



COMMITTEE OF
EUROPEAN
AUDITING
OVERSIGHT
BODIES

Consultation on draft CEAOB non-binding guidelines on limited assurance on sustainability reporting

As per the European Commission request ([Commission letter](#)), the Committee of European Audit Oversight Bodies (CEAOB) has prepared draft non binding guidelines on limited assurance on sustainability reporting.

This draft is open for public consultation. The consultation period runs from 21 June 2024 to 22 July 2024 COB.

Respondents are invited to provide their input by responding to the following questions with explanations and rationales.

First name

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Position

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Country

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Stakeholder group

- Academia
- Assurance services provider
- Auditor
- Non-Governmental Organisation

- Preparer of sustainability reporting
- Standard setter
- User of sustainability reporting
- Other

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Do you accept that your response be published?

- Yes
- No

Is there any content, in the draft CEAOB guidelines on limited assurance on sustainability reporting, that you would assess as not useful or relevant from a public interest perspective?

5000 character(s) maximum

see response below

Are there any areas or topics not covered in the draft CEAOB guidelines that would need to be addressed in the guidelines or developed in the future European standard on limited assurance?

5000 character(s) maximum

see response below

Are there any other suggestions that you would like to share with the CEAOB, before adoption of the final CEAOB guidelines on limited assurance on sustainability reporting?

5000 character(s) maximum

see response below

Thank you for your contribution.

QUESTIONS AND ANSWERS

1. Is there any content, in the draft CEAOB guidelines on limited assurance on sustainability reporting, that you would assess as not useful or relevant from a public interest perspective?

- (1) Overall, we welcome the CEAOB's draft non-binding guidelines and the opportunity to provide feedback. Due to the character limit, our responses may not cover our comments exhaustively. We follow the order of the topics addressed in the guidelines. We acknowledge that some of our comments may be better addressed in the technical advice for the EC to be developed by the CEAOB.
- (2) The guidelines are inconsistent in sections 7, 9, 11 and 16 in relation to whether practitioners should 'identify' disclosures where material misstatements are likely to arise (the current ISAE 3000 approach) or 'identify and assess' risks of material misstatement (the potential ISSA 5000 approach). The current 'identify' approach is used in practice. Reference is also often incorrectly made to identifying risks, whereas it is the disclosures where misstatements are likely to arise that should be identified.
- (3) It should be clarified that the practitioners are not expected to search for cases of NOCLAR outside the scope of the engagement and their responsibility relates only to actual or suspected NOCLAR that they become aware of during the engagement. In limited assurance engagements, practitioners typically review how entity's management assesses applicable legal requirements and mitigates associated risks.
- (4) Guidelines suggest that practitioners should design and perform procedures to determine whether the entity's materiality assessment process meets the ESRS prescriptions. However, the ESRS do not mandate how the process shall be conducted as it will vary depending on entities' characteristics.
- (5) The guidance on forward looking information is very limited. When such information relates to entity's future plans, actions and allocation of resources, practitioners may look for evidence within entity's records such as the meeting minutes, business plans, strategies, budget forecasts etc. For forward looking information that is based on estimates, practitioners may evaluate methods, assumptions and data used by the entity.
- (6) The Article 8 disclosures section proposes a compliance driven approach and fails to specify how to apply limited assurance on this aspect of the assurance engagement.
- (7) Key Audit Matters (KAM) are currently applicable to audits (reasonable assurance) of public interest entities only. Introducing key assurance matters for limited assurance engagements on sustainability reporting is too onerous and will most likely be confusing for the users.
- (8) For subsequent events, it should be expressed that the practitioner has no responsibility to perform any procedures after the date of the assurance report. In addition, there should be a time limit to the period when the practitioner is expected to react upon becoming aware of a subsequent event.
- (9) For other information, the guidelines should be clearer on the expected communication between the assurance providers on financial and sustainability reporting in cases where they are not the same.
- (10) For the information incorporated by reference, the first step for the practitioner should be to check if the conditions listed in the ESRS 1 paragraph 120 are met.

2. Are there any areas or topics not covered in the draft CEAOB guidelines that would need to be addressed in the guidelines or developed in the future European standard on limited assurance?

- (11) In some Member States, sustainability assurance engagements can be performed by other independent assurance service providers who may also use CEAOB guidelines if recommended or imposed by relevant competent authority. Hence, the guidelines should describe fundamental

elements of an assurance framework such as professional scepticism and inherent limitations. Likewise, definitions of key terms such as fraud, intended users and substantive procedures should be added to the glossary.

