

18 June 2019

International Auditing and Assurance Standards Board  
529 Fifth Avenue  
New York, NY 10017  
United States

Dear Sirs,

**RESPONSE TO CONSULTATION PAPER – EXTENDED EXTERNAL REPORTING (EER)  
ASSURANCE (“CP”)**

ISCA sought views from the ISCA Corporate Reporting Committee which includes experienced practitioners from large accounting firms.

We appreciate and support the Board’s efforts to address the current challenges in applying ISAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* to EER.

We also understand that this is an interim consultation to assist the Board in updating the draft guidance and completing the non-authoritative guidance document in phase 2, following which an exposure draft of the complete non-authoritative guidance document will be published for public comment.

Notwithstanding the above, we have concerns that the draft guidance does not adequately address the key challenges in phase 1. These concerns are set out below.

*Practical considerations*

There could be challenges in applying the draft guidance on EER reports in practice.

Paragraph 195 of the draft guidance for testing narrative information shows an example of information in an EER report and how the practitioner may test this information. This example demonstrates that information within an EER report requires varying degrees of testing or none at all, according to whether the information addresses the criteria.

Paragraphs 161 and 162 of the draft guidance adds that information in an EER report which does not result from criteria that are suitable or available is considered to be “other information” which is addressed by ISAE 3000 (Revised).

In our view, notwithstanding the draft guidance on determining the suitability of criteria and considering the entity’s “materiality process”, it could be conceptually challenging to identify subjective narrative information which fulfils requirements of a criteria and hence requires testing. This is especially pertinent to assurance over an EER report that contains substantial information which (i) does not address a specific criteria, which requires significant judgment in itself to be identified by both preparer and practitioner; and (ii) could be factual, subjective or speculative.

To illustrate the point above, the example in Paragraph 195 acknowledges that there could be some uncertainty (since the word “may” is used) in whether Sentence (4) fulfils the requirements of the criteria (“an explanation for the change”), and presumably the EER report has to be sieved through for the appropriate explanation to be tested. Significant judgment may be required to identify this explanation, or whether the inclusion of other narrative information could be misconstrued to be the appropriate explanation and hence could be misleading to the user.

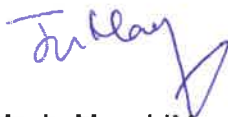
To build on the point above, depending on the assurance report which the draft guidance will address in phase 2, the user may not be aware of the extent of the practitioner’s work on the information in the EER report and could develop an unwarranted reliance on the EER report or sections of it. For example, information, which was determined to be “other information” by the practitioner and hence no substantial work was performed, could be perceived to be important by the user who then places a disproportionate reliance on it.

The challenges above could be mitigated by the guidance on preparing the assurance report, or other chapters to be developed in phase 2. Hence, we would like to ask the Board to give greater consideration to the practical application of the draft guidance in addressing all the key challenges, and provide more direction in these areas in phase 2.

In addition, Paragraph 11(a) provides examples of ‘subject matter elements’ to which criteria are applied in preparing EER reports. We would like to suggest for the Board to consider including “Intellectual Property” as one of the quoted examples along with “different natural resources, individual employees...” as intellectual property is currently one of the most important subject matter elements with the proliferation of the use of artificial intelligence and similar capabilities in the running of businesses.

Should you require any further clarification, please feel free to contact Mr Donaphan Boey, Manager, TECHNICAL: Financial & Corporate Reporting, from ISCA via email at donaphan.boey@isca.org.sg.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Ju May', with a stylized flourish extending from the end.

Ms Ju May, LIM  
Deputy Director  
TECHNICAL: Financial & Corporate Reporting;  
Ethics & Specialised Industries;  
Audit & Assurance