

Draft IDW Assurance Standard: Generally Accepted Assurance Principles for the Audit or Review of Sustainability Reports (Draft IDW AsS 821)

(Status at: May 12, 2005)¹

[Translation Status: July 2005]

[Translator’s notes to increase the understandability of the translated text for English readers are bounded by square brackets; items in curly brackets reflect optional items included in the original German text in square brackets.]

The Hauptfachausschuss (HFA) [„HFA“: Auditing and Accounting Board] of the IDW [“Institut der Wirtschaftsprüfer in Deutschland e.V.”: Institute of Public Auditors in Germany, Incorporated Association] has issued the following draft IDW Prüfungsstandards [IDW Assurance Standard].

Any suggestions for amendments or additions to the draft should be addressed in writing to the Geschäftsstelle des IDW, Postfach 32 05 80, 40420 Düsseldorf, by January 31, 2006.

1.	Preliminary Remarks.....	2
2.	Audit or Review Engagement.....	3
2.1.	Types of Engagement of Wirtschaftsprüfer.....	3
2.2.	Content of an Audit or Review Engagement.....	4
3.	Assurance Engagement Objectives	6
3.1.	Suitability of Criteria for the Content of the Report.....	6
3.2.	Completeness of the Criteria and the Report.....	6
3.3.	Accuracy of the Report	7
3.4.	Clarity and Understandability of the Report	8
4.	Standards for Performing the Engagement.....	8
4.1.	Understanding the Reporting Entity.....	8
4.2.	Planning.....	9
4.3.	Performing the Audit of Sustainability Reports	10
4.3.1.	Auditing the Reporting System.....	10
4.3.2.	Substantive Procedures	11
4.3.2.1.	Analytical Procedures.....	11
4.3.2.2.	Tests of Details.....	11
4.4.	Performing the Review of Sustainability Reports.....	13
4.5.	Compliance With Sustainability Standards	14
4.6.	Assessing Fair Presentation	14
5.	Using the Work of Others.....	14

¹ Issued by the Hauptfachausschuss (HFA) [“HFA“: Auditing and Accounting Board] on May 12, 2005.

6.	Documentation	15
7.	Reporting	15
8.	Conclusions and Assurance Report	16
	Appendix: Examples for Formulating Assurance Reports	19
1.	Example of an Assurance Report for Audits of Sustainability Reports	19
2.	Example of an Assurance Report for the Review of Sustainability Reports	20
3.	Example of an assurance report for the audit and review of distinct parts of a sustainability report	21

1. Preliminary Remarks

- (1) Sustainable development is considered to be development which meets the needs of the present generation without compromising the ability of future generations to meet their own needs and choose their lifestyle².
- (2) Sustainability reports are written statements about an entity, which do not form part of the financial statements required under commercial law, on its economic, ecological and/or social performance covering a defined period. Such entities may be enterprises, groups or other organizations (e.g. public institutions, associations or foundations), or part or parts of a reporting entity (e.g. operational facilities or branches of an enterprise in a State or geographical area).
- (3) The management of the entity or the persons in charge of the entity or sub-entity are responsible for the content of sustainability reports. These persons are also responsible for the entity’s compliance with the legal regulations and operational or other requirements relating to sustainability.
- (4) Enterprises or other entities increasingly frequently seek an assessment by independent experts to enhance the credibility of their sustainability reports. Wirtschaftsprüfer [German public auditors] are often requested to assess sustainability reports and issue assurance reports on the results.
- (5) In this *IDW Prüfungsstandard [IDW Assurance Standard]* the Institut der Wirtschaftsprüfer in Deutschland e.V. [“IDW”: Institute of Auditors in Germany, Incorporated Association] explains the content of an audit or review of self-contained sustainability reports and sets forth the views of the profession pursuant to which Wirtschaftsprüfer – irrespective of their independent professional responsibility – perform such engagements. This *IDW Assurance Standard* provides guidelines for the acceptance and performance of engagements to audit or review sustainability reports, for reporting on such engagements and for the composition of the assurance report consistent with the professional responsibility. It also provides clarification to the public of the content and limits of such engagements.

² Compare “Our Common Future. The Brundtland Report by the UN World Commission on Environment and Development”, published by Volker Hauff 1987, p. 9 et seq.

- (6) This *IDW Assurance Standard* does not apply to agreed upon procedures performed by the Wirtschaftsprüfer in connection with specific disclosures relating to specific economic, ecological and/or social issues or the presentation of the results of such procedures. Assurance reports issued on such procedures must be worded so as to be clearly distinguishable from assurance reports issued in accordance with this *IDW Assurance Standard*.
- (7) This *IDW Assurance Standard* conforms in principle to the International Framework For Assurance Engagements and International Standard on Assurance Engagements 3000 (ISAE 3000 (Revised), status: December 2003) of the IAASB. [ISAE 3000 uses the terms “reasonable assurance engagement” and “limited assurance engagement”, in comparison, this *IDW Assurance Standard* uses the terms “audit” and “review”.]

