



**The Japanese Institute of  
Certified Public Accountants**

4-4-1 Kudan-Minami, Chiyoda-ku, Tokyo 102-8264, Japan  
Phone: 81-3-3515-1130 Fax: 81-3-5226-3355  
Email: [international@jicpa.or.jp](mailto:international@jicpa.or.jp) [ninrikansa@jicpa.or.jp](mailto:ninrikansa@jicpa.or.jp)  
<https://jicpa.or.jp/english/>

July 16, 2020

Mr. Willie Botha  
Technical Director  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
529 5th Avenue, 6th Floor  
New York, NY 10017 USA

Dear Mr. Botha,

*JICPA Comments on the Proposed Guidance,  
Extended External Reporting (EER) Assurance*

The Japanese Institute of Certified Public Accountants (JICPA) is deeply grateful for the opportunity to comment on the IAASB Public Consultation (hereinafter, “the Consultation”) on “Proposed Guidance: Extended External Reporting (EER) Assurance.”

Please find below our comments in response to the “Request for Comments” provided in the Consultation.

Q1 Does the draft Guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft Guidance?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

(Comment)

We believe it is necessary to reconsider and improve the following points.

- Chapter 3 paragraph 72  
With regard to identifying intended users, in Chapter 3 paragraph 72 (a) it is stated that this shall be determined by the preparer, and (b) mentions the expectations of the practitioner in relation to the users of the report. We believe it is necessary to provide a reference to ISAE 3000 24(a) in order to clarify the relationship with the requirements of ISAE 3000.
- Chapter 3 paragraph 89

In Chapter 3 paragraph 89, use of the example alone may lead to the misunderstanding that a narrow scope engagement is limited, so it should be explained when a narrow scope engagement may have a rational purpose.

- Chapter 3 paragraphs 85, 94

The description of “Agreeing the Scope of the Engagement” is generally abstract and difficult to understand, and the examples are also limited. First, in paragraph 85 it should be made clear that, depending on the subject matter set, there could be cases in which the subject matter information consists of (1) the entire report, or (2) specific areas of information within the report, or (3) individual items within specific areas of information.

On that basis, if the explanation of the rolling program after paragraph 94 were made clearly which case is being assumed, it would make it easier to understand. In particular, it would be helpful if the example provided in paragraph 99 explained that the subject matter selected for assurance consists of individual items such as “water usage,” “volume of wastewater,” “waste water pollution,” and “initiatives for improvement” and thus corresponds to (3) above, and that these in turn are contained within areas of information related to “water” which thus corresponds to (2) above. What information should be indispensable should also be discussed.

With regard to the rolling program, cases in which the environment in general is designated as subject matter should be distinguished from cases that could also be changed within (2), such as “climate change,” “water,” and “chemical substances.”

- Chapter 9 paragraph 307

When considering the possibility of other potential misstatements, it is important to understand not only the nature of the misstatement but also its causes, and a comment to that effect should be added to Chapter 9 paragraph 307.

- Chapter 9 paragraph 312

The second line from the bottom of Chapter 9 paragraph 312 states that “the misstatements could be grouped according to the type of misstatement,” but this explanation alone does not lead us to concrete understanding. Is it assuming something like the integrated assessment in a Life Cycle Assessment (LCA)? Or is it assuming something like the “type” referred to in paragraph 268’s “Types of potential misstatement”? With regard to “grouping” according to “different aspects,” we would like to see a specific example based on practical experience.

In addition, we would like more specific explanation of what “aspect” is assumed to be in this context, together with a sense of the values involved.

- Chapter 10 paragraph 341

With regard to “The assurance report is usually addressed only to the engaging party or the directors, management or other stakeholders” in Chapter 10 paragraph 342, including “other

stakeholders” gives the sense that everything is included, and runs counter to the meaning of the “usually... only to...” restriction that precedes it. It would appear that this wording needs reconsideration.

