

Slovenian Auditors Conference

**The perspective of the audit profession
includes Coronavirus crisis: Implications on
reporting and auditing and ESEF**

8 September 2020

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**WE REPRESENT
ACCOUNTANTS,
AUDITORS
& ADVISORS.**



**CLOSE TO 1 MILLION
PROFESSIONALS**



**26 EU
MEMBER STATES**



51 INSTITUTES



35 COUNTRIES



Sustainable
Finance



SMEs



Reporting



Audit &
Assurance



Tax

Our mission



Influence decision makers



Help the profession shape its **future**



Facilitate **cooperation** amongst Members

European Union Priorities

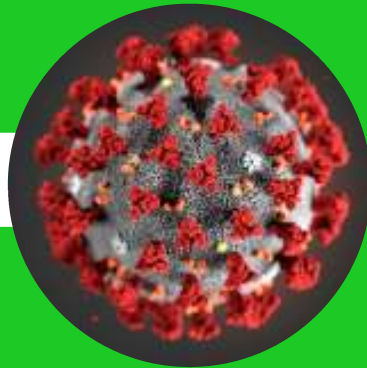
TECHNOLOGY



SUSTAINABILITY



COVID-19



Covid-19

Our work on coronavirus



2 online resources hubs



8 publications (3 audit-specific)



7 blogs/podcasts (1 audit-specific)



2 consultations responses



3 online conferences

www.accountancyeurope.eu/tag/coronavirus/



Coronavirus crisis: Country responses to the implications on reporting

- Extension of the filing deadlines
- International Accounting Standard 10 *Events After the Reporting Period* (IAS 10)
- Going concern
- International Accounting Standard 36 *Impairment of Assets* (IAS 36)
- International Financial Reporting Standard 9 *Financial Instruments* (IFRS 9)
- Other governance matters: AGMs & distribution of dividends

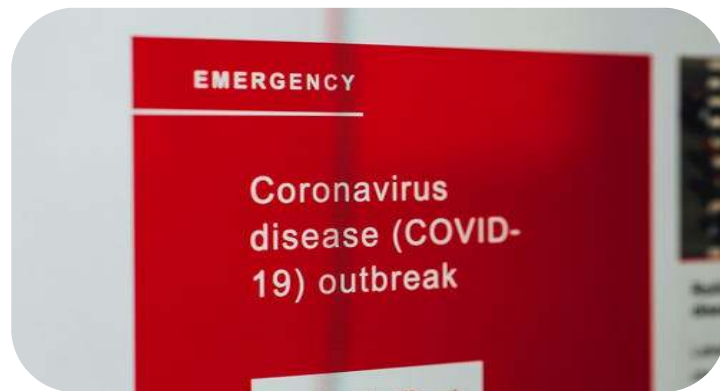
Coronavirus' impact on auditing 1/4

- Coronavirus' impact on an auditor's risk assessment
- Obtaining audit evidence
- Implications for the auditor's assessment of going concern
- The impact of the company's future prospects on the auditor's report
- Considering the adequacy of management's disclosures about coronavirus' impact
- Potential effects on the auditor's report
- Practical implications for the audit

Coronavirus' impact on auditing 2/4

Longer term impacts on:

- Auditor's risk identification and assessment
- Auditor's response to assessed risks
- Auditor's report and communication
- Auditor's involvement with regards to government support



Fraud – actions for auditors



- Be alert to increased fraud risk factors due to:
 - **Pressure** to report embellished financial performance to meet financing agreements' requirements
 - **Opportunities**, such as weakened internal controls because of remote working, redundancy, waived procedures

Considering auditors' expanded role in many EU countries to ensure that taxpayers' money is not misused:



- Obtain an understanding of the rules applying to government grants



- Design and implement audit procedures to test entity's reporting and compliance

Going concern - actions for auditors

Despite government support programmes, auditors are likely to view going concern as a heightened risk

-> Due to the increased likelihood of material uncertainties



- Need to obtain sufficient and appropriate audit evidence when testing management's assumptions and forecasts related to going concern



- -> More robust and/or additional procedures may assist the auditor in concluding in the current environment
- Need to consider the impact of the going concern assessment on the auditor's report

Corona crisis: lessons for a more sustainable future

- Post-covid recovery should support sustainability
- Governments need to build a resilient public health system
- Businesses should broaden their approach to risk management
- Accountants can support the shift towards a global sustainable economic system



