



# THE INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)

P. O. Box GP 4268

Accra, Ghana

Tel.: 0302738510/0302738538

0544336701/0277801422

Digital Address: GA-416-9898

E-mail: [info@icagh.com](mailto:info@icagh.com); [icaghana@gmail.com](mailto:icaghana@gmail.com)

Website: [www.icagh.com](http://www.icagh.com)

OUR REF: ICAG/TRD/ED 2019/02

YOUR REF:

19<sup>th</sup> June, 2019

The Technical Director  
International Auditing and Assurance Standards Board (IAASB)  
New York

Dear Sir,

**Comments on Consultation Paper: Extended External Reporting (EER) Assurance**

We are grateful to the IAASB for the opportunity given us to comment on the Consultation Paper (CP); Extended External Reporting Assurance.

We welcome the initiative of the IAASB to come out with Extended External Reporting framework which encapsulates many different forms of reporting, including, but not limited to, integrated reporting, sustainability reporting and other reporting by entities about environmental, social and governance matters.

Below are our responses to the questions raised in the Consultation Paper.

**Specific Matter for Comment**

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 Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance developed in phase 1?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

Yes, the draft guidance developed in phase 1 has adequately addressed the challenges faced by practitioners by developing the guidance of using assertions and also on performance materiality. Matters involving materiality processes and materiality of misstatements are addressed. We note that parts of chapter 3 (agreeing the scope); chapter 4 (applying appropriate skills); and chapter 5 (exercising professional skepticism and professional judgment) were not addressed within this guidance.

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Guidance on whether pre-conditions of an audit exist through looking at the components of a system of internal control is generally clear. There seems to be nothing missing and it is quite comprehensive. The challenges of the practitioner considering whether the preparer's internal controls are adequate to support the determination as to whether the preconditions of an assurance engagement are present have been minimized as this draft guidance throws more light on it. (p25) Selecting or developing the assurance concept of criteria is treated well in chapter 7 "determining the suitability of criteria". However, the presentation of this chapter is not an easy read and whilst there is a lot of useful information, the presentation can be improved upon in order for this to be readable such that the practitioner will utilize.

According to paragraph 84 of Chapter 7, practitioners may need to exercise considerable professional judgment and professional skepticism in determining the suitability of criteria in an EER assurance engagement. The illustrative examples do help give a clearer of processes required in determining suitable criteria in a consistent manner. However, the use of illustrative questions and decision trees can provide better guidance and reduce the risk of significant management bias particularly in determining materiality process and determining suitable criteria.

The guidance for "materiality processes in chapter 8; *"Considering the materiality process"* seems to be complete. The flow charts is an essential part of the guidance in laying out an approach for the practitioner and the guidance is quite extensive. Guidance on Chapter 12; *"Materiality of misstatements"* is clear and complete. No additions appear to be necessary for this chapter. Guidance on Chapter 9; *"Performing procedures and using assertions"* is clear and complete. It appears to address all the challenges. Guidance in Chapter 10; *"Assuring Narrative Information"* and Chapter 11; *"Assuring Future-Oriented information"* both appear to be complete and easy enough to understand.

### **Specific Matter for Comment**

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

Yes, the draft is easy to understand and it has set out the preconditions required to be present before the practitioner can accept or continue the engagement. (Page 17 and page 24). Also, the examples, diagrams and other pictorial illustrations make it easy to understand and provide a clearer view of the guidance. The diagrams indicating underlying subject matter that is measured or evaluated against by applying suitable criteria or benchmarks which resulted in the subject matter information are easily interpreted from the diagram. (Page 80b)

Terminology used in the draft guidance is concise and expresses the various subject matters in brevity. The guidance has provided clear explanations of what these are by relating them to IAASB standards concepts which are commonplace and understood.

The use of the wording *"materiality process"* is a bit confusing. The concept is understandable, but the *wording* used are more confusing than the concept since the *traditional* concept of materiality points to measurement process (magnitude) whether qualitative or quantitative whiles

we are describing a process that is developing “criteria” further and improving it to be more relevant resulting in subject matter that is more helpful. In summary for a sifting process we are using a “measurement” word which appears to be counter-intuitive.

