ACCOUNTANCY EUROPE.

european contact group

INDEPENDENT ASSURANCE ON THE EUROPEAN SINGLE ELECTRONIC FORMAT

Briefing paper

VIEWS.

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HIGHLIGHTS

The European Single Electronic Format (ESEF) will become effective as from 2020. This is a significant step forward for the accessibility and comparability of the financial information of the issuers on EU regulated markets. It is now up to each EU Member State to develop the implementation of ESEF and to maximise the benefits digitalisation can offer.

This document has been prepared by Accountancy Europe together with the European Contact Group (ECG) as a contribution to ESEF implementation efforts. Investor protection and the public interest have been the overarching principles applied while drafting this document. It sets outs specific considerations along with practical implications which may assist auditors on their role to provide an assurance conclusion in connection with ESEF.

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FOREWORD

In February 2019, Accountancy Europe published the factsheet *European single electronic format (ESEF) Digitalising EU listed companies' financial information* [1]which provides an overview of the new digital reporting requirements, including practical advice for issuers. Since then, related questions and feedback have indicated that specific guidance relating to the auditor's role could be helpful. Consequently, this paper represents specific considerations for the auditors in connection with ESEF.

Since the initial factsheet, there have been three regulatory developments:

- publication on the European Union's Official Journal of the European Single Electronic Format Regulatory Technical Standard (ESEF RTS) [2]
- publication by the European Commission's (EC) Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) of a Questions and Answers (Q&A) document[3] in connection with ESEF, which included two Q&A relating to the independent assurance and the role of the auditor. Specifically, within one of the answers, the following statement was made: "The Commission asked the Committee of European Auditing Oversight Bodies (CEAOB) to explore how the audit of ESEF could be carried out in practice, with a view to possibly provide guidance to the market"
- in December 2019, the CEAOB issued *Guidelines on the auditors' involvement on financial statements in European Single Electronic Format* [4]which provides guidance on certain aspects of an ESEF assurance engagement which are also covered in this paper

This paper has been jointly drafted by Accountancy Europe and the European Contact Group (ECG). While the CEAOB's guidelines mainly focus on the work effort involved in such engagements, this paper covers the work effort as part of a more comprehensive assurance approach based on *ISAE 3000 Revised: Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000). In our view, these differences in the focus do not reflect dissenting views.

UNDERLYING ISSUES

When drafting a paper that proposes relevant guidance, the intention is to make clear positions and avoid excessive discursive text that may add complexity and potential for confusion. However, this comes at a price – some key issues and decisions may need more explanation to help those evaluating the paper. This foreword provides a brief outline of underlying issues and proposed decisions that seem helpful for the reader of this document.

GUIDING PRINCIPLES APPLIED

In drafting this document, we have used the following principles which focus on investor protection and the public interest:

1. consistency of the approach: assurance on ESEF should be obtained in a consistent way throughout Europe;
2. reliability of the report: assurance reports on the compliance of electronic tagging with the ESEF RTS should be reliable for all intended users. This calls for a common level of assurance obtained by the auditors;

[1] https://www.accountancyeurope.eu/publications/european-single-electronic-format-esef/
[2] Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format. https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1563538104990&uri=CELEX:32019R0815
[3] https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190529-faq-rts-esfs_en.pdf
[4] https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/191128-ceaob-guidelines-auditors-involvement-financial-statements_en.pdf

3. understandability of the report: the assurance reports provided by the auditors on the tagging should be understandable, which requires concise wording and logical structure;
4. practicability of guidance: the guidance contained in this paper for the performance of assurance engagements on the tagging should support an effective and efficient approach.

We recognise and share in a widespread view that the auditor should provide an assurance conclusion in connection with ESEF. The EC considers that this should be within the auditor´s report as a conclusion on compliance with a statutory requirement.

We note that at a national level, whether an integration of an ESEF related assurance conclusion in the auditor´s report is possible, depends on national law and regulation. This may also depend on the outcome of any choices that issuers may make for the preparation of their documents. These factors could result in either an ESEF-related assurance conclusion being integrated within the auditor's report or a separate assurance conclusion. The considerations in this paper are applicable in both situations.

UNCERTAINTIES RELATING TO ESEF IMPLEMENTATION AT A NATIONAL LEVEL

Work is now underway to identify and address legal implementation issues at a national level that are to be resolved in order to provide the legal certainties necessary to implement ESEF. The DG FISMA Q&A also indicated that there is the potential for modifications in the existing transparency rules that are relevant to ESEF arising from the ongoing Fitness Check on public reporting by companies. Accordingly, it should be assumed that some implementation matters remain uncertain. However, guidance on the assurance topic should not be delayed until national implementation issues are resolved and ideally, should be sufficiently flexible to work in a range of implementations.

One significant uncertainty is the extent to which national implementation will permit or require issuers to prepare the ESEF document in conjunction with the statutory consolidated financial statements or alternatively as a second document after the statutory consolidated financial statements have been prepared by the directors and the auditor's report has been issued. This means that National legislators, National Competent Authorities, Officially Appointed Mechanisms, National Auditing and Assurance Standards Setters and relevant National Governmental Departments (collectively "National ESEF Implementers") may need to consider different scenarios. These scenarios depend on whether the transformation to xHTML and the digital tagging necessary for ESEF are carried out either before or after the consolidated financial statements are prepared and the related auditor´s report is issued. These scenarios have an impact on when the statutory auditor can perform the procedures to obtain reasonable assurance on the tagging and therefore on the date of any related assurance report.

