

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

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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.