



## Summary of public consultation feedback on the CEAOB guidelines on limited assurance on sustainability reporting

*This document provides a high-level summary of the main comments received and amendments made to the draft guidelines after the public consultation. The detailed responses received for which publication was authorized by the respondents and the final version of the guidelines approved by the CEAOB are available on the webpage of the CEAOB. This document is provided for information about the work of the CEAOB only and does not replace the final guidelines.*

The draft CEAOB guidelines on limited assurance on sustainability reporting were published on 21 June 2024 on the CEAOB webpage. The consultation period closed on 22 July 2024.

- 62 responses were received (45 public and 17 private responses).
- Those responses provided in total 586 comments.

The comments were all examined, considered, and classified into different categories as explained below.

### **1. Amendments to further align with international (draft) standards of the IAASB**

Various comments spotted potential for further alignment of the provisions of the guidelines with international standards (ISAs, ISAEs, or draft ISSA 5000).

#### **1.1. Risk assessment at disclosure level**

Several respondents stressed the difference in the risk assessment approach between the draft guidelines and the one envisaged by the IAASB in the latest drafts of ISSA 5000 available in June 2024 for limited assurance (LA), which has evolved from the approach in their 2023 exposure-draft.

The direction envisaged for risk identification and assessment at disclosure level proposed by the IAASB for ISSA 5000 was incorporated in the guidelines. However, given that some practitioners may not have sufficient time to implement this change for their engagements on 2024 year-end reporting, an option was integrated in the guidelines to allow practitioners to take the previous approach proposed by the IAASB regarding disclosures where material misstatements are likely to arise for the first year of the limited assurance engagement, should time constraints occur. This option was integrated to facilitate the transition and the implementation in the first year of limited assurance engagements (section 7 of the guidelines).

#### **1.2. Substantive procedures and sampling**

Various comments were raised on the procedures to respond to assessed risks listed in the draft guidelines. The use of “substantive procedures” (term used in the ISAs notably for test of details) and the use of sampling for determining the “populations” to be tested in detail was questioned by some respondents, who stressed that the draft guidelines were different from the IAASB envisaged drafts available in June 2024. Using this approach, inquiries (by interview of staff or other interlocutors) and analytical procedures (based on comparisons of figures or trend with other benchmarks) are the preferred techniques in a limited assurance engagement. Changes have been included in the guidelines to make clear that test of details are not required in all engagements but may be performed if deemed effective by the practitioners to collect evidence in the circumstances (section 9).



### **1.3. Estimates and forward-looking information**

Several respondents flagged the relevance of including provisions in the guidelines on these important topics. Some called for further aligning the provisions for estimates and forward-looking information. Further details on the two topics were also called for, with reference to specific IAASB pronouncements on the matter. Amendments have been included in the guidelines with a view to further align with the IAASB drafts, with a focus on the methods used for preparing the information, rather than the assumptions overall (section 10 and 11).

### **1.4. Use of the work of others**

The draft guidelines requested practitioners to take into consideration the objectivity or independence of third parties mandated to carry out assurance work on some parts of the sustainability information (section 12), and to evaluate whether experts possess necessary independence or objectivity (section 20). Based on some feedback received, assessment of objectivity was maintained while mandating assessment or evaluation of independence was deleted to recognize the potential need for a wider range of sources of evidence and to further align the guidelines with draft ISSA 5000.

### **1.5. Fraud and Non-Compliance with Laws and Regulations (NOCLAR)**

Various respondents asked for clarification to avoid the interpretation that limited assurance would encompass a specific search of fraud unrelated to the preparation of sustainability statements, and some asked for a separation between fraud and non-compliance with laws and regulations, to further align the guidelines provisions with the structure of the IAASB standards.

Based on suggestions by some respondents, amendments were made to further convey that, apart from the implementation of the reporting related provisions mandated by laws and regulations, no specific procedures for an active search for NOCLAR are expected, and that practitioners are not required to check systematically whether all laws and regulations pertaining to all topics linked to sustainability matters are complied with by the entity. Wording has been added to clarify that actions are to be taken in cases of NOCLAR faced during the engagement: in the absence of NOCLAR suspected or identified through remaining alert during the engagement, the practitioners are not required to perform specific procedures regarding the entity's compliance with laws and regulations, outside those applicable to the sustainability statements' preparation (section 6).