When digital tagging takes place after the consolidated financial statements are prepared and the auditor's report is issued, there is no obvious way that the statutory auditor can perform the necessary procedures on the tagging to be able to provide assurance conclusion in the auditor´s report.

National implementation issues arise in some countries because different governance structures within the company have different responsibilities in relation to preparation and publication of the consolidated financial statements.

These are well illustrated by the position in France, where audited statutory financial statements are signed by the board of directors and the annual financial report prompted by the Transparency Directive[5] is signed by the individuals who are responsible for the annual financial report (for example the CEO and Chairman). Formally, the board of directors will not be responsible for ESEF compliance.

Whilst this paper does not address how national regulators may develop their implementation approach, from the perspective of auditors, we note the importance of avoiding a solution emerging in any country where:

[5] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02013L0050-20131126

- an auditor's report on the consolidated financial statements is published that refers to ESEF, when no ESEF information has yet been provided, or
- there are two separate auditor's reports on the consolidated financial statements, potentially at different dates. Post balance sheet events arising between the two dates have the potential to change either the company's reported financial position or the auditor's opinion. This will result in confusion for investors and other users of the consolidated financial statements

AVOIDING THE CREATION OF A QUASI-STANDARD

Professional standards are generally developed following due processes that involve public consultation on conceptual issues and exposure of draft requirements and application material. This paper is not a professional standard and has not been exposed for public comment. Accordingly, it seems appropriate that the document is widely understood to accompany and illuminate the application of the relevant professional standard. Particular care has been taken in the construct and wording of Appendix A to avoid creating a perception of new rules, whilst also providing useful guidance relevant to the facts and circumstances of ESEF.

CLARITY ABOUT THE SCOPE OF THE ENGAGEMENT

In our discussions, we identified significant risk of confusion about the nature and extent of the engagement for the readers of the assurance report. We have sought to clarify this in the illustrative reports at Appendix B by:

- identifying the objective of the engagement. The objective is to obtain reasonable assurance as to whether the issuer's consolidated financial statements have been tagged, in all material respects, in compliance with the ESEF RTS;
- naming the digital submission files within the assurance report to ensure there is appropriate linkage to the company's ESEF submission;
- where necessary, cross-referring to the auditor's report on the consolidated financial statements; and
- where necessary, stating that the auditor does not express an audit opinion, review conclusion or other assurance conclusion on the tagged consolidated financial statements

The remainder of this paper represents the suggestions of Accountancy Europe and ECG, and has the following structure:

- the main body sets out the practical basis for the independent assurance on ESEF
- appendix A describes the perspectives related to the work effort for the auditor, and
- appendix B provides illustrative reports for different scenarios

PRACTICAL BASIS FOR INDEPENDENT ASSURANCE ON THE EUROPEAN SINGLE ELECTRONIC FORMAT

INTRODUCTION

In the Q&A document issued in May 2019, the EC's DG FISMA communicated their view that the statutory auditors/audit firms shall conclude on whether the digitised consolidated financial statements are prepared in accordance with ESEF RTS. The same view has been maintained in the CEAOB Guidelines. This paper sets out a practical basis to achieve this objective.

One of the purposes of this paper is to assist National Legislators, National Competent Authorities, Officially Appointed Mechanisms, National Auditing and Assurance Standards Setters and relevant National Governmental Departments (collectively "National ESEF Implementers") in their consideration of ESEF in their jurisdiction.

The considerations below may also be of interest to investors, preparers of issuers' consolidated financial statements and to auditors of issuers affected by ESEF.

RECOMMENDATION

National ESEF Implementers should consider taking the necessary legal and regulatory steps to require issuers to include within their annual financial report (as defined by national law implementing the EU Transparency Directive) an assurance conclusion communicating reasonable assurance on the tagging of the consolidated financial statements by the statutory auditor.

The auditor’s engagement should be conducted and reported on in accordance with ISAE 3000 published by the International Auditing and Assurance Standards Board (IAASB) or a professional standard to be developed in the future which sets out requirements that are at least as demanding as ISAE 3000.

REASONABLE ASSURANCE

In a reasonable assurance engagement, an assurance provider reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a conclusion and expresses that conclusion in a positive form. As an example, an unmodified auditor`s report communicates reasonable assurance.

In contrast, in a limited assurance engagement an assurance provider performs limited assurance procedures and concludes whether any matters have come to the practitioner's attention to cause the assurance provider to believe the subject matter information is materially misstated.

The public interest will be served, and investor protection appropriately delivered when the level of assurance for ESEF is the higher level, reasonable assurance. Investors deserve the commensurate level of assurance in connection with iXBRL tagging[6] of the consolidated financial statements as they currently experience from audits of human-readable consolidated financial statements.

REPORTING

The assurance report will be in human-readable format. We expect it to be incorporated into an issuer's annual financial report to the relevant Officially Appointed Mechanism as required by the national law implementing the Transparency Directive. National ESEF Implementers should consider the extent to which electronic verification of the assurance provider's report at the point of submission is appropriate in the context of implementation of the digital filing gateways to be introduced for ESEF.