European Single Electronic Format (ESEF)

ESEF EU requirements



ESEF Reporting

- ESEF requires iXBRL based tagging & filing for listed entities
- Mandatory for filing primary FS in 2020 & for notes in 2022
- ESMA Guidance (RTS and Manual)
- No EU delay granted in national implementation
- 1 year delay in UK (Brexit)



ESEF Auditing

- EC: ESEF Statutory Audit Requirement
- CEAOB Guidelines: '2 audit reports possible'
 - On paper/PDF FS
 - Later on ESEF FS
- ACE/ECG Paper on ESEF Assurance: favours 2 audit reports
- EC expected interpretative Communication (09/2020), no 2 audit reports possible

ESEF national implementation



ESEF Reporting

- National legal basis needed of ESMA Guidance
- Database, guidelines, ... for submitting ESEF files at Officially Appointed Mechanisms (OAMs)



ESEF Auditing

- National legal basis needed
- Consultations / draft amendments to national law & regulation in DE, ES, FR, IT, SW, ...
- FR: considers dual dated audit reports
- AU, FI: no mandatory audit

ESEF/iXBRL for all companies in the future?

Anti-Money Laundering and auditors

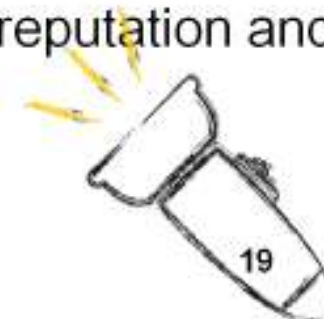
AML - political priority for the EU

**EC Action Plan on AML:
Launched on 7 May**

- EU harmonization of AML rules and supervision (regulation): provisions on obliged entities, customer due diligence, internal controls and more...
- AML EU body (new or EBA) with direct supervisory tasks over obliged entities
- Legislative proposals in Q1 2021

AML – priority for the profession

- Profession already obliged entities
- Requirement for Suspicious Activity Reports to FIUs
- EC sees the profession as a gatekeeper to prevent ML/TF
- New reforms will affect us
 - Compliance assurance?
- Safeguard our reputation and relevance



Audit Policy

Audit – was not an EU priority... until now?

Since 2014, EC seemed reluctant to changes in audit policy, unless:

- Another scandal
- Spill-over from national initiatives
- European Parliament (EP) pressure
 - Audit market structure
 - Independence & conflict of interest
 - Focus on B4



EP calls on EC for audit reform

June 2020: various EP non-binding/non-legislative resolutions

- EP amendments on EU competition report call for:
 - address B4 market concentration
 - separation audit and consulting services
 - joint audits
- Related to Wirecard: Greens & Liberals joint statement call on EC to:
 - address conflicts of interest: auditor 'hired' by audit client
 - ban the provision of non-audit services to audit clients
 - investigate oligopolistic audit market structures

Overview EU institutions' key dates on Wirecard

- **2 September:** EP ECON Committee hearing with German finance minister Olaf Scholz on policy priorities of the German Council Presidency (Q3 & Q4 2020) -> Nothing to report
- **11 September:** Informal ECOFIN meeting: EU finance ministers discuss the German Presidency's priorities:
 - Likely regarding Wirecard.
 - Probably exchange of views on EU measures: supervision, corporate governance, audit or other angles?

Overview EU institutions' key dates on Wirecard (continued)

- **14 September:** EP plenary public hearing on Wirecard.
 - Expect EC Executive Vice-President Dombrovskis to indicate the EC's current thinking on Wirecard
 - How EC to react to MEPs' calls to re-open audit legislation.
- **30 October:** ESMA's deadline to assess German regulators' (BaFin, FREP) supervisory response related to Wirecard collapse
- Potentially more to come ...