- (12) Ultimately, it is the practitioner's responsibility to evaluate the sufficiency and appropriateness of the evidence obtained, including evidence from the work performed by third parties. Accordingly, the guidelines should clarify potential limitations the practitioner may encounter and procedures the practitioner should perform before concluding that it would be appropriate to use such work. This is necessary to achieve high quality in the assurance engagement while avoiding duplication of work as appropriate.
- (13) Throughout the engagement, practitioners accumulate identified misstatements and request management to correct these where possible. This essential contribution of independent assurance to reliable reporting is not recognised in the guidelines.
- (14) Users need entity-specific information presented in a comparable way. As such, a practitioner should strike the right balance between specificity and comparability in the summary of the procedures performed. To promote consistency, high-level principles on what to include in this section of the assurance report would be needed in sustainability assurance standards.
- (15) The implications of a scope limitation for the assurance practitioner will depend on whether it is imposed by management or arises from circumstances beyond the control of management. This key distinction is not made in the guidelines.
- (16) We agree that in the context of sustainability reporting, misstatements identified during the engagement often cannot be accumulated. Hence, CEAOB should explain how practitioners could consider the impact of the uncorrected misstatements on their conclusion, along with specific examples where the extent of the material misstatements is so pervasive that an adverse or a disclaimer of conclusion is warranted.

3. Are there any other suggestions that you would like to share with the CEAOB, before adoption of the final CEAOB guidelines on limited assurance on sustainability reporting?

- (17) It would be very helpful if CEAOB and its members could clarify the supervisory approach they plan to take with regards to the first year of CSRD implementation in EU Member States.
- (18) There will be different users than those of financial statements for sustainability reporting and assurance. Therefore, CEAOB, in coordination with the EC, could explain how to read sustainability assurance reports by elaborating on different concepts e.g. emphasis of matter paragraph, qualification, scope limitation, etc. and what they mean for users. It should be reiterated that the entity management's responsibility is not reduced just because the sustainability information is subject to limited assurance.
- (19) The guidance should acknowledge that there may be inherent limitations as achieving data availability and quality may be particularly challenging for value chain information. The nature and extent of assurance procedures on value chain information will depend on how the entity collects and reports data from its upstream and downstream value chain. An entity's management may validate the information gathered through their value chain or use estimates or proxies when relevant data is not available. In any case, practitioners will need to consider the reliability of such information, including potential reliance on the work and assurance report of others.
- (20) Although sustainability reporting will not be digital from the beginning as envisaged by the CSRD, we believe that this is an important matter. Many entities will face this for the first time and global assurance standards will not address this EU-specific issue. Accordingly, the CEAOB should play its role in promoting a consistent assurance approach to machine-readable reporting.

(21) We noted a number of inconsistencies in drafting and in the terminology used throughout the guidelines. Therefore, a thorough proofreading would be needed before publication. We will be pleased to share these inconsistencies as well as our suggestions, if deemed necessary. A few examples are presented below:

- It is inaccurately stated in Section 5 that practitioners may 'accept' immaterial misstatements. Practitioners accumulate misstatements identified during the engagement, other than those that are clearly trivial, and request management to correct these. Then, they determine whether uncorrected misstatements are material, individually or in the aggregate.
- Section 7 suggests specific attention should be placed on disclosures that are likely to be most important to the information needs of intended users. This is not consistent with the approach taken in international assurance standards and CEAOB draft guidelines where practitioners identify disclosures where material misstatements are likely to arise. The concept of disclosures that are likely to be 'most important' introduces additional and unnecessary subjectivity.
- Examples of procedures and techniques presented in Section 9 are not structured consistently with current methodologies and practices. Substantive procedures comprise tests of details and analytical procedures. Risk assessment procedures may include inquiries, analytical procedures, observation and inspection. Further procedures may include a combination of these and/or others including confirmation, recalculation and reperformance.
- With regards to Section 9, in limited assurance engagements, practitioners do not conclude on the 'absence' of material misstatements. The wording should be aligned with the limited assurance conclusion formulated in international assurance standards as "nothing has come to our attention that causes us to believe that...".
- Section 20 refers to both independence and objectivity with regards to using the work of experts. Independence is only relevant for the engagement team members and practitioners to evaluate whether an expert has the necessary objectivity to use their work.

(22) Finally, we strongly believe that CEAOB should continue engaging in dialogue with relevant stakeholders, including auditors, with a view to support consistent and high quality CSRD implementation.