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Audit of non-financial reporting: what standard should be used?

A business entity of whatever kind seeks to operate in long-term perspective by achieving the strategies set out by it, including the strategies pertaining to social justice, environmental protection, friendly use of natural resources and their renewal. It is also a matter of the society's concern. It is for this reason that non-financial reporting for sustainable development, provided by business entities, is demanded by users. The verification of non-financial information is assigned to independent auditors. Although auditors use the International Standard 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" for the verification purposes, the International Standard 3410 "Assurance Engagements on Greenhouse Gas Statements" can also be applied for specialized spheres. When non-financial information is submitted together with financial reporting, the International Standard 720 (revised) "The auditor's responsibilities relating to other information" will be applicable. On the request of international donor organizations, an auditor is allowed to use the International Standard 4400 "Agreed-upon procedures engagements". Given that the International Standard 3000 is the most demanded among the auditors, the International Auditing and Assurance Standards Board provided a guidance on its application. The phases of non-financial reporting audit and their content were clarified on the basis of the International Standard 3000. The choice of an international standard depends on the conditions of an engagement and relies on the professional judgment of an auditor. Irrespective of a chosen standard, an auditor bears the responsibility for the assessment of published non-financial reports for sustainable development. Realizing the responsibility before users of non-financial reporting, an auditor must assure the quality of his services in keeping with the requirements of the International Standard on Quality Management (ISQM 1). The working document of an auditor "Quality assessment of assurance engagements other than audits or reviews of historical financial information (non-financial reporting)" was elaborated, which would help assure the internal control of auditing at engagement level. This document is standardized and can be used in the auditing practice.

Key words: *non-financial reporting, non-financial information, auditing, assurance engagement, related auditing services, working documents, users.*

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Аудит нефінансової звітності – яким стандартом користуватися?

Будь – який суб'єкт господарювання прагне до існування в довгостроковій перспективі через досягнення визначених ним стратегій, у тому числі щодо соціальної справедливості, збереження навколишнього середовища, економного використання природних ресурсів та їх відновлення. У цьому зацікавлене і суспільство. Саме тому нефінансова звітність суб'єктів господарювання щодо стійкого розвитку є затребуваною з боку користувачів. Перевірка нефінансової інформації покладається на незалежних аудиторів. Останні під час перевірки вдаються до застосування Міжнародного стандарту 3000 “Завдання з надання впевненості, що не є аудитом чи оглядом історичної фінансової інформації”, водночас для спеціалізованих сфер можливе застосування Міжнародного стандарту 3410 “Завдання з надання впевненості щодо звітів з парникових газів”. Якщо нефінансова інформація подається разом з фінансовою звітністю, застосовується Міжнародний стандарт аудиту 720 (переглянутий) “Відповідальність аудитора щодо іншої інформації”. На вимогу міжнародних донорських організацій аудитор може використовувати Міжнародний стандарт супутніх послуг 4400 “Завдання з виконання узгоджених процедур”. Зважаючи на те, що міжнародний стандарт 3000 є найбільш затребуваним серед аудиторів, Рада з Міжнародних стандартів аудиту та надання впевненості надала керівництво щодо його застосування. На підставі Міжнародного стандарту 3000 та керівництва уточнено етапи аудиту нефінансової звітності та їх наповнюваність. Вибір того чи іншого стандарту залежить від умов завдання та покладається на професійне судження аудитора. Однак незалежно від обраного стандарту аудитор несе відповідальність за оцінку оприлюднених нефінансових звітів щодо стійкого розвитку. Розуміючи свою відповідальність перед користувачами нефінансової звітності, аудитор має забезпечити якість наданих послуг за вимогами Міжнародного стандарту управління якістю 1.

У роботі розроблено робочий документ аудитора “Оцінка якості завдання з надання впевненості, що не є аудитом чи оглядом історичної фінансової інформації (нефінансова звітність)”. Цей документ сприятиме забезпеченню внутрішнього контролю аудиторської перевірки на рівні завдання, має уніфікований характер і може бути застосований у практиці аудиторів.

Ключові слова: нефінансова звітність, нефінансова інформація, аудит, завдання з надання впевненості, супутні аудиторські послуги, робочі документи, користувачі.