2. Audit or Review Engagement

- (8) Sustainability reports may include:
- specific performance areas of the entity (e.g. environmental report, social report), or parts of reports on its performance (e.g. climate protection, procurement chain or observance of human rights)
 - comprehensive reporting on all key impacts of the entity’s activities on its economic, ecological and social performance (sustainability report).
- (9) The nature of the sustainability reports to be assessed, the demarcation of the reporting entity, the related procedures by the Wirtschaftsprüfer and the scope of the related assurance report should be determined when the Wirtschaftsprüfer is engaged.

2.1. Types of Engagement of Wirtschaftsprüfer

- (10) This *IDW Assurance Standard* deals with two types of engagements of Wirtschaftsprüfer:
- Engagements to audit sustainability reports; and
 - Engagements to review sustainability reports.
- (11) Engagements to audit sustainability reports are designed to enable audit assertions to be reached with reasonable assurance. To this end, the risk of expressing a positive conclusion in spite of incorrect, misleading or missing information (misstatements) in the reports must be reduced to an acceptably low level in order to arrive at a positive form of expression of the conclusion. The concept of reasonable assurance relates to obtaining the evidence necessary for this assessment and hence to the audit as a whole. The objective of the audit is not the detection of immaterial misstatements.

Reasonable assurance does not mean absolute assurance, which is not attainable in audits of sustainability reports. Owing to the inherent limitations to the extent of knowledge and perceptions which can be gained by any

audit, there remains an unavoidable risk that the Wirtschaftsprüfer will fail to detect material misstatements even when an audit is properly planned and performed. The subsequent detection of a misstatement does not, therefore, necessarily imply professional misconduct on the part of the Wirtschaftsprüfer.

- (12) The objective of engagements to review sustainability reports is to make a critical appraisal based on inquiries and plausibility tests. The review should be planned and carried out so that the Wirtschaftsprüfer by critical appraisal and with a limited level of assurance can refute that the report in, all material respects, includes any misstatements (negative form of expression).

Limited assurance is achieved when the Wirtschaftsprüfer is satisfied, on the basis of evidence obtained, that the subject matter of the review is plausible within the prevailing circumstances. Such a negatively formulated conclusion can be reached on the basis of review procedures that do not provide all the evidence, that would be required in an audit of reports.

2.2. Content of an Audit or Review Engagement

- (13) The extent of a Wirtschaftsprüfer's work in relation to sustainability reports is freely negotiable. Therefore the subject matter of the report (refer to No. 8) and the type of the Wirtschaftsprüfer's engagement (refer to No. 10-12) must be specified in the Wirtschaftsprüfer's engagement [letter] and the assurance report applicable for that type of engagement must be agreed with the engaging party.

- (14) An engagement should only be accepted once criteria have been established for defining the extent of the content of the report and for assessing the completeness of the report. These criteria must be specified in the report.

If the report does not describe these criteria but refers only to their publication, it is necessary to ensure that such publications are available to all users. In this case, the entity's management has to state in the report that they will provide the criteria to all interested parties upon request.

- (15) The subject matter of the report must also be clearly identifiable and capable of consistent assessment.
- (16) Wirtschaftsprüfer should accept an engagement to audit or review sustainability reports only if, on the basis of their preliminary assessment, nothing comes to their attention to indicate that the subject matter of the report is not appropriate and the criteria upon which it is based are not suitable.
- (17) Furthermore, the Wirtschaftsprüfer should make it a condition of accepting the engagement that the engaging party undertakes to
- recognize the requirements for the engagement resulting from this *IDW Assurance Standard*,

- allow that the Wirtschaftsprüfer retains experts at the Wirtschaftsprüfer's discretion, where the circumstances to be examined cannot be sufficiently assessed by the Wirtschaftsprüfer,
 - provide the Wirtschaftsprüfer, applying Article 320 HGB ["Handelsgesetzbuch": German Commercial Code] as appropriate, with all information and evidence the Wirtschaftsprüfer deems necessary for performance of the engagement. In the case of group sustainability reports, it is necessary to ensure that corresponding rights are granted by all group enterprises,
 - declare that performance of the engagement is not subject to any restriction imposed by the engaging party,
 - issue a representation letter,
 - use the assurance report agreed upon in accordance with the type of work performed by the Wirtschaftsprüfer to the extent agreed upon, and
 - refer to the audit or review engagement only in a form approved by the Wirtschaftsprüfer.
- (18) An engagement to audit or review a sustainability report may only be accepted if the Wirtschaftsprüfer either has, or is able to obtain in time, the specific knowledge and experience necessary to properly carry out the engagement.
- (19) In the interests of a clear delineation of responsibilities it is not permissible for a Wirtschaftsprüfer together with an expert who is not a member of a profession to assume responsibility for joint performance of audit or review engagements. This does not affect the possibility of calling in an expert within the meaning of *IDW AuS 322*³. If the Wirtschaftsprüfer lacks the necessary knowledge to utilize the work of an expert the Wirtschaftsprüfer endeavors to split the engagement such that the Wirtschaftsprüfer and the expert each issue separate assurance reports on the matters they are responsible for assessing. In this case the Wirtschaftsprüfer's assurance report may refer to the areas assessed by the expert (separate responsibility) as long as the Wirtschaftsprüfer has no reason to doubt the expert's findings.
- (20) As part of the engagement of the Wirtschaftsprüfer, an agreement should be reached as to the delineations of responsibilities of the entity's management, the persons in charge of the entity or sub-entity, and the Wirtschaftsprüfer. The use of the professional General Engagement Terms is recommended.
- (21) If the engagement is changed from an audit of a report to a review of the same report during the course of the engagement, the Wirtschaftsprüfer should not accept the change to the assurance engagement without adequate justification by the engaging party. Examples of such justification

