



**Analysis of the differences in views expressed
in Accountancy Europe Briefing Paper and CEAOB Guidelines on ESEF**

This paper summarizes the analysis of the differences in views expressed between CEAOB Guidelines on ESEF (issued on 28 November 2019) and Accountancy Europe Briefing Paper on ESEF (issued on 19 December 2019 “independent assurance on ESEF”).

The differences were discussed on 31 January 2020 and the conclusions of the analysis were approved by the Members of the CEAOB ESEF project team, and by the CEAOB Standards Sub-Group on 9 March 2020.

The conclusions of this analysis, presented in this document, may be useful for CEAOB Members, to respond to potential questions from the profession or other stakeholders regarding the content and remit of the CEAOB Guidelines, when developing national implementation measures on ESEF.

This document has been developed as an internal non-public document, to facilitate common understanding and information sharing amongst CEAOB Members.

Main differences identified:

It shall be noted first that the starting point used as a reference in the two documents (CEAOB Guidelines on ESEF (issued on 28 November 2019) and Accountancy Europe Briefing Paper on ESEF (issued on 19 December 2019 “independent assurance on ESEF”) are different and that their aim is different.

1. Integration of ESEF in the statutory audit duties

- The Accountancy Europe Briefing Paper was developed based on an assumption that the ESEF data can be subject to an additional “engagement” and can be separate from the statutory audit, (and possibly performed by another professional accountant),
- Whereas the CEAOB guidelines are built on the European Commission services’ Q&A mentioning that the provisions on ESEF shall be considered as “statutory requirements” and thus, that those provisions fall under the statutory auditor’s duties.

This difference in starting points has various consequences.

2. No existing international standard is fully adapted to the situation

- The Accountancy Europe Briefing Paper promotes the use of ISAE 3000 as standard to be followed to perform the additional “engagement”.
- The CEAOB Guidelines do not refer or recommend the use of one currently existing professional standard that would be appropriate for ESEF data. They describe the work expected from the auditor, the type of conclusion and report to be issued.
 - Several provisions of ISAE 3000 are actually not consistent with the integrated approach to ESEF retained by the CEAOB:

- Provisions on acceptance of the engagement are not applicable, since the auditor shall include the ESEF specificities as part of overall considerations before the acceptance of the audit engagement. The auditor will not be entitled to refuse an ESEF separate engagement after having accepted the audit engagement.
 - Provisions on reporting are not consistent with the single audit report approach recommended by the CEAOB.
 - Provisions on management representation are not consistent with the integrated approach and are not specific to ESEF.
- Provisions regarding materiality and work effort in ISAE 3000 are moreover not specific to ESEF and do not allow for a clear understanding of the work effort expected and/or consistent application between auditors.

3. Both tagging and human readable data (XBRL and xHTML data) are in the scope

- The Accountancy Europe Briefing Paper seems to suggest that the work on ESEF covers only the “tagging” (information which is provided through tags – ie. XBRL data only) and that the assurance is only provided on the “tagging”.
- The work effort on the human readable layer (xHTML) is not underlined in the Briefing Paper.
- The CEAOB Guidelines identify not only the “tagging” but also the human readable data (xHTML) as subject to auditor’s examination in the ESEF (iXBRL + xHTML data). Alignment of the human readable data with the audited data has to be checked by the auditor.

4. No exclusion of annual financial statements and voluntary tagging

- The Accountancy Europe Briefing Paper suggests that only the compulsory tagging of the consolidated financial statements is under auditor’s scrutiny.
- The CEAOB Guidelines do not include this limitation. The CEAOB Guidelines do not exclude from the work to be performed by the auditor:
 - the xHTML data corresponding to annual/individual financial statements,
 - and/or the voluntary tagging which could be provided by the audited entity - either on annual or on consolidated financial statements.

5. Auditor’s reporting on ESEF in a section of the audit report

- The Accountancy Europe Briefing Paper includes three examples of reports (Illustrations 1, 3 and 4) which are totally separate from the audit report.
- The CEAOB Guidelines recommend that the auditors’ opinion on ESEF be integrated in the audit report itself (in a separate section).

6. No consensus example of wording of the audit report

- The Accountancy Europe Briefing Paper includes one example of an audit report (Illustration 2) where the conclusion on ESEF is integrated.
- The CEAOB Guidelines do not mandate or suggest a specific wording to be used by the auditor for reporting on ESEF.
 - The content of this section of the report shall however be aligned with the principles developed in the CEAOB Guidelines and the conclusion shall cover the scope described in the Guidelines.
- The CEAOB did not review or comment the wording suggested in the Accountancy Europe Briefing Paper.

7. Disclaimer of opinion

- The Accountancy Europe Briefing Paper does not envisage the scenario under which the auditor would be required to disclaim an opinion on ESEF.
- The CEAOB Guidelines mention the disclaimer of opinion as one of the possible ways to report back.