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Audit and Assurance Sustainability Information

EU and global experts discussed the opportunities and challenges of audit and assurance of Environmental, Social and Governance (ESG) information, at a joint ACCA, ECIIA, Deloitte and Accountancy Europe event, attended by over 780 participants. A substantial transformation of the sustainability reporting landscape is underway, but for ESG information to meet users needs, allow for informed decision-making and ensure proper functioning of capital markets, its users need to be able to trust it. The entire EU Sustainable Finance policy is very data intensive, and the information to be reported needs some level of assurance to give trust for investors.



Working Together for the planet: Audit & Assurance of sustainability Information

Ahead of COP 26, as the European Commission recently issued its eagerly awaited new [Corporate Sustainability Reporting Directive](#) (CSRD), which, for the first time, introduces an EU-wide requirement for assurance of sustainability information, and the IAASB its [EER assurance Guidance](#), ACCA, ECIIA, Deloitte and Accountancy Europe organised a thought-provoking discussion on [Audit & Assurance of Sustainability Information](#), to explore the opportunities and address the practical challenges profiling, as the journey is just starting. The event also launched a new [Guide on Natural Capital Management](#) developed by ACCA, ECIIA and Deloitte that includes the key principles that should govern the natural capital internal audit assignments or external assurance engagements.

Sharon Machado, head of Business Reporting at ACCA and lead author of the new [Guide on Natural Capital Management](#), opened the debate saying: 'Internal and external auditors are well placed to play a crucial role in sustainability audit and assurance because of their public interest remit. The core purpose of the audit profession is to support the creation, protection and communication of sustainable value-through their assignments. Our Guide outlines a four-step approach to assignments, an approach developed using the insight from standard setters, and from internal and external audit experts - who understand the need for integrated thinking across sustainability, financial and non-financial issues. Auditors must maintain their expertise by remaining committed to continual learning that extends beyond qualification to continual professional development and importantly via collaboration. It is with this base, together with the features of their role that they can influence ethical decision-making.'

The discussions revealed three main challenges. The first is time – climate change and the urgency of achieving the SDGs does not allow for taking 5 or 10 years for discussions, investors are waiting for relevant data now. The second is the question of skills: sustainability reporting and assurance require many different competences, and experienced sustainability professionals are clearly lacking. It is also about training CFOs, governance bodies; internal and statutory auditors also need to ensure they have adequate knowledge to be able to extend their scope of responsibility to sustainability. The third challenge is while there is a need for good long-term investments for the future, in the short-term, significant investments will also be needed to design standards, to implement reporting processes and tools, and to develop audit capabilities.



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Massimiliano Turconi, Head of Group Internal Audit at Ferrero International, and ECIIA board member, said: 'Internal Audit (IA), if mature, is well positioned to provide independent assurance on a wide variety of risks. We must adapt our mindset and skills to meet the broad and exciting challenges of sustainability assignments. We are ready for this call and we must better use the resources of IA by cooperating with the different players, based on the three lines model and including the external assurance providers'.

This is the beginning of the journey, and there are many questions that need to be answered such as the subject matter – what information is needed to assure within the sustainability reporting statements? What is the scope of assurance - do we want to assure the report as a whole or only some KPIs? And what about the forward-looking information, scenario analysis, transition pathways, which will inherently be having a different level of assurance? Other questions are linked to the work effort - what is the appropriate quantity of assurance to provide? How can we guarantee consistency of assurance standards and practices amongst practitioners within Europe, and globally?

Julien Rivals, Vice-Chair of Accountancy Europe's Sustainability Working Group and Deloitte France Sustainability Practice Co-Lead concluded: 'There are 50 shades of assurance at the moment - we have now to clarify the one we need for sustainability information in Europe. The statutory auditor has a key role to play, and it would be a mistake to consider this just as a new field of services for the profession. This is a deep move towards an integrated approach of audit. The profession is preparing for it and will take its part of the challenges because it is its purpose to do so. We have a special societal role to play between companies and stakeholders to create trust and to support a more sustainable economy. We are "CSRD ready". But there is some work to be done together to design collectively the assurance we need for sustainability reporting'.

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The ECIIA is the voice of internal audit in Europe. Our role is to enhance corporate governance through the promotion of the professional practice of internal auditing.

Our members comprise 34 national institutes of internal auditing from countries that fall within the wider European region, representing 48 000 members. The ECIIA mission is to further the development of good Corporate Governance and Internal Audit at the European level, through knowledge sharing, developing key relationships, and impacting the regulatory environment, by dealing with



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the European Union, its Parliament and any other European regulators and associations representing key stakeholders.

ACCA

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