³ Compare *IDW Prüfungsstandard: Verwertung der Arbeit von Sachverständigen (IDW PS 322)* [*IDW Auditing Standard: Using the Work of Experts (IDW AuS 322)*] in the periodical "Die Wirtschaftsprüfung" 2002, p. 689 et seq. and the IDW bulletin "Fachnachrichten" FN-IDW 2002, p. 337 et seq.

are a change in circumstances that affects the intended users' informational requirements, or a misunderstanding concerning the nature of the engagement and the amount of assurance engagement fees.

When such change occurs, the Wirtschaftsprüfer does not disregard evidence that was obtained prior to the change in the engagement.

3. Assurance Engagement Objectives

3.1. Suitability of Criteria for the Content of the Report

(22) In order to satisfy users' information requirements, the criteria upon which a sustainability report is based must exhibit the following characteristics:

- **Relevance:** criteria must be meaningful in respect of the subject matter of the report (e.g. determination and disclosure of relevant emission values).
- **Suitability:** criteria must be suitable to reflect the issue being presented.
- **Reliability:** criteria must allow a sufficiently coherent evaluation or measurement of the subject matter, and must be objectively verifiable.
- **Neutrality:** neutral criteria contribute to unbiased conclusions.
- **Understandability:** criteria must be capable of being understood by users and must not be subject to materially differing interpretations on their part. They must be capable of being assessed by a reasonably informed user.

(23) Criteria to be used can either be generally established criteria or they may be specifically developed by the entity for the purpose of the report provided they exhibit the above characteristics.

(24) Generally established criteria are those embodied in laws or regulations, or stipulated by bodies of experts authorized or recognized for the purpose. These currently include the criteria established by the GRI, OECD, ILO, UNCTAD and UNEP.

(25) Where criteria have been specifically developed for the entity, compliance with the requirements set forth in no. 22 must be assessed particularly critically, paying special attention to the criteria development process (e.g. in a stakeholder dialogue). This applies equally to industry-specific criteria.

If the Wirtschaftsprüfer concludes that the criteria are not suitable, the engaging party must be notified immediately. If the engaging party fails to remedy this deficiency, an assurance report cannot be issued. The engaging party must be notified of this writing.

3.2. Completeness of the Criteria and the Report

(26) Sustainability reports must be complete, i.e. they must consider all criteria and contain all information necessary to adequately present, in all material respects, the effects of the entity's activities on the performance areas described in the report or on sustainability.

- (27) Information is material if the omission or misrepresentation thereof may influence the decisions of a reasonably informed user. Factors to be considered in determining materiality include relevant legal requirements, benchmarks, internal guidelines, and operational or other requirements in relation to sustainability, or, if applicable, the results of a stakeholder dialogue. Materiality also depends on the subject matter of the report (e.g. a report on a single plant will imply a lower materiality level than a report on the entire group).
- (28) Without prejudice to no. 22, additional information may also be required in order for the report to be complete. This means such information as is required in accordance with [additional] listed criteria, with which the entity has agreed to comply in the report.
- (29) Judgments on the relative importance of themes and specific topics, by the persons in charge of the entity should be directed towards their significance for sustainability and on appropriate assumptions regarding the interests of reasonably informed users. A decision not to report is not justified by positive and negative events and developments that offset each other or are expected to offset each other.
- (30) In terms of materiality, the selection and extent of issues to be reported may be influenced by the complexity of the entity's business operations and their effects on the performance areas described. For example, where there are diversified entities or entities operating in different regions reporting may need to be differentiated according to business areas.
- (31) Statements may not be omitted because corresponding facts are already known to users, e.g. from press releases, or because their disclosure might have an adverse effect on the entity.

3.3. Accuracy of the Report

- (32) The principle of accuracy requires that all disclosures made in the report satisfy the following requirements:
- Disclosures on developments and conditions that can be verified objectively (factual disclosures, e.g. emission values or disclosure of numbers of employees by region) are accurate.
 - Assumptions and intentions (e.g. information on sustainability policies, organization of entity environmental protection) are credible, i.e. they are plausible and coherent and do not contradict actual actions, other documents of the entity, including the annual financial statements, or generally known economic matters.
 - Conclusions drawn from the underlying premises and assumptions are coherent, i.e. mathematically and factually accurate, and free from bias.

Accuracy is assessed on the basis of the due care of a diligent and conscientious manager. [Translators note: The concept of the care of a

diligent and conscientious manager is based on the requirements of AktG § 93 (1), 1st sentence.]

