



The role of the auditor in ESEF reporting

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Audit in addition to the preparation

- The statutory auditors of issuers are to provide an audit opinion stating whether the financial statements within the electronic annual report comply with the ESEF requirements.
 - Auditors should audit both the human readable layer of the annual reports as well as the marked up information (the tagging)
 - The auditors should be involved early in your ESEF reporting process
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CEOAB Guidelines

- On 9 November 2021, the Committee of European Auditing Oversight Bodies (CEAOB), published guidelines¹ on the auditors' involvement on financial statements in ESEF.
- These guidelines provide high-level specifications for auditors to assess if the annual report produced by the issuer complies with the ESEF requirements

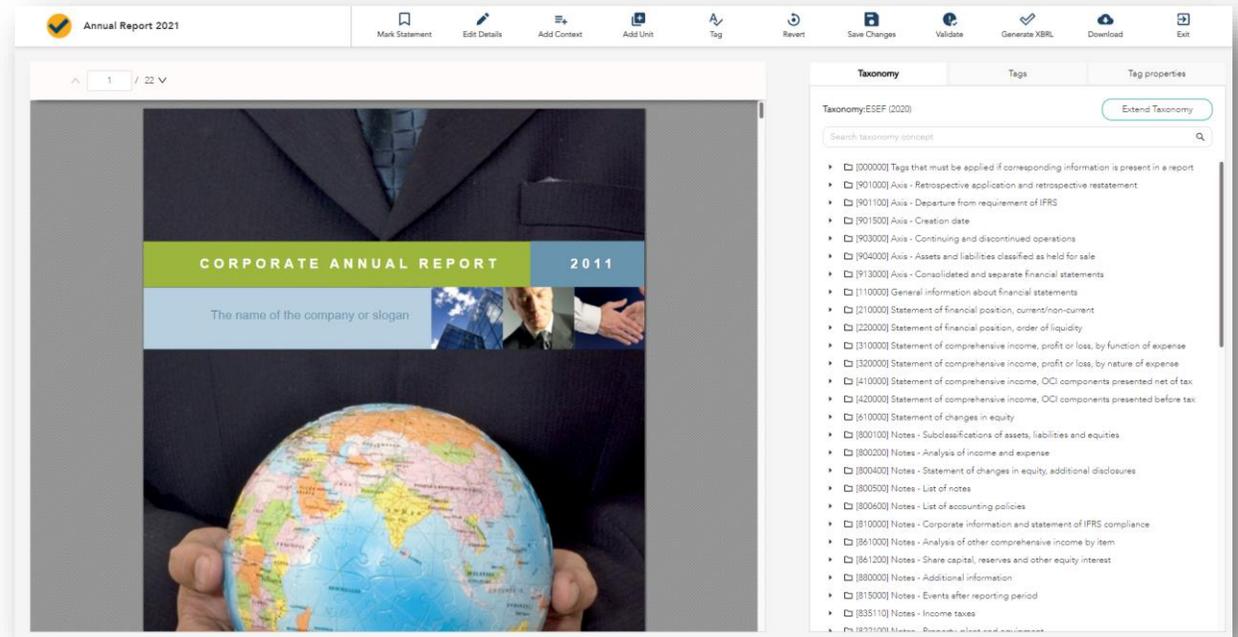
1. https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/211109-ceaob-esef-guidelines-auditors_en.pdf

How to assess compliance with ESEF?

1. Ensure that the human readable layer has the same information as the technical layer
 2. Ensure technical validity of the report
 3. Ensure that the tagging of the reports is done correctly
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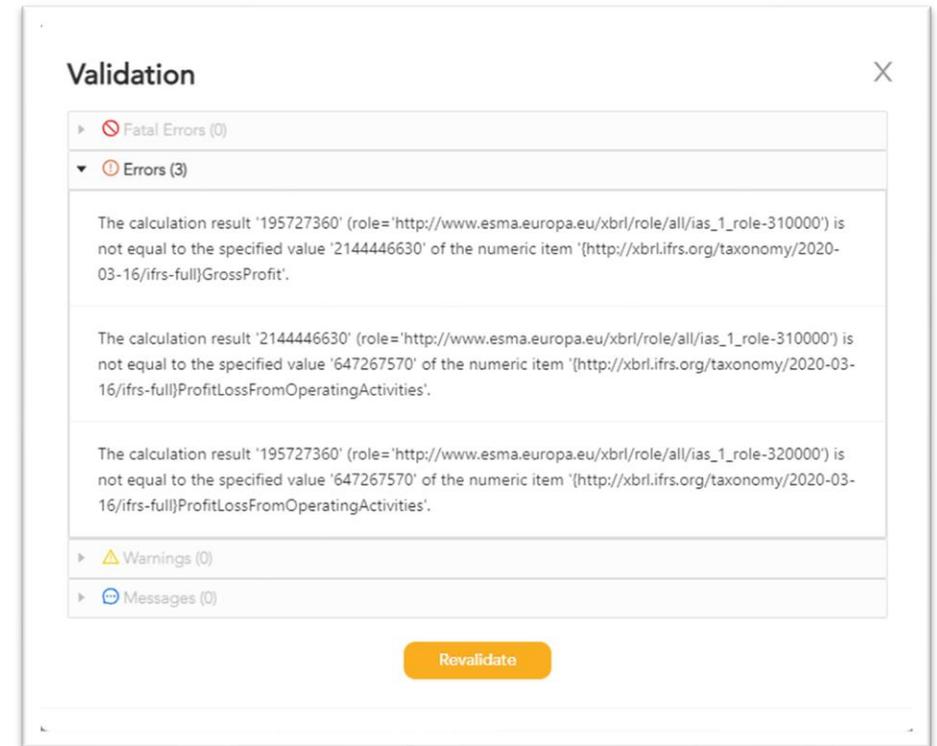
Auditing of the human readable layer