Introduction. Issues related with completion and reliability of financial and non-financial information have been subject to continuous discussions by wide circles of users: investors, proprietors, regulatory bodies, management officials, broader public. Non-financial information is presented in form of reports and used by them mainly in taking decisions on future business development or, less often, development of regions or municipalities. The procedure for compilation and submission of non-financial reporting is regulated in the European Union (EU) by a series of directives: Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings; Directive 2014/95/EU; the latest Directive on corporate reporting for sustainable development with amendments and supplements [1–3].

The national law of EU member states, harmonized with general European requirements, also involves the mandatory compilation and submission of non-financial reporting as part of the management report [4–8].

Ukrainian companies also provide non-financial reporting by compiling and submitting the management report, as stipulated by the Law of Ukraine “Accounting and Financial Reporting in Ukraine” [9]. However, global economic challenges posed by the pandemic and heavy losses in economic sectors and especially in the social security sphere, the military aggression against Ukraine, millions of refugees in EU member states, food and energy crisis, inflation processes have impact on sentiments of users of financial reporting, which necessitates its extension and appropriate verifications.

Literature review. H. M. Bollas Araya and L. Sierra-García analyzed the procedures for verification of financial reporting by use of the International Standard AA 1000 and the International Standard on Assurance Engagements 3000, with identifying weak and strong sides of each [10].

H. Agaverdieva, G. Nazarova addressed the issue of information disclosure to stakeholders in three dimensions: economic sustainability, social welfare, organizational stability, including for non-government pension funds, for the assessment of this information [11; 12].

Technical recommendations on the procedure of compiling the management report for Ukrainian enterprises were developed by T. Yefymenko et al., but issues concerning verification of such report were not addressed [13]

S. Korol made an analytical review of independent auditors’ conclusions about non-financial reports of European companies and revealed that they contained only limited assurance, which could be explained by the peculiar features of non-financial information as a subject of auditors’ concern and by the methods used by auditors for identification, calculation and assessment of sample studies [14; 15].

J. Baumüller, S. O. Grbenic used results their analysis of the prospective EU law on implementation of non-financial reporting for sustainable development to make the conclusion that the amendments proposed by the latest EU Directive contained only an abridged description of the this reporting audit [3; 16].

However, a review of proposals given by auditing firms of “The Big Four” shows that auditors provide independent reports about various categories of non-financial information, including:

- comprehensive reports that may disclose information pertaining to nature protection, social, economic or administrative aspects;
- reports for sustainable development and corporate responsibility of the current operation, objectives and developments in nature protection, social, economic or administrative sphere;
- conformity of internal regulations with external standards or the corporate ethics code;
- information about non-financial activities meant for stakeholders or the board of directors;
- statements on social or environmental consequences related with certain categories of products or services;
- information on green gas emissions, including estimations of pollutions or carbon quotas as part of volunteer or official programs, climate risks;
- commitments in nature protection or social sphere in conformity with the negotiated criteria;
- estimations of the external information interactions, including ones in comparison with other large enterprises of the industry where a client operates [17;18].

Given the above, further clarifications of the methodology and methods for auditing of non-financial reports are required.

The article’s objective is to develop practical guidelines on using the standards of audit for verifications of non-financial information given in the notes to financial and non-financial report, and to propose the guidelines to auditors.

Users of non-financial reporting ask managers questions about the veracity and completeness of the reported statements. They pertain, first, to the assessment of the internal control system as the basis for collection of reported data and its monitoring; second, quantitative and qualitative indicators and assurances of administrative personnel, including ones related to projection figures. The audit of non-financial reporting is currently mandatory in EU member states for enterprises of public interest, medium enterprises, and expected to be introduced

for small enterprises [3; 8; 21]. The classification of business entities, established by the law of EU and Ukraine, is nearly analogous [1–3; 8].

The methodology involves a stipulated set of techniques to be used by an auditor for verifications of non-financial reporting, whereas the method defines a set of auditing procedures. The methodology and the method alike are dependent on the standard that will be chosen by an auditor for use. International Standards of Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements (MSA) provide a general guideline for an auditor [22].

Therefore, an auditing firm that is going to accept a client's engagement has to decide what standard is to be used for verification of non-financial reporting currently and sustainable development reporting in the forthcoming future. This depends on the engagement terms set by a customer of auditing services and/or legal requirements. The systematized standards that are specified in MCA and can be used in the audit non-financial reporting are shown in Table 1 (compiled on the basis of [22; 23]).

