

5 August 2020

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submitted electronically through the IAASB website

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Re.: Public Consultation on Proposed Guidance: Proposed Non-Authoritative Guidance, Extended External Reporting (EER) Assurance

Dear Willie,

We would like to thank you for the opportunity to provide the IAASB with our comments on the IAASB Consultation paper: Public Consultation on Proposed Guidance: "Proposed Non-Authoritative Guidance, Extended External Reporting (EER) Assurance", hereinafter generally referred to as "the guidance".

In the Appendix 1 to this comment letter, we have provided our responses to the Questions to Respondents and the invitation to comment on the supplements as posed in the Consultation, and in Appendix 2 to this comment letter, we have provided our responses to the questions posed in the Request for General Comments. Detailed comments on the Guidance by chapter and paragraph are included in Appendix 3 to this comment letter. Comments by paragraph on Supplement A are provided in Appendix 4 to the comment letter, and comments by paragraph on Supplement B are provided in Appendix 5 to the comment letter. Hereinafter, when we refer to "the standard", we are referring to "ISAE 3000 (Revised)".

However, in this letter we would like to make a number of overall observations.

We very much support issuing the guidance because we believe that the guidance on the whole will support practitioners in applying the standard to EER reports. We recognize all of the hard work that the IAASB and its Task Force have done and the good guidance that has been produced. However, our detailed review of the guidance indicates that there are still too many instances

GESCHÄFTSFÜHRENDER VORSTAND:
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where the guidance is not in line with the standard, goes beyond the standard in inappropriate ways, makes technically questionable assertions, is internally inconsistent, or is not sufficiently understandable. To this effect we have provided detailed comments on these issues (and some editorial matters identified) in Appendix 3 to this comment letter. We hope that the considerable number of comments made will be accepted in the spirit in which they are given, which is to ensure that the guidance meets the high standards that are the hallmark of documents issued by the IAASB.

Some of our stakeholders are concerned by the length of the guidance together with the supplements and question how the resulting comprehensiveness of these matters is capable of being implemented in practice. They find the ISAs written in clarity format to be easier to read: the guidance does not appear to adequately set forth clear principles with commensurate guidance or possible interpretations. They also believe that some of the “Considerations for the practitioner” read like a work program or checklist that could be moved to appendices and that the terms and definitions used (e.g., those in Chapter 4) should be summarized at the beginning of the document and these should have the same meanings as those in IAASB standards. Some of our stakeholders also find the referencing techniques used within the guidance and supplements to be confusing.

We were also invited to comment on Supplement A and Supplement B. To this effect we refer to our general comments on these in Appendix 1 to this comment letter. In summary, we very much support the issuance of Supplement B subject to consideration of our overall comments above and the detailed comments in Appendix 5 to this comment letter, because we believe the examples will help practitioners better understand the guidance. However, we do not support the issuance of Supplement A at this time. We believe that the nature of the content in Supplement A and the nature and extent of the issues that we have identified in our detailed comments in Appendix 4 to this comment letter effectively preclude the issuance of Supplement A at this time.

As some of our detailed comments in the Appendices 3 to 5 are of a highly technical nature, for which comment letters may not be an effective vehicle for conveying the complete nature of the issues, we would very much welcome if the IAASB were to revert to us on the more difficult ones. Given the nature and extent of the issues we identified in our comments – particularly those matters identified as being at variance with ISAE 3000 (Revised) – we are concerned that if those issues are not ameliorated, the guidance may not achieve general recognition as appropriate guidance on the application of ISAE 3000 (Revised).

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

Yours truly,



Melanie Sack
Executive Director



Wolfgang Böhm
Technical Director Assurance Standards,
Director International Affairs

Appendix 1:

Questions to Respondents

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

We believe that the draft guidance adequately addresses the challenges for practitioners that have been identified within the scope of the draft guidance. However, our review of the guidance indicates that – despite the improvements made since the last consultation on the first part of the guidance – there are still far too many instances where the guidance is not in line with ISAE 3000 (Revised) or other IAASB standards, goes beyond ISAE 3000 (Revised) in inappropriate ways, makes technically questionable assertions, is internally inconsistent, or is not clear or understandable. Together with editorial comments, we have identified these many issues in our comments by chapter and paragraph in Appendix 3 to the comment letter.

The sheer number of these instances overshadow much of the good work that has been done and guidance given.

- 2. 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?**

With one exception we believe that the guidance is structured in a way that is easy for practitioners to understand and use. However, we note that chapter 5 Considering the System of Internal Control precedes Chapter 6 Considering the Entity's Process to Identifying Reporting Topics. Chapter 6 actually relates to two issues: 1. are the criteria for identifying reporting topics appropriate, and 2. have the criteria for identifying reporting topics been appropriately applied. We recognize that the determination of whether the criteria as a whole are appropriate through the inclusion of entity-developed criteria may involve considering controls over the development of entity-developed criteria and that considering whether application of the criteria to identify reporting topics was appropriate also may involve considering controls over such identification.

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However, the determination of the suitability of criteria is a matter that the standard deals with prior to the consideration of the of internal control or preparation processes, and the bulk of such considerations are subsequent to the matters dealt with in Chapter 6, which goes beyond considering whether the prerequisites for an assurance engagement are present. Furthermore, the considerations of controls or preparation processes in 46L/46R to 48L/48R involve the concept of material misstatements, which implies that if the concept of assertions is used, the concept of material misstatements would need to be applied at assertion level. This means that if assertions are used, then the assertions would need to be identified prior to applying consideration of the system of internal control or preparation processes. For these reasons, we believe it would be appropriate for the Guidance to address the content of these Chapters in the following order: Chapter 6, Chapter 7 and then Chapter 5. This is important because practitioners should be able to use the guidance in the general order in which it would need to be applied in practice.

Invitation to Comment on Supplements A and B

Supplement A

Supplement A provides background and contextual information about general assurance concepts and draws comparisons between EER and more established forms of reporting (we note – primarily reporting on financial statements) and how they relate to key assurance concepts reflected in the standard. We are very concerned with the breadth and nature of the guidance provided in this supplement. It seems to us to represent conceptual framework type material that properly belongs in a separate project on the conceptual foundations for assurance engagements – including audits and reviews. Furthermore, much of the conceptual guidance draws out particular issues on an eclectic basis without a systematic treatment of the conceptual issues that would constitute a proper conceptual framework, which means the supplement is not well-rounded in this respect, which can lead to misunderstanding. The conceptual issues addressed here have also not been subject to the kind of due process that would be necessary for a conceptual framework. The de facto breadth of scope beyond EER reports bears with it the danger that there may be an expectation by stakeholders that the concepts in this supplement ought to be applied by practitioners not only for assurance on EER reports, but also for other reports subject to engagements under the standard or even audits and reviews of financial statements. Pressure may also result on the content of future projects (e.g., audit evidence) because the IAASB may feel bound in

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some way to what it would have approved. There are also a good number of “absolute statements” in the supplement that appear to imply the existence of requirements, which we seek to have remediated through our comments, but these ostensible requirements also cause issues with the supplement too. We have identified a good number of instances where the supplement uses wording or concepts in a manner that is not consistent with IAASB standards – in particular ISAE 3000 (Revised) or in which the supplement goes beyond the standards in an inappropriate manner. There are also a good number of instances where we have identified assertions in the text whose technical validity is questionable. In Appendix 4 we have provided our further detailed comments on Supplement A

For these reasons, despite some of the good work done on this supplement, we are not in favor of the issuance of this supplement at this time. Furthermore, even if it were issued after considerable revision, in line with our comments in Appendix 3 on paragraph 19 of the guidance, no references should be included within the guidance to the supplement (please refer to our comments on paragraph 19 of the guidance).

Supplement B

We support the publication of Supplement B because we find the examples and guidance in supplement B to be useful, but in line with our comments in Appendix 3 on paragraph 19 of the guidance, no references should be included within the guidance to the supplement (please refer to our comments on paragraph 19 of the guidance). However, we have identified a number of issues that we believe need to be addressed, primarily to align the examples closer to the concepts and wording in the standard: these detailed comments are included in Appendix 5.

Appendix 2:

Request for General Comments

- a) Stakeholder Perspectives – Respondents representing stakeholders such as preparers (including smaller entities) of EER reports, users of EER reports, and public sector entities are asked to comment on the questions above from their perspective.**

As we do not represent these entities, we do not respond to this request for comments.

- b) Developing Nations – Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment, in particular, on any foreseeable difficulties in using the draft guidance in a developing nation environment.**

As we do not represent a developing nation, we do not respond to this request for comments.

- c) Translation – Recognizing that many respondents may intend to translate the final guidance for adoption in their own environment, the IAASB welcomes comments on potential translation issues.**

Given the length of the guidance, even if the guidance were to eliminate all of the issues we have identified as not being in line with the standard or going beyond the standard in an inappropriate manner, it is unlikely that we would employ our limited resources to translate the guidance. We therefore refrain from making any comments on translation issues.

Public Consultation on Proposed Guidance: Proposed Non-Authoritative Guidance, Extended External Reporting (EER) Assurance

Appendix 3 to the Comment Letter to the IAASB:

Detailed Comments on the Guidance by Chapter and Paragraph

Introduction

- 3. The words “engender greater confidence in the credibility of EER reports” appears to confuse the concepts of confidence and credibility. We suggest rephrasing this more simply as “increase the credibility of EER reports” so as to not double up on confidence and credibility.
- 5. Since EER information often also includes prospective (also termed “forward-looking”) information, and information about the impact of events and conditions outside of the entity on the entity’s activities or position, the statement in the first sentence that EER provides information about the financial and non-financial consequences of an entity’s activities falls short of what EER information may include. The same applies to the following sentence in the guidance. We suggest that the paragraph be redrafted as follows to reflect this (note, in line with IAASB drafting conventions, the use of the word “or” is inclusive):

“... that provide information about the financial and non-financial consequences of an entity’s activities or of the impact of events and conditions outside of the entity on the entity’s activities or position. EER may also include information about the potential financial or non-financial consequences of the future activities of the entity or of the impact of future events and conditions outside of the entity on the entity’s future activities or position. These kinds of information (referred to in this document as ‘EER information’) may relate to current or future resources and relationships of the entity, or relate to the current or future wider well-being...”.

The definition of EER information in Appendix 1 of the guidance would need to be amended accordingly.

- 6. The description of financial information in this paragraph appears to relate to historical financial information – not prospective financial information. If this is the case, this needs to be clarified. If this is not the case, then clarification is needed that both historical and prospective financial information are covered, and the wording would need to be adjusted

accordingly. Furthermore, the description of (historical) financial information in the second sentence is not in line with the definition thereof in ISA 200 13 (g), which subsumes transactions under events and limits the events to those that are economic. Through the use of the words “transactions and other events and circumstances” the description also suggests that transactions can be subsumed under “conditions” – not only events, does not address “circumstances” and extends the conditions to those that are beyond economic. We therefore suggest that the wording in this sentence be aligned with the definition in ISA 200.

7. The last phrase in the last sentence refers to EER information that “may be made available by the preparer in real time”. While this might be true, at this stage, neither the standard nor the guidance address how to deal with assurance on information provided in real time. For these reasons we suggest deleting this phrase.
13. The combination of the previous wording and positioning of the phrase “which would include EER assurance engagements” appears to suggest that audits or reviews of historical financial information include EER assurance engagements. We suggest starting a new sentence with “The Standard therefore governs EER assurance engagements”.
19. We are very concerned with the reference to Supplements A and B in this paragraph. In the IAASB system of pronouncements, pronouncements of greater authority do not refer to those of lesser authority, because such reference may be taken to mean that by means of the reference the authority of the pronouncement with greater authority is being conferred upon the pronouncement with lesser authority. So, for example, IAASB standards do not refer to practice notes, and neither refer to further guidance. While the guidance has neither the authority of a standard nor practice note, because, as noted in this paragraph, the guidance can be used without the reference to the Supplements, but the reverse is not the case, the guidance has greater authority than the Supplements. For these reasons, and in particular given our concerns with Supplement A as noted elsewhere in our comment letter, we do not believe reference should be made from within the guidance to the Supplements. Rather, a document containing the guidance can make such reference as long as such reference is not within the guidance itself. We therefore suggest that paragraph 19 be moved to outside of the guidance itself and that all references within the guidance to the supplements be deleted.

20. In the table subsequent to this paragraph, the positioning of chapters 5, 6 and 7 needs to be changed in line with our structural comments in our Appendix 1 on the guidance.