We have provided illustrative reports at Appendix B.

[6] Throughout this document the terms tag and tagging are used within the same meaning of mark up and marking up, respectively. ESEF RTS refers to marking up only whereas ESMA ESEF Reporting Manual uses these terms interchangeably.

APPENDIX A: PERSPECTIVES RELATING TO THE USE OF A PROFESSIONAL STANDARD AND THE APPROPRIATE WORK EFFORT FOR THE AUDITOR ON THE EUROPEAN SINGLE ELECTRONIC FORMAT

USE OF A PROFESSIONAL STANDARD

We have identified four theoretical routes that assurance on the iXBRL tagging of financial statements might be obtained by the auditor:

1. without the application of a professional standard; or
2. with application of a professional standard either:
   a. as part of an audit conducted in accordance with International Standards on Auditing (ISAs);
   b. as an ISAE 3000 engagement; or
   c. by applying a national standard or national guidance.

Each of these options are considered below.

1. ASSURANCE WITHOUT THE APPLICATION OF A PROFESSIONAL STANDARD

Certain tasks the auditor may be required to carry out do not need a professional standard. For example, a requirement where a condition exists, to report on it by exception can be straightforward and does not need guidance and requirements in the form of a professional standard to enable the auditor to address the requirement. However, in our view, ESEF requirements relating to the tagging of consolidated financial statements are relatively complex. Many auditors will need to apply new knowledge to a new reporting approach for ESEF. Hence, we consider it inappropriate for there to be no application of a professional standard.

2.A. ASSURANCE AS PART OF AN AUDIT CONDUCTED IN ACCORDANCE WITH ISAS

The ISAs in the series from ISA 100 to the ISA 700s are explicitly drafted to guide the auditor's work effort in connection with whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework. As the tags are not providing or contributing to a true and fair view, the ISAs are conceptually not relevant for obtaining assurance on the appropriateness of the tagging. Besides, the EC has clarified that ESEF is not connected with the true and fair view, instead it's a statutory requirement upon which the auditor should report. On this basis it is clear that the ISA 100 to 700 series are not relevant for ESEF assurance engagements.

This logic is well-illustrated by the practical approach taken in the Netherlands in connection with the XBRL data relating to financial statements required for small and medium sized companies. Auditors provide an ISA opinion not on the XBRL data, but rather on a human-readable rendering of the financial statements. Even though this is derived from XBRL data, in substance, the rendering has the same qualities as a paper-based or a PDF document.

Reasoning that agrees with the EC's clarification can be described using an analogy. A set of financial statements presented on paper shows a particular presentation of the items in a certain order, structure and format together with disclosures which have to be "taken as a whole" – i.e. in a specific context. Auditors provide an opinion on this presentation, historically on paper. The items in the financial statements on that paper consist of both the title of each item and the monetary amount or disclosure. What XBRL does is akin to cutting out each financial statement item and disclosure on that paper together with its title into separate strips of paper. The tagging process is similar to attaching another strip of paper with the tag to each strip of paper with the financial statement item or disclosure. These combined (item with attached tag) strips of paper are individual strips in no ordered presentation (i.e., think of placing these in a bowl in random order – so can be sent without any particular order or presentation to a website/analyst etc.). XBRL allows users to efficiently search for the "strips of paper in the bowl" of interest to them electronically through the tag so that they can use them in their analyses or develop their own presentations. The key point is that the truth and fairness of the financial

statements was achieved before the scissors were applied to cut the financial statements and also before the application of XBRL tags.

A theoretical alternative approach involving the ISAs might involve the development of a new ISA standard to be located outside the ISA 100 - 700 series, perhaps within the existing "Specialised areas" section of the ISAs, the ISA 800 series. However, since none of the existing ISA 800 series standards are relevant to the application of new electronic tags, there would need to be a lengthy standard-setting process for this prospect to become a practical reality.

Finally, it should be noted that there is one explicit mention of XBRL within the body of the existing ISAs. *ISA 720: The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements* sets out the auditor's work effort in connection with information that accompanies the financial statements, for example in Corporate and Social Responsibility information or Financial Reviews that often accompany consolidated financial statements within annual financial reports. The explicit reference in ISA 720 excludes XBRL tagging from the scope of the auditor's ISA 720 procedures. In summary, the ISA 720 work effort for the auditor is to "read and consider" the Other Information and this does not readily translate to the work effort identified as being appropriate for XBRL tagging. Accordingly, in devising a way forward in connection with ESEF, any theoretical prospect of using ISA 720 should be rejected.

For the reasons outlined above, the use of current ISAs for obtaining assurance on the tagging in compliance with ESEF seems no more appropriate than expecting an auditor to obtain the assurance without applying any professional standard. There is no relevant guidance within the ISAs to guide the auditor on the work effort involved and the ISAs' focus on the truth and fairness of the financial statements does not intersect with ESEF requirements.

