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Submitted via website

Brussels, 23 July 2020

**Subject: IAASB Consultation on Proposed Non-Authoritative Guidance on Extended External Reporting (EER) Assurance**

Dear Sir,

Accountancy Europe fully supports the proposed non-authoritative guidance (hereafter 'guidance') on Extended External Reporting (EER) Assurance.

Recent European developments on sustainable finance highlights the importance of high-quality data to assess sustainability of investments and to transition to a sustainable economy. Non-financial information (NFI) is vital for companies and stakeholders to make sound business decisions. But stakeholders also need to know if the information can be trusted. The European Commission is looking for ways to strengthen NFI reporting and assurance requirements to enhance NFI credibility. Accountancy Europe issued a position paper on achieving high-quality assurance to contribute to this policy debate. In the publication<sup>1</sup> we highlight three conditions to develop and ensure high-quality NFI assurance: 1) EU regulatory framework mandating assurance 2) professional standards applicable to all assurance service providers 3) public oversight of assurance service providers. We stress the importance of the international standards for assurance engagements and accompanying guidance in delivering quality services. Guidance on EER assurance is therefore of strategic importance in Europe.

We consider the guidance to be exhaustive and the methodology outlined in the guidance is at an excellent technical level. Nevertheless, we would encourage the IAASB to consider clarifying certain matters that are still not aligned with ISAE 3000 (Revised) or inappropriately go beyond ISAE 3000 (Revised). It is essential that the guidance is aligned with the authoritative standard to which it relates. For instance, the section on professional scepticism goes beyond ISAE 3000 and the current draft of ISA 220 on the issue of professional scepticism. It suggests a framework for considering professional scepticism with factors that may not always relate to professional scepticism but relate primarily to impediments to compliance with the ethical principles in the Code of Ethics.

Other instances where guidance is not in line with ISAE 3000:

- paragraph 186 (a) is not in line with paragraphs 47L and A107 of ISAE 3000

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<sup>1</sup> Accountancy Europe (2020), Setting out for high-quality non-financial information assurance in Europe, see: <https://www.accountancyeurope.eu/wp-content/uploads/200609-Accountancy-Europe-setting-up-for-quality-non-NFI-assurance-paper.pdf>

- paragraph 186 (b) is not in line with paragraphs 47R and A 106 of ISAE 3000
- paragraph 208 appears to be transplanting the requirements in new ISA 315, even though it does not apply to ISAE 3000
- paragraph 322 confuses the concept of significance of underlying subject matter with materiality, which can only apply to subject matter information
- paragraph 391 (a) does not apply to limited assurance engagements as written (tests of controls may only be required for reasonable assurance engagements)
- paragraph 432 is not in line with ISAE 3400
- chapter 5 seems to start with the presumption that an understanding of internal control is required even though ISAE 3000 does not require this for limited assurance engagements (this also applies to the heading prior to paragraph 195)

This equally applies to the supplement documents. We support Supplement B that include useful examples, but have reservations regarding Supplement A. It seems to address issues related to the conceptual framework that do not fit into such technical guidance. We would, therefore, not support Supplement A being published as such.

The guidance will be very useful for educational purposes and for assurance providers who are relatively new to the area. It is important to achieve a balance between information for educational purposes and practical application included in the guidance to make it helpful for practitioners. The question remains, however, to what extent this guidance will be used in practice by independent assurance service providers who already have considerable experience and who are confronted with specific technical questions. More importantly, we wonder how to make sure this guidance is fully implemented and widely used to ensure that assurance services are provided consistently around the globe.

The usefulness of the guidance will depend on the journey towards reliable EER. Accountancy Europe is committed to helping the IAASB in disseminating the guidance and support any follow-up actions to ensure full implementation.

In the previous stage of the project, the IAASB had identified ten key challenges for assurance engagements<sup>2</sup>. Since then, some of these challenges have been addressed, but other challenges, for example, evaluating the suitability of criteria in a consistent manner remain a reality today. The quality of information should not only rely on assurance. A proper governance structure, a standardisation of the data and a common comprehensive reporting standard are necessary to arrive to relevant, comparable and reliable information.