Chapter 1: Applying Appropriate Competence and Capabilities

29. Since the term “assurance practitioner” as defined in the standard can refer to the firm, the engagement team, or the engagement partner, in the second sentence, the phrase “assurance practitioners, other than the engagement partner” is ambiguous. We therefore suggest changing the term “assurance practitioners” to “members of the engagement team”. The last sentence appears to require assurance practitioners to “be able to understand and consider the perspectives of a wider range of users”. While the standard does address the practitioner considering the information needs of intended users (when: 1. determining the appropriate level of assurance, 2. considering the decision-making of intended users when determining the suitability of criteria, 3. considering who the intended users are when considering whether the engagement has a rational purpose, 4. considering whether the underlying subject matter is appropriate, 5. considering materiality, 6. designing procedures to obtain evidence, 7. considering the nature and content of the report, and 8. generally considering the engagement circumstances), standard does not require the practitioner “to be able to understand and consider the perspectives of a wider range of users”. In light of what is actually stated in the standard, we suggest changing this phrase to read “consider the information needs of intended users”.
31. The way this paragraph is written, it suggests that factors need to be taken into account, of which the list thereafter provides examples. To avoid the intimation of a requirement, we suggest changing the wording to read “...for the practitioner and may involve taking into account factors such as:...”
34. In relation to the last paragraph in the example following paragraph 34, we cannot understand the reference to solely a biologist, since the effluent from energy companies involves chemicals (or in the case of a nuclear power plant, radioactive isotopes), rather than biological waste. It seems to us that reference should be made to a chemist or physicist as appropriate in addition to a biologist.

36. We do not understand the meaning of the phrase “in the context of the engagement and as viewed from a user perspective”. What is the “context of the engagement” and how does the user perspective relate to whether the expert answers make sense? We suggest that instead the noted phrase be replaced with “in the engagement circumstances”, since this is a defined term in the standard that covers all of the matters that might be relevant.
41. In the upper left hand box in the box diagram following this paragraph, reference is made to “supervision and review of assurance practitioners”. Since the defined term “assurance practitioner” can refer to the firm, the engagement team or the engagement partner (who surely does not supervise and review his- or herself), this reference to “assurance practitioners” is inappropriate. We suggest it be change to “engagement team members”. We also note that this box and the upper left hand box both refer to “assurance engagement team”, which is not a term used in IAASB pronouncements. We therefore suggest that the reference to “assurance” be dropped in both cases.
45. This paragraph refers to being a member of the same network of firms subject to common systems and processes to comply with ISQC 1 as being a factor in considering the appropriate degree of direction, supervision and review that may be necessary. While this is true, we regard this guidance to be misleading, because as both current ISA 600 (paragraph A33) and the Exposure Draft of ISA 600 point out, there are many other important factors that may need to be taken into account in such a decision. Consequently, at the very least the words “among other factors” should be inserted in between the words “be a factor” and “that can be taken into account”.

Chapter 2: Exercising Professional Skepticism and Professional Judgment

We are very concerned with the treatment of professional skepticism in paragraphs 55 to 58 and in the diagram following paragraph 55. At a general level, we believe that the purpose of the guidance document is to deal with issues that arise from assuring EER information and not to delve into fundamental conceptual issues that apply not only to EER information, but also to other assurance engagements under the standard and to audits and reviews. The guidance in this case goes way beyond the standard, the ISAs (including the new guidance in proposed ISA 220) and the ISREs by seeking to provide

aspects of a conceptual framework for the exercise of professional skepticism. In our view, this goes beyond the mandate of the EER project, and hence the guidance document, and leads to the danger that stakeholders, including regulators, may begin to expect that the considerations addressed be applied to these other engagements too. We believe that a separate project with an appropriate due process needs to be undertaken to address conceptual framework-type issues for professional skepticism, rather than seeking to address these in such guidance in an eclectic fashion without the needed technical rigor. We address our individual technical concerns with the treatment of professional skepticism by paragraph below.

52. It is unclear to us what an “attitude of mind” in the first sentence is – the definition of professional skepticism refers only to an “attitude”. We are concerned with the assertion in the latter half of the first sentence that suggests that representations or answers to inquiries may not be accepted at face value, if they sound plausible. Whether or not plausible sounding representation or answers to inquiries can be accepted at face value depends upon the nature and purpose of the representation or inquiry. If, for example, the plausible sounding representation or answer supports other evidence that the practitioner has obtained, then the practitioner may be able to accept such representations or answers at face value. For these reasons, we suggest changing the sentence to read:

“... nor accepting of plausible-sounding representations or answers to inquiries at face value, unless these representations or answers support other evidence obtained.”

53. This paragraph makes a number of unsupported assertions. It is unclear why the increasing complexity (on its own) of business and of EER reporting, rapid changes needed by businesses to adapt to changing circumstances, increased regulation, increased transparency of information, and the call for greater responsibility by businesses for its actions directly impact the importance of professional skepticism. The guidance fails to provide any direct connection between these factors and professional skepticism. The remaining parts of the paragraph (the assertion that the importance of professional skepticism to the interests of intended users may be underscored by the increased judgment, estimation and assumptions by preparers of the EER report, as well as the last sentence) are reasonable statements that could be retained. We therefore suggest that the unsupported statements be deleted.

55. The diagram supposedly depicts a number of behaviors or skills that may support the exercise of professional skepticism. We believe that some of the behaviors and skills listed may in some circumstances actually be counter-productive to the appropriate exercise of professional skepticism. A “willingness to consider more points of view to check own” is an impediment to the appropriate exercise of professional skepticism when this leads to the too great a willingness to consider the point of view of the preparer. Likewise, the “confidence to challenge subject matter experts”, the “courage of convictions,” or the “ability to suspend decision-making” may be an impediment to the appropriate exercise of professional skepticism when the confidence, convictions and suspension are misplaced.

In the square box under the behaviors/skills “circle”, mention is made of both “probing further” and “obtaining more evidence”. We would like to point out that probing further is done only to obtain more evidence. Consequently, one of the two can be deleted. In our view, the term “challenging assumptions” in this box should be replaced with “questioning assumptions” because “challenging”, which is a severe form of questioning, should only take place when the practitioner has robust evidence for believing that the assumptions made are not appropriate, whereas questioning assumptions always needs to take place. With respect to the part of the diagram at the bottom dealing with impediments and other factors affecting the exercise of professional skepticism, it is not clear which factors are impediments and which are matters that engender the need for the appropriate exercise of professional skepticism. It appears to us that the subjectivity of subject matter, immaturity of systems, and imprecise criteria, engender the need for the appropriate exercise of professional skepticism, whereas the other factors represent impediments to the appropriate exercise of professional skepticism. Since it can be argued that subjectivity of subject matter and imprecise criteria make the exercise of professional skepticism more difficult and therefore also represent impediments, this should be reflected in the diagram. The diagram should therefore distinguish these impediments from those that engender the need for professional skepticism, and those factors that may represent both.

We also note that the diagram does not reconcile the impediments to non-compliance with the fundamental ethical principles in the IESBA Code of Ethics, which does explain the relationship between noncompliance with these principles and impediments. Overall, we conclude that the diagram

is not technically clean or conceptually well-grounded, and it really does not assist practitioners in appropriately exercising professional skepticism. In line with our overall comments on the treatment of professional skepticism in the guidance, we believe the diagram ought to be deleted, but failing that, should be thoroughly revised so that it is conceptually and technically well-grounded.

56. None of the current IAASB standards refer to “business acumen” as underpinning the ability to exercise professional skepticism. The inclusion of this concept here, which is not explained in any standard, may not be uncontroversial (it could be an impediment) and therefore we recommend it be deleted.
57. In line with our comments on the diagram following paragraph 55, we suggest that the word “challenge” in the first sentence be replaced with “questioning” (which also aligns this sentence to its use in the following sentence). We believe that the third sentence ought to be deleted for the following reasons:
- It is not clear how the assertions in that sentence relate to the sentence before or thereafter
 - The sentence includes a non-sequitur: the objective of an assurance engagement as described does not imply that users’ needs are kept in mind *throughout* the engagement
 - The standard requires the practitioner to consider the information needs of intended users (not the needs of users generally) at particular points in the engagement process (see our comments on paragraph 29 in the guidance) – not *throughout* the engagement: the statement is therefore not in line with the standard.

In the final sentence, it is not clear to us which impediments are being referred to in the phrase “mitigate these impediments”. If it is those in the first sentence, that further strengthens our argument for deleting the third sentence, which hinders the flow of the paragraph.

58. Some of the personal traits listed in the last sentence (intellectual curiosity or confidence to question) may not only act as impediments to professional skepticism, but may also facilitate professional skepticism. We therefore suggest that the words “or facilitate” be inserted in between the words “can act as impediments” and “to the proper”.

Chapter 3: Determining Preconditions and Agreeing the Scope

66. This paragraph refers to the “EER reporting process” for the first time. We refer to the definition in Appendix 1 of the guidance and note that important parts of the process (choosing the criteria, establishing appropriate internal control or process over preparing the EER information, the identification of reporting topics) do not appear to be included in the definition. We also do not understand whether there is a difference between the EER reporting process and what paragraph 47L in the standard describes as the process to prepare the subject matter information. We suggest the definition, or perhaps even the need for the term, be re-considered unless some connection can be made between the term and what is used in paragraph 47L of the standard.
70. The first sentence refers to the diagram below, when it is above.
71. In D.(a) in the table subsequent to this paragraph, reference is made to whether the underlying subject matter is capable of consistent measurement or evaluation, “at an appropriate level of aggregation or disaggregation”. We believe this to be a misleading way to describe the issue given how the standard addresses that matter. *Subject matter information* can be presented at different levels of aggregation or disaggregation, but the measurement or evaluation of *underlying subject matter* beyond the underlying subject matter as whole is dealt with in the standard under the concepts of “aspects” of underlying subject matter and only the level of detail of measurement or evaluation can be varied – underlying subject matter itself cannot be “aggregated or disaggregated” separately from the level of detail of its measurement or evaluation. Consequently, the phrase “at an appropriate level of aggregation or disaggregation” should be replaced with “including aspects thereof to the level of detail as appropriate”.

With respect to G in the table, the use of the phrase “needed to support the limited or reasonable assurance conclusion, as applicable” suggests that for a limited assurance engagement the practitioner only needs to be able to obtain the evidence needed for the limited assurance conclusion. This is incorrect: even for a limited assurance engagement, the practitioner needs *to be able* to obtain the evidence for a reasonable assurance engagement because if the procedures designed to obtain limited assurance indicate that there may be a material misstatement, the practitioner is required by the standard to obtain more evidence. Hence, in

line with the wording in paragraph 24 (b) (iv) of the standard, the words “limited or reasonable” and “as applicable”, should be deleted.

Item G (a) in the table asks the practitioner to consider the implications for the practitioner obtaining evidence if the preparer’s process to prepare the subject matter information does not provide a reasonable basis for that information. The relevant matter in this case is not the implication for the practitioner obtaining evidence: if the preparer’s process to prepare the subject matter information does not provide a reasonable basis for that information, then the engagement cannot be performed as an attestation engagement under the standard because the prerequisites for an attestation engagement have not been fulfilled. This implies that either the practitioner withdraws from the engagement, if possible, or determines whether it is acceptable to perform a direct engagement. Consequently, this item needs revision accordingly.

In relation to G (b) in the table, we note that the reference to the standard should be to S.A156 (c) – not S.A155 (c).

Item I. in the table relates to the perimeter of the subject matter information and the unbiased selection of only parts of the EER report. This is dealt with in paragraph A44 in the standard in relation to the appropriateness of the underlying subject matter (in which case the matter should be dealt with in D in this table) and the second bullet point in paragraph A56 of the standard on rational purpose (in which case the matter should be dealt with in the table following paragraph 72 in the guidance. We suggest doing the latter.

72. In the fifth sentence, reference is made to enhancing user confidence in a way that is “logical, consistent, and appropriate”. This list of qualifiers appears to be using a shotgun approach to refer to what is needed. It seems to us that if a way is not logical or consistent, then it cannot be appropriate. We therefore suggest that the terms “logical” and “consistent” be deleted, or to rephrase this to say “appropriate, including logical and consistent”.

We have the following comments on the items in the table following this paragraph:

- (b) The use of the term “either” suggests that the assurance report and its subject matter information (the EER report) can be distributed separately from one another, which we do not believe is appropriate: each should always accompany the other. We therefore suggest that

the words “either is” be replaced with “these are”. The reference to “proposed addressees” is not in line with the first bullet point of paragraph A56 of the standard because, under the standard, the addressee is ordinarily the engaging party (see paragraph A163 of the standard), who would always be an intended user, but can never be the only intended user, since then the engagement would not fulfill the prerequisite for a three-party engagement under the standard. Consequently, in line with paragraph A86 of the standard, the term “addressees” should be replaced with “intended users”.

