Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

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Assurance on sustainability reports: current practices and challenges

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Assurance on sustainability reports: current practices and challenges

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Current requirements in Europe under the NFRD

- Art. 19a (5) “Statutory auditor has to check whether the NFI statement has been provided”

- Art. 19a (6) Member State option – to have NFI statement verified by an independent assurance service provider
How Member States transposed the NFRD?
Accountancy Europe fact sheet – February 2020

- 46% went for existence check
- 42% went for consistency check
- 12% went for assurance

(26 EU and EEA countries surveyed)
minimum requirement to check if the information has been provided
additional requirement to check if the provided information is consistent with the financial statements
independent assurance requirement on non-financial information
countries where companies have sought voluntary assurance on their non-financial reports
Accountancy Europe just published a position paper in the context of the revision of the NFRD.
CONDITIONS FOR HIGH-QUALITY ASSURANCE ON NFI

For assurance to be provided at high-quality level, the following conditions need to be fulfilled:

1. EU regulatory framework mandating assurance
2. professional standards applicable to all assurance service providers
3. public oversight of assurance service providers

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4 Any assurance service provider, being the statutory auditor, another independent practitioner working in an accountancy firm, or another service provider.
Level of assurance within the NFRD

Ultimately, the level of assurance on NFI should not be different to that on financial information. This is not only due to the importance of NFI to stakeholders, but also because of its connectivity to financial information. That is why the EU regulatory framework should set reasonable assurance as an end-goal to be achieved, for example, over a period of three to five years.

Professional accountants are already providing assurance on NFI in many countries and companies in Europe. They have built up knowledge and experience, mainly due to their experience in financial audit. Using this experience is key given the necessity to improve the connectivity of financial and non-financial information.
CONCLUSION

PUBLIC OVERSIGHT OF ASSURANCE SERVICE PROVIDERS

Given the growing importance of NFI to investors, but also to the public at large, public oversight of assurance service providers is necessary. It will ensure that the principles and requirements discussed above are fulfilled by the service provider. It will also add credibility to the assurance service being provided.

Such a role would better fit within the remit of existing oversight bodies by extending their current mandate. It will also help the liability regime to function properly. Given the connectivity between financial and non-financial information, it might be confusing to have different oversight mechanisms for different service providers.
BECAUSE QUESTIONS COUNT.