

ESEF PLENARY

22 November 2021



Experiences gained from 1st ESEF season – the perspective of the auditor

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- Board member of XBRL Deutschland e.V.

ESEF in FY21

Basic principles and audit approach

Requirements given by IDW EPS 410 (confirmed by PS 410):

Audit of the ESEF files prepared for the purpose of disclosure with the aim of:

Obtaining reasonable assurance about whether the ESEF documents comply with the requirements of Section 328 (1) HGB in all material respects (ESEF compliance); incl. completeness and accuracy as well as compliance with prepared documents.

Obtain sufficient appropriate audit evidence about the effectiveness of the internal control system (ICS)

1

Other (substantive) audit procedures performed in response to the assessed risks of material non-compliance

2

Reporting

3

Execution

Audit by PwC ESEF Center of Excellence

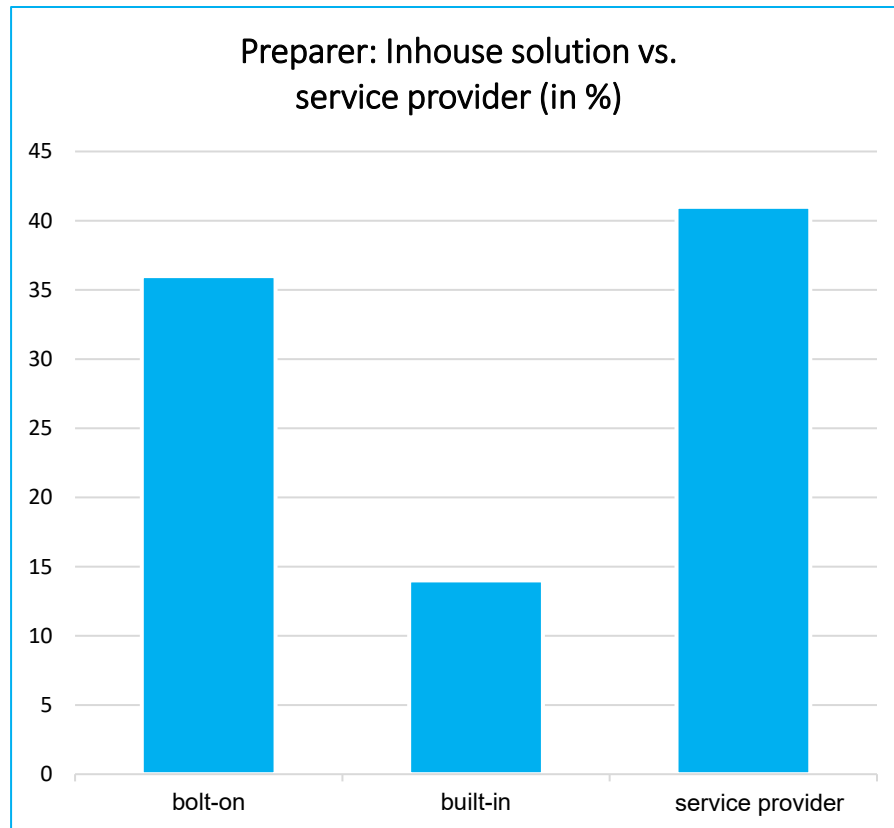
- Standardization of audit procedures and documentation
- Defined workflow to cover all audit requirements
- Day-to-day adjustment of scheduling due to multiple changes on client side (deadlines, last changes in annual financial report requiring additional audit loops)

In focus: other (substantive) audit procedures (against the background of risk assessment)

- Technical validity: use of audit tools (Amana Auditor and Arelle; in addition, in many cases requirement for code review)
- Audit of iXBRL tagging covering all attributes and linkbases required (full scope); errors found in all dimensions (!)
- Testing of XHTML rendering: error-proneness depended on the ESEF software and input format

ESEF in FY21

Statistics (1/3): Implementation alternatives chosen by our clients



- **Predominance of bolt-on systems and service providers**

- Built-in solutions not sufficiently stable at first
- Switch to bolt-on solution or service provider rather late in process
- Not uncommon: Clients with parallel implementation strategy
→ **Switch to built-in solution intended for 2021 in many cases (!)**

- **Key software vendors and service providers**

- Service providers: EQS (with ESEF Manager@Banz and FAS), Parseport
- Software vendors Built-in: Amana SmartNotes, Workiva Wdesk, SAP DM
- Software provider Bolt-on: Amana XBRL-Tagger

- **Significant deficiencies**

- Software vendors/service providers from abroad; esp. USA and India

ESEF in FY21

Statistics (2/3): Summarizing our audit population and results

Quantity and results of the ESEF documents audited

Approximately
100 audit
clients affected
by ESEF with a
balance sheet
date of
December 31.

More than
600 receipts
of ESEF files (i.e.
several audit
loops per
company)

Approx. **15%**
of companies
changed
software/service
provider shortly
before and after
the balance sheet
date