- (d) The standard does not refer to “significant” information needs of the intended users, only to their information needs, so the term “significant” should be deleted.
 - (f) To align the wording here with that in paragraph A7 of the standard, which is the source for this consideration, we suggest changing the words “to reduce engagement risk to a level which is” to “to be” because it is the level of assurance that is meaningful as described in the standard – not the level of engagement risk directly.
 - (h) The reference to S.26 and S.A54-55 is incorrect. S.26 relates to whether a scope limitation would lead to a disclaimer of conclusion that would cause the practitioner not to accept the engagement, and S.A54-55 relate to access to records – not scope limitations. Neither S.26 nor S.A54-55 relate to the consideration of whether the engagement can be accepted because it has a rational purpose. The appropriate reference would be to paragraph A56 in the standard, since that is where the impact of scope limitations on whether the engagement has a rational purpose is dealt with.
 - (k) Since paragraph A56 (of the standard), which deals with the matter addressed prior to the comma, does not refer to the matter addressed after the comma, and the guidance should not give the impression that when the consideration in the relevant bullet point in paragraph A56 of the standard is addressed, then automatically the matter after the bullet point also needs to be addressed (which would be going beyond the standard), we suggest that the word “including” be replaced with “which may include”.
74. The standard does not require that the different aspects of the underlying subject matter are well-defined and distinct from other things for the underlying subject matter to be identifiable. However, we recognize that if

in the engagement different aspects of the underlying subject matter will be measured or evaluated, then this can only occur if each of these aspects is identifiable and capable of consistent measurement or evaluation against the applicable criteria (see paragraph A40 of the standard). We therefore suggest that the wording be changed to read as follows: "When different aspects of the underlying subject matter will be measured and evaluated, then these also need to be identifiable and capable of consistent measurement or evaluation against the applicable criteria (see example below)."

The use of the phrase "coherent relationship between the underlying subject matter, the criteria and the subject matter information" is rather vague and therefore confusing. We suggest that instead reference be made to "the measurement or evaluation, using the applicable criteria, of the underlying subject matter information within the defined boundary results in the boundary of the actual subject matter information within the scope of the engagement". Hence the wording in the last sentence would read: "As discussed in G.87-89, when considering whether the scope of the engagement leads to the determination that the engagement has a rational purpose, it may be necessary to consider whether the measurement or evaluation, using the applicable criteria, of the underlying subject matter information within the contemplated boundary results in the boundary of the actual subject matter information within the scope of the engagement."

76. In line with our comments and reasoning on paragraph 71 of the guidance, the phrase "The level of aggregation or disaggregation" should be replaced with "The level of detail of the aspects".
79. The words "assess" should be replaced with "determine", since the word "assess" in the IAASB Glossary of Terms is limited to the assessment of risk and the verb used in the standard for this matter is "determine".
82. In line with paragraph 24 (a) of the standard, the words "in the circumstances" needs to be added to the words "suitable" at the end of the first sentence. In line with our comments on Chapter 5 of the guidance, this paragraph appears to presume that practitioners will consider the system of internal control, even though in a limited assurance engagement at most the practitioner would consider the process to prepare the EER report (as noted in our comment on paragraph 66 of the guidance, it is unclear whether this is the same or different that the EER reporting process as defined and used in the guidance), which may suffice for

determining whether the prerequisite for the preparer to have a reasonable basis for the EER report is fulfilled. We note that paragraph A39 in the standard only refers to internal control in relation to extensive internal controls for some cases. This paragraph should be redrafted accordingly.

83. In line with our comments on paragraph 82 and Chapter 5 of the guidance, we believe that considering the process to prepare the EER report ought to suffice when determining whether the prerequisite for the preparer to have a reasonable basis for the EER report is fulfilled, which would eliminate the difference between limited and reasonable assurance engagements. This paragraph should be redrafted accordingly.
88. In line with our comments and reasoning on paragraph 74, we suggest that the part of the sentence beginning with “but there still needs to be” to the end of that sentence be replaced with “but when considering whether the scope of the engagement leads to the determination that the engagement has a rational purpose, it may be necessary to consider whether the measurement or evaluation, using the applicable criteria, of the underlying subject matter information within the contemplated narrower boundary results in the narrower boundary of the actual subject matter information within the scope of the engagement.”
89. In line with our comments on paragraphs 74 and 88 of the guidance, we suggest that the wording in the second sentence beginning with “unless the selected” up to “coherent relationship” be replaced with “unless the measurement or evaluation, using the applicable criteria, of the underlying subject matter information within the contemplated narrower boundary results in the narrower boundary of the actual subject matter information within the scope of the engagement.”

As we discuss in our comments on particular paragraphs in Chapter 4 of the guidance in similar circumstances, the term “in assisting decision-making by the intended users” is being used inappropriately – in this case because the description of the criterion of “neutrality” in the standard does not make reference to “assisting the decision-making of intended users” except through the reference to “engagements circumstances”. The definition of “engagement circumstances” in the standard does make this reference, but also includes a large number of other factors, which means that the guidance then inappropriately deemphasizes these other factors in this context. We therefore recommend that the part sentence beginning with the phrase “in the circumstances” to the end of that sentence be

replaced with “in the engagement circumstances”. This shortens the sentence considerably, makes it more understandable, and ensures that the sentence is in line with the standard.

96. Within the standard, no reference is made to “assess the preconditions for assurance” as stated at the end of the sentence. In line with the standard and the usage of the word “assess” in the Glossary of Terms this statement should be changed to “determining whether the prerequisites for accepting an assurance engagement are present”.
99. The second paragraph in the box with the example following this paragraph states that users are likely to be interested in water consumption. Based on the previous paragraph in the example, it seems to us that users would be far more interested in whether the wastewater produced does not exceed levels considered to be safe.

106.-117.

These paragraphs are focused solely upon attestation engagements – they do not recognize the possibilities that practitioners have to perform direct engagements in relation to EER reports. Of course, these need to be clearly distinguished from attestation engagements by clarifying in the report that the practitioner is not independent of the subject matter information. In this vein, paragraphs 107 to 111 of the guidance do not recognize direct engagements as an alternative and do not deal with the implications. The same applies to paragraphs 112 and 114 of the guidance. In paragraph 113 of the guidance, the second sentence incorrectly states that a practitioner cannot be involved in the preparation of the subject matter information – this is true only for an attestation engagement and therefore the words “for an attestation engagement” need to be added to the end of that sentence. Paragraph 115 of the guidance does not deal with the new requirements and guidance in the IESBA Code of Ethics in relation to direct engagements.

Chapter 4: Determining the Suitability and Availability of Criteria

124. To ensure that the following examples are not regarded as a list of possible requirements, we suggest that in the last sentence the word “may” be inserted in between “Criteria” and “include”.
132. In the second sentence the verb “judged” should be replaced with “determined” in line with the verb used in the standard. In the second

sentence, in line with the International Framework for Assurance Engagements (hereinafter referred to as the “Framework”), the words “conclusions about the” should be inserted in between the words “suitable criteria” and “the subject matter information”.

133. The second sentence states that the five characteristics of suitable criteria are inter-related. Based on our reading of both the Framework and the standard, we certainly believe that they interact, but they are not inter-related, which suggests that the characteristics cannot be fully distinguished from one another. We suggest that the word “inter-related” be replaced with “interact”.

135. We have the following comments on the diagram following this paragraph:

In the second box under acceptance, the positioning at the end of the words “follow the requirements of S.25” suggests that the requirements of S.25 should be followed in addition to the matters addressed previously in the box, when in fact those matters reflect S.25. For this reason, we suggest moving those words to the beginning of the box and ending them with a colon.

The way the phrase in the second box under planning uses the words “taking into account the process to develop them and their source” suggests there is a requirement to always do this. We suggest inserting the words “and, where needed,” prior to the phrase noted to remedy this.

Item (iii) in the last box under planning suggests that if (i) and (ii) do not lead to satisfaction, then the requirements in S.42-43 are to be followed, when in fact (i) and (ii) largely reflect what S.42-43 require. For this reason, we suggest moving the words “follow the requirements of S.42-43” to the beginning of the box and ending those words with a colon. We also suggest that the then following text be more closely aligned to that in S.42-43.

138. The word “respectively” at the end of the last sentence suggests that comparability relates to understandability and conciseness relates to relevance. The reverse is the case: comparability is a relevance issue and conciseness an understandability issue. We therefore suggest reversing the order of the words understandability and relevance.
141. The last sentence in the example box suggests that integrated reports are always required to report about certain matters as set forth in the following examples. We therefore suggest that the word “may” be inserted in between the words “report” and “require”.

144. Since the word “Its” refers to the criteria, which is plural, we suggest the word “Its” be replaced with “Their”.
145. Beyond understandability, the requirements in criteria to aggregate or disaggregate information are a relevance consideration. For this reason and because this section of the chapter deals with relevance, the word “suitable” in the first sentence should be replaced with “relevant”.
146. Since comparability is an aspect of relevance, and in line with the statement that comparability is an aspect of relevance in paragraph 156 of the guidance, we suggest that the word “and” at the beginning of the first sentence be changed to “in the sense of being”. We also recommend that the word “valid” be replaced with “appropriate”, since validity under measurement theory is a broader concept than relevance.
152. We welcome the attempt in this paragraph to properly distinguish accuracy from precision and that subject matter information needs to be as precise as needed to be relevant. However, the wording in this paragraph continues to confuse the concepts somewhat. For this reason, we suggest that the wording be changed to read as follows:
- “Reliable criteria are likely to result in subject matter information that is capable of reasonably consistent measurement or evaluation. Measurement or evaluation is reasonably consistent when it can be undertaken with the necessary degree of precision. Precision is not the same as accuracy. Accuracy refers to systematic error in measurement or evaluation and is directly related to the relevance and neutrality of the criteria (the criteria measure or evaluate what is intended to be measured or evaluated and do so in an unbiased manner). Precision refers to the unsystematic (random) error in measurement or evaluation and is directly related to reliability. Nevertheless, criteria that lead to insufficient precision would not be relevant. Subject matter information can be sufficiently precise if it is as precise as needed to be relevant (which is more likely if the measurement or evaluation results from a well-defined process that reduces unsystematic error) and if it includes information about the inherent limitations in its precision.”
154. In the first sentence, the words “the assertions that” should be replaced with “content of” and the word “contains” deleted because the sentence as written without the proposed changes presupposes that the use of assertions is required, which Chapter 7 of the guidance clarifies is not the case. The second sentence makes a number of claims that the words “This requires” set forth as a requirement even though the standard

contains no such requirement. We recognize what the sentence is trying to achieve, but the issue being addressed (that the information being used as a basis for the preparation of the subject matter information needs to be relevant, reliable and neutral and therefore its collection and processing needs to reflect this) actually belongs to Chapter 8 on the guidance on obtaining evidence – not to this chapter dealing with the suitability of criteria, and in particular, in this case, the reliability of criteria. We suggest that the sentence be moved and redrafted accordingly.

- 157. Since this section in the chapter deals with neutrality, we suggest that the word “suitability” be replaced with “neutrality”. Furthermore, being careful to determine such neutrality involves the exercise of professional skepticism, so we suggest changing “and apply” to “by exercising”.
- 158. Since this section in the chapter deals with understandability and whether a report is coherent, easy to follow, clear and logical also relates to understandability, we suggest that the word “The” at the beginning of the sentence be replaced with “understandable”.
- 165. We believe the reference to “significantly lacking in specificity” needs to be changed to “lacking in adequate specificity”, since the issue is whether the framework is specific enough – not if it lacks significant specificity.
- 171. To avoid setting a requirement, we suggest changing the word “would” to “may”.
- 172. The word “any” in both places sets an inappropriate bar: we suggest that the first “Any” be replaced with “such” and the second “any” be deleted. To avoid setting a requirement, we suggest changing “would” to “would normally”.
- 175. There is no requirement or any application material (other than in relation to the level of detail to be provided in the report) in the standard “to meet intended users’ *expectations*” as set forth in the last sentence. We suggest deleting the noted phrase.
- 178. In line with the second and third sentences in this paragraph and because reference to the intended users should not be misused, the words “it may be useful to intended users” should be replaced with “the criteria may be relevant”.
- 181. The word “not” in the second sentence should be changed to “no”.

184. In line with the second sentence and the applicability of S.42, the words “or available” should be added after the words “not suitable” in the first sentence.

Chapter 5: Considering the System of Internal Control

As a general matter in this chapter, under the standard, practitioners are only required to consider internal control in a reasonable assurance engagement, since in a limited assurance engagement their consideration is limited to only part of internal control (the process used to prepare the subject matter information). Through the title and the wording in the chapter, the chapter appears to be extending consideration of internal control beyond reasonable assurance engagements to limited assurance engagements. Furthermore, reference is made to the “internal control system”, whereas the relevant requirements for reasonable assurance engagements in the standard refer to “internal control over the preparation of the subject matter information relevant to the engagement”. We suggest revising the title to refer to “Considering the Process Used to Prepare, or Internal Control Over the Preparation of, the Subject Matter Information”. We have not identified every instance in which a proper distinction between a reasonable and limited assurance treatment of process vs. internal control needs to be undertaken in this chapter, but have identified a number for further consideration. In any case, using “system of internal control” is fine when addressing what the preparers do, but it becomes an issue when dealing with what practitioners are supposed to do. We also note (as in our comments on paragraphs 66, 82 and 83 of the guidance) that reference is made to the EER reporting process in a number of places in this chapter, but how this relates to the process to prepare the EER report as described in paragraph 47L of the standard is unclear.