To achieve consistently high-quality assurance, assurance service providers - being the statutory auditor, another independent practitioner working in an accountancy firm, or another service provider - should be required to apply international professional standards designed to conduct assurance engagements, including such guidance. That would ensure that assurance service provider abides by specific principles and requirements (e.g. ethics, quality management) to ensure the quality of the service provided.

Without undermining the usefulness of this guidance at this stage, given the current political developments in the EU, we envision that subject-matter specific standards will need to be developed, when appropriate. This guidance could serve as a basis for further developments.

Additionally, some of the technical topics would need to be further developed, for instance:

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<sup>2</sup> IAASB, Supporting credibility and trust in emerging forms of external reporting: ten key challenges for assurance engagements (2016), see: [https://www.ifac.org/system/files/publications/files/IAASB-Discussion-Paper-Integrated-Reporting\\_0.pdf](https://www.ifac.org/system/files/publications/files/IAASB-Discussion-Paper-Integrated-Reporting_0.pdf)

- the differences between the work effort needed for a reasonable versus limited assurance
- criteria, especially providing further explanation of the differences between criteria and the manual of procedures

We remain at your disposal for further discussion and cooperation on this important matter. For further information on this comment letter, please contact Noémi Robert on +32(0)28933380 or via email at [noemi@accountancyeurope.eu](mailto:noemi@accountancyeurope.eu) or Vita Ramanauskaite on +32(0)28933369 or via email [vita@accountancyeurope.eu](mailto:vita@accountancyeurope.eu) .

Sincerely,



Olivier Boutellis-Taft

Chief Executive

#### **ABOUT ACCOUNTANCY EUROPE**

Accountancy Europe unites 51 professional organisations from 35 countries that represent close to **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18).

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**Question 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?**

In the previous stage of the project, the IAASB had identified ten key challenges for assurance engagements<sup>3</sup>. Since then, some of these challenges have been addressed, but other challenges, for example, evaluating the suitability of criteria in a consistent manner remain a reality today. The quality of information should not only rely on assurance. A proper governance structure, a standardisation of the data and a common comprehensive reporting standard are necessary to arrive to relevant, comparable and reliable information.

As we note in our cover letter above, we consider the guidance to be exhaustive and the methodology outlined in the guidance is at an excellent technical level. Nevertheless, we would encourage the IAASB to consider clarifying certain matters that are still not aligned with ISAE 3000 (Revised) or inappropriately go beyond ISAE 3000 (Revised). It is essential that the guidance is aligned with the authoritative standard to which it relates. For instance, the section on professional scepticism goes beyond ISAE 3000 and the current draft of ISA 220 on the issue of professional scepticism. It suggests a framework for considering professional scepticism with factors that may not always relate to professional scepticism but relate primarily to impediments to compliance with the ethical principles in the Code of Ethics.

Other instances where guidance is not in line with ISAE 3000:

- paragraph 186 (a) is not in line with paragraphs 47L and A107 of ISAE 3000
- paragraph 186 (b) is not in line with paragraphs 47R and A 106 of ISAE 3000
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This equally applies to the supplement documents. We support Supplement B that include useful examples, but have reservations regarding Supplement A. It seems to address issues related to the conceptual framework that do not fit into such technical guidance. We would, therefore, not support Supplement A being published as such.

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**Question 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?**

As we note in the cover letter above, the guidance will be very useful for educational purposes and for assurance providers who are relatively new to the area. The question remains, however, how this guidance will be used in practice by independent assurance service providers who already have experience and who are confronted with specific technical questions. More importantly, we wonder

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how to make sure this guidance is fully implemented to ensure services provided consistently around the globe.

It may be worth considering moving chapter 10 after chapters 11 and 12. If chapters 11 and 12 are applicable for a particular assurance engagement, it would make sense to consider matters addressed under these chapters before chapter 10 which relates to preparing the assurance report.