3.4. Clarity and Understandability of the Report

- (33) The disclosures in the report must be clear, explicit and in an understandable form. The immediate effects of the entity's activities on sustainability in the relevant performance areas must be presented in such a way that they do not give a misleading picture to the users. The report must be clearly laid out and emphasize the material assertions and significant issues in appropriate detail.
- (34) If the subject matter of the report is largely unchanged, the layout of the report and the reporting period should, in principle, be consistent with the previous years in accordance with the principle of comparability over time. The standardized use of numerical indicators improves clarity and enables comparison over time and within industries.
- (35) Comparative figures should be given for material numerical disclosures; multiple-year comparisons may be appropriate. In the event of inconsistencies (e.g. due to changes in determination methods), comparative figures must either be adjusted or sufficiently explained.
- (36) To enhance the understandability of the report, the basis on which it is compiled must be stated. In this respect, the following disclosures should be considered:
- Subject matter of the report (specific performance area (e.g. environmental report) or comprehensive sustainability report)
 - Entity to which the report refers (e.g. group or plant)
 - Reporting period and date of completion of the report
 - Reporting criteria and their basis, and, if appropriate, where they can be accessed
 - Statement regarding compliance with criteria and achievement of objectives.

4. Standards for Performing the Engagement

4.1. Understanding the Reporting Entity

- (37) In order to perform the engagement and assess the related engagement risk, the Wirtschaftsprüfer must understand, the following as they relate to the subject matter of the report:
- the entity's activities and their influence on sustainability,
 - the legal framework governing the entity's activities,

- any relevant management systems (e.g. structural organization, organization of the process, documentation of environmental issues in an environment management system),
- sustainability policies, and
- any future projects planned by the entity that might affect the report.

Depending on the significance of the entity, this may also include knowledge of national and, if appropriate, international, economic data and relevant industry information. The parts of the management systems which systematically record, edit and process information relevant to the report are of particular importance in this respect.

To supplement information about the entity, the Wirtschaftsprüfer should obtain an understanding of the business operations of the entity and its economic and legal environment. Significant procedures for this include, in particular, obtaining information about the procurement process, about technical interdependence with the production process, on-site inspections covering the areas at significant risk (e.g. facilities requiring approval, hazardous substance storage areas, waste disposal sites, etc.), and the product ranges and locations.

4.2. Planning

- (38) In order to be properly performed an engagement requires a systematic approach. The Wirtschaftsprüfer should plan the work to ensure the engagement is performed effectively. The planning should be amended on an ongoing basis to reflect the knowledge gained during the work.
- (39) The Wirtschaftsprüfer should exercise professional judgment in determining the nature and extent of the individual procedures required.
- (40) In planning and performing engagements, the Wirtschaftsprüfer determines appropriate materiality levels. Materiality can be expressed quantitatively, as a materiality level, or qualitatively, as a characteristic which might be capable of influencing the decision-making behavior of the intended users. The determination of materiality and the relative importance of quantitative and qualitative factors are matters for the Wirtschaftsprüfer's professional judgment. *IDW AuS 250*⁴ provides guidance.
- (41) In assessing sustainability reports, the quality of disclosures in the report will be of relatively great importance as they are frequently of a narrative nature.
- (42) In engagements to audit sustainability reports, the Wirtschaftsprüfer performs, based on the above information, a preliminary assessment of the management systems, an initial preview of the sustainability reporting, and, depending on the individual circumstances of the engagement, initial on-site

⁴ Compare *IDW Prüfungsstandard: Wesentlichkeit im Rahmen der Abschlussprüfung (IDW PS 250)* [*IDW Auditing Standard: Materiality in the Audit of Financial Statements (IDW AuS 250)*] in the periodical "Die Wirtschaftsprüfung" 2003, p. 944 et seq. and the IDW bulletin "Fachnachrichten" FN-IDW 2003, p. 441 et seq.

inspections to identify critical audit areas, develop an audit strategy and prepare the audit program.

- (43) The audit of sustainability reports does not require a 100 % examination of all the information available; rather the Wirtschaftsprüfer plans the procedures on a sample basis, considering the determined materiality levels and the risk of misstatement.

4.3. Performing the Audit of Sustainability Reports

4.3.1. Auditing the Reporting System

- (44) The starting point for the audit procedures is ordinarily the information system of the entity that relates to sustainability aspects. Hence in auditing all the effects on sustainability that are material for the report system tests (tests of design and tests of operations) should be considered. Complex sustainability issues cannot be assessed without system tests.

However, a system test may not be necessary in simple circumstances. In such cases, the Wirtschaftsprüfer should perform the audit solely on the basis of substantive procedures based on his understanding of the operating processes and appropriately extended.

- (45) A test of design should be performed in the following steps:

- Determination of the appropriate individual objectives for the relevant information system

Based on the information about operating processes, the Wirtschaftsprüfer should then identify appropriate individual objectives for the relevant information systems. Legal requirements, regulatory requirements from official authorities, codes, internal guidelines, etc. may be primarily used as a basis.