185. In line with our general comments on this chapter, the end of the first sentence needs to be changed to read: “... in understanding internal control over the preparation of the subject matter information relevant to the engagement for reasonable assurance engagements, or considering the process used to prepare the subject matter information”.
186. We are concerned that this paragraph is not in line with the standard as follows:
- (a) The reference to the “EER reporting process” can be viewed as broader than just the process used to prepare the EER report. The addition of the words from S.46L “to enable the identification of

areas where a material misstatement is likely to arise” suggests that considering the process, used to prepare the EER report, alone enables the practitioner to identify areas where a material misstatement of the EER report is likely to arise, when such identification can only occur in combination with the understanding of the underlying subject matter and other engagement circumstances in addition to considering the process as noted in S.45L. It also ignores the second reason for such consideration, which is set forth in S.45L (b). For these reasons we recommend that the wording in (a) be changed to “to consider the entity’s process to prepare the EER report (S.47L)”.

- (b) Reference is made in the first sentence to “internal control over the preparation of the subject matter information” without referring to “relevant to the engagement” as required by S.47R: this needs to be added after the words “subject matter information”. The phrase “to enable the identification and assessment of the risks of material misstatement” needs to be deleted because by including this phrase, (b) suggests obtaining the understanding of internal control alone enables the practitioner to identify risks of material misstatement and assess them, whereas S.46R clarifies that such identification and assessment can only occur in combination with the understanding of the underlying subject matter and the other engagement circumstances. It also ignores the second reason for such consideration, which is set forth in S.45R (b). For these reasons, the second sentence of (b) should be deleted.
187. The meaning of this paragraph is unclear until paragraph 188 of the guidance has been read. Furthermore, the connection between the two sentences in paragraph 188 of the guidance is unclear because the second sentence refers to the situation after the engagement has been accepted. We suggest moving the sentence in paragraph 187 of the guidance to in between the first and second sentences of paragraph 188 of the guidance.
194. As noted in our general comments on this chapter and in our comments on paragraphs 82 and 83 of the guidance, we are not convinced that prior to accepting the engagement practitioners would consider the internal control system to determine whether the prerequisite for the preparer to have a reasonable basis for the EER report is fulfilled (particularly since in a limited assurance engagement, consideration is limited to the process to

prepare the EER report). We suggest that this paragraph be changed accordingly and not to refer to the vague “the preconditions are present”, but clarify that it is about fulfilling the prerequisite for the preparer to have a reasonable basis for the EER report.

As we point out in our general comments to this chapter, the term “understanding the entity’s system of internal control” goes beyond what the standard requires for limited assurance engagements, so we believe the title following this paragraph should be changed in line with those comments.

198. It is unclear where below the examples of aspects are given.
199. In line with paragraph A39 of the standard, the words “to take responsibility for the subject matter information being” should be changed to read “that the subject matter information is”. We also note that the reference to G.67-71 should be to G.69-71.
200. We note our comments to paragraphs 66, 82 and 83 of the guidance on the fact that it is unclear how the EER reporting process relates to the process to prepare the EER report as described in paragraph 47L of the standard. Further confusion is caused by the claim made in this paragraph that the EER reporting process is a subset of the information system and communication, but how this is so is not explained.
201. This paragraph refers to the EER reporting process, rather than information system and communication, but it is unclear why this is so. The last sentence suggests that the preparer “obtains an understanding” under paragraphs S.47L/R, which is not the case, since S.47L only requires the practitioner to consider the process used to prepare the EER report. The paragraph should be changed accordingly.
202. We note the unclear reference to the EER reporting process as described in our general comments and the other comments above. The final sentence of this paragraph is not in line with the standard: if the EER reporting process and other related controls (another new term that we do not understand) do not provide the preparer with a reasonable basis for the subject matter information, the consequence is that the practitioner cannot perform an attestation engagement on the EER report at all – not the other consequences listed in the paragraph.
203. The term “entity’s system of internal control relevant to the preparation of the subject matter information” (as opposed to relevant to the engagement as set forth in paragraph 47R of the standard) is used in this paragraph,

but it is unclear what that means in this case and how it is relevant to the practitioner. We suggest changing this to “internal control over the preparation of the subject matter information relevant to the engagement.”

204. It seems to us that the reference to an external laboratory test of effluent quality for a particular production facility generally represents using the work of an expert (unless taken from a report surveying the results of the tests of a number of production facilities where the expert is neither a practitioner’s nor management’s expert) – not obtaining data or information from an external source, which is a different situation. The paragraph needs to clarify this.
205. Through the reference to controls, the paragraph presumes that limited assurance engagements are required to obtain an understanding of controls, which is not the case. This applies particularly to the situation of controls at a service organization. The paragraph needs to be redrafted to take into account the situation for limited assurance engagements.
207. It seems to us that this paragraph and the box of examples of types of control activities that practitioners might consider is very useful for a reasonable assurance engagement, but may not be useful in a limited assurance engagement in which the practitioner only considers the process used to prepare the EER report. The paragraph needs to be clarified accordingly.
208. There appears to be a presumption in this paragraph and the box of examples following that practitioners are required or expected to consider governance and oversight over the EER reporting process because the sentence begins with “Aspects of”. Other than dealing with communications with appropriate parties or those charged with governance, the standard does not deal with governance and oversight. We agree that some of this guidance may be useful, but we believe it has not been placed into a proper context through the introductory sentence. There is also a question of whether some of the matters addressed in the examples apply to a two-board system (in particular (a), (f), (g) and (h)). We also note that items (g) and (h) are unlikely to be relevant for a limited assurance engagement in which the process used to prepare the EER report is considered. Overall, this paragraph and the examples need some reconsideration.

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209. Reference is made to control activities here, whereas in other prior paragraphs reference is made to other controls (beyond the EER reporting process).

211. In line with our comments on paragraph 186 of the guidance, the wording in this paragraph needs to be amended to be in line with the standard.

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

We would like to make the general comment on this chapter that at some points the chapter distinguishes well between 1. the practitioner's consideration of the process to develop the criteria for identifying reporting topics and 2. the practitioner's consideration of whether the resulting criteria were appropriately applied to identify reporting topics. However, in other parts of this chapter, it was unclear which part of the process was being addressed (see paragraphs 239 to 254 in the guidance). In other parts, reference was made to assisting intended users' decision-making when identifying reporting topics, which is inappropriate if the criteria developed are determined to be suitable and therefore meet the qualitative characteristics of suitable criteria, including relevance and completeness – both of which refer to the factors or information that assists decision-making by intended users. We note that in a number of paragraphs, reference was made to "relevance" or "completeness" instead (e.g. paragraphs 237, 240, 243, 246, 251, and 252 of the guidance), which is the appropriate approach.

214. Since considering the entity's process to identify reporting topics is not a requirement in the standard per se, we suggest that the word "on" in the first sentence be changed to "when". The words "when appropriately presented and disclosed in the EER report is superfluous, since suitable criteria would include criteria for appropriate presentation and disclosure.

217. The word "to" needs to be inserted in between "prepare" and "make". At the end of the sentence, the words "the intended users and purpose" leave it unclear as to "purpose of what?". In line with the wording used in the standard, we suggest changing these words to read "the information needs of intended users".

218. It is not clear what the difference is between specifying what topics are to be included in the EER report and identifying them.

220. Given the nature of suitable criteria and the fact that the appropriate application of these would meet the information needs of intended users,

the word “therefore” needs to be inserted in between the words “suitable criteria and” and “the resulting”.

221. In the second paragraph of the example, the words “that would assist intended users’ decision-making” needs to be replaced with “that would be relevant and complete” because the appropriate application of the criteria would lead to information that would assist intended users’ decision-making. The same applies to the last paragraph, in which “would assist intended users’ decision-making” should be replaced with “would be relevant and complete.”
222. The assertion that the identification of reporting topics is a part of the EER reporting process is not in line with the definition thereof because the definition does not address the process for developing suitable criteria for identifying reporting topics.
223. We would like to point out that once having considered the suitability of the criteria for identifying reporting topics and then determined that the criteria were appropriately applied, there is no additional need for the practitioner to consider the reporting topics identified as a result of the application of the criteria other than to consider whether the results of these processes are reasonable. Consequently, the sentence should read: “The extent to which the practitioner considers the appropriateness of the entity’s process to develop suitable criteria for the identification of reporting topics and to appropriately apply those criteria, may depend...”. In the last sentence, there is no explanation as to why or how these processes may be an important consideration on whether the engagement has a rational purpose: one ought to be provided.
225. As pointed out in our general comments, the treatment of both the entity’s process and the practitioner’s considerations draw inappropriately on the concept of assisting intended users’ decision-making, rather than drawing on the relevant characteristics of suitable criteria. In relation to the entity’s process, the second box should refer to developing a list of reporting topics that may be relevant, complete and neutral. The box thereafter should state the entity considers factors that may be relevant, complete and neutral and establishes criteria. The following box should state that the criteria are applied to identify reporting topics (period). The second box with the practitioner’s considerations (step 2) does not adequately reflect what the practitioner needs to do with the entity’s process and the results of that as described above. In particular, the box should have the practitioner consider:

- Whether the entity's process to identify purpose of the report, the intended users and the consideration of the framework was effective and whether the results of that process were reasonable
- Whether the entity's process to develop a list of reporting topics that may be relevant, complete and neutral was effective and whether the list of reporting topics was reasonable
- Whether the entity's process to consider the factors that may be relevant, complete and neutral and to establish the criteria was effective and determine whether the process resulted in suitable criteria
- Whether the criteria to identify reporting topics were appropriately applied and consider the reasonableness of the results thereof.

These considerations then need to be reflected in the steps described in paragraphs 239 to 254 of the guidance. The final point made in the box on step 2 in identifying reporting topics (essentially whether the understandability of the EER report is appropriate, including presentation, such that relevant topics are not obscured by irrelevant ones) is not really a consideration for the selection of reporting topics – it is a matter that relates to the consideration of the presentation of the report and really does not belong in this chapter. Furthermore, the narrative in the chapter thereafter does not deal with this issue.

228. Reference is made here to the identification of “material” reporting topics. While EER frameworks may use the term “materiality” in this way, the standard does not. We suggest that in line with the terminology used in the standard and to explain the connection to the terms often used in EER frameworks, reference is made to “to identify relevant reporting topics (which some EER frameworks refer to as “material reporting topics”)”. This would then lead in nicely to the use of the term “material” in the example box following.
233. We find the last sentence in this paragraph to be confusing – it is unclear to us what it means and how it relates to the distinction between stakeholders and intended users.
234. An EER report may also have just one group of intended users. This should also be added.
236. In line with our comments above on the use of “assists decision-making”, we suggest that the phrase after the semi-colon be changed to read:

“something that is relevant to one group of intended users may not be so to another”.

239. As noted in our comments to paragraph 225 of the guidance, there is a disconnect between step 2 as described in the box under practitioner’s considerations, where the practitioner considers the effectiveness of the process, and this and the following paragraphs to paragraph 254 of the guidance, which focus almost solely on the outcome of the process. This would be exacerbated if our proposals for paragraph 225 of the guidance were to be taken up. Our comments following on these paragraphs deal with the technical issues we have identified in those paragraphs – not with the additional redrafting needed to have them appropriately deal with the process as described – or ought to be described in paragraph 225 of the guidance.

In line with our comments above, we suggest that “assist intended users’ decision-making” be replaced with “are relevant”.

240. This paragraph essentially just repeats the “definition” of relevance as a characteristic of suitable criteria and then adds “purpose of the EER report” without further explanation. This can only add to the confusion of readers of this paragraph. In our view, this paragraph can therefore be deleted.
241. In line with our comments above, we suggest that “assist decision-making by intended users” be replaced with “be relevant”.
244. In line with our comments above, we suggest that “assist intended users’ decision-making” be replaced with “be relevant”.
246. In (a), there needs to be an “or” after the comma within the parentheses. It seems to us that the term “irreversible” in (e) is unclear (what is the time period under consideration for irreversibility?) – we suggest it be deleted.
248. In line with our comments above, we suggest that the part of the first sentence beginning with “in terms of their” to the end be replaced with “in terms of their relevance or ‘impact’ as a proxy for relevance, if they were to exist or occur”. In the following sentence “assist intended users’ decision making” would be replaced with “be relevant”. In (a) we suggest the word virtually be inserted in between “is” and “certain”, since nothing is completely certain.
249. In line with our comments above, “interest to intended users” can be replaced with “relevance”. In the example box thereafter, “assist decision-

making by intended users can be replaced with “relevant”. It is unclear to us how for a three-year investment time horizon, an event that is five years out could be “priced into” the investment and hence be relevant.