Role Accountancy Europe

- **Monitoring:** follow hearings, gather intelligence & assess mood in EU institutions to help act most effectively
- **Communicating and coordinating:**
 - Update Board members & Member Bodies
 - Need to coordinate and not act unilaterally towards the EU institutions
 - Coordination with audit firms
- **No plans to react to the many legally non-binding individual EP amendments.**
 - Concentrate on the bigger picture & overall approach the EU Institutions
 - Engage proactively and constructively
 - No aggressive lobbying which defeats the purpose for the profession

Other Accountancy Europe work on audit and audit policy

Our other audit & assurance projects



Multidisciplinary teams



Considerations on the scope of audit



Audit-related services

Multidisciplinary Teams (MDT)



Key conclusions of interviews

- MDT contribute to high-quality audits
- Auditors benefit from experts' input, especially from internal ones
- Firms should further develop their capability to work with internal experts
- Firms should stay multidisciplinary to meet evolving expectations from the audit
- Auditors' priorities remain audit quality, the public interest, independence and ethics



Future of audit & scope of audit



Aim: explore whether audit could do more re performance and reporting

- Role of others in the financial reporting chain:
 - Companies' management, Boards and audit committees
 - Other stakeholders including regulators
- Focus on going concern and fraud

From Sustainability to NFI Assurance

Our role – our responsibility



MEASURE



ADVISE



REPORT



ASSURE



LEAD

Revision Non Financial Information (NFI) Reporting Directive



Expanded scope of companies?



Mandatory common NFI reporting standards?

-> Simplified for SMEs?



Disclose materiality assessment process



Digitalization of NFI reporting?



Stricter audit requirements?

ACCOUNTANCY
EUROPE.

