

Non-binding guidelines to be issued

The Committee of European Auditing Oversight Bodies has submitted for public consultation a draft of non-binding guidelines on limited assurance engagements in respect of sustainability reporting. Comments may be submitted until 22 July 2024.

I. EU Directive on non-financial reporting

The EU Directive on corporate sustainability reporting (CSRD) must be implemented into Polish law. As a result of adopting the Directive, issues associated with managing environmental, social and governance factors (so-called ESG) will soon increasingly affect the operations of companies. Under the EU Directive all large companies in the EU will be required to disclose information on the impact of their operations on people and the planet, as well as to report any threats to sustainability (so-called ESG, relating to managing environmental, social and governance factors). These will not, however, remain without impact on smaller entities.

II. We must wait for EU standards on assurance for ESG reporting

Under the CSRD Directive EU Member States require auditors and audit firms to perform assurance engagements in respect of sustainability reporting in accordance with the assurance standards adopted by the European Commission. According to the timetable for the European Commission to issue regulations containing these standards, a standard on limited assurance engagements is to be issued by 1 October 2026, and a standard on reasonable assurance engagements - by 1 October 2028 (following an assessment of whether reasonable assurance is obtainable).



IV. Transitional assurance standards being developed in Poland

III. A limited assurance standard is needed the most

A limited assurance standard under the CSRD Directive is a tool aimed at verifying the reliability of corporate ESG reports. It includes a review of documentation and processes by an independent auditor to provide moderate assurance that the reported data are free from material misstatements. This process is key to increasing transparency and confidence in non-financial reports, which in turn supports the European Union's sustainable development goals. An assurance report contains the auditor's opinion on the ESG report's compliance with the requirements of the CSRD Directive, as well as with the applicable reporting standards.

Assurance for sustainability reporting is one of the new requirements introduced by the CSRD Directive with a view to ensuring the quality and reliability of sustainability information reported to the market. The first assurance engagements are to cover sustainability reporting for 2024. The information will be published in 2025. Until an assurance standard is adopted by the European Commission, Member States may apply national assurance standards, procedures or requirements. In Poland, the National Council of Certified Auditors is working on developing solutions to be used in the transitional period, i.e. until an EU assurance standard is adopted.



V. Directive allows the development of non-binding standards

The Directive envisages the possibility, throughout this transitional period, of the Member States being able to apply national assurance standards, procedures or requirements, and communicating them to the European Commission before their entry into force. In addition, in order to facilitate the harmonization of assurance practices during this period, clause 69 encourages the adoption of non-binding guidelines setting out the procedures to be followed by assurance providers when issuing their reports until the adoption of appropriate standards by the Commission. The CEAOB (Committee of European Auditing Oversight Bodies), at the request of the European Commission, has done just that, drafting non-binding guidelines for limited assurance engagements in respect of sustainability disclosures, which have just been submitted for public consultation.

VI. Non-binding guidelines must be used in accordance with national regulations

The CEAOB guidelines are non-binding in nature and do not replace or supersede any national rules that may apply on a national level in EU Member States. As such, the guidelines do not constitute standards and should be read in conjunction with whatever national rules may be applicable to assurance engagements in respect of sustainability reports. Among others, the guidelines point to examples of procedures and techniques that may be used in these procedures as part of limited assurance, such as: inspection, observation, confirmation, recalculation, reperformance, analytical procedures and inquiries, individually or in the aggregate; substantive procedures, including randomized or focused on sampling for tests of details, depending on the type of information and population.



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