

Subject: ECIIA views on the CEAOB Exposure Draft consultation on non-binding guidelines on limited assurance on sustainability reporting

We welcome the draft non-binding guidelines on limited assurance on sustainability reporting and thank you for the opportunity to react on the consultation

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?

No comment

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?

We do believe that ESG principles must be embedded throughout the organization as part of the business transformation and that ESG reporting must be seen in the broader context of an ESG journey.

In order to ensure that the information published is accurate and compliant with the EU regulations (ESRS, taxonomy,...), it is important to assess, besides the internal controls, risks and opportunities, the business transformation, the set-up of an ESG proven strategy, the review of the governance, the embedding of ESG in the enterprise-wide risk management framework, and the implementation of ESG aspects in the operations and culture of the organizations. Internal audit is part of the governance structure and assists the Board/Governing Bodies fulfilling their duties.

So, we recommend a holistic assessment and the implementation of a strong governance and assurance chain between the “internal assurance providers” (besides internal audit: risk management, compliance, sustainability,...) and the external independent assurance providers.

The current guidance is very high level and does not consider some of these important elements.

It is worth noting that the draft on International Standard on “Sustainability Assurance Engagements” (ISSA 5000) identifies Internal Audit as an engagement resource whose work may be relied upon by the external assessor

Internal audit plays an important role in the organization assuring the Board/Governing Bodies that ESG has been effectively embedded: they are professionally independent and report to the Board/Governing Bodies. They help the organization with insights, providing independent and reasonable assurance on all aspects of governance, risk management, internal control, and needed transformation; They collaborate with the external assurance providers (exchange of information, reports, assurance conclusions).

We therefore recommend to include the role of internal audit in the guidelines.

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?

We recommend to incorporate the role of internal audit in the CEAOB guidelines (as mentioned in ISSA 5000), since they play an important part of the “assurance chain” and strong governance process by providing an independent opinion to the Board/Governing Bodies:

- In the section 7- Procedures targeted at risk identification and assessment
The section should expressly mention that *practitioners should obtain an understanding of the entity, its environment, and its system of internal control relevant to the preparation of the sustainability statements*. ESG exercise is part of the integrated enterprise-wide risk management (e.g., COSO model that integrates the sustainability dimension, or ERM model that also includes sustainability issues). Internal audit should be listed explicitly as a source of information as they provide an overall assessment of the internal controls to the Board.
- In the section 8. Process carried out and described by the entity.
Internal audit work is performed in conformance with the Global Internal Audit Standards, as promulgated by The IIA, mandatory requirements that call for objectivity and independence when assessing the efficiency and effectiveness of the processes. External assurance providers should rely on the work of internal audit, when performed with quality (in line with the Global Internal Audit Standards).
- In section 10 Forward looking and 11 Estimates.
Data are an important challenge for the ESG reporting and internal audit assess the process to collect the data, and give insight for the recuperation of data from the various stakeholders They play an important role assuring the Board/Governing Bodies about the quality, completeness and accuracy of the data used.
- In the section 12 Communication between practitioners and other professionals.
The Global Internal Audit Standards also require that internal auditors share information, coordinate their activities (assurance map concept as an example), and consider relying on the work of other assurance providers to ensure full coverage. This coordination is usually managed by the Audit Committees, on behalf of the Board. It is important to avoid duplication and inconsistencies of information towards the Board/Governing Bodies.

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The European Confederation of Institutes of Internal Auditing (ECIIA) is the professional representative body of 34 national institutes of internal audit in the wider geographic area of Europe and the Mediterranean basin.

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ECIIA represents 55.000 internal auditors.

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