2.B. ASSURANCE AS AN ISAE 3000 ENGAGEMENT

ISAE 3000 is the assurance standard specifically designed to provide requirements and guidance to a practitioner when no subject-matter specific standard exists. The standard sets expectations around areas that will be important in connection with ESEF, including risk assessment, materiality, understanding and testing of controls, substantive testing and reporting. Auditors of listed companies are familiar with ISAE 3000, through assurance engagements relating to pro forma financial statements prepared in connection with transactions and also on greenhouse gas emissions statements.

In an ISAE 3000 engagement the objectives for the practitioner would be:

- to obtain reasonable assurance about whether the issuer´s consolidated financial statements have been tagged in all material respects in compliance with the ESEF RTS; and
- to express a conclusion regarding the outcome of the evaluation of the electronic tagging of consolidated financial statements through a written report that conveys a reasonable assurance conclusion and describes the basis for the conclusion.

In this engagement, the underlying subject matter is the electronic tagging of consolidated financial statements (within the digital files that contain the annual financial report prepared in xHTML format as required by the ESEF RTS). The criteria for the engagement are the ESEF rules as they relate to the electronic tagging of the consolidated financial statements. This ensures that the assurance provider's role is appropriately aligned with their responsibilities as statutory auditors of the consolidated financial statements of the issuers.

2.C. ASSURANCE BY APPLYING A NATIONAL STANDARD OR GUIDANCE

There is a range of possibilities for standards or guidance at a national level. These could be developed to fit with national legal and regulatory approaches to the issuer's ESEF implementation. It seems more practical to note that no such national standard or guidance relating to iXBRL tagging exists and we are not aware of any such initiative being underway.

PRACTICAL OPTION FOR ASSURANCE

We have founded our practical guidance on the standard that exists today, ISAE 3000, to maximise the usefulness of this document. The topics that ISAE 3000 addresses seem highly relevant to the auditor's work effort and reporting in connection with ESEF. But we fully recognise that national standards or guidance may, in some countries, be the preferred route.; In our view, these should set out requirements that are at least as demanding ISAE 3000. The considerations we propose relating to the auditor's work effort should be readily adaptable to any such national standards or guidance.

EXPERTISE

The engagement partner needs to have sufficient competence in the underlying subject matter and its measurement or evaluation to be able to accept responsibility for the assurance conclusion. He also needs to be satisfied that the persons who are to perform the engagement collectively have the appropriate competence and capabilities to perform the engagement in accordance with the relevant standards and legal and regulatory requirements. This will enable an assurance report, that is appropriate in the circumstances of the engagement, to be issued. That said, engagement leaders may also use the work of an expert, however, their responsibility is not reduced by doing so. In addition to reading the ESEF rules and related guidance, digital or classroom training courses can help an auditor develop the necessary competence in understanding the ESEF rules, the terminology involved and the assurance procedures that may be appropriate for the engagement.

PROFESSIONAL JUDGEMENT

The auditor is required to exercise professional judgement in planning and performing an assurance engagement, including determining the nature, timing and extent of procedures. In connection with ESEF, this requirement may be particularly relevant when there is no precise match between a line item of disclosure and any item in the ESEF XBRL taxonomy published by the European Securities and Markets Authority (ESMA). In these circumstances, issuers will have considered the use of extension tags and anchoring techniques, applying judgement to choose the most appropriate approach from the potential options that are available. Accordingly, the auditor will need to apply similar judgement when addressing the use of extension tags and anchoring techniques.

RISK ASSESSMENT

The auditor identifies and assesses the risks of material misstatements in the tagging of the consolidated financial statements in compliance with the ESEF RTS. Such risks may result from deficiencies in the process that lead to incomplete or inaccurate tagging.

Risks related to completeness:

- not all figures disclosed in the primary statements of the IFRS consolidated financial statements are tagged;
- not all the disclosures in the IFRS consolidated financial statements are marked up as specified in Annex II of the RTS on ESEF;
- omission of required tags relating to the identification of the entity;

Risks related to accuracy;

- the tagged data do not correspond with the audited consolidated financial statements;
- a figure disclosed in the primary statement of the IFRS consolidated financial statements has been tagged with an inaccurate context (e.g. year or year-end, currency; debit/credit; scaling (i.e. millions/thousands));
- failure to select an appropriate element from the core taxonomy;
- a misrepresentation of the accounting meaning of the fact being marked up arising from selecting an inappropriate element from the core taxonomy;

- an extension taxonomy element is not anchored to the core taxonomy element having the closest wider accounting meaning and/or scope to that extension taxonomy element of the issuer;
- where an extension taxonomy element combines a number of core taxonomy elements, the issuer has not anchored that extension taxonomy element to each of those core taxonomy elements;

MATERIALITY

The concept of materiality affects the auditor's work when:

- planning and performing the engagement, including when determining the nature, timing and extent of procedures; and
- evaluating whether the subject matter information is free from material misstatement

The ESEF Regulatory Technical Standard does not discuss materiality in the context of tagging the consolidated financial statements. However, this need not be an impediment. The auditor may use a general frame of reference to assist in considering materiality when the applicable criteria are silent on materiality, which is provided by ISAE 3000's Application Material (paragraphs A94 to A100).

When considering the concept of materiality, the relative importance of qualitative factors and quantitative factors in a particular engagement is a matter of professional judgment that is focussed upon the users of the subject matter information. For ESEF, this judgement involves considering whether inappropriate tagging could reasonably be expected to influence economic decisions of intended users of the tags, who are presumably a subset of the users of the human-readable financial statements. The users of the machine-readable tags may have specific needs and expectations as regards to the completeness and accuracy of the tags in order to be reliable and relevant.