ISA 720 is a standard regulating verification of other information contained in financial reporting. The International Standard "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" 3000 regulates the assurance engagements, the standard 3410 is meant for specialized reports on green gases and, as studies show, it tends to be used by auditing firms of "The Big Four" considering the range of services that they offer [17–20]. The International Standard on Related Services 4400 (ISRS) is used when verification procedures are agreed upon between a customer and an executor, it is an engagement that presents the results of work carried out by an auditor or another expert, but without assurance. It tends to be used by the auditing firms commissioned by international donor organizations to engage in verifications of reports by business entities that have been granted non-repayable targeted charitable aid, humanitarian or technical assistance. This issue is of vital importance for Ukraine in the conditions of martial law. The choice of a standard is dependent on the engagement terms and the professional judgment of an auditor.

In keeping with EU Directive [3], an auditor is responsible for the assessment of published non-financial reports for sustainable development, namely: (i) for the conformity of the report with the applicable standards; (ii) for the assessment of materiality; (iii) for the assessment of sustainability indicators; (iv) for the conformity with the taxonomy regulations on publishing of sustainability indicators by business entities beginning with January 1, 2022 (the Taxonomy Regulation (Regulation (EU) 2020/852).

When non-financial reporting is subject to verification by ISA 720, an auditor should make sure that it is carried out as part of the financial reporting audit. It means that the actions on acceptance of client and engagement, risk assessment and assurance are involved, the subsequent auditing procedures on response to the assessed risks are specified, the audit evidence is obtained and assessed, the procedures of quality control are carried out, the audit report is made with a separate paragraph highlighting other issues concerned with non-financial information.

ISAE 3000, being concerned only with a separate report on non-financial information, such as the management report, specifies that an assurance engagement that is carried out can be part of a larger engagement. If so, ISAE 3000 should be used only for the part of an engagement concerned with the assurance on non-financial reporting.

The International Auditing and Assurance Standards Board (IAASB) developing International Standards on Auditing is not a novice in issues of performing audit of non-financial information. ISAE 3000 revised in 2015 provides recommendations for audit engagements concerned with non-financial information, when an auditor has appropriate competencies in the subject of audit and when reasonable criteria exist by which the verification results will be compiled. In April 2021, IAASB issued the Non-Authoritative Guidance on Applying ISAE 3000, in order to address essential problems of sustainability assurance, formulated by stakeholders. The published Guidance is used for verifications of extended external reporting, including non-financial reports for sustainable development, it is designed for consistent and proper use of ISAE 3000 and helps increase the trust in the institute of audit (Table 2, compiled on the basis of [24]). Also, IAASB develops the standard for audit of reporting for sustainable development, as announced on its website [25].

Table 1
The standards that can be used in the audit non-financial reporting

| Standard | Purpose of standard | Results (expected audit report) |
|---|--|--|
| <p>720 (revised) “The auditor’s responsibilities relating to other information”</p> | <ul style="list-style-type: none"> – Verify if a material mismatch exists between other (non-financial) information and financial reporting; – verify if a material mismatch exists between other information and the auditor’s knowledge obtained in time of audit; – take appropriate actions when an auditor reveals that such material mismatch may exist, or when an auditor learns that other information may be materially misstated; and – submit a respective report to ISA | <p>The auditor’s report will include a separate section entitled “Other information” containing:</p> <ul style="list-style-type: none"> – the statement that the administrative personnel bears responsibility for other information; – the nomenclature of other information obtained by an auditor before the date of the auditor’s report; and information that is expected to be obtained after the date of the auditor’s report (for audit of financial reporting of a business enterprise); – the statement that the auditor’s opinion does not apply for other information and, hence, that an auditor does not (or will not) articulate an auditor’s opinion or make a conclusion with any level of assurance with respect to other information; – the description of the auditor’s responsibility related with learning of other information, its review and reporting on it; – when other information is obtained before the date of the auditor’s report, an auditor must provide: <ol style="list-style-type: none"> a) the statement that he has not revealed the facts that would be necessarily included in the report; or b) the statement with a description of an uncorrected material misstatement of other information, when an auditor has come to the conclusion that an uncorrected material misstatement of information does exist |
| <p>3000 (revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” (ISAE)</p> | <ul style="list-style-type: none"> – Obtain a reasonable assurance or a limited assurance that the information about engagement subject contains or does not contain material misstatements; – give the conclusion on the result of assessment or evaluation of an engagement subject in a written report containing the conclusion with providing reasonable or limited assurance and describing the reasons for such conclusion; – provide further information in keeping with the requirements of this ISAE and other appropriate ISAE | <p>The report on reasonable assurance engagement or limited assurance engagement (or the refusal from providing the report or from the engagement)</p> |