## **2. Amendments to respond to suggestions for clarification**

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Some of the responses highlighted the potential to amend the draft guidelines to clarify some of the subjects and facilitate a common understanding of the provisions.

### **2.1 Conclusion of the limited assurance report**

Some responses questioned whether the conclusion of the practitioners should cover "compliance" with the ESRS or "fair presentation" of the sustainability statements in the report with some respondents who explicitly supported "compliance" and some others the "fair presentation" conclusion. In this regard, the European Commission response to a frequently asked question was published on 7 August 2024 and has been referenced in the par 17(3) of the guidelines, in a neutral way. A provision was also added to state that the expression of the conclusion should take into consideration the statements made by the entity on the sustainability reporting (section 17).

Further explanations were added in the guidelines to make clear what "compliance with the ESRS" would entail, with a specific reference to the ESRS provisions requiring entity-specific information in addition to the information requirements described by the individual ESRS, to fully present the information needed for users' understanding.

## 2.2 Process followed by the entity to determine the information disclosed

A number of stakeholders underlined the importance of the outcomes of the process to ensure that the information provided is responding the ESRS/CSRD requirements. Additional clarity has been added in the guidelines to stress the importance of the outcomes of the process (section 8). References to relevant ESRS provisions were also added to guide the practitioners further on this topic.

Further revision of the wording was also included to better align with the negative form of conclusion usually used for limited assurance reports in the IAASB standards (section 17).

## 2.3 Article 8 disclosures

Various comments suggested further aligning the approach presented in part II of the draft guidelines with the general provisions of part I. Clarifications have been integrated to address those comments (part II and section 16 – and definitions) and thus better connecting part II dealing specifically with Article 8 disclosures in the engagement with the other provisions.

In addition, so as to further align with IAASB proposals, the provisions on the design and implementation of the internal control procedures have been removed, as this would be expected for a higher level of assurance only and it was flagged by some respondents as too demanding in a limited assurance engagement (section 16).

## 2.4 Key assurance matters in the limited assurance report

A number of comments stressed that the optional description of key assurance matters would be only relevant for reasonable assurance engagements. The provisions have been maintained as an option for the users of the guidelines and a separate numbering of paragraphs has been added to avoid any confusion between the optional *Emphasis of matters paragraphs* and the optional description of key (assurance) matters addressed by the practitioners during the limited assurance engagement (section 17(6)).

## 2.5 Other

Further clarifications to avoid potential misinterpretations flagged by respondents that have been added:

- *Information incorporated by reference* – to clarify the reading of the provisions on this topic,
- *Other information outside the sustainability statements* – to limit its scope to financial statements and management reports,
- *Comparative information* – to mirror the ESRS transitional provisions for comparative information for the first year,
- *Subsequent events* – to include a time limit of one year,
- *Emphasis of matters paragraphs* – to stress further that those optional paragraphs are to be based on information provided by the entity and described in the sustainability statements according to ESRS provisions (section 6),
- *Provisions for digitalisation of the information* – to make clear that the provisions do not apply until adoption of the corresponding EU rules for digitalisation.

## 3. Further explanations on the status of the guidelines

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A number of respondents expressed doubts about the status of the guidelines and questioned their “non-binding” nature.

To deal with the concern, clarification has been included in section 2. The guidelines are a pronouncement which can be referred at on a voluntary basis, and relevant authorities may decide at national level whether their provisions must be complied with by practitioners in performing the limited



assurance engagement introduced by the CSRD. The guidelines are drafted to allow for them to be “endorsed”, should there be a will to do so at national level in the absence of an EU-adopted standard. One respondent flagged that it would be useful to note the “interim” nature of the guidelines, pending the adoption of a standard on limited assurance by the European Commission, and some proposed to change the title to better describe their content, being the provisions related to the limited assurance engagement introduced by the CSRD.