- Assessment of the actual information systems (actual system)

Based on the documentation of the system, inquiries and supplementary observations, the Wirtschaftsprüfer obtains a detailed outline of the procedures put in place by the body in charge of the entity, processing and forwarding information about sustainability issues.

- Comparison of the actual relevant information systems with the appropriate individual objectives previously determined.

The Wirtschaftsprüfer then compares the entity's actual information systems with the appropriate individual objectives previously determined to determine whether the existing system meets the desired requirements.

- (46) In the tests of operations, the Wirtschaftsprüfer satisfies himself that the existing system is effective; i.e. was in use throughout the reporting period and whether it was used to gather information for the report.

- (47) When the information systems, including the documentation of effects on sustainability prepared by these systems, are found to be reliable as a result

of system tests, the Wirtschaftsprüfer can focus the audit of the report on the process of derivation from the information systems. An evaluation of material assertions made in the report solely on the basis of system tests is not sufficient.

- (48) Where the information systems are found to be unreliable and the Wirtschaftsprüfer is also unable to reach the necessary determinations by means of substantive procedures, there is a limitation on the scope of the audit.

4.3.2. Substantive Procedures

4.3.2.1. Analytical Procedures

- (49) The Wirtschaftsprüfer performs analytical procedures with the objective of determining any obvious variances on the basis of an analysis of indicators and comparative figures. The Wirtschaftsprüfer may perform the analysis of indicators and comparative figures on the basis of company, industry and time comparisons. In addition, the annual and/or consolidated financial statements and the accompanying (group) management report may be used for analytical review, especially when these documents have been audited.
- (50) Assessment of plausibility based on reliable data may limit the extent of test of details and help to identify audit priorities, thus contributing to economical performance of the audit. They are not sufficient for a conclusive assessment of critical review areas.

4.3.2.2. Tests of Details

- (51) The nature and extent of tests of details depend upon, for example, the nature and extent of the entity's activities, its organization, and the presentation of the effects of the entity's activities on sustainability. Typical tests of details for a production company are listed below:
- Test of water, energy and materials consumption: corroborate with meter readings or test certificates, delivery notes, incoming invoices and expense accounts
 - Test of quantities of hazardous substances as defined by the "*Gefahrstoffverordnung*" [*Hazardous Substances Ordinance*] and the "*Chemikaliengesetz*" [*Chemicals Act*]: test on the basis of cadastral [official inventory of real property kept by the "Vermessungsamt" – land surveyors office] data and corroborated evidence of inventories (e.g. inventory system, physical inventory)
 - Test of waste, special waste: corroborate with waste records, incoming invoices and other disposal records (e.g. waste balance sheets under the "*Kreislaufwirtschafts- und Abfallgesetz*" [*Law on Waste Recycling and Disposal*])

- Test of soil and groundwater contamination: evaluation of expert opinions and examinations by the entity and third parties, as well as on-site inspections
 - Test of emissions: corroborate with meter readings and, if appropriate, examinations by the entity and third parties to determine air and water pollution, noise, heat and other emissions
 - Test of disclosures on employees: corroborate with data from the personnel department
 - Test of disclosures on the procurement chain: inspect statements issued by suppliers, observations
 - Test of the products/services sold: corroborate with production statistics or data from the accounting system
 - Test of expenditures and investments with a material impact on sustainability: corroborate with data from the financial accounting system, inspection of expense and investment budgets
 - Test of economic disclosures: corroborate with the relevant statistics and publications
 - Test of the presentation on compliance with quantitative targets imposed by sustainability regulations: corroborate disclosures with approvals and requirements of the competent authorities and the relevant regulations.
- (52) In performing tests of details, the Wirtschaftsprüfer also relies upon representations by the entity's management. In significant cases, the Wirtschaftsprüfer obtains written confirmation of such representations. However, written confirmation cannot replace other evidence the Wirtschaftsprüfer could expect to be available.
- (53) To test the presentation of assumptions, conclusions and intentions, the Wirtschaftsprüfer performs the following procedures in particular:
- Reviews the minutes of management meetings that relate to sustainability
 - Reviews reports on the meetings of sustainability committees
 - Makes inquiries of managers or other persons (environmental protection officers, data protection officers, production management, technical department, legal department, personnel department, employee representatives, etc.)
 - Evaluates the reports produced by environmental protection officers (e.g. emissions protection, hazardous incidents, water protection and waste officers)
 - Evaluates reports on findings relating to sustainability by internal auditors or units within the entity with similar functions (e.g. safety audits, health protection studies), as well as environment report audits and validations by the environmental expert under the EU Eco Management and Audit Scheme (EMAS) Regulation

- Corroborates the investment plans for the following years with those projects presented that have an effect on sustainability
 - Evaluates records of third-party complaints
 - Evaluates the results of any stakeholder dialogue
- (54) In addition, the Wirtschaftsprüfer should use knowledge obtained in other engagements (e.g. audits of annual financial statements).