251. As of this paragraph, the guidance jumps to consideration of the suitability of the criteria without having dealt with 1. whether the practitioner’s consideration of entity’s process to develop a list of reporting topics that may be relevant, complete and neutral was effective and whether the list of reporting topics was reasonable, and 2. consideration of whether the entity’s process to consider the factors that may be relevant, complete and neutral and to establish the criteria was effective. These appear to be missing.
252. In the first paragraph in the box following this paragraph, the words “assists intended users’ decision-making should be replaced with “is relevant”. The second paragraph in the box is a matter related to the understandability of the EER report – not the relevance and completeness of the criteria as described in the introductory sentence of paragraph 252 of the guidance. Furthermore, the paragraph does not deal with whether the criteria are understandable as “defined” in the standard, but deals with how the reporting topics have actually been included in the EER report so that they are not obscured by irrelevant information (the words “irrelevant information should replace the words “information that does not assist users’ decision-making” anyways). Unless this is somehow clearly related to the application of the understandability characteristic of suitable criteria, this issue is something that ought to be dealt with towards the end of the engagement – not when considering reporting topics and therefore should not be dealt with in this chapter of the guidance.
253. This paragraph appears to jump directly to considering the actual reporting topics included or excluded and does not deal with the practitioner’s consideration of whether the criteria to identify reporting topics were appropriately applied first, which should be done prior to considering the reasonableness of the results of that process.
254. By stating “it may be appropriate not just to consider the suitability of criteria, this paragraph appears to suggest that the suitable criteria cannot include the consideration of reporting topics that are relevant only when taken together with other reporting topics. We believe that suitable criteria can do this. Throughout this paragraph and in the following box, “assist user(s) decision-making” or “assist decision-making by users” can be replaced with “are relevant” (in the paragraph) or “be relevant” (in the box).

255. If the disclosure of the process used to develop the criteria is important for users' understanding of the criteria and of what has been included in the EER report and what has been left out, then it would not be appropriate for this information to be outside of the EER report. This should be distinguished from situations where such information is only "helpful".

Chapter 7: Using Assertions

As a general comment, if assertions are used, they are used in reasonable assurance engagements not only in the consideration of materiality in planning and performing the engagement and considering whether misstatements are material, but also in the identification and assessment of risks of material misstatement and the design and performance of procedures to respond to those risks, which implies that when assertions are used, such risk identification and assessment and design of procedures would be performed at assertion level. For limited assurance engagements when assertions are used, they would be required to be used in the consideration of materiality in planning and performing the engagement and considering whether misstatements are material, but are not required to be used in the identification and assessment of risks of material misstatement and the design and performance of procedures to respond to those risks, since the practitioner is only required by paragraph 48L of the standard to identify areas where a material misstatement of the subject matter information is likely to arise and design and perform procedures to address those areas (and to obtain limited assurance to support the practitioner's conclusion). The use of "areas" means that that the consideration of the areas of likelihood of material misstatement would not take place at assertion level. For this reason, assertions play a very different role in reasonable compared to limited assurance engagements (unless risk assessment and risk responses are required by a standard for limited assurance engagements – like in ISAE 3410). In our view, the guidance in this chapter does not adequately address this important difference.

As another general comment, since ISA 315 (Revised 2019) has now been issued, the description of assertions and references to the ISA 315 need to be updated.

257. This paragraph provides only one alternative to the use of assertions – using the potential types of misstatements that arise directly from the criteria. However, there are other means of dealing with this issue, such as using the concepts from measurement theory or psychometrics, or

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setting requirements for specific matters rather than using assertions. We believe it to be inappropriate to suggest there is only one alternative to the use of assertions, an alternative which may often involve greater work effort than their use and therefore de facto makes the use of assertions mandatory. To leave the other options open to practitioners, we suggest that the words at the beginning of the paragraph be changed to "If the practitioner does not use assertions, one alternative that the practitioner may use is to consider".

264.-265.

After having read these paragraphs a number of times, we are convinced that they have the potential to confuse practitioners more than they would actually help them apply the concept of assertions. We therefore believe that they ought to be deleted.

267. In line with our comments on paragraphs 71 and 76 of the guidance, the word "disaggregation" in relation to underlying subject matter should be replaced with "detail".

Chapter 8: Obtaining Evidence

274. In line with our comment on paragraph 203 of the guidance, the reference to internal control should be changed to read "entity's internal control over the preparation of the subject matter information relevant to the engagement".

279. We do not see how the reference in paragraphs 63 to 64 in the Framework actually supports the assertions made in this paragraph.

284. Most of the considerations addressed in the boxes B and C following this paragraph appear to be useful. However, the considerations in box A appear to us to be overdone. In relation to box A, it is unclear to us why practitioners would seek to undertake the considerations in (a). In line with our overall comments on chapter 7 on the guidance on assertions, the considerations in (b) and the use of assertions therein for the identification of risks of material misstatement appear to us to be designed for reasonable – but not limited – assurance engagements. The same applies to (c), (d) and the wording of (e). We suggest that these items in box A noted be reconsidered and redrafted.

Boxes B and C, (f) and (m), respectively, appear to be dealing with documentation – not obtaining evidence – and therefore should not be addressed in this chapter of the guidance. We suggest they be deleted.

287. We believe that this section on performance materiality up to paragraph 298 of the guidance ought to be placed into the chapter on materiality, since materiality is addressed in paragraph 44 of the standard and the application material thereto in paragraph A98 of the standard addresses the concept of performance materiality (even though it is not addressed by name).
290. We note the use of the term “assess” at variance with the IAASB Glossary of Terms: it should be changed to “evaluate”.
295. This paragraph states that performance materiality is not explicitly addressed in the standard. That is untrue: the concept is explicitly addressed in paragraph A98 of the standard even though the term “performance materiality is not used.
298. In the last sentence, the word “in” should be deleted.

Chapter 9: Considering the Materiality of Misstatements

299. Since the guidance cannot set forth required considerations for the practitioner, we suggest that in the second sentence the word “potential” be inserted prior to the word “considerations”.
303. The last sentence of this paragraph suggests that this chapter provides guidance on evaluating the materiality of misstatements in planning or performing the engagement. Our review of the guidance in this chapter suggests that the guidance only provides guidance on evaluating the materiality of misstatements in performing the engagement – not planning. We suggest that the words “planning or” be deleted.

The diagram following this paragraph suggests that the practitioner first identifies and accumulates misstatements and then considers their materiality before deciding on which misstatements are clearly trivial that need no further action. In both ISA 450 and in paragraph 307 of the guidance, practitioners decide on whether particular misstatements are clearly trivial prior to accumulating them. We also believe that there is no “detailed” materiality consideration once preparers choose not to correct a misstatement – that is when the materiality consideration actually takes place. The diagram needs to be changed accordingly.

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Detailed Comments on the Guidance by Chapter and Paragraph

309. In line with our comments on the diagram following paragraph 303, we suggest that the words “more detailed” be deleted.
322. The use of the word material in parentheses after the words “particularly significant” cannot be correct. Underlying subject matter can be significant or particularly significant, but only information about the underlying subject matter (subject matter information) can be “material” as used in the standard. Furthermore, subject matter information is either material or not – it cannot be “particularly material”. We therefore suggest that the word material in parentheses be deleted.
327. This paragraph suggests that uncertainty that is not inherent may give rise to misstatements without explaining why in some circumstances it may not. Further, the paragraph posits that a misstatement might arise when the underlying subject matter is not measured or evaluated “as precisely as would be possible”. We note that seeking greater precision in measurement may involve costs that are not worth the benefits – particularly when the greater precision is not relevant. Furthermore, as noted in our comments on paragraph 152 of the guidance (and as described in the extant guidance in that paragraph), subject matter information can be sufficiently precise if it is as precise as needed to be relevant – not as precise as possible. For these reasons, we suggest that this paragraph recognize the potential trade-off between the costs and benefits of increased precision and that the subject matter information need only be as precise as needed to be relevant.

Chapter 10: Preparing the Assurance Report

330. In (c), the statement is made that one of the characteristics of future-oriented information is whether their complexities and uncertainties will occur. We are not convinced that complexities and uncertainties “occur”. The issue in relation to future-oriented information is the likelihood of occurrence of future events or conditions in future that have an impact on that information. We therefore suggest that the wording “whether they will occur” be replaced with “the likelihood that future events or conditions reflected in the future-oriented information will occur”.
331. We are not convinced that the expectations gap can be subjected to linear or non-linear programming solutions leading to minimization, so we suggest that the word “minimize” be replaced with “reduce”.

337. This is written as a requirement, and since these items stem from the requirement in the standard, that is appropriate, but then reference should be made to the requirement in the standard so as to not leave the impression that the guidance is setting a requirement.
341. This paragraph confuses the addressee with the intended users. As paragraph A163 in the standard helps clarify, generally the addressee is the engaging party, which in an EER context is often the preparer or those charged with governance of the entity preparing the report. Other intended users beyond this would generally only be referred to as an additional addressee when the criteria are designed for a special purpose for a particular user or user group and is limited with respect to distribution or use to the engaging party and that user or user group. Furthermore, it would be very unusual for the intended users beyond the engaging party to be mentioned in the title of the report. We suggest that this paragraph be changed accordingly.
342. The example in the box appears to be confusing stating who the intended users are in the body of the report (the first sentence) and the alert required in paragraph 69 (f) of the standard for situations in which the criteria are designed for a special purpose and that therefore the subject matter information (and the report) may not be suitable for another purpose. This is dealt with in paragraph 360 of the guidance and therefore the second sentence should be deleted in this case.
345. We find the wording used in the three paragraphs, but in particular in the third paragraph, of the example in the box following paragraph 345 of the guidance to be unusual and in part not in line with the requirement in paragraph 69 (k) of the standard and its related application material. We suggest that the task force draw on the wording used in the paragraph prior to the limited assurance conclusion in the report on a limited assurance engagement on green-house gases as depicted in Illustration 2 of ISAE 3410.
362. The statements made in this paragraph and the example in the box thereafter are true – but only for attestations engagements. In a direct engagement, practitioners would be able to prepare the subject matter information. We suggest this paragraph clarify this.
364. In line with the standard, the word “applicable” should be changed to “relevant”.

Chapter 11: Addressing Qualitative EER Information

378. We do not believe the statement to be true that by measuring purely quantitative underlying subject matter (this in itself is a misnomer: the criteria determine that the evaluation of an aspect of the underlying subject matter would be quantitative rather than qualitative) the practitioner may more readily be able to determine the suitability of the criteria used in the measurement than when the evaluation of the underlying subject matter is qualitative. In our view, it depends on the nature of the underlying subject matter and the criteria being applied. Some evaluations of underlying subject matter relate to criteria that represent qualitative questions of fact. It seems to us that the paragraph confuses qualitative evaluations of underlying subject matter with subjectivity in evaluation: in many cases the qualitative criteria underlying many quantifications are also subject to subjectivity. We also do not believe that the evidence for quantitative measurements would be more readily available or persuasive than for qualitative evaluations, because it depends upon the nature of the underlying subject matter and the criteria as to how persuasive the evidence is – regardless of whether the measurement or evaluation of underlying subject matter is quantitative or qualitative, respectively. In our view, this guidance is colored by the fact that for a number of reasons currently EER reports are replete with qualitative information that is more subjective in nature, but the question arises whether this ought to be so.

Hence, we believe that the assertions noted in this paragraph ought to be reconsidered and redrafted.

379. In line with our comments on paragraph 378 of the guidance and for the same reasons, we also do not believe it to be generally true that when underlying subject matter cannot be measured and expressed in qualitative terms, it may be more susceptible to the views of those reporting it. Consideration should be given to redrafting this accordingly.

381. As noted in previous comments to paragraphs 71 and 202 of the guidance, if the processes to report the subject matter information do not provide a reasonable basis for the qualitative (or quantitative) subject matter information, then under the standard an attestation engagement cannot be performed and therefore whether or not the practitioner can obtain the evidence needed is a moot point. This paragraph needs to be redrafted accordingly. The reference to testing of controls is therefore also

not relevant (and would only be required for reasonable assurance engagements).

391. We note the reference to tests of controls, which may only be required for reasonable assurance engagements.

409. In line with the wording in the standard, we suggest that the words “congruent” and “incongruent” be replaced with “consistent” and “inconsistent”. On this basis, we believe that the practitioner is required to undertake the consideration in this paragraph and therefore the “practitioner may need” should be replaced with “is required” and reference be made to paragraph 62 in the standard.

Chapter 12: Addressing Future-Oriented EER Information

432. The third sentence does not appear to be in line with ISAE 3400. Focusing on whether assumptions are reasonable is required only for forecasts – not projections (which are mentioned in the previous sentence too). Furthermore, the sentence suggests that the assumptions must be reasonable and be supported by evidence, when in ISAE 3400 evidence is the basis for the consideration of reasonability and not a separate consideration. Furthermore, under ISAE 3400, the practitioner does not consider whether forecasts and projections are just prepared in accordance with the criteria: the practitioner is required to evaluate whether forecasts and projections are prepared in accordance with the criteria on the basis of the assumptions. The assumptions are not criteria. We suggest that this paragraph be redrafted so that it is in line with ISAE 3400.

440. In contrast to the assertion in the second sentence, practitioners performing an engagement in accordance with ISAE 3400 do not seek to identify misstatements in the prospective subject matter information per se: they seek to identify situations in which the assumptions are not reasonable (for forecasts), or not unrealistic or not in line with the purpose of the information (for projections), and when the prospective financial information has not been properly prepared (in all material respects) in accordance with the criteria on the basis of the assumptions. We suggest that the paragraph be redrafted accordingly.