Table 1

| Standard | Purpose of standard | Results (expected audit report) |
|---|---|---|
| 3410 “Assurance Engagements on Greenhouse Gas Statements” | <p>This ISAE is concerned only with engagements on the assurance of conformity and covers engagements on reasonable and limited assurance;</p> <ul style="list-style-type: none"> – obtain a reasonable or limited assurance in keeping with the engagement terms that the report on green gases (GHG) does not contain material misstatements resulted from fraud or mistakes, which allows practical experts to give the conclusion conveying this level of assurance; – submit the report in conformity with results obtained by a practical expert or: <ul style="list-style-type: none"> a) in case of a reasonable assurance engagement, a GHG report prepared in all the material aspects in keeping with the applicable criteria; or b) in case of a limited assurance engagement – the report stating that a practical expert learnt the facts that, given the procedures fulfilled and evidence obtained, made him believe that GHG report is not prepared in all the material aspects in keeping with the applicable criteria; and c) provide the information in keeping with the requirements of this ISAE in conformity with the obtained results | <p>GHG statement – the report setting out components and defining the amount of GHG emissions by a business entity in a fixed period (sometimes also referred to as recognition of emissions), and, if applicable, comparative information and explanatory notes including an abridged description of important issues related with quantitative estimations and reporting policy</p> |
| 4400 “Agreed-upon procedures engagements” | <p>The purpose of agreed-upon procedures engagements is carrying out the auditing procedures that were agreed upon by an auditor, a business entity and the concerned third parties, and providing the report about the actual results.</p> <p>Agreed-upon procedures are as follows: confirmation, comparison, negotiation, monitoring, review, enquiry, recalculation, supervision</p> | <p>The report on agreed-upon procedures must be made in a written form and contain certain paragraphs stipulated by the standard, with the mandatory description of subject and objective of an engagement, responsibilities of the parties, results and conclusions on carried out procedures</p> |

Table 2

The structure of Non-Authoritative Guidance on Applying ISAE 300

| Guidance chapter | Issues under consideration |
|---|--|
| Chapter 1. Applying Appropriate Competencies and Capabilities | Review of competencies, skills, experiences of a team engaged in verification of non-financial information. Competencies and commitments of a partner. Actions on quality control |
| Chapter 2. Exercising Professional Skepticism and Professional Judgment | Professional skepticism and professional judgment in time of client acceptance, planning in time of carrying out verification procedures is based on team experiences and the assumption that non-financial information is misstated and these misstatements could not be prevented by means of control |
| Chapter 3. Determining Preconditions and Agreeing the Scope of the EER Assurance Engagements | Agreeing the scopes of engagement (subject of the auditor's concern) and its deadlines |
| Chapter 4. Considering the Entity's Process to Identify Reporting Topic | Determining the structure of non-financing reporting in view of the operation specifics of a business entity and the regulatory requirements (EU Directives, requirements of the national law) |
| Chapter 5. Determining the Suitability and Availability of Criteria | Determining the criteria for assessment of the reported non-financial information, their sources, change and accessibility of the criteria |
| Chapter 6. Considering the Process Used to Prepare, or Internal Control over the Preparation of, the Subject Matter Information | The character and size of a business entity, the specifics of internal control (five causally related components of the internal control scheme): 1) the control environment; 2) the process or risk assessment in an organization; 3) the process of monitoring of the internal control scheme in an organization; 4) the information system and information interactions; 5) the procedures of control |
| Chapter 7. Using Assertions | The conceptions for preparation of the reporting, analysis of potential types of misstatements in non-financial reporting, statements: completeness, accuracy, assessment, cut-off, classification and disclosure of information |
| Chapter 8. Obtaining Evidence | Planning of an engagement, including auditing procedures for obtaining audit evidence, obtaining evidence and its assessment, control measures pertaining to quality |
| Chapter 9. Considering the Materiality of Misstatements | Qualitative and quantitative assessment of materiality in identifying the misstatements, analysis of materiality at two levels: at the level of non-financial reporting (the level of material misstatement in non-financial reporting) and at the level of the entity's social interactions (number of entities or businesses influenced by the engagement subject and results), accumulation of the misstatements, comparison of the misstatements with the level of materiality |
| Chapter 10. Addressing Qualitative EER Information | The assessment in the following dimensions: (i) the applied criteria for assessment of non-financial reporting and their relevance, completeness, reliability, neutrality, intelligibility; (ii) the obtained evidence; (iii) the revealed misstatements; (iv) the other information presented in non-financial reporting; (v) the assurance report |

