

xBRL | EUROPE

1-4 December 2020

**26th XBRL Europe & national
XBRL jurisdictions Digital week
on
ESEF**



ESEF Audit in Germany – a blueprint for Europe?

Thomas Küster
XBRL Germany

ESEF Audit in Germany - AGENDA

1. Facts to be known
2. The Legal Framework in detail
3. Draft of IDW Auditing Standard 410
4. How is the Standard structured?
5. We distinguish between ...
6. Compilation and Audit Process
7. What is subject to an ESEF Audit?
8. Materiality
9. Execution of the Audit
10. Reporting

Facts to be known

- Legal requirements embedded in the German Commercial Code (Handelsgesetzbuch – HGB)
- The “Two Document Approach” was chosen
 - Paper-based F/S are still required and subject to the legal adoption / acknowledgement process
 - ESEF documents are prepared for disclosure purposes only and need to be submitted to the submitted to the operator of the Federal Gazette (Bundesanzeiger, German officially appointed mechanism (OAM))
- Mandatory audit as part of the statutory audit

The Legal Framework in detail

Corporations and limited liability partnerships within the meaning of § 264a HGB, which issues

- as **domestic issuers** (§ 2 Abs. 14 WpHG)
- **securities** (§ 2 Abs. 1 WpHG – not companies within the meaning of § 327a HGB (minimum denomination))

Who?

Audited ESEF-documents:

Electronic XHTML-Renderings of

- Annual financial statements and management report
- Consolidated financial statements (incl. iXBRL mark ups) and group management report



§ 317 Abs. 3b HGB:

Legal extension of the statutory audit of financial statements: ESEF conformity audit

§ 322 Abs. 1 Satz 4 HGB:

Reporting in separate report on ESEF conformity in the auditor's report

Unaudited ESEF-documents:

Responsibility statements in accordance with

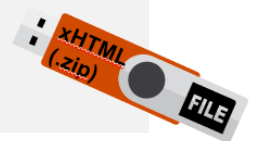
- § 264 Abs. 2 Satz 3 HGB (“Bilanzzeit”),
- § 297 Abs. 2 Satz 4 HGB (“Konzernbilanzzeit”),
- § 289 Abs. 1 Satz 5 HGB (“Lageberichtzeit”),
- § 315 Abs. 1 Satz 5 HGB (“Konzernlageberichtzeit”)

What?

§ 328 Abs. 1 Nr. 1:

... in uniform electronic reporting format according to Article 3 of Delegated Regulation (EU) 2019/815 (European Single Electronic Format)

How?



Draft of IDW Auditing Standard 410

- Audit of the electronic rendering of financial statements and management reports prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB (IDW AuS 410 (Draft))
 - Issued October 10, 2020
 - Due Process – comment period until March 31, 2021
 - <https://www.idw.de/idw/verlautbarungen/idw-eps-410/126380>
- First known published ESEF Auditing Standard
- Audit to be carried out in accordance with ISAE 3000 (Revised)

IDW AuS 410 (Draft)
- Unauthorized Convenience Translation - Plain Paper -

Unauthorized Convenience Translation
Draft of IDW Auditing Standard:
Audit of the electronic rendering of financial statements
and management reports prepared for disclosure
purposes in accordance with § 317 Abs. 3b HGB
(IDW AuS 410 (Draft))

As of: 09.10.2020

The Auditing and Accounting Board [Hauptfachausschuss] (HFA) of the IDW has approved the following draft of an IDW auditing standard: Audit of electronic renderings of financial statements and management reports prepared for disclosure purposes in accordance with § 317 Para. 3b HGB (IDW AuS 410 (Draft)). The draft standard contains a professional opinion that has not yet been conclusively agreed. In accordance with IDW Auditing Standard: Accounting and Auditing Principles for the Audit of Financial Statements (IDW AuS 201) (as of March 5, 2015), this draft can be considered within the scope of the auditor's personal responsibility and professional judgement, provided it does not conflict with applicable IDW Auditing Standards. The HFA has the possibility to issue a recommendation for the application of IDW AuS 410: The HFA has issued such a recommendation to assist the profession in those ESEF conformity audits that must be completed prior to publication of a final IDW AuS 410.

