IAASB
International Auditing and Assurance Standards Board

Posted as comment on: www.ifac.org

18 June 2019

Subject: IAASB Consultation on Extended External Reporting (EER) Assurance

Dear Sir or Madam,
FSR - Danish Auditors (FSR – danske revisorer) is pleased to provide you with our comments on the consultation paper on Extended External Reporting (EER) Assurance. The chair of FSR's CSR Committee Birgitte Mogensen takes part in the IAASB's Project Advisory Panel in relation to the EER Assurance guidance and we are very supportive of the development of non-authoritative guidance related to ISAE 3000.

ISAE 3000 has been applied to EER Assurance for more than a decade in Denmark and we are pleased to provide perspectives from the Danish market to the guidance. In view of how the sustainable finance agenda is picking up, it is our clear expectation that more services will be provided in this area as investors and other providers of financial capital increasingly are requesting ESG investment grade data.

We overall consider the consultation draft and guidance clear and logical in its structure and we praise the distinction between 'intended users' and 'stakeholders' in the guidance, as well as the thorough guidance related to the materiality process. We also consider the division suggested as part of future-oriented information relevant and would like to see different examples of this provided in the next phase of the development of the guidance. A glossary may also be useful to consider.

Whilst the consultation includes the first half of the guidance, it can be difficult to foresee the look and feel of the final guidance. We will suggest a web-based guidance with 'click-down' menus or similar to make it user-friendly and easy to navigate – making it a useful tool, where specific information is easy to find.

There are two areas where we see opportunities for further developments:

1) The first one relates to the way EER reporting is portrayed. The guidance could consider how developments within reporting including the use of technology will impact how and when information and data are provided and what this implies from an assurance perspective and the principles outlined in the guidance – for example in terms of making it clear how to make it visible what data have been verified. It may be that users will be able to extract real-time data from the company's online platforms rather than annual data locked in a pdf-file as is often the case today.

2) The second one relates to distinction of work or minimum requirements between assurance statements and agreed upon procedures (AUP). Indicating more clearly where to draw the line would be helpful for practitioners.

Please note that the questions below refer to those raised in the consultation paper (pp 12-13).

Yours sincerely,

Tom Vile Jensen
Director

Question 1) Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance developed in phase 1? If not, where and how should it be improved?

Yes, the draft guidance in its current form does address the identified challenges and the proposed guidance is in line with current practice in the Danish assurance market. We support the development of a frame / guidance that is principles-based and we would encourage more examples (a case collection) to be included to make the guidance a useful tool and source of inspiration. E.g., it would be helpful to have examples that could highlight paragraph 52 as ISAE 3000 could be used by practitioners for readiness, for example, on internal processes. The examples may be included in a separate section (or through 'click-down' menus) to ensure the guidance itself is not too lengthy.

It would also be good to incorporate considerations related to the use of new technology and how this will impact the principles in the draft guidance to make sure it is not 'outdated' by the time the guidance is released. With reference to item 36, p. 20, it may be interpreted that one only imagines EER as a report - a document. Looking forward, it is expected that reporting will also be information and data made available by a company for the user to retrieve information from the company's website etc. Hence it would be relevant to include guidance and direction for statement tasks on information and data that are not necessarily contained in a physical report.

Furthermore, the IAASB should avoid confusion between the preconditions and the work that has to be performed once the engagement has been accepted. The work effort on the preconditions should be proportionate and the guidance should try to explain the work effort implied in the engagement acceptance phase and in reviewing if the preconditions are fulfilled.

Question 2) Is the draft guidance clear and easy to understand, including through the use of examples and diagrams, and the way terminology is used? If not, where and how should it be improved?

Yes, we overall consider it clear and easy to understand. The Explanatory Memorandum on pages 5-13 is generally good – very systematic and easy-to-read. It gives a good comprehension of what is included in the guideline. Furthermore,

the overview provided on pages 18-21 is useful and makes an otherwise relatively heavy guide easier to read.

In chapter 6, item 76 etc. we would like to praise the inclusion of a detailed description of assurance readiness assessment and we consider the example in chapter 8, item 127 a good example.

It could be useful to clearly specify the intended audience and the purpose of the guidance. Taking the audience into account, if this draft guidance is targeted towards experienced practitioners, the draft guidance might require a different level of details than if the guidance is drafted for educational purpose.

The divergence in terminology used by assurance practitioners, preparers and other involved stakeholders can bring confusion in practice and it would be helpful to align the terminology even if the IAASB's efforts alone will not be sufficient. In this context a glossary and definitions may be helpful to include in the guidance. E.g. in terms of definitions some of the terms used (subject matter information, elements, qualities etc.) are used in financial audit and it could be useful to showcase how these link to the terminology used within the framework of ISAE 3000 (Revised).