No
audit qualifications/
refusals of the
ESEF opinion
necessary

Descriptions of
individual findings
in audit reports
necessary in
14% of
cases

**One
case**
with necessity of
a supplementary
audit

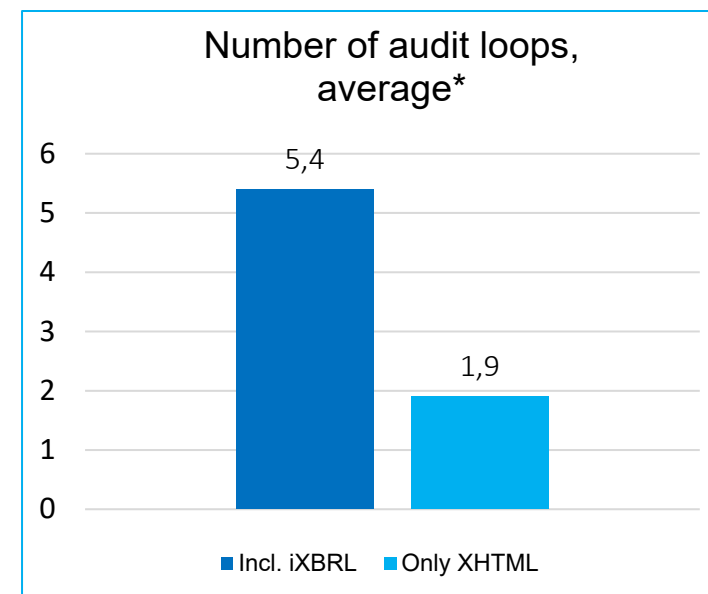
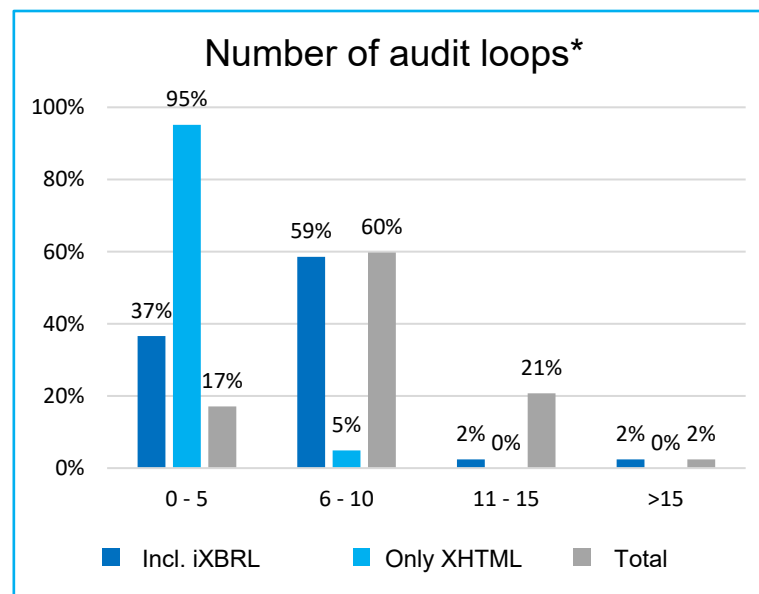
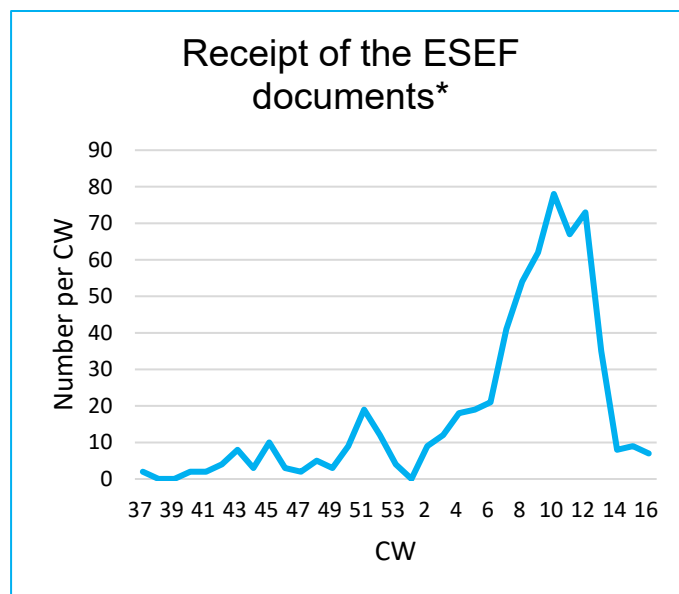
Postponement of
the audit opinion
signing date for at
least **20%** of
the companies due
to late changes and
corrections

Besides the bare figures

- High level of nervousness among our clients as a result of the new topic and tooling, as well as their own internal control system, which had been inadequate with the first ESEF season
- Strong time criticality before the intended audit opinion signing date; with the consequence of postponement in at least 20% of the cases.
- Clients have appreciated our efforts to improve quality in a highly positive way (number of highly appreciative thank-you e-mails has been over 50% of our clients)

ESEF in FY21

Statistics (3/3): Timing unfavorable and quality initially insufficient



- In the fall of 2020, comparatively little preparation for the preparation of the ESEF documents. Pre-audit in many cases only in January/February 2021 with an overlap of pre-audits and main audits. Peak volume between mid-February and mid-March (week 6 to week 13)
- Quality of the ESEF documents to be audited initially predominantly insufficient. Numerous correction loops on the part of our clients; as a result, audit loops are just as numerous

ESEF in FY21

Key lessons learnt

1st year ESEF – Key Learnings

Software vendors

- Functionality regarding ESEF was not yet fully developed, follow up ongoing

Service provider

- Partial lack of conformity with the ESEF Regulation
- Time required for processing loops shortly before audit opinion signing date raised constraints

Companies

- Insufficient technical knowledge of the ESEF Regulation and ESEF- or IFRS-taxonomy → Early and more in-depth discussion (what is actually in here)
- Establishment of an effective internal control system

Certified public accountants (Wirtschaftsprüfer)

- Experience gained with regard to the materiality assessment of inconformities with the ESEF Regulation (ESEF non-compliance)
- Optimization of the audit process (automation and efficiency)

German OAM (Bundesanzeiger)

- Submission criteria changed during the filing time frame

Thank you!

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