4.4. Performing the Review of Sustainability Reports

- (55) A review is limited to making inquiries of senior and other employees and analytical assessments. Further procedures in respect of information obtained and other evidence are only required when the Wirtschaftsprüfer has reason to believe that the information provided for the review engagement contains material misstatements or there are signs of incorrect information or similar indications.
- (56) Procedures in a review engagement include:
- Inquiries concerning the procedures for recording, classifying and summarizing sustainability-related information and for presentation in the reports
 - Inquiries concerning all material assertions in the report
 - Inquiries of members of the management of the reporting entity concerning their assessment of the control environment and their knowledge of irregularities in the entity
 - Inquiries concerning actions decided at meetings of owners, the members of the entity's management body, the supervisory body or at [other] committees and other meetings that may affect the subject matter of the report, and inspection of the minutes of such meetings
 - Reading the report to determine whether the information obtained by the Wirtschaftsprüfer as a whole gives reason to believe that the report does not comply with the identified reporting principles and criteria.
- (57) The analytical assessments performed during a review engagement include the examination of fluctuations over time and between connected aspects. This is in order to assess whether the report includes indications that the sustainability report has not been prepared in all material respects in accordance with the criteria applied.⁵

⁵ Compare *IDW Prüfungsstandard: Analytische Prüfungshandlungen (IDW PS 312)* [*IDW Auditing Standard: Analytical Audit procedures (IDW AuS 312)*] in the periodical "Die Wirtschaftsprüfung" 2001, p. 03 et seq. and the IDW bulletin "Fachnachrichten" FN-IDW 2001, p. 343 et seq.

4.5. Compliance With Sustainability Standards

- (58) The audit and review of sustainability reports does not include an examination of compliance with sustainability standards (compliance audit). When compliance with such standards is included in the criteria referred to in no. 23 this does not apply.

In all cases, the Wirtschaftsprüfer should consider whether there are any indications of non-compliance which could have a material effect on the sustainability reports. The impact of any such indications should be assessed. The Wirtschaftsprüfer must perform extended procedures to obtain additional information when the Wirtschaftsprüfer believes there may be such an impact.⁶

- (59) To comply with the relevant provisions, a written representation is requested from the entity's management as part of the representation letter, for instance, to confirm that the Wirtschaftsprüfer has been informed of all infringements of such provisions known to, or suspected by, management which are relevant to the report.

4.6. Assessing Fair Presentation

- (60) The Wirtschaftsprüfer considers the impact of events occurring up to the [date of] issuance of the assurance report on [both] the report and the assurance report.
- (61) On the basis of his findings, the Wirtschaftsprüfer should assess the overall picture conveyed by the report. In so doing, the Wirtschaftsprüfer assesses - by reference to the criteria on which the report is based - whether all material disclosures have been made so as not to convey a misleading picture. This also means that the Wirtschaftsprüfer must ensure that negative matters have been considered in the report to a reasonable extent.

5. Using the Work of Others

- (62) If the Wirtschaftsprüfer is unable to technically assess issues that are significant to the performance of the engagement (e.g. technical information such as emission values, soil contamination, location analyses or disclosures related to health and safety, job security, human rights), experts should be consulted.
- (63) The work of others may not be used without prior evaluation. The Wirtschaftsprüfer should at least critically appraise the investigations and findings of others. If the Wirtschaftsprüfer is not able to perform such appraisal, the engagement should be split in accordance with no. 19.

⁶ Compare ISA 240 (Revised) *The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements* in the periodical "Die Wirtschaftsprüfung" 2004, p. 1,282 et seq., no. 61, and the IDW bulletin "Fachnachrichten" FN-IDW 2004, p. 624 et seq.

- (64) The Wirtschaftsprüfer uses the investigations and findings of others depending on the competence and professional qualifications of such persons in accordance with the requirements of independence, conscientiousness, impartiality, objectivity and independent professional responsibility⁷.
- (65) When using the work of internal auditors or organizational units with a similar function in connection with sustainability issues and considering such work in assessing the extent of procedures, the principles set forth in *IDW AuS 321*⁸ should be applied.
- (66) The environment management system will in many cases already have been assessed in appropriate tests (e.g. ISO 14001 certification or validations of environmental statements for registered locations under the EMAS Regulation). The Wirtschaftsprüfer can rely on such tests when assessing the parts of sustainability reports relating to environmental aspects. The Wirtschaftsprüfer should also always, at least critically appraise the results of such tests.

6. Documentation

- (67) The Wirtschaftsprüfer documents matters which provide important evidence supporting the assurance report, and evidence that the audit or review was performed in accordance with this *IDW Assurance Standard*⁹.

7. Reporting

- (68) A report should be prepared on the audit or review of the sustainability report which should include an assurance report summarizing the result of the audit or review. Depending on the engagement, a report on the audit or a review report may not need to be issued.
- (69) Any facts identified in the course of the engagement
- which are indicative of serious deficiencies in the management system with regard to sustainability,
 - which endanger the entity's ability to continue as a going concern,

⁷ Compare *IDW Prüfungsstandard: Verwendung der Arbeit eines anderen externen Prüfers (IDW PS 320)* [*IDW Auditing Standard: Using the Work of Another External Auditor (IDW AuS 320)*] in the periodical "Die Wirtschaftsprüfung" 2002, p. 682 et seq. and the IDW bulletin "Fachnachrichten" FN-IDW 2002, p. 326 et seq.