441. We do not believe that seeking to distinguish between the three types of misstatements for estimates is useful for prospective information. First, there are no “facts” about the future (with the possible exception of death),

so there cannot be any “factual misstatements”. Second, although judgments about assumptions (for forecasts only) may be subject to differences in judgment between the practitioner and the preparer, it does not follow that (like for estimates) the differences automatically lead to misstatements. Third, best estimate assumptions are only applicable to forecasts – not projections, and it is unlikely for practitioners to need to draw samples to determine projected misstatements for forecasts (and never for projections). For these reasons we believe this paragraph and paragraph 442 of the guidance ought to be deleted.

Appendix 1: Definitions

EER reporting process

We note our comments on the definition of the EER reporting process in paragraphs 66, 82, and chapter 5, of the guidance, which suggest that this definition needs to be revisited.

Financial Information

As noted in our comments on paragraph 6 of the guidance, this definition is not in line with the one in ISA 200 and should therefore be revised to be in line with ISA 200.

Substantive procedures

Since testing of controls is relevant only to reasonable assurance engagements, does this imply that there are no substantive procedures for limited assurance engagements? Are procedures to obtain an understanding or assess the risks of material misstatement in a reasonable assurance engagement (to the extent the latter are not tests of controls) substantive procedures? It appears to us that this definition is not useful and should be deleted, particularly since the term is used only once in the guidance (paragraph 381) and could therefore be described there.

Public Consultation on Proposed Guidance: Proposed Non-Authoritative Guidance, Extended External Reporting (EER) Assurance

Detailed Comments on Supplements A and B

Appendix 4 to the Comment Letter to the IAASB:

Detailed Comments on Supplement A by Paragraph

As a general comment, we have identified a good number of instances where the supplement uses wording or concepts in a manner that is not consistent with IAASB standards – in particular ISAE 3000 (Revised) or in which the supplement goes beyond the standards in an inappropriate manner. Furthermore, there are a good number of instances where we have identified assertion in the text whose technical validity is questionable or where it appears that requirements are being set. The text of the supplement also contains the considerable use of superlatives, which can be regarded as representing rather reckless, unprofessional language that really should not be used in professional literature. Pressure may also result on the content of future projects (e.g., audit evidence) because the IAASB may feel bound in some way to what it would have approved. For these reasons and the reasons, we mention in our comment on paragraph 3 of the introduction, we do not believe that this supplement should be published at this time.

Introduction

3. According to this paragraph, the supplement provides background and contextual information about *general assurance concepts* and draws comparisons between EER and more established forms of reporting (we note – primarily reporting on financial statements) and how they relate to *key assurance concepts* reflected in the standard. We are very concerned with the breadth and nature of the guidance provided in this supplement. It seems to us to represent conceptual framework type material that properly belongs in a separate project on the conceptual foundations for assurance engagements – including audits and reviews. Furthermore, much of the conceptual guidance draws out particular issues on an eclectic basis without a systematic treatment of the conceptual issues that would

constitute a proper conceptual framework, which means the supplement is not well-rounded in this respect, which can lead to misunderstanding. Furthermore, the conceptual issues addressed here have not been subject to the kind of due process that would be necessary for a conceptual framework. The de facto breadth of scope beyond EER reports bears with it the danger that there may be an expectation by stakeholders that the concepts in this supplement ought to be applied by practitioners not only for assurance on EER reports, but also for other reports subject to engagements under the standard or even audits and reviews of financial statements. There are also a good number of “absolute statements” in the supplement that appear to imply the existence of requirements, which we seek to have remediated with our comments, but these statements also cause issues with the supplement too. For these reasons, despite some of the good work done on this supplement, we are not in favor of publishing this supplement at this time. Furthermore, even if it were published, in line with our comments on paragraph 19 of the guidance, no references should be included within the guidance to the supplement (please refer to our comments on paragraph 19 of the guidance).

Four Key Factor Model For Credibility and Trust In Relation to EER Reports

3. It is unclear to us what distinction is being drawn here between credibility and trust both in this paragraph and paragraph 16 of this supplement.
5. The word “greatest” should be changed to “greater” (no superlatives).
6. In item 3 within figure 1, the word “available” can be deleted, since no one expects users to use unavailable sources of information.
9. We have the following comments on the table subsequent to this paragraph:
 - In the second box on the left side, the word “material” should be replaced with “relevant”, since the standard uses the term “materiality” in another context
 - In the third box on the right side, the concept of “reliability” ought to be added because this concept deals with the issue of measurement under uncertainty
 - In the fourth box on the right side, the concept of “reliability” ought to be deleted because none of the issues on the left side relate to reliability.

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Detailed Comments on Supplements A and B

10. The word “because” should be replaced with “when” since following items are prerequisites for credibility.
13. In line with our comments on the difference between relevance and materiality, in the first bullet the word “materiality” should be replaced with “relevance (sometimes called “materiality” by some EER frameworks)”.
15. We suggest the word “ordinarily” be inserted after the words “Strong governance” to make the statement less absolute.
16. In the first line the words “is therefore” should be changed to “may therefore be” to make the statement less absolute. We also suggest deleting “that is required” for the same reason. We have considerable difficulty with the statement that preparers should behave in a way that is consistent with the spirit of the objectives of the relevant EER framework to present EER information faithfully and without bias. First, some EER frameworks do not set forth objectives. Second, even if they did, in many frameworks, compliance is required with the requirements and seeking compliance with the objectives would be unenforceable. Third, faithful presentation is not required for all types of information in every EER framework: we suggest that the concept of reliability be applied instead, which would be consistent with the standard. For these reasons, we believe this part of the sentence ought to be deleted or appropriately redrafted.
18. This paragraph should be written in the IAASB jurisdiction-neutral form, in which “the Board of Directors and audit committee” is replaced with “those charged with governance or management, as appropriate”.
19. To prevent an absolute statement, we suggest inserting the word “generally” prior to “founded”.
21. We suggest inserting “may” after “engagement” to prevent an absolute statement. The word “material” should be replaced with “relevant” for reasons noted previously.
22. To avoid an absolute statement, we suggest changing the words to state “Management may routinely communicate and engage”.
23. In line with our comments on the use of “material” and superlatives, we suggest changing “most material” to “relevant”.
24. To avoid an absolute statement, we suggest that the second sentence begin: “This may include”.

25. Users (like practitioners) do not use all of the information available to them. Hence the word “available to” should be replaced by “used by”. The second sentence contains an unusual assertion – i.e., that EER reports need to describe all relevant issues and be complete if they are to be consistent with other information available about the entity. First, while generally EER reports should contain the relevant issues, if they include all of them, by definition, they are complete (so the words “and be complete” are superfluous and misleading). Second, there is no requirement in an EER framework of which we are aware that EER reports must be consistent with other information available about the entity. It seems to us that depends upon the nature of the other information available about the entity (i.e., its relevance, neutrality, completeness and reliability). For all of these reasons, we believe that the assertion in the second sentence is conceptually problematic and believe it ought to be deleted.
27. Change “most” to “more” to eliminate the superlative.
29. Delete both uses of “most” to eliminate the superlatives.
30. We suggest that the fifth bullet point begin with “Quality control or management, ...” to recognize that ISQM 1 will be applying a quality management approach (quality control needs to be retained because ISAE 3000 has not been revised to introduce a quality management approach).
33. There appears to be a doubling up of concepts in the second sentence: the clear structure of reports serves understandability, and well-balanced reports serve neutrality (lack of bias), so the references to “clearly structured” and “well-balanced” can be deleted.
34. To recognize that ISQM 1 will be applying a quality management approach, we suggest inserting “or quality management” after “quality control”.
35. Since related services engagements do not lead to assurance, the words “,if any,” need to be inserted after the word “assurance”.
36. IAASB literature does not refer to “assurance providers” because, by definition, assurance engagements do not “provide assurance”. We therefore suggest that the term “assurance providers” be replaced with “practitioners”, which is broad to cover all those needing to be covered.

EER Assurance Engagements – Background and Context

4. In relation to the first sentence in this paragraph, the definition of subject matter information in the standard refers to the underlying subject matter as being the phenomenon being measured or evaluated by applying the criteria – not the attribute of the underlying subject matter. However, when measuring or evaluating the phenomenon, it is the attributes thereof that are measured or evaluated. We suggest that the sentence be revised to correctly make this distinction. The same applies to paragraphs 5, 6, 9, 19 and 22. Overall the supplement does not adequately deal with the relationship between the underlying subject matter, the attributes, and the criteria, which hinders a proper understanding of the issue. In any case, this is an issue that ought to be addressed in a conceptual framework rather than such a supplement or guidance. Based upon the use of the term “attribute” in science, research, and philosophy, we suggest deleting the word “inherent”, which is not a requirement for something to be an attribute. We also suggest that the definition in appendix 1 to the supplement be amended accordingly.
7. In the second bullet point, it should be clarified that quantitative disclosures are measured – not evaluated – under the usage in the standard. The fourth and fifth bullet points together represent the criteria under the standard. Consequently, it is not appropriate to separate out benchmarks (criteria are defined as such) for measurement from the criteria and the two bullet points should be merged. This also applies to the second sentence of paragraph 22: the criteria are defined in the standard as benchmarks and therefore the descriptions noted are a part of the criteria – not identified by the criteria.
8. The fourth and fifth bullet points together represent the criteria under the Framework. Consequently, it is not appropriate to separate out benchmarks (criteria are defined as such) for measurement, etc. from the criteria and the two bullet points should be merged.
10. In line with our comments on the guidance on this matter, not underlying subject matter, but subject matter information can be aggregated or disaggregated. The standard speaks of aspects of underlying subject matter, so the words “at level(s) of disaggregation” should be changed to read “at level(s) of detail of aspects of the underlying subject matter”. The same applies to the title prior to this paragraph, in which “its disaggregation” should be changed to “its level of detail”. This also applies to the first sentence of paragraph 13. In line with our comments on the

guidance “assists decision-making by the intended users” should be changed to “is relevant”.

12. This paragraph introduces the concept of “subject matter elements” without having reconciled this concept of “aspects of underlying subject matter” as used in the standard. We do not see why a new concept needs to be introduced when the standard already sets forth an adequate concept in its application material. Adding new concepts causes misunderstanding and confusion.
19. The reference to “its” in the second sentence is unclear – we presume it intends to refer to the underlying subject matter. If so, that term should be used instead of “its”.
21. In the example box following this paragraph, both the description of time in a) and the description of location in b) can be attributes too, like color in c). We suggest this be clarified in a) and b). 23. Mathematically speaking, ordering on the basis of greater to lesser is an ordinal scale that is quantitative because it can be subjected to non-parametric mathematical methods. Consequently, the distinction between quantitative and qualitative in paragraphs 23 and 24 needs to be between nominal scales (qualitative, because no ordering is possible) and all other scales (quantitative, because these scales are expressions of quantity). Both of these paragraphs need to be amended accordingly.
28. We would like to point out that the descriptions of the inherent limitations on precision apply to scales other than absolute or ratio scales as described in this paragraph. For example, colors can be ordered by hue and classifications of hue can be undertaken. However, the limit on precision in classification arises when attempting to attribute hues to one class or another. Another inherent limitation on precision even for simple counting is the qualitative determination whether particular items actually belong to the class in question being counted. Overall, we come to the conclusion that the supplement addresses some interesting questions in the area of measurement (as defined in measurement theory), but it does not do so in any systematic way, which is one reasons why we believe that the supplement is not ripe for publication.
31. Since it is not in line with the definition of professional skepticism, we suggest deleting the words “of mind” within parentheses.
32. We believe it to be beyond the remit of the project to provide guidance on the application of the standard to EER reports to engage in a fundamental

conceptual treatment of professional judgment and professional skepticism. However, we welcome the background and contextual information to the extent it deals with practical matters related to EER reports without seeking to deal with fundamental conceptual matters.

34. The references to “risk of material misstatement exists” and “control operated effectively” applies only to reasonable assurance engagements, and the reference to classes of transactions or balance means that this is not about an assurance engagement – but an audit. We believe that the example should be changed to be relevant to EER reporting and should take into account both reasonable and limited assurance engagements, or clarify that the example deals only with a reasonable assurance engagement. Since under the standard, materiality is not assessed, but considered, we suggest that at the end of the paragraph the word “consideration of” be inserted in between “or” and “materiality”.
35. In line with the Exposure Draft of ISA 220, the reference to “sufficiency and effectiveness” of direction, supervision and review should be changed to “sufficiency and appropriateness”. In addition, the word “procedures” should be deleted, since IAASB standards never address the “sufficiency and appropriateness” of procedures – only their nature, timing and extent.
38. To avoid the impression of a requirement, we suggest that the word “is” in the introductory phrase be changed to “may be”. We suggest that the word “challenge” in the first bullet be changed to “question”, since we do not believe that one can “challenge” oneself effectively. In the fourth bullet point, in line with the third bullet point, we suggest adding “... , where necessary,...” prior to the word challenge, since it may not always be necessary to move from inquiry to a challenge, which is a severe form of questioning. In the last bullet, the word “it” is missing in between “whether” and “corroborates”.
39. Under definition of professional skepticism, the critical assessment in exercising professional skepticism is of evidence: consequently, the words “of evidence” need to be inserted after the word “assessment”. Both uses of the word “involves” suggest the supplement is setting forth a new requirement. Therefore, the word “may” needs to be inserted prior to each “involves”.
41. The description of independence in the first sentence is not in line with the definition. To be in line with the definition, we suggest that the first sentence be written as follows: “Independence of mind avoids being

affected by influences that compromise professional judgment in forming an assurance conclusion". The words "in forming an assurance conclusion" at the end of the second sentence should be deleted, since these are not in line with the descriptions in A33 of the standard, and are not correct because the practitioner does not act with integrity, and exercise objectivity and professional skepticism, only when forming an assurance conclusion.

