



National Association of State Boards of Accountancy

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International Auditing and Assurance Standards Board (IAASB)  
529 Fifth Avenue  
New York, NY 10017

Via website: [www.iaasb.org](http://www.iaasb.org)

**Re: Extended External Reporting (EER) Assurance Consultation Paper**

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to offer comments on the Extended External Reporting (EER) Assurance Consultation Paper (Consultation Paper). NASBA’s mission is to enhance the effectiveness of the licensing authorities for public accounting firms and certified public accountants in the United States and its territories. Our comments on the IAASB’s Consultation Paper are made in consideration of the Boards’ of Accountancy charge as regulators to promote the public interest.

In furtherance of that objective, NASBA offers the following comments on the questions as presented in the Consultation Paper.

**Request 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*Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance developed in phase 1?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?*

Chapter 1 of the draft guidance within the Consultation Paper provides the background for “Extended External Reporting” (EER); however, EER is not specifically defined. We recommend clarifying that the reporting in EER refers to reporting the results of the measurement of the subject matter, and may be completed by the responsible party, the practitioner or both. The Consultation Paper seems positioned on the assumption that the responsible party is reporting, but that would not be the case for direct engagements per ISAE 3000.12(A)(ii)b.

The scope of the draft guidance is not clear. Paragraph 6 indicates that the guidance does not cover all ISAE 3000 engagements, but it does not identify the engagements that are not covered. Consider inserting additional discussion regarding how a practitioner is able to distinguish an EER engagement from the “other types of engagements” that are not covered.

Paragraph 26 states that some EER frameworks require the preparer to determine what the important matters are to include in the EER report and that the judgments made by the preparer are often referred to as a “materiality process.” Use of the term “materiality process” risks confusion with the well-understood notion of materiality, from the standpoint of performance materiality and evaluating misstatements (including omission of material narrative information based on the criteria of the framework). We recommend using an alternative term for materiality such as “relevance process.”

We believe clarification is needed in the linkage of engagement preconditions and the system of internal control as the draft guidance appears to include contradictory requirements and new requirements not addressed in ISAE 3000 (Revised). See response to Request for Comment 4 below.

**Request 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?*

See comment above regarding the use of the term “materiality process.”

It would be helpful to have additional guidance for the examples provided in the fourth through sixth bullets in paragraph 49 as to how much work the practitioner needs to do to understand the needs of users as part of determining whether a proposed EER assurance engagement has a rational purpose.

In the examples provided in paragraph 136 of Chapter 8 for the purpose of the EER report, it appears that the fourth bullet describes or relates to financial reporting and not EER. We recommend removing this bullet.

In Chapter 9, related to performing procedures and using assertions, we recommend including guidance for performing procedures on estimates (for example, based on ISA 540).

Paragraph 53 of the draft guidance cautions that there may be a self-review threat to the practitioner’s independence if, for example, the practitioner is advising on the development of an entity’s EER processes and then plans to undertake a subsequent EER assurance engagement. We recommend including a reference to the IESBA Code of Ethics Section 900 to address these self-review threats.

**Request for Comment 3:**

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

Yes. We are supportive of the proposed structure of the draft guidance.

**Request 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?*

We believe that there are contradictory and new requirements introduced in the draft guidance as compared to ISAE 3000 (Revised), specifically in considerations of internal controls.

Paragraph 47a(iii) seems to imply that if the subject matter information is not “appropriately supported by related aspects of the entity’s system of internal control”, then the practitioner cannot perform the engagement. However, could the practitioner perform the engagement and issue a qualified or adverse report? ISAE 3000 (Revised) discusses internal control as a part of engagement planning and not as engagement preconditions.

The emphasis on considerations of internal control as preconditions of engagement appears contradictory to the guidance provided for the overall engagement strategy in paragraph 78 which states that “where the practitioner is unable to tests controls, expects that the controls are not operating effectively, or is not cost-efficient to test controls, the practitioner may adopt a fully substantive approach.”

Chapter 6 of the draft guidance provides details on considerations of the system of internal control and that these considerations may assist the practitioner in establishing whether preconditions for an assurance engagement are present. Paragraph 61 states that: “Having a highly sophisticated or developed system of internal control is not a precondition for an assurance engagement.” Is the precondition that the subject matter information must be appropriately supported by aspects of the entity’s system of internal control?

**Request for Comment 5:**

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

As stated in the comment above, we believe clarification is needed in the linkage of preconditions and the system of internal control as the draft guidance appears to include contradictory requirements and new requirements not addressed in ISAE 3000 (Revised).

**Request for Comment 6:**

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

We agree that the additional papers contain helpful information. We believe that the first additional paper, *Background and Contextual Information on Understanding How Subject Matter*

*Information Results from Measuring or Evaluating Subject Matter Elements Against the Criteria, should be included as part of the draft guidance and not as a separate document.*

**Request for Comment 7:**

*In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:*

- (a) Stakeholder Perspectives – Respondents representing stakeholders such as preparers (including smaller entities) of EER reports, and public sector entities are asked to comment on the questions above from their perspective.*
- (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.*
- (c) Translation – Recognizing that many respondents may intend to translate the final guidance for adopting in their own environments, the IAASB welcomes comments on potential translation issues.*

- (a) We have no comment related to stakeholder perspectives.
- (b) We have no comment on the developing nations issue.
- (c) We have no comment on the potential translation issues.

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We appreciate the opportunity to comment on the Consultation Paper.

Very truly yours,



Janice L. Gray, CPA  
NASBA Chair



Ken L. Bishop  
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