# Decision points for auditors

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Backdrop for decisions

- The ESEF Regulatory Technical Standard is published in 23 languages
- Law, regulations, OAM gateways all set at national level
- COVID-19 reliefs
- Guidance arriving through 2021

- Implementing anything new requires many decisions to be made.
- What follows are just three areas where decisions have featured.

Involvement of specialists

How much to be done by the core audit team, how much by an ESEF specialist?
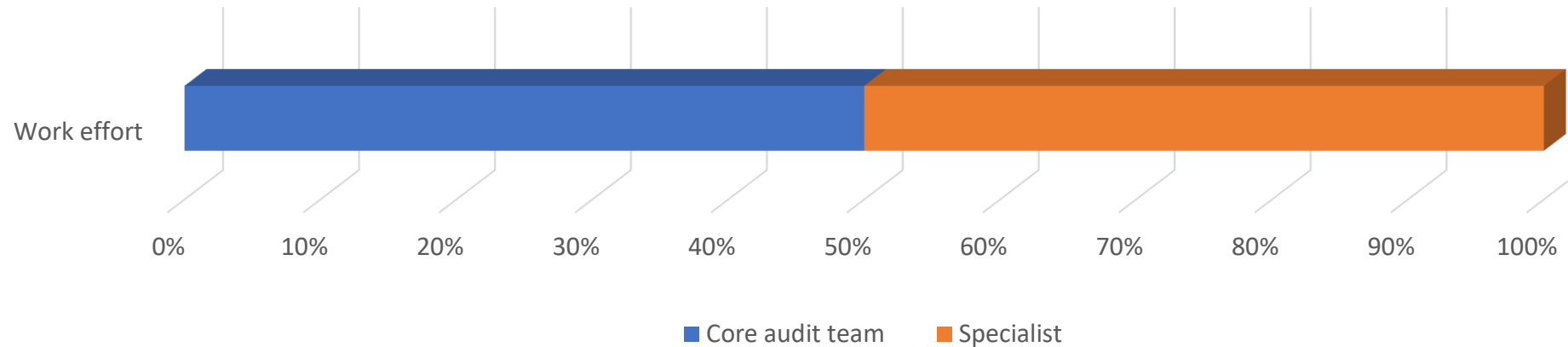
- The 50%:50% split above only illustrates the decision point, it doesn't prescribe an appropriate answer
- How many ESEF audits need to be done: 1, 10, 100?
- Think about zones of reasonableness and migration over time, rather than a prescribed "right outcome"

Communications: Auditor / Client liaison

- Management manage and auditors audit. But normal interaction involves a degree of influencing. Here are three areas where liaison affects the ESEF process:

Level of management involvement	Bringing work forwards	Timetabling and loops

- What to say and when to say it, is a series of communications decisions.

The role of validation tests (1 of 2)

- The ESEF RTS defines the scope of management responsibilities and the auditor's reporting scope. Validation tests are not, of themselves, requirements

- ESMA's validation test contain a mix of different tests and some validation tests can help identify breaches of the ESEF RTS

- In practice, validation tests are usually going to be run at least once before the completion of the audit. Doing so can be done in seconds.

- So what to do about the findings?

The role of validation tests (2 of 2)

- Management (and/or their service providers) may already be running validation tests, in which case the results should already be under consideration.

- If the auditors are the first to run validation tests, or are running different validation tests, here are some options for the auditor's next discussion with management:

Share results with management and ask what they propose to do?	Insist on a zero-warnings outcome for a clean opinion?	Classify results between those that could affect the audit opinion and those that could not?

Decision points will keep emerging

- Block tagging
- Reliance on management controls to reduce the scope of testing
- Quality control / audit inspections
- Refining the operating model

Ongoing attention and focus on ESEF is now a reality for auditors

Thank you