44. In line with the definition of professional skepticism, the "set" should be deleted from "mindset".
45. This paragraph states that experts are "members of the engagement team". This is not always correct: external experts are not members of the engagement team. Furthermore, when an external expert is used by the practitioner, neither under ISA 620 nor under ISAE 3000 (Revised) is that expert subject to direction, supervision or review as a member of the engagement team: ISA 620 and paragraph 52 of ISAE 3000 (Revised) set forth the requirements for the engagement team (not the engagement partner) for dealing with such experts and their work. For these reasons, this paragraph needs to be redrafted.
48. The word "underlying" needs to be inserted prior to the word "subject matter". If "assessing the risks of material misstatement" is meant, then "of material misstatement" needs to be added after the word "risks". However, this would be required to be applied only for a reasonable assurance engagement. Either this paragraph needs to be augmented for the situation for a limited assurance engagement, or clarification is needed that this applies to a reasonable assurance engagement.
49. In line with the IAASB Glossary of Terms and the requirements in ISA 620 and paragraph 52 of ISAE 3000 (Revised), the word "assess" should be changed to "evaluate".
50. In line with the definitions of professional skepticism and objectivity, part of the first sentence should read "... level of competence to apply a questioning mind and objectivity..." (IAASB standards do not speak of a critical or questioning mindset or of an objective mindset). Since challenge is a severe form of questioning not always needed, we suggest adding ",if needed," prior to the word "challenge".
51. In line with our comments on paragraph 50, the last part of the sentence should read: "...apply a questioning mind and objectivity to the engagement".

58. In line with the standard, the title to this paragraph should read “Assessing risk and considering materiality”. In line with the Glossary of Terms, the word “assess” in relation to the completeness of subject matter information should be changed to “evaluate”. The text in this paragraph refers to “risks of misstatement” and “obtaining an understanding of where risks may exist, and the possible causes of those risks” (which should be augmented to “risks of material misstatement”) and “designing assurance procedures to address those risks”. These words apply to reasonable assurance engagements – they are not required for limited assurance engagements. Either the paragraph needs to be augmented for limited assurance engagements, or clarification is needed that this applies only to reasonable assurance engagements.
59. The words “influence their decisions” should be changed to “be relevant to them”. In line with the standard, the word “assessing” should be changed to “considering”.
60. In our view, this paragraph is not in line with what ISAE 3000 (Revised) requires for reasonable assurance engagements, and does not even address what is required for limited assurance engagements. This paragraph therefore requires considerable redrafting or should be deleted. Furthermore, the heading prior to this paragraph and the paragraphs under this heading refer to “evidence-gathering procedures”. The standard does not refer to “evidence-gathering procedures” as a separate phase or stage in the assurance engagement, since evidence is gathered throughout the engagement and prior to acceptance. We therefore suggest that this term not be used in these paragraphs.
61. The term “assurance evidence” is not used in IAASB standards, so we suggest that the word “assurance” be dropped.
62. The term “assurance evidence” is not used in IAASB standards, so we suggest that the word “assurance” be dropped. The second sentence appears to be requiring a “critical self-assessment” and a “reassessment” of the subject matter information, which inappropriately goes beyond the standard. In addition, in both cases the use of the word “assess” is not in line with the IAASB Glossary of Terms. We suggest that the words be changed to “critical evaluation” and “evaluate” and to insert the word “may” prior to “allows” to clarify that no requirement is intended.

Furthermore, there is no requirement or application material in the standard to evaluate the subject matter information and the sufficiency

and, in particular, appropriateness of the evidence obtained “from the perspective of what would be likely to influence the users’ decision-making”. This phrase should therefore be deleted from the last sentence.

70. We are not convinced that if an EER framework establishes a guidance principle or characteristic that requires completeness of the subject matter information, the criteria therefore “have” (i.e., fulfill) the characteristic of completeness. More detailed criteria are likely to be necessary to ensure that the criteria are suitable with respect to completeness. For this reason, we suggest that the word “have” be replaced with “address”.
72. We are not clear on what is being referenced by “such” criteria at the end of the paragraph.
73. The identification of categories of assertions to identify potential types of misstatements is a matter that can only be required for reasonable assurance engagements under the standard, since for limited assurance engagements the practitioner is only required to identify those *areas* where material misstatements are likely to arise. Consequently, either this paragraph needs to be augmented for limited assurance engagements, or the paragraph needs to clarify that only reasonable assurance engagements are being dealt with in the paragraph. In line with our comments on the guidance on this matter, not underlying subject matter, but subject matter information can be aggregated or disaggregated. The standard speaks of aspects of underlying subject matter, so the words “at an appropriate level of disaggregation of the underlying subject matter” should be changed to read “at an appropriate level of detail of aspects of the underlying subject matter”.
74. To clarify the meaning of this sentence, we suggest adding “in the subject matter information as a whole” after the word “message” (this clarifies that this is not about the message in the assurance report), and adding the words “(i.e., not neutral)” after the words “misleading or biased” (this clarifies that the question being addressed here relates to the qualitative characteristic of criteria neutrality reflected in the subject matter information).
76. This paragraph states that it provides background and contextual information about the fundamental concepts of evidence and aggregation risk. As we point out in our response to paragraph 3 of the introduction, we believe that addressing fundamental issues relating to the concepts of evidence and aggregation risk, which apply to all assurance

engagements, including audits and reviews, is beyond the scope of this project. Furthermore, this paragraph introduces the concept of “characteristics of persuasive evidence”, which we believe is such a fundamental issue beyond the scope of the project, and that for audits of financial statements is being addressed as part of the project on audit evidence. We believe that the reference should be to “persuasive evidence” without mention of the characteristics. Overall we believe that section 4 on obtaining evidence deals with fundamental issues about evidence and procedures that go far beyond the remit of the project on providing guidance for EER and has not been subjected to an appropriate due process for the treatment of such fundamental issues. For these reasons, we believe this supplement should not be published at this time.

77. The reference should be to paragraph A147, not A146.
78. To clarify the first sentence further, we suggest adding the word “actual” prior to the first use of “subject matter information” and adding the term “(i.e., the “required subject matter information”)” in parentheses after the word “criteria”.
80. It seems to us that the procedures designed to be performed actually determine the evidence *that is obtained* when the procedures are performed – not *that is available to be obtained*, since the evidence that is available to be obtained is independent of the design of the procedures. We therefore suggest that the words “available to be” be deleted.
82. The reference in footnote 9 is incorrect: it ought to be to paragraph 62 in the Framework. Furthermore, as the Framework is not authoritative, reference should be made to paragraphs A148 and A149 in ISAE 3000 (Revised). We agree that relevance, reliability, and sufficiency are not binary qualities as there are different degrees of each of these. However, the decision of whether evidence is relevant, reliable and sufficient is a binary decision, and therefore the third sentence should add this at the end of that sentence. The last sentence appears to confuse the strength of the evidence as a concept of sufficiency with the concepts of relevance and reliability. The strength of an individual piece of evidence relates to the degree of belief or confidence that can be attached to that piece of evidence being as relevant and reliable as it purports to be – it does not relate to the “strength of the relevance and reliability of the evidence”, since this just expresses the degree of relevance and reliability and is already covered by these concepts as a part of “appropriateness”. Furthermore, sampling is not the only means of selecting pieces of

evidence: as ISA 500 points out, there are other means of selection. For these reasons, the latter half of the last sentence needs to be changed to read: "...; the nature and extent of selection) and the strength of the individual piece of evidence, which represents the confidence that a piece of evidence is as relevant and reliable as it purports to be."

83. We believe that this paragraph is difficult to understand. We find the explanation given in the first sentence of paragraph A27 of ISA 500 provides a succinct and technically less problematic explanation. We suggest that this paragraph therefore be redrafted on that basis.
84. The first sentence of this paragraph represents a shotgun blast of supposed reliability concepts (informational validity, representational faithfulness, authenticity, completeness, accuracy, neutrality (lack of bias), precision, and verifiability) that has no foundation in current IAASB standards (i.e. is either inconsistent with usage in current IAASB standards, including ISAE 3000 (Revised), or the terms are not addressed in these standards), measurement theory, psychometrics, or the natural sciences. We suggest that this sentence be deleted and replaced by the description of reliability as in line with its description as a characteristic of suitable criteria in line with ISAE 3000 (Revised).
85. The reference in footnotes 10 ought to be augmented by a reference to paragraph A149 in ISAE 3000 (Revised), which is authoritative, whereas the Framework is not. The same applies to footnotes 11 and 12, where the footnote references ought to be augmented by references to paragraph A149 and A150, respectively, in ISAE 3000 (Revised).
86. In line with our comments on paragraph 82, the latter portion of the first sentence should be changed to read: "... extent of evidence obtained and the strength of a piece of evidence which represents the confidence that a piece of evidence is as relevant and reliable as it purports to be."
92. There are no grounds in current IAASB standards for the assertion that the "nature" of a procedure also refers to its "purpose", even though the "purpose of a procedure" or "aim of a procedure" is addressed separately in some places in IAASB standard. By setting forth that the nature of a procedure also covers its purpose, this assertion would be in effect requiring not only that the type of procedure and the procedure itself be documented when documenting the nature, timing and extent of procedures, but also that a statement of purpose would need to be documented as well. We therefore disagree with that statement and

recommend the sentence be changed to refer to the fact that procedures have a purpose. We also disagree with the statement that the type of procedure refers to the manner in which the procedure is performed: the type of procedure refers to the nature of the procedure – that is, is it a procedure to obtain an understanding or to consider something related a process, or is it a test of design or test of operating effectiveness of control, or does it relate to obtaining evidence with respect to subject matter information directly (e.g. a substantive procedure), and to kind of procedure is (observation, inquiry, etc.). The manner in which a procedure is performed relates to how it is performed. We believe that this paragraph needs to be redrafted to reflect current IAASB standards.

93. Some procedures are designed to assess inherent or control risk, which means they do not contribute to a reduction in detection risk, but contribute to the practitioner's consideration of how far detection risk needs to be reduced to reduce engagement risk. The paragraph needs to be redrafted accordingly.
94. With regard to the first sentence, we refer to our comment on paragraph 93. It is unclear what "such procedures" refers to, since the previous sentence deals with classes of procedures.
95. At the end of the sentence, we do not believe it to be appropriate to refer to the procedures for limited assurance as "risk assessment procedures", because no assessment of the risks of material misstatement is required for limited assurance engagements. When writing ISAE 3000 (Revised), the IAASB purposely avoided using that term in relation to limited assurance, and the guidance should respect that decision.
96. The problems with using the term "risk assessment procedures" as noted in our response to paragraph 95 becomes apparent in this paragraph: limited assurance does not require evidence about the operating effectiveness of a control.
98. ISAE 3000 (Revised) does not directly require the practitioner to evaluate the competence of another practitioner – only to evaluate whether the work is adequate for the practitioner's purposes.
99. We refer to our comments on paragraph 92 on the meaning of "type of a procedure" vs. "manner in which it is performed", which would mean that this paragraph requires some redrafting.
103. We are very concerned about the description of the steps in paragraphs 103 to 113. The way these paragraphs are written, they suggest that these

are required steps and considerations for EER engagements, even though they go far beyond what ISAE 3000 (Revised) requires. Furthermore, their general nature means that expectations can be raised that these paragraphs ought to be applied to audits and reviews of financial statements. These paragraphs are another reason why we believe that the supplement should not be published at this time.

As noted, the first two sentences are written like requirements and therefore need to be redrafted.

- 104. The same applies to the first sentence of this paragraph.
- 106. The same applies to the first sentence of this paragraph. The last sentence asserts that at this stage the practitioner would be able to evaluate the reliability of evidence not yet obtained. We disagree: at most the practitioner would be able to evaluate the expected reliability of the evidence not yet obtained.
- 107. The first sentence reads like a requirement and therefore needs to be redrafted.
- 108. The same applies to the first sentence of this paragraph. The word “available” can be deleted, since practitioners neither seek to obtain unavailable evidence nor seek to obtain all of the evidence available.
- 109. The first sentence reads like a requirement and therefore needs to be redrafted. The phrase “what is likely to affect the decisions of intended users” is not relevant at this stage because at this stage the criteria are presumably suitable and in considering misstatements the practitioner would be considering materiality. Therefore, the noted phrase should be deleted.
- 110. The sentence reads like a requirement and therefore needs to be redrafted.
- 111. The first sentence reads like a requirement and therefore needs to be redrafted. The last portion of the first sentence after the comma needs to reflect our comments on paragraph 82, which means that it should be redrafted to read: “... and the confidence in the purported relevance and reliability of the evidence needed”.
- 112. The first sentence reads like a requirement and therefore needs to be redrafted.