The explanation is clear as it is similar to what we know from the IAASB standards and therefore understandable. We do suggest that we list out the traditional assertions from IAASB and what they mean to support this guidance.

### **Specific Matter for Comment**

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

Yes, we support the proposed structure of the draft guidance because it is well organized and straightforward. The guidance of the preconditions of an assurance engagement are spelt out concisely in the third chapter. An example is the structure spelt out in chapter six which gives more detailed guidance on the system of internal controls, including the entity’s governance and how it can be related to the preconditions of an assurance engagement.

The references made to relevant chapters and hyperlinks for overviews giving in Chapter 2 also help to conveniently access further information or details needed. However, with respect to sequencing, we would suggest that “*Considering the Entity’s materiality process*” could be situated closer to “*Considering the materiality of misstatements*”. Also, “*Determining the suitability of criteria*” could be next to “*Performing procedures and using assertions*”.

### **Specific Matter for Comment**

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

Yes, we agree that the draft guidance does not contradict or conflict with the requirements or application material of ISAE 3000. There are no **new requirements or removal/change in requirements**. Chapter six gives more detailed guidance on the system of internal controls including entity’s governance and does not conflict with ISAE 3000. The new draft guidance has been spelt out in details.

There has not been any new requirement introduced in the draft guidance. Examples of key areas noted to be similar include:

- Ethical requirement
- Quality control
- Engagement acceptance
- Agreeing terms of engagement
- Planning engagement
- Obtaining evidence
- Materiality
- Criteria



There are however matters not covered in ISAE 3000 that are helpful to the practitioner and addressed in this guidance. For example, incremental guidance to the pre-conditions for audit such as considering internal controls, whether the preparer has reasonable basis for subject matter information, whether the practitioner is able to obtain sufficient appropriate evidence, and the use of assertions. The draft guidance supports or enhances the requirements or application material of ISAE 3000 (Revised).

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

We generally do agree that the draft guidance covers matters that are not addressed in ISAE 3000 (Revised). The draft guidance to a larger extent, resolves all matters addressed in ISAE 3000. Particularly, matters like setting out the requirements of the engagement partner, such as having appropriate competence and capabilities, are more emphasised in the draft guidance.

The guide adopts a practical approach to support the practitioner. The steps take us through how to consider an entity's materiality process and ropes in internal controls. For "Assertions", we appreciate the use of "Representations" to explain this. We do however feel the guidance could be further enhanced by adding a section to define/explain the typical Assertions used in normal IAASB guidance and explaining what they mean. For the most part there are very few other assertions out there and so rather than re-invent new ones the practitioner could perhaps be guided as to what these are and how they are applied to an EER engagement.

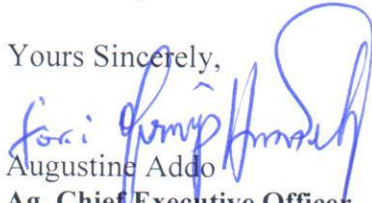
**6. Do you agree that the additional papers contain further helpful information and that they should be published alongside the non-authoritative guidance document?**

Yes, they are most useful. The topics are quite difficult so the background and contextual information provide additional guidance on uncommon terms such as subject matter information, criteria/ benchmarks and relates them to more common references for ease of understanding. It also goes through criteria, qualities, and subject matter elements.

The four key factor model for credibility/trust provides the practitioner with an additional way to look at the EER process and assesses some credibility/confidence in the process. Both papers are helpful and we agree that they should be published alongside the draft guidance or be incorporated in the draft guidance in order to have a single comprehensive document.

We hope the IAASB finds these comments helpful in further developing its consultations on Extended External Reporting Assurance. In turn, we are committed to helping the IAASB in whatever way possible to build upon the results of this Consultation Paper. We look forward to strengthening the dialogue between us. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.

Yours Sincerely,

  
Augustine Addo  
Ag. Chief Executive Officer