



Extended External Reporting (EER) Assurance. *Jack of all trades... master of none*

Por: **SAMantilla**
03-03-2019

With still many gaps to be resolved in the implementation of the audit of financial statements, IAASB presented in February a consultation document entitled "[Extended External Reporting \(EER\) Assurance](#)" about which will receive comments until June 21, 2019.

It is a well-structured 85-page document but lacking a realistic practical perspective and convincing theoretical support.

The [official presentation](#) contains three main points, about which I make some comments that I have entitled: (1) encapsulated; (2) the practitioner; and (3) practical experience.

One: Encapsulated

"EER encapsulates many different forms of reporting, including, but not limited to, integrated reporting, sustainability reporting and other reporting by entities about environmental, social and governance matters."

In reality, the integrated, sustainability and ESG reports are different styles / practices / approaches oriented towards the same: reporting on non-financial aspects. But when reading the document it is clear that it goes much further and includes the Assuring Narrative Information and Assuring Future-Oriented Information (Forward-looking).

Additionally, there are topics that are already becoming 'traditional' are included in all the IAASB documents without real progress being perceived:

<https://samantilla1.net/>
LinkedIn: Samuel Alberto Mantilla B.

<https://www.samantilla1.com/>
Twitter: @SAMantilla1

- Determining Preconditions and Agreeing the Scope
- Applying Appropriate Skills
- Exercising Professional Skepticism and Professional Judgement
- Considering the System of Internal Control
- Considering the Entity's 'Materiality Process'
- Considering the Materiality of Misstatements
- Preparing the Assurance Report

The expressions 'encapsulated' and 'EER report' make it clear that it is a single process, it does not refer to different assurance reports.

The question that arises is how can a single professional reporting simultaneously on types of information not only different, but each one has its own professional support: engineers, environmentalists, economists, lawyers, politicians, etc. The set of traditional topics of the accountants, aforementioned, helps little to an encapsulation that is effective since it biases the report towards the expertise of the accountants, which is not necessarily the same as that of the other professionals involved.

Two: The practitioner

“This Consultation Paper includes the 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 EER assurance engagements. This Consultation Paper does not include an exposure draft of the anticipated full guidance as it is an interim consultation. Its purpose is to assist the IAASB to continue developing a complete non-authoritative guidance document that is due to be published in the second phase of the project as an exposure draft.”

Use the expression 'practitioner', but not that of 'Professional Accountant.' This leaves the doubt as to what characteristics and qualifications a professional should have.

It links the assurance of EER with the ISAE 300 (Revised), which means it is a medium / limited assurance.

It recognizes that this document is only an intermediate phase of a project, but it does not really say what is expected from the final project.

Three: Practical Experience

“The IAASB particularly seeks input from those with practical experience in this evolving area of reporting, including practitioners and other experts involved in performing engagements, preparers of EER reports, investors and other users, standard setters and regulators.”

The consultation document gives the impression that there is already practical experience on EER, when in reality there is isolated experience (and not always successful) in relation to integrated presentation of reports, sustainability reports and ESG reports, narrative reports and prospective reports. But on assurance of this there is very little and, in any case, not in an encapsulated manner.

<https://samantilla1.net/>

LinkedIn: Samuel Alberto Mantilla B.

<https://www.samantilla1.com/>

Twitter: @SAMantilla1

There are currently interesting debates about non-GAAP information (alternative performance measures) and about environmental and sustainability information. There is a lack of consensus and effective solutions in relation to it.

Outside of the accountants realm there is a lot of accumulated expertise in different environmental, social, government and similar issues. There are good theories and isolated solutions. However, there is no standardization in the measurements or solidity in the different forms of presentation of reports involved.

Encapsulating all that scattered set to give an assurance that is useful for decision making is still far from showing use cases and proposals that are viable.

Final words

The consultation document is, in any case, a good basis for collective analysis and the construction of solutions.

The concrete answers to each one of the questions that it asks very surely will allow to pave the way in the search of an effective solution.

I wish that the Colombian regulators and the CTCP would lead a local initiative that could analyze the document in more depth and offer an early perspective, before the process ends and there is nothing left to do.