⁸ Compare *IDW Prüfungsstandard: Interne Revision und Abschlussprüfung (IDW PS 321)* [*IDW Auditing Standard: Internal Auditing and Audits of Financial Statements (IDW AuS 321)*] in the periodical "Die Wirtschaftsprüfung" 2002, p. 686 et seq. and the IDW bulletin "Fachnachrichten" FN-IDW 2002, p. 333 et seq.

⁹ Compare *IDW Prüfungsstandard: Arbeitspapiere des Abschlussprüfers (IDW PS 460)* [*IDW Auditing Standard: The Auditor's Working Papers (IDW AuS 460)*] in the periodical "Die Wirtschaftsprüfung" 2000, p. 916 et seq. and the IDW bulletin "Fachnachrichten" FN-IDW 2000, p. 470 et seq.

- which significantly impair the development of the entity (e.g. new environmental legislation or social regulations compliance with which is currently ensured [by the entity's control system]), or
- which are indicative of serious violations of requirements relating to sustainability,

must be reported immediately to management or the persons in charge of managing the entity and, when necessary, to a supervisory body of the entity ("duty to report"). If there is any doubt as to which persons should be reported to in addition, it may be necessary to seek legal advice.

These findings must be documented in a separate section of the report on the audit or review.

8. Conclusions and Assurance Report

- (70) An assurance report should be issued on the audit or review of sustainability reports. The assurance report should be in writing and be adapted to the particular circumstances of the engagement.
- (71) The conclusion drawn from engagements to audit sustainability reports should be reached with reasonable assurance. By contrast, in review engagements, an assertion can only be derived with limited assurance.
- (72) The Wirtschaftsprüfer should assess whether sufficient appropriate evidence has been obtained to justify the audit conclusion or the assertion on the results of the review in the assurance report.
- (73) The assurance report on an audit or review should include the following basic elements, ordinarily in the following order:
- Title
 - Addressee
 - Introductory paragraph
 - Descriptive paragraph
 - The Wirtschaftsprüfer's audit conclusion or assertion on the results of the review
 - If appropriate, supplementary assertions.
- (74) The introductory section should include an identification and description of the sustainability report setting forth the subject matter of the engagement, identifying the criteria used, and a statement on the responsibilities of the entity's management and of the Wirtschaftsprüfer.
- (75) The identification and description of the sustainability report include, for example:
- the period of time to which the audit or review relates
 - the name of the entity or parts of the entity to which the report relates

- the performance areas to which the report relates
 - particular limitations on the scope of the report (e.g. limited to certain countries or indicators).
- (76) The assurance report refers to [all] the criteria which form part of the subject matter of the sustainability report.
- (77) If established criteria are used, the reference to the criteria applied can be worded as follows: “The sustainability report has been prepared in accordance with the guidelines of XY Organization.”
- (78) If criteria formulated by the entity’s management have been used, the identification of the criteria applied can be worded as follows: “The sustainability report has been prepared in accordance with the criteria formulated by the entity’s management and described in section XX of the sustainability report.”
- (79) The descriptive section of the assurance report must include a description of the nature and extent of the audit or review. The assurance report must specifically refer to the fact that the audit or review was performed in accordance with this *Assurance Standard*.
- (80) When the audit or review procedures are described in the assurance report, this description must not give a false impression about the nature and scope of an audit or review.
- (81) In an engagement to audit a sustainability report, a statement is required that, on the basis of the procedures performed, an audit conclusion can be reached with reasonable assurance. The audit conclusion should be expressed in the positive form. It must include the determination of whether the audited assertions are in accordance, in all material respects, with the criteria applied.
- (82) In an engagement to review a sustainability report, a statement is required that this report is primarily limited to inquiries and plausibility tests. It should clearly state that no audit has been performed, and that, on the basis of the procedures performed, an assertion can be reached with limited assurance. The Wirtschaftsprüfer’s assertion should be expressed in the negative form. It includes the determination that, during the review, no matters have come to the Wirtschaftsprüfer’s attention which cause the Wirtschaftsprüfer to presume that the sustainability report has not been prepared, in all material respects, in accordance with the criteria applied.
- (83) If matters have come to the Wirtschaftsprüfer’s attention as a result of which distinct parts of the sustainability report have not been prepared, in all material respects, in accordance with the criteria applied, the assurance report should be qualified and the grounds for the qualification stated.

- (84) When there is a limitation of scope relating to a distinct part of the report¹⁰, the assurance report should include a description of this scope limitation. The assurance report should be qualified to this effect.
- (85) If the reporting is not in accordance with the underlying criteria such that the impact on the sustainability report is so material that in the Wirtschaftsprüfer's opinion a qualification would not be adequate to disclose the misleading or incomplete nature of the sustainability report no assurance report should be issued. This applies equally when the limitation of scope is so severe such that no assurance report can be issued.
- (86) This *IDW Assurance Standard* permits distinct parts of a sustainability report to be audited, whilst the other parts are only subjected to review, provided this has been agreed upon with the engaging party. In such a case an audit conclusion may be expressed with reasonable assurance on the audited part of the report. An assertion with limited assurance will only be possible in respect of the remaining part. This differentiation should be clearly explained in the assurance report.

