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

Re: *Extended External Reporting (EER) Assurance*

Dear Mr. Botha,

BDO International Limited¹ (BDO) welcomes the opportunity to respond to the second IAASB consultation on EER. We fully support the collaborative effort made by the IAASB bringing together stakeholders including practitioners and users to build a shared understanding and trusted application of EER in order to serve the public interest.

Below please find our general and chapter specific comments.

General comments

Question 1: Does the draft Guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft Guidance?

The IAASB has overall addressed all challenges raised in the 2019 EER consultation paper. However, see our response to Question 2.

Question 2: Is the draft Guidance structured in a way that is easy for practitioners to understand and use in performing EER assurance engagements?

Practitioner use

The Guidance is very long and detailed which on one hand is helpful as it provides practitioners with a firm foundation how to plan and execute EER assurance engagements. On the other hand, the Guidance has a significant number of cross-references between the Guidance document and the supplements making it hard for practitioners to use the document as the main reference point. To remedy this, we would encourage extensive use of hyperlinks and pop-ups to support user friendliness and ensure greater conciseness. A simpler, digital version, as suggested in the Guidance, will be critical for practitioners to fully understand and apply the ISAE 3000 (revised) underpinned by relevant inter-connected materials.

We also would like to encourage use of all helpful examples, as described in supplement B, within the Guidance document to strengthen practical application. Finally, we suggest

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summarizing supplement A and merge it with the Guidance document to provide additional context for practitioners prior to planning their EER engagements.

Further, the Guidance is too anchored in guiding a practitioner who is used to providing financial assurance to provide EER assurance. A simpler, more inclusive and multi-disciplinary approach to EER assurance engagements would be helpful allowing e.g. environmental, social and governance practitioners to work alongside financial assurance practitioners delivering a high quality and trusted report.

We encourage the IAASB to consider developing more forward-looking guidance which engages a growing amount of EER practitioners that do not have a financial audit background but can equally benefit from the knowledge and experience of financial assurance practitioners. Despite the explicit statement not to develop guidance ‘with the needs of such parties in mind’ it would be an opportunity to bring together diverse practitioners and fields and together develop a better understanding of delivering EER assurance engagements.

Considering the increased competition from providers of EER assurance and related certification services outside the traditional auditing profession, a better understanding and sharing of practical Guidance will hopefully raise quality standards across all EER engagements using ISAE 3000 (revised).

EER audience considerations

Another consideration is the readability and intended audience of the Guidance. The Guidance is overtly practitioner focused, while one of the objectives of the IAASB project is to ‘engender greater user confidence in the credibility of EER reports’. This document does not address the needs of EER report users including report preparers, those commissioning assurance reports, subject experts working alongside practitioners, and investors who often have a different background and use for the information than EER practitioners aiming to deliver trustworthy assurance. Non-financial information becomes increasingly valuable for preparers and users alike. We believe this necessitates a more succinct explanation and resultant understanding of how practitioners approach EER assurance engagements and arrive at their conclusions, so strengthening credibility of the EER. We firmly believe that the accountancy profession is well equipped to provide assurance on EER.

Finally, it would be helpful to promote the accounting profession’s wider ethical, quality control and technical standards framework as already providing a credible and trustworthy basis for assurance reporting. This would highlight matters that the Guidance takes for granted: objectivity, professional skepticism, quality management as well as the key principles of ISAE 3000 (revised).

The Credibility and Trust Model (Supplement A)

The model is thought-provoking and covers some key conceptual aspects that underlie the issue of trust. However, the points made relate to any form of reporting not just EER raising the question whether the model might not be better suited as a more overarching framework for use in the corporate reporting system and not just EER.

There are well-established academic models for trust e.g. *the trust equation*² which the IAASB could use as a sound model for all forms of reporting including EER.

Chapter specific comments

Chapter 1: Applying appropriate competence and capabilities

Question 1: We believe being more explicit about the need to improve the assurance competence of a subject matter expert by working alongside more established assurance practitioners and vice versa will support the multi-disciplinary approach to delivering quality engagements.

² The Trust Equation <https://bit.ly/2ZcqBzE>

Question 2: No comments.

Chapter 2: Exercising professional skepticism and professional judgement

Question 1: No comments.

Question 2: No comments.

Additional comment:

The chapter addresses professional skepticism as an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of all audit evidence. Professional judgement should be ethical and applied with the relevant knowledge for specific internal and external conditions and situations. We agree that it is essential that the assurance professional can understand and assess the reliability of information within diverse contexts and have the strength of character to challenge the information should concerns arise. The use of illustrations and examples is helpful and supports better understanding of the concepts.

Chapter 3: Determining preconditions and agreeing the scope of the EER assurance engagement

Question 1: No comments.

Question 2: Diagram 5 (p74) underlines our earlier point that practitioners without a firm background in assurance will not be able to understand and apply the concepts of engagement 'circumstances' and 'preconditions'. To further aid comprehension an illustration explaining the process of checking preconditions with relevant excerpts from the ISAE 3000 (revised) and other linked materials would underline the importance of this phase.

Chapter 4: Determining the suitability and availability of criteria

Question 1: Paragraph 127 could be enhanced by providing the practitioner with an overview of existing EER principles and Guidance for non-financial reporting used frequently by preparers and users including SASB, GRI, AA1000 and <IR>.

Question 2: No comments.

Chapter 5: Considering the system of internal control

Question 1: No comments.

Question 2: No comments.

Chapter 6: Considering the entity's process to identify reporting topics

Question 1: No comments.

Question 2: No comments.

Chapter 7: Using assertions

Question 1: No comments.

Question 2: No comments.

Chapter 8: Obtaining evidence

Question 1: No comments.

Question 2: No comments.

Chapter 9: Considering the materiality of misstatements

Question 1: No comments.

Question 2: No comments.

Chapter 10: preparing the assurance report

Question 1: No comments.

Question 2: To enhance practitioners' understanding of how to classify 'trivial errors' in EER it would be helpful to have an illustrative example. In addition, providing examples of how to accumulate uncorrected misstatements would be helpful considering an EER report consists of diverse subject matters often presented in a mix of narrative, quantitative and qualitative reporting.

Chapter 11: Addressing qualitative EER information

Question 1: No comments.

Question 2: No comments.

Chapter 12: addressing future oriented EER information

Question 1: We agree with paragraph 431 that the actual occurrence of future risks and opportunities cannot be assured. To support the practitioner in determining the suitability of information, data and criteria used for assessing possible future risks and opportunities we suggest recommending closer cooperation with subject matter experts. The expert must clearly demonstrate the appropriate knowledge and approach towards professional skepticism and ability to analyze relevant criteria before providing an opinion on future outcomes. This in turn will allow the practitioner to review her/his assumptions and provide a combined view before a final decision on whether the existing evidence of e.g. an entity's future emissions scenario can be assured.

Question 2: No Comment.

Thank you for the opportunity to feedback and we look forward to reviewing the final exposure draft in 2020.

Please contact me should you wish to discuss any of these comments.

Yours sincerely,
BDO International Limited

Chris Smith
Global Head of Audit and Accounting