Proposals for changes or additions to the draft are requested in writing to the IDW office (P.O. Box 32 05 80, 40420 Düsseldorf or stellungnahmen@idw.de) by March 31, 2021. Suggestions for changes or additions will be published on the Internet on the IDW website, unless the author explicitly rejects to do so.

This draft is available on the website (www.idw.de) under the heading Announcements until its final adoption.

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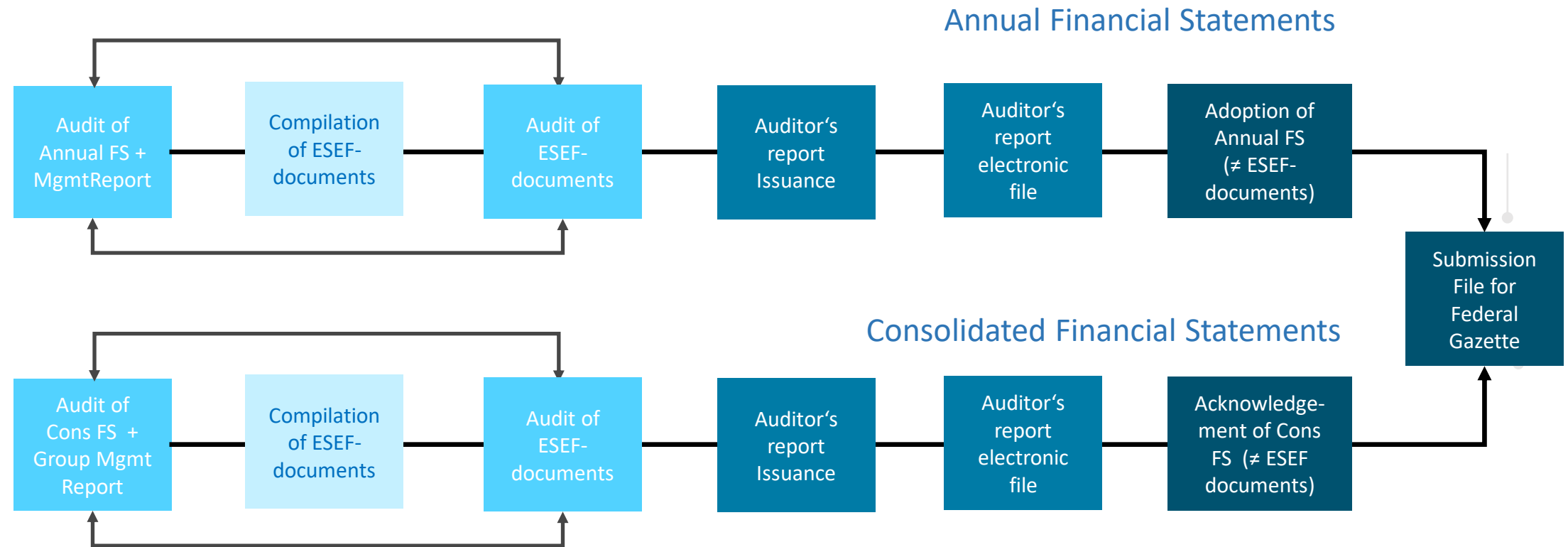
How is the Standard structured?