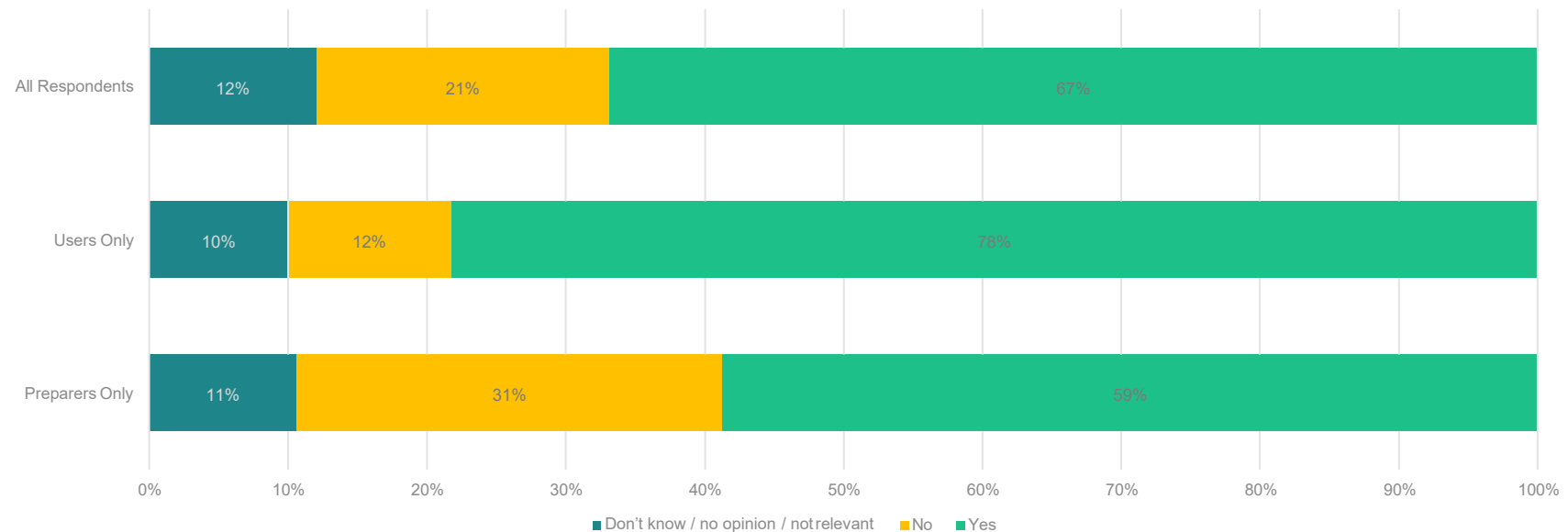


Key upcoming dates: NFI

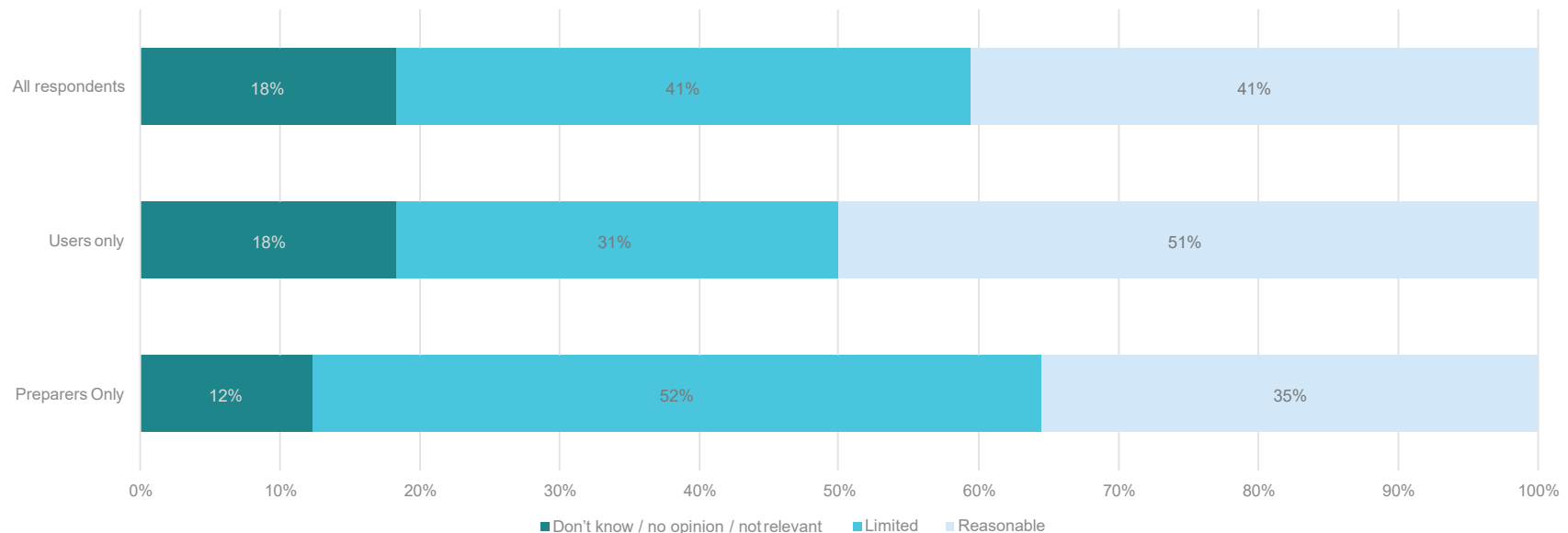
NOW or SOON	-Results NFRD consultation -EC Mandate to EFRAG re EU NFI reporting standards -Impact assessment on NFRD
Q4 2020	Sustainable Finance Strategy 2.0
Q1 2021	NFRD legislative proposal
Q1 2021	EC proposal on EU Green Bonds Standard



Should EU law impose stronger assurance requirements for non-financial information reported by companies falling within the scope of the NFRD?



If EU law were to require assurance on non-financial information, should the EU require a reasonable or limited assurance on the information published under the scope of the NFRD?