Table 2

| Guidance chapter | Issues under consideration |
|---|--|
| Chapter 11. Addressing Future-Oriented EER Information | The assessment of information on the intentions and strategies of a business entity, the evidence on which the information about future is based |
| Chapter 12. Communicating Effectively in the Assurance Report | <p>Reasonable assurance engagement – an assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner’s conclusion. The practitioner’s conclusion is expressed in a form that conveys the practitioner’s opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria.</p> <p>Limited assurance engagement – an assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner’s attention to cause the practitioner to believe the subject matter information is materially misstated</p> |

The structure of the Non-Authoritative Guidance on Applying ISAE 3000 allows for elaborating a more detailed plan for verification of non-financial reporting for sustainable development (with determining time frames and scopes of auditing procedures, appointing an engagement group with appropriate experiences) and highlighting essential issues in the report provided by an auditor or a practical expert.

The methods of assurance include methods of planning, obtaining evidence, assessment of evidence, control, information communication and reporting. The principal procedural approaches are as follows: (i) using auditing procedures to get understanding of the client business and its operative environment, the internal control scheme allowing to collect the data for the compilation of non-financial reporting and set up the supervision process for the reporting; (ii) the assessment of auditor risk and determining the materiality level; (iii) on the basis of risk assessment, setting up the subsequent procedures for obtaining audit evidence and assessing its acceptability and sufficiency for forming the auditor’s judgment. The audit approach for any category of assurance engagement builds on the assessment of risks of material misstatement of the reporting and includes the phases shown in Figure 1 (compiled on the basis of [22–24]).

The set of assessment criteria for non-financial information includes feasibility, completeness, reliability, neutrality, intelligibility. The phase of acceptance of client and engagement involves general procedures characteristic of the audit. The phase of risk assessment and planning needs to put special emphasis on the risks of material misstatement of non-financial information, associated with the intrinsic (integral) risk and the risk of business entity’s control scheme. The materiality concept is the cornerstone of current requirements for non-financial reporting, established by EU directives, with the materiality being considered at two levels: (i) reporting and (ii) information impact on the society and stakeholders. At the phase of obtaining audit evidence and forming the auditor opinion, care should be taken of the qualitative and quantitative aspect of the evidence as a way to assure its acceptability and sufficiency.

The new International Standard of Quality Management 1 “Quality Management for Firms That Perform Audits or Review of Financial Statement, or Other Assurance or Related Services Engagements” (ISQM 1) requires the development of procedures for the assurance engagement control and, hence, the control of engagements on verification of non-financial reporting [26]. But as ISQM 1 provide only a general trajectory for the move of an auditing firm towards the quality management, each auditing firm has to implement internal standardization and own technical guidelines. Table 3 (developed by the author) shows a working

document for quality assessment designed for the engagement on verification of non-financial reporting. The proposed working document is based on the requirements of ISQM 1 and outlines the measures of control in performing the engagement on verification of non-financial information. It has a standardized form and can be used in auditors' practices.