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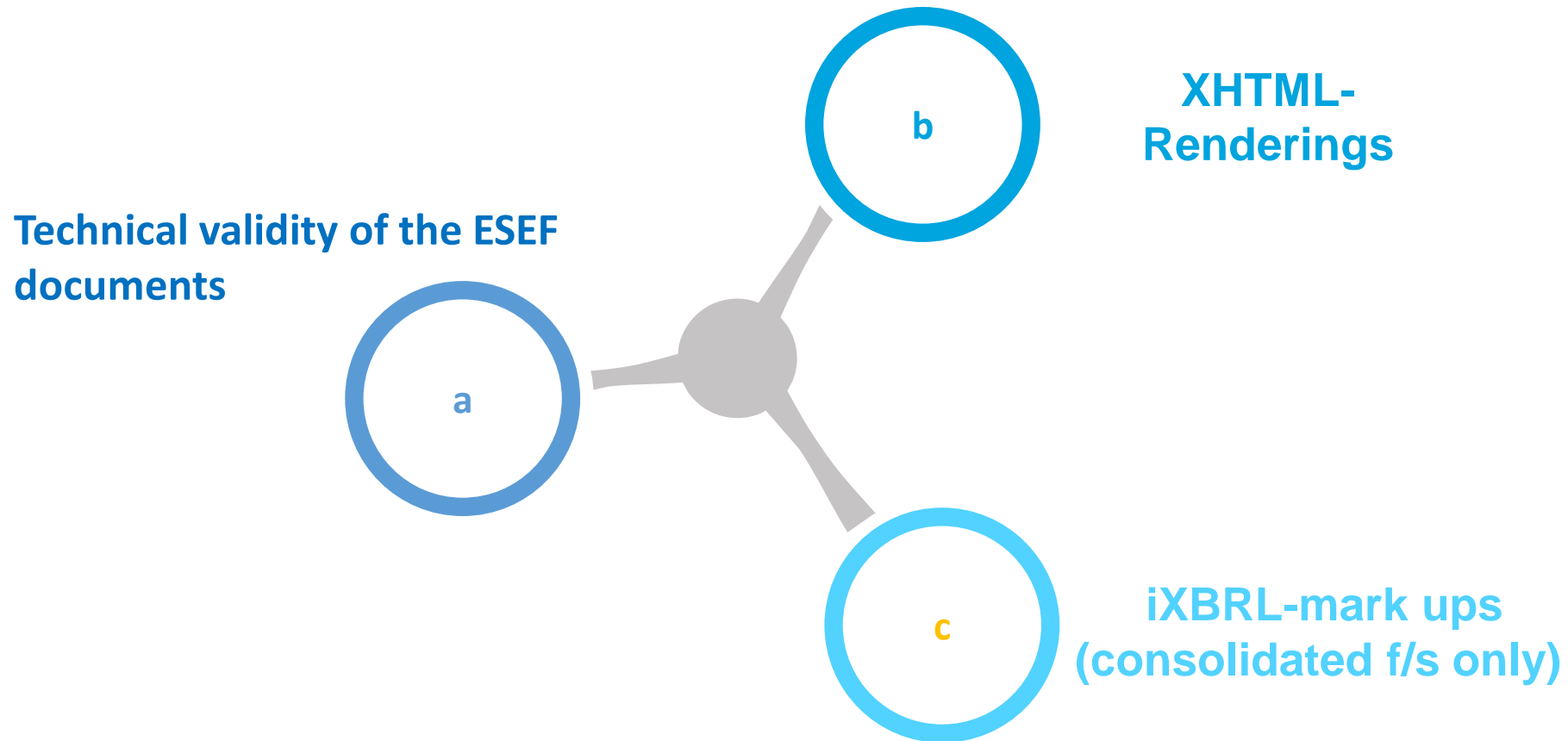
We distinguish between ...

- ESEF documents – What needs to be audited
 - A single file or a container file containing the [electronic rendering of the audited financial statements and the audited management report](#) which are required to comply with ESEF requirements
- Auditor's report electronic file – Courtesy of the auditor
 - A file issued by the auditor containing the [auditor's report \(together with the audited financial statements and the audited management report\)](#) and in which the [audited ESEF documents](#) are embedded in accordance with the specifications of the ESEF Regulation.
- Submission file – For filing purposes only
 - A container file for the purpose of [filing the audited ESEF-documents with the auditor's report](#) and which contains the [auditor's report electronic file](#) as well as possible other documents

Compilation and Audit Process



What is subject to an ESEF Audit?




Materiality

Definition (IDW AuS 410 (Draft) para. 25):

Non-compliance is considered to be material if it can be **reasonably expected** that it will individually or collectively **influence economic decisions of users** of the audited ESEF documents due to

- a. deviations from the content of the audited financial statements or the audited management report
- b. an impairment of the usability of the audited ESEF documents

 **Technical validity** of the audited ESEF documents is a **necessary condition** for ESEF conformity (IDW AuS 410 (Draft) para. 26)



In simple terms this means

No materiality considerations for technical validity



Determination of materiality for XHTML-renderings and iXBRL mark ups (IDW AuS 410 (Draft) para. 27 & A10):

