

# CONSULTATION ON DRAFT CEAOB NON-BINDING GUIDELINES ON LIMITED ASSURANCE ON SUSTAINABILITY REPORTING

A public consultation issued by the Committee of European Auditing Oversight Bodies

Comments from ACCA to the CEAOB

**REF: TECH-CDR-2152**

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ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of **252,500** members and **526,000** future members based in **180** countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance, and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business, and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations, and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future.

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## SPECIFIC COMMENTS

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### **1. Is there any content, in the draft CEAOB guidelines on limited assurance on sustainability reporting, that you would assess as not useful or relevant from a public interest perspective?**

ACCA commends the CEAOB for issuing the draft non-binding guidelines and welcomes the opportunity to provide our comments.

#### **Objectives and CEOB guidelines**

In respect of the objectives, while the guidelines specifically note that they are not binding and that they do not constitute a standard, they do also note that Member States' competent authorities may impose the use of the guidelines in full, or in addition to national pronouncements, for the sake of harmonisation of limited assurance practices in the EU level. We therefore stress the importance of these guidelines being up to date, accurate and relevant in order to avoid fragmentation and to ensure that practices are as consistent as possible until the adoption of an assurance standard at EU level, as the consultation paper notes.

We also note that the guidelines use the word 'required' as well as the word 'shall' in a number of instances which does imply moving away from their non-binding nature. We therefore suggest that the language is softened for example by using words such as 'may' or 'recommended' or 'suggested' etc.

#### **Ethics and quality control**

The guidelines clarify that they do not specifically cover ethical provisions, directing all practitioners to adhere to the ethical standards outlined in the Audit Directive and Audit Regulation. This might be clear for professional accountants/auditors but may not be as useful for independent assurance service providers (IASPs). We suggest addressing this in the guidelines.

#### **Material misstatement for practitioners in the context of an assurance engagement**

It is not clear whether the intention is for the guidelines to align with ISSA 5000 or ISAE 3000 (Revised). We therefore note that if the intention is for the guidelines to align with ISSA 5000 then these should be updated with the latest IAASB revisions. For example, for limited assurance engagements, IAASB no longer uses 'material misstatements that are likely to arise' but refers to 'material misstatements at the disclosure level'. These updates should be reflected throughout the guidelines, available on the IAASB's website.

#### **Fraud and non-compliance with laws or regulations**

The draft guidelines note that 'practitioners should remain alert to the risk of fraud and instances of non-compliance with laws and regulations throughout the limited assurance engagement'. While we agree with the guidelines, we suggest that they clarify that the assurance practitioner does not actively seek for NOCLAR or Fraud but rather, should remain alert for such instances in the course of conducting the assurance engagement.

## **Forward-looking information**

We believe that the guidelines should include more guidance when it comes to forward-looking information, such as how to evaluate assumptions and methodologies used by the entity. This is an area where many stakeholders have also requested further guidance during the IAASB's public consultation phase of ED-5000.

## **Subsequent events**

To better align the guidelines with ISAE 3000 (Revised) and/or ISSA 5000, we suggest clarifying the wording. Instead of stating that practitioners are not required to perform procedures on sustainability information after the report date, the guidelines should explicitly state that practitioners have no responsibility to perform such procedures after the report date. Additionally, the guidelines suggest practitioners 'should' discuss matters with management and/or those charged with governance and take appropriate action as circumstances dictate. To better align with ISAE 3000 and/or ISSA 5000, we recommend using 'may' instead of 'should' to reflect the practitioner's professional judgment more accurately.

## **Communication between practitioners and other professionals**

The guidelines should also clarify when the sustainability assurance provider is not the financial statement auditor, as they currently assume both roles are filled by the same provider.

## **Limited assurance report**

The draft guidelines suggest optionally including key assurance matters in reports but lack a mechanism for this. We recommend establishing one if encouraged. The IAASB's ISSA-5000 does not require it, and we believe it should only be considered after sustainability assurance engagements mature and following public consultation.

- 2. Are there any areas or topics not covered in the draft CEAOB guidelines that would need to be addressed in the guidelines or developed in the future European standard on limited assurance?**

## **Professional Scepticism**

We note that the draft guidelines do not refer to professional scepticism which is as vital for sustainability assurance engagements as it is for financial statement audits. The vital importance of professional scepticism in sustainability assurance engagements was also emphasised by our stakeholders in ACCA's thought leadership report titled [Sustainability Assurance – rising to the challenge](#). Furthermore, given that some Member States may allow for IASPs to undertake such engagements it is important to clarify that assurance practitioners are expected to maintain professional scepticism throughout the engagement and to highlight the framework to do this within the guidelines.

In addition to professional scepticism, we also suggest that the guidelines make reference to certain assurance skills and techniques that sustainability assurance practitioners are expected to have such as planning, evidence gathering, evidence evaluation, communication and reporting skills and techniques as found in global frameworks.

## **Inherent limitations**

While the draft guidelines touch on many of the key areas of a sustainability assurance engagement under limited assurance, they do not make any reference to inherent limitations. It is particularly important to emphasise that there are inherent limitations when it comes to

the practitioner's work, particularly in some areas. This is relevant, for example, when it comes to fraud, estimates and forward-looking information, in order to avoid creating an expectation gap. This will also allow IASPs to obtain some guidance in this space.

### **Using the work of third party**

The guidelines note that practitioners should consider using the work of third parties engaged by the entity depending on their assessment of the objectivity or independence of the third party and of the work performed, to avoid duplication in carrying it out again. However, the guidelines do not refer to the procedures that practitioners need to do before deciding whether to rely on such work. We therefore suggest providing further guidance on this.

### **Different types of conclusions**

While the guidelines refer to instances where practitioners may face a limitation in scope, when it comes to the implications the guidelines do not distinguish instances where this is within or outside management's control and hence, we suggest that it is taken into consideration.

- 3. Are there any other suggestions that you would like to share with the CEAOB, before adoption of the final CEAOB guidelines on limited assurance on sustainability reporting?**

### **Glossary and definitions**

The guidelines glossary should be updated ensuring that all terms used are included. For example, this should include fraud, substantive procedures etc.

### **Digitalisation of the information**

The draft guidelines note that they don't cover the requirements introduced by the CSRD related to the electronic format of the information and the compliance of the sustainability statements with the requirements to mark up the information. While we understand that this is delayed, the guidelines should be extended to cover these requirements to ensure consistency of application across the EU.

### **Independent Assurance Service Providers**

We emphasise that it is of vital importance that the guidelines are clear and helpful to all assurance practitioners including IASPs. The IAASB did receive a number of comments by its stakeholders during the public consultation phase of ISSA 5000, questioning whether some areas of the standard and its concepts would be clear to non-professional accountants or IASPs in the EU. We therefore suggest that the CEAOB does ensure that all the information included in the guide takes into consideration that IASPs may not be as familiar with certain terms and concepts and hence further guidance might be needed.