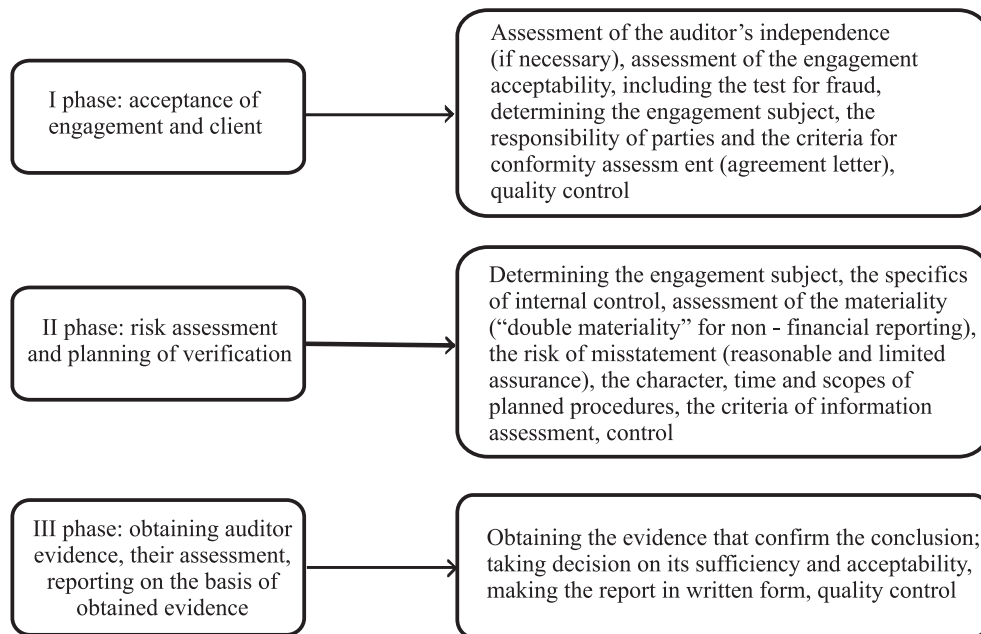


Figure 1. The phases of non-financial reporting audit

Another series of standards used in the international practice is AA1000 developed by the British Institute of Social and Ethical AccountAbility, aimed at enhancing the quality, transparency and accountability of the sustainable development reporting, in order to meet the needs of information stakeholders and account for their opinions when analyzing business entities' reports. The Standard AA1000 v3 (Assurance Standard) specifies the rules for verification of the report on non-financial information on the basis of criteria of materiality, completeness and conformity, and for integration of these criteria in the company reporting management scheme [27]. As this standard has not found application among Ukrainian auditors, it needs a more detailed scrutiny.

Conclusions. Non-financial reporting is becoming more and more widespread. Business entities, in keeping with EU instructions, are obliged to have the external confirmation of financial reporting for sustainable development, and its users need detailed and unbiased information and guarantees of its completeness, reliability and objectivity. These guarantees can be provided by independent auditors. The verification of non-financial reporting by an auditor can be made by several ISA and the standards elaborated by noncommercial organizations in the sustainable development field: ISA 720, ISAE 3000, 3410 ISRS 4400, AA1000. Given the increasing dissemination of ISAE 3000, recommendations on its use should be scrutinized. The latest requirements on quality management in auditing firms necessitate control measures on the quality of assurance engagements other than audit. In view of this, the Non-Authoritative Guidance on Applying ISAE 3000 and requirements of ISQM 1 were analyzed, with elaborating the working document of an auditor "Quality assessment of assurance engagements other than audits or reviews of historical financial information (non-financial reporting)" allowing to form the controller's opinion about the created quality management scheme in an auditing firm, and the opinion of how this scheme performs at engagement level. The high-quality accomplishment of an engagement will help enhance the users' trust in non-financial information and the whole institute of audit. Future research is expected to focus on analysis of the process of non-financial reporting audit by the International Standards on Auditing and other regulations, in particular the Assurance Standard AA1000 v3.

Table 3

The working document of auditor “Quality assessment of assurance engagements other than audits or reviews of historical financial information (non-financial reporting)”