- a. Oriented to the materiality considerations on which the audit of the financial statements and management report is based
- b. Evaluation of the factors according to **professional judgement**

Execution of the Audit

Gaining an understanding of the circumstances of the audit



Identification and assessment of risks of material non-compliance



Other audit procedures



Audit of the effectiveness of ESEF-related internal controls



Reporting

INDEPENDENT AUDITOR'S REPORT

IDW AuS 410 (Draft) para. 51. et seq. To [Entity], [Place]

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

[Formulation in accordance with applicable IDW AuS and ISA [DE]]

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the electronic renderings of the consolidated financial statements and the group management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB

Audit opinion (Subject to the audit und audit opinion)

Basis for the audit opinion

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF documents

Auditor's Responsibilities for the audit of the ESEF documents

Further Information pursuant to Article 10 of the EU Audit Regulation

[Formulation in accordance with applicable IDW AuS and ISA [DE]]

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

Single Date of the Audit Opinion (IDW AuS 410 (Draft) para. 63)

Separate report on
ESEF-conformity

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Thank you.

Backup

Evaluation of the technical validity

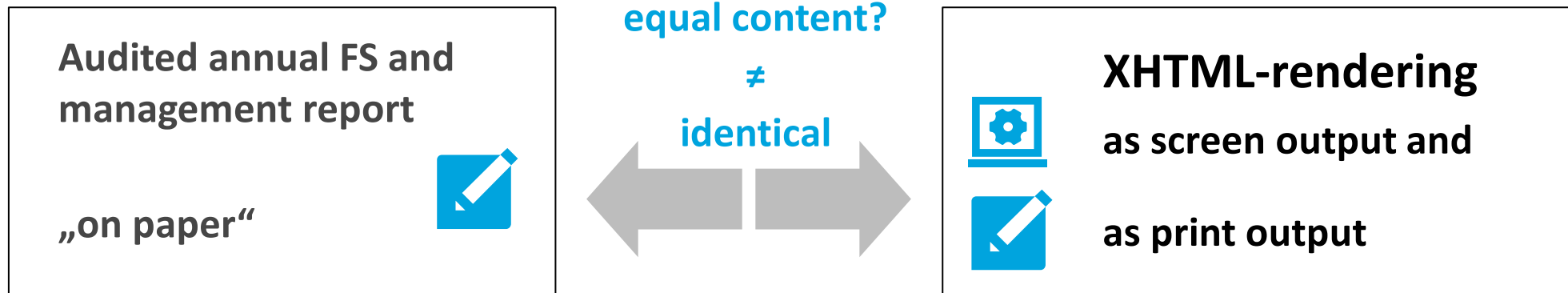
Definition: technical validity (IDW AuS 410 (Draft) para. A 14. et seq.)

Audit of technical validity (IDW AuS 410 (Draft) para. 36 et seq.)

- A **limitation to parts** of a file is **not appropriate**
- Assessment of the technical validity with **appropriate validation software** (validatable "must" requirements)
- **Visual comparison** of the XHTML rendering with the audited financial statements (non-validatable "must" requirements e.g. Invisibility of meta-information)

- ESEF documents **technically** and **formally comply** with the **requirements** (specifications) mentioned in Annex III, No. 1 to 3 as well as in Annex IV, No. 14 of the **ESEF Regulation**
- **Software** can **read** in and **process** the ESEF documents **without errors**
- **Additional technical specifications** and recommendations for ESEF documents not listed in the ESEF Regulation (e.g. ESMA ESEF Reporting Manual) **are not part of the technical validity in the meaning of IDW AuS 410 (Draft)**

Evaluation of the XHTML rendering



Visual or technically supported comparison

- The auditor shall obtain **sufficient appropriate evidence** whether the ESEF documents **enable a content-equivalent XHTML rendering** of the audited financial statements and the audited management report (IDW AuS 410 (Draft) para. 38)
- If applicable, assessment based on IT-system (Web-Browser) specified by issuer
- No audit of Web-Browser compatibility, thus documentation of the IT-System applied is necessary

Misleading presentation (e.g. changed order depending on the page orientation of the web browser)

- shall be considered as **material non-compliance** (IDW AuS 410 (Draft) para. 40)