113. The first sentence reads like a requirement and therefore needs to be redrafted. In the second sentence, the word “should” should be replaced with “may”.

114.-119.

The bold heading prior to paragraph 114 is incorrect: this section does not deal with aggregation risk, but rather deals with addressing the level of detail at which aspects of the underlying subject matter are measured or evaluated. In line with our comments on the guidance and this supplement on the issue of disaggregation of underlying subject matter (actually, only subject matter information can be aggregated or disaggregated), we suggest the title be changed to “Addressing the Level of Detail Measured or Evaluated”. Likewise, the subheading in italic type would need to be changed to “Considering the level of detail of aspects of the underlying subject matter measured or evaluated.” In the first sentence, “disaggregation into” should be replaced with “measurement or evaluation of”. In the second sentence “disaggregation” should be changed to “detail”.

We also believe that considerations relating to the level of detail at which aspects of underlying subject matter ought to be measured or evaluated is an issue that ought to be addressed prior to the other evidence issues in this chapter (5) and probably ought to be moved to before considering assertions in previous chapter (4).

115. The word “disaggregation” should be replaced with “detail” in both sentences.
116. In the first sentence, “disaggregation” should be replaced with “detail”, but the use of “disaggregation” in relation to subject matter information is correct and should not be changed.
117. The word “disaggregation” should be replaced with “detail”.
118. The word “disaggregation” in the second sentence should be replaced with “detail”; no change should take place in the third sentence, since reference is made to subject matter information.
119. We do not understand the reference to the requirement in S.50, since this has nothing to do with the level of detail at which underlying subject matter is measured or evaluated.
120. It seems to us that considering performance materiality ought to be done prior to considering the other issues relating to the other evidence issues

in this chapter (5) and probably ought to be moved to before considering assertions in previous chapter (4). However, this material naturally follows the previous material on considering the level of detail at which underlying subject matter is measured or evaluated.

123. In (e), the word “a” prior to “lesser” should be changed to “or”.
126. The last sentence in this paragraph deals with an issue that is not related to aggregation risk as defined. Inherent limitations in the assurance procedures beyond not detecting aggregated material misstatements due to only detecting individually material misstatements are not dealt with through performance materiality, but through other measures. Consequently, this sentence ought to be deleted.
141. We are concerned with this section of the paper pronouncing upon “the nature of assurance reporting principles”. The requirements in ISAE 3000 (Revised) together with its related application material provide considerable obligations and guidance to the practitioner on what to include in an assurance report and how. Providing additional guidance in this supplement for particular issues is an acceptable goal, but setting forth assurance reporting principles is beyond the scope of the project on EER reporting. This is another reason why we believe this supplement is not ripe for publication.
143. Missing in the list of matters that might be described in the report is a more detailed description of the procedures performed and their results. The reference to S.A160 should be to S.A161. The final parenthesis in this paragraph is superfluous and can be deleted.
144. Since interpretations challenges and the expectations gap cannot be minimized by means of linear or non-linear programming, we suggest changing the word “minimized” to “reduced”.
145. The superlative “be most likely to be” should be changed to “likely be”. The following paragraph number is 150, which needs to be changed to 146 and all of the paragraphs thereafter renumbered accordingly.
146. In line with our comment on paragraph 144, we suggest changing the words “minimized” to “reduced”.
148. Since the communication by means of an assurance report is one-way, in line with IAASB drafting conventions, the word “with” in the first line should be changed to “to”. We do not understand what the second sentence is trying to say.

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149. We are concerned about applying the characteristics of suitable criteria as reporting principles applicable to the assurance report. We believe that the requirements and application material in the standard provide an adequate anchor for assurance reports and therefore we believe this paragraph and the following paragraph can be deleted.
151. Insufficient clarity is provided in paragraphs 151 and 152 as to what is already required by ISAE 3000 (Revised) and what are “nice to haves”. Calling these matters “key elements” suggests that some of these could be considered required. We suggest that the requirements in ISAE 3000 (Revised) be provided here together with some additional guidance that draws on the application material in ISAE 3000 (Revised).
153. The reference in the footnote ought to be augmented by a reference to paragraph 3 in Appendix 3 of ISAE 3000 (Revised), which contains the same statement, but is authoritative.
160. The last phrase in this paragraph after the word “understandable” is, in our view, inappropriate. We note that ISAE 3000 (Revised) itself provides requirements and guidance on matters that must or may be included in the report to ensure that intended users or other users do not inappropriately rely on the report. These include:
- The level of assurance obtained
 - Identification of the applicable criteria
 - Description of inherent limitations associated with the measurement or evaluation of the underlying subject matter against the applicable criteria
 - An alert to readers when the applicable criteria are designed for a specific purpose, and that as a result the subject matter information may not be suitable for another purpose
 - The description of the responsibilities of the appropriate parties
 - Description of the lesser procedures performed, and hence lesser assurance obtained for a limited assurance engagement
 - The context in which the conclusion is to be read
 - Any limitations on distribution or use

In some jurisdictions, reference may be made to limitations on liability and general terms of engagement.

Overall, therefore, such information limiting reliance is an appropriate part of an assurance report under ISAE 3000 (Revised) and the noted part of the sentence should be deleted.

Appendix 5 to the Comment Letter to the IAASB:
Detailed Comments on Supplement B by Example and Paragraph

As a general comment, we find the examples and guidance in supplement B to be useful, but have identified a number of issues that we believe need to be addressed that align the examples closer to the concepts and wording in the standard.

6. As we believe that supplement A should not be published at this time, the reference to supplement A should be deleted.

Example 1

The second sentence in the first paragraph on page 4, sounds like a requirement and is inconsistent with the fifth paragraph on this matter: we suggest that the wording be changed to: "The practitioner may find it necessary to include".

In the fifth paragraph on page 4, the word "look" should be changed to "evaluate". The reference should be changed from S.A120-134 to S.A121-135. The word "details" should be changed to "application and other explanatory material".

In the sixth paragraph on page 4, the word "analysis" in the first bullet should be changed to "evaluation", "knowledge" in the second bullet should be changed to "understanding", and "knowledge" in the third bullet should be changed to "identification". It is unclear to us as to "risks of what" were identified at the end of that sentence.

In the last paragraph of the example on page 5, "with the rest of" should be replaced with "within" and "any" thereafter deleted.

Example 2

It seems to us that this example should first deal with the other relevant preconditions of an assurance engagement, such as the suitability of the criteria – in this case primarily neutrality and completeness – prior to seeking to apply the rational purpose test. The rational purpose test in ISAE 3000 (Revised) was intended to be applied to catch those cases where the other preconditions

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would not help avoid having the practitioner accept an engagement that is likely to lead to the association of the practitioner with misleading information. We also note our comments on the guidance in relation to the concept of the “coherence relationship” and the suggested wording that ought to be applied.

Example 3

As we pointed out for Example 2, the practitioner would first determine whether the other preconditions of an engagement will be fulfilled before making a determination of whether the engagement has a rational purpose.

To the extent that the rational purpose test is being applied, it may be helpful to relate the considerations in the bullet point list to particular bullet points in paragraph A56 of ISAE 3000 (Revised):

- First and second bullets to first bullet of S.A56
- Third bullet to second bullet of S.A56

The fourth bullet is not about whether the engagement has a rational purpose, but whether the requirements for suitable and available criteria have been met (S.24 (b)(i) and (iii)).

The first sentence in second last paragraph can be related to the first bullet of S.A56. It is unclear what the basis for the second sentence is.

Example 4

The bullet prior to item 3 uses the word “challenge”, which we believe should be changed to “question” unless there are reasons for severe questioning constituting a challenge.

In the introductory sentence to item 3, the rest of the description of reliability as set forth in the standard should be included (i.e., the references to presentation and disclosure).

Example 5

Our review of this example indicates that sometimes the term “materiality” is used as the GRI uses it, but sometimes it is used like ISAE 3000 (Revised) uses it. We suggest that at the beginning of the example, clarification is provided that the GRI use of “materiality” is cognate to the ISAE 3000 (Revised) concept of relevance of the suitable criteria and that when reference is made to the GRI

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materiality concepts, these are placed in quotation marks to distinguish them from the ISAE 3000 (Revised) materiality concept. This implies that such quotation marks would need to be used as described.

In the first paragraph on page 11, we suggest changing the wording at the end as follows: "... reporting topics, and relevant information about them (i.e., information that would influence intended users' decision-making)". This would align the usage to that in the standard.

In the second paragraph within the box on page 12, the term "material reporting topics" should be changed to "relevant reporting topics", since this is not an instance of GRI materiality.

In the last bullet point on page 13, the words "assessment of materiality, including performance materiality" would need to be changed to "consideration of materiality, including determining performance materiality" to be in line with paragraphs 44 and A98 of the standard.

Throughout pages 14 and 15 (and in the right-hand box on page 16), reference is made to "material reporting topics" and "material topics", when "relevant reporting topics" is meant. In the last bullet point in the first paragraph of page 14 and the bullet preceding this one, "material when preparing the report" should be changed to "relevant reporting topics" and "material topics" should be changed to "relevant topics". In the last paragraph on this page, reference is made to "to allow for reasonably consistent identification, measurement or evaluation, related disclosures and presentation of the information to be reported and assured". This should be changed to read "to allow for reliable information to be reported and assured". In the following bullet points, issues regarding relevance and reliability are mixed together: the first five bullet points on page 14 relate to relevance, whereas the last one relates to reliability and therefore not to the identification of reporting topics and ought to be removed.

The first sub-bullet on page 15 relates to evidential consideration, not the identification of reporting topics and ought to be removed. The left box at the end of page 15 refers to "material matters", when reference should be made to "relevant matters".

Some of the bullet points in the right box on page 16 do not appear to be related to the identification of reporting topics. In particular, the bullet point on irrelevant information is an understandability and neutrality issue – not a relevance issue related to the identification of reporting topics. The information from the downstream value not necessarily being reliable is a reliability issue – not an issue in relation to identification of reporting topics. The same applies to the

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degree of uncertainty. That information may be presented in a misleading manner is a neutrality issue – not an issue for identifying reporting topics. The use of an inappropriate time horizon does not appear to relate to identifying reporting topics either. On page 17, the issues relate to reliability and its presentation – not the identification of reporting topics. Overall, there needs to be some reconsideration of these examples to ensure that these relate to the identification of reporting topics and not other issues, to determine whether they should be retained in this example.

On page 18, we presume that in the box on the left the reference to risks relates to risks from corruption: this should be clarified.

Example 6

The heading under the box on page 19 should include the word “for” in between “considerations” and “using”. In the last paragraph on this page, the words “areas where” needs to be inserted after the word “identified” and the word “that” deleted so that the example is in line with the requirements in the standard for limited assurance engagements.

In note 1 on page 22, the word “will” should be changed to “may”. In note 2, the word “should” should be changed to “may need to”. In note 3, both instances of “will” should be changed to “may”. The word “component practitioners” does not exist in IAASB standards and should therefore be changed to “other practitioners” in note 3. In note 4, the word “will” should be changed to “may”.

Example 7

The lowest level of work effort should be ascribed to intended users, so the word “assess” in the third line on page 23 should be changed to “consider”.

The first sentence on page 24 should be changed to read “The decisions that may need to be made include...”. In the sixth bullet point on this page, the words “for a user to be able to make decisions” should be changed to “to be relevant”. In the sentence prior to the last bullet point on this page the word “may” should be inserted after the word “team”.

In the fourth bullet point on page 25, in line with the requirements for limited assurance engagement, the word “where” should be replaced with “in which areas”.

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Example 8

The statement in the second paragraph that water can be a scarce resource in *some parts of the world* which then requires the entity to use water responsibly *in all its operations* is inconsistent: water would then only be needed to be used responsibly when it is scarce. This issue is not addressed in the treatment of the assertions made below.

Example 9

We find some of the assertions in the first and second paragraphs on taxes paid on page 31 to be quite broad (the application of the supposed criteria for setting up operations, that all taxes due in all countries are paid – which implies considerable work effort to determine the taxes due for each country) etc. We ask ourselves why this issue was not addressed in the evaluation of misstatements section of this example.

In the second paragraph on page 33, the “will” should be changed to “may”.

On the top of page 37, the word “needs” should be replaced with “may need”.

Example 10

On the first filled black bullet on page 43, we suggest deleting the words “validity of its”, since the introduction of the concept of validity detracts from the need to obtain evidence to support what is reported.

At the very end of page 47, we do not understand the meaning of “form their opinion and inform their assurance conclusion”. Are there two assurance conclusions?

Example 12

In the first bullet point on page 54, the word “material” should be changed to “relevant”. The words “relevant to user decision-making” should be changed to “relevant to users”.