions are reflected with strikethrough text:

Para.	Comment
3	The last sentence should read: "... to prepare <b><u>an EER report.</u></b> "
13	Heading should be revised to read: "... in Accordance with ISAE <b><u>3000 (Revised)</u></b> " or "... in Accordance with <del>ISAE</del> <b><u>IAASB Standards</u></b> "
16	As a paragraph should not start with 'these' without a noun, it should be revised to read: "These <b><u>acceptance or continuation procedures</u></b> include ..."
17	As the practitioner performs procedures or follows requirements, the last sentence should be revised to read: "Appropriate procedures ... are also required to have been <del>followed</del> <b><u>performed.</u></b> "
35	Both paragraphs 34 and 36 include statements that such topics are out of the scope of the guidance document; seemingly, paragraph 35 also should include such a statement. However, if guidance on subsequent events is intended to be included in a subsequent chapter, a cross-reference to such chapter should be included instead.
54	Revise the first sentence of paragraph 54 to read "There is a wide variety in the scope of assurance engagements carried out <b><u>in practice</u></b> in accordance with ISAE 3000 (Revised), <del>in practice.</del> "
49	"The purpose of an assurance engagement is established <del>in</del> <b><u>by</u></b> the definition of an assurance engagement ..."

- 71 Revise the intro to the list of considerations to read “. . . that the practitioner ~~may~~ **might** consider may include:” and revise the listing to achieve parallel construct for all considerations listed.
- 72 Revise second sentence to read “. . . for the preparer to meet ~~their~~ **its** responsibilities.”
- 76 Revise the first sentence to read “. . . the practitioner may **be** engaged **with** **by** the entity to undertake. . .
- 82 Change the table heading for ‘Elements Qualities’ to be possessive (e.g., Element’s Qualities)
- 96 Revise the end of the first sentence to be clearer as to the noun: “. . . in applying ~~them~~ **the criteria** in the circumstances of the engagement.” Also, clarify the last sentence to read: “Refer also to **the** discussion of ‘accuracy’ . . .”
- 97 Revise the first sentence to read “. . . when properly applied to ~~them~~ **the elements**, result in . . .”
- 114 Consider revising the first sub-bullet of the third bulleted item to read “This may be where the entity ~~must~~ **might need to** supplement . . .”
- 141 The paragraphs of the example to paragraph 141 should be revised as follows:
- “An EER report prepared by a state-run hospital on its clinical performance might have users including:
- Government, — **which** needs to know whether citizens are being provided with adequate healthcare and whether resources are being used efficiently.
  - Groups of patients (current or potential), the general public and the wider world, —**who** want to know whether the hospital is available to provide care to the community, playing its role in controlling diseases, and if **whether** it is clinically safe.
  - Cancer patient, —**who has a** self-interest about whether the hospital has the capabilities to treat ~~them~~ **patient** successfully.
- In this example, the top two user groups might be the intended users, but the individual patient **on his or her own** might not be, **although such patient may be a member of the collective group of patients.**”
- 144 The bulleted lists in the right side of the diagram should be revised for parallel construct; for example, eliminating ‘influences the’ from the first list and replacing ‘buy’, ‘lend’, ‘transact’ and ‘use’ with ‘buying’, ‘lending’, ‘transacting’, and ‘using’, respectively.
- 160 Revise the first sentence to read: “It may **not** be appropriate ~~not~~ just to consider the relevance and completeness . . . “
- 163 Break the sentence into two as follows: “. . . would not be present, ~~and the practitioner follows the requirements in paragraphs 42 and 43 of the standard if~~ **If this is discovered after the engagement has been accepted, SSAE 3000 (Revised) requires the practitioner to follow the requirements in paragraphs 42 and 43 of the standard.**”
- 165 The second sentence of paragraph 165 should be revised to read “If used, ~~they~~ **assertions** are a way. . . .”



- 167-168 Footnotes 37 and 38 should seemingly have the same reference to ISA 315; that is, either both should be indicated as “(Revised)” or neither should be.
- 169 Paragraph 169 should be formatted as an example box to paragraph 168, similar to paragraph 160, rather than as a paragraph of its own.
- 185 Consider revising paragraph 185 to read as follows: “~~If a practitioner identifies~~ **When** a misstatement **is identified**, ~~they are the practitioner is~~ required to make a judgment . . .”
- 187 The last sentence in the example to paragraph 187 should be revised to read as follows: “. . . it is unlikely that the criteria would be reliable **(that is, allow reasonably consistent measurement or evaluation of the underlying subject matter)**, and hence it may be difficult to obtain assurance over ~~them~~ **such narrative information**.”
- 191 Revise the first sentence of paragraph 191 to read as follows: “It is particularly important **that the criteria** for narrative information ~~that the criteria~~ result in . . .”
- 195 In addition to addressing the concerns expressed about other information in the response to question 4, consider revising the text of the example as follows:
- First paragraph: Revise the lead in text of the first paragraph to read as follows: “~~Below is~~ **The** following is an example **extract** of information that ~~may might~~ be included in an EER report. The sentences have been numbered in brackets **for discussion purposes**.”
  - Third paragraph: Revise the second sentence to read as follows: “The practitioner may be able to **easily** confirm if **whether** it is a true statement ~~easily~~ . . .”
  - Fifth paragraph: Add text to the end of the second sentence to read as follows: The practitioner may attempt to corroborate this with data on manufacturing levels **and use of water for such activities**.”
- 196 Clarify what “In this case” is referencing at the start of the second sentence of paragraph 196.
- 201 Flip the order of the text in items a) and b) to be consistent with the order in which such matters are discussed in the paragraphs that follow.
- 219 Revise the second paragraph of the example to e) as follows: “. . . to be achieved even though the **reported** score was incorrect.”