We also have a number of specific examples where the draft guidance is not clear enough which can serve as input for the further development of the guidance in the second phase:

Chapter 3
- Item 45 in conjunction with item 60: Item 45 states that the same preliminary work must be carried out whether it is a statement task with limited or non-limited assurance. In item 60 different types of preliminary work is explained and it is not clear what the guidance expects. (See also item 49). Furthermore, item 60 states that for a reasonable assurance engagement one must have an understanding of the company's internal controls. This is not necessary when the task only comprehends a limited assurance engagement. This does not seem clear in relation to the entirety of the guidelines.
- Item 46: The illustration is not helpful for understanding the text and should be further developed.
- Item 49: In the second last sentence, it is not clear what is meant by item A56.
- Item 57: The last sentence says that additional action must be taken where relevant in the work with material inconsistency or factual errors, etc. in relation to other information. It is clearly recommended that the

second phase in detail focuses on what further actions should / can or should not / cannot be included, including identification of where to draw the line for further actions.

Chapter 6
- Item 65: Second sentence - below is not right.
- Item 77: In the last sentence - no reference to ISAE 3000 if the conclusion cannot be given. It is recommended, that the second phase continues to work with what must be written and disclosed in the statement, including the extent to which the assurance provider can refer to the pieces of information with causal explanations in the report.

Chapter 7
- Item 82: More examples are recommended as this is difficult to understand. Few examples can create limitations in the comprehension.
- Item 98: Credit for the inclusion of relevance and materiality differences. However, it is suggested to further clarify this. For instance, with several examples and/or insertion of illustrations.
- Items 102 – 104: It is recommended to include examples also in section: Completeness.
- Item 114 etc.: It is recommended to assess the practical examples of water for professional correctness, including assessing whether one or more examples of water could be replaced with waste – thus, that it is not water examples that are through-going in the guideline.
- Item 114: It is recommendable to give another example to facilitate comprehension.

Chapter 8
- Item 129: It is recommended to extend the description of "outcome of the materiality process" and provide examples to help the practitioner in reviewing what constitutes sufficient insight as part of the assessment.
- Item 136: Delete bullet 4 as it regards a financial report and not an EER report. Alternatively, it has to be explained how it can relate to an EER report. Especially because this guide belongs to ISAE 3000, which does not include financial information and data.
- Item 151: More examples are requested with the inside-out perspective. The examples included are predominantly outside-in perspective.
- Item 154: This example does not work well as it creates more confusion than clarity on how the time perspective affects valuations.
- Item 156: The listed examples primarily include actions in relation to internal documents etc. It is also recommended to include external sources.

Chapter 9
- Item 183: Why does this item only apply to reasonable assurance engagements?

Chapter 10
- Item 195: Example in sentence 3: What is meant by 'draw a box around it' - should the practitioner draw in the company's reporting? Please make this clear.
- Item 196: This does not provide proper guidance and the item should be extended and related to sentence 1-4 in the example. It does not create guidance to write that other assertions as completeness and neutrality could be relevant.

Chapter 12
- Item 219: The first example does not make much sense and it is recommended to change it.

Contextual Information

For this section of the guidance, we have the following comments:
- Item 6: It is recommended to work further on the comparison between financial reporting and EER reporting. This should be included in an introduction paragraph in the final guide.
- Item 11: The examples could be structured with greater use value, including a link to the criteria elements.
- Item 13: Examples with colours and apples are at a level that creates confusion about who is the user of the document. As the users (item 5 in chapter 1) are primarily practitioners carrying out EER assurance engagement, it is recommended to adapt the wording and explanations to a level of comprehension and insight that must be expected in the target group.
- Item 14: This is a good point (new approach) with "wh-identifiers". Could be extended and included in the guide itself.

Credibility and Trust Model

For this section of the guidance, we have the following comments:
- Item 8: A sound EER framework is here treated at a level that could be included in the introduction to the guide.
- Item 19: The mention of a strong internal control system could also advantageously be included in the guide itself.
- Item 25-27: The description of treatment of consistent wider information is considered too thin and should be further developed.

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

Whilst the consultation includes the first half of the guidance, it can be difficult to foresee the look and feel of the final guidance following phase two. Hence, it is a

bit difficult to comment on the structure before the final guidance is issued. As mentioned earlier we suggest a web-based guidance to make it into a useful online tool where you easily can seek information in practice.

Question 4) Do you agree that the draft guidance does not contradict or conflict with the requirements or application material of ISAE 3000 (Revised), and that the draft guidance does not introduce any new requirements?

Overall yes. Whist the guidance is non-mandatory, it is not clear (p. 5, item 3) if it is recommended to refer to the guidance if it has been applied as part of the assurance engagement. We recommend that this is made clear in the final guidance.

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

The guidance covers a broader scope of matters than the standard. While providing guidance on additional matters is helpful to practitioners, it should be clear in the guidance when specific parts go beyond ISAE 3000 to avoid any confusion.

It could be more clearly stated what needs to be done in relation to insight into systems for internal controls before the engagement is undertaken and in the planning phase include information about what level of evidence is considered relevant – e.g. interviews, inspections, verification of systems etc.

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

They could be incorporated as part of a case collection with examples that have been cleared of contents that are too elementary for a practitioner.