Some respondents were of the view that all the provisions of the guidelines should be non-compulsory, and thus suggested the use of “may” instead of “should” in all sentences. The steps to be taken in all cases by those practitioners applying the guidelines are clearly mentioned using the verbal form “should”. The provisions which are introduced by “may” are optional or dependent on the circumstances of the engagement. Consequently, the use of “should” and “may” has been maintained.

Various respondents called for consistency of assurance practices in the EU. In the absence of European-wide standards, national provisions will be applicable as permitted by the CSRD. The CEOB has issued the final guidelines to encourage consistency.

Various calls for references to the international assurance standards have been expressed. The currently available assurance standards ISAE 3000 and 3400 do not cover fully the provisions of the CSRD, and the final ISSA 5000 has not yet been issued. As per the European Commission request for advice, the CEOB will examine the IAASB ISSA 5000 when it has been finalized.

#### **4. Additional subjects raised, linked to the CSRD assurance engagements**

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Many respondents called for additional provisions in the guidelines and/or further details and examples. Many aspects suggested by the respondents are relevant and potentially contributive to quality, but have been considered as out of the scope of the current guidelines, which are aimed at addressing the procedures to be performed by the practitioners for the limited assurance engagement required by the CSRD.

Amongst the areas that were mentioned, the following were considered outside scope of the guidelines:

- ethics and independence,
- provisions for quality management,
- recognition of the importance of training for practitioners and of the availability of specific skills on ESG topics for the acceptance of the engagement,
- additional material on the accreditation requirements for the providers to be allowed to deliver assurance services,
- supervisory approach by regulators for the first year of CSRD implementation.

##### **4.1 Practitioners and interaction between statutory auditors and practitioners**

Various respondents commented on the need to recognize that assurance engagements required by the CSRD may be performed by the statutory auditors, auditors other than the ones engaged for the financial statements audit and/or, in Member States where this option is taken, by other assurance services providers. The choice is left to the entity for the appointment of the practitioners for the purpose of the assurance engagement for sustainability reporting. One respondent asked the CEOB to make clear that there is no obligation for the entity to choose the same firm for the statutory audit of financial statement and for the limited assurance engagement over sustainability statement. While the CSRD does not prevent the entity choosing another auditor or assurance provider than its statutory auditor, the guidelines are not the appropriate vehicle for legal clarifications such as this.



## **4.2 Details on the provisions of the ESRS**

Several respondents asked for clarifications about the notions and topics that are requested in the ESRS. Those requests were not addressed, since explaining the content of the ESRS is not under the CEOB's remit. This topic is under the expertise of the European Commission, with EFRAG's advice.

## **4.3 Dealing with reasonable assurance**

Some respondents called for guidelines dealing with reasonable assurance in addition to limited assurance. The guidelines were prepared to cover limited assurance procedures and are not meant to deal with other types of assurance engagements. A description of differences with reasonable assurance and further details are thus not included.

## **5. Suggestions for more details and additional guidance to be considered in the future**

A number of other areas were raised, for which the guidelines could include provisions or details to facilitate a consistent implementation of the engagements, such as additional definitions and examples to further illustrate the expectations. Those calls for additional material would prevent the issuance of the guidelines according to the timeframe agreed by the CEOB, but the areas suggested by respondents will be carefully considered for the future CEOB work on the advice to be provided to the European Commission on the adoption of a future standard on limited assurance engagements on sustainability reporting. Amongst those topics, the following were the main points suggested:

- Materiality of a misstatement,
- Estimates and forward-looking information,
- Fraud and Non-compliance with laws and regulations,
- Content of the reports,
- Examples of situations.

## **6. Enhancing terminologies and consistency in the document**

Various suggestions for enhancements of the drafting with no modification on the substance of the document have been suggested. Those comments have been considered and integrated where relevant to improve the clarity of the document.

Alignment with ESRS terminology falls in this category and has also been taken on board to enhance the readability.