

European Commission

**Date** : June 27, 2023

**Reference** : NOREA /AB-2023/wo149

**Re** : Feedback on European Sustainability Reporting Standards – first set

To whom it may concern,

As representatives of the Dutch Professional Organization of registered IT-auditors (NOREA) we represent a large group of Information Technology/Information Systems auditors<sup>1</sup>. Our members, IT auditors (RE), are closely involved with financial statement audits as well as providing assurance regarding IT Governance, IT control, IT security, Sustainability information and Privacy directly to organizations in the Netherlands and beyond. NOREA is member of IFAC (international Federation of Accountants) and as such are all IT auditors as member of NOREA allowed to provide assurance and attestation services in the Netherlands.

NOREA promotes and supports developments to issue generic standards and frameworks that increase the transparency of the fast evolving risks in the area of IT with the aim to make organizations and their stakeholders more aware of the IT-challenges they face.

### General

First and foremost we are of the opinion that the introduction of the European Sustainability Reporting Standards (ESRS) is a step in the right direction of increasing awareness for the topic of Sustainability and improving transparency as well as increasing confidence in sustainability reports. Our input focuses on three different perspectives: the issuer, the user and the client (being audited).

### User

The first perspective is the user of sustainability information and hence the one that needs clarification on the application of ESRS. Building on the statement in the previous paragraph regarding the importance of IT and data, it should be clear that reliable

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<sup>1</sup> NOREA is the professional organization of IT-auditors in The Netherlands, established 31 years ago. At present, NOREA has nearly 1750 registered members (the Registered EDP Auditors (RE's)). All have met explicit requirements for registration. NOREA collaborates closely with NBA (the Royal Netherlands Institute of Chartered Accountants) in the domain of assurance within the financial audit. We also collaborate with global organizations such as the Information System Audit and Control Association (ISACA) and the Institute of Internal Auditors (IIA).

information/data and a clear understanding of the data by the user will help in achieving and improving transparency. If the data being used is unreliable or there is lack in transparency (or understanding) the outcomes, reports and subsequent decision making can never result in useful decision making. This goes without saying for Sustainability reporting. If for instance the data being used is unclear, for example because of unclear metadata or a lack of sound (internal) controls, the report itself will be of inferior quality and this will have a subsequent negative effect on the confidence in the information being presented and this in turn can result in wrongful decisionmaking.

ESRS provides a few statements that address the importance of data quality and the risks that have an effect on it, such as completeness, integrity and accuracy of data. However ESRS does not address safeguards/controls that ensure that data quality is being met and upheld. We are of the opinion that this could be solved by introducing more clear guidelines (controls) as well as key performance indicators on how to ensure data quality is at the expected level (as well as signalling any deviations that data is not at the expected level and action should be taken or data analysed further). Adding these controls will have a benefit from a user perspective as well as from a client perspective, as explained in the next paragraph.

### Client

Secondly, the perspective of the client is important. Similar as to what is written in the user perspective, the client can profit from a more clear understanding of the way IT controls, data quality controls, etc should be implemented. This will add to the understanding of what is needed from a client perspective as well making the audit of CSRD (and the control/IT structure surrounding it) more efficient and effective. In that sense ESRS should provide more guidance on specific controls that should be implemented in order to report useful sustainability information and to safeguard the quality of reporting and information gathering.

### Issuer

Lastly, ESRS defines the rules of the Corporate Sustainability Reporting Directive (CSRD). The CSRD requires that sustainability information being reported is audited, hence the introduction of ESRS. In the CSRD it is also explained that the European Commission wants to enhance audit quality as well as creating a more open and diversified audit market. Adding further that a broader choice of independent assurance service providers should be considered for the assurance of sustainability reporting. Unfortunately no further clarification is given in CSRD or ESRS as to how this should be considered or implemented in member states. This responsibility is seemingly delegated to ministries in individual EU member states.

First of all NOREA meets the criteria as set forward by Regulation (EC) No 765/2008 of the European Parliament and of the Council.

Second and perhaps more importantly, NOREA is of the opinion that IT plays a vital role in the context of CSRD and ESRS. IT is both an enabler for the gathering of data (information) as well as the vital role IT plays from a reporting perspective. NOREA members can play an important role in the context of providing assurance on sustainability information being reported, the reliability of underlying (IT) systems and the reliability of ESG data being used. In this sense we urge you to consider the IT auditors which are member of NOREA, as assurance providers in the context of CSRD reporting.

### Concluding

As stated before, NOREA is of the opinion that it and its members can play an important role in the context of sustainability reporting. Given our argumentation above we ask two questions (consideration):

1. We ask for more clarification on the way controls are defined and can be used in the context of ESRS and CSRD. Specifically with regards to data quality and internal controls.
2. The inclusion of IT auditors alongside or in close cooperation with financial auditors as a party of providing assurance in the context of sustainability reporting.

We are more than happy to illustrate our position and the role we can play in the context of CSRD and ESRS.

Kind regards,  
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President of NOREA