

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



COMMITTEE OF
EUROPEAN
AUDITING
OVERSIGHT
BODIES

As per the European Commission request (Commission letter (https://finance.ec.europa.eu/document/download/87f60e8b-eac7-4a4d-b6eb-8f24ffe11f32_en?filename=240307-ceaob-commission-letter-non-binding-assurance-guidelines_en.pdf)), 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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Last name

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Position

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Organisation

Deloitte Germany on behalf of Deloitte
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Country

Germany

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 CEA OB guidelines on limited assurance on sustainability reporting, that you would assess as not useful or relevant from a public interest perspective?

5,000 character(s) maximum

Deloitte welcomes the CEAOB draft guidelines, supports the aim to avoid fragmentation and encourage practices to be as consistent as possible during the period before adoption of an EU limited assurance standard (leveraging the IAASB work on the imminent ISSA 5000). Limited comments follow; we would be happy to provide more.

The public interest might be enhanced through greater alignment to international standards (ISAE 3000 (Rev.) and imminent ISSA 5000), including:

- terms (see Q3)
- limited assurance work and its objectives:
 - some language is too close to reasonable assurance and this would create confusion for users, e.g.:

- 'assess' is used throughout the draft and not as used in international standards (where used mostly for risk assessment). We suggest removing it or defining it in appendix 1.

- §4, 2nd paragraph, mentioning procedures 'performed by the practitioners to provide this limited assurance' is not aligned to international standards which ask practitioners to obtain limited assurance and provide a Limited Assurance Report. The reference to free from material misstatement is also closer to reasonable assurance as per international standards.

- §9, 5th paragraph mentions "with limited assurance regarding the absence (or not) of material misstatements". To have further alignment to international standards, the limited assurance conclusion should be expressed as a negative statement (i.e. "nothing has come to the assurance provider's attention that causes her or him to believe that the sustainability statements are not prepared, in all material respects ...").

- §9 implies sampling is required in a limited assurance, excluding the use of other procedures to cover/address the risk identified.

- In §14 & §16, the extent of work around design & implementation (D&I) and "testing" is too close to reasonable assurance. We suggest in §14 to remove the reference to D&I to stick to an understanding of the process to establish taxonomy information and in §16 to substitute "testing" by "procedures".

- §17 (5) key assurance matters should not be included in limited assurance reports as KAM exists only for audits (reasonable assurance) on listed entities in international standards. Having KAM in limited assurance would confuse users as to the difference between limited and reasonable assurance and create expectation gap on the extent of work performed by practitioners.

Finally, Appendix 3 is specific to few jurisdictions and so may be best suited to national guidance.

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?

5,000 character(s) maximum

Deloitte supports the high-level nature of the guidelines and the references to practitioners' professional judgement. We also suggest the guidelines refer to a "risk-based approach" to be taken by practitioners in the "I. General principles & approach" in §4 to 7.

Clarity on the applicability of the different paragraphs of the non-binding guidelines to the CSRD components would improve readability and application consistency. Part "I general principles and approach" includes content specific to "Double materiality process" and "ESRS reporting" assurance. On the other hand, Taxonomy Regulation Article 8 and Digitalisation of the information are also subject to I general principles and approach. We suggest making some title adjustments such as:

- I. General principles and approach
- II. Process carried out by the undertaking to identify the information reported
- III. Sustainability reporting as per ESRS
- IV. Disclosures provided to address Taxonomy Regulation Article 8
- V. Digital tagging of the information
- ...

In §9, 3rd paragraph - 1st bullet, the sentence implies inquiry alone may be sufficient to address risk identified. It seems this will not be aligned to the forthcoming ISSA 5000 (Para A109.)

Respecting the assurance report (part IV, §17), we suggest the CEAOB:

- clearly mention a disclaimer of a conclusion (point (3) of paragraph 17 only refers to a conclusion on "whether or not")
- specify that, in any event, an emphasis of matter is not a substitute for a qualified/adverse conclusion.

Appendix 1 could be supplemented on certain terms and notions used throughout the guidelines to bring further consistency and greater common understanding among practitioners also in light of international standards (as per response to Q1), including the notions of "Intended users", "materiality", "misstatement" and "fraud".

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?

5,000 character(s) maximum

Adding “CSRD” in the title to clarify that the guidelines are directed to “CSRD sustainability reporting”. In addition to closer alignment to international standards mentioned in response to question 1, using consistent terminology throughout the non-binding guidelines such as:

- “Preparation” and “Presentation”: §4 mentions the practitioner being enabled “to conclude on the presentation of the sustainability statements” whereas § 17 states that the conclusion of the practitioner is on the “preparation, in all material respects, [of the sustainability statements] in accordance with the relevant legal requirements and the ESRS”. The terms used should be aligned and we expect that “preparation” should be used throughout the document.
- “Conclusion” and “conclusions” are used across the drafted non-binding guidelines. To bring clarity, we suggest using consistent terms when appropriate especially in §17 (using “Conclusions”) and the following §18 (using singular “conclusion”).

We suggest separating fraud and non-compliance (in §6) into two separate guidelines, to avoid confusing users.

- The following sentence seems unclear: “Non-compliance with laws and regulations connected to the subjects examined during the sustainability assurance engagement falls within this category.” It may be read as requiring all non-compliance with law and regulation to be reported, without any materiality consideration.
 - It should be stated that in the absence of identified or suspected non-compliance, the practitioner is not required to perform procedures regarding the entity’s compliance with laws and regulations other than remaining alert to the risk of non-compliance with law and regulations (see ED ISSA 5000, §61)
 - In §12, “entity has mandated a third party” might be too restrictive as a third party may be used on the value chain. We suggested rewording as: “when an assurance report from a third party may be obtained”.
- In §5, 3rd paragraph, we suggest changing the wording “is linked” to “consider double materiality when determining practitioner materiality”.

Thank you for your contribution.

Background Documents

Draft Guidelines on Limited Assurance June 2024.pdf

Contact

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