

June 20, 2019

The International Auditing and Assurance Standards Board

Re: Feedback on IAASB project to develop guidelines for assurance on extended external reporting.

Submitted online. [Consultation Paper, Extended External Reporting Assurance](#)

To Whom It May Concern:

The Institute of Internal Auditors (IIA) is pleased to share feedback on the IAASB's consultation paper and first part of draft guidance for practitioners applying International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, to extended external reporting (EER) assurance engagements.

The IIA has supported sound governance and effective risk management in public- and private-sector organizations for more than 75 years. With more than 200,000 members worldwide, The IIA is part of a global voice that encourages strong internal controls and an enterprisewide approach to risk management.

We appreciate the opportunity to assist the IAASB as it develops guidance on the many forms of reporting encapsulated by EER. Our inputs are focused on Question 7a, which relates to stakeholder perspectives from respondents representing stakeholders such as preparers (including smaller entities) of EER reports, users of EER reports, and public sector entities:

Comments related to Question 7a:

- In common with other similar guidance and commentary on this topic, there is an apparent presumption toward accountants generally and external auditors specifically being the ones to lead on providing assurance on extended external reporting. In addition, much of the emphasis is given to the end product. In both these respects the picture drawn is incomplete. There are many preparatory steps before an extended external report can be considered for publication, including all of the necessary stages in the "integrated thinking journey" through which an organization must transform its mindset. This transformation allows it to break down silos; recognize all sources of value, including those held externally; establish effective systems of gathering and validating data; and consider activity in the short, medium, and long terms. Assurance is needed on all aspects of these stages as part of the validation of the

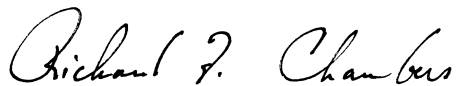
- report itself. Internal audit is ideally placed to provide credible objective assurance and advice because of its unique position, perspective, and expertise. External auditors and other technical experts are needed to provide specialized inputs and should be encouraged to work collaboratively with internal auditors.
- There is only very limited reference to the role of internal audit in this document and no reference to the reliance that external audit should place on the work of internal audit undertaken in these areas. The governing body and audit committee should seek effective mapping and alignment of all assurance work to ensure adequate, reliable, and cost effective coverage while avoiding supplication and overlap. The paper should provide better explanation in terms of the relationship between internal audit and external audit and other assurance providers.
  - In emphasizing the independence of external auditors there is a danger of misrepresenting the status of internal audit. Although part of the organization in the service of its objectives, the internal audit function performs its activities without hindrance or restraint from management and reports to the audit committee or directly to the governing body. It follows professional standards and operates under a charter that permits it access to all necessary resources, information, and people. The audit committee's role is crucial for the effective independence and objectivity of both internal and external audit, confirming the appointment, agreeing workplans, assigning resources, providing direction and oversight, and reviewing reports.
  - Reference is made to the risk of management bias in terms of the reporting. By working closely with internal audit and making use of benchmarking, sector specific targets, key risk indicators, data analytics, and so on, management bias risk can be satisfactorily addressed.
  - The document takes the view that in EER frameworks there are fewer prescriptive criteria and well-established processes and internal control is assumed to be less mature. While this may often be the case, it is not always so, and allowance should be made for this.
  - There does not appear to be adequate reference to the evidence required to support the drafting of the report and the need to retain such evidence by the preparer. If reliance is to be placed on the report then the evidence needs to be robust and available to external audit as the reviewer.
  - Consideration of a maturity model, perhaps similar to the risk maturity model, could provide a useful approach by making appropriate allowance for differences between organizations and their level of experience with respect to EER. This could help provide context to the external audit reviewer. For example, a lower bar for assurance may be set for a requirement that has been newly introduced (e.g., financial services sector operational resilience) compared with something that has been in place for a number of years (e.g., modern slavery).
  - Greater clarity with respect to the expected users and stakeholders of EERs should be identified in the document to help give greater definition to the guidance provided. There should be no suggestion that the quality of EER may vary in the eyes of the beholder. One of the key requirements in terms of users/stakeholders is that they can place reliance on the credibility of the preparer, who is also a stakeholder, and then trust the reported outcomes. This requires clarity as to what is meant by 'trust,' how trust should be provided, and perhaps reference to the Edelman trust barometer. This may require that users/stakeholders are separated from the preparer of the report, as the Edelman 2019 trust barometer indicates.
  - Stakeholders need to be able to rely on the information provided in the report as it will inform decision-making at government and board levels, and demonstrate compliance with

- laws, regulations, and policies and procedures. This requires there to be a clear and direct link to:
  - Accomplishment of the organization's goals and objectives;
  - Compliance with laws, regulations, policies, processes;
  - Reliability and integrity of information; and
  - Efficiency and effectiveness of the internal control environment.

Finally, we suggest a structure that includes process maps to help create an understanding as to the roles of the various parties, the input required from the various parties, and the location of the publication of the report (i.e., is it published on the organization's website, submitted to government, included in the annual report and accounts, etc.).

The IIA wishes to thank the IAASB for the opportunity to comment on this guidance so early in your process. The IIA values greatly the relationship our two organizations have built over many years and expresses its unwavering support. Please do not hesitate to contact The IIA's Managing Director of Global Advocacy, Francis Nicholson, at [francis.nicholson@theiia.org](mailto:francis.nicholson@theiia.org) for questions or comments.

Sincerely,



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President and Chief Executive Officer  
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