

xBRL | EUROPE

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24th XBRL EUROPE DAY in Milan

5-6th FEBRUARY 2020

Hosted by



The role of the auditor

- Jon Rowden, PwC
- Member of XBRL Europe Executive Committee

Agenda

- Recent publications
- News from the UK
- Issues
- Mobilisation
- What happens next?

Recent publication – new CEAOB guidelines provide structure



COMMITTEE OF
EUROPEAN
AUDITING
OVERSIGHT
BODIES

CEAOB 2019-039
Adopted on 28 November 2019

CEAOB guidelines on the auditors' involvement on financial statements in European Single Electronic Format

I. Context

The European Single Electronic Format (ESEF) is being introduced pursuant to Article 4(7) of the Transparency Directive.¹ It is the new single electronic reporting format for the issuance of annual financial reports to be published by issuers whose securities are admitted to trading on a regulated market in the European Union for financial years beginning on or after 1 January 2020.

The ESEF provisions integrated in the Transparency Directive are based on the consideration that a harmonised electronic format for reporting would be very beneficial for issuers, investors and competent authorities, since it would make reporting easier and facilitate accessibility, analysis and comparability of annual financial reports.²

This single electronic reporting format has been specified in the Commission Delegated Regulation

The CEAOB approved publication of non-binding guidelines that:

- stem from the European Commission FAQ published in June 2019
- promotes the Commission view that reporting should be within the audit report,
- but also recognises that ESEF compliance may be finalised after the audit is concluded
- focusses on the auditor's work effort, including work relating to risks and controls
- aims to help consistency across Europe

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/191128-ceaob-guidelines-auditors-involvement-financial-statements_en.pdf

Recent publication – the auditing profession fills in some details



<https://www.accountancyeurope.eu/publications/considerations-for-independent-assurance-on-the-european-single-electronic-format/>

Accountancy Europe and the European Contact Group of major networked firms have published guidance that:

- recommends the use of ISAE 3000 as the professional standard to govern the auditor's work
- focusses on the work effort and provides illustrative reports
- recognises that ESEF may be finalised as part of the audit, or after the audit is concluded; and
- does not dissent from the CEAOB guidelines

Recent publication – UK Ethical Standard brings ESEF into focus



<https://www.frc.org.uk/getattachment/601c8b09-2c0a-4a6c-8080-30f63e50b4a2/Revised-Ethical-Standard-2019-With-Covers.pdf>

Includes, within a list of services required by law or regulation and exempt from the non-audit services (fee) cap:

“Reporting on iXBRL tagging of financial statements in accordance with the European Single Electronic Format for annual financial reports” Para 5.40

Note that:

- There is no current law or regulation requiring the auditor to report on ESEF, so this relates to the prospect of a future requirement
- If future reporting were to be within the audit report, it is doubtful the exemption would be necessary

News from the UK – ESEF added to the FCA Handbook

DTR 4.1 Annual financial report

Application

[**Note:** ESMA has also issued guidelines under article 16(3) of the ESMA Regulation on enforcement of financial information

[!\[\]\(d3fb9f94af8b26d1c844efa9a98805b0_img.jpg\) https://www.esma.europa.eu/sites/default/files/library/2015/11/2014-](https://www.esma.europa.eu/sites/default/files/library/2015/11/2014-)

[807 - final report on esma guidelines on enforcement of financial information.pdf](#)]

DTR 4.1.1

Subject to the exemptions set out in *DTR 4.4* (Exemptions) this section applies to an *issuer*.

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20/01/2007

(1) whose *transferable securities* are *admitted to trading*; and



(2) whose *Home State* is the *United Kingdom*.

Issues – missing pieces of the puzzle

National
finalisation of rules
and requirements

How national law
interacts with ESEF

National guidance
for auditors

Mandatory or
voluntary
assurance?

Year 1 or later?

Extra-territoriality

Mobilisation – plenty for audit firms to consider and act upon

Challenges include:

- Encouraging client mapping documents to be prepared in 2020
 - Auditors to develop their own independent expectations of the mapping?
 - Software selection process in 2020
 - Year end timetabling, turn-around time expectations
 - Judgements affecting the opinion: framing them, making and explaining them
 - Opinion signed by audit engagement leader or an expert engagement leader?
 - When will national guidance emerge to help refine the choices?
 - Regulatory inspection of firm-wide approach and individual engagements?
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What happens next?

Expect finalisation and clarification of:

National rules
and
requirements

Interaction
with national
law

National
guidance for
auditors

to lead to:

Issuer project
teams being
formed

Further
mobilisation at
audit firms

New people
involved, new
energy applied

Thank you