The auditor uses judgement in considering materiality in planning and performing the ESEF assurance engagement. The auditor plans and performs the assurance procedures based upon an assessment of the risk of material misstatements in the tagging. The materiality of misstatements depends on the nature and quantity of incomplete or inaccurate tags and the expected impact on the confidence of the users in the reliability of the tags.

When evaluating identified misstatements at the completion phase of the engagement, it can be assumed that tags which relate to consolidated financial statements line items or disclosures which have been assessed as being material in the context of the financial statement audit are also material for the purpose of the tagging. Other misstatements would be analysed in terms of their quantity and individual quality and considered using professional judgement in order to conclude on their materiality. The risk factors which can lead to misstatements because of incomplete or inaccurate tagging described above can be a starting point for such analysis. This would aim to evaluate the impact of the misstatements on the decisions stakeholders may take based on the misstated tags.

Identifying the root causes of misstatements can contribute to the materiality assessment. This can also support the auditor in assessing the risk of undetected misstatements resulting from deficiencies in the tagging process. For example, if the issuer has consciously applied a wrong tag this may indicate that the tag is material.

Another benchmark may be provided by consideration of whether the disclosures in the human-readable financial information would have been materially affected if the same error in the tagging had been an error in the human-readable financial statements.

UNDERSTANDING, TESTING OF AND RELIANCE ON CONTROLS

The auditor may decide to rely on ESEF-related controls put in place by the issuer to reduce the level of substantive testing when there is evidence of the relevant controls' effectiveness.

The auditor designs and performs procedures to respond to the assessed risks relating to ESEF and obtains reasonable assurance to support the conclusion. With respect to controls, these procedures shall include obtaining an understanding of the tagging process, including the internal controls implemented by management to comply with the ESEF RTS. Based on this understanding the auditor decides whether to place reliance on internal controls. In this case the auditor obtains sufficient appropriate evidence as to the operating effectiveness of relevant controls over the tagging. For example, an issuer's process may involve one person being responsible for performing the tagging of the consolidated financial statements and a second person reviewing their work as a control or run automated validation checks as to whether the reporting package complies with the related filing rules. In this case, evidence of the successful design and operation of that control or controls may significantly reduce the extent of further substantive testing that the auditor judges to be appropriate. Such testing may involve establishing that the person operating a manual control has sufficient understanding of the ESEF requirements, including the taxonomy, to be able to assess whether the appropriate tag has been applied.

ESMA has released suggested validation checks that may be built into ESEF-related software and, if so, may be used by issuers as part of their control activities. Where this is the case, it will be appropriate for the auditor to evaluate these controls as part of their work, considering how management have reacted to any errors or warnings that have been identified by the validation checks. If the issuer does not apply the suggested validation checks, the auditor may decide to use the validation checks as part of their substantive testing and share the results with the issuer to inform any subsequent revisions to their tagging.

Change controls may be applied by issuers to ensure that iterative drafts of the ESEF document retain iXBRL tagging that does not require further amendment. Such controls may be of particular relevance to the assurance engagement and may be tested to achieve an efficient and effective approach to the provision of the assurance conclusion. Similarly, controls that help ensure that XBRL elements used in prior years are, when appropriate, re-used in subsequent years can also be suitable for testing by the assurance provider.

SUBSTANTIVE TESTING

The extent of substantive testing will be a matter of professional judgement, involving a consideration of the results of any controls testing performed by the auditor. Normally, an assurance engagement does not require a 100% coverage of the tagging through substantive testing.

When performing substantive testing of the tagging, the auditor may either:

- inspect the tagging, including related anchoring if applicable, performed by the issuer and, using knowledge of the ESEF requirements and taxonomy, assess whether tagging is appropriate; or
- develop an independent expectation of the appropriate tagging, and related anchoring if applicable, and compare the results to the issuer's own tagging as the basis for their substantive testing.

Substantive testing in connection with ESEF will generally involve a combination of:

- the use of software that can identify the tagging applied by the preparer and potentially apply rules or checks to identify whether aspects of the iXBRL tagging rules have been applied;
- software may help to check whether the XBRL specifications and filing rules have been applied (e.g. whether the reporting package is technically valid); and
- the involvement of a person to perform the testing, evaluate the results of the testing and to determine the next steps to be taken by the assurance provider in response to the results of the testing.

When assessing the results of substantive testing, the auditor may need to consider whether the element selected is appropriate, whether an extension element is required, whether an extension is appropriately anchored and whether accurate contexts (e.g. year or year-end, currency; debit/credit; scaling (i.e. millions/thousands)) have been applied.

MODIFIED CONCLUSIONS

The auditor needs to express a modified conclusion in connection with ESEF in circumstances when, in the auditor's professional judgement, the tagging of the consolidated financial statements is materially misstated and the issuer has refused to make the appropriate adjustments. In such cases the auditor expresses a qualified conclusion or an adverse conclusion, having considered materiality appropriately.

Illustrative examples of modified conclusions are provided at Appendix B.

