



## ecoDa and Forvis Mazars webinar - New reporting requirements on ESG information: What impacts for the auditor's selection?

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### - SUMMARY NOTE -

Anne Helene Monsellato - Independent Director

Emmanuel Thierry - Partner Sustainability / Audit / Advisory, Forvis Mazars

Daniela Mattheus - Non Executive Director, Audit Committee Chair

The panel took the form of a conversation between Emmanuel Thierry and Daniela Mattheus, under the moderation of Anne Helene Monsellato, followed by a Q&A session.

Emmanuel Thierry shared his observations based on an informal survey carried out in the EU affiliates of Forvis Mazars.

The workload of auditors will increase a lot compared to the NFRD. Whilst reasonable assurance is not mandatory yet (and may be, upon election by the EU, starting in 2028), sustainability reporting should be reviewed from the first reporting on a limited assurance basis by an independent auditor. There are currently no approved standards in the EU to that effect, although France released a technical position, and ISSA 5000 will not be issued until the end of 2024, which leaves a large uncertainty in terms of auditing framework and procedures that will be required from the independent auditors.

He emphasized that in the largest listed companies, statutory auditors have been appointed sustainability auditors. In France where joint audit is mandatory for the audit of financial statements, a majority of large firms have favoured a joint audit solution. The auditor operating model varies across the EU (from sustainability audits performed by ESG team members to sustainability audits performed by the financial auditors only, with the alternative solution of mixed teams). To date, traditional financial auditors don't feel comfortable in auditing transition plans. There is no one-size-fits-all approach and audit firms are currently testing different approaches.

Audit firms have different approaches also in terms of mandatory training hours on sustainability audits (from zero to 96 hours).

In some countries like Germany, there is an on-going discussion to open those audits to other service providers, as authorized in the CSRD. Daniela Mattheus mentioned that there is a need for more human resources in the auditing profession. She nevertheless warned that CSRD auditors from other service providers would need to be properly trained to the level of requirement of an audit (for when reasonable assurance is required). There is also a debate to reduce auditor liability for sustainability audits during the first years, which should also be considered by audit regulators during inspections. Auditors and Audit Committees are both on a learning curve.

Both panellists agreed that board members should be duly trained on ESG matters for them to be able to exercise appropriate oversight on the sustainability reporting. Beyond sustainability auditors' selection, review of sustainability auditors' performance and sustainability audit results, board members should monitor the process of preparation as well as related risk management and internal control, as required by CSRD but also as conditions for a quality audit.

Board members need a better understanding of the operations of the company so that they can appropriately monitor the due diligence processes and double materiality assessments.

Regarding internal control processes, the panellists noted that there was no in-depth internal control testing at this stage, including for the first wave of companies which were subject to NFRD. As a robust system of internal control means that boards should rely on the company's controls and processes (including support functions as risk management, internal control and internal audit), and not the external auditors, audit committees (or the committee in charge) will have to carefully review the internal audit plans with the Chief Internal Audit Officer. An explicit linkage between financial and nonfinancial information is needed.

Regarding sustainability audit prices, Emmanuel Thierry stated that an EFRAG-commissioned study in 2022 had estimated the cost of limited assurance on sustainability statements at 20-30% of the consolidated financial audit cost. The results from the first tenders leads to lower ratios than this range and inversely proportional to the size of the audited entity (lower ratio vs. consolidated financial audit fees in very large group than in smaller groups due to more centralized reporting processes). In France, it appears that the audited entities have used the joint audit system to trigger price competition and fees are likely to end up lower than in the rest of Europe. Daniela estimated that sustainability audit costs were closer to 10-12%.

Regarding the appointment of sustainability auditors, the requirement is that the selection process is handled under the supervision of the audit committee or the committee in charge. In the current practice, Forvis Mazars has experienced a larger involvement of the CFO. Requirements in terms of independence have been aligned for the sustainability audit like for financial audit, with specific requirements in terms of number of training hours needed.

Questioned on how much data the auditors will have to review, Emmanuel Thierry explained that auditors will take a risk-based approach informed by the due diligence and double materiality assessments. The depth of the procedures will depend on the quality of the information as well as on the risk areas addressed. The auditor will also consider whether estimates are sufficiently supported by robust internal documentation.

As a final piece of advice, it was emphasised that when choosing the sustainability auditor, audit committees or the committee in charge should not rely only on prices, but also consider competencies as well as the capacity to mandate additional specific expertise as needed, human resources capacity / bandwidth, and discuss the conditions for reliance on company's appointed experts as well as the processes to resolve disagreements.

Recording link: [New reporting requirements on ESG information: What impacts for the auditor's selection? - YouTube](#)

Contact details:  
[contact@ecoda.eu](mailto:contact@ecoda.eu)  
tel: +32 498 502 687