

Tom Seidenstein  
Chair  
International Audit and Assurance Standards Board

Salvador Marín  
President

529 5th Avenue  
New York, New York 10017  
United States of America

4 Rue Jacques de Lalaing  
B-1040 Brussels  
M +34 646 018 552  
[salvador.marin@efaa.com](mailto:salvador.marin@efaa.com)

Submitted electronically

25 June 2020

Dear Tom,

**Response to the IAASB's Draft Non-authoritative Guidance: *Special Considerations in Performing Assurance Engagements on Extended External Reporting***

EFAA appreciates the opportunity to provide our comments on the full combined updated phase 1 and phase 2 draft non-authoritative guidance: [Special Considerations in Performing Assurance Engagements on Extended External Reporting](#) as well as two supplementary documents – *Supplement A: Credibility and Trust Model and Background and Contextual Information* and *Supplement B: Illustrative Examples*. Our response, which reiterates remarks we made in [our response](#) to the Consultation Paper, [Extended External Reporting \(EER\) Assurance](#), have been prepared with input from our Assurance Expert Group.

The European Federation of Accountants and Auditors for SMEs (“EFAA”) represents accountants and auditors providing professional services primarily to SMEs both within the European Union and Europe as a whole. Constituents are mainly small practitioners (“SMPs”), including a significant number of sole practitioners. EFAA’s members, therefore, are SMEs themselves, and provide a range of professional services (e.g. audit, accounting, bookkeeping, tax and business advice) to SMEs. EFAA represents 12 national accounting, auditing and tax advisor organisations with more than 350,000 individual members.

**GENERAL COMMENTS**

We support the IAASB’s efforts in relation to EER assurance, not least to build public trust and confidence in the various forms of EER. EFAA believes the draft Guidance to be well articulated, nicely presented, clear and concise. However, we have some general remarks to share, many of which we made when responding to the Consultation Paper in June 2019.

***EER Assurance and SMEs***

At present EER assurance for large public interest entities (PIEs) seems to be growing fast but for the foreseeable future we do not anticipate much demand from small and medium-sized entities (SMEs) and non-PIEs. Nevertheless in time we expect demand for some sort of third party verification of EER by SMEs and non-PIEs to emerge. Hence this project and any further projects on EER need to anticipate this.

### ***Revision of EU Non-Financial Reporting Directive***

EFAA recently submitted a [response](#) to the public consultation on the revision of the non-financial reporting directive (NFRD). The public consultation, in the form of an online questionnaire, includes Section 4. Assurance (questions 25-32). We urge the Board to contact the relevant Commission staff to explain how the IAASB's standards can support any requirement for assurance on NFI.

### ***Scalability***

In [our response](#) to the IAASB's *Proposed Strategy for 2020–2023 and Work Plan for 2020–2021* EFAA urged the Board to place a high priority on addressing the interests of SMEs and non-PIEs and expressed concern at the lack of scalability of the ISAs. We strongly welcome the IAASB's work on the audit of less-complex entities and hope it decides to develop a separate stand-alone standard for the audit of LCEs / SMEs. Ideally all IAASB standards and guidance need to be truly scalable and developed on a "think simple first" basis. In this way new standards and guidance, that in the foreseeable future will primarily be used on engagements for larger listed companies and other PIEs, will prove suitable for LCEs / SMEs / non-PIE as and when they need similar engagements. We believe the IAASB has been responsive to these concerns but believe scalability might be further enhanced as we explain in our response to Q1 below.

### ***Nature of Guidance***

In our response to the Consultation Paper we expressed some concerns not least the guidance becoming a de facto standard by imposing additional requirements especially regarding preconditions, use of external experts and the determination of assertions. We believe these concerns have been addressed.

### ***Related Service Engagements***

In [our response](#) to the IAASB's *Proposed Strategy for 2020–2023 and Work Plan for 2020–2021* we also encouraged the Board to be alert to the importance of its non-audit standards, especially for SMEs and non-PIEs. We have consistently urged the Board to expedite the revision of ISRS 4400 (Revised), *Agreed-Upon Procedures (AUP) Engagements* and are pleased to see the final standard was issued in April 2020. EFAA believes that there is a significant need for AUP engagements, especially in terms of SMPs performing such engagements for SMEs and their stakeholders. SMEs may seek simpler and, therefore, less costly related service engagements rather than limited or reasonable assurance. Accordingly, we see a case for guidance for practitioners applying ISRS 4400 to EER related service engagements and urge the Board to consider this once this one is completed.

## QUESTIONS IN DRAFT GUIDANCE

- 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?**

Yes, but we welcome greater reference to small, less complex engagements.

We welcome the references to small, less complex engagements in paragraphs 105 and 209-211. However, we encourage the Board to consider more such references throughout the guidance. In addition, we wonder whether some emphasis can be added to such references such that practitioners conducting such EER assurance engagements can readily find them. The Board might wish to consider emulating the ISAs where use is made of sub-headings 'Considerations Specific to Smaller Entities'.

- 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?**

Yes.

We welcome illustrative examples being 'housed' in a separate document (Supplement B).

## OTHER COMMENTS

While we welcome the illustrative examples, we are disappointed to find none relate to small, less complex engagements. We urge the Board to consider adding such an example.

Diagram 2 on page 65 spells judgment 'judgement'.

## CONCLUDING COMMENTS

We trust that the above is clear, but should you have any questions on our comments, please do not hesitate to contact us.

Yours faithfully,

Salvador Marin

President

Paul Thompson

Director