PRACTICAL IMPLEMENTATION

National ESEF implementers and auditors are encouraged to develop efficient approaches to assurance for ESEF. With this in mind, we offer the following perspectives:

- the scope of ESEF's iXBRL tagging requirements have been deliberately restricted. For the first two years, only the primary consolidated financial statements must be tagged, and a further ten tags are also required. In subsequent years, accounting policies and individual notes to the consolidated financial statements will also need to be "block tagged" with a single XBRL element that encompasses all of the information included within the accounting policy or note to the financial statements. Most issuers will only use between 200 and 400 XBRL elements to comply with ESEF requirements, repeating those elements to tag corresponding prior year figures, albeit with a different date attribute. Accordingly, there is a finite amount of substantive testing that an assurance provider can conduct in connection with the iXBRL tagging required by ESEF;
- efficiencies may arise when an issuer performs a dry run of their ESEF tagging, using either proforma consolidated financial statements (sometimes referred to as "skeleton accounts") or, if the format of the consolidated financial statements is expected to be relatively unchanged, using the prior year consolidated financial statements. Assurance providers could then conduct work to test the proposed tagging well before the year-end date, reducing the potential for all necessary assurance work, including discussing and resolving identified misstatements to be performed close to the reporting deadline;
- an issuer's disclosures within the consolidated financial statements are often highly consistent from one year to the next. Accordingly, in second and subsequent years of performing ESEF assurance engagements, an approach by the management of the issuer and assurance providers that builds on knowledge drawn from work of prior years and also focusses on changes in disclosures or changes in the applicable rules should result in efficiency savings when compared to assurance procedures being applied for the first time.

When the introduction of ESEF prompts an issuer to introduce new processes and systems to deliver the entire suite of documents that are published around the year-end financial statements, an efficient approach is expected. Work to understand and test the new systems and processes for both existing requirements and new ESEF requirements does not need to be designed and conducted in separate silos. An integrated approach that covers the particular aspects of the processes and controls that relates to ESEF alongside those relating to the preparation of the consolidated financial statements may be adopted by the auditor.

If the issuer's ESEF-related processes are in an early stage of maturity, or management policies and procedures relating to ESEF are not effective, for example because skilled people are unavailable, it is reasonable to expect inefficiencies which will also affect the assurance engagement and the nature, extent and timing of the work effort involved.

If National ESEF Implementers choose to exceed the requirements of ESEF in setting requirements at a national level and the assurance provider is required to address those additional requirements, the work effort for the assurance provider may increase significantly. This would also be the case if issuers voluntarily exceed the requirements of ESEF by tagging in detail the notes to the consolidated financial statements and the assurance provider agrees to extend their work beyond the requirements of ESEF.

APPENDIX B: ILLUSTRATIVE REPORTS RELATED TO THE WORK EFFORT FOR THE AUDITOR ON THE EUROPEAN SINGLE ELECTRONIC FORMAT

In this Appendix we provide illustrative reports to set out how the auditor may report in the following circumstances:

- illustration 1 sets out an unmodified opinion when the statutory auditor has used ISAE 3000 as the applicable professional standard for their work;
- illustration 2 sets out an unmodified opinion when the statutory auditor reports on ESEF as a statutory requirement under Article 28(2)(c)(ii) of the Audit Directive and reports in accordance with ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*;
- illustration 3 sets out how a qualified opinion could be communicated when there are material uncorrected errors in the tagging;
- illustration 4 sets out how an adverse opinion could be communicated when uncorrected errors are so significant that an adverse opinion is appropriate.

Illustration-1: An unmodified opinion when the statutory auditor has used ISAE 3000 as the applicable professional standard for their work.

INDEPENDENT AUDITOR'S REASONABLE ASSURANCE REPORT ON THE COMPLIANCE OF ABC'S DIGITAL FILES WITH THE EUROPEAN SINGLE ELECTRONIC FORMAT REGULATORY TECHNICAL STANDARD (ESEF RTS)

To the [appropriate addressee to be determined at a national level]

REPORT ON COMPLIANCE WITH THE REQUIREMENTS FOR IXBRL TAGGING OF CONSOLIDATED FINANCIAL STATEMENTS INCLUDED WITHIN THE ESEF RTS

We have undertaken a reasonable assurance engagement on the iXBRL tagging[7] [marking up] of consolidated financial statements included in the digital files [name of files] prepared by ABC.

ABC'S RESPONSIBILITY FOR THE DIGITAL FILES PREPARED IN COMPLIANCE WITH THE ESEF RTS

[ABC] is responsible for preparing digital files that comply with the ESEF RTS. This responsibility includes:

- the selection and application of appropriate iXBRL tags using judgement where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the ESEF RTS.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants *[or national equivalent],* which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 *[or national equivalent]* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express an opinion on whether the electronic tagging of consolidated financial statements complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance of the tagging of the consolidated financial statements with the ESEF RTS. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the

[7] Throughout this document the terms tag and tagging are used within the same meaning of mark up and marking up, respectively. ESEF RTS refers to marking up only whereas ESMA ESEF Reporting Manual uses these terms interchangeably.

assessment of the risks of material departures from the requirements set out in the ESEF RTS, whether due to fraud or error A reasonable assurance engagement includes:

- obtaining an understanding of the tagging and the ESEF RTS, including of internal control over the tagging process relevant to the engagement;
- obtaining sufficient appropriate evidence as to the operating effectiveness of relevant controls over the tagging process when the assessment of the risks of material misstatement include an expectation that such internal controls are operating effectively or procedures other than testing controls cannot alone provide sufficient appropriate evidence;
- reconciling the tagged data with the audited consolidated financial statements of ABC dated [date];
- evaluating the completeness of ABC's [tagging/mark up] of the consolidated financial statements [using the XBRL markup language];
- evaluating the appropriateness of ABC's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the use of anchoring in relation to the extension elements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the consolidated financial statements included in the annual financial report … identified as [name of files] for the year ended December 31, 202X are tagged [marked up], in all material respects, in compliance with the ESEF Regulatory Technical Standard.

In this report we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion relating to the consolidated financial statements of ABC for the year ended December 31, 202X is set out in our Independent Auditor's Report dated [day month 202X].

[Practitioner's signature]

[Date of the assurance report]

[Practitioner's address]

Illustration-2: An unmodified opinion when the statutory auditor reports on ESEF as a statutory requirement under Article 28(2)(c)(ii) of the Audit Directive and reports in accordance with ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of ABC Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 20X1, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, (or give a true and fair view of) the consolidated financial position of the Group as at December 31, 20X1, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in [*jurisdiction*], and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. [*Description of each key audit matter in accordance with ISA 701.*]

OTHER INFORMATION [OR ANOTHER TITLE IF APPROPRIATE SUCH AS "INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON"]

[Reporting in accordance with the reporting requirements in ISA 720 (Revised) – see Illustration 1 in Appendix 2 of ISA 720 (Revised).]

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore

the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON COMPLIANCE WITH THE REQUIREMENTS FOR IXBRL TAGGING OF CONSOLIDATED FINANCIAL STATEMENTS INCLUDED WITHIN THE EUROPEAN SINGLE ELECTRONIC FORMAT REGULATORY TECHNICAL STANDARD (ESEF RTS)

We have undertaken a reasonable assurance engagement on the iXBRL tagging[8] [marking up] of the consolidated financial statements included in the digital files [name of files] prepared by ABC.

(I) ABC'S RESPONSIBILITY FOR THE DIGITAL FILES PREPARED IN COMPLIANCE WITH THE ESEF

[ABC] is responsible for preparing digital files that comply with the ESEF RTS. This responsibility includes:

- the selection and application of appropriate iXBRL tags using judgement where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the ESEF RTS.

(II) OUR RESPONSIBILITY

Our responsibility is to express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF RTS. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF RTS, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the tagging and the ESEF RTS, including of internal control over the tagging process relevant to the engagement;
- obtaining sufficient appropriate evidence as to the operating effectiveness of relevant controls over the tagging process when the assessment of the risks of material misstatement include an expectation that such internal controls are operating effectively or procedures other than testing controls cannot alone provide sufficient appropriate evidence;
- reconciling the tagged data with the audited consolidated financial statements of ABC dated [date];
- evaluating the completeness of ABC's [tagging/mark up] of the consolidated financial statements [using the XBRL markup language];
- evaluating the appropriateness of ABC's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the use of anchoring in relation to the extension elements.

[8] Throughout this document the terms tag and tagging are used within the same meaning of mark up and marking up, respectively. ESEF RTS refers to marking up only whereas ESMA ESEF Reporting Manual uses these terms interchangeably.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements included in the annual financial report …identified as [name of files] for the year ended December 31, 202X are tagged [marked up], in all material respects, in compliance with the ESEF RTS.

The engagement partner on the audit resulting in this independent auditor's report is [name].

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

Illustration-3: A qualified opinion where there are material uncorrected errors in the tagging.

INDEPENDENT AUDITOR'S REASONABLE ASSURANCE REPORT ON THE COMPLIANCE OF ABC'S DIGITAL FILES WITH THE EUROPEAN SINGLE ELECTRONIC FORMAT REGULATORY TECHNICAL STANDARD (ESEF RTS)

To the [appropriate addressee to be determined at a national level]

REPORT ON COMPLIANCE WITH THE REQUIREMENTS FOR IXBRL TAGGING OF CONSOLIDATED FINANCIAL STATEMENTS INCLUDED WITHIN THE ESEF RTS

We have undertaken a reasonable assurance engagement on the iXBRL tagging[9] [marking up] of the consolidated financial statements included in the digital files [name of files] prepared by ABC.

ABC'S RESPONSIBILITY FOR THE DIGITAL FILES PREPARED IN THE EUROPEAN SINGLE ELECTRONIC FORMAT

[ABC] is responsible for preparing digital files that comply with the ESEF RTS. This responsibility includes:

- the selection and application of appropriate iXBRL tags using judgement where necessary;
- ensuring consistency between digitised information and the statutory financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the ESEF RTS.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants *[or national equivalent],* which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 *[or national equivalent]* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF RTS. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF RTS, whether due to fraud or error A reasonable assurance engagement includes:

[9] Throughout this document the terms tag and tagging are used within the same meaning of mark up and marking up, respectively. ESEF RTS refers to marking up only whereas ESMA ESEF Reporting Manual uses these terms interchangeably.