| | | |
|--|---|--|
| Executor: name and surname of a person who compiled this working document (WD), signature, date | | |
| Customer (client): Time of verification: 20XX | | |
| Verified by: name and surname of a person who verified WD, signature, date | | |
| WD “Questionnaire on internal control of engagement” (compiled on request of MSA 315, ISAE 3000) | | Index and No. of WD |
| Goal: <ul style="list-style-type: none"> - this WD is an instruction of the performance assessment for the engagement partner or team involved in verification of non-financial reporting at the level of auditing firm; - assess a) the requirements to competencies of the engagement partner or team (keeping with education standards, experience required for admission to the engagement team, professional training, and requirements to constant improvement of professional competencies); b) intra-firm policies and procedures of quality management at engagement level; c) if necessary, ethical requirements (fundamental principles of integrity, objectivity, professional competence, proper diligence, confidentiality and professional behavior; criteria of independence) | | |
| Procedures: interviewing, testing, assessment, inspecting. This WD needs to be kept in the audit file for use in future audits | | |
| Issues for verification and discussion with the engagement partner or team | | |
| 1. General requirements for quality management at engagement level: a) management’s responsibility for the quality in the firm; b) classification and assessment of quality risks; c) appropriate ethical requirements; d) acceptance and continuation of relations with a client and specific engagements; e) resources; f) engagement accomplishment; g) information and communication; h) monitoring | Yes / No Yes or no, given the availability of documentary confirmation | Comments Give a description of the documents introducing components of quality management scheme in the auditing form, required for further scrutiny of the ways these components are implemented in the engagement |
| 2. Actions of the engagement partner to achieve the quality, and team members’ awareness of these actions | x | x |

Table 3

| | Provide the nomenclature of working documents that are specified in ISA, ISQM and compiled in time of carrying out the engagement | Yes / No | | |
|-----|---|--|---|--|
| 2.1 | Could the engagement partner ensure the accomplishment of work in keeping with the requirements of professional standards and legal and normative acts? | Yes / No | <p>a) Could the applicable policies and procedures of the firm's quality control be kept with?</p> <p>b) Could the engagement report be provided in a way corresponding with the circumstances?</p> <p>c) Do the engagement team members have the possibility of expressing their doubts without fear of sanctions?</p> | |
| 2.2 | Has the engagement partner formulated the opinion of the following: | Yes / No | <p>a) personnel competence resulting from the personnel selection and training scheme?</p> <p>b) independence resulting from filing and providing appropriate information pertaining to independence?</p> <p>c) maintenance of relations with clients resulting from the scheme for engagement acceptance and continuation of cooperation with clients?</p> <p>d) conformity with the requirements of regulatory and legislative acts resulting from the process of monitoring?</p> | |
| 2.3 | Other issues that may be scrutinized in the process of engagement quality control include the following: | Yes / No | <p>a) have consultations on issues provoking mismatch of opinion, or other complicated or contradictory issues been held, with documenting the conclusions resulting from these consultations?</p> <p>b) does the engagement documentation reflect the accomplished work pertaining to important judgments, and does it confirm the obtained conclusions?</p> | |
| 2.4 | <p>a) specify the way of supervision over the process of carrying out the engagement on the key partner's side, and the working document where it is fixed;</p> <p>b) test the report for the conformity with evidence and ISAE requirements pertaining to the report format;</p> <p>c) scrutinize the memorandums of the engagement team to the effect of discussion of the verification plan, complicated, contradictory and other issues</p> <p>a) scrutinize the document on appointment of the engagement group and the documents confirming the qualification of personnel, the constant improvement of their professional competencies;</p> <p>b) scrutinize the information on annual independence of the personnel, the independence of engagement team members with respect to specific engagement and auditing firm;</p> <p>c) scrutinize the working documents with respect to the acceptance of client and engagement;</p> <p>d) scrutinize the working documents with respect to the assessment of the impact of legislative and normative acts on the performance of a business entity whose non-financial reporting is being verified</p> | Yes / No | <p>a) scrutinize if policies and procedures exist with respect to issues on which mismatch of opinion occurs, and ways of documenting its settlement;</p> <p>b) scrutinize the working documents fixing the obtained auditor evidence, and whether or not they are sufficient and acceptable</p> | <p>a) scrutinize if policies and procedures exist with respect to issues on which mismatch of opinion occurs, and ways of documenting its settlement;</p> <p>b) scrutinize the working documents fixing the obtained auditor evidence, and whether or not they are sufficient and acceptable</p> |
| 3 | Conclusion | Is the report on non-financial reporting is acceptable? It should be born in mind that in keeping with ISAE, a drawback in the firm's quality control scheme does not necessarily indicate that an assurance engagement has not been accomplished in conformity with the requirements of professional standards and applicable legislative or normative acts, or that the report is unacceptable. Therefore, a quality controller needs to draw special attention to the scrutiny of working document. | | |

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