Auditor involvement on NFI reports in Member States since 2015



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

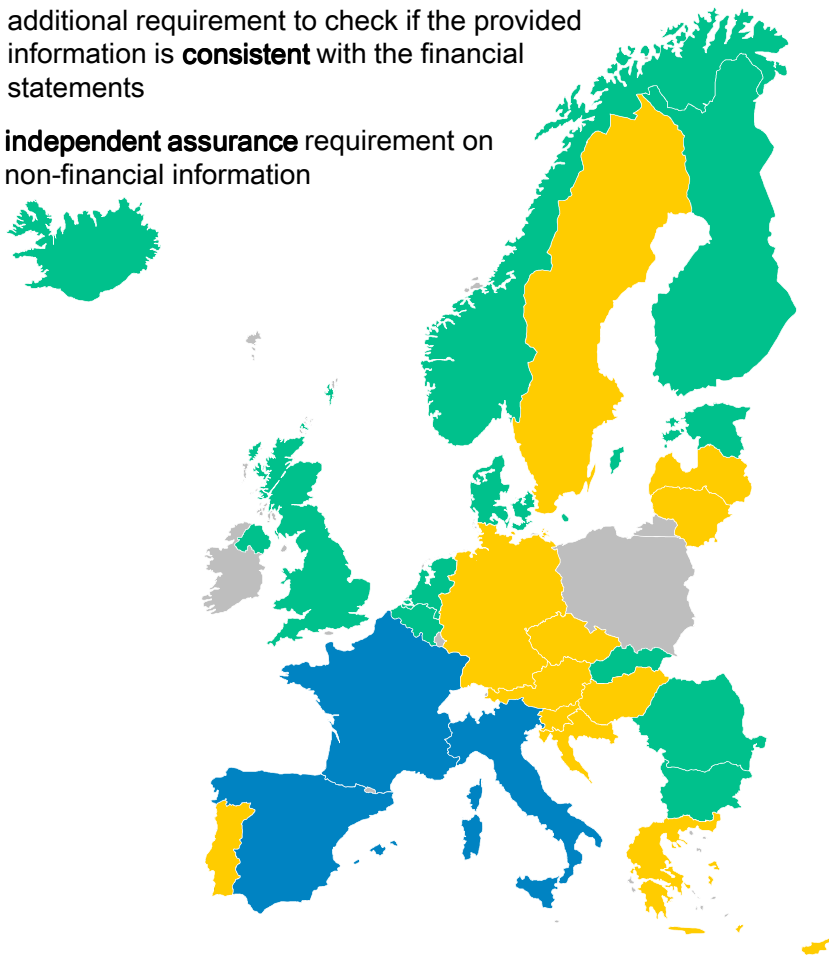


(26 EU and EEA countries surveyed)

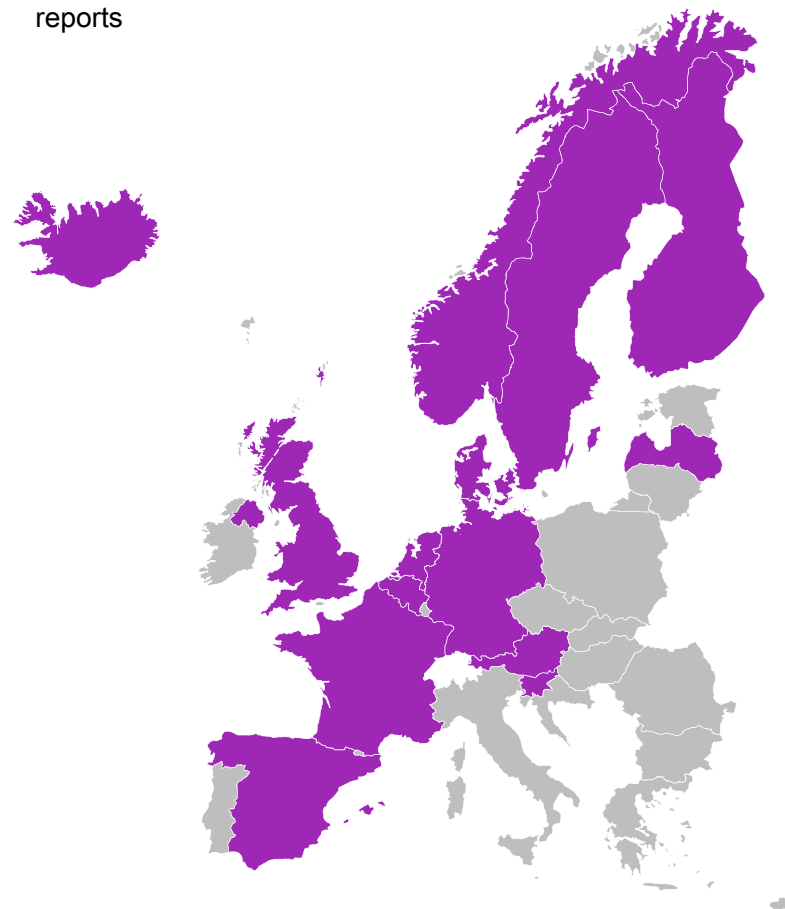
■ minimum requirement to check if the information has been **provided**

■ 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



NFI assurance: ACE and next steps

ACE conditions to develop
& ensure high-quality NFI assurance:

- EU regulatory framework mandating assurance
- professional standards applicable to all assurance service providers
- public oversight of assurance service providers

Enormous opportunities for us, but:

- Probably no requirement for statutory auditor for NFI assurance
- Need IAASB common assurance standard
- Need skills & expertise



THANK YOU

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@AccountancySME



Accountancy Europe

**BECAUSE
QUESTIONS
COUNT.**



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EUROPE.**