- Chapter 10 paragraph 345A

The illustrated example of the practitioner’s responsibility noted in the assurance report, which is provided in Chapter 10 paragraph 345, seems verbose compared to the example in the ISAE 3410 assurance report.

The first paragraph should be reconsidered presenting in the same way as the example text in ISAE 3410.

- Chapter 10 paragraphs 342 and 373(c)

In Chapter 10 paragraphs 342 and 373(c), it is stated that in cases where the intended user is not clear the expression “in all material respects” is not appropriate. This could be read that “in all material respects” is in effect forbidden in cases involving a wide range of intended users. If the expression “in all material respects” may be used even when a wide range of intended users is involved, we believe additional commentary is required to address which cases are covered.

- Chapter 10 paragraph 375

Chapter 10 paragraph 375, “Scope 1 greenhouse gas emissions: 5%” is the expression used in the example, but there is a danger that this figure could be taken out of context, leading to misunderstandings as to whether this 5% is the mandatory criteria for calculating threshold values for materiality. In order to avoid such as misunderstandings, the figure used in the example should be presented simply as “X%”, and references to materiality in the assurance report should not be made compulsory. In addition, the text before the example should be reconsidered to make clear that percentages, etc. used in the examples are for illustrative purposes only.

- Chapter 11 paragraph 390

In Chapter 11 paragraph 390, in cases where subjective information is included in qualitative information and preventing it from being considered subject matter information, the three options of (a) removing such subjective information, (b) delineating it as other information that is not covered by the assurance, or (c) eliminating the subjectivity by developing suitable criteria, are presented as parallel options for dealing with the situation.

However, in this case, from the perspective of the practitioner, they should not be considered in parallel. We believe the normal approach would be for (b) to be considered first, and in cases where that was not possible, either method (a) or (c) should be used.

Accordingly, we believe that the wording should be amended so as to indicate this order of preference.

Furthermore, even in cases where (c) is used to deal with the situation, the response described in Example 8 in Supplement B requires the setting of excessively detailed criteria in relation to subject matter, and would be difficult to follow in practice. We believe that Example 8 requires review.

- Chapter 12 paragraphs 428 and 429

Chapter 12 paragraphs 428 and 429 provide commentary on granting assurances in relation to future information, and explain that although it may not be possible to obtain sufficient evidence that there is the capability to execute strategy or management intentions, assurances may be given as to whether there is a basis for assertions made in relation to the strategy and the capability to execute it. It does not seem that there is adequate explanation of the issue that, even if the preparer of the subject matter information is able to subjectively measure and evaluate assertions related to the ability to execute strategy, etc., from the practitioner's point of view no objective standard has been determined, and no assurances can be given.

- Chapter 12 paragraph 434

Chapter 12 paragraph 434 explains matters to consider in relation to available evidence, but (f) could be interpreted as a discussion as to whether differences between forecast outcomes and after-the-fact results should be treated as a misstatement, and does not seem to constitute an appropriate explanation of evidence.

After explaining clearly that differences between forecast outcomes and after-the-fact results constitute evidence of the reasonableness of forecasting models, the wording should be changed to explain in which situations evidence should be treated as strong, and in which it should be treated as weak.

- Supplement A II General

With regard to the content of Supplement A, paragraphs 13 to 21 of II in particular are highly abstract and difficult to understand. More concrete explanations should be provided by changing these into something more suitable for EER case studies.

- Supplement A II paragraphs 50 to 51

Paragraphs 50 to 51 in Supplement A explain matters related to the competence and aptitude of practitioners, but the relationship to the main Guidance text (for example, paragraph 28) is unclear.

References to the main Guidance text must be added to Supplement A, and the relationship made clear.

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

(Comment)

Nothing in particular

We hope that our views will be of assistance to the IAASB.

Sincerely yours,

Hidehiko Yuki

Executive Board Member – Auditing, Assurance Practice and IT

The Japanese Institute of Certified Public Accountants