¹⁰ Compare *IDW Prüfungsstandard: Grundsätze für die ordnungsmäßige Erteilung von Bestätigungsvermerken bei Abschlussprüfungen (IDW PS 400)* [*IDW Auditing Standard: Generally accepted Standards for the Issuance of Auditors' Reports for Audits of Financial Statements (IDW AuS 400)*] in the periodical "Die Wirtschaftsprüfung" 1999, p. 641 et seq. and the IDW bulletin "Fachnachrichten" FN-IDW 1999, p. 325 et seq., nos. 50, 56.

Appendix: Examples for Formulating Assurance Reports

1. Example of an Assurance Report for Audits of Sustainability Reports

To the entity's management:

I/we have audited the report on [subject matter of the report] of [entity] (subsequently referred to as "report"). The report covers the period from January 1, to December 31, 20XX. The report has been prepared in accordance with the criteria described on page XX of the report. The preparation of the report is the responsibility of the entity's management. My/our responsibility is to express a conclusion on the assertions made in the report based on the audit performed by me/us.

I/we have conducted my/our audit of the report in accordance with *IDW AuS 821*¹¹. This standard requires that I/we plan and perform the audit to allow a conclusion to be expressed with reasonable assurance on whether the assertions in the report are, in all material respects, in accordance with the criteria applied. The audit includes assessing the effectiveness of the underlying information systems and evidence corroborating the assertions in the sustainability report, primarily on a test basis. I/we believe that my/our audit provides a reasonable basis for my/our conclusion.

My/our audit has not led to any reservations.

The audited assertions are, in all material respects, in accordance with the criteria applied.

(Place)

(Date)

(Signature)

Wirtschaftsprüfer

[German Public Auditor]

¹¹ Compare *IDW Prüfungsstandard: Grundsätze ordnungsmäßiger Prüfung oder prüferischer Durchsicht von Berichten im Bereich der Nachhaltigkeit (IDW PS 821)* [IDW Assurance Standard: Generally Accepted Assurance Principles for Sustainability Reports (IDW AuS 821)] currently in preparation.

2. Example of an Assurance Report for the Review of Sustainability Reports

To the entity's management:

I/we have reviewed the report on [subject of the report] of [entity] (subsequently referred to as "report"). The report covers the period from January 1, to December 31, 20XX. The report has been prepared in accordance with the criteria described on page XX of the report. The preparation of the report is the responsibility of the entity's management. My/our responsibility is to issue an assurance report on the report based on my/our review.

I/we have performed my/our review of the report in accordance with *IDW AuS 821*. This standard requires that I/we plan and conduct the review so that I/we can preclude through critical evaluation, with a limited level of assurance that the report has not been prepared, in all material respects, in accordance with the criteria applied. A review is limited primarily to inquiries of company employees and analytical evaluation and therefore does not provide the assurance attainable in an audit.

Based on my/our review, no matters have come to my/our attention that cause me/us to presume that the report has not been prepared, in all material respects, in accordance with the criteria applied.

(Place)

(Date)

(Signature)

Wirtschaftsprüfer
[German Public Auditor]

3. Example of an assurance report for the audit and review of distinct parts of a sustainability report

To the entity's management:

I/we have audited the part of the ecological and social performance report of ...[entity]...(subsequently referred to as "report") concerning the ecological performance and have reviewed the part of the report concerning social performance.

The report covers the period from January 1 to December 31, 20XX. The report has been prepared in accordance with the criteria described on page XX of the report. The preparation of the report is the responsibility of the entity's management. My/our responsibility is to issue an assurance report on the sustainability report based on my/our audit of the part of the report concerning the ecological performance and my/our review part of the report concerning social performance.

I/we have conducted my/our audit and my/our review of the report in accordance with *IDW AuS 821*.

In respect of the part of the report subject to audit, I/we are required to plan and perform the audit to allow a conclusion to be expressed with reasonable assurance on whether the assertions in this part of the report are, in all material respects, in accordance with the criteria applied. The audit includes assessing the effectiveness of the underlying information systems and evidence corroborating the assertions in the sustainability report, primarily on a test basis. I/we believe that my/our audit provides a reasonable basis for my/our conclusion.

My/our audit of the part of the report concerning ecological performance has not led to any reservations. The audited assertions are, in all material respects, in accordance with the criteria applied.

In respect of the part of the report subject to review, I/we are required to plan and conduct the review so that I/we can preclude through critical evaluation, with a limited level of assurance that this part of the report has not been prepared, in all material respects, in accordance with the criteria applied. A review is limited primarily to inquiries of company employees and analytical evaluation and therefore does not provide the assurance attainable in an audit.

Based on my/our review of the part of the report concerning social performance, no matters have come to my/our attention that cause/s me/us to presume that the report has not been prepared, in all material respects, in accordance with the criteria applied.

(Place)

(Date)

(Signature)

Wirtschaftsprüfer
[German Public Auditor]