- Audit of the financial statements
- Ensure that the conversion to XHTML was accurate
- Ensure that the information presented matches the technical information



Auditing the technical validity of the report

- Ensure there are no validation errors
- Ensure that the correct naming conventions and file structure is used
- Ensure the correct LEI, schema, and additional technical information is used
- Assess the validation warnings



Auditing of the tagging done on the report

- Ensure that all the facts in the financial statements have been tagged
- Ensure that the tags used correctly represent the underlying figures
- Ensure the correct properties have been used including context, currency, scale, and sign-logic
- Ensure the correct usage of extensions

The screenshot displays an auditing software interface for an 'Annual Report 2021'. The main window shows a 'CONSOLIDATED STATEMENT OF FINANCIAL POSITION' with a table of assets. The table has columns for 'ASSETS', 'NOTE', '12/31/2018', and '12/31/2017'. The 'TOTAL ASSETS' row shows values of 3700 for 2018 and 2490 for 2017. To the right, a 'Taxonomy' panel shows a list of tags with columns for 'Audit', 'Label', 'Concept', and 'Value'. The tags are categorized by 'Approved' (green) and 'Rejected' (red) status.

ASSETS	NOTE	12/31/2018	12/31/2017
Cash and cash equivalents	2	455.7	415.7
Inventories	4	915.1	875.1
Trade receivables	6	553.7	503.7
Income tax receivables	21	33.9	33.9
Other current financial assets	7	100.7	100.7
Other current assets	8	113.5	110.5
Current assets	Current assets	2100	2100
Deferred income taxes	8	202.5	198.5
Property, plant and equipment	8	270.8	190.8
Intangible assets	9	430.9	410.9
Investments in associates	10	0.0	12.3
Other non-current financial assets	12	65.4	48.4
Other non-current assets	12	74	16.4
Non-current assets	12	2100	2100
TOTAL ASSETS		3700	2490

Audit	Label	Concept	Value
Approved	Cash and cash equivalents	Its-Full_CashAndCashEquivalents	455.7
Approved	Cash and cash equivalents	Its-Full_CashAndCashEquivalents	415.7
Rejected	Other current financial assets	Its-Full_OtherCurrentFinancialAssets	915.1
Rejected	Other current financial assets	Its-Full_OtherCurrentFinancialAssets	875.1
Approved	Trade and other current receivables	Its-Full_TradeAndOtherCurrentReceivable	553.7
Approved	Trade and other current receivables	Its-Full_TradeAndOtherCurrentReceivable	503.7
Approved	Current tax assets, current	Its-Full_CurrentTaxAssetsCurrent	33.9
Approved	Current tax assets, current	Its-Full_CurrentTaxAssetsCurrent	33.9
Approved	Other current financial assets	Its-Full_OtherCurrentFinancialAssets	110.7
Approved	Other current financial assets	Its-Full_OtherCurrentFinancialAssets	100.7
Approved	Total current assets	Its-Full_CurrentAssets	113.5
Approved	Total current assets	Its-Full_CurrentAssets	110.5

Challenges for auditors

- Understanding of the underlying process of the issuers towards the preparation of financial statements
 - Evaluating the tags used to mark up financial statements with close inspection of the underlying meaning of the facts tagged
 - Responding to late changes
 - Setting Timelines
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Success factors for ESEF audit

- Make sure you have read and understood the ESEF reporting manual
 - Involve your auditors early in the ESEF reporting process
 - Select a solution that allows for collaboration with your auditors for quick feedback
 - Do a dry-run on your previous year annual report
 - Issuing of Audit Standards by the authorities
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ESEF Reporting and Audit with CFOUR Comply

- PDF to XHTML conversion
 - Tagging of financial statements
 - Validation of tags
 - XBRL generation
 - Auditor Review
 - Taxonomy extension
 - Single sign-on
 - Team collaboration
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Thank you for your time!



Contact us for more details



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