- obtaining an understanding of the tagging and the ESEF RTS, including of internal control over the tagging process relevant to the engagement;
- obtaining sufficient appropriate evidence as to the operating effectiveness of relevant controls over the tagging process when the assessment of the risks of material misstatement include an expectation that such internal controls are operating effectively or procedures other than testing controls cannot alone provide sufficient appropriate evidence;
- reconciling the tagged data with the audited consolidated financial statements of ABC dated [date];
- evaluating the completeness of ABC's [tagging/mark up] of the consolidated financial statements [using the XBRL markup language];
- evaluating the appropriateness of ABC's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the use of anchoring in relation to the extension elements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section below, the consolidated financial statements included in the annual financial report identified as [name of files] for the year ended December 31, 202X is tagged [marked up], in all material respects, in compliance with the ESEF RTS.

In this report we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion relating to the consolidated financial statements of ABC for the year ended December 31, 202X is set out in our Independent Auditor's Report dated [day month 202X].

(III) BASIS FOR QUALIFIED OPINION

We identified the following tagging was inappropriately applied and also set out the appropriate replacement tag:

Disclosure	Primary statement	Value – current year	Value – prior year	Tag applied by issuer	Appropriate replacement tag
xxx	Balance sheet	EUR 15m	EUR 12m	[name of label]	[name of label]
yyy	Cash flow	EUR 18m	EUR 48m	[name of label]	[name of label]
zzz	Statement of changes in equity	EUR 7m	EUR 17m	[name of label]	[name of label]

[Practitioner's signature]

[Date of the assurance report]

[Practitioner's address]

Illustration-4: An adverse opinion where uncorrected errors are so significant that an adverse opinion is appropriate.

INDEPENDENT AUDITOR'S REASONABLE ASSURANCE REPORT ON THE COMPLIANCE OF ABC'S DIGITAL FILES WITH THE EUROPEAN SINGLE ELECTRONIC FORMAT REGULATORY TECHNICAL STANDARD (ESEF RTS)

To the [appropriate addressee to be determined at a national level]

REPORT ON COMPLIANCE WITH THE REQUIREMENTS FOR IXBRL TAGGING OF CONSOLIDATED FINANCIAL STATEMENTS INCLUDED WITHIN THE ESEF RTS

We have undertaken a reasonable assurance engagement on the iXBRL tagging[10] [marking up] of consolidated financial statements included in the digital files [name of files] prepared by ABC.

ABC'S RESPONSIBILITY FOR THE DIGITAL FILES PREPARED IN COMPLIANCE WITH THE ESEF RTS

[ABC] is responsible for preparing digital files that comply with the ESEF RTS. This responsibility includes:

- the selection and application of appropriate iXBRL tags using judgement where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the ESEF RTS.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants *[or national equivalent],* which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 *[or national equivalent]* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express an opinion on whether the electronic tagging of consolidated financial statements complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance of the tagging of the consolidated financial statements with the ESEF RTS. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF RTS, whether due to fraud or error A reasonable assurance engagement includes:

- obtaining an understanding of the tagging and the ESEF RTS, including of internal control over the tagging process relevant to the engagement;

[10] Throughout this document the terms tag and tagging are used within the same meaning of mark up and marking up, respectively. ESEF RTS refers to marking up only whereas ESMA ESEF Reporting Manual uses these terms interchangeably.

- obtaining sufficient appropriate evidence as to the operating effectiveness of relevant controls over the tagging process when the assessment of the risks of material misstatement include an expectation that such internal controls are operating effectively or procedures other than testing controls cannot alone provide sufficient appropriate evidence;
- reconciling the tagged data with the audited consolidated financial statements of ABC dated [date];
- evaluating the completeness of ABC's [tagging/mark up] of the consolidated financial statements [using the XBRL markup language];
- evaluating the appropriateness of ABC's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the use of anchoring in relation to the extension elements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section below, the consolidated financial statements included in the annual financial report identified as [name of files] for the year ended December 31, 202X are not tagged [marked up], in all material respects, in compliance with the ESEF RTS.

In this report we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion relating to the consolidated financial statements of ABC for the year ended December 31, 202X is set out in our Independent Auditor's Report dated [day month 202X].

(IV) BASIS FOR ADVERSE OPINION

ESEF Regulatory Technical Standard requires all disclosures in each of the primary consolidated financial statements to be tagged. ABC has tagged the disclosures in the statement of profit or loss, statement of other comprehensive income and the statement of financial position. However, no tagging has been prepared for the statement of changes in equity or statement of cash flows. We consider this omission to be pervasive to ABC's overall compliance with ESEF requirements.

[Practitioner's signature]

[Date of the assurance report]

[Practitioner's address]

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Avenue d'Auderghem 22-28, 1040 Brussels

+32(0)2 893 33 60

www.accountancyeurope.eu

@AccountancyEU

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ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 51 professional organisations from 36 countries that represent close to **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

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ABOUT THE EUROPEAN CONTACT GROUP

The European Contact Group (ECG) is an informal grouping of the six largest accounting networks in the EU. Its mission is to maintain confidence in the profession and large networks in Europe and to contribute constructively in shaping European legislation in a way that safeguards the public interest.